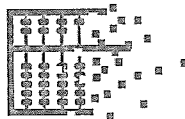


Financial Statements

**LUCAS COUNTY IMPROVEMENT  
CORPORATION**

Years Ended December 31, 2011 and 2010  
with Accountants' Compilation Report



MIRA+KOLENA

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Certified Public Accountants & Consultants

Financial Statements

**LUCAS COUNTY IMPROVEMENT  
CORPORATION**

Years Ended December 31, 2011 and 2010  
with Accountants' Compilation Report

**Lucas County Improvement Corporation**

**Financial Statements**

**Years Ended December 31, 2011 and 2010**

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# MIRA+KOLENA

Certified Public Accountants & Consultants

Charles J. Mira, J.D., CPA  
Thomas E. Kolena, CPA/ABV/CFF

## ACCOUNTANTS' COMPILATION REPORT

Mira+Kolena, Ltd.  
4841 Monroe Street  
Suite 350  
Toledo, Ohio 43623

419-474-5020  
419-474-5072 Fax  
mk@mirakolena.com

Board of Directors  
Lucas County Improvement Corporation

Member of:  
American Institute  
of Certified Public  
Accountants

Ohio Society of  
Certified Public  
Accountants

We have compiled the accompanying statement of financial position of Lucas County Improvement Corporation as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. We have not audited or reviewed the 2011 financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The accompanying 2011 financial statements of Lucas County Improvement Corporation were previously reviewed by us, and we stated that we were not aware of any material modifications that should be made to those statements in order for them to be in conformity with accounting principles generally accepted in the United States of America in our report dated December 28, 2011, but we have not performed any procedures in connection with that review engagement since that date.

*Mira + Kolena, Ltd*

April 30, 2012

**Lucas County Improvement Corporation**

**Statements of Financial Position**

**December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash	\$ 37,467	\$ 18,604
Restricted cash	375	375
Accounts receivable	17,359	-
Prepaid expenses	1,192	1,192
Property and equipment:		
Equipment and software	26,217	26,217
Furniture and fixtures	19,547	19,547
	<u>45,764</u>	<u>45,764</u>
Less accumulated depreciation	<u>25,393</u>	<u>16,665</u>
Net property and equipment	20,371	29,099
Other assets:		
Investment in limited liability company	119,189	119,189
Note receivable	47,832	57,250
Deferred financing costs, net of accumulated amortization of \$11,132 (\$5,536 in 2010)	16,698	22,264
Land held for sale	450	450
Total other assets	<u>184,169</u>	<u>199,153</u>
Total assets	<u><u>\$ 260,933</u></u>	<u><u>\$ 248,423</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 8,190	\$ 31,565
Accrued liabilities:		
Payroll and vacation	21,147	23,534
Contract labor	1,314	1,314
Payroll taxes	1,252	1,592
Workers compensation	529	529
	<u>24,242</u>	<u>26,969</u>
Total liabilities	32,432	58,534
Net assets - unrestricted	<u>228,501</u>	<u>189,889</u>
Total liabilities and net assets	<u><u>\$ 260,933</u></u>	<u><u>\$ 248,423</u></u>

See accountants' compilation report and accompanying notes.

**Lucas County Improvement Corporation**

**Statements of Activities**

**Years Ended December 31, 2011 and 2010**

	2011	2010
<b>Revenues:</b>		
Contributions from Lucas County	\$ 450,000	\$500,000
Management fees - Lucas County Workforce Investment Board	246,771	194,687
Grant	30,000	-
Consulting	2,500	-
Interest	1,700	1,997
In-kind contribution	-	27,830
Contributions	-	1,625
Equity in net loss on investment in limited liability company	-	(5,811)
	730,971	720,328
<b>Expenses:</b>		
Salaries and wages	378,056	375,566
Insurance:		
Group	74,951	58,017
Professional liability	3,618	3,321
Contract labor	45,939	86,748
Rent	36,249	107,733
Grant	30,000	-
Payroll taxes and worker's compensation	27,583	27,222
Professional fees	27,109	11,137
Telephone and internet	14,915	14,422
Depreciation and amortization	14,294	12,295
Travel	12,065	12,190
Occupancy and office	8,557	12,536
Dues and subscriptions	4,588	7,941
Conferences and training	3,719	8,962
Meals and entertainment	2,592	5,830
Outside services	2,359	17,028
Bad debts	1,994	-
Marketing	1,728	2,862
Consulting	1,000	-
Miscellaneous	862	(3,252)
Postage, shipping and delivery	181	679
Total expenses	692,359	761,237
<b>Change in net assets</b>		
Net assets at beginning of year	38,612	(40,909)
Net assets at end of year	\$ 228,501	\$189,889

See accountants' compilation report and accompanying notes.

**Lucas County Improvement Corporation**

**Statements of Cash Flows**

**Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 38,612	\$ (40,909)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	14,294	12,295
Loss in investment in limited liability company	-	5,811
Changes in assets and liabilities:		
Restricted cash	-	9,000
Accounts receivable	(17,359)	11,425
Prepaid expenses	-	5,840
Other assets	-	(27,830)
Accounts payable	(23,375)	26,777
Accrued liabilities	(2,727)	10,159
Net cash provided by operating activities	<u>9,445</u>	<u>12,568</u>
<b>Cash flows from investing activities:</b>		
Payments received on note receivable	9,418	9,121
Capital expenditures	-	(27,917)
Purchase of land held for sale	-	(450)
Net cash provided by (used in) investing activities	<u>9,418</u>	<u>(19,246)</u>
Net increase (decrease) in cash	18,863	(6,678)
Cash at beginning of year	<u>18,604</u>	<u>25,282</u>
Cash at end of year	<u><u>\$ 37,467</u></u>	<u><u>\$ 18,604</u></u>

See accountants' compilation report and accompanying notes.

# Lucas County Improvement Corporation

## Notes to Financial Statements

December 31, 2011 and 2010

(See accountants' compilation report)

### 1. Summary of Significant Accounting Policies

#### Business Activity

Lucas County Improvement Corporation (the "Corporation") was organized for the purpose of promoting, advancing and encouraging the industrial, economic, commercial and civic development of Lucas County, Ohio ("Lucas County") and the surrounding area. Funds for this purpose are contributed by Lucas County.

In June 2011, the Corporation established Northwest Ohio Improvement Fund, LLC, a wholly-owned for-profit subsidiary engaged in providing financing to companies and real estate development projects in Northwest Ohio. The Toledo-Lucas County Port Authority is the primary beneficiary of the activities conducted by this entity. There was no financial activity related to this entity in 2011.

In December 2011, the Corporation established Lucas County Commercial Redevelopment, LLC, a wholly-owned not-for-profit subsidiary engaged in land redevelopment. There was no financial activity related to this entity during 2011.

Upon dissolution or liquidation of the Corporation, any remaining net assets of the Corporation shall be distributed as determined by the Board of Directors with the approval of the Court of Common Pleas of Lucas County, Ohio, for charitable purposes in the Lucas County area.

#### Net Asset Classifications

Resources for various purposes are classified for accounting and financial reporting purposes into net asset categories established according to their nature and purpose as follows:

- Unrestricted net assets – Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Directors, for the Corporation to utilize in any of its programs or supporting services.
- Temporarily restricted net assets – Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes. The restrictions are satisfied either by the passage of time or by actions of the Corporation. The Corporation does not have any temporarily restricted net assets at December 31, 2011 and 2010.
- Permanently restricted net assets – Permanently restricted net assets include resources with permanent donor-imposed restrictions, which require the assets to be maintained in perpetuity but permit the Corporation to expend all or part of the income derived from the donated assets. The Corporation does not have any permanently restricted net assets at December 31, 2011 and 2010.

#### Restricted Cash

The Corporation received a grant award to revitalize a specific Toledo area. Terms of the grant require the funds to be segregated from other Corporation funds.



# Lucas County Improvement Corporation

## Notes to Financial Statements

December 31, 2011 and 2010

(See accountants' compilation report)

### 1. Summary of Significant Accounting Policies - continued

#### Investment in Limited Liability Company

The Corporation has an investment in a limited liability company which is recorded using the equity method of accounting.

#### Concentration of Revenue and Accounts Receivable

In 2011, approximately 69% of funding (71% in 2010) to the Corporation was from support provided by Lucas County. A significant reduction in the level of support could have a significant effect on the Corporation's programs and/or financial viability.

#### Property and Equipment

Property and equipment is recorded at cost. Depreciation is calculated by the straight line method over the estimated useful lives of the equipment ranging from 3 to 7 years. Depreciation expense for the years ended December 31, 2011 and 2010 is \$8,728 and \$6,729, respectively.

#### Revenue Recognition

Unconditional promises to give are recognized as revenue in the period promised and as increases in assets or decreases of liabilities depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There are no conditional promises to give at December 31, 2011 and 2010.

Grant revenue received prior to year end which is unspent is recorded as deferred revenue. Periodic audits of some grants may be required and certain costs may be deemed inappropriate by the grantor which could result in the refund of grant monies to the granting agencies. Management believes that any required refunds will not be significant to the accompanying financial statements and no provision has been made in the accompanying financial statements for the refund of any grant monies.

Temporarily restricted contributions are reported as increases in temporarily restricted net assets. When a donor time restriction ends or purpose or other restricted is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### Subsequent Events

The Corporation has evaluated subsequent events for potential recognition and/or disclosure in the December 31, 2011 financial statements through April 30, 2012, the date the financial statements are available to be issued.

**Lucas County Improvement Corporation**

**Notes to Financial Statements - continued**

**December 31, 2011 and 2010**

(See accountants' compilation report)

**1. Summary of Significant Accounting Policies - continued**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

**Income Taxes**

The Corporation was incorporated on February 20, 1964 under Chapter 1724 of the Ohio Revised Code as a community improvement corporation, which is a non-profit organization. In October 2011, the Corporation received approval, retroactive to the date of incorporation, from the Internal Revenue Service to be classified as a public charity and is thereby exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization has adopted the provisions of Financial Accounting Standards Board Codification 740-10, *Income Taxes*, which clarifies how tax benefits for uncertain tax positions are to be recognized, measured, and reported in financial statements and requires certain disclosures of uncertain tax matters.

**Intangible Assets**

Intangible assets subject to amortization include loan acquisition costs. The loan acquisition costs are being amortized using the straight-line method over 60 months. Amortization expense for the years ended December 31, 2011 and 2010 was \$5,566 in each year.

**Donated Assets**

The Corporation received the benefit of \$27,600 in financing costs from the Toledo-Lucas County Port Authority in 2010, which are included as deferred financing costs in the statements of financial position.

**2. Investment in Limited Liability Company**

The Corporation has invested \$125,000 in Rocket Ventures Fund, LLC, a development fund administered through the Regional Growth Partnership of Northwest Ohio. The investment is reported using the equity method of accounting at its carrying value of \$119,189 at December 31, 2011 and 2010. Based upon the understanding with Lucas County, any positive return on the investment will be remitted to Lucas County.

# Lucas County Improvement Corporation

## Notes to Financial Statements

December 31, 2011 and 2010

(See accountants' compilation report)

### 3. Note Receivable

The Corporation has advanced \$75,000 to an operating company under a seven year note which bears interest at 3 1/2%. The note is secured by a mortgage agreement on certain real property and certain guarantees. At December 31, 2011 and 2010, the balance of the note is \$47,832 and \$57,250, respectively.

### 4. Related Party Transactions

The Corporation has an agreement with Workforce Investment Board, a not-for-profit organization related to Lucas County, for certain management and administrative services. In 2011 and 2010, the Corporation received approximately \$246,000 and \$197,000, respectively, under this agreement which is reflected as management fees in the accompanying financial statements. At December 31, 2011, management fee receivables totaled \$17,359.

### 5. Lease Commitments

Rent expense under operating lease agreements with Lucas County for use of facilities totaled \$36,249 in 2011 and \$107,733 in 2010. Annual future minimum lease commitments for 2012 total \$41,478, exclusive of an additional obligation to pay certain utilities and taxes.

### 6. Grants

In October 2008, the Corporation was awarded a \$750,000 grant from the State of Ohio for an industrial site improvement project. The State of Ohio requires the Corporation obtain a specified amount of matching funds prior to requesting any grant funds. No grant funds were ever received under this grant. In October 2010, the grant was cancelled and the Corporation has no liability of continuing obligation related to this grant.

The Corporation was awarded a \$200,000 grant in 2011 from the City of Toledo for an environmental remediation project. The Corporation has not incurred any expenses and has not received any funds related to this grant during 2011.

The Corporation received a \$2,783,000 loan from the State of Ohio in September 2009 to develop an intermodal hub at the Toledo Express Airport with another party. A commitment fee of \$27,830 was paid by the Toledo-Lucas County Port Authority on behalf of the Corporation to secure the loan in September 2009. The loan is forgivable based on requirements for job creation and the development of intermodal systems. The loan will be due with accrued interest of 1% over the term of the construction project. The loan requires a \$3,200,000 grant from the Federal Economic Development Administration and other matching private funds. The Corporation has not incurred any expenses and has not received any funds related to these grants during 2011.