LUCAS COUNTY ECONOMIC DEVELOPMENT CORPORATION

Consolidated Financial Statements and Supplemental Information

Years Ended December 31, 2018 and 2017

With Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Directors
Lucas County Economic Development Corporation
One Government Center, #800
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We have reviewed the *Independent Auditor's Report* of the Lucas County Economic Development Corporation, Lucas County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lucas County Economic Development Corporation is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

June 19, 2019

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Lucas County Economic Development Corporation:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lucas County Economic Development Corporation ("LCEDC") (a not-for-profit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lucas County Economic Development Corporation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2019, on our consideration of Lucas County Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lucas County Economic Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lucas County Economic Development Corporation's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
May 21, 2019

Lucas County Economic Development Corporation

Consolidated Statements of Financial Position

December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 1,457,858	$ 1,846,197
Notes and accounts receivable:		
Notes	48,371	30,392
Interest	1,215	8,155
	49,586	38,547
Total current assets	1,507,444	1,884,744
Property and equipment:		
Equipment and software	14,971	14,971
Furniture and fixtures	19,547	19,547
	34,518	34,518
Less accumulated depreciation	34,159	32,705
	359	1,813
Other assets:		
Investment in limited liability companies	7,322,563	7,776,847
Notes receivable	2,410,941	1,825,345
Investment properties held for sale	1,462,133	1,462,133
Deferred costs	271,739	30,418
Deposits	-	11,000
	11,467,376	11,105,743
Total assets	$ 12,975,179	$ 12,992,300
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 55,105	$ 7,937
Accrued liabilities	451,123	564,460
Total liabilities	506,228	572,397
Long-term debt	5,281,251	5,276,251
Net assets:		
Controlling interests - without donor restrictions	6,248,510	6,404,348
Noncontrolling interests	939,190	739,304
Total net assets	7,187,700	7,143,652
Total liabilities and net assets	$ 12,975,179	$ 12,992,300

See accompanying notes to consolidated financial statements.

Lucas County Economic Development Corporation

Consolidated Statements of Activities

Years Ended December 31, 2018 and 2017

	2018	2017
Revenues:		
Contributions from Lucas County	$ 400,000	$ 257,500
Income (loss) related to investment in limited liability companies	(118,363)	3,002,151
Interest income	85,406	22,800
Miscellaneous	-	10
	367,043	3,282,461
Expenses:		
Professional fees	186,827	153,358
Interest	174,041	201,570
Taxes:		
Real estate	37,756	24,493
Income	35,118	-
Management fees	30,000	30,846
Advertising and promotion	27,510	-
Expired options	21,000	13,750
Professional liability insurance	7,023	6,473
Depreciation	1,454	2,260
Dues and subscriptions	1,025	100
Outside services	552	397
Bank fees	510	710
Office supplies	95	200
Utilities	84	1,014
Miscellaneous	-	1,223
Telephone and internet	-	271
Total expenses	522,995	436,665
Change in net assets for consolidated group	(155,952)	2,845,796
Net loss of noncontrolling interests	114	6,301
Change in net assets	$ (155,838)	$ 2,852,097

See accompanying notes to consolidated financial statements.

Lucas County Economic Development Corporation

Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2018 and 2017

	Net Assets		
	Controlling Interests	Noncontrolling Interests	Total
Balance at December 31, 2016	$ 3,552,251	$ -	$ 3,552,251
Change in net assets	2,852,097	(6,301)	2,845,796
Capital contributions	-	745,605	745,605
Balance at December 31, 2017	6,404,348	739,304	7,143,652
Change in net assets	(155,838)	(114)	(155,952)
Capital contributions	-	200,000	200,000
Balance at December 31, 2018	$ 6,248,510	$ 939,190	$ 7,187,700

See accompanying notes to consolidated financial statements.

Lucas County Economic Development Corporation

Consolidated Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (155,952)	$ 2,845,796
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	1,454	2,260
(Income) loss related to investment in limited liability companies	118,363	(3,002,151)
Changes in assets and liabilities:		
Accounts receivable	6,940	(8,155)
Deposits	11,000	(11,000)
Accounts payable	47,168	(13,109)
Accrued liabilities	(113,337)	202,030
Net cash provided by (used in) operating activities	(84,364)	15,671
Cash flows from investing activities:		
Increase in deferred loan costs and fees - net	10,023	(16,339)
Advances under notes receivable	(667,054)	(1,109,555)
Increase in deferred costs	(241,321)	(30,418)
Distribution from limited liability companies	336,721	6,146,464
Payments received on note receivable	52,656	10,157
Additional investment in limited liability companies	-	(47,954)
Costs incurred related to investment properties	-	(69,270)
Net cash provided by (used in) investing activities	(508,975)	4,883,085
Cash flows from financing activities:		
Capital contributions	200,000	200,000
Proceeds from notes payable	5,000	500,000
Payments on notes payable	-	(6,072,768)
Net cash provided by (used in) financing activities	205,000	(5,372,768)
Net decrease in cash	(388,339)	(474,012)
Cash at beginning of year	1,846,197	2,320,209
Cash at end of year	$ 1,457,858	$ 1,846,197
Supplemental cash flow information:		
Cash paid for interest	$ 300,000	$ -
Cash paid for income taxes	$ 35,118	$ -
Supplemental non cash investing and finance activities:		
Funds held on behalf of other parties obligation exchanged for membership interests	$ -	$ 545,605

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Business Activity

Lucas County Economic Development Corporation ("LCEDC") 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. 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, ("Lucas County") for charitable purposes in the Lucas County area.

LCEDC is the sole member of Hensville Improvements Manager, Inc. ("Manager"), a wholly-owned for-profit subsidiary, which was formed to manage and fund certain entities involved in a downtown Toledo development project known as "Hensville" (see Note 3). In 2016, LCEDC formed LCEDC Builds, LLC ("LCEDC Builds"), a wholly-owned for-profit subsidiary, which has a controlling ownership interest in Lucas County Builds ("LCB"). LCB provides collateralized debt financing for qualified projects to companies and economic development projects in Lucas County (see Note 2). Funding is provided by Lucas County and other investors.

Basis of Presentation

The Corporation presents its financial statements using the accrual basis of accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of LCEDC, Manager, LCEDC Builds, and LCB (collectively, known as the "Corporation"). All significant intercompany balances and transactions have been eliminated.

LCEDC has established Northwest Ohio Improvement Fund, LLC ("NOIF"), 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 were no financial activities related to Northwest Ohio Improvement Fund, LLC in 2016. In 2017, the Corporation's membership interest was effectively assigned to the Toledo-Lucas County Port Authority.

In addition, LCEDC has also established Lucas County Commercial Redevelopment, LLC ("Commercial Redevelopment"), a wholly-owned not-for-profit subsidiary engaged in land redevelopment. In 2016, Commercial Redevelopment obtained a .005% ownership interest in LCB which was effectively assigned to LCEDC Builds in 2017.

1. Summary of Significant Accounting Policies - continued

Recently Issued Accounting Standards

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard simplifies and improves how a not-for- profit organization classifies its net assets as well as the information it presents in financial statements and notes about its liquidity, net assets, functional expenses, financial performance, and cash flows. LCEDC implemented this standard in 2018 and the financial statement presentation has been modified accordingly. The ASU has been applied retrospectively to 2017 and the effect on 2017 financial statements was not significant.

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:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or grantor) restrictions. The Board of Directors has the ability designate, from net assets without donor restrictions, net assets for operating an operating reserve, board-designated endowment or other purposes.

- *Net Assets With Donor Restrictions* – Net assets subject to donor (or grantor) imposed restrictions. Some donor-imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

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, 2018 and 2017 is $1,454 and $2,260, respectively.

Investments

The Corporation has an investment in a limited liability company which is recorded using the equity method of accounting. The Corporation has two investments in two Hensville-related entities (see Note 3) which are recorded using the equity method of accounting.

1. Summary of Significant Accounting Policies – continued

Notes Receivable

Notes receivable are stated at the unpaid principal balance, less an allowance for loan losses and net deferred loan origination fees and costs, if any. Loan origination and commitment fees, as well as certain direct origination costs, are deferred and recognized as an adjustment to interest income ratably over the life of the loan. Amortization using the straight line method is not materially different than on the interest method. These costs are recorded as part of the notes receivable balance.

The allowance for loan losses is maintained at a level that, in management's judgement, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan, including trends in historical loss experience, specific impaired loans, economic conditions and other risks. The Corporation's practice is to charge off any portion of the receivable when and if determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. The Corporation's allowance for loan losses is $-0- at December 31, 2018 and 2017.

The Corporation considers a loan impaired when, based on current information and factors, it is probable that the Corporation will not collect the principal and interest payments in accordance with the loan agreement. Management considers payment history and value of collateral in determining whether a loan is impaired. Loans that are contractually delinquent less than 90 days are generally not considered impaired unless the borrower has claimed bankruptcy or the Corporation has received specific information concerning the loan impairment. The Corporation measures impairment on a loan-by-loan basis by using either the fair value of collateral or the present value of expected cash flows. There were no impaired loans as of December 31, 2018 and 2017.

There were no changes in the Corporation's accounting policies during the period. There have been no purchases, sales, or reclassifications of financing receivables. The Corporation monitors the credit quality of its notes receivable by assessing the collection experience and sufficiency of collateral related to the receivable. The current recorded note receivable is of the highest quality and shows no indication of collectability problems.

Concentration of Revenue and Other Risks

Substantially all operating revenue to the Corporation is 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.

1. Summary of Significant Accounting Policies – continued

Concentration of Revenue and Other Risks - continued

The Corporation maintains cash deposits in financial institutions which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. The maximum loss that would result from this risk is the excess of cash deposits reported by the banks over the amounts that would have been covered by federal insurance up to $250,000 per financial institution. The Corporation has not experienced any losses in these types of accounts and believes it is not exposed to any significant credit risk related to cash deposits.

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, 2018 and 2017.

Funds Held on Behalf of Other Parties

In 2016, funds held on behalf of other parties included funds advanced from two companies who were in the process of purchasing an interest in LCB. In 2017, LCB satisfied this obligation through the issuance of membership interests (See Note 7).

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

LCEDC was incorporated under Chapter 1724 of the Ohio Revised Code as a community improvement corporation under 501(c)(3) of the Internal Revenue Code. The Corporation received approval 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. Manager is organized as a for-profit corporation for federal income tax purposes. LCB is treated as a partnership for income tax purposes whereby all tax effects are passed through to its members.

The Corporation has evaluated the guidelines related to uncertain tax positions and has concluded that the Corporation has no significant financial statement exposure to uncertain tax positions at December 31, 2018 and 2017. The Corporation's federal income tax returns for the years subsequent to 2014 remain subject to examination by the Internal Revenue Service.

1. Summary of Significant Accounting Policies – continued

Donated Services

The Corporation receives certain services without cost, primarily from Lucas County, for personnel, occupancy costs and other administrative services; however, the financial statements do not reflect the value of these contributed services.

Functional Expenses

The Corporation has program expenses that relate to providing certain program services. Directly identifiable expenses are charged to programs and supporting services when appropriate. Certain costs not directly attributable to program services, such as professional fees and certain administrative costs, have been allocated between program and management and general expenses. Professional fees are allocated to programs if the expenses incurred were related to development projects and certain administrative costs are allocated based on the estimated benefits received by program and supporting activities. Functional expenses for the years ended December 31, 2018 and 2017 were as follows:

	2018			2017		
	Program	Management and General	Consolidated	Program	Management and General	Consolidated
Professional fees	$ 89,073	$ 97,754	$ 186,827	$ 66,452	$ 86,906	$ 153,358
Interest expense	174,041	-	174,041	201,570	-	201,570
Taxes:						
Real estate	37,756	-	37,756	24,493	-	24,493
Income taxes	-	35,118	35,118	-	-	-
Management fees	30,000	-	30,000	30,846	-	30,846
Advertising and promotion	-	27,510	27,510	-	-	-
Expired options	21,000	-	21,000	13,750	-	13,750
Professional liability insurance	702	6,321	7,023	544	5,929	6,473
Depreciation	-	1,454	1,454	-	2,260	2,260
Dues and subscriptions	-	1,025	1,025	-	100	100
Outside services	55	497	552	-	397	397
Bank fees	-	342	342	-	710	710
Miscellaneous	17	151	168	-	1,223	1,223
Office supplies	10	85	95	117	83	200
Utilities	84	-	84	1,014	-	1,014
Telephone and internet	-	-	-	27	244	271
	$ 352,738	$ 170,257	$ 522,995	$ 338,813	$ 97,852	$ 436,665

Subsequent Events

The Corporation has evaluated subsequent events for potential recognition and/or disclosure in the December 31, 2018 financial statements through the report date, the date the financial statements are available to be issued.

1. Summary of Significant Accounting Policies – continued

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation.

2. Notes Receivable

Notes receivable at December 31, 2018 and 2017 consist of the following:

	2018	2017
Note receivable from Old Central, Inc., semi-annual payments of $26,263 including interest at 3%, maturity in November 2026 (Overland Industrial Park)	$ 1,012,591	$ 609,555
Note receivable from Toledo-Lucas County Port Authority, interest at 2.5%, monthly payments of $4,094, including interest through December 2028 (Dana)	708,847	739,843
Note receivable from COCRF Investor 92, LLC, interest at 3.5% through June 2024, monthly payments of $3,994 beginning in July 2024 through July 2037 (Overland Industrial Park Two)	500,000	500,000
Note receivable from Balance Farms, LLC, interest at 3%, monthly payments of $4,974 beginning June 2019 through October 2023 (Balance Farms)	242,358	-
Deferred fees and costs - net	(4,484)	6,339
	2,459,312	1,855,737
Current portion of notes receivable	(48,371)	(30,392)
Long - term notes receivable	$ 2,410,941	$ 1,825,345

In 2016, LCB advanced $750,000 to a local developer to fund (1) the construction of a manufacturing facility expansion for a third party and (2) the related purchase of equipment for the manufacturing facility. Also, in 2016, LCB agreed to loan up to $1,000,000 to a local company to fund the construction of a building and related improvements. In 2017, LCB advanced $500,000 to a local developer to fund the construction of a manufacturing facility on a former brownfield site in a tax credit financing. The loan was funded through a related $500,000 borrowing from the Toledo-Lucas County Port Authority (see Note 3). In 2018, LCEDC advanced $242,358 to Balance Farms, LLC, for the cost of acquisition and installation of certain trade fixtures, equipment and personal property.

As discussed in Note 1, there is no allowance for loan losses at December 31, 2018 and 2017. At December 31, 2018, LCB has $162,642 of remaining loan commitments and undrawn portions of development loans ($390,445 at December 31, 2017). In February 2019, LCB advanced $126,072 on this loan.

2. Notes Receivable – continued

LCB generally grants collateralized loans to borrowers as discussed in Note 1. LCB's loan portfolio is focused in a particular geographic area located in Toledo, Ohio and a significant portion of the debtor's ability to repay their obligations is dependent upon the local economic conditions.

Contractual maturities for principal payments due under the notes receivable total $2,463,796 (excluding net deferred fees) and are due as follows: 2019 - $48,371; 2020 - $72,710; 2021 - $75,281; 2022 - $77,472; 2023 - $241,447; 2024 and thereafter - $1,948,515.

3. Investment in Limited Liability Companies

LCEDC has invested $125,000 in Rocket Ventures Fund, LLC, a development fund administered through the Regional Growth Partnership of Northwest Ohio. Based upon a memorandum of understanding with Lucas County, any positive return on the investment will be remitted to Lucas County. At December 31, 2018, LCEDC's investment balance has been written down to $-0-.

Through Manager, the Corporation is assisting in the financing and administration of the Hensville new market and state tax credit real estate development project. Hensville consists of the redevelopment and rehabilitation of 77,000 square feet of restaurant/event, office and retail space in three historical buildings adjacent to the Toledo Mud Hens Ballpark which was completed in April 2016.

In 2018, Manager owns a noncontrolling interest in Hensville Improvements, LLC ("Improvements"), the owner of the Hensville properties, and a 1% managing-member interest in Hensville Master Tenant, LLC ("Master Tenant"), who leases the Hensville space and has made certain loan and equity investments in Improvements. Manager has made investments in Improvements and Master Tenant which has been financed with borrowings under long-term debt (see Note 7).

Investments in limited liability companies at December 31, 2018 and 2017 consist of the following:

	2018	2017
Hensville Improvements, LLC	$ 7,282,921	$ 7,713,211
Hensville Master Tenant, LLC, 1% interest	39,642	40,076
Rocket Ventures Fund, LLC, 1.7% interest	-	23,560
Total investments	$ 7,322,563	$ 7,776,847

Summarized financial information of Improvements as of December 31, 2018 and 2017 and for the years ended is as follows:

3. Investment in Limited Liability Companies - continued

	2018	2017
Total assets	$ 19,529,294	$ 19,690,250
Liabilities	$ 9,250,722	$ 8,959,723
Members' equity	10,278,572	10,730,527
	$ 19,529,294	$ 19,690,250
Revenue	$ 679,711	$ 809,382
Expenses	785,744	69,250
Net other income	-	2,248,835
Net income (loss)	$ (106,033)	$ 2,988,967

A significant amount of Improvement's 2017 net income was from the sale of $2,974,484 historic tax credits.

4. Accrued Liabilities

Accrued liabilities at December 31, 2018 and 2017 consist of the following:

	2018	2017
Interest	$ 425,934	$ 551,892
Real estate taxes	25,189	12,568
	$ 451,123	$ 564,460

5. Investment Properties Held for Sale

At December 31, 2018 and 2017, LCEDC had two properties held for sale with a recorded value of $1,462,133. Expenses incurred for managing and maintaining investment properties held for sale, including insurance, utilities, maintenance and real estate taxes amounted to $37,756 and $26,461 for the years ended December 31, 2018 and 2017, respectively.

In July 2017, LCEDC entered a long-term lease with a local developer of one of the investment properties. As the developer was unable to resolve existing contingencies and remain in compliance with the lease, the lease was terminated in October 2018. In December 2018, LCEDC entered into a Memorandum of Understanding for development of a nationally franchised hotel whereby LCEDC will lease land and improvements to another developer over a 7 year period with annual lease payments equal to 5% of acquisition and renovation costs. The developer or designated affiliate will be the manager and operator of the hotel. LCEDC is expecting to fund the development costs incurred by the developer over a 30 year period. The Agreement also incorporates various put and call options.

6. Notes Payable

Notes payable at December 31, 2018 and 2017 consist of the following:

	2018	2017
Note payable to Toledo Mud Hens Baseball Club, interest payable quarterly at 3.25%	$ 4,781,251	$ 4,776,251
Note payable to Toledo-Lucas County Port Authority, interest only payments due monthly at 2.5%, due June 2024	500,000	500,000
	$ 5,281,251	$ 5,276,251

Under an $11,000,000 Loan Agreement and Line of Credit Promissory Note (“Note”) with the Toledo Mud Hens Baseball Club, Inc. (“Mud Hens”), Manager is borrowings monies to fund certain equity investments in Improvements and Master Tenant. Interest on the Hensville Note is only paid out of 99% of available cash flow as defined in the Note. Principal payments are limited to 99% of available cash flow less interest costs.

In December 2017, LCEDC executed a non-interest bearing $250,000 line of credit which LCEDC can draw down on a project-by-project basis. The line of credit is due December 2022 and no borrowings were outstanding as of December 31, 2018 and 2017.

7. Members’ Equity

In April 2017, funds previously advanced to LCB and held on deposit were used to purchase membership interests. In December 2017, membership interests were adjusted with additional capital contributions and membership interests issued. The net loss for 2017 has been allocated based on the weighted average days of ownership of the membership interests. The liability of the LCB’s Members is limited to the total capital contributions. All capital contributions were fulfilled in 2018.

8. Management Fee

LCB pays a management fee to LCB’s investment advisor for financial advisory, structuring and monitoring services. Management fees are based on 1% of total LCB capital contributions.

9. Liquidity and Availability

Financial assets held by LCEDC are available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance date, and are comprised of $16,467 in cash at December 31, 2018. As a steward of public-related funds, LCEDC maintains all of its cash balances in safe cash accounts with no risk of loss. For funds for future operations or in the event of any unanticipated liquidity need, LCEDC would seek funding from Lucas County.

Other cash of $1,441,391 at December 31, 2018 in LCB and Manager is designated for use in specific entities, is also maintained in similar accounts, and is available for operations.

SUPPLEMENTAL INFORMATION

Lucas County Economic Development Corporation

Consolidating Statement of Financial Position

December 31, 2018

	Lucas County Economic Development Corporation	Hensville Improvements Manager, LLC	LCEDC Builds, LLC	Lucas County Builds, LLC	Consolidating Adjustments	Consolidated
Assets						
Current assets:						
Cash	$ 16,467	$ 4,253	$ -	$ 1,437,138	$ -	$ 1,457,858
Notes and accounts receivable	-	-	-	48,371	-	48,371
Interest receivable	-	-	-	1,215	-	1,215
Total current assets	16,467	4,253	-	1,486,724	-	1,507,444
Property and equipment:						
Equipment and software	14,971	-	-	-	-	14,971
Furniture and fixtures	19,547	-	-	-	-	19,547
	34,518	-	-	-	-	34,518
Less accumulated depreciation	34,159	-	-	-	-	34,159
	359	-		-	-	359
Other assets:						
Investment in limited liability companies	-	7,322,563	2,430,349	-	(2,430,349) (A)	7,322,563
Notes receivable	-	-	-	2,410,941	-	2,410,941
Investment property held for sale	1,462,133	-	-	-	-	1,462,133
Deferred costs	271,739	-	-	-	-	271,739
	1,733,872	7,322,563	2,430,349	2,410,941	(2,430,349)	11,467,376
Total assets	$ 1,750,698	$ 7,326,816	$ 2,430,349	$ 3,897,665	$ (2,430,349)	$ 12,975,179
Liabilities and Net Assets						
Current liabilities:						
Accounts payable	$ 45,815	$ -	$ -	$ 9,290	$ -	$ 55,105
Accrued liabilities	25,189	407,098	-	18,836	-	451,123
Total current liabilities	71,004	407,098	-	28,126	-	506,228
Long-term debt	-	4,781,251	-	500,000	-	5,281,251
Net assets:						
Controlling interests - unrestricted	1,679,694	2,138,467	2,430,349	2,430,349	(2,430,349) (A)	6,248,510
Noncontrolling interests	-	-	-	939,190	-	939,190
	1,679,694	2,138,467	2,430,349	3,369,539	(2,430,349)	7,187,700
Total liabilities and net assets	$ 1,750,698	$ 7,326,816	$ 2,430,349	$ 3,897,665	$ (2,430,349)	$ 12,975,179

(A) - To eliminate investment in subsidiary.

Lucas County Economic Development Corporation

Consolidating Statement of Activities

Year Ended December 31, 2018

	Lucas County Economic Development Corporation	Hensville Improvements Manager, Inc.	LCEDC Builds, LLC	Lucas County Builds, LLC	Consolidating Adjustments	Consolidated
Revenues:						
Contributions from Lucas County	$ 400,000	$ -	$ -	$ -	$ -	$ 400,000
Income (loss) related to investment in limited liability companies	(23,560)	(94,803)	(303)	-	303 (B)	(118,363)
Interest income	-	-	-	85,406	-	85,406
	376,440	(94,803)	(303)	85,406	303	367,043
Expenses:						
Professional fees	169,514	1,500	-	15,813	-	186,827
Interest	-	161,541	-	12,500	-	174,041
Taxes:						
Real estate	37,756	-	-	-	-	37,756
Income	-	35,118	-	-	-	35,118
Management fees	-	-	-	30,000	-	30,000
Advertising and promotion	-	-	-	27,510	-	27,510
Expired options	21,000	-	-	-	-	21,000
Insurance	7,023	-	-	-	-	7,023
Depreciation	1,454	-	-	-	-	1,454
Dues and subscriptions	1,025	-	-	-	-	1,025
Outside services	552	-	-	-	-	552
Bank fees	342	168	-	-	-	510
Office supplies	95	-	-	-	-	95
Utilities	84	-	-	-	-	84
Total expenses	238,845	198,327	-	85,823	-	522,995
Change in net assets	137,595	(293,130)	(303)	(417)	303	(155,952)
Net assets at beginning of year	1,542,099	2,431,597	2,430,652	3,169,956	(2,430,652) (A)	7,143,652
Capital contributions	-	-	-	200,000	-	200,000
Net assets at end of year	$ 1,679,694	$ 2,138,467	$ 2,430,349	$ 3,369,539	$ (2,430,349)	$ 7,187,700

(A) - To eliminate investment in subsidiary.
(B) - To eliminate income (loss) related to investment in subsidiary.

Lucas County Economic Development Corporation

Consolidating Statement of Financial Position

Year Ended December 31, 2017

	Lucas County Economic Development Corporation	Hensville Improvements Manager, LLC	LCEDC Builds, LLC	Lucas County Builds, LLC	Consolidating Adjustments		Consolidated
Assets							
Current assets:							
Cash	$ 26,370	$ 117	$ -	$ 1,819,710	$ -		$ 1,846,197
Notes and accounts receivable	-	-	-	30,392	-		30,392
Interest receivable	-	-	-	8,155	-		8,155
Total current assets	26,370	117	-	1,858,257	-		1,884,744
Property and equipment:							
Equipment and software	14,971	-	-	-	-		14,971
Furniture and fixtures	19,547	-	-	-	-		19,547
	34,518	-	-	-	-		34,518
Less accumulated depreciation	32,705	-	-	-	-		32,705
	1,813	-	-	-	-		1,813
Other assets:							
Investment in limited liability companies	23,560	7,753,287	2,430,652	-	(2,430,652)	(A)	7,776,847
Notes receivable	-	-	-	1,825,345	-		1,825,345
Investment property held for sale	1,462,133	-	-	-	-		1,462,133
Deferred costs	30,418	-	-	-	-		30,418
Deposits	11,000	-	-	-	-		11,000
	1,527,111	7,753,287	2,430,652	1,825,345	(2,430,652)		11,105,743
Total assets	$ 1,555,294	$ 7,753,404	$ 2,430,652	$ 3,683,602	$ (2,430,652)		$ 12,992,300
Liabilities and Net Assets							
Current liabilities:							
Accounts payable	$ 627	$ -	$ -	$ 7,310	$ -		$ 7,937
Accrued liabilities	12,568	545,556	-	6,336	-		564,460
Total current liabilities	13,195	545,556	-	13,646	-		572,397
Long-term debt	-	4,776,251	-	500,000	-	(A)	5,276,251
Net assets:							
Controlling interests - unrestricted	1,542,099	2,431,597	2,430,652	2,430,652	(2,430,652)	(A)	6,404,348
Noncontrolling interests	-	-	-	739,304	-		739,304
	1,542,099	2,431,597	2,430,652	3,169,956	(2,430,652)		7,143,652
Total liabilities and net assets	$ 1,555,294	$ 7,753,404	$ 2,430,652	$ 3,683,602	$ (2,430,652)		$ 12,992,300

(A) - To eliminate investment in subsidiary.

Lucas County Economic Development Corporation

Consolidating Statement of Activities

Year Ended December 31, 2017

	Lucas County Economic Development Corporation	Hensville Improvements Manager, Inc.	LCEDC Builds, LLC	Lucas County Builds, LLC	Consolidating Adjustments	Consolidated
Revenues:						
Contributions from Lucas County	$ 257,500	$ -	$ -	$ -	$ -	$ 257,500
Income (loss) related to investment in limited liability companies	(627)	3,002,778	(69,348)	-	69,348 (B)	3,002,151
Interest income	-	-	-	22,800	-	22,800
Miscellaneous income	10	-	-	-	-	10
	256,883	3,002,778	(69,348)	22,800	69,348	3,282,461
Expenses:						
Interest	-	195,234	-	6,336	-	201,570
Professional fees	111,440	10,824	-	31,094	-	153,358
Management fees	-	-	-	30,846	-	30,846
Real estate taxes	24,493	-	-	-	-	24,493
Expired options	13,750	-	-	-	-	13,750
Insurance	6,473	-	-	-	-	6,473
Depreciation	2,260	-	-	-	-	2,260
Miscellaneous	1,018	205	-	-	-	1,223
Utilities	1,014	-	-	-	-	1,014
Bank fees	690	-	-	20	-	710
Outside services	397	-	-	-	-	397
Telephone and internet	271	-	-	-	-	271
Office supplies	200	-	-	-	-	200
Dues and subscriptions	100	-	-	-	-	100
Total expenses	162,106	206,263	-	68,296	-	436,665
Change in net assets	94,777	2,796,515	(69,348)	(45,496)	69,348	2,845,796
Net assets at beginning of year	1,447,322	(364,918)	2,500,000	2,469,847	(2,500,000) (A)	3,552,251
Capital contributions	-	-	-	745,605	-	745,605
Net assets at end of year	$ 1,542,099	$ 2,431,597	$ 2,430,652	$ 3,169,956	$ (2,430,652)	$ 7,143,652

(A) - To eliminate investment in subsidiary.
(B) - To eliminate income (loss) related to investment in subsidiary.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Lucas County Economic Development Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Lucas County Economic Development Corporation ("LCEDC") (a not-for-profit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 21, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered LCEDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of LCEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of LCEDC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LCEDC's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LCEDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LCEDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
May 21, 2019

OHIO AUDITOR OF STATE
KEITH FABER

LUCAS COUNTY ECONOMIC DEVELOPMENT CORPORATION

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 2, 2019