



Lucas County Economic Development Corporation

Financial Statements

Years Ended December 31, 2013 and 2012

(with Independent Auditors' Report)



Dave Yost • Auditor of State

Board of Directors
Lucas County Economic Development Corporation
Two Maritime Plaza
Ground Floor
Toledo, Ohio 43604

We have reviewed the *Independent Auditors' Report* of the Lucas County Economic Development Corporation, Lucas County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2012 through December 31, 2013. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 28, 2014

This page intentionally left blank.

TABLE OF CONTENTS

Independent Auditors' Report 1-2

Financial Statements:

 Statements of Financial Position 3

 Statements of Activities 4

 Statements of Cash Flows 5

 Notes to the Financial Statements 6-10

Supplemental Report:

 Independent Auditors' 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* 11-12

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Lucas County Economic Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Lucas County Economic Development Corporation ("LCEDC") (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

one east fourth street, ste. 1200
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

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 financial statements referred to above present fairly, in all material respects, the financial position of Lucas County Economic Development Corporation as of December 31, 2013 and 2012, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, on our consideration of LCEDC'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 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 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 LCEDC's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
June 27, 2014

Lucas County Economic Development Corporation

Statements of Financial Position

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash	\$ 141,799	\$ 77,992
Restricted cash	10,000	10,000
Accounts receivable:		
Grants	19,087	15,441
Other	<u>2,587</u>	<u>2,587</u>
	21,674	18,028
Prepaid expenses	8,384	9,490
Property and equipment:		
Equipment and software	26,744	26,217
Furniture and fixtures	<u>19,547</u>	<u>19,547</u>
	46,291	45,764
Less accumulated depreciation	<u>37,574</u>	<u>32,619</u>
	8,717	13,145
Other assets:		
Investment in limited liability company	64,645	102,442
Note receivable	24,335	36,306
Land held for sale	<u>450</u>	<u>450</u>
	<u>89,430</u>	<u>139,198</u>
Total assets	<u>\$ 280,004</u>	<u>\$ 267,853</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 791	\$ 12,942
Accrued liabilities:		
Payroll and vacation	12,151	15,801
Payroll taxes	1,280	1,799
Workers compensation	<u>349</u>	<u>551</u>
	13,780	18,151
Deferred revenue	<u>10,000</u>	<u>10,000</u>
Total liabilities	24,571	41,093
Net assets - unrestricted	<u>255,433</u>	<u>226,760</u>
Total liabilities and net assets	<u>\$ 280,004</u>	<u>\$ 267,853</u>

See accompanying notes.

Lucas County Economic Development Corporation

Statements of Activities

Years Ended December 31, 2013 and 2012

	2013	2012
Revenues:		
Contributions from Lucas County	\$ 422,000	\$ 458,609
Grants:		
Operating	81,453	78,259
Pass-through	39,000	34,698
	120,453	112,957
Interest income	1,168	1,616
Community improvement corporation services, net of expenses of \$4,584	716	-
Other	145	-
Equity in net loss on investment in limited liability company	(37,522)	(16,747)
Management fees - Lucas County Workforce Investment Board	-	46,439
	506,960	602,874
Expenses:		
Salaries and wages	233,478	334,136
Insurance:		
Group	45,045	39,637
Professional liability	2,431	1,879
Rent	46,232	45,324
Pass-through grants	39,000	34,698
Professional fees	23,833	56,562
Payroll taxes and workers' compensation	20,555	28,735
Contract labor	16,510	122
Telephone and internet	11,532	10,517
Travel	10,388	9,858
Outside services	7,918	3,439
Office supplies	6,122	5,873
Depreciation and amortization	4,955	23,924
Dues and subscriptions	3,483	3,138
Conferences and training	2,715	3,605
Meals and entertainment	2,240	1,369
Miscellaneous	1,649	1,001
Postage, shipping and delivery	201	298
Marketing	-	500
Total expenses	478,287	604,615
Change in net assets	28,673	(1,741)
Net assets at beginning of year	226,760	228,501
Net assets at end of year	\$ 255,433	\$ 226,760

See accompanying notes.

Lucas County Economic Development Corporation

Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 28,673	\$ (1,741)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,955	23,924
Loss on investment in limited liability company	37,522	16,747
Changes in assets and liabilities:		
Restricted cash	-	(9,625)
Accounts receivable	(3,646)	(669)
Prepaid expenses	1,106	(8,298)
Accounts payable	(12,151)	4,752
Accrued liabilities	(4,371)	(6,091)
Deferred revenue	-	10,000
Net cash provided by operating activities	<u>52,088</u>	<u>28,999</u>
Cash flows from investing activities:		
Payments received on note receivable	11,971	11,526
Distributions received on investments	275	-
Capital expenditures	<u>(527)</u>	<u>-</u>
Net cash provided by investing activities	<u>11,719</u>	<u>11,526</u>
Net increase in cash	63,807	40,525
Cash at beginning of year	<u>77,992</u>	<u>37,467</u>
Cash at end of year	<u>\$ 141,799</u>	<u>\$ 77,992</u>

See accompanying notes.

Lucas County Economic Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

1. Summary of Significant Accounting Policies

Business Activity

Lucas County Economic Development 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, the City of Toledo (through the U.S. Department of Housing and Urban Development’s Community Development Block Grant), and the Regional Growth Partnership (through the JobsOhio program).

In 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 2013 and 2012.

In 2011, the Corporation also 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 2013 and 2012.

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, 2013 and 2012.
- 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, 2013 and 2012.

Lucas County Economic Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

1. Summary of Significant Accounting Policies - continued

Restricted Cash

In 2012, the Corporation received a \$10,000 grant to create a regional economic development strategy, which is unexpended as of December 31, 2013. In 2013, the Corporation received a \$10,000 grant to be used for the 2013 Double-Up Food Bucks Program, of which all funds were expended in 2013. Unexpended grant funds received at December 31, 2013 are included as restricted cash in the accompanying financial statements.

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 2013, approximately 86% of funding (74% in 2012) 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.

Notes Receivable

The note receivable is stated at its unpaid principal balance. The Corporation's practice is to charge off any portion of the loan when the loan is determined by management to be uncollectible.

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, 2013 and 2012 is \$4,955 and \$7,226, 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, 2013 and 2012.

Grant revenue is recognized when qualifying expenses are incurred and submitted for payment. Any 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.

Lucas County Economic Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

1. Summary of Significant Accounting Policies – continued

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.

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 under Chapter 1724 of the Ohio Revised Code as a community improvement corporation, which is a non-profit organization. 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.

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, 2013 and 2012. The Corporation's policy is to record any interest and penalties as a component of income tax expense. The Corporation's federal tax returns for the years subsequent to 2009 remain subject to examination by the Internal Revenue Service.

Deferred Financing Costs

In September 2009, a commitment fee of \$27,830 was incurred to secure a \$2,783,000 loan from the State of Ohio for a development project. The loan was never funded and, in 2012, the Corporation rescinded its participation in this project. As a result, the related \$16,698 in deferred financing fees was written off in 2012 and included in amortization expense.

Functional Expenses

The Corporation has program expenses that relate to providing certain services under various grants. Program expenses related to providing these services are approximately 23% and 31% for the years ended December 31, 2013 and 2012, respectively. The remainder of costs for each year are classified as management and general expenses. Certain costs not directly attributable to specific program services have been allocated between program and management and general expenses.

Lucas County Economic Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

1. Summary of Significant Accounting Policies – continued

Subsequent Events

The Corporation has evaluated subsequent events for potential recognition and/or disclosure in the December 31, 2013 financial statements through June 27, 2014, the date the financial statements are available to be issued.

Reclassifications

Certain reclassifications have been made in the 2012 financial statements to conform with the financial statement presentation in 2013.

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 \$64,645 and \$102,442 at December 31, 2013 and 2012, respectively. Based upon the understanding with Lucas County, any positive return on the investment will be remitted to Lucas County.

3. Note Receivable

The Corporation has a seven year note receivable outstanding 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, 2013 and 2012, the principal balance of the note is \$24,335 and \$36,306, respectively.

4. Related Party Transactions

The Corporation had an agreement with Workforce Investment Board, a not-for-profit organization related to Lucas County, through June 2012, for certain management and administrative services. In 2012, the Corporation received approximately \$47,000 under this agreement which is reflected as management fees in the accompanying financial statements.

5. Lease Commitments

Rent expense under operating lease agreements for use of facilities totaled \$46,232 and \$45,324 in 2013 and 2012, respectively. Annual future minimum lease commitments total \$47,077, exclusive of an additional obligation to pay certain utilities and taxes, and are payable in 2014.

Lucas County Economic Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

6. Grant

In 2012, the Corporation was awarded a \$200,000 grant from the City of Toledo for economic development technical assistance under the Community Development Block Grant Program. The Corporation incurred approximately \$50,000 and \$42,000 of expenses related to this grant in 2013 and 2012, respectively, and received approximately \$50,500 and \$28,000 of funds during 2013 and 2012, respectively. This grant has been extended to June 30, 2014.

INDEPENDENT AUDITORS' 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 Trustees
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 financial statements of Lucas County Economic Development Corporation ("LCEDC") (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 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.

one east fourth street, ste. 1200
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LCEDC's 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 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
June 27, 2014

This page intentionally left blank.



Dave Yost • Auditor of State

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
AUGUST 7, 2014**