



**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY  
REGULAR AUDIT  
FOR THE YEARS ENDED DECEMBER 31, 2020 - 2019**

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Board of Trustees  
Hocking County Community Improvement Corporation  
30260 Industrial Park Drive  
Logan, Ohio 43138

We have reviewed the *Independent Auditor's Report* of the Hocking County Community Improvement Corporation, Hocking County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2019 through December 31, 2020. 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 Hocking County Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

May 10, 2022

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**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Financial Statements:	
Statement of Financial Position As of December 31, 2020 .....	3
Statements of Activities For the Year Ended December 31, 2020 .....	4
Statements of Functional Expenses For the Year Ended December 31, 2020 .....	5
Statements of Cash Flows For the Year Ended December 31, 2020 .....	6
Notes to the Financial Statements For the Year Ended December 31, 2020 .....	7
Financial Statements:	
Statement of Financial Position As of December 31, 2019 .....	14
Statements of Activities For the Year Ended December 31, 2019 .....	15
Statements of Functional Expenses For the Year Ended December 31, 2019 .....	16
Statements of Cash Flows For the Year Ended December 31, 2019 .....	17
Notes to the Financial Statements For the Year Ended December 31, 2019 .....	18
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	26
Schedule of Audit Findings .....	28

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## INDEPENDENT AUDITOR'S REPORT

April 7, 2022

Hocking County Community Improvement Corporation  
Hocking County  
30260 Industrial Park Drive  
Logan, Ohio 43138

To the Board of Trustees:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the **Hocking County Community Improvement Corporation**, Hocking County, Ohio (the Corporation) (a nonprofit corporation), which comprise the statements of financial position, the related statements of activities, functional expenses, and cash flows, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
Members: American Institute of Certified Public Accountants  
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hocking County Community Improvement Corporation, Hocking County, as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 10 to the 2020 financial statements and Note 11 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation. We did not modify our opinion regarding this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2022, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the Corporation's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2020**

	2020
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 391,212
Cash and Cash Equivalents, With Donor Restrictions	43,373
Prepaid Expenses	18,773
Notes Receivable, Current	44,803
Total Current Assets	498,161
<b>Non-Current Assets</b>	
Property and Equipment	
Buildings	4,805,214
Land	604,796
Land Improvements	162,163
Office Equipment	11,410
Less: Accumulated Depreciation	(1,404,435)
Total Non-Current Assets	4,179,148
<b>Other Assets</b>	
Certificates of Deposit, Non-Current	313,595
Industrial Park Development Costs	684,560
Notes Receivable, Non-Current	179,559
Total Other Assets	1,177,714
TOTAL ASSETS	\$ 5,855,023
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 6,259
Accrued Expenses	79,956
Advanced Rent	4,525
Current Portion of Long-Term Debt	109,991
Total Current Liabilities	200,731
<b>LONG-TERM LIABILITIES</b>	
Bank Loan, Net of Current Portion	1,929,961
Total Long-Term Liabilities	1,929,961
TOTAL LIABILITIES	2,130,692
<b>NET ASSETS</b>	
With Donor Restrictions	278,653
Without Donor Restrictions	3,445,678
TOTAL NET ASSETS	3,724,331
TOTAL LIABILITIES AND NET ASSETS	\$ 5,855,023

The accompanying notes to the financial statements are an integral part of this statement.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES</b>			
Rent Income	\$ 949,679	\$ -	\$ 949,679
Grants and Contributions	250,000	-	250,000
Revolving Loan Interest	-	4,181	4,181
Other Income	25,322	325	25,647
Investment Interest	3,397	-	3,397
<b>TOTAL OPERATING REVENUES</b>	<b>1,228,398</b>	<b>4,506</b>	<b>1,232,904</b>
<b>OPERATING EXPENSES</b>			
Administrative Expenses	200,927	-	200,927
Bad Debt Expense	3,222	-	3,222
Business Incentives	340,000	-	340,000
Depreciation and Amortization	153,058	-	153,058
Industrial Park Expenses	23,488	-	23,488
Insurance	17,956	-	17,956
Interest	79,864	-	79,864
Professional Fees	48,443	-	48,443
Real Estate Taxes	77,696	-	77,696
Rent, Utilities, and Security	71,082	-	71,082
Repairs and Maintenance	145,812	-	145,812
Sublease	11,358	-	11,358
<b>TOTAL OPERATING EXPENSES</b>	<b>1,172,906</b>	<b>-</b>	<b>1,172,906</b>
<b>OPERATING INCOME</b>	<b>55,492</b>	<b>4,506</b>	<b>59,998</b>
<b>NON-OPERATING REVENUE</b>			
Interest Income	357	-	357
<b>TOTAL NON-OPERATING REVENUE</b>	<b>357</b>	<b>-</b>	<b>357</b>
<b>CHANGE IN NET ASSETS</b>	<b>55,849</b>	<b>4,506</b>	<b>60,355</b>
<b>NET ASSETS, BEGINNING OF YEAR</b> (RESTATE - SEE NOTE XX)	<b>3,389,829</b>	<b>274,147</b>	<b>3,663,976</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,445,678</b>	<b>\$ 278,653</b>	<b>\$ 3,724,331</b>

The accompanying notes to the financial statements are an integral part of this statement.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Total</u>
<b>OPERATING EXPENSES</b>			
Administrative Expenses	\$ -	\$ 200,927	\$ 200,927
Bad Debt Expense	3,222	-	3,222
Business Incentives	340,000	-	340,000
Depreciation and Amortization	153,058	-	153,058
Industrial Park Expenses	23,488	-	23,488
Insurance	12,257	5,699	17,956
Interest	79,864	-	79,864
Professional Fees	16,896	31,547	48,443
Real Estate Taxes	77,696	-	77,696
Rent, Utilities, and Security	68,146	2,936	71,082
Repairs and Maintenance	145,812	-	145,812
Sublease	11,358	-	11,358
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 931,797</u>	<u>\$ 241,109</u>	<u>\$ 1,172,906</u>

The accompanying notes to the financial statements are an integral part of this statement.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Income	\$ 59,998
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	153,058
Interest income	(3,397)
(Increase)/decrease in operating assets:	
Accounts receivable	3,246
Prepaid expenses	(1,131)
Increase/(decrease) in operating liabilities:	
Accounts payable	(27,525)
Accrued expenses	(1,440)
Advanced rent	172
Customer deposits	(2,200)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>180,781</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	357
Notes receivable awards	(126,325)
Notes receivable repayments	51,585
Property and equipment acquisitions	(6,032)
Certificates of Deposit	90,000
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>9,585</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Note Proceeds	200,000
Principal payments	(91,056)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>108,944</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>299,310</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>135,275</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 434,585</b>
<b>CASH REPRESENTED BY:</b>	
Cash and cash equivalents, without donor restrictions	\$ 391,212
Cash and cash equivalents, with donor restrictions	43,373
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 434,585</b>

The accompanying notes to the financial statements are an integral part of this statement.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**1. NATURE AND SCOPE OF BUSINESS**

Hocking County Community Improvement Corporation (CIC) is a nonprofit corporation organized under the provisions of Section 501(c)(4) of the Internal Revenue Code for the purpose of providing land and building facilities in an effort to attract industry to the Logan-Hocking County area. The corporation owns several industrial development tracts and five commercial buildings which are under lease.

Management believes the financial statements included in this report represent all of the activities over which the Corporation is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF ACCOUNTING**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The Financial Standards Board issued Financial Accounting Standards Codification ("FASC") No. 958-205. Under FASC No. 958-205, defined nonprofits are required to report information regarding the financial position and activities according to two classes of net assets; net assets with donor restrictions and net assets without donor restrictions.

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Net Assets without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has passed) are reported as reclassifications between the applicable classes of net assets. The CIC has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Net assets with voluntary designations by the governing board of the CIC are considered to be without donor restriction under the guidelines of FASB ASC 958-205-45-2.

**B. USE OF ESTIMATES**

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

**C. FINANCIAL STATEMENT PRESENTATION**

The CIC follows the recommendations of the Financial Accounting Standards Board ASC 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958, the CIC is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. ACCOUNTS RECEIVABLE**

The CIC accounts for their receivables on an accrual basis. They use a direct write-off method for accounts receivable. The CIC keeps a low balance of receivables, thus the allowance for doubtful accounts is not material to their receivables presentation.

**E. NOTES RECEIVABLE, CASH AND CASH EQUIVALENTS AND NET ASSETS WITH DONOR RESTRICTIONS**

The CIC maintains a revolving loan fund which makes loans to local businesses and was initially funded with USDA federal grants. These grants carry certain covenants and are reviewed each October by the USDA for compliance. Management of CIC stated as of December 31, 2020, the CIC is in good standing with the grant's covenants. The loans made to local businesses (notes receivable) are for terms of up to 10 years and amounts of \$3,000 - \$75,000. Payments of principal and interest are due monthly and are secured by recipient's collateral. The carrying amounts of the note receivables are reduced by an allowance that reflects management's best estimate of balances that will not be collected. The notes receivable outstanding as of December 31, 2020, totaled \$224,362 and were all deemed collectible; therefore, no allowance for doubtful accounts was deemed necessary. Cash and net assets with donor restrictions presented on the statement of financial position reflect proceeds from the original USDA grant along with cumulative funds generated from these lending activities throughout the years.

**F. PROPERTY AND EQUIPMENT**

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Buildings	40-50
Improvements and Additions	5-25
Office Equipment	3-7

The total depreciation expense was \$153,058 at December 31, 2020. Expenditures for maintenance and repairs are charged to expense as incurred.

**G. GRANTS**

In May 2020, the CIC, in conjunction with the Governor's Office of Appalachia Program for Appalachian Regional Council (ARC) administered by the Ohio Development Services Agency, provided a grant of \$340,000 to Smead Manufacturing to cover the costs of bringing a five piece production line to Hocking County from Mexico. The funds are to be used to purchase equipment and renovate the property where the facility will be located.

The ARC directly provided \$250,000 to the CIC towards the grant. The CIC added \$90,000 from a CD, then wrote the check for \$340,000. On the financial statements, the \$250,000 is reported as income from Grants and Contributions. The \$340,000 is reported as Business Incentives expense.

**H. ADVERTISING**

The CIC follows the policy of charging the costs of marketing and advertising to operating expense as incurred. The total advertising expense was \$1,364 at December 31, 2020.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. INCOME TAXES**

The CIC was incorporated as a nonprofit entity; and the IRS has determined that the CIC is exempt from taxation under Section 501(c) (4) of the Internal Revenue Code; therefore, no provision for income taxes is shown in the financial statements. Even though the CIC is exempt from taxes, it is required to file an annual tax return (Form 990) and is subject to possible U.S. Federal income tax examinations for open tax years; generally three years after they are filed.

**J. CASH AND CASH EQUIVALENTS**

For purposes of the statements of cash flows, the CIC considers all checking accounts, savings accounts, money market accounts and certificates of deposit with maturities of 3 months or less from the balance sheet date to be cash equivalents.

Net cash flows from operating activities include cash payments for interest of \$79,864.

**K. CONCENTRATION OF CREDIT RISK**

The CIC maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The CIC's uninsured cash balances totaled \$498,577 at December 31, 2020.

**L. CERTIFICATES OF DEPOSIT**

In August 2012, the CIC invested \$125,314 in a certificate of deposit (CD). The CD has renewed twice and currently has an interest rate of 1.49%, with a maturity date of June 29, 2023. It has a balance of \$138,052 as of December 31, 2020.

In October 2014, the CIC invested \$254,293 in a second CD. This CD was renewed in 2020 and currently has an interest rate of 0.25%, with a maturity date of October 6, 2022. It has a balance of \$175,542 as of December 31, 2020.

The total investment interest on the CDs was \$3,397 at December 31, 2020.

**3. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The CIC's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and Cash Equivalents, Without Donor Restrictions	\$ 391,212
Cash and Cash Equivalents, With Donor Restrictions	43,373
Notes Receivable, Current	44,803
Subtotal financial assets, at year end	<u>479,388</u>
Less those unavailable for general expenditures within one year due to:	
Proceeds and Cumulative Funds for Revolving Loan Accounts (Note 2)	<u>(88,176)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 391,212</u></u>

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**3. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

Cash and cash equivalents are held in interest checking accounts. Funds held in current CDs enable the funds to earn interest while maintaining liquidity. Financial assets which are subject to restriction make them unavailable for general expenditure within one year of the statement of financial position date. As of December 31, 2020, the CIC had \$278,653 of net assets subject to donor restriction. As part of the CIC's liquidity management policy, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**4. LONG-TERM DEBT**

A summary of long-term debt payable at December 31, 2020 is as follows:

A commercial mortgage of \$1,300,000 with Vinton County National Bank was obtained December 21, 2017, for the purchase of a commercial building. Payments are currently \$7,878 per month, with an annual interest rate of 4%. The loan is secured by the real estate. \$ 1,164,804

A commercial mortgage of \$200,000 with the Vinton County National Bank, obtained November 23, 2020 for building improvements. Payments of \$1,139 per month in 2020; maturing in 2040. Interest is at a variable rate starting at 3.25% per annum, which is not to change more frequently than once every 60 months. 199,396

A commercial mortgage of \$1,918,000 with The Citizens Bank of Logan was obtained June 2, 2003, for the construction of a medical office building. This loan was re-financed with Vinton County Bank for 20 years at 3.75% in 2013, maturing in 2033; the interest rate was adjusted to 5.00% in August 2019 and 3.25% in August 2020. Payments are currently \$6,253 per month, though additional principal payments are being made. The loan is secured by real estate, furniture and fixtures. 675,752

Total Debt \$ 2,039,952

Less: Current Maturities 109,991

Long-Term Debt \$ 1,929,961

Current maturities of long-term debt for the five years subsequent to December 31, 2020 are as follows:

2021	\$	109,991
2022		113,998
2023		118,153
2024		122,445
2025		126,928
Thereafter		<u>1,448,437</u>
Total	\$	<u><u>2,039,952</u></u>



**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**5. BUILDINGS**

The CIC owns five (5) commercial buildings that currently have space being rented or available for rent.

EPA Building

The CIC completed the construction of the office building located at 2195 E. Front Street in 1973. The capitalized cost of this building at December 31, 2020, was \$815,445 and the accumulated depreciation at December 31, 2020 was \$223,333.

The Ohio Environmental Protection Agency has leased the entire building since October 2004. The current lease carries an annual base rent of \$453,480, payable in quarterly installments and is set to expire June 30, 2025. The Ohio Environmental Protection Agency has no option to purchase this property and the lease is considered an operating lease.

Medical Office Building

The CIC completed the construction of the medical office building located at 541 State Route North in 2004. The total capitalized cost of this building at December 31, 2020 was \$2,517,941, and the accumulated depreciation at December 31, 2020 was \$1,034,106.

Hocking Valley Community Hospital has occupied a portion of the building since September 2004. The current lease carries an annual base rent of \$163,121, payable in monthly installments and is set to expire March 31, 2021. Hocking Valley Community Hospital has no option to purchase this property and the lease is considered an operating lease.

Hopewell Health Centers, Inc., formerly Tri-County Mental Health and Counseling Services, Inc., has occupied a portion of the building since August 2004. The initial lease was for a ten-year period and was extended in 2014 through March 2024, at a base annual rent of \$166,680. Hopewell Health Centers, Inc. has no option to purchase this property and the lease is considered an operating lease.

Weghorst Building

The CIC acquired the building at 70-98 West Main Street in 2015. The total capitalized cost of this building at December 31, 2020 was \$570,605, and the accumulated depreciation at December 31, 2020 was \$52,825.

Flowers by Darlene has occupied a portion of the building since June 2005. The lease was extended in 2020 through June 2022, with an option to renew for 36 additional months at a base annual rent of \$18,000. Flowers by Darlene has no option to purchase this property and the lease is considered an operating lease.

11 W. Main Building

The CIC acquired the building located at 11 West Main Street in 2017. The total capitalized cost of this building at December 31, 2020 was \$330,483, and the accumulated depreciation at December 31, 2020 was \$18,219.

PNC Bank, formerly National City Bank, has occupied a portion of the building since February 2000. The current lease addendum extends the lease through January 2025, with one five-year option to renew at a base annual rent of \$59,730. PNC Bank has no option to purchase this property and the lease is considered an operating lease.

Hocking County Insurance Agency has occupied a portion of the building since January 2017. The current lease is for a two-year period through December 2022, with no option to renew at a base annual rent of \$10,800. Hocking County Insurance Agency has no option to purchase this property and the lease is considered an operating lease.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**5. BUILDINGS (CONTINUED)**

Rokeith Building

The CIC acquired the building located at 30260 Industrial Park Drive in December 2017. The total capitalized cost of this building at December 31, 2020 was \$1,343,077, the accumulated depreciation at December 31, 2020 was \$75,160.

Rat Tactical, LLC entered into a lease agreement for a portion of this building on September 1, 2018. Annual rent payments amount to \$19,200 and are payable in monthly installments. The tenant has the right to extend the lease on a year to year basis upon the end of the initial three-year term. Early termination of this lease may be requested if Rat Tactical's primary customer (Rogue Fitness) is lost. Upon such happening, the CIC has promised to negotiate fair and equitable termination terms. Rat Tactical has no option to purchase this space and the lease is considered an operating lease.

Dovetail Solar and Wind entered into a lease agreement for a portion of this building on February 23, 2018. Annual rental payments amount to \$21,228 and are payable in monthly installments. The initial term is for five years and holds an annual rent inflation clause that cannot exceed three percent annually. During 2019, Dovetail Solar and Wind ceased operations. As such, their lease has been terminated.

Sunshine Beverage Company entered into a lease agreement for a portion of this building on March 26, 2018, which was amended on July 2, 2019. Annual rental payments amount to \$22,716 and are payable in monthly installments. The initial term is for six and one-half years. At the end of the initial lease term, Sunshine Beverage has an option to extend the lease on a year-to-year basis. Sunshine Beverage has no option to purchase this space and the lease is considered an operating lease.

The Mennel Milling Company entered into a lease agreement for a portion of this building on April 9, 2019; and expanded the portion of the building through an amendment on September 10, 2019. The initial term is 12 months commencing June 1, 2019 and ending May 31, 2020; unless terminated earlier as provided in the lease. Mennel has the right to extend the lease term annually through May 31, 2024. Annual rent is \$34,716 and is payable in monthly installments of \$2,893. Mennel Milling Company has no option to purchase this space and the lease is considered an operating lease.

**6. OTHER LEASE INCOME**

On May 31, 2019, the CIC entered into a lease with ViaSat Inc. for a 20' by 25' space to construct a satellite access node at Commerce Park. The initial terms of the lease are three (3) years commencing September 1, 2019 and ending August 31, 2022; with six (6) automatic renewal terms of three (3) years each; unless terminated earlier.

The CIC leases a building located on Sutton Road in Logan. The CIC subleases the property to Jeremias, Inc.: a manufacturer of industrial exhaust systems. Base annual rent is \$8,400, payable in monthly installments of \$700. Jeremias is also responsible for any increase in the CIC's general public liability insurance premiums. The lease specifically makes clear title to the property remains with the city of Logan.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(CONTINUED)**

**7. FUTURE MINIMUM RENT INCOME**

Future minimum lease receipts expected under current operating leases as of December 31, 2020 are as follows:

2021	\$	919,349
2022		886,977
2023		745,252
2024		704,912
2025		283,540
Thereafter		59,730
Total	<u>\$</u>	<u>3,599,760</u>

**8. CURRENT VULNERABILITY DUE TO CONCENTRATIONS**

The CIC derives all of its lease income from lessees who are located in the Logan-Hocking County area.

**9. INDUSTRIAL PARK DEVELOPMENT COSTS**

The CIC completed this land development project during 2005. Since then, there have been several tracts of land sold. The industrial park offers opportunities for mixed-use development, and has just over 40 acres remaining available for sale. During 2020, there was no additional development.

**10. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 7, 2022, the date on which the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen within the U.S. and global economies. There could be financial impacts to the organization, though such impact is unknown at this time.

**11. COMPENSATED ABSENCES**

Employees of the CIC are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is not practical for the CIC to estimate the amount of compensation for future absences. Accordingly, no liability for compensated absences has been recorded in the accompanying financial statements. The CIC's policy is to recognize the costs of compensated absences when actually paid to employees.

**12. FUNCTIONAL EXPENSES**

The costs of providing program services and other activities have been summarized on a functional basis in the statement of functional expenses. No costs have been allocated between program services and management and general expenses. Management diligently classifies an expense according to its functional purpose. The CIC has not engaged in any fundraising activities during the 2020 year.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2019**

	2019
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 22,181
Cash and Cash Equivalents, With Donor Restrictions	113,094
Accounts Receivable	3,247
Prepaid Expenses	17,642
Certificates of Deposit, Current	264,192
Notes Receivable, Current	30,934
Total Current Assets	451,290
<b>Non-Current Assets</b>	
Property and Equipment	
Buildings	4,805,214
Land	604,796
Land Improvements	162,163
Office Equipment	5,378
Less: Accumulated Depreciation	(1,251,377)
Total Non-Current Assets	4,326,174
<b>Other Assets</b>	
Certificates of Deposit, Non-Current	136,005
Industrial Park Development Costs	684,560
Notes Receivable, Non-Current	118,688
Total Other Assets	939,253
TOTAL ASSETS	\$ 5,716,717
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 33,784
Accrued Expenses	81,396
Advanced Rent	4,353
Customer Deposits	2,200
Current Portion of Long-Term Debt	86,914
Total Current Liabilities	208,647
<b>LONG-TERM LIABILITIES</b>	
Bank Loan, Net of Current Portion	1,844,094
Total Long-Term Liabilities	1,844,094
TOTAL LIABILITIES	2,052,741
<b>NET ASSETS</b>	
With Donor Restrictions	274,147
Without Donor Restrictions	3,389,829
TOTAL NET ASSETS	3,663,976
TOTAL LIABILITIES AND NET ASSETS	\$ 5,716,717

The accompanying notes to the financial statements are an integral part of this statement.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES</b>			
Rent Income	\$ 934,901	\$ -	\$ 934,901
Revolving Loan Interest	-	5,467	5,467
Other Income	8,524	-	8,524
Investment Interest	3,687	-	3,687
<b>TOTAL OPERATING REVENUES</b>	<b>947,112</b>	<b>5,467</b>	<b>952,579</b>
<b>OPERATING EXPENSES</b>			
Administrative Expenses	223,691	-	223,691
Interest	77,330	-	77,330
Real Estate Taxes	52,671	-	52,671
Depreciation and Amortization	140,041	-	140,041
Repairs and Maintenance	83,981	-	83,981
Industrial Park Expenses	58,202	-	58,202
Rent, Utilities, and Security	85,916	-	85,916
Insurance	9,107	-	9,107
Professional Fees	2,802	-	2,802
Grants and Incentives	375	-	375
Abandoned Deposit	15,000	-	15,000
Bad Debt Expense	21,681	-	21,681
<b>TOTAL OPERATING EXPENSES</b>	<b>770,797</b>	<b>-</b>	<b>770,797</b>
<b>OPERATING INCOME</b>	<b>176,315</b>	<b>5,467</b>	<b>181,782</b>
<b>NON-OPERATING REVENUE</b>			
Interest Income	247	-	247
<b>TOTAL NON-OPERATING REVENUE</b>	<b>247</b>	<b>-</b>	<b>247</b>
<b>CHANGE IN NET ASSETS</b>	<b>176,562</b>	<b>5,467</b>	<b>182,029</b>
<b>NET ASSETS, BEGINNING OF YEAR (RESTATED - SEE NOTE 14)</b>	<b>3,213,267</b>	<b>268,680</b>	<b>3,481,947</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,389,829</b>	<b>\$ 274,147</b>	<b>\$ 3,663,976</b>

The accompanying notes to the financial statements are an integral part of this statement.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Total</u>
<b>OPERATING EXPENSES</b>			
Administrative Expenses	\$ -	\$ 223,691	\$ 223,691
Interest	77,330	-	77,330
Real Estate Taxes	52,671	-	52,671
Depreciation and Amortization	140,041	-	140,041
Repairs and Maintenance	83,981	-	83,981
Industrial Park Expenses	58,202	-	58,202
Rent, Utilities, and Security	85,916	-	85,916
Insurance	9,107	-	9,107
Professional Fees	2,802	-	2,802
Grants and Incentives	375	-	375
Abandoned Deposit	15,000	-	15,000
Bad Debt Expense	21,681	-	21,681
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 547,106</u>	<u>\$ 223,691</u>	<u>\$ 770,797</u>

The accompanying notes to the financial statements are an integral part of this statement.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Income	\$ 181,782
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	140,041
Interest income	(3,687)
(Increase)/decrease in operating assets:	
Accounts receivable	1,051
Prepaid expenses	(3,560)
Increase/(decrease) in operating liabilities:	
Accounts payable	(8,067)
Accrued expenses	1,487
Advanced rent	853
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>309,900</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	247
Notes receivable awards	(55,000)
Notes receivable repayments	58,763
Property and equipment acquisitions	(288,919)
Deposit on fixed assets	40,010
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(244,899)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments	(91,870)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(91,870)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(26,869)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>162,144</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 135,275</b>
<b>CASH REPRESENTED BY:</b>	
Cash and cash equivalents, without donor restrictions	\$ 22,181
Cash and cash equivalents, with donor restrictions	113,094
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 135,275</b>

The accompanying notes to the financial statements are an integral part of this statement.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**1. NATURE AND SCOPE OF BUSINESS**

Hocking County Community Improvement Corporation (CIC) is a nonprofit corporation organized under the provisions of Section 501(c)(4) of the Internal Revenue Code for the purpose of providing land and building facilities in an effort to attract industry to the Logan-Hocking County area. The corporation owns several industrial development tracts and five commercial buildings which are under lease.

Management believes the financial statements included in this report represent all of the activities over which the Corporation is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF ACCOUNTING**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The Financial Standards Board issued Financial Accounting Standards Codification ("FASC") No. 958-205. Under FASC No. 958-205, defined nonprofits are required to report information regarding the financial position and activities according to two classes of net assets; net assets with donor restrictions and net assets without donor restrictions.

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Net Assets without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has passed) are reported as reclassifications between the applicable classes of net assets. The CIC has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Net assets with voluntary designations by the governing board of the CIC are considered to be without donor restriction under the guidelines of FASB ASC 958-205-45-2.

**B. USE OF ESTIMATES**

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

**C. FINANCIAL STATEMENT PRESENTATION**

The CIC follows the recommendations of the Financial Accounting Standards Board ASC 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958, the CIC is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.



**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. ACCOUNTS RECEIVABLE**

The CIC accounts for their receivables on an accrual basis. They use a direct write-off method for accounts receivable. The CIC keeps a low balance of receivables, thus the allowance for doubtful accounts is not material to their receivables presentation.

**E. NOTES RECEIVABLE, CASH AND CASH EQUIVALENTS AND NET ASSETS WITH DONOR RESTRICTIONS**

The CIC maintains a revolving loan fund which makes loans to local businesses and was initially funded with USDA federal grants. These grants carry certain covenants and are reviewed each October by the USDA for compliance. Management of CIC stated as of December 31, 2019, the CIC is in good standing with the grant's covenants. The loans made to local businesses (notes receivable) are for terms of up to 10 years and amounts of \$3,000 - \$75,000. Payments of principal and interest are due monthly and are secured by recipient's collateral. The carrying amounts of the note receivables are reduced by an allowance that reflects management's best estimate of balances that will not be collected. The notes receivable outstanding as of December 31, 2019, totaled \$149,622 and were all deemed collectible; therefore, no allowance for doubtful accounts was deemed necessary. Cash and net assets with donor restrictions presented on the statement of financial position reflect proceeds from the original USDA grant along with cumulative funds generated from these lending activities throughout the years.

**F. PROPERTY AND EQUIPMENT**

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

Asset Type	Years
Buildings	40-50
Improvements and Additions	5-25
Office Equipment	3-7

The total depreciation expense was \$140,041 at December 31, 2019. Expenditures for maintenance and repairs are charged to expense as incurred.

**G. ADVERTISING**

The CIC follows the policy of charging the costs of marketing and advertising to operating expense as incurred. The total advertising expense was \$440 at December 31, 2019.

**H. INCOME TAXES**

The CIC was incorporated as a nonprofit entity; and the IRS has determined that the CIC is exempt from taxation under Section 501(c) (4) of the Internal Revenue Code; therefore, no provision for income taxes is shown in the financial statements. Even though the CIC is exempt from taxes, it is required to file an annual tax return (Form 990) and is subject to possible U.S. Federal income tax examinations for open tax years; generally three years after they are filed.

Accounting principles generally accepted in the United States require management to evaluate tax positions taken and recognize a tax liability (or tax asset) if an uncertain tax position has been taken that more likely than not would not be sustained upon examination by the Internal Revenue Service ("IRS"). Management has concluded that as of December 31, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability, asset or disclosure in the financial statements.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. CASH AND CASH EQUIVALENTS**

For purposes of the statements of cash flows, the CIC considers all checking accounts, savings accounts, money market accounts and certificates of deposit with maturities of 3 months or less from the balance sheet date to be cash equivalents.

Net cash flows from operating activities include cash payments for interest of \$77,330.

**J. CONCENTRATION OF CREDIT RISK**

The CIC maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The CIC's uninsured cash balances totaled \$286,972 at December 31, 2019.

**K. CERTIFICATES OF DEPOSIT**

In August 2012, the CIC invested \$125,314 in a certificate of deposit (CD). The CD has renewed twice and currently has an interest rate of 1.49%, with a maturity date of June 29, 2023. It has a balance of \$136,005 as of December 31, 2019.

In October 2014, the CIC invested \$254,293 in a second CD. This CD was renewed in 2018 and currently has an interest rate of 0.70%, with a maturity date of October 6, 2020. It has a balance of \$264,192 as of December 31, 2019.

The total investment interest on the CDs was \$3,687 at December 31, 2019.

**3. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The CIC's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and Cash Equivalents, Without Donor Restrictions	\$ 22,181
Cash and Cash Equivalents, With Donor Restrictions	113,094
Accounts Receivable	3,247
Certificates of Deposit, Current	264,192
Notes Receivable, Current	30,934
Subtotal financial assets, at year end	433,648
Less those unavailable for general expenditures within one year due to:	
Proceeds and Cumulative Funds for Revolving Loan Accounts (Note 2)	(144,028)
Reserve for Advanced Rent	(4,353)
Reserve for Customer Deposits	(2,200)
Financial assets available within one year to meet cash needs for general expenditures within one year	\$ 283,067

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)**

**3. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

Cash and cash equivalents are held in interest checking accounts. Funds held in current CDs enable the funds to earn interest while maintaining liquidity. Financial assets which are subject to restriction make them unavailable for general expenditure within one year of the statement of financial position date. As of December 31, 2019, the CIC had \$274,147 of net assets subject to donor restriction. As part of the CIC's liquidity management policy, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**4. LONG-TERM DEBT**

A summary of long-term debt payable at December 31, 2020 is as follows:

A commercial mortgage of \$1,300,000 with Vinton County National Bank was obtained December 21, 2017, for the purchase of a commercial building. Payments are currently \$7,878 per month, with an annual interest rate of 4%. The loan is secured by the real estate.	\$ 1,211,857
A commercial mortgage of \$1,918,000 with The Citizens Bank of Logan was obtained June 2, 2003, for the construction of a medical office building. This loan was re-financed with Vinton County Bank for 20 years at 3.75% in 2013, maturing in 2033; the interest rate was adjusted to 5.00% in 2019. Payments are currently \$6,253 per month, though additional principal payments are being made. The loan is secured by real estate, furniture and fixtures.	<u>719,151</u>
Total Debt	\$ 1,931,008
Less: Current Maturities	<u>86,914</u>
Long-Term Debt	<u><u>\$ 1,844,094</u></u>

Current maturities of long-term debt for the five years subsequent to December 31, 2019 are as follows:

2020	\$	86,914
2021		90,872
2022		95,013
2023		99,344
2024		103,876
Thereafter		<u>1,454,989</u>
Total	\$	<u><u>1,931,008</u></u>

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

**5. BUILDINGS**

The CIC owns five (5) commercial buildings that currently have space being rented or available for rent.

EPA Building

The CIC completed the construction of the office building located at 2195 E. Front Street in 1973. The capitalized cost of this building at December 31, 2019, was \$815,445 and the accumulated depreciation at December 31, 2019 was \$193,090.

The Ohio Environmental Protection Agency has leased the entire building since October 2004. The current lease carries an annual base rent of \$453,480, payable in quarterly installments and is set to expire June 30, 2025. The Ohio Environmental Protection Agency has no option to purchase this property and the lease is considered an operating lease.

Medical Office Building

The CIC completed the construction of the medical office building located at 541 State Route North in 2004. The total capitalized cost of this building at December 31, 2019 was \$2,517,941, and the accumulated depreciation at December 31, 2019 was \$964,328.

Hocking Valley Community Hospital has occupied a portion of the building since September 2004. The current lease carries an annual base rent of \$163,121, payable in monthly installments and is set to expire March 31, 2021. Hocking Valley Community Hospital has no option to purchase this property and the lease is considered an operating lease.

Hopewell Health Centers, Inc., formerly Tri-County Mental Health and Counseling Services, Inc., has occupied a portion of the building since August 2004. The initial lease was for a ten-year period and was extended in 2014 through March 2024, at a base annual rent of \$166,680. Hopewell Health Centers, Inc. has no option to purchase this property and the lease is considered an operating lease.

Weghorst Building

The CIC acquired the building at 70-98 West Main Street in 2015. The total capitalized cost of this building at December 31, 2019 was \$570,605, and the accumulated depreciation at December 31, 2019 was \$34,681.

Dan VanWormer has occupied space since June, 2014. The initial lease was for a five-year period through May 2019, with the option to renew for one (1) additional five-year period at a base annual rent of \$8,400. Dan VanWormer is currently on a month-to-month lease and will be in a new location in February 2020. The lease is considered an operating lease.

Flowers by Darlene has occupied a portion of the building since June 2005. The lease was extended in 2015 through June 2020, with no option to renew at a base annual rent of \$18,000. Flowers by Darlene has no option to purchase this property and the lease is considered an operating lease.

11 W. Main Building

The CIC acquired the building located at 11 West Main Street in 2017. The total capitalized cost of this building at December 31, 2019 was \$330,483, and the accumulated depreciation at December 31, 2019 was \$10,369.

PNC Bank, formerly National City Bank, has occupied a portion of the building since February 2000. The current lease addendum extends the lease through January 2025, with one five-year option to renew at a base annual rent of \$59,730. PNC Bank has no option to purchase this property and the lease is considered an operating lease.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(CONTINUED)**

**5. BUILDINGS (CONTINUED)**

Hocking County Insurance Agency has occupied a portion of the building since January 2017. The current lease is for a four-year period through December 2020, with no option to renew at a base annual rent of \$10,800. Hocking County Insurance Agency has no option to purchase this property and the lease is considered an operating lease.

Rokeith Building

The CIC acquired the building located at 30260 Industrial Park Drive in December 2017. The total capitalized cost of this building at December 31, 2019 was \$1,343,077, the accumulated depreciation at December 31, 2019 was \$48,910.

Rat Tactical, LLC entered into a lease agreement for a portion of this building on September 1, 2018. Annual rent payments amount to \$19,200 and are payable in monthly installments. The tenant has the right to extend the lease on a year to year basis upon the end of the initial three-year term. Early termination of this lease may be requested if Rat Tactical's primary customer (Rogue Fitness) is lost. Upon such happening, the CIC has promised to negotiate fair and equitable termination terms. Rat Tactical has no option to purchase this space and the lease is considered an operating lease.

Dovetail Solar and Wind entered into a lease agreement for a portion of this building on February 23, 2018. Annual rental payments amount to \$21,228 and are payable in monthly installments. The initial term is for five years and holds an annual rent inflation clause that cannot exceed three percent annually. During 2019, Dovetail Solar and Wind ceased operations. As such, their lease has been terminated.

Sunshine Beverage Company entered into a lease agreement for a portion of this building on March 26, 2018, which was amended on July 2, 2019. Annual rental payments amount to \$22,716 and are payable in monthly installments. The initial term is for six and one-half years. At the end of the initial lease term, Sunshine Beverage has an option to extend the lease on a year-to-year basis. Sunshine Beverage has no option to purchase this space and the lease is considered an operating lease.

The Mennel Milling Company entered into a lease agreement for a portion of this building on April 9, 2019; and expanded the portion of the building through an amendment on September 10, 2019. The initial term is 12 months commencing June 1, 2019 and ending May 31, 2020; unless terminated earlier as provided in the lease. Mennel has the right to extend the lease term annually through May 31, 2024. Annual rent is \$34,716 and is payable in monthly installments of \$2,893. Mennel Milling Company has no option to purchase this space and the lease is considered an operating lease.

**6. OTHER LEASE INCOME**

On May 31, 2019, the CIC entered into a lease with ViaSat Inc. for a 20' by 25' space to construct a satellite access node at Commerce Park. The initial terms of the lease are three (3) years commencing September 1, 2019 and ending August 31, 2022; with six (6) automatic renewal terms of three (3) years each; unless terminated earlier. Annual rent is \$6,000, payable in monthly installments of \$500; with a 6% increase on each subsequent September 1. ViaSat has no option to purchase the property and the lease is considered an operating lease.

The CIC leases a building located on Sutton Road in Logan. The CIC subleases the property to Jeremias, Inc.: a manufacturer of industrial exhaust systems. Base annual rent is \$8,400, payable in monthly installments of \$700. Jeremias is also responsible for any increase in the CIC's general public liability insurance premiums. The lease specifically makes clear title to the property remains with the city of Logan.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)**

**7. FUTURE MINIMUM RENT INCOME**

Future minimum lease receipts expected under current operating leases as of December 31, 2019 are as follows:

2020	\$	899,981
2021		758,673
2022		709,486
2023		709,902
2024		585,333
Thereafter		239,918
Total	\$	<u>3,903,293</u>

**8. CURRENT VULNERABILITY DUE TO CONCENTRATIONS**

The CIC derives all of its lease income from lessees who are located in the Logan-Hocking County area.

**9. DEPOSITS ON FIXED ASSETS**

On May 1, 2018, the CIC entered into an agreement to purchase real estate on Gallagher Avenue in Logan, Ohio. The purchase price was \$150,000 and required a \$15,000 earnest money deposit, which was paid May 4, 2018 and recorded to deposits on fixed assets. The CIC did not complete the purchase of the property; as such the deposit has been expensed to abandoned deposit expense. The lease with Columbus Washboard Company, LTD was terminated as a result of not completing the purchase.

**10. INDUSTRIAL PARK DEVELOPMENT COSTS**

The CIC completed this land development project during 2005. Since then, there have been several tracts of land sold. The industrial park offers opportunities for mixed-use development, and has just over 40 acres remaining available for sale. During 2019, there was no additional development.

**11. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 7, 2022, the date on which the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen within the U.S. and global economies. There could be financial impacts to the organization, though such impact is unknown at this time.

**12. COMPENSATED ABSENCES**

Employees of the CIC are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is not practical for the CIC to estimate the amount of compensation for future absences. Accordingly, no liability for compensated absences has been recorded in the accompanying financial statements. The CIC's policy is to recognize the costs of compensated absences when actually paid to employees.

**13. FUNCTIONAL EXPENSES**

The costs of providing program services and other activities have been summarized on a functional basis in the statement of functional expenses. No costs have been allocated between program services and management and general expenses.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(CONTINUED)**

**14. RESTATEMENT OF NET ASSETS**

The Corporation's net asset balances as of January 1, 2019 have been restated for revisions made to the capital assets schedule. These revisions resulted in the following changes in net asset balances at January 1, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets at December 31, 2018 as Previously Reported	\$ 4,063,994	\$ 268,680	\$ 4,332,674
Adjustment for Capital Asset Revisions	<u>(850,727)</u>	<u>-</u>	<u>(850,727)</u>
Net Assets at January 1, 2019 as Restated	<u>\$ 3,213,267</u>	<u>\$ 268,680</u>	<u>\$ 3,481,947</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

April 7, 2022

Hocking County Community Improvement Corporation  
Hocking County  
30260 Industrial Park Drive  
Logan, Ohio 43138

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Hocking County Community Improvement Corporation**, Hocking County, (the Corporation) (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated April 7, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Tax - Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll – Litigation Support – Financial Investigations  
Members: American Institute of Certified Public Accountants  
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •



***Compliance and Other Matters***

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Corporation's Response to Finding***

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not subject the Corporation's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2020-001**

**Material Weakness**

**Maintenance of Capital Asset Schedule**

Maintenance of the capital asset schedule is essential to ensure information provided to the readers of the financial statements is accurate. The lack of maintaining an accurate capital asset schedule could result in the loss or misappropriation of Corporation assets and increases the risk of fraud.

During 2020, the Corporation, in conjunction with its fee accountant, reviewed its capital assets schedule to remove assets that are no longer held by the Corporation. The property descriptions on the schedule did not contain enough detail to be able to identify which assets they were associated with. We also noted the disposals were discussed with, but not formally approved by the Board of Trustees.

The Corporation reported the asset disposals in Fiscal Year 2020, however, as these assets were not held at the beginning of Fiscal Year 2019, they should have been reported as a prior period adjustment. The financial statements and related note disclosures have been adjusted to correct this error.

We recommend that management perform a detailed review of its capital asset schedule and update property descriptions therein to include enough detail to be able to correlate the assets listed with the actual physical assets held. Such review should include procedures to ensure that all assets physically held by the Corporation are included on the schedule. We also recommend the Corporation review its capital asset policy and make any necessary updates to ensure proper procedures are followed going forward.

**Officials' Response** – The process of changing accounting firms from Co & Co Tax and Accounting Services in Logan, Ohio, to Snyder & Associates, CPAs in Lancaster, Ohio, began in 2017 after several disappointments and complaints with Co & Co. In the four years we have been with Snyder, the CIC has worked with three different CPAs along with the management team. Each year we have been their client, we dig further into our books, thus creating a much clearer and more accurate representation of the CIC's financial position. This includes review of the list of assets. As can be noted on the Book Asset Detail dated January 1, 2018 - December 31, 2018, many items are vague, aged, and as described are not true capital assets (i.e. architect fees, Bldg Permit, EPA abatement, etc.).

The conversation was taken to the Board of Trustees for direction as to whether or not all of these items should be reflected on the list of assets. It was agreed that many of these items should be removed from our list either simply because of the age of the asset, the nature of the description of the asset, or a combination of age and low value.

Items on the list were struck, and the list was reviewed and agreed upon by the Board of Trustees prior to being returned to the accountant, who recorded these items as asset retirements for fiscal year 2020 and reorganized the list for better understanding of the information included. The accountant considered the need for a prior period adjustment for those items on the fixed asset schedule which had been retired prior to 2020. Considering this would have required management and the board to revisit records going back more than 10 years, which would have been painfully difficult, the accountant felt the burden would have been far greater than the benefit. Accordingly, they were treated as retirements in 2020.

We have also implemented an "Asset Detail List Maintenance Policy" as recommended.

# OHIO AUDITOR OF STATE KEITH FABER



**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**

**HOCKING COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/24/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)