



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513

Fax: (317) 232-4711

Web Site: www.in.gov/sboa

December 29, 2023

Board of Directors
Delaware Advancement Corporation
401 S. High St.
Muncie, IN 47305

We have reviewed the audit report of the Delaware Advancement Corporation, which was opined upon by Whiting & Company LLC, Independent Public Accountants, for the period October 1, 2021 to September 30, 2022. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Delaware Advancement Corporation as of September 30, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Whiting & Company LLC prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

**DELAWARE ADVANCEMENT
CORPORATION**
MUNCIE, INDIANA

FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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WHITINGER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware Advancement Corporation
Muncie, Indiana

Opinion

We have audited the accompanying financial statements of Delaware Advancement Corporation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Advancement Corporation as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Delaware Advancement Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Delaware Advancement Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

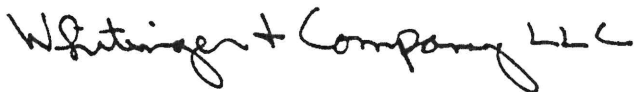
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Delaware Advancement Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Delaware Advancement Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Certified Public Accountants
Muncie, Indiana

October 13, 2023

FINANCIAL STATEMENTS

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 3,742,752	\$ 2,409,849
Accounts receivable, net of allowance for doubtful accounts of \$5,000 as of September 30, 2022 and 2021	187,966	107,734
Contributions receivable, net of allowance and discount of \$7,162 as of September 30, 2022 and 2021, respectively	31,088	136,088
Inventory	26,411	28,978
Note receivable	13,959	13,959
Real estate held for sale	978,534	978,534
Investment property	6,594,007	13,716,574
Beneficial interest in endowments	16,274	17,631
Prepaid expenses	44,884	91,812
Property and equipment, net	1,584,487	1,633,783
Total Assets	\$ 13,220,362	\$ 19,134,942
LIABILITIES		
Accounts payable	\$ 117,880	\$ 47,483
Accrued expenses	84,417	150,035
Deposits	126,230	140,672
Passthrough grant	750,000	
Notes payable	5,715,316	13,290,356
Total Liabilities	\$ 6,793,843	\$ 13,628,546
NET ASSETS		
Without donor restrictions		
Current operations	\$ 2,490,459	\$ 2,252,917
Residual interest funds	2,953,236	2,946,620
	\$ 5,443,695	\$ 5,199,537
With donor restrictions		
Subject to purpose and time restrictions	\$ 972,824	\$ 296,859
Perpetual in nature	10,000	10,000
	\$ 982,824	\$ 306,859
Total Net Assets	\$ 6,426,519	\$ 5,506,396
Total Liabilities and Net Assets	\$ 13,220,362	\$ 19,134,942

See accompanying Notes to Financial Statements.

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Operating rental and commissions	\$ 263,918		\$ 263,918
Office lease rental	26,448		26,448
Investment property income	479,687		479,687
Civic Center Authority			
Operating support	1,244,251		1,244,251
Capital improvements	358,151		358,151
Contributions		\$ 435,000	435,000
Grants	21,362	783,822	805,184
Redevelopment Commission			
Catering revenue	746,759		746,759
Paycheck Protection Program loan forgiveness American Rescue Plan			
Other revenue	28,187		28,187
Change in value of beneficial interest in endowments		(1,357)	(1,357)
Interest	1,570		1,570
	\$ 3,170,333	\$ 1,217,465	\$ 4,387,798
Net assets released from restriction	541,500	(541,500)	
Total Revenue and Other Support	\$ 3,711,833	\$ 675,965	\$ 4,387,798
COSTS AND EXPENSES			
Program services			
Economic development	\$ 756,782		\$ 756,782
Convention Center program	1,471,061		1,471,061
Catering	882,720		882,720
Redevelopment Commission	672		672
Micro Loan	265		265
Parking Garage	80,542		80,542
Total Program Services	\$ 3,192,042		\$ 3,192,042
Management and general	240,957		240,957
Fundraising	34,676		34,676
Total Costs and Expenses	\$ 3,467,675		\$ 3,467,675
CHANGE IN NET ASSETS	\$ 244,158	\$ 675,965	\$ 920,123
NET ASSETS, BEGINNING OF YEAR	5,199,537	306,859	5,506,396
NET ASSETS, END OF YEAR	\$ 5,443,695	\$ 982,824	\$ 6,426,519

See accompanying Notes to Financial Statements.

2021		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 151,498		\$ 151,498
24,248		24,248
616,246		616,246
1,068,533		1,068,533
167,768		167,768
	\$ 136,431	136,431
27,000	140,000	167,000
3,182		3,182
372,655		372,655
672,257		672,257
700,000		700,000
30,666		30,666
	4,097	4,097
1,419		1,419
<u>\$ 3,835,472</u>	<u>\$ 280,528</u>	<u>\$ 4,116,000</u>
241,659	(241,659)	
<u>\$ 4,077,131</u>	<u>\$ 38,869</u>	<u>\$ 4,116,000</u>
\$ 953,178		\$ 953,178
1,397,179		1,397,179
589,796		589,796
1,963		1,963
175		175
67,027		67,027
<u>\$ 3,009,318</u>		<u>\$ 3,009,318</u>
228,022		228,022
32,700		32,700
<u>\$ 3,270,040</u>		<u>\$ 3,270,040</u>
\$ 807,091	\$ 38,869	\$ 845,960
4,392,446	267,990	4,660,436
<u>\$ 5,199,537</u>	<u>\$ 306,859</u>	<u>\$ 5,506,396</u>

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Miscellaneous cash received	\$ 28,187	\$ 42,264
Grants received	21,362	27,000
Operating cash received	3,038,982	3,024,818
Passthrough grant received	750,000	
Interest received	1,570	1,419
Interest paid	(416,157)	(525,455)
Cash paid to suppliers and employees	<u>(2,741,259)</u>	<u>(2,412,157)</u>
Net Cash Provided By Operating Activities	<u>\$ 682,685</u>	<u>\$ 157,889</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (221,131)	\$ (91,934)
Investment in property	<u>(357,998)</u>	
Net Cash Used By Investing Activities	<u>\$ (579,129)</u>	<u>\$ (91,934)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from restricted contributions	\$ 1,323,822	\$ 340,000
Proceeds from notes payable		353,258
Payments on notes payable	<u>(94,475)</u>	<u>(94,475)</u>
Net Cash Provided By Financing Activities	<u>\$ 1,229,347</u>	<u>\$ 598,783</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>\$ 1,332,903</u>	<u>\$ 664,738</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,409,849</u>	<u>1,745,111</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,742,752</u></u>	<u><u>\$ 2,409,849</u></u>

See accompanying Notes to Financial Statements.

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

	2022	2021
CHANGE IN NET ASSETS	\$ 920,123	\$ 845,960
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	\$ 270,427	\$ 290,302
Cash received from restricted contributions	(1,323,822)	(340,000)
Loss on disposal of equipment		11,598
Change in value of beneficial interest in endowments	1,357	(4,098)
Paycheck Protection Program loan forgiveness		(672,257)
Changes in assets		
Accounts receivable	(80,232)	(79,310)
Contributions receivable	105,000	60,193
Inventory	2,567	(5,646)
Prepaid expenses	46,928	(27,741)
Changes in liabilities		
Accounts payable	70,397	21,650
Accrued expenses	(65,618)	36,286
Deposits	(14,442)	20,952
Passthrough grant	750,000	
TOTAL ADJUSTMENTS	\$ (237,438)	\$ (688,071)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 682,685	\$ 157,889
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:		
Non-Cash Financing Activities		
Forgiveness of debt, Paycheck Protection Program loan		\$ 672,257

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Economic Development</u>	<u>Convention Center</u>	<u>Catering</u>	<u>Redevelopment Commission</u>
Salaries	\$ 193,601	\$ 582,663	\$ 206,632	
Payroll taxes	11,570	46,743	15,974	
Benefits	30,165	103,097	53,540	
Maintenance	16,786	103,075	4,798	
Supplies	7,103	81,878	45,179	
Telephone	3,407	18,127	912	
Postage and shipping	200	654		
Rents	13,534			
Occupancy		208,914	18,534	
Travel	6,512	9,746	70	
Depreciation	1,543	204,509	33,567	\$ 672
Insurance	5,011	38,199	3,386	
Dues and subscriptions	8,145	2,146		
Training	2,837	5,549	4,013	
Marketing	12,130	41,553		
Professional fees	20,459	13,719	721	
License fees		1,017		
Miscellaneous	762	9,472	10,324	
Special programs	6,860			
Interest	416,157			
Catering expenses			485,070	
	<u>\$ 756,782</u>	<u>\$ 1,471,061</u>	<u>\$ 882,720</u>	<u>\$ 672</u>

See accompanying Notes to Financial Statements.

Micro Loan	Parking Garage	Total Program Services	Management and General	Fundraising	Total Expenses
	\$ 30,006	\$ 1,012,902	\$ 107,766	\$ 15,395	\$ 1,136,063
		74,287	7,904	1,129	83,320
	3,068	189,870	20,201	2,886	212,957
	7,040	131,699	14,012	2,002	147,713
	2,655	136,815	14,556	2,079	153,450
	3,042	25,488	2,712	387	28,587
		854	91	13	958
		13,534	1,440	206	15,180
	29,638	257,086	25,390	3,881	286,357
		16,328	1,737	248	18,313
	891	241,182	25,589	3,656	270,427
	4,083	50,679	5,392	770	56,841
		10,291	1,095	156	11,542
		12,399	1,319	188	13,906
		53,683	5,712	816	60,211
		34,899	3,713	530	39,142
	119	1,136	112	17	1,265
\$ 265		20,823	2,216	317	23,356
		6,860			6,860
		416,157			416,157
		485,070			485,070
<u>\$ 265</u>	<u>\$ 80,542</u>	<u>\$ 3,192,042</u>	<u>\$ 240,957</u>	<u>\$ 34,676</u>	<u>\$ 3,467,675</u>

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Economic Development	Convention Center	Catering	Redevelopment Commission
Salaries	\$ 248,832	\$ 618,981	\$ 229,592	
Payroll taxes	12,104	44,345	15,677	
Benefits	27,186	107,223	56,433	\$ 722
Maintenance	9,974	102,883	6,033	
Supplies	711	34,737	16,917	
Telephone	3,873	17,113	2,189	
Postage and shipping	244	279		
Rents	15,544			
Occupancy		177,903	3,190	
Bad debts	(3,375)			
Travel	1,433	1,817	26	
Depreciation	1,504	215,007	43,007	341
Insurance	1,440	39,634	4,299	
Dues and subscriptions	5,419	1,863	20	
Training	2,898	2,749	2,529	
Marketing	14,276	17,704		
Professional fees	14,154	10,553	810	
License fees		898		
Miscellaneous	21,471	3,490	4,765	
Special programs	50,035			
Interest	525,455			
Catering expenses			204,309	
Management services				900
	\$ 953,178	\$ 1,397,179	\$ 589,796	\$ 1,963

See accompanying Notes to Financial Statements.

<u>Micro Loan</u>	<u>Parking Garage</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
		\$ 1,097,405	\$ 112,643	\$ 16,092	\$ 1,226,140
		72,126	7,403	1,058	80,587
		191,564	19,589	2,798	213,951
	\$ 1,882	120,772	12,397	1,771	134,940
	9,027	61,392	6,301	900	68,593
	397	23,572	2,420	346	26,338
		523	54	8	585
		15,544	1,596	228	17,368
	54,088	235,181	23,173	3,436	261,790
		(3,375)			(3,375)
		3,276	336	48	3,660
		259,859	26,638	3,805	290,302
	1,633	47,006	4,825	689	52,520
		7,302	749	107	8,158
		8,176	839	120	9,135
		31,980	3,283	469	35,732
		25,517	2,619	374	28,510
		898	89	13	1,000
\$ 175		29,901	3,068	438	33,407
		50,035			50,035
		525,455			525,455
		204,309			204,309
		900			900
<u>\$ 175</u>	<u>\$ 67,027</u>	<u>\$ 3,009,318</u>	<u>\$ 228,022</u>	<u>\$ 32,700</u>	<u>\$ 3,270,040</u>

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Delaware Advancement Corporation (DAC) was incorporated as a not-for-profit organization in August 1984, under the laws of the State of Indiana. DAC is operated to encourage the investment of businesses and individuals in the city of Muncie and Delaware County, Indiana, through neighborhood assistance programs, jobs and job training, education, operation of the Convention Center, community services, and aid to economically disadvantaged individuals directly and by contribution.

The Convention Center is a division of DAC organized to renovate, equip, operate, maintain, and promote the use of the former Federal Building as a convention center under a long-term operating agreement (35 years) entered into with the Delaware County Civic Center Authority as of September 4, 1986. During 2017, the operating agreement was amended to extend the termination date to December 15, 2038. At the termination of the operating agreement, any surplus funds held by DAC and received as compensation under terms of the agreement shall be turned over to the Authority. The residual interest accruing to the Authority is reflected as net assets without donor restriction residual interest funds in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization maintains its accounting on the accrual basis, and accordingly, reflects all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). FASB ASC 958-10-65, *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: “net assets with donor restrictions” and “net assets without donor restrictions”.

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions.

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 the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Cash and Cash Equivalents*

DAC considers all bank deposits and liquid investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost as of the date of purchase or, if donated, at the approximate fair market value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Depreciation expense is computed using the straight-line method over the estimated useful lives of property and equipment of 3 to 20 years.

When assets are sold or disposed, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss on the disposition is reflected in activities. Expenditures for maintenance and repairs are expensed when incurred. Expenditures that result in the enhancement of the value of the assets involved are treated as additions to property and equipment.

Inventory

Inventories are stated at the lower of cost, on the first-in/first-out method, or market.

Support, Revenue, and Pledges

In accordance with FASB ASC 958, *Not-for-Profit Entities*, contributions received are recorded as support “with donor restrictions” and “without donor restrictions”, depending on the existence and/or nature of any donor restrictions. FASB ASC 605-205-15, *Accounting for Contributions Received and Made*, requires that “unconditional promises to give” be recorded as receivables and revenue; and requires the organization to distinguish between contributions received for each net asset category in accordance with donor restrictions.

Contributions are generally considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received as restricted by the donor for a specific purpose are reported as restricted until such time as the donor’s restriction expires. Restrictions are normally removed when the contributions are expended for the purpose restricted, or the completion of the project for which the contributions were specifically donated. When a donor-stipulated time restriction ends, or a purpose restriction is accomplished, then the net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction.

Pledges for contributions are recorded as a receivable when the pledge is received. An allowance is provided for pledges which are determined to be uncollectible. Amounts received that are restricted by the donor for future periods or for specific purposes, are reported as support with donor restrictions

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Support, Revenue, and Pledges (continued)*

The allowance for uncollectible pledges is maintained at a level which, in management's judgment, is adequate to absorb potential bad debts inherent with pledges receivable. The amount of the allowance is based on management's evaluation of the collectability of the pledge's receivable and trends in historical bad debt experience. The allowance is increased by a provision for uncollectible pledges, which is charged to expense and reduced by charge-offs. Because of uncertainties inherent in the estimation process, management's estimate of bad debts and the related allowance may change in the near-term. However, the amount of the change that is reasonably possible cannot be estimated.

Donated Services

During the years ended September 30, 2022 and 2021, a substantial number of volunteers have contributed significant amounts of their time to the Organization. These services do not meet the requirements for recognition in the financial statements in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made* and are not included in the financial statements.

Revenue Recognition

The primary sources of revenue are contributions, grants, catering, and operating rental revenue. Revenue recognition policies for contributions and grants are disclosed in other notes. Catering and operating rental revenue have a single performance obligation, the occurrence of the event, which is an exchange transaction and satisfied at a point in time or over time depending on the length of the event. Amounts received prior to occurrence of the event date are recorded as deferred revenue.

Advertising Costs

Advertising costs are expensed when incurred and are classified under the statement of functional expenses.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements may report certain categories of expense that are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among program and supporting services benefited. Certain costs for personnel and office overhead, as well as fundraising costs, have been allocated among the programs and supporting services based upon the distribution of staff time.

Income Taxes

The Organization is a not-for-profit organization incorporated under the laws of the State of Indiana and is exempt from the payment of federal income taxes under *Section 501(c)(3)* of the *Internal Revenue Code*. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of *Section 509(a)* of the *Internal Revenue Code*.

The Organization's federal and state income tax returns are subject to examination by taxing authorities, generally for three years after they were filed.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

Date of Management's Review

Management has evaluated subsequent events through the date on which the financial statements were made available to be issued. The date is the same as the independent auditor's report date.

Reclassification

Certain prior year amounts have been reclassified in the financial statements to conform to the current year presentation format.

Recent Accounting Pronouncements

In February 2016, the *FASB* issued ASU No. 2016-02, *Leases* (Topic 842). The standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the statements of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard will be effective for fiscal years beginning October 1, 2022. Management is evaluating the potential impact of this new guidance on the financial statements.

3. **CONTRIBUTIONS RECEIVABLE**

No discount is needed as all contribution's receivable are due within one year or less. Contributions receivable at September 30, are as follows:

	2022	2021
	<u> </u>	<u> </u>
Due within one year	\$ 38,250	\$ 143,250
Due in 1 - 5 years	0	0
	<u>\$ 38,250</u>	<u>\$ 143,250</u>
Allowance for uncollectible contributions	(7,162)	(7,162)
	<u>\$ 31,088</u>	<u>\$ 136,088</u>
Discount	0	0
	<u> </u>	<u> </u>
	<u>\$ 31,088</u>	<u>\$ 136,088</u>

Contributions receivable restricted for specific purposes are as follows:

	September 30	
	2022	2021
	<u> </u>	<u> </u>
Vision 2021 Program	<u>\$ 31,088</u>	<u>\$ 136,088</u>

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

4. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Organization established two endowment funds with the Community Foundation of Muncie and Delaware County, Inc. The Organization transferred monies from its cash to establish the funds. The Foundation has retained variance authority of all funds and, therefore, the beneficial interest is recorded as a perpetual donor restricted net asset. The Organization is specified as the beneficiary of future allocations based on the Foundation's spending policy. The Organization's Board has the ability to accept allocations or allow them to remain with the Foundation. These allocations that remain with the Foundation are recorded as assets without donor restrictions. Any change in the value of the beneficial interest in the funds is reported as an increase or decrease in net assets with donor restrictions

The Organization established the endowments to preserve a predictable stream of future cash flows to fund programs supported by the Organization while maintaining the purchasing power of the original investment. The Foundation's return objectives are to maximize total return, net of inflation, spending and expenses, with prudent risk levels.

Assets held by Community Foundation as of September 30, 2022 and 2021, are summarized as follows:

	<u>2022</u>	<u>2021</u>
Beneficial interest in assets held by Community Foundation	<u>\$ 16,274</u>	<u>\$ 17,631</u>

Changes in endowment net assets with donor restrictions for the year ended September 30, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 17,631	\$ 13,534
Change in value of beneficial interest in endowments	<u>(1,357)</u>	<u>4,097</u>
Donor designated net assets, end of year	<u><u>\$ 16,274</u></u>	<u><u>\$ 17,631</u></u>

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The beneficial interest in assets held by the Community Foundation is based on inputs other than quoted prices in active markets provided by the Foundation.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2022				
Beneficial interest in endowments	\$ 16,274	\$ -0-	\$ 16,274	\$ -0-
September 30, 2021				
Beneficial interest in endowments	\$ 17,631	\$ -0-	\$ 17,631	\$ -0-

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

6. PROPERTY AND EQUIPMENT

DAC's property and equipment are as follows at September 30:

	2022	2021
Furnishings, fixtures, and equipment	\$ 2,203,104	\$ 2,151,068
Leasehold improvements	3,273,485	3,124,578
Construction in progress	60,372	40,184
	\$ 5,536,961	\$ 5,315,830
Accumulated depreciation	(3,952,474)	(3,682,047)
	\$ 1,584,487	\$ 1,633,783

Depreciation expense was \$270,427 and \$290,302 for 2022 and 2021, respectively.

7. INVESTMENT PROPERTY

During 2013, DAC began construction of a parking structure that is being financed by the City of Muncie. As of September 30, 2022 and 2021, costs of \$5,000,157 had been incurred. On September 10, 2013, DAC entered into a capital lease with the City of Muncie Redevelopment Commission to lease the parking structure for a period of twenty-two years beginning January 15, 2016. Financing was provided by a bond issue by the City of Muncie.

During 2015, DAC completed construction of a shell building located in the Industria Centre. As of September 30, 2021, costs associated with the land and building amounted to \$7,480,565. Financing was provided by Garmong Development Company, LLC. DAC entered into a promissory note to repay the obligation. At the same time, DAC entered into an operating lease with the Delaware County Redevelopment Commission for up to ten years. The lease proceeds will be used to pay the interest due on the note. The property was sold in March 2022.

Properties were purchased during 2018 for riverfront development. Additional properties were acquired in 2020 and 2022, and one property was sold in December 2019. As of September 30, 2022 and 2021, costs associated with the transactions were \$1,593,850 and \$1,235,852, respectively. Financing was provided by Garmong Development Company, LLC and the City of Muncie. DAC entered into a promissory note to repay the obligation. Funding for the note repayment will be provided by the Muncie Redevelopment Commission.

8. NOTE RECEIVABLE

A non-interest-bearing note receivable due from Garmong Development Company, LLC, secured by a mortgage on real estate, is to be repaid by annual payments of \$55,838, commencing on December 31, 2011. The principal balance as of September 30, 2022 and 2021, was \$13,959.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

9. NOTES PAYABLE

During the year ended September 30, 2008, land was purchased for the construction of a shell building. The land was purchased with funds provided by the Delaware County Commissioners. In October 2010, the building was sold to Garmong Development Company, LLC. Proceeds collected under a note receivable with the buyer are to be forwarded to the Commissioners. The principal balance at September 30, 2022 and 2021, was \$13,959.

Land was purchased from the Muncie Redevelopment Commission for the construction of a shell building. The land was purchased with funds provided by the Commission. Proceeds from the sale of the property are to be forwarded to them. In August 2015, a portion of the property was transferred as part of a sale transaction. The principal balance at September 30, 2022 and 2021, was \$78,534.

On September 10, 2013, DAC entered into an agreement with the City of Muncie, the Muncie Redevelopment Commission, and Cardinal Square to construct a parking garage in the Village. The project was financed by bonds issued by the City of Muncie. Proceeds were loaned to DAC to pay construction costs. A note between DAC and the City of Muncie calls for payment of \$5,000,000 principal plus interest by February 1, 2038, in sums equal to the semi-annual payments due on the Series 2013 bonds. The City of Muncie assigned its rights in the note and requested that DAC make the payments directly to the bond trustee. Variable interest on the note is linked to the prime rate. In December 2019, the bonds were refinanced resulting in a principal balance of \$5,055,000. The bonds have a variable coupon rate ranging from 2.75% to 4.375%, depending on the term. The principal balance at September 30, 2022 and 2021, was \$4,411,971 and \$4,506,446, respectively.

During 2015, DAC completed construction of a shell building located in the Industria Centre. DAC entered into a promissory note with Garmong Development Company, LLC to finance the project. The note calls for semi-annual interest payments on the first day of January and July with the principal due the earlier of the closing of the sale of the building, the execution of a long-term lease, or ten years. The note bears interest at the prime rate published in the Wall Street Journal plus .50% and is adjusted each January 1, and July 1. As of September 30, 2022, the interest rate was 3.75%. The principal balance at September 30, 2021, was \$6,880,565. The land used for the project was transferred from Delaware County to DAC at a value of \$600,000. This amount is owing to the County. The property was sold in March 2022, with repayment made to Garmong and the County.

During 2018, DAC purchased properties for riverfront development. DAC entered into a promissory note with Garmong Development Company, LLC to finance the project. The note calls for semi-annual interest payments on the first day of January and July with the principal due the earlier of three years from January 31, 2018, or the date the entire parcel of land has been sold to an unrelated third party in an arm's length transaction. The note bears interest at the prime rate published in the Wall Street Journal plus .50% and is adjusted each January 1, and July 1. As of September 30, 2022, the interest rate was 4.50%. The principal balance at September 30, 2022 and 2021, was \$1,134,798.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

9. NOTES PAYABLE (continued)

In May 2020, an additional property was purchased for riverfront development. The property was purchased with funds provided by the City of Muncie and a grant. Proceeds from the sale of the property are to be forwarded to the City. The principal balance at September 30, 2022 and 2021, was \$76,054.

In April 2020, the Organization received a loan in the amount of \$319,000 through the Paycheck Protection Program (“PPP”) which offered loans to small businesses and organizations impacted by the COVID-19 pandemic pursuant to the *Coronavirus Aid, Relief, and Economic Security (“CARES”) Act*. The interest rate on the loan was 1% with repayment beginning July 30, 2021. The balance was due March 30, 2022. The loan may be forgiven to the extent proceeds were spent on certain qualifying costs and other conditions were met. The Organization was notified in February 2021, that the loan was forgiven in full.

The Organization also received a second Paycheck Protection Program loan for \$353,257 in January 2021, with similar terms as the original loan. The Organization was notified in September 2021, that the loan was forgiven in full.

Future principal payments required on debt outstanding at September 30, 2022, consisted of the following:

For the Year Ended September 30	Amount
2023	\$ 1,247,955
2024	103,922
2025	108,646
2026	165,331
2027	222,016
2028 and thereafter	3,712,858
	\$ 5,560,728
Loans for which there are no required repayment schedules	154,588
	\$ 5,715,316

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

10. NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2022 and 2021, donor restricted net assets consist of:

	2022	2021
Vision 2021 Program	\$ 31,088	\$ 136,088
Community Foundation endowment	16,274	17,631
Grants	935,462	153,140
	\$ 982,824	\$ 306,859

During the years ended September 30, 2022 and 2021, donor restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2022	2021
Vision 2021 Program	\$ 540,000	\$ 196,625
Grants	1,500	45,034
	\$ 541,500	\$ 241,659

11. EMPLOYEE BENEFITS

DAC maintains a defined contribution pension plan for the benefit of substantially all of its employees. DAC's contribution consists of a discretionary contribution up to 6% of eligible compensation. Employees may contribute up to the IRS established limits. DAC's total contribution to the plan was \$88,001 and \$68,263 for 2022 and 2021, respectively.

DELAWARE ADVANCEMENT CORPORATION**NOTES TO FINANCIAL STATEMENTS****13. OPERATING LEASES**

DAC leases its operating facilities and the Convention Center under a non-cancellable operating lease arrangement entered into on September 4, 1986, for a 35 year term. During 2017, the operating agreement was amended to extend the termination date to December 15, 2038. Under the agreement, DAC is responsible for all expenses associated with operating the Convention Center and will continue to receive a portion of the 1% Delaware County Food and Beverage Tax from the State of Indiana to fund the operations. The agreement also allows DAC to sublease the facility.

The Organization leases a copier under a sixty-three-month, non-cancellable lease at a cost per month of \$319. The lease expires in September 2023. The copier is also being subleased to a related organization.

The above rental expense is offset by sublease rental income. The fee for the subleasing was based upon usage and, therefore, varied from month to month.

During 2015, DAC completed construction of a shell building located in the Industria Centre. The property is being leased to the Delaware County Redevelopment Commission. The term of the lease is for the earlier of ten years or the date the building is sold or is leased to a party for a term of at least ten years. The property was sold in March 2022.

Rent in the amount of \$135,652 and \$270,771 was received for the years ended September 30, 2022 and 2021.

14. CONCENTRATION OF CREDIT RISKS

The Organization maintains cash balances in federally insured financial institutions. The balances are insured up to \$250,000 at each financial institution by the Federal Deposit Insurance Corporation. As of September 30, 2022, cash in bank accounts in excess of insured amounts was approximately \$2,663,000.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

15. **LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2022 and 2021, are comprised as follows:

	<u>2022</u>	<u>2021</u>
Operating Financial Assets:		
Cash and cash equivalents (without donor restriction)	\$ 2,807,290	\$ 2,256,709
Accounts receivable, net of allowance	187,966	107,734
	<u>\$ 2,995,256</u>	<u>\$ 2,364,443</u>
Reconciliation of Net Assets Without Donor Restrictions to Financial Assets Available to Meet Cash Needs:		
Net assets without donor restrictions	\$ 5,443,695	\$ 5,199,537
Less:		
Inventory	(26,411)	(28,978)
Note receivable	(13,959)	(13,959)
Real estate held for resale	(978,534)	(978,534)
Investment property	(6,594,007)	(13,716,574)
Prepaid expense	(44,884)	(91,812)
Property and equipment, net	(1,584,487)	(1,633,783)
Add:		
Accounts payable	117,880	47,483
Accrued expenses	84,417	150,035
Deposits	126,230	140,672
Passthrough grant	750,000	
Notes payable	5,715,316	13,290,356
	<u>\$ 2,995,256</u>	<u>\$ 2,364,443</u>

The Organization's annual operating cash needs are determined during their budgeting process. Cash is regularly monitored and evaluated by management. General expenditures include administration, fundraising, and program services that are expected to be paid in a subsequent year.