

Financial Statements
and Other Financial Information

KOKOMO/HOWARD COUNTY
DEVELOPMENT CORPORATION

December 31, 2008

KOKOMO/HOWARD COUNTY DEVELOPMENT CORPORATION
Financial Statements and Other Financial Information

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BUCHERI McCARTY & METZ LLP

Certified Public Accountants | Consultants

Charting the Course

INDEPENDENT AUDITORS' REPORT

Board of Directors
Kokomo/Howard County Development Corporation
Kokomo, Indiana

We have audited the accompanying statement of financial position of Kokomo/Howard County Development Corporation as of December 31, 2008 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Kokomo/Howard County Development Corporation as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of program and supporting service expenses on page 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

July 13, 2009

BUCHERI MCCARTY & METZ LLP
Certified Public Accountants

KOKOMO/HOWARD COUNTY DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31, 2008

ASSETS

Operating Assets	
Cash and cash equivalents	\$1,086,567
Accounts receivable	22,744
Grants receivable	314,043
Prepaid expenses	1,761
Total operating assets	<u>1,425,115</u>
Fixed Assets	
Land	235,000
Furniture and fixtures	56,926
Office equipment	105,913
Building and improvements	1,502,812
	<u>1,900,651</u>
Less accumulated depreciation	(239,498)
Total fixed assets	<u>1,661,153</u>
Other Assets	
Deposits	<u>7,000</u>
Total assets	<u>\$3,093,268</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable - trade	\$ 42,567
Accrued compensation	25,658
Accrued real estate tax	7,995
Deferred grant revenue	249,428
Deferred revenue - other	12,985
Total liabilities	<u>338,633</u>
Net Assets	
Unrestricted	
Available for operations	968,230
Board designated	157,019
Temporarily restricted	1,394,386
Permanently restricted	235,000
Total net assets	<u>2,754,635</u>
Total liabilities and net assets	<u>\$3,093,268</u>

See accompanying notes.

KOKOMO/HOWARD COUNTY DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support, Revenues and Gains				
Public support				
City of Kokomo	\$ 103,000	\$ 147,000	\$ --	\$ 250,000
Howard County	20,000	15,000	--	35,000
Grants - government	--	785,572	--	785,572
Contributions	48,320	5,000	--	53,320
Contributions in-kind	22,221	--	--	22,221
Funds released from restriction	813,245	(813,245)	--	--
Total public support	<u>1,006,786</u>	<u>139,327</u>	<u>--</u>	<u>1,146,113</u>
Revenues and Gains				
Rental income	293,118	--	--	293,118
CTP recapture income	96,214	--	--	96,214
Tax abatement income	10,433	--	--	10,433
Interest income	5,647	--	--	5,647
Miscellaneous income	8,881	--	--	8,881
Total revenues and gains	<u>414,293</u>	<u>--</u>	<u>--</u>	<u>414,293</u>
Total Public Support, Revenues and Gains	<u>1,421,079</u>	<u>139,327</u>	<u>--</u>	<u>1,560,406</u>
Expenses and Losses				
Program services	771,377	--	--	771,377
Management, general and fund-raising	122,564	--	--	122,564
Total expenses	<u>893,941</u>	<u>--</u>	<u>--</u>	<u>893,941</u>
Impairment Loss on Long Lived Assets	<u>363,467</u>	<u>--</u>	<u>--</u>	<u>363,467</u>
Change in Net Assets	<u>163,671</u>	<u>139,327</u>	<u>--</u>	<u>302,998</u>
Net Assets, Beginning of Period	<u>961,578</u>	<u>1,255,059</u>	<u>235,000</u>	<u>2,451,637</u>
Net Assets, End of Period	<u>\$1,125,249</u>	<u>\$1,394,386</u>	<u>\$235,000</u>	<u>\$2,754,635</u>

See accompanying notes.

KOKOMO/HOWARD COUNTY DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008

Cash Flows From Operating Activities	
Change in net assets	\$ 302,998
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation	93,083
Impairment loss	363,467
(Increase) decrease in:	
Receivables	(324,361)
Prepaid expenses	(1,277)
Increase (decrease) in:	
Accounts payable	(13,320)
Accrued liabilities	27,265
Deferred revenue	<u>262,413</u>
Net cash provided (used) by operating activities	<u>710,268</u>
Cash Flows From Investing Activities	
Purchases of equipment and other assets	(<u>119,117</u>)
Net cash provided (used) by investing activities	(<u>119,117</u>)
Net Increase in Cash	591,151
Cash, Beginning of the Year	<u>495,416</u>
Cash, End of the Year	<u>\$1,086,567</u>

See accompanying notes.

KOKOMO/HOWARD COUNTY DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

Kokomo/Howard County Development Corporation (KHDC) is a not-for-profit corporation that was established in July, 1980. The organization strives to further the economic development of the Kokomo/Howard County area and to promote and assist in the growth and development of small business concerns and charitable and educational activities. The Internal Revenue Service has ruled that the agency is exempt from payment of federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code as a corporation organized and operated exclusively for charitable purposes and is not a private foundation.

B. BASIS OF ACCOUNTING

The financial statements of KHDC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

C. CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets:

- a) Unrestricted net assets are those currently available at the discretion of the board for use in the organization's operations and those resources invested in property and equipment.
- b) Temporarily restricted net assets are grants and contributions received from donors to be used for future periods or restricted by the grantor or donor for specific purposes.
- c) Permanently restricted net assets are gifts of real estate restricted by the donor so that only the earnings (rental income) are to be used for the programs related to the technology center.

KOKOMO/HOWARD COUNTY DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. PROPERTY AND EQUIPMENT

Fixed assets are stated at cost or estimated fair market value at date of contribution with depreciation provided over the estimated useful life of the assets on the straight-line method. Depreciation expense was \$93,083 for 2008. All fixed asset expenditures in excess of \$500 are capitalized at cost.

E. CONTRIBUTIONS

Contributions are considered available for unrestricted use unless specifically restricted by the donor. When restrictions are satisfied, revenues are reclassified and reported as net assets released from restrictions.

F. USE OF ESTIMATES

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

G. ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts invoiced to tenants of the Inventrek Technology Park and are considered by KHDC to be fully collectible. There are no amounts over 90 days.

H. CASH AND CASH EQUIVALENTS

The organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows excludes permanently restricted cash and cash equivalents.

I. GRANTS RECEIVABLE

Grants receivable consists of amounts pledged from grantors prior to year end and are considered by KHDC to be fully collectible. There are no amounts over 90 days.

J. FUNCTIONAL ALLOCATION OF EXPENSES

Expenses not identified with a specific functional area have been allocated to the various programs and supporting services based on the amount of staff time spent in the specific function.

KOKOMO/HOWARD COUNTY DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 2 - GOVERNMENT SUPPORT

KHDC recognized \$250,000 in support in 2008 from the City of Kokomo: unrestricted support of \$103,000; temporarily restricted support of \$142,000 to be used for the Inventrek Technology Park; and temporarily restricted support of \$5,000 to be used for expenditures related to the merger of the local economic development groups.

KHDC recognized \$35,000 in support in 2008, from the Treasurer of Howard County: unrestricted support of \$20,000; temporarily restricted support of \$10,000 to be used for the Inventrek Technology Park; and \$5,000 to be used for expenditures related to the merger of the local economic development groups.

The unrestricted support from both government entities is to aid the KHDC in carrying out its endeavor to promote and assist in the development and growth of business concerns in the Howard County area.

NOTE 3 - PROPERTY HELD FOR DEVELOPMENT

In 1995/96, KHDC received a donation of property from PSI Energy, now known as Duke Energy, Inc. This property included twenty acres of land located at the southeast corner of Defenbaugh Street and Berkley Road, Kokomo, Indiana. The property was appraised at \$290,850 fair value at the time of donation, and the grantor has restricted the purpose of the donation to industrial development.

As of August 31, 2006, ten acres with a fair value of \$145,425 remained to be used. On August 27, 2007, the ten acres were sold for \$150,000 for a gain of \$4,575. As of August 31, 2007, no acreage remained to be used.

During 1997, KHDC's Board designated that proceeds from the first sale of property be restricted for use other than for funding operations. As only the sale of the land, not the proceeds, was restricted by the contributor when originally made, these funds have been classified as unrestricted. However, the KHDC's Board does submit proposed uses for the funds to Duke's Board for approval. In February 2004, the Board approved \$50,000 from these funds to be used for the Inventrek Technology Park's general operating budget. The balance of Board designated funds from this sale is \$7,019 at December 31, 2008.

KOKOMO/HOWARD COUNTY DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 7 - GRANT INCOME

The following schedule represents the grant income awarded for the year ending December 31, 2008:

<u>Grantor</u>	<u>Purpose</u>	<u>Awarded</u>	<u>Deferred Income</u>	<u>Expended</u>
Indiana Economic Development Corp.	Inventrek Capital Expend.	\$ 600,000	\$ --	\$112,472
Indiana Economic Development Corp.	Inventrek Operations	150,000	(30,000)	57,873
Purdue University	Skunk Works Exploratory Exp.	35,000	--	35,000
Purdue University	Skunk Works Program	250,000	(219,428)	30,572
		<u>\$1,035,000</u>	<u>(\$249,428)</u>	<u>\$235,917</u>

NOTE 8 - OPERATING LEASES

KHDC rents space to other organizations under written leases with various expiration dates from December, 2008 to 2010. The facilities rented are located in the building designated as the Inventrek Technology Park located at 700 E. Firmin St. in Kokomo, Indiana.

Future minimum lease payments to be received for each of the next five years and in aggregate are:

<u>Year Ended</u>	<u>Amount</u>
2009	\$273,294
2010	25,012
Thereafter	<u>--</u>
Total	<u>\$298,306</u>

NOTE 9 - DONATION OF REAL PROPERTY

In October 2003, Delco Electronics Corporation, now known as Delphi Automotive Group, donated three (3) parcels (about twenty-five (25) acres) of real property located in Kokomo, Indiana, to KHDC. The property is restricted for use as the Inventrek Technology Park.

Delco has informed KHDC of the existence of hazardous materials in the soil and ground water in, under, and about the property; and that Delco has, pursuant to a voluntary agreement with the United States Environmental Protection Agency, conducted environmental investigatory and remedial activities at the property to identify and remove certain hazardous materials from the soils. The complete administrative file is available to KHDC. Delco is responsible, by voluntary agreement, to conduct additional environmental investigative, and, if necessary, remedial activities or to commence engineering or institutional controls at the property.

KOKOMO/HOWARD COUNTY DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

NOTE 11 - IMPAIRMENT OF LONG-LIVED ASSETS

Generally accepted accounting principles pronouncement SFAS 144 requires recognition of impairment of long lived assets in the period in which impairment occurs. Due to the downturn in the local real estate market in 2008, the Organization's land, building and improvements were assessed for fair value by a local commercial real estate broker. Based on this assessment, the Organization recorded an impairment loss of \$363,467 on the Delphi Administration Building, which is shown as "Impairment Loss on Long-lived Assets", in the accompanying statement of activities. The impairment loss represents the excess of the carrying amounts of the building over its fair value.

NOTE 12 - LEGAL FEES AND CONTINGENCIES

As of December 31, 2008, KHDC was named as a Defendant in a lawsuit which was pending before the Howard Superior Court, related to a former tenant of Inventrek. The Plaintiff was seeking a Judgment for compensation under the theory of *quantum meruit*. The matter had been brought before KHDC's insurance carrier to cover litigation expenses and to indemnify KHDC should the Court rule against KHDC. An unfavorable outcome could have exposed KHDC to an undetermined amount. In January, 2007 the parties were directed by the Court to participate in mediation prior to the bench trial.

KHDC was also named as a Defendant in a lawsuit pending before the United States District Court brought by their insurance carrier related to the above claim, as of December 31, 2008. The Plaintiff had asserted that the claim should be excluded from coverage for various reasons. An unfavorable outcome could have exposed KHDC to an undetermined amount.

As of the date of the audit report, both the above issues had been settled out of court with the Organization's cost limited to the insurance policy deductible.

As of December 31, 2008, there were no legal fees outstanding related to the above claims.

NOTE 13 - MERGER

Effective January 1, 2009, several local not-for-profit corporations merged. The entity's name was changed to Greater Kokomo Economic Development Alliance (the Alliance). Kokomo Howard County Chamber of Commerce retained their legal corporate status but comes under the direction of the board of directors of the Alliance.

SUPPLEMENTAL SCHEDULE

KOKOMO/HOWARD COUNTY DEVELOPMENT CORPORATION

PROGRAM AND SUPPORTING SERVICE EXPENSES

For the Year Ended December 31, 2008

	<u>Program</u>	<u>General, Management & Fund Raising</u>	<u>Total</u>
Salaries	\$151,283	\$ 67,968	\$219,251
Payroll taxes	11,142	5,006	16,148
Group insurance	4,852	2,180	7,032
Retirement contributions	6,054	2,720	8,774
Total payroll and benefits	<u>173,331</u>	<u>77,874</u>	<u>251,205</u>
General insurance	15,900	324	16,224
Postage	--	2,098	2,098
Telephone	4,789	2,151	6,940
Occupancy	182,343	3,721	186,064
Dues and publications	2,606	--	2,606
Prospect contacts and travel	6,364	--	6,364
Auto allowance	4,700	--	4,700
Professional expense	--	17,967	17,967
Training	--	4,945	4,945
General office expense	--	6,256	6,256
Marketing	48,106	--	48,106
Maintenance and repair	92,384	1,885	94,269
Miscellaneous expense	1,153	--	1,153
Property tax	9,427	192	9,619
Scholarships	10,000	--	10,000
Business development expenses	121,733	--	121,733
Economic merger expenses	7,320	3,289	10,609
Total expenses before depreciation	<u>680,156</u>	<u>120,702</u>	<u>800,858</u>
Depreciation expense	<u>91,221</u>	<u>1,862</u>	<u>93,083</u>
Total expenses	<u>\$771,377</u>	<u>\$122,564</u>	<u>\$893,941</u>



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January 20, 2010

Board of Directors
Kokomo/Howard County
Development Corporation
700 E. Firmin Street, Suite 200
Kokomo, IN 46902-2395

We have reviewed the audit report prepared by Bucheri McCarty & Metz, LLP, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Kokomo/Howard County Development Corporation, as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS