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April 15, 2016

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

We have reviewed the audit report prepared by Whiting & Company LLC, for the period October 1, 2014 to September 30, 2015. 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 Delaware Advancement Corporation, as of September 30, 2015, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**DELAWARE ADVANCEMENT
CORPORATION**
MUNCIE, INDIANA

FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

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WHITINGER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware Advancement Corporation
Muncie, Indiana

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, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Directors
Delaware Advancement Corporation
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Opinion

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, 2015 and 2014, 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.

W. F. Steiner + Company LLC

Certified Public Accountants
Muncie, Indiana

February 3, 2016

FINANCIAL STATEMENTS

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 1,320,507	\$ 1,573,730
Accounts receivable, net of allowance for doubtful accounts of \$5,000 as of September 30, 2015 and 2014	128,606	135,094
Contributions receivable, net of allowance and discount of \$17,516 and \$58,358 as of September 30, 2015 and 2014, respectively	252,984	701,542
MLF funds receivable, net of allowance for doubtful accounts of \$- as of September 30, 2015 and 2014	16,822	10,748
Inventory	28,886	26,146
Notes receivable	626,347	682,185
Real estate held for sale	900,000	1,036,000
Investment in leased property	12,467,744	4,940,023
Prepaid expenses	9,488	10,820
Property and equipment, net	<u>1,253,572</u>	<u>1,289,050</u>
Total Assets	<u>\$ 17,004,956</u>	<u>\$ 10,405,338</u>
LIABILITIES		
Accounts payable	\$ 42,482	\$ 48,602
Accrued expenses	112,903	113,873
Deposits	324,406	473,965
Notes payable	<u>12,996,059</u>	<u>5,736,958</u>
Total Liabilities	<u>\$ 13,475,850</u>	<u>\$ 6,373,398</u>
NET ASSETS		
Unrestricted		
Current operations	\$ 1,607,327	\$ 1,715,356
Residual interest funds	<u>1,668,795</u>	<u>1,615,042</u>
	\$ 3,276,122	\$ 3,330,398
Temporarily restricted	<u>252,984</u>	<u>701,542</u>
Total Net Assets	<u>\$ 3,529,106</u>	<u>\$ 4,031,940</u>
Total Liabilities and Net Assets	<u>\$ 17,004,956</u>	<u>\$ 10,405,338</u>

See accompanying Notes to Financial Statements.

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Operating rental and commissions	\$ 301,027		\$ 301,027
Office lease rental	70,978		70,978
Investment property lease	126,689		126,689
Civic Center Authority			
Operating support	1,149,240		1,149,240
Capital improvements	240,800		240,800
Contributions		\$ 163,822	163,822
Grants	142,250		142,250
Redevelopment Commission	97,948		97,948
Catering revenue	762,326		762,326
Other revenue	96,996		96,996
Interest	7,710		7,710
	<u>\$ 2,995,964</u>	<u>\$ 163,822</u>	<u>\$ 3,159,786</u>
Net assets released from restriction	612,380	(612,380)	
Total Revenue and Other Support	<u>\$ 3,608,344</u>	<u>\$ (448,558)</u>	<u>\$ 3,159,786</u>
COSTS AND EXPENSES			
Program services			
Convention Center program	\$ 1,517,895		\$ 1,517,895
Micro loan fund program	450		450
Redevelopment Commission	97,948		97,948
Catering	748,728		748,728
Economic development	1,004,594		1,004,594
Total Program Services	<u>\$ 3,369,615</u>		<u>\$ 3,369,615</u>
Management and general	256,381		256,381
Fundraising	36,624		36,624
Total Costs and Expenses	<u>\$ 3,662,620</u>		<u>\$ 3,662,620</u>
CHANGE IN NET ASSETS	\$ (54,276)	\$ (448,558)	\$ (502,834)
NET ASSETS, BEGINNING OF YEAR	<u>3,330,398</u>	<u>701,542</u>	<u>4,031,940</u>
NET ASSETS, END OF YEAR	<u>\$ 3,276,122</u>	<u>\$ 252,984</u>	<u>\$ 3,529,106</u>

See accompanying Notes to Financial Statements.

2014		
Unrestricted	Temporarily Restricted	Total
\$ 287,355		\$ 287,355
70,234		70,234
1,099,240		1,099,240
245,350		245,350
	\$ 167,301	167,301
2,000		2,000
97,338		97,338
645,528		645,528
130,927		130,927
6,554		6,554
<u>\$ 2,584,526</u>	<u>\$ 167,301</u>	<u>\$ 2,751,827</u>
540,664	(540,664)	
<u>\$ 3,125,190</u>	<u>\$ (373,363)</u>	<u>\$ 2,751,827</u>
\$ 1,491,729		\$ 1,491,729
97,339		97,339
698,344		698,344
578,633		578,633
<u>\$ 2,866,045</u>		<u>\$ 2,866,045</u>
218,067		218,067
31,154		31,154
<u>\$ 3,115,266</u>		<u>\$ 3,115,266</u>
\$ 9,924	\$ (373,363)	\$ (363,439)
<u>3,320,474</u>	<u>1,074,905</u>	<u>4,395,379</u>
<u>\$ 3,330,398</u>	<u>\$ 701,542</u>	<u>\$ 4,031,940</u>

DELAWARE ADVANCEMENT CORPORATION

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Miscellaneous cash received	\$ 96,996	\$ 130,927
Grants received	142,250	2,000
Operating cash received	2,749,202	2,470,768
Interest received	7,710	6,554
Interest paid	(126,689)	
Cash paid to suppliers and employees	<u>(2,984,345)</u>	<u>(2,769,598)</u>
Net Cash Used By Operating Activities	<u>\$ (114,876)</u>	<u>\$ (159,349)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (243,719)	\$ (243,295)
Proceeds from sale of equipment	220	16,750
Investment in leased property	<u>(7,527,721)</u>	<u>(4,718,187)</u>
Net Cash Used By Investing Activities	<u>\$ (7,771,220)</u>	<u>\$ (4,944,732)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from restricted contributions	\$ 373,640	\$ 471,341
Cash received on note receivable	55,838	55,837
Proceeds from notes payable	7,480,565	
Net deposits (payments) related to property financing	(191,706)	205,319
Payments on notes payable	<u>(85,464)</u>	<u>(137,064)</u>
Net Cash Provided By Financing Activities	<u>\$ 7,632,873</u>	<u>\$ 595,433</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>\$ (253,223)</u>	<u>\$ (4,508,648)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,573,730</u>	<u>6,082,378</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,320,507</u>	<u>\$ 1,573,730</u>

See accompanying Notes to Financial Statements.

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

	<u>2015</u>	<u>2014</u>
CHANGE IN NET ASSETS	\$ (502,834)	\$ (363,439)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Depreciation	\$ 279,197	\$ 245,830
Cash received from restricted contributions	(373,640)	(471,341)
Net (deposits received) payments for property financing	191,706	(205,319)
Gain on sale of equipment	(220)	(16,750)
Changes in assets		
Revolving loan funds receivable		19,921
Accounts receivable	6,488	34,112
Contributions receivable	448,558	373,363
MLF funds receivable	(6,074)	(10,748)
Inventory	(2,740)	1,375
Prepaid expenses	1,332	6,533
Changes in liabilities		
Accounts payable	(6,120)	(28,714)
Accrued expenses	(970)	19,922
Deposits	(149,559)	235,906
TOTAL ADJUSTMENTS	\$ 387,958	\$ 204,090
NET CASH USED BY OPERATING ACTIVITIES	\$ (114,876)	\$ (159,349)
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES:		
Contributed services	<u>\$ -0-</u>	<u>\$ 90,050</u>

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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 business firms 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 to aid 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. 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 unrestricted net assets-residual interest funds in the statement of financial position.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The Organization follows the accrual basis of accounting.

Net Asset Classifications

The financial statements have been prepared in accordance with *FASB ASC 958, Not-for-Profit Entities*. *FASB ASC 958* requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted, and permanently restricted.

The following classes of net assets are maintained:

Unrestricted Net Assets — The unrestricted net asset class includes general and board-designated assets and liabilities of the Organization. The unrestricted net assets of DAC may be used at the discretion of management to support DAC's purposes and operations.

Temporarily Restricted Net Assets — The temporarily restricted net asset class includes assets of DAC related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

Cash and cash equivalents consist of bank deposits in federally insured accounts and liquid investments held in trust with original maturities of three months or less. Accounts are insured up to \$250,000. As of September 30, 2015, cash in bank accounts in excess of insured amounts was approximately \$82,000.

For purposes of the statement of cash flows, DAC considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less, to be cash equivalents.

Income Taxes

DAC is exempt from federal income taxes under *Section 501(c)(3)* of the *U.S. Internal Revenue Code*. DAC is not considered to be a private foundation within the meaning of *Internal Revenue Code Section 509(a)(3)*.

The Organization's federal and state income tax returns are subject to examination by the Internal Revenue Service and the Indiana Department of Revenue, generally for three years after they are filed.

Property and Equipment

Expenditures for property and equipment and items that substantially increase the useful lives of existing assets are capitalized at cost. DAC provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives of 3 to 20 years.

Inventory

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

Support and Revenue

DAC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions, which restrictions are met within the same year as received, are reported as unrestricted contributions in the current year. All other operating income is unrestricted in nature and accrues as it is earned.

Expense Allocation

Expenses have been classified as program services, management and general, and fundraising based on the actual direct expenditures and cost allocations.

Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses. Advertising expenses totaled \$285,028 in 2015 and \$127,721 in 2014.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

2. CONTRIBUTIONS RECEIVABLE

Contributions receivable have been discounted at a rate of 1.61% to reflect the net present value of the future cash flows. Contributions receivable at September 30 are as follows:

	Temporarily Restricted	
	2015	2014
Due within one year	\$ 177,300	\$ 334,700
Due in 1 - 5 years	93,200	425,200
	<u>\$ 270,500</u>	<u>\$ 759,900</u>
Allowance for uncollectible contributions	(11,735)	(37,995)
	<u>\$ 258,765</u>	<u>\$ 721,905</u>
Discount	(5,781)	(20,363)
	<u><u>\$ 252,984</u></u>	<u><u>\$ 701,542</u></u>

Contributions receivable restricted for specific purposes are as follows:

	September 30,	
	2015	2014
Vision 2016 Program	<u>\$ 252,984</u>	<u>\$ 701,542</u>

The Organization uses the allowance method to determine uncollectible pledges. The allowance is based on prior years' experience and management's analysis of specific pledges.

3. PROPERTY AND EQUIPMENT

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

	2015	2014
Furnishings, fixtures, and equipment	\$ 1,510,937	\$ 1,377,206
Leasehold improvements	2,233,984	2,100,930
Construction in progress	3,640	28,285
	<u>\$ 3,748,561</u>	<u>\$ 3,506,421</u>
Accumulated depreciation	(2,494,989)	(2,217,371)
	<u><u>\$ 1,253,572</u></u>	<u><u>\$ 1,289,050</u></u>

Depreciation expense was \$279,197 and \$245,830 for 2015 and 2014, respectively.

4. INVESTMENT IN LEASED PROPERTY

During 2013, DAC began construction of a parking structure that is being financed by the City of Muncie. As of September 30, 2015 and 2014, costs of \$4,987,179 and \$4,940,023, respectively, had been incurred. On September 10, 2013, DAC entered into a capital lease with City of Muncie Redevelopment Commission to lease the parking structure for a period of twenty-two years beginning January 15, 2016.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENT IN LEASED PROPERTY (continued)

The following lists the components of the net investment in the direct financing lease as of September 30, 2015:

Total minimum lease payments to be received	\$ 9,534,810
Less unearned interest income	<u>(4,534,810)</u>
Net investment in direct financing lease	<u>\$ 5,000,000</u>

At September 30, 2015, minimum lease payments for each of the next five succeeding years are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 130,000
2017	260,000
2018	260,000
2019	260,000
2020	260,000

During 2015, DAC completed construction of a shell building located in the Industria Centre. As of September 30, 2015, 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.

5. NOTES 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, 2015 and 2014, was \$293,147 and \$348,985, respectively.

A non-interest bearing note receivable due from Briner Properties, LLC, is secured by a second mortgage on real estate located in Daleville, Indiana. No principal shall be due until the earlier of August 21, 2022, or the date of closing of any sale or lease of the property. If not paid by the maturity date, interest will accrue on the unpaid balance at the rate of 10% per annum. The principal balance as of September 30, 2015 and 2014, was \$333,200.

DELAWARE ADVANCEMENT CORPORATION**NOTES TO FINANCIAL STATEMENTS****6. 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, 2015 and 2014, was \$293,147 and \$348,985, respectively.

Land located in Daleville, Indiana, was transferred to DAC by the Delaware County Redevelopment Commission for development of a shell building. Principal collected under a note receivable with Briner Properties, LLC will be forwarded to the Commission. The principal balance of the obligation at September 30, 2015 and 2014, was \$333,200.

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, the property was transferred as part of a sale transaction. The principal balance at September 30, 2015 and 2014, was \$-0- and \$136,000, respectively.

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. As of September 30, 2015, the interest rate was 3.25%. The principal balance at September 30, 2015 and 2014, was \$4,889,147 and \$4,918,773, 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, 2015, the interest rate was 3.75%. The principal balance at September 30, 2015, 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.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

6. **NOTES PAYABLE** (continued)

Future principal payments required on debt outstanding at September 30, 2015, consisted of the following:

<u>For the Year Ended September 30,</u>	<u>Amount</u>
2016	\$ 100,841
2017	104,168
2018	107,604
2019	111,154
2020	114,821
2021 and thereafter	<u>11,231,124</u>
	\$ 11,769,712
Loans for which there are no required repayment schedules	<u>1,226,347</u>
	<u>\$ 12,996,059</u>

7. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2015</u>	<u>2014</u>
Vision 2016 Program (economic development)	<u>\$ 252,984</u>	<u>\$ 701,542</u>

8. **NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions at September 30, 2015 and 2014, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2015</u>	<u>2014</u>
Purpose restrictions accomplished Vision 2016 Program (expenses for economic development)	<u>\$ 612,380</u>	<u>\$ 540,664</u>

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

9. 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 \$76,787 and \$75,569 for 2015 and 2014, respectively.

10. CONTRIBUTED SERVICES

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. An unconditional pledge of service is recognized as revenue that year.

Contributed services were received during the year ended September 30, 2014, with a fair value on the dates of donation of \$90,050. No contributed services were received during the year ended September 30, 2015. These services were recorded as expenses in the economic development program.

11. RELATED PARTY TRANSACTIONS

The Organization conducts business with the Convention Center Division of DAC (HCC) and the Muncie-Delaware County Chamber of Commerce, Inc. (Chamber) which have common management and share accounting personnel, office facilities, and expenses with DAC.

The balance due (to) from and the annual transactions with the above parties as of September 30, 2015 and 2014, are:

	2015	2014
Balances due (to) from		
Chamber - receivables/reimbursements	\$ -	\$ -
Chamber - payables/reimbursements	\$ (85)	\$ (2,758)
Amount of transactions		
DAC with Chamber - various office reimbursement	\$ 20,467	\$ 21,973
HCC with Chamber - sublease income	\$ 11,966	\$ 11,966
DAC with Chamber - management and accounting personnel	\$ 117,218	\$ 97,054

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

11. RELATED PARTY TRANSACTIONS (continued)

The sublease agreement between the above parties is a two-year contract, which commenced October 1, 2013, and expired September 30, 2015. The lease was renewed on October 1, 2015, for another two-year period ending September 30, 2017.

The Organization is party to an agreement with the Chamber to provide health insurance to its employees. The Chamber pays the monthly insurance premiums. DAC and HCC reimburse the Chamber for their portion of the costs.

12. OPERATING LEASES

DAC leases its operating facilities and the Convention Center under a noncancellable operating lease arrangement for one dollar (\$1.00) per year. This lease expires December 1, 2018. 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.

DAC subleases part of the Convention Center facility. The current month-to-month agreement calls for monthly payments of \$3,700.

The Organization leases two copiers under sixty-three month noncancellable leases at a cost per month of \$585. The leases expire in May 2018. The copiers are 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 leased to a party for a term of at least ten years. Future minimum lease receipts are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 258,021
2017	258,021
2018	258,021
2019	258,021
2020	258,021

Rent in the amount of \$126,689 was received for the year ended September 30, 2015.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 3, 2016, the date which the financial statements were available for use.