



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B50024

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

May 16, 2018


Board of Directors
Scott County Economic Development Corporation
821 S. Lake Road South
Scottsburg, IN 47170

We have reviewed the report prepared by Scott County Economic Development Corporation and opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition Scott County Economic Development Corporation as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Going Concern paragraph included in the Report of Independent Auditors and further detailed in Note 9.

In our opinion, Blue & Co., LLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

**SCOTT COUNTY ECONOMIC
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015 AND 2014

CPAs / ADVISORS



SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

TABLE OF CONTENTS DECEMBER 31, 2015 AND 2014

| | Page |
|---|------|
| Report of Independent Auditors | 1 |
| Financial Statements | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements..... | 6 |
| Supplementary Information | |
| Schedules of Expenses | 11 |



Blue & Co., LLC / 813 West Second Street / Seymour, IN 47274
main 812.522.8416 fax 812.523.8615 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Scott County Economic Development Corporation
Scottsburg, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Scott County Economic Development Corporation (the "Organization"), which comprise the statements of financial position as of December 31, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules of Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 9 to the financial statements, the Organization has sustained recurring operating losses and continues to have a net asset deficit. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Blue & Co., LLC

Seymour, Indiana

February 20, 2017

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

ASSETS

| | 2015 | 2014 |
|---------------------|-------------------|-------------------|
| Cash | \$ 14,757 | \$ 50 |
| Accounts receivable | 229,488 | 293,807 |
| Equipment, net | <u>2,080</u> | <u>2,970</u> |
| | <u>\$ 246,325</u> | <u>\$ 296,827</u> |

LIABILITIES AND NET ASSETS

| | | |
|-----------------------------------|-------------------|-------------------|
| Liabilities | | |
| Cash overdraft | \$ -0- | \$ 14,858 |
| Accounts payable | 212,985 | 113,147 |
| Accrued expenses | 4,111 | 2,916 |
| Note payable | -0- | 15,000 |
| Contributions held for others | <u>259,322</u> | <u>361,423</u> |
| Total liabilities | 476,418 | 507,344 |
| Unrestricted net assets (deficit) | <u>(230,093)</u> | <u>(210,517)</u> |
| | <u>\$ 246,325</u> | <u>\$ 296,827</u> |

See accompanying notes to financial statements.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2015 AND 2014

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Support and revenues | | |
| Grant income: | | |
| Local government | \$ 130,000 | \$ 130,000 |
| Adult education | 1,174,593 | 1,141,239 |
| Total grant income | <u>1,304,593</u> | <u>1,271,239</u> |
| Contributions | 22,384 | 3,000 |
| Management fees | 95,000 | 95,000 |
| Interest income | 39 | 45 |
| Miscellaneous income | 9,634 | -0- |
| | <u>127,057</u> | <u>98,045</u> |
| Total support and revenues | 1,431,650 | 1,369,284 |
| Expenses | | |
| Economic development | 1,322,108 | 1,214,487 |
| Management and general | 129,118 | 121,541 |
| Total expenses | <u>1,451,226</u> | <u>1,336,027</u> |
| Change in net assets | (19,576) | 33,257 |
| Net assets (deficit), beginning of year | <u>(210,517)</u> | <u>(243,774)</u> |
| Net assets (deficit), end of year | <u>\$ (230,093)</u> | <u>\$ (210,517)</u> |

See accompanying notes to financial statements.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

| | 2015 | 2014 |
|---|-------------------|-------------------|
| | <u> </u> | <u> </u> |
| Operating activities | | |
| Change in net assets | \$ (19,576) | \$ 33,257 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 890 | 890 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 64,319 | (41,082) |
| Accounts payable | 99,838 | 28,795 |
| Accrued expenses | 1,195 | (268) |
| Contributions held for others | (102,101) | 32,562 |
| Net cash flows from operating activities | <u>44,565</u> | <u>54,154</u> |
| Financing activities | | |
| Payments on note payable | -0- | (90,000) |
| Payments on related party note payable | (15,000) | -0- |
| Borrowings on related party note payable | -0- | 15,000 |
| Change in cash overdraft | <u>(14,858)</u> | <u>14,858</u> |
| Net cash flows from financing activities | <u>(29,858)</u> | <u>(60,142)</u> |
| Net change in cash | 14,707 | (5,988) |
| Cash, beginning of year | <u>50</u> | <u>6,038</u> |
| Cash, end of year | <u>\$ 14,757</u> | <u>\$ 50</u> |

See accompanying notes to financial statements.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Scott County Economic Development Corporation (the "Organization") is a not-for-profit corporation which is governed by a Board of Directors. The Organization aids Scott County, Indiana, by being dedicated to strengthening the business community and creating quality career opportunities. Also, the Organization manages the Mid-America Science Park (MASP) which is a comprehensive science park that provides access for business incubation and acceleration, training and workforce development, and worldwide communications and conference centers.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

Net assets, support, revenues, investment return, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. The net assets of the Organization are classified and reported as unrestricted net assets as they are not subject to donor-imposed restrictions.

Equipment

Items capitalized as part of equipment are valued at cost. Maintenance and repairs are expensed as incurred. The Organization uses the straight line method of computing depreciation at rates adequate to depreciate the cost of the applicable assets over their useful lives ranging from 3 to 7 years.

Contributions Held for Others

Contributions held for others represent funds related to MASP received in advance of the period in which the related services will be provided.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

Support and Revenue Recognition

Revenue from grants is recognized as related expenses are incurred. All other support and revenue is recognized when earned.

Expense Allocation

The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

The Organization is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is February 20, 2017.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

2. RECENTLY ISSUED ACCOUNTING STANDARDS

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". On August 12, 2015, the FASB further amended this guidance and issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date for all entities by one year. These new standards, which the Organization is not required to adopt until its year ending December 31, 2020, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

On August 18, 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. This new standard, which the Organization is not required to adopt until its year ending December 31, 2019, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. This ASU completes the first phase of a two phase project to amend not-for-profit financial reporting requirements.

The Organization is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.

3. ACCOUNTS RECEIVABLE

Accounts receivable of \$229,488 and \$293,807 as of December 31, 2015 and 2014, respectively, relate mostly to grant reimbursements and rental income.

Management estimates an allowance for doubtful receivables based on an evaluation of historical losses, current economic conditions, and other factors unique to the Organization. No allowance for doubtful receivables was determined to be necessary at December 31, 2015 and 2014.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

4. EQUIPMENT

A summary of equipment at December 31, 2015 and 2014, is as follows:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|-----------------|-----------------|
| Equipment | \$ 11,683 | \$ 11,683 |
| Less accumulated depreciation | <u>9,603</u> | <u>8,713</u> |
| | <u>\$ 2,080</u> | <u>\$ 2,970</u> |

5. NOTES PAYABLE

The Organization's note payable as of December 31, 2014 consisted of an interest-free, unsecured note payable to a related party with a maturity date of January 31, 2015. The note was repaid in full in January 2015.

6. CONTRIBUTIONS HELD FOR OTHERS

The Organization receives revenue from the City of Scottsburg to manage and market the MASP. Contributions held for others represent that portion of revenue relating to the MASP attributable to services required to be provided by the Organization that have not yet been performed.

A summary of contributions held for others relating to the MASP at December 31, 2015 and 2014, is as follows:

| | <u>2015</u> | <u>2014</u> |
|--------------------|-------------------|-------------------|
| Beginning balance | \$ 361,423 | \$ 328,861 |
| Additional support | 752,083 | 825,433 |
| Expenditures | <u>(854,184)</u> | <u>(792,871)</u> |
| Ending balance | <u>\$ 259,322</u> | <u>\$ 361,423</u> |

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

7. RETIREMENT SAVINGS PLAN

The Organization has a 403(b) deferred savings plan available to all employees. The Organization's contributions to the plan amounted to \$5,833 and \$4,966 for the years ended December 31, 2015 and 2014, respectively.

8. OPERATING LEASE

The Organization leased office space from the City of Scottsburg on a month-to-month basis with monthly payments of \$500. Total rent expense for the years ended December 31, 2015 and 2014 was \$6,000.

9. MANAGEMENT'S PLANS REGARDING CONTINUED OPERATIONS

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Organization as a going concern. However, the Organization has sustained recurring operating losses and has deficit net assets at December 31, 2015 and 2014.

Future plans to ensure the continued operations of the Organization include seeking grant money from both local governments within Scott County as well as other sources. The Organization will continue to receive management fees for managing the MASP.

The Organization's continued existence is dependent on its ability to achieve profitable operations and positive cash flows.

SUPPLEMENTARY INFORMATION

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

SCHEDULES OF EXPENSES YEARS ENDED DECEMBER 31, 2015

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|---------------------|---------------------|
| Staff salaries and wages | \$ 130,168 | \$ 117,895 |
| Payroll taxes | 12,987 | 18,388 |
| Pension and profit sharing | 5,833 | 4,966 |
| Adult education | 1,201,815 | 1,100,177 |
| Rent | 6,000 | 6,000 |
| Marketing | 17,637 | 25,618 |
| Travel | 321 | -0- |
| Business meals and entertainment | 3,780 | 3,291 |
| Depreciation | 890 | 890 |
| Repairs and maintenance | -0- | 1,513 |
| Office supplies and postage | 7,855 | 5,145 |
| Telephone | 5,535 | 6,324 |
| Dues and subscriptions | 7,471 | 7,389 |
| Professional services | 14,390 | 10,151 |
| Conferences and meetings | 5,746 | 69 |
| Insurance | 28,671 | 27,549 |
| Software upgrades | 558 | 164 |
| Miscellaneous | 1,569 | 498 |
| | <u>\$ 1,451,226</u> | <u>\$ 1,336,027</u> |

See Report of Independent Auditors on pages 1 and 2.