



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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May 24, 2018

Board of Directors
Whitley County Economic Development Corporation
220 West Van Buren Street, Suite 102
Columbia City, IN 46725

We have reviewed the report prepared by Whitley County Economic Development Corporation and opined upon by Baden, Gage & Schroeder, LLC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Whitley County Economic Development Corporation as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Baden, Gage & Schroeder, 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

Financial Statements

**Whitley County Economic
Development Corporation**

December 31, 2016

WHITLEY COUNTY ECONOMIC DEVELOPMENT CORPORATION



Financial Statements
December 31, 2016

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Certified Public Accountants • Business Consultants

Independent Auditors' Report

Board of Directors
Whitley County Economic Development Corporation
Columbia City, Indiana

We have audited the accompanying financial statements of Whitley County Economic Development Corporation (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows, and functional expenses for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 Whitley County Economic Development Corporation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Baden, Gage & Schroeder, LLC". The signature is written in a cursive, flowing style.

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
September 28, 2017

WHITLEY COUNTY ECONOMIC DEVELOPMENT CORPORATION



Statement of Financial Position December 31, 2016

<u>ASSETS</u>	
Cash and cash equivalents	\$ 494,523
Accounts receivable	71,473
Prepaid expenses	1,858
Certificate of deposit	178,068
Loans receivable (net of allowance for loan losses of \$50,000)	131,965
Property and equipment, less accumulated depreciation	<u>3,635</u>
TOTAL ASSETS	\$ <u><u>881,522</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES	
Accounts payable	\$ 3,943
Accrued wages and payroll withholdings	15,479
Funds held on behalf of others	<u>100,191</u>
Total Liabilities	119,613
NET ASSETS	
Unrestricted (including \$178,068 of Board Designated net assets)	403,775
Temporarily restricted	40,000
Permanently restricted	<u>318,134</u>
Total Net Assets	<u>761,909</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>881,522</u></u>

See Notes to Financial Statements.

**WHITLEY COUNTY ECONOMIC DEVELOPMENT
CORPORATION**



**Statement of Activities
Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
County economic development	\$ 339,919	\$ -	\$ -	\$ 339,919
Contributions and grants	40,700	48,500	-	89,200
Interest income	<u>4,634</u>	<u>-</u>	<u>-</u>	<u>4,634</u>
	385,253	48,500	-	433,753
Net Assets Released From Restriction	<u>8,500</u>	<u>(8,500)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	393,753	40,000	-	433,753
EXPENSES				
Program services	284,547	-	-	284,547
Management and general	<u>205,372</u>	<u>-</u>	<u>-</u>	<u>205,372</u>
Total Expenses	<u>489,919</u>	<u>-</u>	<u>-</u>	<u>489,919</u>
CHANGE IN NET ASSETS	(96,166)	40,000	-	(56,166)
NET ASSETS, BEGINNING OF YEAR, AS ORIGINALLY STATED	285,384	-	463,134	748,518
PRIOR PERIOD ADJUSTMENTS:				
Error Corrections	69,557	-	-	69,557
Reclassification Correction	<u>145,000</u>	<u>-</u>	<u>(145,000)</u>	<u>-</u>
TOTAL PRIOR PERIOD ADJUSTMENTS	<u>214,557</u>	<u>-</u>	<u>(145,000)</u>	<u>69,557</u>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>499,941</u>	<u>-</u>	<u>318,134</u>	<u>818,075</u>
NET ASSETS, END OF YEAR	<u>\$ 403,775</u>	<u>\$ 40,000</u>	<u>\$ 318,134</u>	<u>\$ 761,909</u>

See Notes to Financial Statements.

WHITLEY COUNTY ECONOMIC DEVELOPMENT CORPORATION



Statement of Cash Flows Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (56,166)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Used In Operating Activities:	
Depreciation	1,687
Bad debt	15
Provision for loan losses	50,000
Reinvested dividends and interest	(889)
(Increase) Decrease in Assets:	
Accounts receivable	(5,071)
Prepaid expenses	(1,858)
Increase (Decrease) in Liabilities:	
Accounts payable	3,943
Accrued wages and payroll withholdings	<u>(261)</u>
Net Cash Used In Operating Activities	(8,600)

CASH FLOWS FROM INVESTING ACTIVITIES

Advances of loans receivable	(101,138)
Payments received for loans receivable	<u>68,817</u>
Net Cash Used In Investing Activities	<u>(32,321)</u>

NET DECREASE IN CASH (40,921)

CASH, BEGINNING OF YEAR 535,444

CASH, END OF YEAR \$ 494,523

See Notes to Financial Statements.

WHITLEY COUNTY ECONOMIC DEVELOPMENT CORPORATION



Statement of Functional Expenses Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 102,332	\$ 89,179	\$ 191,511
Payroll taxes and benefits	<u>28,137</u>	<u>17,205</u>	<u>45,342</u>
Salaries, wages, and benefits	130,469	106,384	236,853
Accounting	-	8,640	8,640
Advertising and marketing	20,573	-	20,573
Automotive	-	3,306	3,306
Bad debt	15	-	15
Computer	-	3,428	3,428
Consulting	75,960	-	75,960
Depreciation	-	1,687	1,687
Insurance	-	2,147	2,147
Legal	-	1,722	1,722
Main street expenses	-	13,749	13,749
Meals and entertainment	-	8,577	8,577
Miscellaneous	-	437	437
Office supplies and equipment	-	4,506	4,506
Postage	401	-	401
Printing & publications	414	-	414
Project expenses	5,835	-	5,835
Provision for loan losses	50,000	-	50,000
Rent (in-kind)	-	31,200	31,200
Repairs and maintenance	-	8,695	8,695
Subscriptions and memberships	-	2,632	2,632
Telephone	-	5,637	5,637
Travel and conferences	-	2,625	2,625
Website	<u>880</u>	<u>-</u>	<u>880</u>
TOTAL EXPENSES	<u>\$ 284,547</u>	<u>\$ 205,372</u>	<u>\$ 489,919</u>

See Notes to Financial Statements.

WHITLEY COUNTY ECONOMIC DEVELOPMENT CORPORATION



Notes to Financial Statements December 31, 2016

Note 1. Organization and Summary of Significant Accounting Policies

Organization:

The Whitley County Economic Development Corporation ("Organization" or "EDC") is a not-for-profit organization formed to aid communities in Whitley County in attracting new industry and assist existing industry in expansion - all for the purpose of creating jobs for the citizens of Whitley County. The EDC is funded through support from local governments within Whitley County along with grants from the U.S. Department of Agriculture Office of Rural Development, and other private grants and donations.

Method of Accounting:

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the related liability is incurred.

Basis of Presentation:

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Restricted net assets are reclassified to unrestricted net assets upon the satisfaction of time or purpose of the restrictions.

Unrestricted Net Assets: Unrestricted net assets include expendable resources over which the Organization's Board of Directors has discretionary control and are used to carry out the Organization's operations in accordance with its bylaws.

Temporarily Restricted Net Assets: Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of the Organization.

Permanently Restricted Net Assets: Permanently restricted net assets include resources subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization.

Estimates:

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

WHITLEY COUNTY ECONOMIC DEVELOPMENT CORPORATION



Notes to Financial Statements (Continued) December 31, 2016

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition:

Contributions are generally available for unrestricted use in the year received unless specifically restricted by the donor. Grants and other contributions of cash that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. 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.

Cash and Cash Equivalents:

The Organization considers all checking, savings and money market accounts along with short-term certificates of deposit with an original maturity of three months or less to be cash equivalents.

Certificate of Deposit:

The certificate of deposit has a twelve month term, bears interest at 0.50% at December 31, 2016, and matures March 2017. Subsequent to year end, the certificate was renewed for another twelve month term.

Accounts Receivable:

The EDC closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible. Management of the Organization has not provided an allowance for doubtful accounts because the estimate of any loss has been deemed immaterial to the financial statements. Bad debt expense was \$15 for the year ended December 31, 2016.

Loans Receivable:

Loans receivable are recorded at their contract amounts adjusted for any charge-offs and the allowance for loan losses. Loans are considered past due based on how recently payments have been received. The allowance for loan losses is maintained at a level, which, in management's judgment, is adequate to absorb potential losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the loan portfolio, including trends in historical loss experience, specific impaired loans, and economic conditions. All loans are evaluated for impairment on an individual basis. The allowance is increased by a provision for loan losses, which is charged to expense. Write-offs are charged against the allowance when management believes the uncollectibility of a loan is confirmed. Subsequent recoveries, if any, are credited to the allowance. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses.

WHITLEY COUNTY ECONOMIC DEVELOPMENT CORPORATION



Notes to Financial Statements (Continued) December 31, 2016

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Loans Receivable (continued):

The current methodology for determining the allowance for loan losses is based on specific allocations for impaired loans, historical loss rates and other qualitative judgments. Historical loss rates are applied based on repayment performance, adjusted for factors that, in management's judgment are necessary to reflect the current inherent risk in the portfolio.

There have been no changes in methodology for determining the allowance for loan losses in the current year.

Because of uncertainties inherent in the estimation process, management's estimate of loan losses inherent in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Loan interest income is recognized on the accrual basis. The EDC does not place loans on nonaccrual status, and continues to accrue interest on loans until they are written off as uncollectible.

Property and Equipment:

Property and equipment is recorded at cost or, if received by donation, at fair value at the date of the gift. Items with a cost or value of \$500 or more and a useful life of one year or more are capitalized. Depreciation is computed using the straight-line method for financial reporting purposes based on estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense as incurred. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Advertising Costs:

Advertising costs are charged to operations when paid and are included in total expenses. The amount charged for advertising expense was \$20,573 for the year ended December 31, 2016.

Functional Allocation of Expenses:

The Organization's costs of providing the program services have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the program services based on employees' time incurred and on resource usage.

WHITLEY COUNTY ECONOMIC DEVELOPMENT CORPORATION



Notes to Financial Statements (Continued) December 31, 2016

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk:

The Organization maintains cash balances in multiple financial institutions. The FDIC insures the balances up to \$250,000 at each institution. Account balances may exceed the insured limit from time to time.

Income Taxes:

The Organization is a tax-exempt not-for-profit organization under Section 501(c)(4) of the Internal Revenue Code and is not considered to be a private foundation as determined by the Internal Revenue Service and is not subject to income taxes.

The accounting standard that provides guidance on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of income subject to unrelated business income tax (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2016.

The EDC files annual information returns in the U.S. federal jurisdiction and the State of Indiana. The EDC is generally no longer subject to income tax examination by federal or state agencies for years before 2013.

Recently Issued Accounting Standards:

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. The standard requires a financial asset (including loans receivable) measured at amortized cost to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard is effective for the calendar year ending December 31, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

WHITLEY COUNTY ECONOMIC DEVELOPMENT CORPORATION



Notes to Financial Statements (Continued) December 31, 2016

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards (continued):

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. The standard will replace the existing three classes of net assets with two classes; net assets with donor restrictions (combination of temporarily and permanently restricted net assets) and net assets without donor restrictions. The standard will also give the Organization the option of presenting the statement of cash flows using the direct method, without presenting the indirect method reconciliation, and require all not-for-profits to present operating expenses by both nature and function. Additional requirements will include improved disclosures related to board-designated net assets, under-water endowments, cost allocation methods, management and general activities and quantitative and qualitative disclosures related to liquidity. This standard is effective for fiscal years beginning after December 15, 2017. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

Subsequent Events:

Management of the Organization has evaluated events and transactions for possible recognition or disclosure through September 28, 2017, the date the financial statements were available to be issued.

Note 2. Prior Period Adjustment

During the year ended December 31, 2016, management re-evaluated its revenues and expenses reported on the accrual basis of accounting and determined that certain amounts should have been recorded in a prior period. The opening balance of net assets for the year ended December 31, 2016, has been restated to reflect these corrections, as follows:

Recognize accounts receivable for fees for service earned	\$	66,417
Recognize reinvested interest on certificate of deposit		2,129
Correction of liabilities for employee benefits		7,188
Correction of grant receivable		<u>(6,177)</u>
	\$	<u>69,557</u>

In addition, net assets previously reported as permanently restricted were determined to have been incorrectly classified. A reclassification adjustment was made to correct the permanently restricted opening fund balance as of January 1, 2016, by \$145,000 with an offsetting adjustment of the same amount to unrestricted net assets.

Note 3. Loans Receivable, Credit Quality and the Allowance for Loan Losses

The EDC's revolving loan funds have been funded under various local, state, and federal programs, all of which impose guidelines and restrictions on lending policy. The EDC staff and its Board of Directors regularly review loan procedures to ensure compliance with these contract provisions.

WHITLEY COUNTY ECONOMIC DEVELOPMENT CORPORATION



Notes to Financial Statements (Continued) December 31, 2016

Note 3. Loans Receivable, Credit Quality and the Allowance for Loan Losses (Continued)

Loans receivable, as presented on the statement of financial position, consist of the following elements:

Collateralized loans	\$ 91,138
Uncollateralized loans	<u>90,827</u>
Total loans	181,965
Allowance for loan losses	<u>(50,000)</u>
Loans receivable, net	<u><u>\$ 131,965</u></u>

The EDC follows disclosure guidance that requires the allocation of the allowance for loan losses to portfolio segments and enhanced disclosures related to credit quality by type and classification of loans. While the allowance for loan losses is allocated for purposes of disclosure to various loan portfolio segments, the entire allowance is available to absorb credit losses from any segment.

An analysis of the change in the allowance for loan losses is as follows:

	<u>January 1,</u> <u>2016</u>	<u>Provision</u>	<u>Recoveries</u>	<u>Charge-Offs</u>	<u>December 31,</u> <u>2016</u>
Collateralized loans	\$ -	\$ 50,000	\$ -	\$ -	\$ 50,000
Uncollateralized loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ -</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 50,000</u></u>

Credit Quality Indicators:

The EDC considers repayment performance to be the best indicator of credit quality for loans receivable. Loans receivable are considered non-performing when principal and interest payments are past due 90 days or more or loans for which terms have been modified in a troubled debt restructure.

WHITLEY COUNTY ECONOMIC DEVELOPMENT CORPORATION



Notes to Financial Statements (Continued)
December 31, 2016

Note 3. Loans Receivable, Credit Quality and the Allowance for Loan Losses (Continued)

The following table summarizes EDC's loans by class and delinquency category at December 31, 2016:

	<u>Current</u>	<u>30-89 Days Past Due</u>	<u>90+ Days Past Due, Accruing</u>	<u>Total Loans</u>
Collateralized loans	\$ -	\$ -	\$ 91,138	\$ 91,138
Uncollateralized loans	<u>90,827</u>	<u>-</u>	<u>-</u>	<u>90,827</u>
Total loans	<u>\$ 90,827</u>	<u>\$ -</u>	<u>\$ 91,138</u>	<u>\$ 181,965</u>

Note 4. Property and Equipment

Property and equipment at December 31, 2016, consists of the following:

	<u>Useful Lives</u>	
Furniture & fixtures	5 - 10 years	\$ 94,858
Leasehold improvements	15 years	<u>6,405</u>
		101,263
Less: Accumulated depreciation		<u>97,628</u>
		<u>\$ 3,635</u>

Depreciation expense for the year ended December 31, 2016 totaled \$1,687.

Note 5. Building Lease

The Organization receives the use of office space at no cost through an annual lease agreement with the Whitley County Board of Commissioners. The original terms of the in-kind lease have expired and the lease is currently renewable on an annual basis at a rate of \$31,200 per year until either party terminates the contract. An in-kind contribution and corresponding rent expense in the amount of \$31,200 is recorded as contributions and grants in the statement of activities and as rent (in-kind) in the statement of functional expenses for year ended December 31, 2016.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets, at December 31, 2016, are restricted for the following purposes:

Purpose restriction:	
Technical Assistance	<u>\$ 40,000</u>

WHITLEY COUNTY ECONOMIC DEVELOPMENT CORPORATION



Notes to Financial Statements (Continued)
December 31, 2016

Note 7. Permanently Restricted Net Assets

Permanently restricted net assets, at December 31, 2016, are restricted for the following purposes:

Growth Venture revolving loan fund	\$ 200,000
Microloan revolving loan fund	78,134
Community and Small Business revolving loan fund	<u>40,000</u>
	<u>\$ 318,134</u>

Note 8. Undisbursed Funding

Funding of \$20,000 was awarded in 2015 from the United States Department of Agriculture (USDA) in the form of a Rural Business Development Grant and is to be utilized in the EDC's revolving loan fund program. The funds will be disbursed once they have been committed to a qualified borrower and the EDC has contributed the required matching funds.

Note 9. Federal and Local Revenue

Federal and local revenue received during the year ended December 31, 2016, was as follows:

Federal:	
U.S. Department of Agriculture	\$ 40,000
Local (Indiana):	
Town of Churubusco	15,447
City of Columbia City	65,693
Town of Larwill	2,622
Whitley County Government (includes \$31,200 in-kind)	204,106
Whitley County Redevelopment Commission	25,000
Town of South Whitley	<u>16,530</u>
Total Local Revenue	<u>329,398</u>
Total Federal and Local Revenue	<u>\$ 369,398</u>

Note 10. Retirement Plan

Eligible employees of the Organization may participate in a SIMPLE IRA sponsored by the Organization. The Organization provides a 100% match of up to 3% of eligible compensation. Contributions by the Organization to the plan were \$5,177 for the year ended December 31, 2016.