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May 25, 2018

Board of Directors  
Grant County Economic Growth Council, Inc.  
301 South Adams Street  
Marion, IN 46952

We have reviewed the report prepared by Grant County Economic Growth Council, Inc. and opined upon by Dulin, Ward & DeWald, Inc., Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Grant County Economic Growth Council, Inc. as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Dulin, Ward & DeWald, Inc. 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

**GRANT COUNTY ECONOMIC  
GROWTH COUNCIL, INC.**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2017 with  
Summarized Information for December 31, 2016**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Grant County Economic Growth Council, Inc.  
Marion, Indiana

We have audited the accompanying financial statements of Grant County Economic Growth Council, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows 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 controls 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 of 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 misstatements 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.

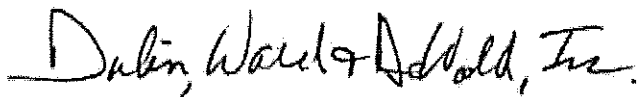
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grant County Economic Growth Council, Inc. as of December 31, 2017, 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.

**Report on Summarized Comparative Information**

We have previously audited Grant County Economic Growth Council, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Dublin, Ward & Adbold, Inc." The signature is written in a cursive, flowing style.

Fort Wayne, Indiana

April 20, 2018

**GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2017 with Summarized  
Information for the Year Ended December 31, 2016

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents:		
Operating	\$ 85,272	\$ 65,787
Revolving loan fund	125,260	136,492
Prepaid expenses	1,560	1,695
Accounts receivable	25,754	6,341
Loans receivable	60,253	47,522
Office equipment - net of accumulated depreciation of \$36,773 (2017) and \$31,616 (2016)	22,322	4,528
Land	95,499	95,499
Net investment in direct financing lease	11,345,000	11,630,000
Deposits	550	550
Beneficial interest	73,541	67,473
	<u>\$11,835,011</u>	<u>\$12,055,887</u>
<b>Total Assets</b>		
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 27,520	\$ 9,100
Accrued liabilities	6,293	5,813
Note payable - City of Marion	11,345,000	11,630,000
	<u>11,378,813</u>	<u>11,644,913</u>
<b>Total Liabilities</b>		
Net Assets:		
Unrestricted:		
Unrestricted	78,141	33,614
Board designated	173,541	167,473
Total unrestricted net assets	<u>251,682</u>	<u>201,087</u>
Temporarily restricted	20,003	26,874
Permanently restricted	184,513	183,013
	<u>456,198</u>	<u>410,974</u>
<b>Total Net Assets</b>		
<b>Total Liabilities and Net Assets</b>	<u>\$11,835,011</u>	<u>\$12,055,887</u>

The accompanying notes are an integral part of these financial statements.

**GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.**

**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2017 with Summarized  
Information for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
<b>Operating Support, Revenues and Gains:</b>					
Private contributions	\$ 95,124	\$ 14,710	\$ -	\$ 109,834	\$ 96,881
Government grants and contracts	-	24,500	-	24,500	41,265
EDIT income	327,798	-	-	327,798	326,057
Special projects	12,561	-	-	12,561	24,278
Other income	314	-	-	314	121
Investment income	3,814	-	1,970	5,784	4,506
Rental income	3,000	-	-	3,000	2,850
Gain on beneficial interest	4,695	-	-	4,695	4,449
<b>Net Assets Released From Restrictions:</b>					
Satisfaction of purpose requirements	19,677	(19,207)	(470)	-	-
Satisfaction of time requirements	26,874	(26,874)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Operating Support, Revenues and Gains</b>	493,857	(6,871)	1,500	488,486	500,407
<b>Operating Expenses:</b>					
Program services	369,236	-	-	369,236	438,194
Supporting services:					
Management and general	55,962	-	-	55,962	55,540
Fund raising	18,064	-	-	18,064	18,324
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Operating Expenses</b>	443,262	-	-	443,262	512,058
<b>Excess (Deficiency) of Operating Support over Operating Expenses</b>	50,595	(6,871)	1,500	45,224	(11,651)

(continued)

The accompanying notes are an integral part of these financial statements.

**GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.**

**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2017 with Summarized  
Information for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
(continued)					
<b>Non-Operating Revenue and (Expenses)</b>					
<b>Redevelopment:</b>					
Interest income	\$ 627,218	\$ -	\$ -	\$ 627,218	\$ 634,998
Interest expense	<u>(627,218)</u>	<u>-</u>	<u>-</u>	<u>(627,218)</u>	<u>(634,998)</u>
<b>CHANGE IN NET ASSETS</b>	50,595	(6,871)	1,500	45,224	(11,651)
<b>NET ASSETS - beginning of year</b>	<u>201,087</u>	<u>26,874</u>	<u>183,013</u>	<u>410,974</u>	<u>422,625</u>
<b>NET ASSETS - end of year</b>	<u><u>\$ 251,682</u></u>	<u><u>\$ 20,003</u></u>	<u><u>\$ 184,513</u></u>	<u><u>\$ 456,198</u></u>	<u><u>\$ 410,974</u></u>

The accompanying notes are an integral part of these financial statements.

**GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2017 with Summarized  
Information for the Year Ended December 31, 2016

	<b>Program</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>2017 Total</b>	<b>2016 Total</b>
Salaries	\$ 127,534	\$ 28,204	\$ 13,783	\$ 169,521	\$ 173,095
Employee benefits	4,743	1,049	513	6,305	6,166
Payroll taxes	10,799	2,388	1,167	14,354	15,064
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Salaries and Related Expenses</b>	143,076	31,641	15,463	190,180	194,325
Grants	90,387	-	-	90,387	108,915
Legal and accounting	12,771	18,914	-	31,685	36,062
Travel and promotion	30,649	-	-	30,649	34,278
Special projects	25,870	-	-	25,870	32,588
Advertising and direct mail	16,222	-	-	16,222	36,024
Occupancy	13,438	1,049	513	15,000	15,000
Dues and subscriptions	10,991	-	-	10,991	15,192
Meetings	9,230	-	-	9,230	16,389
Telephone and internet service	3,473	2,388	1,167	7,028	5,228
Insurance	3,764	833	407	5,004	4,691
Printing and office expense	4,607	-	-	4,607	6,398
Miscellaneous expense	878	194	95	1,167	515
Marketing	-	-	-	-	2,500
Bad debts	-	85	-	85	110
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Expenses Before Depreciation</b>	365,356	55,104	17,645	438,105	508,215
Depreciation	3,880	858	419	5,157	3,843
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	<b>\$ 369,236</b>	<b>\$ 55,962</b>	<b>\$ 18,064</b>	<b>\$ 443,262</b>	<b>\$ 512,058</b>

The accompanying notes are an integral part of these financial statements.

**GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.**

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2017 with Summarized  
Information for the Year Ended December 31, 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash contributions, grants and income	\$ 449,542	\$ 498,595
Cash paid to employees for wages and benefits	(189,700)	(193,419)
Cash paid to vendors for goods and services	(228,638)	(318,939)
	<u>31,204</u>	<u>(13,763)</u>
<b>Cash Flows from Operating Activities</b>	31,204	(13,763)
<b>CASH FLOWS FROM NON-OPERATING REDEVELOPMENT ACTIVITIES</b>		
Cash received from lessee - interest portion	627,218	634,998
Cash paid on note payable City of Marion - interest portion	(627,218)	(634,998)
	<u>-</u>	<u>-</u>
<b>Cash Flows from Non-Operating Redevelopment Activity</b>	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of office equipment	(22,951)	-
Cash received from lessee - principal portion	285,000	-
Change in revolving loan fund cash	11,232	15,638
	<u>273,281</u>	<u>15,638</u>
<b>Cash Flows From Investing Activities</b>	273,281	15,638
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash paid on note payable City of Marion - principal portion	(285,000)	-
	<u>(285,000)</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	19,485	1,875
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>65,787</u>	<u>63,912</u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u>\$ 85,272</u>	<u>\$ 65,787</u>

(continued)

The accompanying notes are an integral part of these financial statements.

**GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.**  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2017 with Summarized  
Information for the Year Ended December 31, 2016

	<b>2017</b>	<b>2016</b>
(continued)		
<b>RECONCILIATION OF CHANGE IN NET ASSETS</b>		
<b>TO CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 45,224	\$ (11,651)
Depreciation and amortization	5,157	3,843
Provision for bad debts	85	110
Reinvested interest less fees	(1,373)	(1,263)
(Gain) loss on beneficial interest	(4,695)	(4,449)
(Increase) decrease in accounts receivable	(19,498)	17,388
(Increase) decrease in loans receivable	(12,731)	(12,972)
(Increase) decrease in prepaid expenses	135	4,725
Increase (decrease) in accounts payable	18,420	(10,400)
Increase (decrease) in accrued liabilities	480	906
	<u>480</u>	<u>906</u>
<b>Cash Provided By Operating Activities</b>	<b><u>\$ 31,204</u></b>	<b><u>\$ (13,763)</u></b>

The accompanying notes are an integral part of these financial statements.

**GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Grant County Economic Growth Council, Inc. (Council) was incorporated as a not-for-profit organization in April 1984 under the laws of the State of Indiana. The Organization's purpose is job retention and job creation in Grant County, Indiana.

**Nonoperating Activity**

The statement of activities reports the changes in net assets from operating and nonoperating activities. Nonoperating activities reflect redevelopment activity on behalf of the City of Marion (see notes 12 and 13.) All other activity is classified in operating activities.

**Taxes**

The Council is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation. The Council has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

**Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Council considers all highly liquid investments with a maturity of three months or less at the time of purchase and certificates of deposit to be cash equivalents.

**Office Equipment**

Office equipment is stated at cost or, if donated, at fair value at the date of the gift. The Council follows the policy of providing depreciation on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets. It is not the Council's policy to imply time restrictions expiring over the useful life of donated assets. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support. All items with a cost in excess of \$1,000 and a useful life in excess of three years are capitalized.

(continued)

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(continued)

**Accounts Receivables**

If considered necessary, the Council provides an allowance for doubtful receivables which is based on management's estimate of losses that will be incurred in the collection of all receivables.

**Loans Receivable**

Loans receivable are stated at the amount of unpaid principal, less an allowance for loan losses, if applicable. Interest is calculated by using the simple interest method on the principal amount outstanding.

An allowance for losses on loans receivable is maintained at a level considered adequate to absorb potential loan losses determined on the basis of management's review and evaluation of the loans and its judgment as to the impact of current economic conditions on the loans. The evaluation includes consideration of past loan loss experience and the current volume and condition of loans outstanding. Recognized losses are charged to the allowance and subsequent recoveries are added.

**Contributions**

All contributions are considered to be available for the general operations of the Council unless specifically restricted by the donor. Gifts of cash and other assets are reported as temporarily restricted or permanently restricted support if they are received with donor stipulation that limit their use. In the case of temporarily restricted support, when the restriction expires, 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 whose restriction is met in the same reporting period are reported as unrestricted contributions. By definition, permanently restricted support must be maintained in perpetuity. Restrictions on these net assets do not expire and no assets are reclassified in the statement of activities.

**Advertising**

Advertising costs are charged to operations when incurred.

**Reclassification**

Certain reclassifications have been made to conform prior years' financial statements to the current presentation. These reclassifications had no effect on previously reported operating results.

**Subsequent Events**

Management has evaluated subsequent events through April 20, 2018 the date which the financial statements were available for issue.

**2. LOANS RECEIVABLE**

Loans receivable of \$60,253 at December 31, 2017 and \$47,522 at December 31, 2016, all of which are from the Council's revolving loan fund, are due from companies located in Grant County, Indiana. Interest rates range from 5.25% to 6.25%, with maturity dates through 2027. The current portion of loans receivable is \$13,506 at December 31, 2017.

**3. RESTRICTED CASH**

Cash in the amount of \$125,260 at December 31, 2017 and \$136,492 at December 31, 2016 is restricted for the revolving loan fund.

**4. RETIREMENT PLAN**

The Council has a SIMPLE IRA retirement plan. Contributions to the plan are made at a 3% match for all employees who are eligible and participate in the plan. Employee benefit expense under this plan totaled \$4,120 in 2017 and \$3,995 in 2016.

**5. BENEFICIAL INTEREST**

The beneficial interest of \$73,541 at December 31, 2017 and \$67,473 at December 31, 2016 consists of funds held by the Grant County Community Foundation which are the result of an agreement whereby the Council transferred assets to the Foundation and specified itself as the beneficiary of those assets. The Council may draw up to a certain percent of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Foundation.

Additionally, the Foundation holds investment assets, with a value of \$80,049 at December 31, 2017 and \$99,590 at December 31, 2016, for the benefit of the Council for which it has retained variance power. These investments are not recorded as assets of the Council.

**6. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

(continued)

**6. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

*Level 1.* Unadjusted quoted prices in active markets for identical assets and liabilities.

*Level 2.* Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in inactive markets.

*Level 3.* Unobservable inputs reflecting management’s own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

*Beneficial Interest.* Value based upon the Council’s proportionate share of the Grant County Community Foundation’s pooled investment portfolio.

Fair value of assets and liabilities measured on a recurring basis at December 31 are as follows:

	<b>2017</b>	<b>2016</b>
Beneficial interest – Level 3	\$ 73,541	\$ 67,473

(continued)

**6. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

Following is the reconciliation of activity for assets measured at fair value based on significant unobservable inputs (Level 3) for the year ending December 31:

	<b>2017</b>	<b>2016</b>
Balance – beginning of year	\$ 67,473	\$ 61,761
Additions	-	-
Total gains and losses included in changes in net assets:		
Interest and dividends	2,020	1,779
Unrealized gain (loss)	(2,846)	4,462
Realized gain (loss)	7,541	(13)
Investment fees	<u>(647)</u>	<u>(516)</u>
Balance – end of year	<u>\$ 73,541</u>	<u>\$ 67,473</u>

**7. NET ASSETS**

Temporarily restricted net assets are restricted for the following purposes:

	<b>2017</b>	<b>2016</b>
Future periods	\$ 14,710	\$ 26,874
Grants GOT Talent	<u>5,293</u>	<u>-</u>
	<u>\$ 20,003</u>	<u>\$ 26,874</u>

The Board of Directors of the Council has designated unrestricted net assets of \$100,000 for the Grants for Grads program and \$73,541 as an endowment fund.

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

	<b>2017</b>	<b>2016</b>
Revolving loan fund	\$ 184,513	\$ 183,013

**8. ENDOWMENT**

The Council has currently invested its board designated endowment funds at the Grant County Community Foundation. The endowments have been established to support the activities of the Council. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of the Council has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Council and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Council
- (7) The investment policies of the Council

**Endowment Net Asset Composition by Type of Fund as of December 31:**

	<b>2017</b>	<b>2016</b>
<b>Unrestricted net assets:</b>		
Board designated endowment fund	\$ 73,541	\$ 67,473

(continued)

8. **ENDOWMENT** (continued)

**Changes in Endowment Net Assets for the Year Ended December 31:**

	2017	2016
Unrestricted net assets:		
Endowment net assets – January 1	\$ 67,473	\$ 61,761
Contributions	-	-
Investment return:		
Investment income	2,020	1,779
Net appreciation (realized and unrealized)	4,695	4,449
Fees	<u>(647)</u>	<u>(516)</u>
Total investment return	6,068	5,712
Distributions	<u>-</u>	<u>-</u>
Endowment net assets – December 31	<u>\$ 73,541</u>	<u>\$ 67,473</u>

**Return Objectives and Risk Parameters**

The Council has adopted investment and spending policies for endowment assets that attempt to preserve the principal in terms of its purchasing power so the fund will be able to serve the Council's needs over the long term; produce sufficient income to meet the needs of the Council; and provide long-term growth in assets as may be fairly balanced by the need for reasonable income and investment risk. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve satisfactory investment returns while gaining the risk control of diversification.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, donor-restricted and board designated endowment funds have currently been transferred to the Grant County Community Foundation for investment and management.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

In accordance with the agreement with the Grant County Community Foundation, the Council may draw up to 6% of the value of the assets each year.

**9. OPERATING LEASE**

The Council leases office space under a month to month operating lease. Total rent expense charged to operations in 2017 and 2016 was \$15,000.

**10. ADVERTISING COSTS**

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations was \$13,320 in 2017 and \$34,085 in 2016.

**11. EDUCATIONAL ASSISTANCE PLAN**

The Council has an educational assistance plan. Employees who have completed one year of service on the effective date will be eligible to receive no more than \$5,250 towards an educational course or course(s). A participant in the plan must remain an employee for three years after receiving the benefit or repay the Council all benefits received. No amounts were paid from this plan in 2017 or 2016.

**12. NOTE PAYABLE – CITY OF MARION**

As part of the 2013 effort to attract Café Valley Bakery's \$48 million investment and 400 jobs (the Project), the Council was part of a \$11,630,000 financing by the City of Marion (City), which issued Tax Increment Financing Bonds to raise the money for the Project. The proceeds from the Bond were loaned to the Council and used to purchase and develop property for the Project on the City's behalf. Of the 61.85 acres of land that were purchased by the Council, approximately 31% was utilized for the Project.

The note with the City calls for semi-annual interest payments with yearly principal payments beginning February 2017. The note bears interest at 5.46% and is due February 2038. As part of the transaction, the Council has indemnification and hold harmless agreements in place with the City.

Also, as part of the transaction with the City, the Council entered into a direct financing lease agreement as more fully described in Note 13.

Interest charged on the note amounted to \$627,218 in 2017 and \$634,998 in 2016.

(continued)

**12. NOTE PAYABLE (continued)**

Maturities on the note payable as of December 31, 2017:

2018	\$ 300,000
2019	\$ 320,000
2020	\$ 335,000
2021	\$ 355,000
2022	\$ 375,000

**13. DIRECT FINANCING LEASE**

In conjunction with the Bonds discussed in Note 12 the Council entered into a master lease with Cornerstone Marion, LLC, the Project's owner, as lessor of its portion of land and the Council as lessee. Simultaneously, the Council leased the redevelopment land to the Marion Redevelopment Commission (the Commission) and Cornerstone Marion, LLC as sublessees (the Sublessees). The Sublessees are responsible for lease payments that will be sufficient to make all necessary debt service payments on the Bonds, even to the extent of the Commission being required to levy a property tax on all of the property in the City, if necessary, to make sufficient lease payments. As payments are made by the Commission under this lease to retire the Bonds, the Council will record income and debt service payments, which will offset each other.

This direct financing lease is for a term of 25 years and calls for lease payments equal to the sum of principal and interest due on the note with the City (see Note 12). Payment on the lease began during 2015.

Following is a summary of the components of the Council's net investment in the direct financing lease at December 31:

	<b>2017</b>	<b>2016</b>
Minimum lease payments receivable	\$ 19,032,543	\$ 19,944,761
Unearned interest	<u>(7,687,543)</u>	<u>(8,314,761)</u>
Net investment in direct financing lease	<u>\$ 11,345,000</u>	<u>\$ 11,630,000</u>

Lease payments received totaled \$912,218 in 2017 and \$634,998 in 2016.

(continued)

**13. DIRECT FINANCING LEASE (continued)**

Minimum future lease payments expected under the noncancelable lease for each of the next five years and in the aggregate are:

2018	\$ 911,247
2019	914,321
2020	911,439
2021	912,603
2022	912,673
2023 and thereafter	<u>14,470,260</u>
	<u>\$ 19,032,543</u>

**14. CONCENTRATIONS**

The Council receives a substantial portion of its support from economic development income tax. A significant reduction in the level of this support, if it were to occur, may have an effect on the Council's programs and activities.

Additionally, the Council will be dependent on the lease income derived from the lease described in Note 13 to make its loan payments to the City of Marion.

**15. LITIGATION**

As of January 9, 2015 a lawsuit was filed by EMarket LLC against the Council seeking damages for a breach for termination of lease on the Thompson site. The damages sought are unspecified. The Council believes the suit is completely without merit and intends to vigorously defend its position.