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June 28, 2018

Board of Directors  
Kosciusko Development, Inc.  
d/b/a Kosciusko Economic Development Corporation  
537 S. Buffalo St.  
Warsaw, IN 46580

We have reviewed the report prepared by Kosciusko Development, Inc. d/b/a Kosciusko Economic Development Corporation and opined upon by Dahms & Yarian, Inc., Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Kosciusko Development, Inc. d/b/a Kosciusko 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.

In our opinion, Dahms & Yarian, 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*  
Paul D. Joyce, CPA  
State Examiner

KOSCIUSKO DEVELOPMENT, INC.  
d/b/a KOSCIUSKO ECONOMIC  
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Kosciusko Development, Inc.  
d/b/a Kosciusko Economic Development Corporation  
Warsaw, Indiana

We have audited the accompanying financial statements of Kosciusko Development, Inc. d/b/a Kosciusko Economic Development Corporation (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2015, 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 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 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 Kosciusko Development, Inc. d/b/a Kosciusko Economic Development Corporation as of December 31, 2015, 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.

## Prior Period Financial Statements

The 2014 financial statements were reviewed by us, and our report thereon, dated October 1, 2015, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

*Dahms & Yarian, Inc.*

Warsaw, IN  
October 24, 2016

KOSCIUSKO DEVELOPMENT, INC.  
d/b/a KOSCIUSKO ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION  
December 31, 2015 and 2014

	<u>2015</u>	<u>Reviewed 2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 174,076	\$ 144,241
Agency account cash - restricted	45,171	66,504
Accounts receivable	-0-	2,745
Contribution receivable	-0-	2,000
Accrued interest receivable - restricted	114	24
Prepaid insurance	803	809
Current portion notes receivable - restricted	6,452	3,957
Total Current Assets	<u>\$ 226,616</u>	<u>\$ 220,280</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	\$ 9,671	\$ 9,671
Less: accumulated depreciation	5,319	4,352
Equipment - Net	<u>\$ 4,352</u>	<u>\$ 5,319</u>
<b>OTHER ASSETS</b>		
Certificate of deposit	\$ 205,892	\$ 204,862
Lease security deposit	1,500	-0-
Notes receivable - restricted	30,409	8,684
Less: current portion notes receivable - restricted	6,452	3,957
Other Assets - Net	<u>\$ 231,349</u>	<u>\$ 209,589</u>
	<u>\$ 462,317</u>	<u>\$ 435,188</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,890	\$ 1,606
Accounts payable - related party	575	-0-
Total Current Liabilities	<u>\$ 4,465</u>	<u>\$ 1,606</u>
<b>NET ASSETS</b>		
Unrestricted	\$ 382,158	\$ 358,371
Permanently restricted	75,694	75,211
Total Net Assets	<u>\$ 457,852</u>	<u>\$ 433,582</u>
	<u>\$ 462,317</u>	<u>\$ 435,188</u>

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

KOSCIUSKO DEVELOPMENT, INC.  
d/b/a KOSCIUSKO ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES  
Years ended December 31, 2015 and 2014

	2015			Reviewed 2014		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Local government support	\$ 201,063	\$ -0-	\$ 201,063	\$ 203,415	\$ -0-	\$ 203,415
Private donations	51,012	-0-	51,012	47,864	-0-	47,864
Donated use of facilities	15,750	-0-	15,750	15,750	-0-	15,750
Event income	-0-	-0-	-0-	29,250	-0-	29,250
Interest income	1,586	483	2,069	1,109	60	1,169
Total Support and Revenue	<u>\$ 269,411</u>	<u>\$ 483</u>	<u>\$ 269,894</u>	<u>\$ 297,388</u>	<u>\$ 60</u>	<u>\$ 297,448</u>
<b>EXPENSES</b>						
Program	\$ 197,692	\$ -0-	\$ 197,692	\$ 154,873	\$ -0-	\$ 154,873
Administrative	47,932	-0-	47,932	50,700	-0-	50,700
Total Expenses	<u>\$ 245,624</u>	<u>\$ -0-</u>	<u>\$ 245,624</u>	<u>\$ 205,573</u>	<u>\$ -0-</u>	<u>\$ 205,573</u>
CHANGE IN NET ASSETS	\$ 23,787	\$ 483	\$ 24,270	\$ 91,815	\$ 60	\$ 91,875
NET ASSETS, BEGINNING OF YEAR	<u>358,371</u>	<u>75,211</u>	<u>433,582</u>	<u>266,556</u>	<u>75,151</u>	<u>341,707</u>
NET ASSETS, END OF YEAR	<u><u>\$ 382,158</u></u>	<u><u>\$ 75,694</u></u>	<u><u>\$ 457,852</u></u>	<u><u>\$ 358,371</u></u>	<u><u>\$ 75,211</u></u>	<u><u>\$ 433,582</u></u>

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

KOSCIUSKO DEVELOPMENT, INC.  
d/b/a KOSCIUSKO ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF FUNCTIONAL EXPENSES  
Years ended December 31, 2015 and 2014

	2015			Reviewed 2014		
	Program	Administrative	Total	Program	Administrative	Total
Advertising and promotion	\$ 5,227	\$ 1,307	\$ 6,534	\$ 5,661	\$ 1,415	\$ 7,076
Administration	-	7,038	7,038	-	6,817	6,817
Depreciation	774	193	967	774	193	967
Donated use of facilities	12,600	3,150	15,750	12,600	3,150	15,750
Dues and subscriptions	13,998	-	13,998	1,286	-	1,286
Events	-	-	-	10,139	-	10,139
Insurance	1,502	375	1,877	1,293	323	1,616
Website expense	3,194	-	3,194	1,012	-	1,012
Consultant expense	2,250	-	2,250	-	-	-
Meetings	1,669	-	1,669	1,637	-	1,637
Miscellaneous	150	136	286	-	145	145
Office supplies	782	196	978	1,046	261	1,307
Postage	366	91	457	450	112	562
Printing	45	11	56	-	-	-
Professional development	-	1,800	1,800	-	973	973
Professional fees	-	2,490	2,490	-	8,652	8,652
Small business grants	22,085	-	22,085	-	-	-
Small business funding	8,470	-	8,470	4,333	-	4,333
Telephone	2,522	630	3,152	1,606	401	2,007
Travel/prospect development	2,666	666	3,332	2,902	725	3,627
Salaries and wages	110,674	27,669	138,343	93,309	23,327	116,636
Payroll taxes	8,590	2,148	10,738	7,331	1,833	9,164
Employee benefits	128	32	160	9,287	2,322	11,609
Loss on disposal of property and equipment	-	-	-	207	51	258
	<u>\$ 197,692</u>	<u>\$ 47,932</u>	<u>\$ 245,624</u>	<u>\$ 154,873</u>	<u>\$ 50,700</u>	<u>\$ 205,573</u>

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

KOSCIUSKO DEVELOPMENT, INC.  
d/b/a KOSCIUSKO ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS  
Years ended December 31, 2015 and 2014

	2015	Reviewed 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 24,270	\$ 91,875
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	967	967
Loss on disposal of property and equipment	-0-	258
(Increase) decrease in:		
Agency account cash - restricted	21,333	(3,871)
Accounts receivable	2,745	1,578
Accounts receivable - related party	-0-	2,449
Contribution receivable	2,000	3,100
Accrued interest receivable - restricted	(90)	(8)
Prepaid insurance	6	(290)
Lease security deposit	(1,500)	-0-
Increase (decrease) in:		
Accounts payable	2,284	(7,659)
Accounts payable - related party	575	(889)
Net Cash Provided by Operating Activities	\$ 52,590	\$ 87,510
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in certificate of deposit	\$ (1,030)	\$ (977)
Distribution of notes receivable - restricted	(26,240)	-0-
Principal collected on notes receivable - restricted	4,515	3,818
Net Cash Provided by Investing Activities	\$ (22,755)	\$ 2,841
<b>NET CASH PROVIDED</b>	\$ 29,835	\$ 90,351
<b>CASH AT BEGINNING OF YEAR</b>	144,241	53,890
<b>CASH AT END OF YEAR</b>	\$ 174,076	\$ 144,241

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

KOSCIUSKO DEVELOPMENT, INC.  
d/b/a KOSCIUSKO ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Kosciusko Development, Inc. d/b/a Kosciusko Economic Development Corporation (Organization) is a not-for-profit corporation formed under Indiana law. The Organization's mission is to promote economic development in Kosciusko County through the retention and expansion of existing business and industry, while attracting new business investments that complement the improvement of the quality of life.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with general accepted accounting principles.

Basis of Presentation – The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958, "Not-for-Profit Entities". Under ASC 958, 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.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization had no unrelated business income for the years ended December 31, 2015 and 2014. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the periods presented. The Organization's income tax returns generally remain open to examination for the last three years.

Revenue and Support – The Organization's revenue comes from local business contributions and government grants, in addition to a small amount of interest income and miscellaneous income. It is the Organization's policy to record contributions, grants, and investment earnings that are restricted as to time of use or purpose of use as temporarily restricted net assets, and then transfer them to unrestricted net assets once the restriction is met. This policy is applied even if the restriction is met within the same year the contribution, grant, or earnings are received or earned. All other contributions, grants, and earnings are recorded as unrestricted or permanently restricted net assets depending on the absence or presence of donor restriction.

KOSCIUSKO DEVELOPMENT, INC.  
d/b/a KOSCIUSKO ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents – The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statements of cash flows exclude restricted cash and cash equivalents.

Receivables – Receivables are charged to bad debts expense as they are deemed uncollectible by management. This is based upon management's periodic review of accounts or pledges, consideration of economic conditions, business conditions, and collection efforts. Management considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required.

The Organization records pledges receivable in the period when a legally enforceable pledge is dated. If the pledges receivable or other receivables are not due within the next fiscal year, they are recorded at the discounted present value of the receivable. Pledges receivable at December 31, 2015 and 2014 are due within one year; therefore, no adjustment to present value is required.

Notes Receivable – Notes receivable represent funds advanced to small businesses in Kosciusko County out of the Organization's revolving loan program (See Note E). Notes are stated at unpaid principal balances. The Organization considers notes receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Management closely monitors outstanding notes receivable and charges off to expense any balances that are determined to be uncollectible following reasonable collection efforts.

Property and Equipment and Depreciation – Property and equipment are stated at cost, or for donations, at fair value at the date of donation, and include expenditures for new additions and repairs that substantially increase the useful lives of existing property and equipment. Normal repairs and maintenance are recorded as operating expenditures. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited to or charged against operations for the period.

Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Investments – Certificates of deposit are recorded at cost plus accrued interest. The Organization has no other investments.

Advertising – The Organization expenses advertising costs as incurred because the probable future benefit of the advertising is short-term.

KOSCIUSKO DEVELOPMENT, INC.  
d/b/a KOSCIUSKO ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2015 and 2014

NOTE B – INVESTMENTS

The Organization has a twelve month certificate of deposit with a local bank. The balance of the certificate of deposit plus accrued interest was \$205,892 and \$204,862 at December 31, 2015 and 2014, respectively. Interest income earned on the certificate of deposit was \$1,030 and \$978 for the years ending December 31, 2015 and 2014, respectively.

NOTE C – CONCENTRATIONS

As stated in Note A, some revenue comes from governmental units. Of the total public funds and other contributions for the years ended December 31, 2015 and 2014, 73% and 67%, respectively, came from Kosciusko County and the City of Warsaw. The remaining contributions came from private businesses or government units within Kosciusko County, thus changes in the economy of the Kosciusko County area would possibly impact the amount of contributions received.

NOTE D – RELATED PARTIES

The Organization was originally formed by the Kosciusko Chamber of Commerce (Chamber). Based on a written agreement between the two organizations, Chamber support staff, as needed, are assigned to assist the Organization. The Chamber provides office space and use of general office equipment. In turn, the Organization pays the Chamber a monthly administrative fee and its fair share of general office costs. The current contract expires December 31, 2016. During 2015 and 2014, the Organization incurred a total of \$158,938 and \$144,386, respectively, in expenses under this agreement including administrative, advertising, payroll, rent, and other nonspecific overhead fees. There were open payables of \$575 and \$-0- at December 31, 2015 and 2014, respectively, due from the Organization to the Chamber.

In November 2015 the Organization entered into a lease agreement with the Chamber for office space (See Note H).

NOTE E – RESTRICTED NET ASSETS

Permanently restricted funds were received from a grant from the State of Indiana for a revolving loan program. Funds from part of this grant are to be used by the Organization as a permanent loan fund for small businesses. All net earnings from the loan interest and investment income are to remain within this fund for use in perpetuity. Net earnings were reported net of investment fees of \$300 and \$300 for the years ending December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, the balance of permanently restricted net assets for the revolving loan program was \$75,694 and \$75,151, respectively (See Note F).

KOSCIUSKO DEVELOPMENT, INC.  
d/b/a KOSCIUSKO ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2015 and 2014

NOTE E – RESTRICTED NET ASSETS (Continued)

During 2012, the Organization's board of directors designated \$150,000 of unrestricted net assets to be used for a project opportunity fund to assist businesses with relocation or expansion within Kosciusko County, Indiana. As of December 31, 2015 and 2014, the balance of this fund was \$6,623 and \$28,708, respectively.

NOTE F – RESTRICTED CASH

The Organization has maintained permanently restricted assets in separate accounts. The funds received from the state grant referred to in Note E, have been invested in an agency account with a local financial institution's trust department. Loans to local businesses have been made from those funds per the grant agreement. The balance of restricted cash at December 31, 2015 and 2014 was \$45,171 and \$66,504, respectively.

NOTE G – DONATED USE OF FACILITIES

The use of the facilities where the Organization operates was donated by Kosciusko County, which owns the property. The county also provides utilities and use of office equipment within the facility. The fair market value of the donated facilities has been recognized as revenues and expenses in the accompanying financial statements. The amount recognized was \$15,750 and \$15,750 for the years ended December 31, 2015 and 2014, respectively.

NOTE H – LEASES

In November 2015, the Organization entered into a lease agreement for office space with the Chamber. The lease commenced on January 1, 2016, and has a term of 60 months. The lease calls for monthly payments in the amount of \$1,500. Minimum rental payments for each of the five succeeding years is \$18,000.

NOTE I – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 1, 2015, the date which the financial statements were available to be issued.