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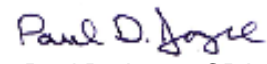
July 10, 2018

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

We have reviewed the report prepared by Delaware Advancement Corporation and opined upon by Whiting & Company LLC, Independent Public Accountants, for the period October 1, 2016 to September 30, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Delaware Advancement Corporation as of September 30, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Whiting & Company 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

**DELAWARE ADVANCEMENT
CORPORATION**
MUNCIE, INDIANA

FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	
FINANCIAL STATEMENTS	
Statement of Financial Position	1
Statement of Activities	2
Statement of Cash Flows	3
NOTES TO FINANCIAL STATEMENTS	4 - 14



WHITINGER & COMPANY^{LLC}
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware Advancement Corporation
Muncie, Indiana

We have audited the accompanying financial statements of Delaware Advancement Corporation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Delaware Advancement Corporation
Page Two

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Advancement Corporation as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

W. F. Steiner + Company LLC

Certified Public Accountants
Muncie, Indiana

February 9, 2018

FINANCIAL STATEMENTS

DELAWARE ADVANCEMENT CORPORATION

**STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016**

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 1,449,153	\$ 968,344
Accounts receivable, net of allowance for doubtful accounts of \$5,000 as of September 30, 2017 and 2016	131,495	153,211
Contributions receivable, net of allowance and discount of \$40,944 and \$-0- as of September 30, 2017 and 2016, respectively	463,006	108,400
Inventory	31,925	29,312
Notes receivable	500,713	556,550
Real estate held for sale	978,534	978,534
Investment in leased property	12,480,722	12,480,722
Beneficial interest in endowments	11,701	10,817
Prepaid expenses	27,422	23,708
Property and equipment, net	1,432,594	1,384,264
Total Assets	\$ 17,507,265	\$ 16,693,862
LIABILITIES		
Accounts payable	\$ 69,856	\$ 33,282
Accrued expenses	105,765	93,794
Deposits	70,223	163,830
Notes payable	12,822,349	12,932,159
Total Liabilities	\$ 13,068,193	\$ 13,223,065
NET ASSETS		
Unrestricted		
Current operations	\$ 2,034,751	\$ 1,623,761
Residual interest funds	1,929,614	1,727,819
	\$ 3,964,365	\$ 3,351,580
Temporarily restricted	464,707	109,217
Permanently restricted	10,000	10,000
Total Net Assets	\$ 4,439,072	\$ 3,470,797
Total Liabilities and Net Assets	\$ 17,507,265	\$ 16,693,862

See accompanying Notes to Financial Statements.

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND OTHER SUPPORT				
Operating rental and commissions	\$ 344,368			\$ 344,368
Office lease rental	23,265			23,265
Investment property lease	539,356			539,356
Civic Center Authority				
Operating support	1,124,240			1,124,240
Capital improvements	450,800			450,800
Contributions		\$ 1,006,856		1,006,856
Grants	79,020			79,020
Redevelopment Commission	91,700			91,700
Catering revenue	1,055,843			1,055,843
Other revenue	47,469			47,469
Change in value of beneficial interest in endowments		884		884
Interest	5,808			5,808
	<u>\$ 3,761,869</u>	<u>\$ 1,007,740</u>		<u>\$ 4,769,609</u>
Net assets released from restriction	652,250	(652,250)		
Total Revenue and Other Support	<u>\$ 4,414,119</u>	<u>\$ 355,490</u>		<u>\$ 4,769,609</u>
COSTS AND EXPENSES				
Program services				
Convention Center program	\$ 1,644,618			\$ 1,644,618
Live Near Your Work	64,999			64,999
Micro loan fund program				
Redevelopment Commission	91,700			91,700
Catering	938,913			938,913
Economic development	756,997			756,997
Total Program Services	<u>\$ 3,497,227</u>			<u>\$ 3,497,227</u>
Management and general	266,095			266,095
Fundraising	38,012			38,012
Total Costs and Expenses	<u>\$ 3,801,334</u>			<u>\$ 3,801,334</u>
CHANGE IN NET ASSETS	\$ 612,785	\$ 355,490		\$ 968,275
Change in restriction				
NET ASSETS, BEGINNING OF YEAR	<u>3,351,580</u>	<u>109,217</u>	<u>\$ 10,000</u>	<u>3,470,797</u>
NET ASSETS, END OF YEAR	<u>\$ 3,964,365</u>	<u>\$ 464,707</u>	<u>\$ 10,000</u>	<u>\$ 4,439,072</u>

See accompanying Notes to Financial Statements.

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 324,646			\$ 324,646
33,016			33,016
380,731			380,731
1,124,244			1,124,244
381,576			381,576
	\$ 151,781		151,781
68,000			68,000
96,855			96,855
936,252			936,252
50,454			50,454
	717		717
6,344			6,344
<u>\$ 3,402,118</u>	<u>\$ 152,498</u>		<u>\$ 3,554,616</u>
296,365	(296,365)		
<u>\$ 3,698,483</u>	<u>\$ (143,867)</u>		<u>\$ 3,554,616</u>
\$ 1,670,232			\$ 1,670,232
95			95
96,855			96,855
873,434			873,434
683,271			683,271
<u>\$ 3,323,887</u>			<u>\$ 3,323,887</u>
252,906			252,906
36,132			36,132
<u>\$ 3,612,925</u>			<u>\$ 3,612,925</u>
\$ 85,558	\$ (143,867)		\$ (58,309)
(10,100)	100	\$ 10,000	
3,276,122	252,984	-0-	3,529,106
<u>\$ 3,351,580</u>	<u>\$ 109,217</u>	<u>\$ 10,000</u>	<u>\$ 3,470,797</u>

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Miscellaneous cash received	\$ 46,948	\$ 40,466
Grants received	79,020	68,000
Operating cash received	3,651,054	3,263,014
Interest received	5,808	6,344
Interest paid	(410,565)	(269,673)
Cash paid to suppliers and employees	<u>(3,035,178)</u>	<u>(3,064,256)</u>
Net Cash Provided By Operating Activities	<u>\$ 337,087</u>	<u>\$ 43,895</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (356,263)	\$ (452,288)
Proceeds from sale of equipment	925	12,267
Investment in endowment		(10,100)
Investment in leased property		<u>(12,978)</u>
Net Cash Used By Investing Activities	<u>\$ (355,338)</u>	<u>\$ (463,099)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from restricted contributions	\$ 627,850	\$ 308,100
Cash received on note receivable	55,837	69,797
Net payments related to property financing	(74,817)	(168,422)
Payments on notes payable	<u>(109,810)</u>	<u>(142,434)</u>
Net Cash Provided By Financing Activities	<u>\$ 499,060</u>	<u>\$ 67,041</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>\$ 480,809</u>	<u>\$ (352,163)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>968,344</u>	<u>1,320,507</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,449,153</u>	<u>\$ 968,344</u>

See accompanying Notes to Financial Statements.

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

	<u>2017</u>	<u>2016</u>
CHANGE IN NET ASSETS	<u>\$ 968,275</u>	<u>\$ (58,309)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	\$ 307,529	\$ 318,984
Cash received from restricted contributions	(627,850)	(308,100)
Net payments for property financing	74,817	168,422
Gain on sale of equipment	(521)	(9,655)
Change in value of beneficial interest in endowments	(884)	(717)
Changes in assets		
Accounts receivable	21,716	(24,605)
Contributions receivable	(354,606)	144,584
MLF funds receivable		16,822
Inventory	(2,613)	(426)
Prepaid expenses	(3,714)	(14,220)
Changes in liabilities		
Accounts payable	36,574	(9,200)
Accrued expenses	11,971	(19,109)
Deposits	<u>(93,607)</u>	<u>(160,576)</u>
TOTAL ADJUSTMENTS	<u>\$ (631,188)</u>	<u>\$ 102,204</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 337,087</u>	<u>\$ 43,895</u>

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Delaware Advancement Corporation (DAC) was incorporated as a not-for-profit organization in August 1984, under the laws of the State of Indiana. DAC is operated to encourage the investment of business firms and individuals in the city of Muncie and Delaware County, Indiana, through neighborhood assistance programs, jobs and job training, education, operation of the Convention Center, community services, and to aid economically disadvantaged individuals directly and by contribution.

The Convention Center is a division of DAC organized to renovate, equip, operate, maintain, and promote the use of the former Federal Building as a convention center under a long-term operating agreement (35 years) entered into with the Delaware County Civic Center Authority as of September 4, 1986. At the termination of the operating agreement, any surplus funds held by DAC and received as compensation under terms of the agreement shall be turned over to the Authority. The residual interest accruing to the Authority is reflected as unrestricted net assets-residual interest funds in the statement of financial position. During 2017, the operating agreement was amended to extend the termination date to December 15, 2038.

Basis of Accounting

The Organization follows the accrual basis of accounting.

Net Asset Classifications

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

The following classes of net assets are maintained:

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

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

Permanently Restricted Net Assets — The permanently restricted net asset class represents the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

For purposes of the statement of cash flows, DAC considers all bank deposits and liquid investments with an original maturity of three months or less, to be cash equivalents.

Income Taxes

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

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

Property and Equipment

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

Inventory

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

Support and Revenue

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

Expense Allocation

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

Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses. Advertising expenses totaled \$127,009 in 2017 and \$185,496 in 2016.

Estimates

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

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

2. CONTRIBUTIONS RECEIVABLE

Contributions receivable have been discounted at a rate of 1.22% to reflect the net present value of the future cash flows. Contributions receivable at September 30 are as follows:

	Temporarily Restricted	
	2017	2016
Due within one year	\$ 123,950	\$ 108,400
Due in 1 - 5 years	380,000	
	\$ 503,950	\$ 108,400
Allowance for uncollectible contributions	(24,300)	
	\$ 479,650	\$ 108,400
Discount	(16,644)	
	<u>\$ 463,006</u>	<u>\$ 108,400</u>

Contributions receivable restricted for specific purposes are as follows:

	September 30,	
	2017	2016
Vision 2021 Program	\$ 462,806	
Vision 2016 Program	200	\$ 108,400
	<u>\$ 463,006</u>	<u>\$ 108,400</u>

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

3. BENEFICIAL INTEREST IN ENDOWMENTS

During 2016, DAC established endowment funds with the Community Foundation of Muncie and Delaware County, Inc. The Organization transferred monies from its cash to establish the funds. At the time of the transfer, DAC granted variance power to the foundation. That power gives the foundation the right to distribute the investment income to another not-for-profit organization of its choice if the Organization ceases to exist or if the governing board of the foundation votes that support of the Organization is no longer necessary or is inconsistent with the mission and purposes of the community foundation. At September 30, 2017 and 2016, the endowment funds had a value of \$11,701 and \$10,817, respectively.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

4. FAIR VALUE MEASUREMENTS

Fair value of the Organization's financial assets measured on a recurring basis at June 30, 2017 and 2016, is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2017				
Beneficial interest in endowments	\$ 11,701	\$ -0-	\$ 11,701	\$ -0-
September 30, 2016				
Beneficial interest in endowments	\$ 10,817	\$ -0-	\$ 10,817	\$ -0-

FASB ASC 820, Fair Value, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are inputs other than quoted prices in active markets included within Level 1 that are observable for the asset either directly or indirectly, and Level 3 assets have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available; no Level 1 or 3 inputs were used by the Organization.

Level 2 Fair Value Measurements — The fair value of the Organization's beneficial interest in endowments held by the community foundation consists of various investments and is based on inputs other than quoted prices in active markets provided by the foundation.

5. ENDOWMENTS

The Organization's endowments consist of two individual funds established to support the charitable purposes of the Organization. Its endowments represent funds designated by the Board of Directors to function as endowments. 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 nature of the endowment restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Indiana act of the *Uniform Prudent Management of Institutional Funds* (the Act) 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 Organization classifies as permanent restricted net assets (a) the original value of the 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.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

5. **ENDOWMENTS** (continued)

Interpretation of Relevant Law (continued)

The remaining portion of the donor restricted endowment fund that is not classified in the permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by the Act. The Organization is subject to the investment and spending policies of the community foundation.

Endowment net asset composition by fund type as of September 30, 2017, was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beneficial interest in endowments	\$ -0-	\$ 1,701	\$ 10,000	\$ 11,701

Changes in endowment net assets for the year ended September 30, 2017, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -0-	\$ 817	\$ 10,000	\$ 10,817
Change in value of beneficial interest in endowments		884		884
Donor designated net assets, end of year	\$ -0-	\$ 1,701	\$ 10,000	\$ 11,701

Endowment net asset composition by fund type as of September 30, 2016, was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beneficial interest in endowments	\$ -0-	\$ 817	\$ 10,000	\$ 10,817

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

5. **ENDOWMENTS** (continued)

Changes in endowment net assets for the year ended September 30, 2016, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Transfers from DAC		100	10,000	10,100
Change in value of beneficial interest in endowments		<u>717</u>		<u>717</u>
Donor designated net assets, end of year	<u>\$ -0-</u>	<u>\$ 817</u>	<u>\$ 10,000</u>	<u>\$ 10,817</u>

6. **PROPERTY AND EQUIPMENT**

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

	<u>2017</u>	<u>2016</u>
Furnishings, fixtures, and equipment	\$ 1,876,943	\$ 1,668,589
Leasehold improvements	2,502,211	2,433,986
Construction in progress	117,884	39,258
	<u>\$ 4,497,038</u>	<u>\$ 4,141,833</u>
Accumulated depreciation	<u>(3,064,444)</u>	<u>(2,757,569)</u>
	<u>\$ 1,432,594</u>	<u>\$ 1,384,264</u>

Depreciation expense was \$307,529 and \$318,984 for 2017 and 2016, respectively.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

7. INVESTMENT IN LEASED PROPERTY

During 2013, DAC began construction of a parking structure that is being financed by the City of Muncie. As of September 30, 2017, costs of \$5,000,157 had been incurred. On September 10, 2013, DAC entered into a capital lease with City of Muncie Redevelopment Commission to lease the parking structure for a period of twenty-two years beginning January 15, 2016.

The following lists the components of the net investment in the direct financing lease as of September 30, 2017:

Total minimum lease payments to be received	\$ 9,404,810
Less unearned interest income	<u>(4,404,810)</u>
Net investment in direct financing lease	<u>\$ 5,000,000</u>

At September 30, 2017, minimum lease payments for each of the next five succeeding years are as follows:

Year Ending September 30,	Amount
2018	\$ 260,000
2019	260,000
2020	260,000
2021	260,000
2022	260,000

During 2015, DAC completed construction of a shell building located in the Industria Centre. As of September 30, 2017, costs associated with the land and building amounted to \$7,480,565. Financing was provided by Garmong Development Company, LLC. DAC entered into a promissory note to repay the obligation. At the same time, DAC entered into an operating lease with the Delaware County Redevelopment Commission for up to ten years. The lease proceeds will be used to pay the interest due on the note.

8. NOTES RECEIVABLE

A non-interest bearing note receivable due from Garmong Development Company, LLC, secured by a mortgage on real estate, is to be repaid by annual payments of \$55,838, commencing on December 31, 2011. The principal balance as of September 30, 2017 and 2016, was \$167,513 and \$223,350, respectively.

A non-interest bearing note receivable due from Briner Properties, LLC, is secured by a second mortgage on real estate located in Daleville, Indiana. No principal shall be due until the earlier of August 21, 2022, or the date of closing of any sale or lease of the property. If not paid by the maturity date, interest will accrue on the unpaid balance at the rate of 10% per annum. The principal balance as of September 30, 2017 and 2016, was \$333,200.

DELAWARE ADVANCEMENT CORPORATION**NOTES TO FINANCIAL STATEMENTS****9. NOTES PAYABLE**

During the year ended September 30, 2008, land was purchased for the construction of a shell building. The land was purchased with funds provided by the Delaware County Commissioners. In October 2010, the building was sold to Garmong Development Company, LLC. Proceeds collected under a note receivable with the buyer are to be forwarded to the Commissioners. The principal balance at September 30, 2017 and 2016, was \$167,513 and \$223,350, respectively.

Land located in Daleville, Indiana, was transferred to DAC by the Delaware County Redevelopment Commission for development of a shell building. Principal collected under a note receivable with Briner Properties, LLC will be forwarded to the Commission. The principal balance of the obligation at September 30, 2017 and 2016, was \$333,200.

Land was purchased from the Muncie Redevelopment Commission for the construction of a shell building. The land was purchased with funds provided by the Commission. Proceeds from the sale of the property are to be forwarded to them. In August 2015, a portion of the property was transferred as part of a sale transaction. The principal balance at September 30, 2017 and 2016, was \$78,534.

On September 10, 2013, DAC entered into an agreement with the City of Muncie, the Muncie Redevelopment Commission, and Cardinal Square to construct a parking garage in the Village. The project was financed by bonds issued by the City of Muncie. Proceeds were loaned to DAC to pay construction costs. A note between DAC and the City of Muncie calls for payment of \$5,000,000 principal plus interest by February 1, 2038, in sums equal to the semi-annual payments due on the Series 2013 bonds. The City of Muncie assigned its rights in the note and requested that DAC make the payments directly to the bond trustee. Variable interest on the note is linked to the prime rate. As of September 30, 2017, the interest rate was 4.25%. The principal balance at September 30, 2017 and 2016, was \$4,762,537 and \$4,816,510, respectively.

During 2015, DAC completed construction of a shell building located in the Industria Centre. DAC entered into a promissory note with Garmong Development Company, LLC to finance the project. The note calls for semi-annual interest payments on the first day of January and July with the principal due the earlier of the closing of the sale of the building, the execution of a long-term lease, or ten years. The note bears interest at the prime rate published in the Wall Street Journal plus .50% and is adjusted each January 1 and July 1. As of September 30, 2017, the interest rate was 4.50%. The principal balance at September 30, 2017 and 2016, was \$6,880,565. The land used for the project was transferred from Delaware County to DAC at a value of \$600,000. This amount is owing to the County.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

9. **NOTES PAYABLE** (continued)

Future principal payments required on debt outstanding at September 30, 2017, consisted of the following:

<u>For the Year Ended September 30,</u>	<u>Amount</u>
2018	\$ 112,228
2019	114,671
2020	117,220
2021	64,043
2022	66,819
2023 and thereafter	<u>11,335,634</u>
	<u>\$ 11,810,615</u>
Loans for which there are no required repayment schedules	<u>1,011,734</u>
	<u><u>\$ 12,822,349</u></u>

10. **TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2017</u>	<u>2016</u>
Vision 2016 Program (economic development)	\$ 200	\$ 107,900
Vision 2021 Program (economic development)	462,806	500
Community Foundation endowment	<u>1,701</u>	<u>817</u>
	<u>\$ 464,707</u>	<u>\$ 109,217</u>

11. **NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions at September 30, 2017 and 2016, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2017</u>	<u>2016</u>
Purpose restrictions accomplished Vision 2021 and 2016 Programs (expenses for economic development)	<u>\$ 652,250</u>	<u>\$ 296,365</u>

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

15. OPERATING LEASES

DAC leases its operating facilities and the Convention Center under a noncancellable operating lease arrangement. This lease expires December 1, 2018. During 2017, the operating agreement was amended to extend the termination date to December 15, 2038. Under the agreement, DAC is responsible for all expenses associated with operating the Convention Center and will continue to receive a portion of the 1% Delaware County Food and Beverage Tax from the State of Indiana to fund the operations. The agreement also allows DAC to sublease the facility.

DAC subleases part of the Convention Center facility. The current month-to-month agreement calls for monthly payments of \$200.

The Organization leases two copiers under sixty-three month noncancellable leases at a cost per month of \$585. The leases expire in May 2018. The copiers are also being subleased to a related organization.

The above rental expense is offset by sublease rental income. The fee for the subleasing was based upon usage and, therefore, varied from month to month.

During 2015, DAC completed construction of a shell building located in the Industria Centre. The property is being leased to the Delaware County Redevelopment Commission. The term of the lease is for the earlier of ten years or the date the building is sold or leased to a party for a term of at least ten years. Future minimum lease receipts are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 258,021
2019	258,021
2020	258,021
2021	258,021
2022	258,021

Rent in the amount of \$301,243 and \$269,673 was received for the years ended September 30, 2017 and 2016.

16. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances in federally insured financial institutions. The balances are insured up to \$250,000 at each financial institution by the Federal Deposit Insurance Corporation. As of September 30, 2017, cash in bank accounts in excess of insured amounts was approximately \$399,000.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date on which the financial statements were made available to be issued. The date is the same as the independent auditor's report date.