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April 2, 2019

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, 2017 to September 30, 2018. 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, 2018 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, 2018 AND 2017

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, 2018 and 2017, 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.

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, 2018 and 2017, 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.

A handwritten signature in black ink that reads "Whitinger + Company LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants
Muncie, Indiana

January 30, 2019

FINANCIAL STATEMENTS

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,633,099	\$ 1,449,153
Accounts receivable, net of allowance for doubtful accounts of \$5,000 as of September 30, 2018 and 2017	105,029	131,495
Contributions receivable, net of allowance and discount of \$43,803 and \$40,944 as of September 30, 2018 and 2017, respectively	510,697	463,006
Inventory	23,464	31,925
Notes receivable	125,634	500,713
Real estate held for sale	978,534	978,534
Investment property	14,105,516	12,480,722
Beneficial interest in endowments	12,746	11,701
Prepaid expenses	26,223	27,422
Property and equipment, net	<u>1,455,551</u>	<u>1,432,594</u>
Total Assets	<u>\$ 18,976,493</u>	<u>\$ 17,507,265</u>
LIABILITIES		
Accounts payable	\$ 57,580	\$ 69,856
Accrued expenses	112,092	105,765
Deposits	109,613	70,223
Notes payable	<u>14,014,804</u>	<u>12,822,349</u>
Total Liabilities	<u>\$ 14,294,089</u>	<u>\$ 13,068,193</u>
NET ASSETS		
Unrestricted		
Current operations	\$ 1,973,761	\$ 2,034,751
Residual interest funds	<u>2,185,200</u>	<u>1,929,614</u>
	\$ 4,158,961	\$ 3,964,365
Temporarily restricted	513,443	464,707
Permanently restricted	<u>10,000</u>	<u>10,000</u>
Total Net Assets	<u>\$ 4,682,404</u>	<u>\$ 4,439,072</u>
Total Liabilities and Net Assets	<u>\$ 18,976,493</u>	<u>\$ 17,507,265</u>

See accompanying Notes to Financial Statements.

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND OTHER SUPPORT				
Operating rental and commissions	\$ 340,335			\$ 340,335
Office lease rental	25,193			25,193
Investment property lease	629,276			629,276
Civic Center Authority				
Operating support	1,149,240			1,149,240
Capital improvements	491,450			491,450
Contributions		\$ 333,067		333,067
Grants	20,500			20,500
Redevelopment Commission	93,652			93,652
Catering revenue	1,053,229			1,053,229
Other revenue	74,668			74,668
Change in value of beneficial interest in endowments		1,045		1,045
Interest	6,462			6,462
	<u>\$ 3,884,005</u>	<u>\$ 334,112</u>		<u>\$ 4,218,117</u>
Net assets released from restriction	285,376	(285,376)		
Total Revenue and Other Support	<u>\$ 4,169,381</u>	<u>\$ 48,736</u>		<u>\$ 4,218,117</u>
COSTS AND EXPENSES				
Program services				
Convention Center program	\$ 1,598,336			\$ 1,598,336
Live Near Your Work	13,333			13,333
Redevelopment Commission	93,652			93,652
Catering	972,320			972,320
Economic development	979,157			979,157
Total Program Services	<u>\$ 3,656,798</u>			<u>\$ 3,656,798</u>
Management and general	278,235			278,235
Fundraising	39,752			39,752
Total Costs and Expenses	<u>\$ 3,974,785</u>			<u>\$ 3,974,785</u>
CHANGE IN NET ASSETS	\$ 194,596	\$ 48,736		\$ 243,332
NET ASSETS, BEGINNING OF YEAR	<u>3,964,365</u>	<u>464,707</u>	<u>\$ 10,000</u>	<u>4,439,072</u>
NET ASSETS, END OF YEAR	<u>\$ 4,158,961</u>	<u>\$ 513,443</u>	<u>\$ 10,000</u>	<u>\$ 4,682,404</u>

See accompanying Notes to Financial Statements.

2017

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 344,368			\$ 344,368
23,265			23,265
539,356			539,356
1,124,240			1,124,240
450,800			450,800
	\$ 1,006,856		1,006,856
79,020			79,020
91,700			91,700
1,055,843			1,055,843
47,469			47,469
	884		884
5,808			5,808
<u>\$ 3,761,869</u>	<u>\$ 1,007,740</u>		<u>\$ 4,769,609</u>
652,250	(652,250)		
<u>\$ 4,414,119</u>	<u>\$ 355,490</u>		<u>\$ 4,769,609</u>
\$ 1,644,618			\$ 1,644,618
64,999			64,999
91,700			91,700
938,913			938,913
756,997			756,997
<u>\$ 3,497,227</u>			<u>\$ 3,497,227</u>
266,095			266,095
38,012			38,012
<u>\$ 3,801,334</u>			<u>\$ 3,801,334</u>
\$ 612,785	\$ 355,490		\$ 968,275
3,351,580	109,217	\$ 10,000	3,470,797
<u>\$ 3,964,365</u>	<u>\$ 464,707</u>	<u>\$ 10,000</u>	<u>\$ 4,439,072</u>

DELAWARE ADVANCEMENT CORPORATION

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Miscellaneous cash received	\$ 76,573	\$ 46,948
Grants received	20,500	79,020
Operating cash received	3,808,613	3,651,054
Interest received	6,462	5,808
Interest paid	(574,501)	(410,565)
Cash paid to suppliers and employees	<u>(3,101,178)</u>	<u>(3,035,178)</u>
Net Cash Provided By Operating Activities	<u>\$ 236,469</u>	<u>\$ 337,087</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	\$ (282,414)	\$ (356,263)
Proceeds from sale of equipment	5,200	925
Investment in property	<u>(1,624,794)</u>	<u> </u>
Net Cash Used By Investing Activities	<u>\$ (1,902,008)</u>	<u>\$ (355,338)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from restricted contributions	\$ 281,951	\$ 627,850
Cash received on note receivable	375,079	55,837
Net payments related to property financing		(74,817)
Proceeds from note payable	1,624,794	
Payments on notes payable	<u>(432,339)</u>	<u>(109,810)</u>
Net Cash Provided By Financing Activities	<u>\$ 1,849,485</u>	<u>\$ 499,060</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>\$ 183,946</u>	<u>\$ 480,809</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,449,153</u>	<u>968,344</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,633,099</u></u>	<u><u>\$ 1,449,153</u></u>

See accompanying Notes to Financial Statements.

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

	<u>2018</u>	<u>2017</u>
CHANGE IN NET ASSETS	\$ 243,332	\$ 968,275
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	\$ 252,352	\$ 307,529
Cash received from restricted contributions	(281,951)	(627,850)
Net payments for property financing		74,817
(Gain) loss on sale of equipment	1,905	(521)
Change in value of beneficial interest in endowments	(1,045)	(884)
Changes in assets		
Accounts receivable	26,466	21,716
Contributions receivable	(47,691)	(354,606)
Inventory	8,461	(2,613)
Prepaid expenses	1,199	(3,714)
Changes in liabilities		
Accounts payable	(12,276)	36,574
Accrued expenses	6,327	11,971
Deposits	<u>39,390</u>	<u>(93,607)</u>
TOTAL ADJUSTMENTS	\$ (6,863)	\$ (631,188)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 236,469</u>	<u>\$ 337,087</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 businesses 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 aid to 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 asset 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 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 \$115,255 in 2018 and \$127,009 in 2017.

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	
	2018	2017
Due within one year	\$ 144,500	\$ 123,950
Due in 1 - 5 years	410,000	380,000
	\$ 554,500	\$ 503,950
Allowance for uncollectible contributions	(27,725)	(24,300)
	\$ 526,775	\$ 479,650
Discount	(16,078)	(16,644)
	\$ 510,697	\$ 463,006

Contributions receivable restricted for specific purposes are as follows:

	September 30,	
	2018	2017
Vision 2021 Program	\$ 510,697	\$ 462,806
Vision 2016 Program		200
	\$ 510,697	\$ 463,006

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, 2018 and 2017, the endowment funds had a value of \$12,746 and \$11,701, 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, 2018 and 2017, 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, 2018				
Beneficial interest in endowments	\$ 12,746	\$ -0-	\$ 12,746	\$ -0-
September 30, 2017				
Beneficial interest in endowments	\$ 11,701	\$ -0-	\$ 11,701	\$ -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. 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, 2018, was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beneficial interest in endowments	<u>\$ -0-</u>	<u>\$ 2,746</u>	<u>\$ 10,000</u>	<u>\$ 12,746</u>

Changes in endowment net assets for the year ended September 30, 2018, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -0-	\$ 1,701	\$ 10,000	\$ 11,701
Change in value of beneficial interest in endowments	<u> </u>	<u>1,045</u>	<u> </u>	<u>1,045</u>
Donor designated net assets, end of year	<u>\$ -0-</u>	<u>\$ 2,746</u>	<u>\$ 10,000</u>	<u>\$ 12,746</u>

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	<u>\$ -0-</u>	<u>\$ 1,701</u>	<u>\$ 10,000</u>	<u>\$ 11,701</u>

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

5. ENDOWMENTS (continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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

6. PROPERTY AND EQUIPMENT

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

	2018	2017
Furnishings, fixtures, and equipment	\$ 1,867,237	\$ 1,876,943
Leasehold improvements	2,536,286	2,502,211
Construction in progress	30,625	117,884
	\$ 4,434,148	\$ 4,497,038
Accumulated depreciation	(2,978,597)	(3,064,444)
	\$ 1,455,551	\$ 1,432,594

Depreciation expense was \$252,352 and \$307,529 for 2018 and 2017, respectively.

7. INVESTMENT PROPERTY

During 2013, DAC began construction of a parking structure that is being financed by the City of Muncie. As of September 30, 2018, costs of \$5,000,157 had been incurred. On September 10, 2013, DAC entered into a capital lease with the 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, 2018:

Total minimum lease payments to be received	\$ 8,884,810
Less unearned interest income	(3,884,810)
Net investment in direct financing lease	\$ 5,000,000

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

7. INVESTMENT PROPERTY (continued)

At September 30, 2018, minimum lease payments for each of the next five succeeding years are as follows:

Year Ending September 30,	Amount
2019	\$ 260,000
2020	260,000
2021	260,000
2022	260,000
2023	260,000

During 2015, DAC completed construction of a shell building located in the Industria Centre. As of September 30, 2018, 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.

Properties were purchased during 2018 for riverfront development. As of September 30, 2018, costs associated with the purchase were \$1,624,794. Financing was provided by Garmong Development Company, LLC. DAC entered into a promissory note to repay the obligation. Funding for the note repayment will be provided by the Muncie Redevelopment Commission.

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, 2018 and 2017, was \$125,634 and \$167,513, 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. The principal will be due the earlier of August 21, 2022, or the date of closing of any sale, or lease of the property. During 2018, the property was sold, and the note was repaid. No principle balance remained as of September 30, 2018. The principal balance as of September 30, 2017, was \$333,200.

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, 2018 and 2017, was \$125,635 and \$167,513, respectively.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

9. **NOTES PAYABLE** (continued)

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. During 2018, the property was sold, and the note repaid. No principle balance remained as of September 30, 2018. The principal balance of the obligation at September 30, 2017, 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, 2018 and 2017, 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, 2018, the interest rate was 5.50%. The principal balance at September 30, 2018 and 2017, was \$4,705,276 and \$4,762,537, 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, 2018, the interest rate was 5.25%. The principal balance at September 30, 2018 and 2017, 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.

During 2018, DAC purchased properties for riverfront development. 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 three years from January 31, 2018 or the date the entire parcel of land has been sold to an unrelated third party in an arm's length transaction. 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, 2018, the interest rate was 5.25%. The principal balance at September 30, 2018, was \$1,624,794.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

9. **NOTES PAYABLE** (continued)

Future principal payments required on debt outstanding at September 30, 2018, consisted of the following:

<u>For the Year Ended September 30,</u>	<u>Amount</u>
2019	\$ 55,838
2020	55,838
2021	1,638,753
2022	-0-
2023	-0-
2024 and thereafter	11,585,841
	<u>\$ 13,336,270</u>
Loans for which there are no required repayment schedules	678,534
	<u><u>\$ 14,014,804</u></u>

10. **TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2018</u>	<u>2017</u>
Vision 2016 Program (economic development)		\$ 200
Vision 2021 Program (economic development)	\$ 510,697	462,806
Community Foundation endowment	2,746	1,701
	<u>\$ 513,443</u>	<u>\$ 464,707</u>

11. **NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions at September 30, 2018 and 2017, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished Vision 2021 and 2016 Programs (expenses for economic development)	<u>\$ 285,376</u>	<u>\$ 652,250</u>

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

12. EMPLOYEE BENEFITS

DAC maintains a defined contribution pension plan for the benefit of substantially all of its employees. DAC's contribution consists of a discretionary contribution up to 6% of eligible compensation. Employees may contribute up to the IRS established limits. DAC's total contribution to the plan was \$81,979 and \$79,312 for 2018 and 2017, respectively.

13. CONTRIBUTED SERVICES

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. An unconditional pledge of service is recognized as revenue that year.

No contributed services were received during the years ended September 30, 2018 and 2017.

14. RELATED PARTY TRANSACTIONS

The Organization conducts business with the Convention Center Division of DAC (HCC) and the Muncie-Delaware County Chamber of Commerce, Inc. (Chamber) which have common management and share accounting personnel, office facilities, and expenses with DAC.

The balances due (to) from and the annual transactions with the above parties as of September 30, 2018 and 2017, are:

	2018	2017
Balances due (to) from		
Chamber - receivables/reimbursements	\$ 484	\$ 3,364
Chamber - payables/reimbursements	\$ (236)	\$ (766)
Amount of transactions		
DAC with Chamber - various office reimbursement	\$ 9,517	\$ 19,909
HCC with Chamber - sublease income	\$ 12,493	\$ 11,965
DAC with Chamber - management and accounting personnel	\$ 91,280	\$ 88,586

The sublease agreement between the above parties was a two-year contract, which commenced October 1, 2015, and expired September 30, 2017. The lease was renewed on October 1, 2017, for another two-year period ending September 30, 2019.

The Organization is party to an agreement with the Chamber to provide health insurance to its employees. The Chamber pays the monthly insurance premiums. DAC and HCC reimburse the Chamber for their portion of the costs.

DELAWARE ADVANCEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

15. OPERATING LEASES

DAC leases its operating facilities and the Convention Center under a non-cancellable operating lease arrangement. This lease expired 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 a copier under a sixty-three month non-cancellable lease at a cost per month of \$319. The lease expires in September 2023. The copier is 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 is leased to a party for a term of at least ten years. Future minimum lease receipts are as follows:

Year Ending September 30,	Amount
2019	\$ 258,021
2020	258,021
2021	258,021
2022	258,021
2023	258,021

Rent in the amount of \$356,524 and \$301,243 was received for the years ended September 30, 2018 and 2017.

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, 2018, cash in bank accounts in excess of insured amounts was approximately \$492,000.

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.