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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

January 16, 2020

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

We have reviewed the audit report of Grant County Economic Growth Council, Inc., which was opined upon by Dulin, Ward & DeWald, Inc., Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. 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, 2018 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 the audit report in accordance with the 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

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

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DWD
Dulin, Ward & DeWald, Inc.
CPAs & ADVISORS
Offices Located in Ft. Wayne and Marion, Indiana

9921 Dupont Circle Drive West, Suite 300
Fort Wayne, IN 46825
260.423.2414
800.232.8913
Fax: 260.423.2419
www.dwdcpa.com

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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses 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 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 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 audits 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, 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.

Dulin, Ward & DeWald, Inc.

Fort Wayne, Indiana
April 5, 2019

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents - operating	$ 100,456	$ 85,272
Prepaid expenses	1,455	1,560
Deposits	550	550
Accounts receivable	6,039	25,754
Loans receivable	47,442	60,253
Office equipment - net of accumulated depreciation of $43,474 (2018) and $36,773 (2017)	17,166	22,322
Land	95,499	95,499
Net investment in direct financing lease	11,045,000	11,345,000
Cash and cash equivalents - revolving loan fund	140,970	125,260
Beneficial interest	68,848	73,541
Total Assets	$11,523,425	$11,835,011
LIABILITIES AND NET ASSETS		
Accounts payable	$ 12,071	$ 27,520
Accrued liabilities	939	6,293
Note payable - City of Marion	11,045,000	11,345,000
Total Liabilities	11,058,010	11,378,813
Net Assets:		
Without donor restrictions	273,203	251,682
With donor restrictions	192,212	204,516
Total Net Assets	465,415	456,198
Total Liabilities and Net Assets	$11,523,425	$11,835,011

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

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total	Without Donor Restrictions	With Donor Restrictions	2017 Total
Operating Support, Revenues and Gains:						
Private contributions	$ 79,575	$ 4,800	$ 84,375	$ 95,124	$ 14,710	$ 109,834
Government grants and contracts	20,475	-	20,475	-	24,500	24,500
EDIT income	339,169	-	339,169	327,798	-	327,798
Special projects	40,645	-	40,645	12,561	-	12,561
Other income	9,315	-	9,315	314	-	314
Investment income - net	2,801	2,899	5,700	3,167	1,970	5,137
Rental income	3,639	-	3,639	3,000	-	3,000
Gain on beneficial interest	-	-	-	4,695	-	4,695
Net Assets Released From Restrictions	20,003	(20,003)	-	46,551	(46,551)	-
Total Operating Support, Revenues and Gains	515,622	(12,304)	503,318	493,210	(5,371)	487,839
Operating Expenses and Losses:						
Program services	408,669	-	408,669	368,750	-	368,750
Supporting services:						
Management and general	59,815	-	59,815	55,854	-	55,854
Fund raising	18,787	-	18,787	18,011	-	18,011
Loss on beneficial interest	6,830	-	6,830	-	-	-
Total Operating Expenses and Losses	494,101	-	494,101	442,615	-	442,615
Excess (Deficiency) of Operating Support over Operating Expenses	21,521	(12,304)	9,217	50,595	(5,371)	45,224

(continued)

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

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total	Without Donor Restrictions	With Donor Restrictions	2017 Total
(continued)						
Non-Operating Revenue and (Expenses)						
Redevelopment:						
Interest income	$ 611,247	$ -	$ 611,247	$ 627,218	$ -	$ 627,218
Interest expense	(611,247)	-	(611,247)	(627,218)	-	(627,218)
CHANGE IN NET ASSETS	21,521	(12,304)	9,217	50,595	(5,371)	45,224
NET ASSETS - beginning of year	251,682	204,516	456,198	201,087	209,887	410,974
NET ASSETS - end of year	$ 273,203	$ 192,212	$ 465,415	$ 251,682	$ 204,516	$ 456,198

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, 2018

	Program	Management and General	Fund Raising	2018 Total
Salaries	$ 138,675	$ 29,231	$ 13,717	$ 181,623
Employee benefits	5,727	1,207	566	7,500
Payroll taxes	11,022	2,323	1,090	14,435
Total Salaries and Related Expenses	155,424	32,761	15,373	203,558
Grants	104,346	-	-	104,346
Legal and accounting	20,240	19,783	-	40,023
Special projects	37,455	-	-	37,455
Travel and promotion	32,771	-	-	32,771
Occupancy	11,453	2,414	1,133	15,000
Meetings	10,302	-	-	10,302
Dues and subscriptions	8,846	-	-	8,846
Telephone and internet service	5,960	1,256	590	7,806
Insurance	4,365	920	432	5,717
Marketing	3,817	805	378	5,000
Advertising and direct mail	4,788	-	-	4,788
Printing and office expense	3,290	694	326	4,310
Miscellaneous expense	495	104	49	648
Total Expenses Before Depreciation	403,552	58,737	18,281	480,570
Depreciation	5,117	1,078	506	6,701
Functional Expenses - Operating per Statement of Activities	408,669	59,815	18,787	487,271
Expenses included in non-operating revenue and expenses - redevelopment:				
Interest expense	611,247	-	-	611,247
Total Functional Expenses	$ 1,019,916	$ 59,815	$ 18,787	$ 1,098,518

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

	Program	Management and General	Fund Raising	2017 Total
Salaries	$ 127,534	$ 28,204	$ 13,783	$ 169,521
Employee benefits	4,743	1,049	513	6,305
Payroll taxes	10,799	2,388	1,167	14,354
Total Salaries and Related Expenses	143,076	31,641	15,463	190,180
Grants	90,387	-	-	90,387
Legal and accounting	12,771	18,914	-	31,685
Special projects	25,870	-	-	25,870
Travel and promotion	30,649	-	-	30,649
Occupancy	13,438	1,049	513	15,000
Meetings	9,230	-	-	9,230
Dues and subscriptions	10,991	-	-	10,991
Telephone and internet service	3,473	2,388	1,167	7,028
Insurance	3,764	833	407	5,004
Advertising and direct mail	16,222	-	-	16,222
Printing and office expense	4,607	-	-	4,607
Miscellaneous expense	392	86	42	520
Bad debts	-	85	-	85
Total Expenses Before Depreciation	364,870	54,996	17,592	437,458
Depreciation	3,880	858	419	5,157
Functional Expenses - Operating per Statement of Activities	368,750	55,854	18,011	442,615
Expenses included in non-operating revenue and expenses - redevelopment:				
Interest expense	627,218	-	-	627,218
Total Functional Expenses	$ 995,968	$ 55,854	$ 18,011	$ 1,069,833

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

GRANT COUNTY ECONOMIC GROWTH COUNCIL, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash contributions, grants and income	$ 532,556	$ 448,895
Cash paid to employees for wages and benefits	(208,912)	(189,700)
Cash paid to vendors for goods and services	(291,205)	(227,991)
Cash Flows from Operating Activities	32,439	31,204
CASH FLOWS FROM NON-OPERATING REDEVELOPMENT ACTIVITIES		
Cash received from lessee - interest portion	611,247	627,218
Cash paid on note payable City of Marion - interest portion	(611,247)	(627,218)
Cash Flows from Non-Operating Redevelopment Activity	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of office equipment	(1,545)	(22,951)
Cash received from lessee - principal portion	300,000	285,000
Cash Flows From Investing Activities	298,455	262,049
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid on note payable City of Marion - principal portion	(300,000)	(285,000)
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	30,894	8,253
CASH, CASH EQUIVALENTS AND - RESTRICTED CASH - beginning of year	210,532	202,279
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - end of year	$ 241,426	$ 210,532

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

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.

Measure of Operations

The statement of activities reports the changes in net assets, including 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 as operating activities.

Taxes

The Council is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and 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.

Change in Accounting Principle

During 2018 the Organization adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Council has adjusted the presentation of these statements accordingly.

(continued)

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

During 2018 the Organization also early adopted ASU 2016-18, Statement of Cash Flows (Topic 230) Restricted Cash. The standard requires entities to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling beginning-of-period and end-of-period total cash. The Council has adjusted the presentation of these statements accordingly.

These ASU's have been applied retrospectively to all periods presented.

Net Asset Classifications

Net assets without donor restrictions are available for use at the discretion of the Organization's management and the board of directors. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at managements discretion.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions.

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 at the date of purchase or, for donated assets, at fair value at the date of donation. 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. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. All items with a cost in excess of $1,000 and a useful life in excess of three years are capitalized.

Functional Expense Allocations

The costs of providing program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All allowable direct costs are charged directly to programs. All allowable joint or shared costs are allocated individually using a base most appropriate to the cost being allocated.

(continued)

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

Salaries and benefits are allocated based on time spent on program or supporting services. Occupancy, telephone, insurance, depreciation and marketing and certain other miscellaneous expenses are allocated based on the salaries and benefits allocations.

Accounts Receivable

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 generally available for use in the year received unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as revenue with donor restrictions 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, the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 5, 2019 the date which the financial statements were available for issue.

2. LOANS RECEIVABLE

Loans receivable of $47,442 at December 31, 2018 and $60,253 at December 31, 2017, 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 $14,253 at December 31, 2018.

3. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	2018	2017
Cash and cash equivalents - operating	$ 100,456	$ 85,272
Cash and cash equivalents – revolving loan fund	140,970	125,260
Total cash, cash equivalents and restricted cash	$ 241,426	$ 210,532

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 $4,983 in 2018 and $4,120 in 2017.

5. BENEFICIAL INTEREST

The beneficial interest of $68,848 at December 31, 2018 and $73,541 at December 31, 2017 consists of funds held by the Grant County Community Foundation (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 $74,921 at December 31, 2018 and $80,049 at December 31, 2017, 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:

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:

	2018	2017
Beneficial interest – Level 3	$ 68,848	$ 73,541

(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:

	2018	2017
Balance – beginning of year	$ 73,541	$ 67,473
Additions	-	-
Total gains and losses included in changes in net assets:		
Interest and dividends	3,288	2,020
Investment fees	(1,151)	(647)
Investment income – net	2,137	1,373
Unrealized gain (loss)	(7,039)	(2,846)
Realized gain (loss)	209	7,541
Gain (loss) on beneficial interest	(6,830)	4,695
Balance – end of year	$ 68,848	$ 73,541

7. NET ASSETS

Net assets with donor restrictions as of December 31 are restricted as follows:

	2018	2017
Time requirements		
Future periods	$ 4,800	$ 14,710
Specific purpose requirements		
Grants GOT Talent	-	5,293
Revolving loan fund to be maintained for future use	187,412	184,513
	$ 192,212	$ 204,516

(continued)

7. NET ASSETS (continued)

Net assets released from net assets with donor restrictions are as follows:

	2018	2017
Time requirements	$ 14,710	$ 26,874
Programming requirements		
Grants GOT Talent marketing	5,293	19,207
Revolving loan fund	-	470
	$ 20,003	$ 46,551

Net assets without donor restrictions are as follows:

	2018	2017
Undesignated	$ 204,355	$ 78,141
Grants for Grads	-	100,000
Board designated endowment fund	68,848	73,541
	$ 273,203	$ 251,682

8. ENDOWMENT

The Council has currently invested its board designated endowment fund at the Grant County Community Foundation. The endowment has been established to support the activities of the Council. Net assets associated with the endowment fund, 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.

(continued)

8. ENDOWMENT (continued)

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 retains in perpetuity (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted 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 not retained in perpetuity is subject to appropriation 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:

	2018	2017
Net assets without donor restrictions:		
Board designated endowment fund	$ 68,848	$ 73,541

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

	2018	2017
Net assets without donor restrictions:		
Endowment net assets – January 1	$ 73,541	$ 67,473
Contributions	-	-
Investment return	(4,693)	6,068
Appropriations	-	-
Endowment net assets – December 31	$ 68,848	$ 73,541

8. ENDOWMENT (continued)

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 2018 and 2017 was $15,000.

10. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations was $2,364 in 2018 and $13,320 in 2017.

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 2018 or 2017.

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 $611,247 in 2018 and $627,218 in 2017.

Maturities on the note payable as of December 31, 2018:

2019	$ 320,000
2020	$ 335,000
2021	$ 355,000
2022	$ 375,000
2021	$ 395,000

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.

(continued)

13. DIRECT FINANCING LEASE (continued)

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:

	2018	2017
Minimum lease payments receivable	$ 18,121,296	$ 19,032,543
Unearned interest	(7,076,296)	(7,687,543)
Net investment in direct financing lease	$ 11,045,000	$ 11,345,000

Lease payments received totaled $911,247 in 2018 and $912,218 in 2017.

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

2019	$ 914,321
2020	911,439
2021	912,603
2022	912,673
2023	911,652
2024 and thereafter	13,558,608
	$ 18,121,296

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.

16. AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, comprise the following:

	2018	2017
Cash and cash equivalents - operating	$ 100,456	$ 85,272
Accounts receivable	6,039	25,754
Loans receivable	47,442	60,253
Cash and cash equivalents – revolving loan fund	140,970	125,260
Beneficial interest	68,848	73,541
Total financial assets	363,755	370,080
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(192,212)	(204,516)
Net assets with donor restrictions to be met in less than one year:		
Time restrictions	4,800	14,710
Purpose restrictions	-	5,293
Board designated endowment	(68,848)	(73,541)
	(256,260)	(258,054)
Financial assets available to meet general expenditures within one year	$ 107,494	$ 112,026

Grant County Economic Growth Council, Inc.'s goal is generally to maintain financial assets to meet 60 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. If cash on hand were to become too low to cover 60 days expenses, the executive committee may recommend to the Board of Directors that it consider short term financing.