



**STATE OF INDIANA**  
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January 17, 2023

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

We have reviewed the audit report of Delaware Advancement Corporation, which was opined upon by Whiting & Company LLC, Independent Public Accountants, for the period October 1, 2020 to September 30, 2021. 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, 2021 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 the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**DELAWARE ADVANCEMENT  
CORPORATION**  
MUNCIE, INDIANA

FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

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**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, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses 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**

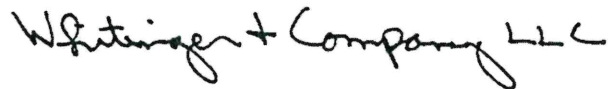
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2021 and 2020, 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

November 10, 2022

**FINANCIAL STATEMENTS**

**DELAWARE ADVANCEMENT CORPORATION**

STATEMENT OF FINANCIAL POSITION SEPTEMBER  
30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,409,849	\$ 1,745,111
Accounts receivable, net of allowance for doubtful accounts of \$5,000 as of September 30, 2021 and 2020	107,734	28,424
Contributions receivable, net of allowance and discount of \$7,162 and \$14,469 as of September 30, 2021 and 2020, respectively	136,088	196,281
Inventory	28,978	23,332
Note receivable	13,959	13,959
Real estate held for sale	978,534	978,534
Investment property	13,716,574	13,716,574
Beneficial interest in endowments	17,631	13,534
Prepaid expenses	91,812	64,071
Property and equipment, net	<u>1,633,783</u>	<u>1,843,749</u>
Total Assets	<u>\$ 19,134,942</u>	<u>\$ 18,623,569</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 47,483	\$ 25,833
Accrued expenses	150,035	113,749
Deposits	140,672	119,720
Notes payable	<u>13,290,356</u>	<u>13,703,831</u>
Total Liabilities	<u>\$ 13,628,546</u>	<u>\$ 13,963,133</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Current operations	\$ 2,252,917	\$ 2,248,142
Residual interest funds	2,946,620	2,144,304
	<u>\$ 5,199,537</u>	<u>\$ 4,392,446</u>
With donor restrictions		
Subject to purpose and time restrictions	\$ 296,859	\$ 257,990
Perpetual in nature	10,000	10,000
	<u>\$ 306,859</u>	<u>\$ 267,990</u>
Total Net Assets	<u>\$ 5,506,396</u>	<u>\$ 4,660,436</u>
Total Liabilities and Net Assets	<u>\$ 19,134,942</u>	<u>\$ 18,623,569</u>

**DELAWARE ADVANCEMENT CORPORATION**

STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Operating rental and commissions	\$ 151,498		\$ 151,498
Office lease rental	24,248		24,248
Investment property income	616,246		616,246
Civic Center Authority			
Operating support	1,068,533		1,068,533
Capital improvements	167,768		167,768
Contributions		\$ 136,431	136,431
Grants	27,000	140,000	167,000
Redevelopment Commission	3,182		3,182
Catering revenue	372,655		372,655
Paycheck Protection Program	672,257		672,257
American Rescue Plan	700,000		700,000
Other revenue	30,666		30,666
Change in value of beneficial interest in endowments		4,097	4,097
Interest	1,419		1,419
	\$ 3,835,472	\$ 280,528	\$ 4,116,000
Net assets released from restriction	241,659	(241,659)	
Total Revenue and Other Support	\$ 4,077,131	\$ 38,869	\$ 4,116,000
<b>COSTS AND EXPENSES</b>			
Program services			
Economic development	\$ 953,178		\$ 953,178
Convention Center program	1,397,179		1,397,179
Catering	589,796		589,796
Redevelopment Commission	1,963		1,963
Micro Loan	175		175
Parking Garage	67,027		67,027
Total Program Services	\$ 3,009,318		\$ 3,009,318
Management and general	228,022		228,022
Fundraising	32,700		32,700
Total Costs and Expenses	\$ 3,270,040		\$ 3,270,040
<b>CHANGE IN NET ASSETS</b>	\$ 807,091	\$ 38,869	\$ 845,960
<b>NET ASSETS, BEGINNING OF YEAR</b>	4,392,446	267,990	4,660,436
<b>NET ASSETS, END OF YEAR</b>	\$ 5,199,537	\$ 306,859	\$ 5,506,396

See accompanying Notes to Financial Statements.

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 310,755		\$ 310,755
58,375		58,375
796,790		796,790
1,076,394		1,076,394
352,444		352,444
	\$ 204,431	204,431
125,000	157,000	282,000
71,796		71,796
649,951		649,951
29,402		29,402
	197	197
4,702		4,702
<u>\$ 3,475,609</u>	<u>\$ 361,628</u>	<u>\$ 3,837,237</u>
491,724	(491,724)	
<u>\$ 3,967,333</u>	<u>\$ (130,096)</u>	<u>\$ 3,837,237</u>
\$ 1,155,356		\$ 1,155,356
1,600,312		1,600,312
801,257		801,257
71,296		71,296
26		26
<u>\$ 3,628,247</u>		<u>\$ 3,628,247</u>
271,713		271,713
39,395		39,395
<u>\$ 3,939,355</u>		<u>\$ 3,939,355</u>
\$ 27,978	\$ (130,096)	\$ (102,118)
4,364,468	398,086	4,762,554
<u>\$ 4,392,446</u>	<u>\$ 267,990</u>	<u>\$ 4,660,436</u>

**DELAWARE ADVANCEMENT CORPORATION**

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Miscellaneous cash received	\$ 42,264	\$ 29,402
Grants received	27,000	125,000
Operating cash received	3,024,818	3,414,239
Interest received	1,419	4,702
Interest paid	(525,455)	(719,223)
Cash paid to suppliers and employees	(2,412,157)	(2,963,484)
Net Cash Provided (Used) By Operating Activities	\$ 157,889	\$ (109,364)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	\$ (91,934)	\$ (271,812)
Investment in property		(101,054)
Proceeds from sale of investment property		639,996
Net Cash Provided (Used) By Investing Activities	\$ (91,934)	\$ 267,130
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from restricted contributions	\$ 340,000	\$ 559,586
Cash received on note receivable		55,838
Proceeds from notes payable	353,258	395,054
Payments on notes payable	(94,475)	(739,441)
Net Cash Provided By Financing Activities	\$ 598,783	\$ 271,037
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	\$ 664,738	\$ 428,803
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,745,111	1,316,308
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 2,409,849	\$ 1,745,111

See accompanying Notes to Financial Statements.

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

	<u>2021</u>	<u>2020</u>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 845,960</b>	<b>\$ (102,118)</b>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Depreciation	\$ 290,302	\$ 302,879
Cash received from restricted contributions	(340,000)	(559,586)
Loss on disposal of equipment	11,598	
Change in value of beneficial interest in endowments	(4,098)	(197)
Paycheck Protection Program loan forgiveness	(672,257)	
Changes in assets		
Accounts receivable	(79,310)	97,734
Contributions receivable	60,193	187,967
Inventory	(5,646)	627
Prepaid expenses	(27,741)	(27,629)
Changes in liabilities		
Accounts payable	21,650	9,733
Accrued expenses	36,286	12,315
Deposits	20,952	(31,089)
<b>TOTAL ADJUSTMENTS</b>	<b>\$ (688,071)</b>	<b>\$ (7,246)</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 157,889</b>	<b>\$ (109,364)</b>
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:</b>		
Non-Cash Financing Activities		
Forgiveness of debt, Paycheck Protection Program loan	<u>\$ 672,257</u>	

**DELAWARE ADVANCEMENT CORPORATION**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Economic Development	Convention Center	Catering	Redevelopment Commission
Salaries	\$ 248,832	\$ 618,981	\$ 229,592	
Payroll taxes	12,104	44,345	15,677	
Benefits	27,186	107,223	56,433	\$ 722
Maintenance	9,974	102,883	6,033	
Supplies	711	34,737	16,917	
Telephone	3,873	17,113	2,189	
Postage and shipping	244	279		
Rents	15,544			
Occupancy		177,903	3,190	
Bad debts	(3,375)			
Travel	1,433	1,817	26	
Depreciation	1,504	215,007	43,007	341
Insurance	1,440	39,634	4,299	
Dues and subscriptions	5,419	1,863	20	
Training	2,898	2,749	2,529	
Marketing	14,276	17,704		
Professional fees	14,154	10,553	810	
License fees		898		
Miscellaneous	21,471	3,490	4,765	
Special programs	50,035			
Interest	525,455			
Catering expenses			204,309	
Management services				900
	\$ 953,178	\$ 1,397,179	\$ 589,796	\$ 1,963

See accompanying Notes to Financial Statements.

Micro Loan	Parking Garage	Total Program Services	Management and General	Fundraising	Total Expenses
		\$ 1,097,405	\$ 112,643	\$ 16,092	\$ 1,226,140
		72,126	7,403	1,058	80,587
		191,564	19,589	2,798	213,951
	\$ 1,882	120,772	12,397	1,771	134,940
	9,027	61,392	6,301	900	68,593
	397	23,572	2,420	346	26,338
		523	54	8	585
		15,544	1,596	228	17,368
	54,088	235,181	23,173	3,436	261,790
		(3,375)			(3,375)
		3,276	336	48	3,660
		259,859	26,638	3,805	290,302
	1,633	47,006	4,825	689	52,520
		7,302	749	107	8,158
		8,176	839	120	9,135
		31,980	3,283	469	35,732
		25,517	2,619	374	28,510
		898	89	13	1,000
\$ 175		29,901	3,068	438	33,407
		50,035			50,035
		525,455			525,455
		204,309			204,309
		900			900
<u>\$ 175</u>	<u>\$ 67,027</u>	<u>\$ 3,009,318</u>	<u>\$ 228,022</u>	<u>\$ 32,700</u>	<u>\$ 3,270,040</u>

**DELAWARE ADVANCEMENT CORPORATION**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Economic Development</u>	<u>Convention Center</u>	<u>Catering</u>	<u>Redevelopment Commission</u>
Salaries	\$ 224,387	\$ 695,973	\$ 241,521	\$ 46,212
Payroll taxes	12,545	49,786	16,258	3,822
Benefits	28,507	133,266	50,037	13,288
Maintenance	5,984	106,633	5,764	406
Supplies	121	71,496	27,356	117
Telephone	2,904	19,525	1,989	300
Postage and shipping	4	578		57
Rents	14,212			
Occupancy		183,571	18,971	
Bad debts	(10,188)			
Travel	1,570	7,478	457	112
Depreciation	2,082	217,270	49,846	512
Insurance	3,128	40,995	2,656	
Dues and subscriptions	7,470	1,669	556	
Training	2,129	4,805	2,284	
Marketing	19,211	48,611		
Professional fees	17,549	12,982	2,148	2,816
License fees		890		
Miscellaneous	692	4,784	10,984	
Special programs	103,826			
Interest	719,223			
Catering expenses			370,430	
Management services				3,654
	<u>\$ 1,155,356</u>	<u>\$ 1,600,312</u>	<u>\$ 801,257</u>	<u>\$ 71,296</u>

See accompanying Notes to Financial Statements.

<u>Micro Loan</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
	\$ 1,208,093	\$ 135,209	\$ 19,316	\$ 1,362,618
	82,411	9,145	1,307	92,863
	225,098	24,648	3,521	253,267
	118,787	13,776	1,968	134,531
	99,090	11,517	1,645	112,252
	24,718	2,841	406	27,965
	639	62	10	711
	14,212	1,654	236	16,102
	202,542	21,671	3,339	227,552
	(10,188)			(10,188)
	9,617	1,106	158	10,881
	269,710	28,732	4,437	302,879
	46,779	5,444	778	53,001
	9,695	1,128	161	10,984
	9,218	1,073	153	10,444
	67,822	7,893	1,128	76,843
	35,495	3,803	543	39,841
	890	95	15	1,000
\$ 26	16,486	1,916	274	18,676
	103,826			103,826
	719,223			719,223
	370,430			370,430
	3,654			3,654
<u>\$ 26</u>	<u>\$ 3,628,247</u>	<u>\$ 271,713</u>	<u>\$ 39,395</u>	<u>\$ 3,939,355</u>

## DELAWARE ADVANCEMENT CORPORATION

### NOTES TO FINANCIAL STATEMENTS

#### 1. NATURE OF OPERATIONS

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 net assets without donor restriction 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.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Basis of Accounting*

The Organization maintains its accounting on the accrual basis, and accordingly, reflects all significant receivables, payables, and other liabilities.

##### *Financial Statement Presentation*

The Organization prepares its financial statements in accordance with *Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC")*. *FASB ASC 958-10-65, Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: "net assets with donor restrictions" and "net assets without donor restrictions".

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions.

**DELAWARE ADVANCEMENT CORPORATION**

## NOTES TO FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

DAC considers all bank deposits and liquid investments with an original maturity of three months or less to be cash equivalents.

*Property and Equipment*

Property and equipment are stated at cost as of the date of purchase or, if donated, at the approximate fair market value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Depreciation expense is computed using the straight-line method over the estimated useful lives of property and equipment of 3 to 20 years.

When assets are sold or disposed, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss on the disposition is reflected in activities. Expenditures for maintenance and repairs are expensed when incurred. Expenditures that result in the enhancement of the value of the assets involved are treated as additions to property and equipment.

*Inventory*

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

*Support, Revenue, and Pledges*

In accordance with *FASB ASC 958, Not-for-Profit Entities*, contributions received are recorded as support “with donor restrictions” and “without donor restrictions”, depending on the existence and/or nature of any donor restrictions. *FASB ASC 605-205-15 Accounting for Contributions Received and Made*, requires that “unconditional promises to give” be recorded as receivables and revenue; and requires the organization to distinguish between contributions received for each net asset category in accordance with donor restrictions.

Contributions are generally considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received as restricted by the donor for a specific purpose are reported as restricted until such time as the donor’s restriction expires. Restrictions are normally removed when the contributions are expended for the purpose restricted, or the completion of the project for which the contributions were specifically donated. When a donor-stipulated time restriction ends, or a purpose restriction is accomplished, then the net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction.

**DELAWARE ADVANCEMENT CORPORATION**

## NOTES TO FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Support, Revenue, and Pledges (continued)*

Pledges for contributions are recorded as a receivable when the pledge is received. An allowance is provided for pledges which are determined to be uncollectible. Amounts received that are restricted by the donor for future periods or for specific purposes, are reported as support with donor restrictions.

The allowance for uncollectible pledges is maintained at a level which, in management's judgment, is adequate to absorb potential bad debts inherent with pledges receivable. The amount of the allowance is based on management's evaluation of the collectability of the pledges receivable and trends in historical bad debt experience. The allowance is increased by a provision for uncollectible pledges, which is charged to expense and reduced by charge-offs. Because of uncertainties inherent in the estimation process, management's estimate of bad debts and the related allowance may change in the near-term. However, the amount of the change that is reasonably possible cannot be estimated.

*Revenue Recognition*

The primary sources of revenue are contributions, grants, catering, and operating rental revenue. Revenue recognition policies for contributions and grants are disclosed in other notes. Catering and operating rental revenue have a single performance obligation, the occurrence of the event, which is an exchange transaction and satisfied at a point in time or over time depending on the length of the event. Amounts received prior to occurrence of the event date are recorded as deferred revenue.

*Donated Services*

During the years ended September 30, 2021 and 2020, a substantial number of volunteers have contributed significant amounts of their time to the Organization. These services do not meet the requirements for recognition in the financial statements in accordance with *FASB ASC 958-605, Accounting for Contributions Received and Contributions Made* and are not included in the financial statements.

*Advertising Costs*

Advertising costs are expensed when incurred and are classified under the statement of functional expenses.

*Functional Allocation of Expenses*

The costs of providing the various programs and other 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 may report certain categories of expense that are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among program and supporting services benefited. Certain costs for personnel and office overhead, as well as fundraising costs, have been allocated among the programs and supporting services based upon the distribution of staff time.

**DELAWARE ADVANCEMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Income Taxes*

The Organization is a not-for-profit organization incorporated under the laws of the State of Indiana and is exempt from the payment of federal income taxes under *Section 501(c)(3)* of the *Internal Revenue Code*. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of *Section 509(a)* of the *Internal Revenue Code*.

The Organization's federal and state income tax returns are subject to examination by taxing authorities, generally for three years after they were filed.

*Date of Management's Review*

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.

*Reclassification*

Certain prior year amounts have been reclassified in the financial statements to conform to the current year presentation format.

3. **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:

	2021	2020
Due within one year	\$ 143,250	\$ 95,750
Due in 1 - 5 years		115,000
	\$ 143,250	\$ 210,750
Allowance for uncollectible contributions	(7,162)	(10,538)
	\$ 136,088	\$ 200,212
Discount		(3,931)
	\$ 136,088	\$ 196,281

Contributions receivable restricted for specific purposes are as follows:

	September 30	
	2021	2020
Vision 2021 Program	\$ 136,088	\$ 196,281

## DELAWARE ADVANCEMENT CORPORATION

### NOTES TO FINANCIAL STATEMENTS

#### 4. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Organization established two endowment funds with the Community Foundation of Muncie and Delaware County, Inc. The Organization transferred monies from its cash to establish the funds. The Foundation has retained variance authority of all funds and, therefore, the beneficial interest is recorded as a perpetual donor restricted net asset. The Organization is specified as the beneficiary of future allocations based on the Foundation's spending policy. The Organization's Board has the ability to accept allocations or allow them to remain with the Foundation. These allocations that remain with the Foundation are recorded as assets without donor restrictions. Any change in the value of the beneficial interest in the funds is reported as an increase or decrease in net assets with donor restrictions

The Organization established the endowments to preserve a predictable stream of future cash flows to fund programs supported by the Organization while maintaining the purchasing power of the original investment. The Foundation's return objectives are to maximize total return, net of inflation, spending and expenses, with prudent risk levels.

Assets held by Community Foundation as of September 30, 2021 and 2020, are summarized as follows:

	2,021	2,020
Beneficial interest in assets held by Community Foundation	\$ 17,631	\$ 13,534

Changes in endowment net assets with donor restrictions for the year ended September 30, 2021 and 2020, were as follows:

	2021	2020
Endowment net assets, beginning of year	\$ 13,534	\$ 13,337
Change in value of beneficial interest in endowments	4,097	197
Donor designated net assets, end of year	\$ 17,631	\$ 13,534

## DELAWARE ADVANCEMENT CORPORATION

### NOTES TO FINANCIAL STATEMENTS

#### 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of fair value hierarchy under *FASB ASC 820* are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The beneficial interest in assets held by the Community Foundation is based on inputs other than quoted prices in active markets provided by the Foundation.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>September 30, 2021</b>				
Beneficial interest in endowments	\$ 17,631	\$ -0-	\$ 17,631	\$ -0-
<b>September 30, 2020</b>				
Beneficial interest in endowments	\$ 13,534	\$ -0-	\$ 13,534	\$ -0-

**DELAWARE ADVANCEMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

**6. PROPERTY AND EQUIPMENT**

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

	<u>2021</u>	<u>2020</u>
Furnishings, fixtures, and equipment	\$ 2,151,068	\$ 2,237,639
Leasehold improvements	3,124,578	3,137,311
Construction in progress	40,184	10,600
	<u>\$ 5,315,830</u>	<u>\$ 5,385,550</u>
Accumulated depreciation	<u>(3,682,047)</u>	<u>(3,541,801)</u>
	<u>\$ 1,633,783</u>	<u>\$ 1,843,749</u>

Depreciation expense was \$290,302 and \$302,879 for 2021 and 2020, 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, 2021 and 2020, 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. Financing was provided by a bond issue by the City of Muncie.

During 2015, DAC completed construction of a shell building located in the Industria Centre. As of September 30, 2021 and 2020, 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. An additional property was acquired in May 2020, and one property was sold in December 2019. As of September 30, 2021 and 2020, costs associated with the transactions were \$1,235,852. Financing was provided by Garmong Development Company, LLC and the City of Muncie. DAC entered into a promissory note to repay the obligation. Funding for the note repayment will be provided by the Muncie Redevelopment Commission.

During 2019, DAC acquired an interest in a daycare facility in foreclosure for \$150,000 to assist in the transition of the property to a permanent owner. Funds for the transaction were provided by the Muncie Redevelopment Commission (MRC). Once acquired, DAC will sell the property to the new owner and repay MRC. The property was sold in May 2020, with repayment made to MRC.

**DELAWARE ADVANCEMENT CORPORATION**

## NOTES TO FINANCIAL STATEMENTS

**8. NOTE 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, 2021 and 2020, was \$13,959.

**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, 2021 and 2020, was \$13,959.

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, 2021 and 2020, 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. In December 2019, the bonds were refinanced resulting in a principal balance of \$5,055,000. The bonds have a variable coupon rate ranging from 2.75% to 4.375%, depending on the term. The principal balance at September 30, 2021 and 2020, was \$4,506,446 and \$4,600,921, 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, 2021, the interest rate was 3.75%. The principal balance at September 30, 2021 and 2020, 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)

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, 2021, the interest rate was 3.75%. The principal balance at September 30, 2021 and 2020, was \$1,134,798.

In May 2020, an additional property was purchased for riverfront development. The property was purchased with funds provided by the City of Muncie and a grant. Proceeds from the sale of the property are to be forwarded to the City. The principal balance at September 30, 2021 and 2020 was \$76,054.

During 2019, DAC acquired an interest in a daycare facility in foreclosure to assist in the transition of the property to a permanent owner. DAC entered into a term note with Muncie Redevelopment Commission (MRC) to finance the project. Principal and interest are due within ten days of receiving payment from the third-party purchaser. No interest is due if the outstanding principal balance is paid in full within 120 days of being advanced. After that date, the note bears interest at 5.00%. The principal balance at September 30, 2021, was \$150,000. The property was sold in May 2020, with repayment made to MRC.

In April 2020, the Organization received a loan in the amount of \$319,000 through the Paycheck Protection Program ("PPP") which offered loans to small businesses and organizations impacted by the COVID-19 pandemic pursuant to the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The interest rate on the loan was 1% with repayment beginning July 30, 2021. The balance was due March 30, 2022. The loan may be forgiven to the extent proceeds were spent on certain qualifying costs and other conditions were met. The Organization was notified in February 2021, that the loan was forgiven in full.

The Organization also received a second Paycheck Protection Program loan for \$353,258 in January 2021, with similar terms as the original loan. The Organization was notified in September 2021, that the loan was forgiven in full.

Future principal payments required on debt outstanding at September 30, 2021, consisted of the following:

For the Year Ended September 30	Amount
2022	\$ 1,243,232
2023	99,198
2024	103,922
2025	108,646
2026	165,331
2027 and thereafter	10,815,439
	\$ 12,535,768
Loans for which there are no required repayment schedules	754,588
	\$ 13,290,356

**DELAWARE ADVANCEMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

**10. NET ASSETS WITH DONOR RESTRICTIONS**

As of September 30, 2021 and 2020, donor restricted net assets consist of:

	<u>2021</u>	<u>2020</u>
Vision 2021 Program	\$ 136,088	\$ 196,281
Community Foundation endowment	17,631	13,534
Grants	<u>153,140</u>	<u>58,175</u>
	<u>\$ 306,859</u>	<u>\$ 267,990</u>

During the years ended September 30, 2021 and 2020, donor restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2021</u>	<u>2020</u>
Vision 2021 Program	\$ 196,625	\$ 392,398
Grants	<u>45,034</u>	<u>99,326</u>
	<u>\$ 241,659</u>	<u>\$ 491,724</u>

**11. 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 \$68,263 and \$81,474 for 2021 and 2020, respectively.

## DELAWARE ADVANCEMENT CORPORATION

### NOTES TO FINANCIAL STATEMENTS

#### 12. 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, 2021 and 2020, are:

	2021	2020
Balances due (to) from		
Chamber - receivables/reimbursements	\$ 673	\$ -0-
Chamber - payables/reimbursements	\$ -0-	\$ (2,114)
Amount of transactions		
DAC with Chamber - various office reimbursement	\$ 24,670	\$ 12,555
HCC with Chamber - sublease income	\$ 14,292	\$ 14,292
DAC with Chamber - management and accounting personnel	\$ 118,842	\$ 85,306

The sublease agreement between the above parties was a two-year contract, which commenced October 1, 2019, and expired September 30, 2021. The lease was renewed October 1, 2021, for another two-year period ending September 30, 2023.

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.

#### 13. RISKS AND UNCERTAINTIES

The global pandemic, whose effects first became known in January 2020, is continuing to have a broad and negative impact on operations and commerce around the world. The United States and global markets initially experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of the pandemic on the Organization's operational and financial performance will depend on developments, including the duration and spread of the outbreak. Its impact on events, programs, donors, employees, and vendors, cannot be determined. Accordingly, the extent to which the pandemic may impact the Organization's assets, liabilities, net assets, and cash flows is uncertain and the accompanying financial statements include no adjustments relating to its effects.

## DELAWARE ADVANCEMENT CORPORATION

### NOTES TO FINANCIAL STATEMENTS

#### 14. 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.

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
2022	\$ 270,771
2023	270,771
2024	270,771
2025	270,771
2026	270,771

Rent in the amount of \$270,771 and \$405,127 was received for the years ended September 30, 2021 and 2020.

#### 15. CONCENTRATION OF CREDIT RISKS

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, 2021, cash in bank accounts in excess of insured amounts was approximately \$1,152,000.

**DELAWARE ADVANCEMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

**16. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2021 and 2020, are comprised as follows:

	<u>2,021</u>	<u>2020</u>
Operating Financial Assets:		
Cash and cash equivalents (without donor restriction)	\$ 2,256,709	\$ 1,686,936
Accounts receivable	107,734	28,424
	<u>\$ 2,364,443</u>	<u>\$ 1,715,360</u>
Reconciliation of Net Assets Without Donor Restrictions to Financial Assets Available to Meet Cash Needs:		
Net assets without donor restrictions	\$ 5,199,537	\$ 4,392,446
Less:		
Inventory	(28,978)	(23,332)
Note receivable	(13,959)	(13,959)
Real estate held for resale	(978,534)	(978,534)
Investment property	(13,716,574)	(13,716,574)
Prepaid expense	(91,812)	(64,071)
Property and equipment, net	(1,633,783)	(1,843,749)
Add:		
Accounts payable	47,483	25,833
Accrued expenses	150,035	113,749
Deposits	140,672	119,720
Notes payable	13,290,356	13,703,831
	<u>\$ 2,364,443</u>	<u>\$ 1,715,360</u>

The Organization's annual operating cash needs are determined during their budgeting process. Cash is regularly monitored and evaluated by management. General expenditures include administration, fundraising, and program services that are expected to be paid in a subsequent year.