

**YOUNGSTOWN CENTRAL AREA
COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
Annual Financial Report
For the Years Ended June 30, 2016 and 2015**

**YOUNGSTOWN CENTRAL AREA
COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Certification Letter	1
Financial Statements:	
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Cash Flows	4
Notes to the Financial Statements	5
Supplementary Information:	
Schedules of Functional Expenses.....	10

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October 26, 2016

Auditor of State
88 East Broad Street, 4th Floor
Columbus, OH 43215-3506

Re: Annual Financial Report

I hereby certify the attached unaudited annual financial report for the fiscal year ended June 30, 2016 for the Youngstown Central Area Community Improvement Corporation.

Sincerely,



Bruce H. Luntz
Chief Financial Officer

**YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2015**

	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 256,772	\$ 84,690
State of Ohio DAS Ohio Center Project Trust Fund	1,020,643	1,136,621
Accounts Receivable	74,621	120,001
Accrued Receivables	1,774	783
Prepaid Expenses	18,134	40,859
TOTAL CURRENT ASSETS	1,371,944	1,382,954
CAPITAL ASSETS		
Land	1,616,962	1,616,962
Land Improvements	46,121	46,121
Buildings	11,742,198	11,742,198
Building Improvements	695,698	669,434
Furniture, Fixtures and Equipment	10,221	10,221
Less: Accumulated Depreciation	(6,172,443)	(5,729,810)
NET CAPITAL ASSETS	7,938,757	8,355,126
OTHER ASSETS		
Deferred Bond Issue Costs, Net of Accumulated Amortization	80,482	87,189
TOTAL OTHER ASSETS	80,482	87,189
TOTAL ASSETS	\$ 9,391,183	\$ 9,825,269
CURRENT LIABILITIES		
Accounts Payable	\$ 76,751	\$ 82,797
Bonds Payable	245,000	225,000
Accrued Expenses	16,062	16,131
Deferred Revenue	-	20,140
Accrued Bond Interest	106,218	111,374
Accrued Real Estate Taxes	133	132
Unearned Rent	2,502,577	2,632,960
Operating Deposit	50,000	50,000
TOTAL CURRENT LIABILITIES	2,996,741	3,138,534
LONG-TERM LIABILITIES		
Bonds Payable, Net of Current Portion and Unamortized Bond Discount of \$56,334 and \$62,642 in 2016 and 2015, respectively	4,333,666	4,572,358
TOTAL LONG TERM LIABILITIES	4,333,666	4,572,358
TOTAL LIABILITIES	7,330,407	7,710,892
NET ASSETS		
Unrestricted	2,060,776	2,114,377
TOTAL NET ASSETS	2,060,776	2,114,377
TOTAL LIABILITIES AND NET ASSETS	\$ 9,391,183	\$ 9,825,269

**YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
UNRESTRICTED REVENUES AND OTHER SUPPORT		
Rental Income	\$ 1,243,394	\$ 1,218,447
Interest Income	690	591
Loss on Sale of Assets	-	(19,118)
Other	481,402	363,805
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	1,725,486	1,563,725
 EXPENSES		
Program	1,755,087	1,716,258
General and Administrative	24,000	24,000
TOTAL EXPENSES	1,779,087	1,740,258
CHANGE IN UNRESTRICTED NET ASSETS	(53,601)	(176,533)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	2,114,377	2,290,910
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 2,060,776	\$ 2,114,377

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (53,601)	\$ (176,533)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	442,633	441,093
Amortization of Bond Issue Costs	6,707	6,707
Amortization of Original Issue Discount on Bonds	6,308	6,308
Loss on Sale of Property	-	19,118
(Increase) Decrease in Operating Assets:		
Accounts Receivable	45,380	566
Accrued Receivables	(991)	64
Prepaid Expenses	22,725	(15,928)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(6,046)	(55,116)
Accrued Expenses	(69)	(1,910)
Deferred Revenue	(20,140)	20,140
Accrued Bond Interest	(5,156)	(4,696)
Accrued Real Estate Taxes	1	(7)
Unearned Rent	(130,383)	(131,720)
Net Cash Flows Provided (Used) by Operating Activities	307,368	108,086
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Bonds Payable	(225,000)	(205,000)
Net Cash Flows (Used In) Financing Activities	(225,000)	(205,000)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	(26,264)	(425,106)
Proceeds from Sale of Capital Assets	-	500,000
Increase in State of Ohio DASOCP Trust Fund	115,978	(12,655)
Net Cash (Used in) Investing Activities	89,714	62,239
 Net Change in Cash and Cash Equivalents	172,082	(34,675)
 Cash and Cash Equivalents, Beginning of Year	84,690	119,365
 Cash and Cash Equivalents, End of Year	\$ 256,772	\$ 84,690
 SUPPLEMENTARY INFORMATION		
Cash Paid for Interest	\$ 245,234	\$ 248,125

**YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Business

The Youngstown Central Area Community Improvement Corporation (the "Corporation") is a nonprofit community improvement organization which was formed on April 25, 1988, with the primary purpose of promoting industrial and economic development within the central area of the City of Youngstown.

B. Basis of Accounting

The Corporation has prepared its financial statements on the accrual basis in conformity with accounting principles generally accepted in the United States of America.

C. Cash and Cash Equivalents

The Corporation maintains its cash balances in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Corporation's deposits may at times exceed the insured limit.

D. Accounts Receivable and Accrued Receivables

Accounts receivable and accrued receivables are stated at the amount management expects to collect from balances outstanding at year-end. The potential risk is limited to the amount recorded in the financial statements. Receivables are written off when they are determined to be uncollectible. Based on management's assessment of the credit history with organizations having outstanding balances, it has concluded that all receivables at June 30, 2016 and 2015 are collectible.

E. Capital Assets

Property and equipment purchased and real estate given by or transferred from the City of Youngstown to the Corporation are recorded at cost. Donated assets are recorded at fair market value at the date of the gift. No formal appraisal has been done on the donated properties and no reasonable method has been available to value the property.

Renewals and replacements of a routine nature are expensed, while those that extend or improve the life of existing properties are capitalized.

Assets are depreciated by the straight-line method over their estimated useful lives. The following is a summary of the useful lives.

Land and Building Improvements	7-20 years
Buildings	20-30 years
Furniture and Equipment	5 years

F. Deferred Revenue

Certain payments received, such as insurance proceeds and tenant renovations, are deferred and are not recognized as revenue until damages have been repaired or renovations have been completed.

G. Unearned Rent

The Corporation has a rent agreement with the County of Mahoning for the 7th District Court of Appeals (COA) for a 30 year period. The COA has the option to purchase the building for \$1 at anytime during the lease period. Rent was prepaid in 2006. The rent will be recognized over the period of the agreement. Rental income recognized during the years ended June 30, 2016 and 2015 was \$131,332 per year.

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Operating Deposit

The Corporation has a five (5) year agreement with the County of Mahoning for the operation and maintenance of the Children Services Board Building, wherein the County provided a one-time deposit of \$50,000 to assist with cash flow issues. In the event the agreement is terminated, the Corporation will return the deposit to the County or the deposit will be applied to the final payment due from the County.

I. Program Services

For financial statement purposes, the Corporation is involved with one program service, which is to promote industrial and economic development within the central business district of the city of Youngstown.

J. Restriction Policy

The Corporation has no donor imposed restrictions which need to be classified as temporary or permanently restricted assets.

K. Net Assets

The Corporation is required to present information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Net assets with voluntary designations by the governing board are considered unrestricted. The Corporation has funds designated for the purpose of transactions related to the construction and rental of the Voinovich Center. These funds are shown on the Statement of Financial Position under the description of "State of Ohio DAS Ohio Center Project Trust Fund".

L. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

M. Use of Estimates

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

N. Federal Income Taxes

The Corporation is a nonprofit organization and is exempt from federal income taxes under section 501 (c)(3) of the Internal Revenue Code. By virtue of Ohio law, the Corporation is not subject to Ohio income taxes.

2. STATE OF OHIO DAS OHIO CENTER PROJECT TRUST FUND

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. The framework 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of value hierarchy under FASB ASC Topic 820 are described as follows:

**YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)**

2. STATE OF OHIO DAS OHIO CENTER PROJECT TRUST FUND (Continued)

Level 1 Fair Value Measurements

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Fair Value Measurements

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;
- Inputs that are delivered principally from or corroborated 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 Fair Value Measurements

Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

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 to maximize the use of observable inputs and minimize the use of unobservable measurements.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

The investments of the Corporation are valued at the closing price reported in the active markets in which they are traded.

The preceding method described may produce fair value calculations that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Corporation believes its valuation is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

Cost and fair value of U.S. Treasury Money Market accounts, within the fair value hierarchy, at June 30, 2016 and 2015 are as follows:

	June 30, 2016		June 30, 2015	
	Quoted Prices in Active Markets for Identical Assets (Level 1) Fair Market Value	Cost	Quoted Prices in Active Markets for Identical Assets (Level 1) Fair Market Value	Cost
U.S. Treasury Money Market	\$ 1,020,643	\$ 1,020,643	\$ 1,136,621	\$ 1,136,621

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

3. LONG TERM DEBT

Long-term debt consisted of the following:

	June 30, 2016	June 30, 2015
Bond obligations, interest rates from 4.05% to 5.1%, due at various dates until 2028	\$ 4,635,000	\$ 4,860,000
Less: Unamortized Discount	(56,334)	(62,642)
Less: Current Portion	(245,000)	(225,000)
Net Long-Term Debt	\$ 4,333,666	\$ 4,572,358

Amortization of future debt payments is scheduled as follows:

Year Ending June 30:	Amount
2017	245,000
2018	260,000
2019	290,000
2020	305,000
2021	320,000
Thereafter	3,215,000
Total	\$ 4,635,000

4. RENTALS UNDER OPERATING LEASES

The Corporation is the lessor of office space under operating leases with the State of Ohio with renewal options extending through June 30, 2029. The State of Ohio is able to exercise its option to purchase the building for \$1 at any time after the certificates of participation have been completed pursuant to the provisions of the trust agreement. Management expects these leases will be renewed. Including renewals, minimum future rentals to be received on these noncancelable leases as of June 30, 2016 for each of the next five years and in the aggregate are:

Year Ending June 30:	Amount
2017	\$ 1,020,711
2018	1,051,231
2019	1,051,231
2020	1,082,913
2021	1,082,913
Thereafter	9,332,304
Total Minimum Future Rentals	\$ 14,621,303

The following is a summary of office space held for lease:

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

4. RENTALS UNDER OPERATING LEASES (Continued)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Building	\$ 7,802,229	\$ 7,802,229
Less: Accumulated Depreciation	(4,361,246)	(4,101,172)
	<u>\$ 3,440,983</u>	<u>\$ 3,701,057</u>

5. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through October 26, 2016, the date which the financial statements were certified by the Corporation. No events have occurred that would require adjustment or disclosure in the financial statements.

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
 MAHONING COUNTY
 SCHEDULES OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2016 AND 2015

Program	General and Administrative				Totals	
	2016	2015	2016	2015	2016	2015
EXPENSES						
Depreciation	\$ 442,633	\$ 441,093	\$ -	\$ -	\$ 442,633	\$ 441,093
Contracted Services	209,603	205,197	24,000	24,000	233,603	229,197
Legal and Professional	10,716	38,185	-	-	10,716	38,185
Occupancy and Maintenance	843,646	772,016	-	-	843,646	772,016
Marketing	-	695	-	-	-	695
Bond Expense	245,234	256,442	-	-	245,234	256,442
Real Estate Expense	130	130	-	-	130	130
Other	3,125	2,500	-	-	3,125	2,500
TOTAL EXPENSES	\$ 1,755,087	\$ 1,716,258	\$ 24,000	\$ 24,000	\$ 1,779,087	\$ 1,740,258