

**YOUNGSTOWN CENTRAL AREA
COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
Annual Financial Report
For the Years Ended June 30, 2017 and 2016**

**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

October 25, 2017

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

Re: Annual Financial Report

I hereby certify the attached unaudited annual financial report for the fiscal year ended June 30, 2017
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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 189,681	\$ 256,772
State of Ohio DAS Ohio Center Project Trust Fund	999,806	1,020,643
Accounts Receivable	144,516	74,621
Accrued Receivables	9,712	1,774
Prepaid Expenses	36,550	18,134
TOTAL CURRENT ASSETS	<u>1,380,265</u>	<u>1,371,944</u>
CAPITAL ASSETS		
Land	1,616,962	1,616,962
Land Improvements	46,121	46,121
Buildings	11,742,198	11,742,198
Building Improvements	735,557	695,698
Furniture, Fixtures and Equipment	10,221	10,221
Less: Accumulated Depreciation	<u>(6,617,425)</u>	<u>(6,172,443)</u>
NET CAPITAL ASSETS	<u>7,533,634</u>	<u>7,938,757</u>
 TOTAL ASSETS	 <u>\$ 8,913,899</u>	 <u>\$ 9,310,701</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 111,232	\$ 76,751
Bonds Payable	260,000	245,000
Accrued Expenses	15,880	16,062
Accrued Bond Interest	100,603	106,218
Accrued Real Estate Taxes	1,285	133
Unearned Rent	2,370,845	2,502,577
Operating Deposit	50,000	50,000
TOTAL CURRENT LIABILITIES	<u>2,909,845</u>	<u>2,996,741</u>
LONG-TERM LIABILITIES		
Bonds Payable, Net of Current Portion and Unamortized		
Bond Discount of \$50,026 and \$56,334 and Deferred		
Bond Issue Costs of \$73,775 and \$80,482		
in 2017 and 2016, respectively	<u>4,006,199</u>	<u>4,253,184</u>
TOTAL LONG TERM LIABILITIES	<u>4,006,199</u>	<u>4,253,184</u>
 TOTAL LIABILITIES	 <u>6,916,044</u>	 <u>7,249,925</u>
NET ASSETS		
Unrestricted	<u>1,997,855</u>	<u>2,060,776</u>
TOTAL NET ASSETS	<u>1,997,855</u>	<u>2,060,776</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 8,913,899</u>	 <u>\$ 9,310,701</u>

The accompanying notes to the financial statements are an integral part of this statement.

**YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
UNRESTRICTED REVENUES AND OTHER SUPPORT		
Rental Income	\$ 1,241,615	\$ 1,243,394
Interest Income	916	690
Other	563,011	481,402
TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	<u>1,805,542</u>	<u>1,725,486</u>
EXPENSES		
Program	1,844,463	1,755,087
General and Administrative	24,000	24,000
TOTAL EXPENSES	<u>1,868,463</u>	<u>1,779,087</u>
CHANGE IN UNRESTRICTED NET ASSETS	(62,921)	(53,601)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>2,060,776</u>	<u>2,114,377</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u><u>\$ 1,997,855</u></u>	<u><u>\$ 2,060,776</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (62,921)	\$ (53,601)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	444,982	442,633
Amortization of Bond Issue Costs	6,707	6,707
Amortization of Original Issue Discount on Bonds	6,308	6,308
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(69,895)	45,380
Accrued Receivables	(7,938)	(991)
Prepaid Expenses	(18,416)	22,725
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	34,481	(6,046)
Accrued Expenses	(182)	(69)
Deferred Revenue	-	(20,140)
Accrued Bond Interest	(5,615)	(5,156)
Accrued Real Estate Taxes	1,152	1
Unearned Rent	(131,732)	(130,383)
Net Cash Flows (Used) by Operating Activities	<u>196,931</u>	<u>307,368</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Bonds Payable	(245,000)	(225,000)
Net Cash Flows (Used In) Financing Activities	<u>(245,000)</u>	<u>(225,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	(39,859)	(26,264)
Increase in State of Ohio DASOCP Trust Fund	20,837	115,978
Net Cash (Provided by) Investing Activities	<u>(19,022)</u>	<u>89,714</u>
Net Change in Cash and Cash Equivalents	(67,091)	172,082
Cash and Cash Equivalents, Beginning of Year	<u>256,772</u>	<u>84,690</u>
Cash and Cash Equivalents, End of Year	<u>\$ 189,681</u>	<u>\$ 256,772</u>
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest	<u>\$ 233,025</u>	<u>\$ 245,234</u>

The accompanying notes to the financial statements are an integral part of this statement.

**YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

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, 2017 and 2016 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 received during the years ended June 30, 2017 and 2016 was \$131,332 per year.

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Operating Deposit

The Corporation has a five (5) year agreement with the County of Mahoning, ending December 31, 2017, 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. The Corporation expects the agreement to be renewed.

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.

Accounting principles generally accepted in the United States require management to evaluate tax positions taken by the Corporation and recognize a tax liability (or asset) if the Corporation has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the Corporation, and has concluded that as of June 30, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Corporation's Federal Return of Organization from Income Tax (federal Form 990) for 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(CONTINUED)

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:

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, 2017 and 2016.

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, 2017 and 2016 are as follows:

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(CONTINUED)

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

	2017		2016	
	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	\$ 999,806	\$ 999,806	\$ 1,020,643	\$ 1,020,643

3. LONG TERM DEBT

Long-term debt consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Bond obligations, interest rates from 4.05% to 5.1%, due at various dates until 2028	\$ 4,390,000	\$ 4,635,000
Less: Unamortized Discount	(50,026)	(56,334)
Less: Deferred Bond Issue Costs	(73,775)	(80,482)
Less: Current Portion	<u>(260,000)</u>	<u>(245,000)</u>
Net Long-Term Debt	<u>\$ 4,006,199</u>	<u>\$ 4,253,184</u>

Amortization of future debt payments is scheduled as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2018	\$ 260,000
2019	290,000
2020	305,000
2021	320,000
2022	335,000
Thereafter	<u>2,880,000</u>
Total	<u><u>\$ 4,390,000</u></u>

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, 2017 for each of the next five years and in the aggregate are:

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(CONTINUED)

4. RENTALS UNDER OPERATING LEASES (Continued)

<u>Year Ending June 30:</u>	<u>Amount</u>
2018	\$ 1,051,231
2019	1,051,231
2020	1,082,913
2021	1,082,913
2022	1,115,347
Thereafter	8,216,958
Total Minimum Future Rentals	<u>\$ 13,600,593</u>

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Building	\$ 7,802,229	\$ 7,802,229
Less: Accumulated Depreciation	<u>(4,621,320)</u>	<u>(4,361,246)</u>
	<u>\$ 3,180,909</u>	<u>\$ 3,440,983</u>

5. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through October 25, 2017, 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 YEARS ENDED JUNE 30, 2017 AND 2016**

	Program		General and Administrative		Totals	
	2017	2016	2017	2016	2017	2016
EXPENSES						
Depreciation	\$ 444,982	\$ 442,633	\$ -	\$ -	\$ 444,982	\$ 442,633
Contracted Services	221,445	209,603	24,000	24,000	245,445	233,603
Legal and Professional	16,634	10,716	-	-	16,634	10,716
Occupancy and Maintenance	925,223	843,646	-	-	925,223	843,646
Bond Expense	233,025	245,234	-	-	233,025	245,234
Real Estate Expense	1,279	130	-	-	1,279	130
Other	1,875	3,125	-	-	1,875	3,125
TOTAL EXPENSES	\$ 1,844,463	\$ 1,755,087	\$ 24,000	\$ 24,000	\$ 1,868,463	\$ 1,779,087