

**YOUNGSTOWN CENTRAL AREA
COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
Annual Financial Report
For the Years Ended June 30, 2019 and 2018**

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

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Youngstown Central Area
COMMUNITY IMPROVEMENT CORPORATION

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October 23, 2019

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, 2019 for the Youngstown Central Area Community Improvement Corporation.

Sincerely,

A handwritten signature in black ink that reads "Bruce H. Luntz". The signature is written in a cursive style.

Bruce H. Luntz
Chief Financial Officer

**YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018**

	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 602,982	\$ 274,310
State of Ohio DAS Ohio Center Project Trust Fund	901,768	1,036,186
Accounts Receivable	136,836	108,005
Accrued Receivables	-	18,720
Prepaid Expenses	43,770	42,603
TOTAL CURRENT ASSETS	1,685,356	1,479,824
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	735,557
Furniture, Fixtures and Equipment	23,915	23,915
Less: Accumulated Depreciation	(7,513,495)	(7,064,319)
NET CAPITAL ASSETS	6,651,258	7,100,434
OTHER ASSETS		
Note Receivable	50,000	-
TOTAL OTHER ASSETS	50,000	-
 TOTAL ASSETS	 \$ 8,386,614	 \$ 8,580,258
CURRENT LIABILITIES		
Accounts Payable	\$ 98,564	\$ 89,563
Bonds Payable	305,000	290,000
Accrued Expenses	924	31,503
Accrued Payroll and Withholdings	2,958	-
Accrued Bond Interest	87,999	94,645
Accrued Real Estate Taxes	18	1,348
Unearned Rent	2,105,160	2,239,428
Operating Deposit	-	50,000
TOTAL CURRENT LIABILITIES	2,600,623	2,796,487
LONG-TERM LIABILITIES		
Bonds Payable, Net of Current Portion and Unamortized Bond Discount of \$37,409 and \$43,717 and Deferred Bond Issue Costs of \$60,362 and \$67,069 in 2019 and 2018, respectively	3,437,229	3,729,214
Operating Deposit	50,000	-
TOTAL LONG TERM LIABILITIES	3,487,229	3,729,214
 TOTAL LIABILITIES	 6,087,852	 6,525,701
NET ASSETS		
Without Donor Restriction	2,298,762	2,054,557
TOTAL NET ASSETS	2,298,762	2,054,557
 TOTAL LIABILITIES AND NET ASSETS	 \$ 8,386,614	 \$ 8,580,258

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, 2019 AND 2018**

	2019	2018
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND OTHER SUPPORT		
Rental Income	\$ 1,250,178	\$ 1,287,820
Building Maintenance Income	585,267	-
Interest Income	2,144	1,185
Gain on Sale of Property	170,000	-
Other	639	485,233
TOTAL REVENUES AND OTHER SUPPORT	2,008,228	1,774,238
EXPENSES		
Program	1,702,871	1,693,536
General and Administrative	61,152	24,000
TOTAL EXPENSES	1,764,023	1,717,536
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	244,205	56,702
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	2,054,557	1,997,855
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	\$ 2,298,762	\$ 2,054,557

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

**YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	Program		General and Administrative		Totals	
	2019	2018	2019	2018	2019	2018
EXPENSES						
Depreciation	\$ 448,653	\$ 446,894	\$ 524	\$ -	\$ 449,177	\$ 446,894
Contracted Services	576	199,769	64	24,000	640	223,769
Payroll and Payroll Taxes	101,209	-	11,246	-	112,455	-
Legal and Professional	9,199	19,940	39,247	-	48,446	19,940
Office	10,936	-	4,003	-	14,939	-
Occupancy and Maintenance	919,207	802,734	4,844	-	924,051	802,734
Bond Amortization	205,619	220,057	-	-	205,619	220,057
Real Estate Taxes	3,847	1,379	-	-	3,847	1,379
Other	3,625	2,763	1,224	-	4,849	2,763
TOTAL EXPENSES	\$ 1,702,871	\$ 1,693,536	\$ 61,152	\$ 24,000	\$ 1,764,023	\$ 1,717,536

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, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 244,205	\$ 56,702
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	449,177	446,894
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	(28,831)	36,511
Accrued Receivables	18,720	(9,008)
Note Receivable	(50,000)	-
Prepaid Expenses	(1,167)	(6,053)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	9,000	(21,669)
Accrued Expenses	(30,579)	15,623
Accrued Bond Interest	(6,646)	(5,958)
Accrued Real Estate Taxes	(1,330)	63
Unearned Rent	(134,268)	(131,417)
Net Cash Flows Provided by Operating Activities	484,254	394,703
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Bonds Payable	(290,000)	(260,000)
Net Cash Flows (Used In) Financing Activities	(290,000)	(260,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	-	(13,694)
Increase in State of Ohio DASOCP Trust Fund	134,418	(36,380)
Net Cash Provided By (Used In) Investing Activities	134,418	(50,074)
Net Change in Cash and Cash Equivalents	328,672	84,629
Cash and Cash Equivalents, Beginning of Year	274,310	189,681
Cash and Cash Equivalents, End of Year	\$ 602,982	\$ 274,310
SUPPLEMENTARY INFORMATION		
Cash Paid for Interest	\$ 205,619	\$ 220,057

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, 2019 AND 2018**

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, 2019 and 2018 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, 2019 and 2018 was \$131,332 per year.

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(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. The agreement is in effect from January 1, 2018 to December 31, 2022.

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 net assets with donor restrictions.

K. Net Assets

The Corporation is required to present information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Corporation has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Net assets with voluntary designations by the governing board are considered to be without donor restriction under the guidelines of FASB ASC 958-205-45-2. 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 program and related activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program 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.

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019, 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 Exempt from Income Tax (federal Form 990) for 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

2. ACCOUNTING STANDARDS UPDATE

During 2018, the Corporation adopted Financial Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The main provisions of this update include: presentation of two classes of net assets (reduced from three classes); reporting expenses by both natural and functional classification; reporting investment return net of external and direct internal investment expenses; qualitative information about management of liquidity; quantitative information about financial assets available within one year; and recognition of underwater endowment funds as a reduction in net assets.

As a result of the implementation, what was formerly classified as temporarily restricted net assets and unrestricted net assets have been reclassified as net assets with donor restrictions and net assets without donor restrictions, as applicable.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Corporation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets, at year end:

Cash and Cash Equivalents	\$ 602,982
State of Ohio DAS Ohio Center Project Trust Fund	901,768
Accounts Receivable	132,776
Accrued Receivables	4,060
Note Receivable	50,000
Subtotal Financial assets, at year end	1,691,586

Less those unavailable for general expenditure within one year due to:

Board-designated Savings Account for capital improvements of the Voinovich Center	(400,679)
Board-designated Trust Fund for construction and rental of the Voinovich Center	(901,768)

Financial assets available within one year to meet cash needs for general expenditures within one year	\$ 389,139
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YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(CONTINUED)

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

Cash and Cash Equivalents are held in checking, business checking, and business money market accounts. Investments are held in trust accounts. Financial assets that are subject to restriction make them unavailable for general expenditure within one year of the statement of financial position date. As of June 30, 2019, the Corporation did not have any financial assets subject to donor restriction. As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. 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, 2019 and 2018.

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.

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(CONTINUED)

4. STATE OF OHIO DAS OHIO CENTER PROJECT TRUST FUND (CONTINUED)

Cost and fair value of U.S. Treasury Money Market accounts, within the fair value hierarchy, at June 30, 2019 and 2018 are as follows:

	2019		2018	
	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	\$ 901,768	\$ 901,768	\$ 1,036,186	\$ 1,036,186

5. FUNCTIONAL EXPENSES

Expenses of the Corporation are categorized by functional classification as follows:

	2019	2018
Program	\$ 1,702,871	\$ 1,693,536
General and Administrative	61,152	24,000
	<u>\$ 1,764,023</u>	<u>\$ 1,717,536</u>

Program expenses are those incurred by the Corporation while serving its purpose, promoting industrial and economic development within the central area of the City of Youngstown. The remaining expenses that relate to the overall direction of the Corporation and are not identifiable with a particular program have been reported as management and general.

6. BOARD DESIGNATED NET ASSETS

Net assets without donor restrictions consist of assets available for operating purposes and amounts designated by the Board of Trustees for a specific purpose. The board designated net assets are comprised of the following:

Without donor restrictions:	
Designated by the Board for:	
Savings Account for capital improvements of the Voinovich Center	\$ 400,679
Trust Fund for construction and rental of the Voinovich Center	901,768
Undesignated	996,315
Net assets	<u>\$ 2,298,762</u>

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(CONTINUED)

7. LONG TERM DEBT

Long-term debt consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Bond obligations, interest rates from 4.05% to 5.10%, due at various dates until 2028	\$ 3,840,000	\$ 4,130,000
Less: Unamortized Discount	(37,409)	(43,717)
Less: Deferred Bond Issue Costs	(60,362)	(67,069)
Less: Current Portion	<u>(305,000)</u>	<u>(290,000)</u>
Net Long-Term Debt	<u>\$ 3,437,229</u>	<u>\$ 3,729,214</u>

Amortization of future debt payments is scheduled as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2020	\$ 305,000
2021	320,000
2022	335,000
2023	355,000
2024	370,000
Thereafter	<u>2,155,000</u>
Total	<u>\$ 3,840,000</u>

8. LINE OF CREDIT

The Corporation entered into a line of credit with a local bank on April 4, 2018. The line of credit is secured with a first lien and security interest in the Corporation's accounts, chattel paper, general intangibles, inventory, equipment, and documents acquired with the proceeds. No assets of the Corporation are pledged. The line of credit has a maximum principal of \$125,000 and bears interest at the Wall Street Journal prime rate or any successor publication applicable rate. The balance on the line of credit was \$0 as of June 30, 2019 and 2018.

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(CONTINUED)

9. 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, 2019 for each of the next five years and in the aggregate are:

Year Ending June 30:	Amount
2020	\$ 1,082,913
2021	1,082,913
2022	1,115,347
2023	1,115,347
2024	1,148,839
Thereafter	5,952,772
Total Minimum Future Rentals	\$ 11,498,131

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

	June 30, 2019	June 30, 2018
Building	\$ 7,802,229	\$ 7,802,229
Less: Accumulated Depreciation	(5,141,469)	(4,881,394)
Net Book Value	\$ 2,660,760	\$ 2,920,835

11. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through October 23, 2019, 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.