



**PERRY**

**& Associates CPAs**

**PASSION** *Beyond the Numbers*

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

**REGULAR AUDIT  
FOR THE YEARS ENDED DECEMBER 31, 2022 - 2021**



OHIO AUDITOR OF STATE  
KEITH FABER



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Governing Board  
Hocking County Community Improvement Corporation  
30260 Industrial Park Drive  
Logan, Ohio 43138

We have reviewed the *Independent Auditor's Report* of the Hocking County Community Improvement Corporation, Hocking County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2021 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hocking County Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

October 31, 2023

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**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
HOCKING COUNTY**

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**INDEPENDENT AUDITOR'S REPORT**

Hocking County Community Improvement Corporation  
Hocking County  
30260 Industrial Park Drive  
Logan, Ohio 43138

To the Board of Trustees:

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of the **Hocking County Community Improvement Corporation**, Hocking County, Ohio (the Corporation), (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation, as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

June 29, 2023



**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2022**

	2022
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 114,826
Cash and Cash Equivalents, With Donor Restrictions	62,887
Certificates of Deposit, Current	318,709
Accounts Receivable	555
Prepaid Expenses	16,984
Notes Receivable, Current	67,155
Total Current Assets	581,116
<b>Non-Current Assets</b>	
Property and Equipment	
Buildings	4,805,214
Land	604,796
Land Improvements	162,163
Office Equipment	11,410
	5,583,583
Less: Accumulated Depreciation	(1,710,154)
Total Non-Current Assets	3,873,429
<b>Other Assets</b>	
Industrial Park Development Costs	455,589
CIP - 11 West Main	1,032,315
Winery Renovation Receivable	119,326
Notes Receivable, Non-Current	152,205
Investment - Joint Venture	305,025
Total Other Assets	2,064,460
TOTAL ASSETS	\$ 6,519,005
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 14,201
Accrued Expenses	86,130
Advanced Rent	4,525
Current Portion of Long-Term Debt	171,400
Total Current Liabilities	276,256
<b>LONG-TERM LIABILITIES</b>	
Bank Loan, Net of Current Portion	2,369,669
Total Long-Term Liabilities	2,369,669
TOTAL LIABILITIES	2,645,925
<b>NET ASSETS</b>	
With Donor Restrictions	292,581
Without Donor Restrictions	3,580,499
TOTAL NET ASSETS	3,873,080
TOTAL LIABILITIES AND NET ASSETS	\$ 6,519,005

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

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES</b>			
Rent Income	\$ 940,367	\$ -	\$ 940,367
Revolving Loan Interest	-	7,238	7,238
Other Income	31,598	-	31,598
Investment - MBS Logan	(39,619)	-	(39,619)
Investment Interest	2,602	-	2,602
<b>TOTAL OPERATING REVENUES</b>	<b>934,948</b>	<b>7,238</b>	<b>942,186</b>
<b>OPERATING EXPENSES</b>			
Administrative Expenses	222,014	-	222,014
Depreciation and Amortization	152,706	-	152,706
Insurance	20,876	-	20,876
Interest	91,559	-	91,559
Professional Fees	24,720	-	24,720
Real Estate Taxes	80,157	-	80,157
Rent, Utilities, and Security	85,246	-	85,246
Repairs and Maintenance	152,411	-	152,411
Sublease	6,920	-	6,920
<b>TOTAL OPERATING EXPENSES</b>	<b>836,609</b>	<b>-</b>	<b>836,609</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<b>98,339</b>	<b>7,238</b>	<b>105,577</b>
<b>NON-OPERATING INCOME AND EXPENSE</b>			
Gain on Sale of Land	10,291	-	10,291
Interest Income	119	-	119
<b>TOTAL NON-OPERATING INCOME (EXPENSE)</b>	<b>10,410</b>	<b>-</b>	<b>10,410</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>108,749</b>	<b>7,238</b>	<b>115,987</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,471,750</b>	<b>285,343</b>	<b>3,757,093</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,580,499</b>	<b>\$ 292,581</b>	<b>\$ 3,873,080</b>

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

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Total</u>
<b>OPERATING EXPENSES</b>			
Administrative Expenses	\$ -	\$ 222,014	\$ 222,014
Depreciation and Amortization	152,706	-	152,706
Insurance	13,748	7,128	20,876
Interest	91,559	-	91,559
Professional Fees	6,985	17,735	24,720
Real Estate Taxes	80,157	-	80,157
Rent, Utilities, and Security	82,719	2,527	85,246
Repairs and Maintenance	152,411	-	152,411
Sublease	6,920	-	6,920
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 587,205</u>	<u>\$ 249,404</u>	<u>\$ 836,609</u>

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

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (Decrease) in Net Assets	\$ 115,987
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	152,706
Interest Income	(2,602)
Gain on Disposal of Land	(10,291)
(Increase) Decrease in Operating Assets:	
Accounts Receivable	37,579
Prepaid Expenses	1,789
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(115,287)
Accrued Expenses	6,004
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>185,885</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Notes Receivable Awards	(55,000)
Notes Receivable Repayments	63,908
Proceeds from Sale of Land	64,830
Construction in Progress	(746,768)
Winery Renovation Receivable	(119,326)
Investment in Joint Venture	39,619
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(752,737)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Loan Proceeds	728,761
Principal Payments	(114,056)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>614,705</b>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47,853
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>129,860</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 177,713</b>
<b>CASH REPRESENTED BY:</b>	
Cash and Cash Equivalents	\$ 114,826
Cash and Cash Equivalents, with Donor Restrictions	62,887
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 177,713</b>

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

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**1. NATURE AND SCOPE OF BUSINESS**

Hocking County Community Improvement Corporation (CIC) is a nonprofit corporation organized under the provisions of Section 501(c)(4) of the Internal Revenue Code for the purpose of providing land and building facilities in an effort to attract industry to the Logan-Hocking County area. The corporation owns several industrial development tracts and five commercial buildings which are under lease.

The CIC also provides loans, which carry interest rates at or below market rates to small businesses; whom may not be able to obtain these loans from financial institutions. The terms of these loans are described more fully prospectively.

Management believes the financial statements included in this report represent all of the activities over which the Corporation is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF ACCOUNTING**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The Financial Standards Board issued Financial Accounting Standards Codification ("FASC") No. 958-205. Under FASC No. 958-205, defined nonprofits are required to report information regarding the financial position and activities according to two classes of net assets; net assets with donor restrictions and net assets without donor restrictions.

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

Net Assets without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

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 restrictions. 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 stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has passed) are reported as reclassifications between the applicable classes of net assets. The CIC 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 of the CIC are considered to be without donor restriction under the guidelines of FASB ASC 958-205-45-2.

**B. USE OF 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(CONTINUED)**

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

**C. ACCOUNTS RECEIVABLE**

The CIC accounts for their receivables on an accrual basis. The organization uses the direct write-off method for accounts receivable. The CIC keeps a low balance of receivables, thus the allowance for doubtful accounts is not material to their receivable balance presentation.

**D. NOTES RECEIVABLE**

The CIC maintains a revolving loan fund which makes loans to local businesses and was initially funded with USDA federal grants. These grants carry certain covenants and are reviewed each October by the USDA for compliance. Management of CIC stated as of December 31, 2022, the CIC is in good standing with the grant's covenants. The loans made to local businesses (notes receivable) are for terms of up to 10 years and amounts of \$3,000 - \$75,000. Payments of principal and interest are due monthly and are secured by recipient's collateral. The carrying amounts of the note receivables are reduced by an allowance that reflects management's best estimate of balances that will not be collected. The notes receivable outstanding as of December 31, 2022, totaled \$219,360 and were all deemed collectible; therefore, no allowance for doubtful accounts was deemed necessary.

**E. PROPERTY AND EQUIPMENT**

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Buildings	40-50
Improvements and Additions	5-25
Office Equipment	3-7

The total depreciation expense was \$152,706 at December 31, 2022. Expenditures for maintenance and repairs are charged to expense as incurred.

There was no amortization expense at December 31, 2022.

**F. ADVERTISING**

The CIC follows the policy of charging the costs of marketing and advertising to operating expense as incurred. The total advertising expense was \$1,323 at December 31, 2022.

**G. INCOME TAXES**

The CIC was incorporated as a nonprofit entity; and the IRS has determined that the CIC is exempt from taxation under Section 501(c) (4) of the Internal Revenue Code; therefore, no provision for income taxes is shown in the financial statements. Even though the CIC is exempt from taxes, it is required to file an annual tax return (Form 990) and is subject to possible U.S. Federal income tax examinations for open tax years; generally three years after they are filed.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(CONTINUED)**

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

**H. CASH AND CASH EQUIVALENTS**

For purposes of the statements of cash flows, the CIC considers all checking accounts, savings accounts, money market accounts and certificates of deposit with maturities of 3 months or less from the balance sheet date to be cash equivalents.

Cash and net assets with donor restrictions presented on the statement of financial position reflect proceeds from the original USDA grant along with cumulative funds generated from these lending activities throughout the years. Cash and cash equivalents are held in interest bearing checking accounts. Funds held in current CD's enable the funds to earn interest while maintaining liquidity. Financial assets which are subject to restriction make them unavailable for general expenditures within one year of the statement of financial position date. As of December 31, 2022 the CIC has \$292,581 of net assets subject to donor restriction. As part of the CIC's liquidity management policy, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Net cash flows from operating activities include cash payments for interest of \$91,559.

**I. CONCENTRATION OF CREDIT RISK**

The CIC maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. These balances fluctuate during the year and at times exceed the FDIC limit. The CIC's uninsured cash balances totaled \$72,157 at December 31, 2022.

**J. CERTIFICATES OF DEPOSIT**

In August 2012, the CIC invested \$125,314 in a certificate of deposit (CD). The CD has renewed twice and currently has an interest rate of 1.49%, with a maturity date of June 29, 2023. It has a balance of \$142,228 as of December 31, 2022.

In October 2022, the CIC moved \$176,382 from a CD to an investment account with Edward Jones. This account currently has an insured bank deposit paying an interest rate of 0.70%, and a CD paying an interest rate of 4.10% with a maturity date of October, 2023. This investment is being accounted for under the cost method. It has a balance of \$176,481 as of December 31, 2022. The total investment interest on the CD's was \$2,602 at December 31, 2022.

**3. LIQUIDITY AND AVAILABILITY OF RESOURCES**

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

Cash and Cash Equivalents, Without Donor Restrictions	\$ 114,826
Cash and Cash Equivalents, With Donor Restrictions	62,887
Certificates of Deposit, Current	318,709
Notes Receivable, Current	67,155
Subtotal financial assets, at year end	563,577
Less those unavailable for general expenditures within one year due to:	
Proceeds and Cumulative Funds for Revolving Loan Accounts	(80,743)
Financial assets available within one year to meet cash needs for general expenditures	\$ 482,834

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(CONTINUED)**

**4. LONG-TERM DEBT**

A summary of long-term debt payable at December 31, 2022 is as follows:

A commercial mortgage of \$1,300,000 with Vinton County National Bank was obtained December 21, 2017, for the purchase of a commercial building. Payments are currently \$7,878 per month, with an annual interest rate of 4%. The loan is secured by the real estate. \$ 1,062,109

A commercial mortgage of \$200,000 with the Vinton County National Bank, obtained November 23, 2020 for building improvements. Payments of \$1,139 per month in 2022; maturing in 2040. Interest is at a variable rate starting at 3.25% per annum, which is not to change more frequently than once every 60 months. 180,591

An open-end mortgage which has a maximum credit limit of \$1,800,000 with Vinton County National Bank, obtained January 20, 2022 for building improvements. Interest only payments on the outstanding principal balance for 6 months began on November 20, 2022. This is to be followed by 234 principal and interest payments of \$10,672.22 beginning May 20, 2023 subject to annual rate changes beginning January 20, 2027. Interest rate on this loan is currently at 3.5%. 728,761

A commercial mortgage of \$1,918,000 with The Citizens Bank of Logan was obtained June 2, 2003, for the construction of a medical office building. This loan was re-financed with Vinton County Bank for 20 years at 3.75% in 2013, maturing in 2033; the interest rate was adjusted to 5.00% in 2021. Payments are currently \$6,253 per month, though additional principal payments are being made. The loan is secured by real estate, furniture and fixtures. 569,608

Total Debt \$ 2,541,069

Less: Current Maturities (171,400)

Long-Term Debt \$ 2,369,669

Current maturities of long-term debt for the five years subsequent to December 31, 2022 are as follows:

2023	\$	171,400
2024		212,869
2025		222,733
2026		233,082
2027		243,944
Thereafter		<u>1,457,041</u>
Total	\$	<u><u>2,541,069</u></u>



**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(CONTINUED)**

**5. INVESTMENT IN JOINT VENTURE**

On May 20, 2021 the CIC contributed \$200,000 along with approximately 12.4 acres of real estate with an estimated fair market value of \$174,432 in exchange for 38 class B units representing 35% and 20 class C units representing 18% of the equity interests of MBS Logan, LLC (MBSL). The purpose of MBSL is to construct and operate a 50,000 square foot building on the real estate contributed by the CIC. Construction of this building is expected to be completed in March 2022.

The CIC is accounting for this investment under the equity method. The estimated fair market value of the real estate at the time of contribution is the carrying value on the balance sheet. As of December 31, 2022, the balance of the investment is \$305,025 after MBSL reported a \$39,619 loss to CIC for the year.

**6. BUILDINGS**

The CIC owns five (5) commercial buildings that currently have space being rented or available for rent.

EPA Building

The CIC completed the construction of the office building located at 2195 E. Front Street in 1973. The capitalized cost of this building at December 31, 2022, was \$815,445 and the accumulated depreciation at December 31, 2022 was \$283,819.

The Ohio Environmental Protection Agency has leased the entire building since October 2004. The current lease carries an annual base rent of \$466,989, payable in quarterly installments and is set to expire June 30, 2025. The Ohio Environmental Protection Agency has no option to purchase this property and the lease is considered an operating lease.

Medical Office Building

The CIC completed the construction of the medical office building located at 541 State Route North in 2004. The total capitalized cost of this building at December 31, 2022 was \$2,517,941, and the accumulated depreciation at December 31, 2022 was \$1,172,134.

Hocking Valley Community Hospital has occupied a portion of the building since September 2004. The current lease carries an annual base rent of \$190,086, payable in monthly installments and is set to expire March 31, 2025. Hocking Valley Community Hospital has no option to purchase this property and the lease is considered an operating lease.

Hopewell Health Centers, Inc., formerly Tri-County Mental Health and Counseling Services, Inc., has occupied a portion of the building since August 2004. The initial lease was for a ten-year period and was extended in 2014 through March 2024, at a base annual rent of \$166,682. Hopewell Health Centers, Inc. has no option to purchase this property and the lease is considered an operating lease.

Weghorst Building

The CIC acquired the building at 70-98 West Main Street in 2015. The total capitalized cost of this building at December 31, 2022 was \$570,605, and the accumulated depreciation at December 31, 2022 was \$89,114.

Flowers by Darlene has occupied a portion of the building since June 2005. The lease was extended in 2020 through June 2022, with an option to renew for 36 additional months at a base annual rent of \$18,000. Flowers by Darlene has no option to purchase this property and the lease is considered an operating lease.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(CONTINUED)**

**6. BUILDINGS (CONTINUED)**

Hocking Hills Children's Museum has occupied a portion of the building since August, 2020. The current lease began on September 1, 2022 and ends on August 31, 2025. The monthly rent is \$900 for the months of September, 2022 through February, 2023 and \$1,800 per month for the remainder of the term. Hocking Hills Children's Museum has no option to purchase this property and the lease is considered an operating lease.

11 W. Main Building

The CIC acquired the building located at 11 West Main Street in 2017. The total capitalized cost of this building at December 31, 2022 was \$330,483, and the accumulated depreciation at December 31, 2022 was \$33,918.

PNC Bank has occupied a portion of the building since February 2000. The current lease addendum extends the lease through January 2025, at a base annual rent of \$54,300 with one five-year option to renew at a base annual rent of \$59,730. PNC Bank has no option to purchase this property and the lease is considered an operating lease.

Hocking County Insurance Agency has occupied a portion of the building since January 2017. The current lease is for a two-year period through December 2024, with no option to renew at a base annual rent of \$10,800. Hocking County Insurance Agency has no option to purchase this property and the lease is considered an operating lease.

In June 2021 Chef Moe's on the Go, LLC signed a lease to occupy approximately 4,320 square feet of basement space. The lease is for 3 years at \$67,003 per year, payable in monthly installments of \$5,584, with no option for renewal. The lease will not commence until 30 days after receipt of a Certificate of Occupancy. It is anticipated that will occur during the summer of 2023. Chef Moe's has no option to purchase this space and the lease is considered an operating lease.

Rokeith Building

The CIC acquired the building located at 30260 Industrial Park Drive in December 2017. The total capitalized cost of this building at December 31, 2022 was \$1,343,077, the accumulated depreciation at December 31, 2022 was \$127,662.

Rat Tactical, LLC renewed its lease for a portion of this building commencing November 1, 2021. Annual rent payments amount to \$20,400 and are payable in monthly installments. The tenant has the right to extend the lease on a year to year basis upon the end of the initial three-year term which ends October 31, 2024. Early termination of this lease may be requested if Rat Tactical's primary customer (Rogue Fitness) is lost. Upon such happening, the CIC has promised to negotiate fair and equitable termination terms. Rat Tactical has no option to purchase this space and the lease is considered an operating lease.

Sunshine Beverage Company entered into a lease agreement for a portion of this building on March 26, 2018. Annual rental payments amount to \$22,716 and are payable in monthly installments. The initial term is for five years ending July 1, 2023 and holds an annual rent inflation clause that cannot exceed three percent annually. At the end of the initial lease term Sunshine Beverage has an option to extend the lease on a year-to-year basis. Sunshine Beverage has no option to purchase this space and the lease is considered an operating lease.

The Mennel Milling Company entered into a lease agreement for a portion of this building on April 9, 2019; and expanded the portion of the building through an amendment on September 10, 2019. The initial term is 12 months commencing June 1, 2019 and ending May 31, 2020; unless terminated earlier as provided in the lease. Mennel has the right to extend the lease term annually through May 31, 2024. Annual rent is \$34,716 and is payable in monthly installments of \$2,893. Mennel Milling Company has no option to purchase this space and the lease is considered an operating lease.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(CONTINUED)**

**7. OTHER LEASE INCOME**

On May 31, 2019, the CIC entered into a lease with ViaSat Inc. for a 20' by 25' space to construct a satellite access node at Commerce Park. The initial terms of the lease are three (3) years commencing September 1, 2019 and ending August 31, 2022; with six (6) automatic renewal terms of three (3) years each; unless terminated earlier.

The CIC did lease a building located on Sutton Road in Logan. The CIC subleased the property to Jeremias, Inc.: a manufacturer of industrial exhaust systems. Base annual rent is \$8,400, payable in monthly installments of \$700. Jeremias was also responsible for any increase in the CIC's general public liability insurance premiums. The lease specifically makes clear title to the property remains with the city of Logan. During 2022, Jeremias purchased the property from the city of Logan and no longer pays rent income to CIC.

**8. FUTURE MINIMUM RENT INCOME**

Future minimum lease receipts expected under current operating leases as of December 31, 2022 are as follows:

2023	\$	992,878
2024		844,683
2025		316,237
2026		7,736
2027		8,200
Total	<u>\$</u>	<u>2,169,734</u>

**9. CURRENT VULNERABILITY DUE TO CONCENTRATIONS**

The CIC derives all of its lease income from lessees who are located in the Logan-Hocking County area.

**10. INDUSTRIAL PARK DEVELOPMENT COSTS**

The CIC completed this land development project during 2005. Since then, there have been several tracts of land sold. The industrial park offers opportunities for mixed-use development, and has just over 33 acres remaining available for sale. During 2021, the CIC contributed land with an estimated fair market value of \$174,432 to MBSL as previously disclosed. During 2022, the CIC sold 2.161 acres of land with a calculated cost of \$54,539 for \$64,830 resulting in a gain of \$10,291.

**11. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 29, 2023, the date on which the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen within the U.S. and global economies. There could be financial impacts to the organization, though such impact is unknown at this time.

**12. COMPENSATED ABSENCES**

Employees of the CIC are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is not practical for the CIC to estimate the amount of compensation for future absences. Accordingly, no liability for compensated absences has been recorded in the accompanying financial statements. The CIC's policy is to recognize the costs of compensated absences when actually paid to employees.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(CONTINUED)**

**13. FUNCTIONAL EXPENSES**

The costs of providing program services and other activities have been summarized on a functional basis in the statement of functional expenses. No costs have been allocated between program services and management and general expenses. Management diligently classifies an expense according to its functional purpose. The CIC has not engaged in any fundraising activities during the 2022 year.

**14. CONSTRUCTION IN PROGRESS**

During 2021, the CIC entered into a \$1,636,000 contract with Lepi Enterprises to remodel the 11 West Main Street building. A Construction in Progress (CIP) asset account was set up to report amounts paid to date on this contract. As of December 31, 2022, the balance of this account was \$1,032,315.

**15. WINERY RENOVATION RECEIVABLE**

During 2022, the CIC entered into an agreement with Hocking Hills Winery, LLC to pay for the renovation of their building. Upon completion of the renovation, Hocking Hills Winery will pay back the entire amount spent by CIC plus interest. As of December 31, 2022, the renovation is not yet complete with the receivable balance currently at \$119,326. At this time it is believed terms of this note will be for 10 years with the interest rate close to prime. Final terms are yet to be determined.

**16. CHANGE IN ACCOUNTING PRINCIPLE**

Effective January 1, 2022, the CIC adopted FASB ASC 842, *Leases*. The CIC determines if an arrangement contains a lease at inception based on whether the CIC has the right to control the asset during the contract period and other facts and circumstances. The adoption of FASB ASC 842 did not have a material impact on the financial statements of the CIC.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2021**

	2021
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 82,058
Cash and Cash Equivalents, With Donor Restrictions	47,802
Accounts Receivable	38,134
Prepaid Expenses	18,773
Notes Receivable, Current	56,704
Total Current Assets	243,471
<b>Non-Current Assets</b>	
Property and Equipment	
Buildings	4,805,214
Land	604,796
Land Improvements	162,163
Office Equipment	11,410
	5,583,583
Less: Accumulated Depreciation	(1,557,448)
Total Non-Current Assets	4,026,135
<b>Other Assets</b>	
Certificates of Deposit, Non-Current	316,106
Industrial Park Development Costs	510,128
CIP - 11 West Main	285,547
Notes Receivable, Non-Current	171,565
Investment - Joint Venture	344,644
Total Other Assets	1,627,990
TOTAL ASSETS	\$ 5,897,596
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 129,488
Accrued Expenses	80,126
Advanced Rent	4,525
Current Portion of Long-Term Debt	115,550
Total Current Liabilities	329,689
<b>LONG-TERM LIABILITIES</b>	
Bank Loan, Net of Current Portion	1,810,814
Total Long-Term Liabilities	1,810,814
TOTAL LIABILITIES	2,140,503
<b>NET ASSETS</b>	
With Donor Restrictions	285,343
Without Donor Restrictions	3,471,750
TOTAL NET ASSETS	3,757,093
TOTAL LIABILITIES AND NET ASSETS	\$ 5,897,596

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

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES</b>			
Rent Income	\$ 1,007,045	\$ -	\$ 1,007,045
Revolving Loan Interest	-	6,540	6,540
Other Income	29,819	150	29,969
Investment - MBS Logan	(29,788)	-	(29,788)
Investment Interest	2,511	-	2,511
<b>TOTAL OPERATING REVENUES</b>	<b>1,009,587</b>	<b>6,690</b>	<b>1,016,277</b>
<b>OPERATING EXPENSES</b>			
Administrative Expenses	223,806	-	223,806
Bad Debt Expense (Recovery)	(543)	-	(543)
Depreciation and Amortization	153,013	-	153,013
Insurance	19,087	-	19,087
Interest	73,047	-	73,047
Professional Fees	37,273	-	37,273
Real Estate Taxes	75,272	-	75,272
Rent, Utilities, and Security	72,312	-	72,312
Repairs and Maintenance	320,984	-	320,984
Sublease	9,515	-	9,515
<b>TOTAL OPERATING EXPENSES</b>	<b>983,766</b>	<b>-</b>	<b>983,766</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<b>25,821</b>	<b>6,690</b>	<b>32,511</b>
<b>NON-OPERATING INCOME AND EXPENSE</b>			
Interest Income	251	-	251
<b>TOTAL NON-OPERATING INCOME (EXPENSE)</b>	<b>251</b>	<b>-</b>	<b>251</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>26,072</b>	<b>6,690</b>	<b>32,762</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,445,678</b>	<b>278,653</b>	<b>3,724,331</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,471,750</b>	<b>\$ 285,343</b>	<b>\$ 3,757,093</b>

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

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Total</u>
<b>OPERATING EXPENSES</b>			
Administrative Expenses	\$ -	\$ 223,806	\$ 223,806
Bad Debt Expense (Recovery)	(543)	-	(543)
Depreciation and Amortization	153,013	-	153,013
Insurance	12,570	6,517	19,087
Interest	73,047	-	73,047
Professional Fees	16,290	20,983	37,273
Real Estate Taxes	75,272	-	75,272
Rent, Utilities, and Security	70,173	2,139	72,312
Repairs and Maintenance	320,984	-	320,984
Sublease	9,515	-	9,515
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 730,321</u>	<u>\$ 253,445</u>	<u>\$ 983,766</u>

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

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (Decrease) in Net Assets	\$ 32,762
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	153,013
Interest Income	(2,511)
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(38,134)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	123,229
Accrued Expenses	170
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>268,529</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Notes Receivable Awards	(55,000)
Notes Receivable Repayments	51,093
Industrial Park Development Costs	174,432
Construction in Progress	(285,547)
Investment in Joint Venture	(344,644)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(459,666)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal Payments	(113,588)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(113,588)</b>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (304,725)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>434,585</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 129,860</b>
<b>CASH REPRESENTED BY:</b>	
Cash and Cash Equivalents	\$ 82,058
Cash and Cash Equivalents, with Donor Restrictions	47,802
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 129,860</b>

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



**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**1. NATURE AND SCOPE OF BUSINESS**

Hocking County Community Improvement Corporation (CIC) is a nonprofit corporation organized under the provisions of Section 501(c)(4) of the Internal Revenue Code for the purpose of providing land and building facilities in an effort to attract industry to the Logan-Hocking County area. The corporation owns several industrial development tracts and five commercial buildings which are under lease.

The CIC also provides loans, which carry interest rates at or below market rates to small businesses; whom may not be able to obtain these loans from financial institutions. The terms of these loans are described more fully prospectively.

Management believes the financial statements included in this report represent all of the activities over which the Corporation is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF ACCOUNTING**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

The Financial Standards Board issued Financial Accounting Standards Codification ("FASC") No. 958-205. Under FASC No. 958-205, defined nonprofits are required to report information regarding the financial position and activities according to two classes of net assets; net assets with donor restrictions and net assets without donor restrictions.

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

Net Assets without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

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 restrictions. 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 stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has passed) are reported as reclassifications between the applicable classes of net assets. The CIC 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 of the CIC are considered to be without donor restriction under the guidelines of FASB ASC 958-205-45-2.

**B. USE OF 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(CONTINUED)**

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

**C. ACCOUNTS RECEIVABLE**

The CIC accounts for their receivables on an accrual basis. The organization uses the direct write-off method for accounts receivable. The CIC keeps a low balance of receivables, thus the allowance for doubtful accounts is not material to their receivable balance presentation.

**D. NOTES RECEIVABLE**

The CIC maintains a revolving loan fund which makes loans to local businesses and was initially funded with USDA federal grants. These grants carry certain covenants and are reviewed each October by the USDA for compliance. Management of CIC stated as of December 31, 2022, the CIC is in good standing with the grant's covenants. The loans made to local businesses (notes receivable) are for terms of up to 10 years and amounts of \$3,000 - \$75,000. Payments of principal and interest are due monthly and are secured by recipient's collateral. The carrying amounts of the note receivables are reduced by an allowance that reflects management's best estimate of balances that will not be collected. The notes receivable outstanding as of December 31, 2021, totaled \$228,269 and were all deemed collectible; therefore, no allowance for doubtful accounts was deemed necessary.

**E. PROPERTY AND EQUIPMENT**

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Buildings	40-50
Improvements and Additions	5-25
Office Equipment	3-7

The total depreciation expense was \$153,013 at December 31, 2021. Expenditures for maintenance and repairs are charged to expense as incurred.

There was no amortization expense at December 31, 2021.

**F. ADVERTISING**

The CIC follows the policy of charging the costs of marketing and advertising to operating expense as incurred. The total advertising expense was \$2,188 at December 31, 2021.

**G. INCOME TAXES**

The CIC was incorporated as a nonprofit entity; and the IRS has determined that the CIC is exempt from taxation under Section 501(c) (4) of the Internal Revenue Code; therefore, no provision for income taxes is shown in the financial statements. Even though the CIC is exempt from taxes, it is required to file an annual tax return (Form 990) and is subject to possible U.S. Federal income tax examinations for open tax years; generally three years after they are filed.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(CONTINUED)**

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

**H. CASH AND CASH EQUIVALENTS**

For purposes of the statements of cash flows, the CIC considers all checking accounts, savings accounts, money market accounts and certificates of deposit with maturities of 3 months or less from the balance sheet date to be cash equivalents.

Cash and net assets with donor restrictions presented on the statement of financial position reflect proceeds from the original USDA grant along with cumulative funds generated from these lending activities throughout the years. Cash and cash equivalents are held in interest bearing checking accounts. Funds held in current CD's enable the funds to earn interest while maintaining liquidity. Financial assets which are subject to restriction make them unavailable for general expenditures within one year of the statement of financial position date. As of December 31, 2021 the CIC has \$285,343 of net assets subject to donor restriction. As part of the CIC's liquidity management policy, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Net cash flows from operating activities include cash payments for interest of \$73,047.

**I. CONCENTRATION OF CREDIT RISK**

The CIC maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. These balances fluctuate during the year and at times exceed the FDIC limit. The CIC's uninsured cash balances totaled \$198,787 at December 31, 2021.

**J. CERTIFICATES OF DEPOSIT**

In August 2012, the CIC invested \$125,314 in a certificate of deposit (CD). The CD has renewed twice and currently has an interest rate of 1.49%, with a maturity date of June 29, 2023. It has a balance of \$140,125 as of December 31, 2021.

In October, 2014, the CIC invested \$254,293 in a second CD. This CD was renewed in 2021 and currently has an interest rate of 0.25%, with a maturity date of October, 2023. It has a balance of \$175,982 as of December 31, 2021. The total investment interest on the CD's was \$2,511 at December 31, 2021.

**3. LIQUIDITY AND AVAILABILITY OF RESOURCES**

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

Cash and Cash Equivalents, Without Donor Restrictions	\$ 82,058
Cash and Cash Equivalents, With Donor Restrictions	47,802
Notes Receivable, Current	<u>56,704</u>
Subtotal financial assets, at year end	<u><u>186,564</u></u>
Less those unavailable for general expenditures within one year due to:	
Proceeds and Cumulative Funds for Revolving Loan Accounts	<u>(77,867)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u><u>\$ 108,697</u></u>

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(CONTINUED)**

**4. LONG-TERM DEBT**

A summary of long-term debt payable at December 31, 2021 is as follows:

A commercial mortgage of \$1,300,000 with Vinton County National Bank was obtained December 21, 2017, for the purchase of a commercial building. Payments are currently \$7,878 per month, with an annual interest rate of 4%. The loan is secured by the real estate. \$ 1,114,482

A commercial mortgage of \$200,000 with the Vinton County National Bank, obtained November 23, 2020 for building improvements. Payments of \$1,139 per month in 2021; maturing in 2040. Interest is at a variable rate starting at 3.25% per annum, which is not to change more frequently than once every 60 months. 190,069

A commercial mortgage of \$1,918,000 with The Citizens Bank of Logan was obtained June 2, 2003, for the construction of a medical office building. This loan was re-financed with Vinton County Bank for 20 years at 3.75% in 2013, maturing in 2033; the interest rate was adjusted to 5.00% in 2021. Payments are currently \$6,253 per month, though additional principal payments are being made. The loan is secured by real estate, furniture and fixtures. 621,813

Total Debt \$ 1,926,364

Less: Current Maturities (115,550)

Long-Term Debt \$ 1,810,814

Current maturities of long-term debt for the five years subsequent to December 31, 2021 are as follows:

2022	\$	115,550
2023		119,768
2024		124,127
2025		128,677
2026		133,380
Thereafter		<u>1,304,862</u>
Total	\$	<u><u>1,926,364</u></u>

**5. INVESTMENT IN JOINT VENTURE**

On May 20, 2021 the CIC contributed \$200,000 along with approximately 12.4 acres of real estate with an estimated fair market value of \$174,432 in exchange for 38 class B units representing 35% and 20 class C units representing 18% of the equity interests of MBS Logan, LLC (MBSL). The purpose of MBSL is to construct and operate a 50,000 square foot building on the real estate contributed by the CIC. Construction of this building is expected to be completed in March 2022.

The CIC is accounting for this investment under the equity method. The estimated fair market value of the real estate at the time of contribution is the carrying value on the balance sheet. As of December 31, 2021, the balance of the investment is \$344,644 after MBSL reported a \$29,788 loss to CIC for the year.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(CONTINUED)**

**6. BUILDINGS**

The CIC owns five (5) commercial buildings that currently have space being rented or available for rent.

EPA Building

The CIC completed the construction of the office building located at 2195 E. Front Street in 1973. The capitalized cost of this building at December 31, 2021, was \$815,445 and the accumulated depreciation at December 31, 2021 was \$253,576.

The Ohio Environmental Protection Agency has leased the entire building since October 2004. The current lease carries an annual base rent of \$460,234, payable in quarterly installments and is set to expire June 30, 2025. The Ohio Environmental Protection Agency has no option to purchase this property and the lease is considered an operating lease.

Medical Office Building

The CIC completed the construction of the medical office building located at 541 State Route North in 2004. The total capitalized cost of this building at December 31, 2021 was \$2,517,941, and the accumulated depreciation at December 31, 2021 was \$1,103,273.

Hocking Valley Community Hospital has occupied a portion of the building since September 2004. The current lease carries an annual base rent of \$163,121, payable in monthly installments and is set to expire March 31, 2023. Hocking Valley Community Hospital has no option to purchase this property and the lease is considered an operating lease.

Hopewell Health Centers, Inc., formerly Tri-County Mental Health and Counseling Services, Inc., has occupied a portion of the building since August 2004. The initial lease was for a ten-year period and was extended in 2014 through March 2024, at a base annual rent of \$166,680. Hopewell Health Centers, Inc. has no option to purchase this property and the lease is considered an operating lease.

Weghorst Building

The CIC acquired the building at 70-98 West Main Street in 2015. The total capitalized cost of this building at December 31, 2021 was \$570,605, and the accumulated depreciation at December 31, 2021 was \$70,970.

Flowers by Darlene has occupied a portion of the building since June 2005. The lease was extended in 2020 through June 2022, with an option to renew for 36 additional months at a base annual rent of \$18,000. Flowers by Darlene has no option to purchase this property and the lease is considered an operating lease.

11 W. Main Building

The CIC acquired the building located at 11 West Main Street in 2017. The total capitalized cost of this building at December 31, 2021 was \$330,483, and the accumulated depreciation at December 31, 2021 was \$26,068.

PNC Bank has occupied a portion of the building since February 2000. The current lease addendum extends the lease through January 2025, at a base annual rent of \$54,300 with one five-year option to renew at a base annual rent of \$59,730. PNC Bank has no option to purchase this property and the lease is considered an operating lease.

Hocking County Insurance Agency has occupied a portion of the building since January 2017. The current lease is for a two-year period through December 2022, with no option to renew at a base annual rent of \$10,800. Hocking County Insurance Agency has no option to purchase this property and the lease is considered an operating lease.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(CONTINUED)**

**6. BUILDINGS (CONTINUED)**

In June 2021 Chef Moe's on the Go, LLC signed a lease to occupy approximately 4,320 square feet of basement space. The lease is for 3 years at \$67,003 per year, payable in monthly installments of \$5,584, with no option for renewal. Chef Moe's has no option to purchase this space and the lease is considered an operating lease.

Rokeith Building

The CIC acquired the building located at 30260 Industrial Park Drive in December 2017. The total capitalized cost of this building at December 31, 2021 was \$1,343,077, the accumulated depreciation at December 31, 2021 was \$101,744.

Rat Tactical, LLC renewed its lease for a portion of this building commencing November 1, 2021. Annual rent payments amount to \$20,400 and are payable in monthly installments. The tenant has the right to extend the lease on a year to year basis upon the end of the initial three-year term which ends October 31, 2024. Early termination of this lease may be requested if Rat Tactical's primary customer (Rogue Fitness) is lost. Upon such happening, the CIC has promised to negotiate fair and equitable termination terms. Rat Tactical has no option to purchase this space and the lease is considered an operating lease.

Sunshine Beverage Company entered into a lease agreement for a portion of this building on March 26, 2018. Annual rental payments amount to \$22,716 and are payable in monthly installments. The initial term is for five years ending July 1, 2023 and holds an annual rent inflation clause that cannot exceed three percent annually. At the end of the initial lease term Sunshine Beverage has an option to extend the lease on a year-to-year basis. Sunshine Beverage has no option to purchase this space and the lease is considered an operating lease.

The Mennel Milling Company entered into a lease agreement for a portion of this building on April 9, 2019; and expanded the portion of the building through an amendment on September 10, 2019. The initial term is 12 months commencing June 1, 2019 and ending May 31, 2020; unless terminated earlier as provided in the lease. Mennel has the right to extend the lease term annually through May 31, 2024. Annual rent is \$34,716 and is payable in monthly installments of \$2,893. Mennel Milling Company has no option to purchase this space and the lease is considered an operating lease.

**7. OTHER LEASE INCOME**

On May 31, 2019, the CIC entered into a lease with ViaSat Inc. for a 20' by 25' space to construct a satellite access node at Commerce Park. The initial terms of the lease are three (3) years commencing September 1, 2019 and ending August 31, 2022; with six (6) automatic renewal terms of three (3) years each; unless terminated earlier.

The CIC leases a building located on Sutton Road in Logan. The CIC subleases the property to Jeremias, Inc.: a manufacturer of industrial exhaust systems. Base annual rent is \$8,400, payable in monthly installments of \$700. Jeremias is also responsible for any increase in the CIC's general public liability insurance premiums. The lease specifically makes clear title to the property remains with the city of Logan.

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(CONTINUED)**

**8. FUTURE MINIMUM RENT INCOME**

Future minimum lease receipts expected under current operating leases as of December 31, 2021 are as follows:

2022	\$ 1,021,295
2023	918,309
2024	701,941
2025	609,928
2026	616,728
Thereafter	555,552
Total	<u><u>\$ 4,423,753</u></u>

**9. CURRENT VULNERABILITY DUE TO CONCENTRATIONS**

The CIC derives all of its lease income from lessees who are located in the Logan-Hocking County area.

**10. INDUSTRIAL PARK DEVELOPMENT COSTS**

The CIC completed this land development project during 2005. Since then, there have been several tracts of land sold. The industrial park offers opportunities for mixed-use development, and has just over 33 acres remaining available for sale. During 2021, the CIC contributed land with an estimated fair market value of \$174,432 to MBSL as previously disclosed. There were no other sales, nor additional development during the year ending December 31, 2021.

**11. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 29, 2023, the date on which the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen within the U.S. and global economies. There could be financial impacts to the organization, though such impact is unknown at this time.

**12. COMPENSATED ABSENCES**

Employees of the CIC are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is not practical for the CIC to estimate the amount of compensation for future absences. Accordingly, no liability for compensated absences has been recorded in the accompanying financial statements. The CIC's policy is to recognize the costs of compensated absences when actually paid to employees.

**13. FUNCTIONAL EXPENSES**

The costs of providing program services and other activities have been summarized on a functional basis in the statement of functional expenses. No costs have been allocated between program services and management and general expenses. Management diligently classifies an expense according to its functional purpose. The CIC has not engaged in any fundraising activities during the 2021 year.

**14. CONSTRUCTION IN PROGRESS**

During 2021, the CIC entered into a \$1,636,000 contract with Lepi Enterprises to remodel the 11 West Main Street building. A Construction in Progress (CIP) asset account was set up to report amounts paid to date on this contract. As of December 31, 2021, the balance of this account was \$285,547.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Hocking County Community Improvement Corporation  
Hocking County  
30260 Industrial Park Drive  
Logan, Ohio 43138

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Hocking County Community Improvement Corporation**, Hocking County, (the Corporation) (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated June 29, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

June 29, 2023

**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Finding Number	Finding Summary	Status	Additional Information
2020-001	Maintenance of Capital Asset Schedule	Corrected	N/A

# OHIO AUDITOR OF STATE KEITH FABER



**HOCKING COUNTY COMMUNITY IMPROVEMENT CORPORATION**

**HOCKING COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 11/14/2023**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)