

JOBSONHIO

(A Component Unit of the State of Ohio)

Basic Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

Table of Contents

	Page(s)
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 9
Basic Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Basic Financial Statements	13 - 43

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of JobsOhio

We have audited the accompanying financial statements of JobsOhio, a component unit of the State of Ohio, (the "Entity") as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JobsOhio as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

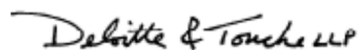
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole that collectively comprise the JobsOhio basic financial statements. The supplemental combining schedules for 2021 and 2020 are presented for the purpose of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and are not a required part of the basic financial statements.

This supplemental combining information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the supplemental combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



September 28, 2021

JOBSOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis

June 30, 2021 and 2020

(In thousands)

The management of JobsOhio offers this narrative overview and analysis of the financial activities of JobsOhio for the fiscal year ended June 30, 2021 and 2020. The information presented in this overview and analysis should be considered in conjunction with JobsOhio's basic financial statements, which follow this material. Financial statements prepared by JobsOhio include its component units, JobsOhio Growth Capital ("JOGC") and JobsOhio Beverage System ("JOBS"), however the following information is solely based on JobsOhio's financial activities and is presented in a non-blended format. Management's discussion and analysis of JOBS is included in that corporation's separately issued basic financial statements.

Financial Highlights

- Total assets increased 10% in the fiscal year ended June 30, 2021 from \$907,157 in the fiscal year ended June 30, 2020 to \$999,163 in the fiscal year ended June 30, 2021. Total assets increased 4% in the fiscal year ended June 30, 2020 from \$875,969 in the fiscal year ended June 30, 2019 to \$907,157 in the fiscal year ended June 30, 2020.
- Total liabilities increased 92% in the fiscal year ended June 30, 2021 from \$116,511 in the fiscal year ended June 30, 2020 to \$223,812 in the fiscal year ended June 30, 2021. Total liabilities increased 26% in the fiscal year ended June 30, 2020 from \$92,795 in the fiscal year ended June 30, 2019 to \$116,511 in the fiscal year ended June 30, 2020.
- Operating and non-operating revenues decreased 4% in the fiscal year ended June 30, 2021 when compared to the same time period one-year prior from \$294,809 in the fiscal year ended June 30, 2020 to \$284,388 in the fiscal year ended June 30, 2021. Operating and non-operating revenues decreased 22% in the fiscal year ended June 30, 2020 when compared to the same time period one year prior from \$375,608 in the fiscal year ended June 30, 2019 to \$294,809 in the fiscal year ended June 30, 2020.
- Total operating expenses increased 4% in the fiscal year ended June 30, 2021 when compared to the same time period one-year prior from \$287,337 in the fiscal year ended June 30, 2020 to \$299,683 in the fiscal year ended June 30, 2021. Total operating expenses increased 77% in the fiscal year ended June 30, 2020 when compared to the same time period one year prior from \$162,107 in the fiscal year ended June 30, 2019 to \$287,337 in the fiscal year ended June 30, 2020.

Overview

JobsOhio is a 501(c)(4) non-profit organization formed under chapters 1702 and 187 of the Ohio Revised Code to promote economic development, job creation, job retention, job training, and the recruitment of business to the state of Ohio (State). JobsOhio is the sole member of JobsOhio Growth Capital, which makes debt and equity investments in companies with operations in Ohio. JobsOhio is also the sole member of the JobsOhio Beverage System, which operates the franchise for the sale of spirituous liquor throughout the State. The purchase was financed in fiscal year 2013 by JOBS' issuance of \$1,510,685 of special obligation bonds.

The Franchise and Transfer Agreement ("Transfer Agreement") calls for JOBS to pay the State an annual "Supplemental Payment" as additional consideration for the liquor enterprise, when profits of the franchise exceed a predetermined level. The Supplemental Payment to the State is based upon a formula specified in the Transfer Agreement and is paid based on results of the fiscal year. In accordance with this provision, JOBS recorded Supplemental Payment expense of \$125,820 and \$71,218, respectively, for the fiscal years ended June 30, 2021 and 2020. The final payment amount due to the State is calculated at the conclusion of the fiscal year.

JOBSOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis

June 30, 2021 and 2020

(In thousands)

During the fiscal years ended June 30, 2021 and 2020, JobsOhio received grants and contributions from JOBS totaling \$265,000 and \$255,000, respectively. These grants comprise funding from operating income of the liquor franchise by JOBS and proceeds of the bond issue.

Discussion of Basic Financial Statements

The activities of JobsOhio are accounted for on a fiscal year basis, comprising 12 calendar months ending June 30 of each year. These activities are accounted for as an enterprise fund, reporting all financial activity, assets, and liabilities using the accrual basis of accounting in the same manner as with private sector businesses. Financial statements prepared by JobsOhio include its component units, JOGC and JOBS, and include the blended statements of net position; statements of revenues, expenses, and changes in net position; statements of cash flows and the related notes. This information is also presented in a non-blended format in the notes to basic financial statements.

The statements of net position provide information about assets and liabilities and reflects the financial position at fiscal year-end. The statements of revenues, expenses, and changes in net position reports the revenue activity and the expenses related to such activity for the quarter and current fiscal year to date. The statements of cash flows outline the cash inflows and outflows for the current fiscal year to date. These statements provide current and long-term information about JobsOhio's financial position.

The financial statements also include notes that provide additional information essential to a full understanding of the information provided in the statements.

JOB SOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis

June 30, 2021 and 2020

(In thousands)

Financial Analysis

Net Position

	June 30, 2021	June 30, 2020
Assets:		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 135,638	\$ 39,491
Investments at fair value	665,663	724,121
Loans	9,328	8,179
Receivables, net of allowance for uncollectable accounts	4,681	2,778
Prepaid expenses	1,443	1,343
Due from related entities	1,778	306
Total current assets	<u>818,531</u>	<u>776,218</u>
Long-term assets:		
Equity method investments	52,770	-
Other long-term investments	11,973	-
Loans, net of loss allowance	114,124	129,059
Capital assets, net of accumulated depreciation	1,755	1,880
Intangible asset - trademark, net of amortization	10	-
Total long-term assets	<u>180,632</u>	<u>130,939</u>
Total assets	<u>999,163</u>	<u>907,157</u>
Liabilities:		
Current liabilities:		
Accounts payable	6,969	4,137
Accrued liabilities - current portion	195,793	111,575
Community bank loan guarantee - current portion	487	350
Capital lease payable - current portion	25	23
Total current liabilities	<u>203,274</u>	<u>116,085</u>
Long-term liabilities:		
Accrued liabilities	20,000	-
Community bank loan guarantee	487	355
Capital lease payable	51	71
Total long-term liabilities	<u>20,538</u>	<u>426</u>
Total liabilities	<u>223,812</u>	<u>116,511</u>
Net position:		
Net investment in capital assets	1,755	1,880
Unrestricted	773,596	788,766
Total net position	<u>\$ 775,351</u>	<u>\$ 790,646</u>

JOBSOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis

June 30, 2021 and 2020

(In thousands)

Current assets consist of cash in demand deposits, investments, prepaid expenses, receivables due from JOBS and JOGC, as well as outstanding principal from loans to promote economic development due within the following twelve months. Current assets increased 5% in the fiscal year ended June 30, 2021 from \$776,218 in the fiscal year ended June 30, 2020 to \$818,531 in the fiscal year ended June 30, 2021, which was primarily due to funds received from JOBS for grants to support JobsOhio's mission. Current assets decreased 2% in the fiscal year ended June 30, 2020 from \$790,465 in the fiscal year ended June 30, 2019 to \$776,218 in the fiscal year ended June 30, 2020, which was primarily due to a decreased cash balance.

Long-term assets consist of investment in subsidiary company and other investments, outstanding principal from loans made for economic development programs due after the following twelve months, software, furniture, equipment and leasehold improvements, as well as an intangible asset for a trademark. Long-term assets increased 38% the fiscal year ended June 30, 2021 from \$130,939 in the fiscal year ended June 30, 2020 to \$180,632 in the fiscal year ended June 30, 2021, which was primarily due to assets related to JobsOhio's loan programs, including innovation loans that converted to equity during the period. Long-term assets increased 53% in the fiscal year ended June 30, 2020 from \$85,504 in the fiscal year ended June 30, 2019 to \$130,939 in the fiscal year ended June 30, 2020, which was primarily due to assets related to JobsOhio's loan programs.

Current liabilities represent accounts payable and accrued liabilities, as well as amounts due within the following twelve months for a capital lease. Current liabilities increased 75% in the fiscal year ended June 30, 2021 from \$116,085 in the fiscal year ended June 30, 2020 to \$203,274 in the fiscal year ended June 30, 2021. Current liabilities increased 25% in the fiscal year ended June 30, 2020 from \$92,708 in the fiscal year ended June 30, 2019 to \$116,085 in the fiscal year ended June 30, 2020. These changes in current liabilities are primarily due to increases in grants that JobsOhio has awarded to companies to promote economic development in the State in support of its mission.

Long-term liabilities consist of amounts due for capital leases and accrued liabilities after the following twelve months, as well as an economic development program designed to support community banks. Long-term liabilities increased 4,721% in the fiscal year ended June 30, 2021 from \$426 in the fiscal year ended June 30, 2020 to \$20,538 in the fiscal year ended June 30, 2021, which was primarily due to grants that JobsOhio has awarded that will be paid out after the following twelve months. Long-term liabilities increased 390% in the fiscal year ended June 30, 2020 from \$87 in the fiscal year ended June 30, 2019 to \$426 in the fiscal year ended June 30, 2020, which was primarily due to the addition of an economic development program to support community bank loans.

Net position decreased by \$15,295 for the fiscal year ended June 30, 2021, from a net position of \$790,646 in the fiscal year ended June 30, 2020 to a net position of \$775,351 as of the fiscal year ended June 30, 2021. Net position increased by \$7,472 for the fiscal year ended June 30, 2020, from a net position of \$783,174 in the fiscal year ended June 30, 2019 to a net position of \$790,646 as of the fiscal year ended June 30, 2020. The changes in net position are primarily due JobsOhio's economic development programs and the amount of grant funds received from JOBS.

JOB SOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis

June 30, 2021 and 2020

(In thousands)

Revenues, Expenses, and Changes in Net Position

The following is a summary of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2021 and 2020:

	Year Ended June 30, 2021	Year Ended June 30, 2020
Operating revenues:		
Interest income - loans	\$ 4,972	\$ 2,090
Fees and other	9,879	8,266
Total operating revenues	<u>14,851</u>	<u>10,356</u>
Operating expenses:		
Economic development programs	210,001	233,138
Salaries and benefits	19,060	16,537
Economic development purchased services	14,181	13,270
Professional services	16,229	8,522
Insurance	263	223
Administrative and support	7,323	4,781
Marketing	32,626	10,907
Other	-	(41)
Total operating expenses	<u>299,683</u>	<u>287,337</u>
Operating loss	<u>(284,832)</u>	<u>(276,981)</u>
Nonoperating revenues:		
Grants	265,000	255,000
Investment income	4,537	29,453
Total nonoperating revenues	<u>269,537</u>	<u>284,453</u>
Change in net position	(15,295)	7,472
Net position, beginning of year	<u>790,646</u>	<u>783,174</u>
Net position, end of year	<u>\$ 775,351</u>	<u>\$ 790,646</u>

JOBSOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis

June 30, 2021 and 2020

(In thousands)

The primary source of revenue for JobsOhio is grants from JOBS, however JobsOhio also earns revenue from its investments, as well as interest on loans made for economic development programs. For the fiscal year ended June 30, 2021, total operating and nonoperating revenues were \$284,388, a decrease of \$10,421 over the same time period one-year prior of \$294,809. This change is primarily due to a decrease in the amount of investment income due to market fluctuations. For the fiscal year ended June 30, 2020, total operating and nonoperating revenues were \$294,809, a decrease of \$80,799 over the same time period one year prior of \$375,608. This change is primarily due to a decrease in the amount of grant revenue received from JOBS compared to the amount received in the prior year.

Operating expenses increased by \$12,346 in the fiscal year ended June 30, 2021, from \$287,337 in the fiscal year ended June 30, 2020 to \$299,683 in the fiscal year ended June 30, 2021. This change is primarily due to a change of expense in grant funds, as well as increases in professional services and marketing expense. Operating expenses increased by \$125,230 in the fiscal year ended June 30, 2020, from \$162,107 in the fiscal year ended June 30, 2019 to \$287,337 in the fiscal year ended June 30, 2020. This change was primarily due to an increase in the amount of grants issued as part of JobsOhio's mission and reported as economic development program expense.

JobsOhio experienced a change in net position of (\$15,295) in the fiscal year ended June 30, 2021, which was a decrease of \$22,767 from the change in net position as of June 30, 2020 of \$7,472. JobsOhio experienced a change in net position of \$7,472 in the fiscal year ended June 30, 2020, which was a decrease of \$206,029 from the change in net position as of June 30, 2019 of \$213,501. The major factor affecting these changes was the amount of economic development program grants issued to support JobsOhio's mission.

Capital Asset Activity

Capital asset additions of \$725 in the fiscal year ended June 30, 2021 were due to expenses related to a new website. Capital asset additions of \$1,410 in the fiscal year ended June 30, 2020 were due to expenses related to a new website, as well as capital office expenses. Refer to pages 27-28 of the notes to the financial statements for further information on capital assets.

JobsOhio Growth Capital

JobsOhio Growth Capital ("JOGC") was formed as a nonprofit limited liability company on April 15, 2021, pursuant to and in accordance with Chapter 1705 of the Ohio Revised Code, as amended from time to time, and as superseded by Chapter 1706 of the Ohio Revised Code effective January 1, 2022 (the "LLCA"), with JobsOhio as the sole member. The purpose of JOGC is to make debt and equity investments in companies with operations in Ohio through the JobsOhio Growth Capital Program, to operate other programs supporting economic development in Ohio, and to engage in any lawful act or activity for which limited liability companies may be formed under the LLCA and to engage in any and all necessary or incidental activities, in all cases that support the not-for-profit purposes and activities of JobsOhio. JobsOhio made an initial investment in JOGC in the fiscal year ended June 30, 2021 of \$52,770, which is reported as equity method investments on the Statements of Net Position.

JOBSOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis

June 30, 2021 and 2020

(In thousands)

Requests for Information

This report is designed to provide a general overview of JobsOhio's finances. The report of its component unit JOBS is issued separately by that corporation. Questions concerning information presented in this report should be addressed to Brian Faust, Chief Financial Officer, JobsOhio at faust@jobsOhio.com.

JOB SOHIO
(A Component Unit of the State of Ohio)

Statements of Net Position

June 30, 2021 and 2020

(In thousands)

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Assets:		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 179,723	\$ 53,184
Cash and cash equivalents - restricted	229,444	214,201
Investments at fair value	666,350	724,121
Inventory	94,012	87,830
Loans	9,328	8,179
Receivables, net of allowance for uncollectable accounts	6,453	4,682
Prepaid expenses	13,249	6,010
Total current assets	<u>1,198,559</u>	<u>1,098,207</u>
Long-term assets:		
Other long-term investments	17,283	-
Accounts receivable - long-term	58,849	42,263
Loans, net of loss allowance	117,499	129,059
Capital assets, net of accumulated depreciation	8,484	2,965
Intangible asset - liquor franchise, net of amortization	915,349	970,546
Intangible asset - trademark, net of amortization	16	5
Total long-term assets	<u>1,117,480</u>	<u>1,144,838</u>
Total assets	<u>2,316,039</u>	<u>2,243,045</u>
Deferred outflow of resources:		
Deferred outflow on bond defeasance	17,448	29,080
Total deferred outflow of resources	<u>17,448</u>	<u>29,080</u>
Liabilities:		
Current liabilities:		
Accounts payable	29,721	55,179
Accrued liabilities - current portion	364,732	220,669
Special obligation bonds payable - current portion	52,460	51,880
Bond interest payable	22,969	22,779
Community bank loan guarantee - current portion	487	350
Capital lease payable - current portion	25	23
Total current liabilities	<u>470,394</u>	<u>350,880</u>
Long-term liabilities:		
Special obligation bonds payable	1,193,690	1,259,577
Accrued liabilities	20,000	-
Community bank loan guarantee	487	355
Capital lease payable	51	71
Total long-term liabilities	<u>1,214,228</u>	<u>1,260,003</u>
Total liabilities	<u>1,684,622</u>	<u>1,610,883</u>
Net position:		
Net investment in capital assets	8,484	2,965
Unrestricted	640,381	658,277
Total net position	<u>\$ 648,865</u>	<u>\$ 661,242</u>

See accompanying notes to financial statements

JOB SOHIO
(A Component Unit of the State of Ohio)

Statements of Revenues, Expenses, and Changes in Net Position

June 30, 2021 and 2020

(In thousands)

	<u>Year ended June 30, 2021</u>	<u>Year ended June 30, 2020</u>
Operating revenues:		
Net liquor sales	\$ 1,672,571	\$ 1,433,432
Less: wholesale rebates	(1,202)	(3,223)
Distribution center revenue	9,009	7,808
Interest income - loans	5,001	2,090
Fees and other	525	277
	<u>1,685,904</u>	<u>1,440,384</u>
Total operating revenues		
Operating expenses:		
Cost of goods sold	980,893	843,928
Sales commissions	107,332	91,622
Liquor gallonage taxes	57,705	54,034
Amortization of intangible asset - liquor franchise	55,197	55,197
Service fees	15,601	16,104
Supplemental Payment	125,820	71,218
Economic development programs	210,001	233,138
Salaries and benefits	19,060	16,537
Economic development purchased services	14,181	13,270
Professional services	24,562	16,582
Insurance	699	626
Administrative and support	14,092	8,810
Marketing	32,626	10,907
Other	205	158
	<u>1,657,974</u>	<u>1,432,131</u>
Total operating expenses		
Operating income	<u>27,930</u>	<u>8,253</u>
Nonoperating revenues (expenses):		
Bond interest, net	(44,926)	(48,472)
Investment income	4,603	29,453
Other, net	16	429
	<u>(40,307)</u>	<u>(18,590)</u>
Total nonoperating revenues (expenses)		
Change in net position	<u>(12,377)</u>	<u>(10,337)</u>
Net position, beginning of year	661,242	671,579
Net position, end of year	<u><u>\$ 648,865</u></u>	<u><u>\$ 661,242</u></u>

JOB SOHIO
(A Component Unit of the State of Ohio)

Statements of Cash Flows

June 30, 2021 and 2020

(In thousands)

	2021	2020
Cash flows from operating activities:		
Receipts from fees and other	\$ 3,247	\$ 2,740
Receipts from customers	1,671,614	1,430,568
Receipts from suppliers	8,923	7,471
Payments to employees	(19,105)	(16,115)
Payments to suppliers	(1,090,811)	(876,292)
Payments for economic development programs	(96,596)	(256,780)
Payments for commissions	(105,205)	(79,187)
Receipts from sales taxes	107,184	90,640
Payments for sales tax collections to State and county	(107,338)	(88,101)
Payments for gallongage tax collections to State	(57,637)	(53,386)
Payments for servicing fees	(22,312)	(18,460)
Payments for Supplemental Payment to State	(71,218)	(56,495)
Net cash provided by operating activities	220,746	86,603
Cash flows from noncapital financing activities:		
Payments for other nonoperating expenses	(19,292)	(39,827)
Net cash used in noncapital financing activity	(19,292)	(39,827)
Cash flows from capital and related financing activities:		
Bond issuance proceeds	-	371,025
Payments for bond issuance costs	1	(1,763)
Defeasance of bond principal	-	(335,970)
Payment for deferred outflow of defeased bond interest	-	(34,896)
Payments for bond principal	(51,880)	(46,720)
Acquisition of capital assets	(6,385)	(1,540)
Payments for capital lease	(18)	(20)
Payments for bond interest	(46,530)	(55,893)
Net cash used in capital and related financing activities	(104,812)	(105,777)
Cash flows from investing activities:		
Conversion of loans to equity	(17,399)	-
Loan conversion proceeds	(505)	-
Dividends and interest income	17,773	19,379
Purchases of investments	(561,967)	(211,890)
Proceeds from maturities of investments	607,238	214,155
Net cash provided by investing activities	45,140	21,644
Net increase (decrease) in cash and cash equivalents	141,782	(37,357)
Cash and cash equivalents, beginning of year	267,385	304,742
Cash and cash equivalents, end of year	\$ 409,167	\$ 267,385
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 27,930	\$ 8,253
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Amortization of intangible asset - liquor franchise	55,197	55,197
Increase in intangible asset - trademark	(11)	(6)
Depreciation and amortization expense	1,359	749
Decrease (increase) in loans	25,912	(61,599)
Increase (decrease) in loan valuation allowance	(15,501)	16,495
Increase in inventory	(6,182)	(3,160)
(Increase) decrease in receivables, net of allowance for doubtful accounts	(1,771)	135
Increase in prepaid expenses	(7,239)	(2,501)
(Decrease) increase in accounts payable	(23,425)	31,829
Increase in community bank guarantee	269	705
Increase in accrued liabilities	164,208	40,506
Total adjustments	192,816	78,350
Net cash provided by operating activities	\$ 220,746	\$ 86,603
Noncash capital and related financing activities:		
Purchases of capital assets on account	\$ 625	\$ 133
Amortization of bonds payable	\$ 1,795	\$ 2,253

See accompanying notes to financial statements

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

(1) Summary of Significant Accounting Policies

(a) Organization

JobsOhio was formed under the laws of the state of Ohio (“State”) and was established to encourage business development in the State. JobsOhio was incorporated on July 5, 2011, as a nonprofit corporation under Chapters 1702 and 187, Revised Code, to promote economic development, job creation, job retention, job training, and the recruitment of business to Ohio. JobsOhio is governed by a Board of Directors appointed by the Governor of Ohio.

The accompanying financial statements include the accounts of JobsOhio Growth Capital (“JOGC”) and JobsOhio Beverage System (“JOBS”), its component units (collectively the “Entity”). JOGC and JOBS are considered blended component units of JobsOhio.

JOGC was formed as a nonprofit limited liability company on April 15, 2021, pursuant to and in accordance with Chapter 1705 of the Ohio Revised Code, as amended from time to time, and as superseded by Chapter 1706 of the Ohio Revised Code effective January 1, 2022 (the “LLCA”), with JobsOhio as the sole member. The purpose of JOGC is to make debt and equity investments in companies with operations in Ohio through the JobsOhio Growth Capital Program, to operate other programs supporting economic development in Ohio, and to engage in any lawful act or activity for which limited liability companies may be formed under the LLCA and to engage in any and all necessary or incidental activities, in all cases that support the not-for-profit purpose and activities of JobsOhio.

JOBS is governed by a Board of Directors appointed by JobsOhio as the sole member of JOBS. JOBS, previously known as the Ohio Business Development Coalition (“OBDC”), was incorporated on June 3, 2004, as a nonprofit corporation under Chapter 1702, Revised Code, for the promotion of business and economic development in the State. On July 6, 2011, by action of its Board of Directors, the OBDC amended its Articles of Incorporation to transfer control of OBDC to JobsOhio. The Internal Revenue Service determined that JOBS qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code for federal income tax purposes.

On February 1, 2013, JOBS effected a major change in its business model, acquiring an exclusive 25-year franchise for the sale of spirituous liquor in the State to fund economic development activities by JobsOhio, its sole member. See note 1(u), below, for information on this transaction.

The accounting policies and financial reporting practices of JobsOhio, JOGC, and JOBS conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units.

(b) Basic Financial Statements

As a special-purpose primary reporting entity engaged only in business-type activities, JobsOhio presents financial statements required for enterprise funds. For such entities, the basic financial statements

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

include the statements of net position; statements of revenues, expenses, and changes in net position; statements of cash flows; and notes to basic financial statements.

(c) Measurement Focus and Basis of Accounting

The Entity reports its financial statements using the economic resources measurement focus (i.e., full accrual) and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

(d) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Cash and Cash Equivalents

Cash equivalents includes all demand deposits with commercial banks and money market accounts, as well as all short-term, highly liquid investments that are readily convertible to cash and all short-term debt securities purchased with an original maturity of three months or less. Cash equivalents include money market investment funds in overnight investments.

(f) Restricted Assets

In accordance with a Master Trust Indenture and related agreements associated with JOBS' bond issuance, separate restricted accounts are required to be established. Assets held in these accounts are restricted for specific uses, including debt service and other special reserve requirements.

(g) Investments

Investments are reported at fair value. Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian. Accordingly, changes in fair value are included in net income in the period earned.

(h) Other long-term investments

Other long-term investments represent equity holdings in unrelated companies. These holdings were originally recognized as loan receivable balances and converted to investments upon borrowers achieving certain criteria.

(i) Inventory

The Entity's inventory of spirituous liquor consists of inventory withdrawn from bailment for shipment to

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

agency stores, inventory in transit in commercial carriers, and inventory in agency stores. Inventory is valued at the lower of cost or net realizable value with costs determined using the first-in, first-out method ("FIFO"). The costs of liquor product, warehouse services, transportation services, and transfer movements are reported as part of merchandise inventory and are charged to cost of goods sold as product is sold.

In the business model used by the Entity, spirituous liquor inventory is purchased at warehouses, transported by freight companies under contract to the Entity, and delivered to agency stores. Although the freight companies and the agency stores contractually assume the risk of loss, the ultimate risk of loss remains with the Entity. Legal title to the inventory is held by the Entity to the point of sale by the agency stores, which collect sale proceeds as agents for the Entity and make daily remittances to the Entity. A commission for the sales is subsequently paid to the agency stores by the Entity.

In regard to a subset of agency stores known as "interim agency stores," under the terms of the Franchise and Transfer Agreement ("Transfer Agreement"), at the point inventory is delivered to an interim agency store, title to such inventory transfers to the Ohio Division of Liquor Control on a cost-free basis. However, the economic substance of such transactions does not differ from that for regular agency stores. On the basis of the Entity's contractual rights and the status of the interim agency stores as agents of the Entity, such inventory is considered an asset of the Entity, is reported as inventory on the Entity's statements of net position, and upon sale the cost of such inventory is included in cost of goods sold. Inventory at interim agency stores as of June 30, 2021 and 2020 was \$18,706 and \$17,593, respectively.

(j) Loans

Loans are carried at the unpaid principal balance outstanding, less the allowance for estimated loan losses. They are included in current assets, except for maturities greater than twelve months after the statements of net position date, which are classified as long-term assets.

(k) Allowance for Loan Losses

The allowance for loan losses is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating future loan losses. Management's estimate considers such factors as the payment history of the loans, guarantees, historical loss experience, and overall economic conditions. Based on the review of the factors, an amount is calculated and a provision is made to reflect the estimated balance. While management uses available information to recognize losses, future adjustments to the allowance may be necessary based on changes in economic conditions. At June 30, 2021 and 2020, the amount of allowance for loan losses was \$3,919 and \$19,420, respectively, and is reported in the Entity's statements of net position as part of "loans, net of loss allowance".

(l) Receivables

Receivables are reported at the actual outstanding balance, less the allowance for uncollectable accounts. Interest is not accrued on overdue receivables.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

(m) Allowance for Uncollectable Accounts

The allowance for uncollectable accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating future uncollectable accounts. Management's estimate considers such factors as inventory reconciliation and historical experience. Based on the review of the factors, an amount is calculated and a provision is made to reflect the estimated balance. While management uses available information to recognize losses, future adjustments to the allowance may be necessary. At June 30, 2021 and 2020, the amount of allowance for uncollectable accounts was \$5,078 and \$0, respectively, and is reported in the Entity's statements of net position as part of "receivables, net of allowance for uncollectible accounts".

(n) Prepaid Expenses

Payments to vendors representing costs applicable to future accounting periods are recorded as prepaid expenses in the financial statements. The cost of prepaid expenses is recorded as expenses when consumed rather than when purchased.

(o) Amortization of Premiums

Bond premiums are recorded as an addition to bonds payable. Bond premiums are amortized using the effective-interest method over the term of the related bonds and are included as a component of interest expense.

(p) Intangible Assets

The intangible asset represents both an exclusive franchise for the sale of spirituous liquor in the State, as well as a trademarks for the OHLQ logos and slogans. The liquor franchise is amortized on a straight-line basis over the 25-year term of the franchise. Amortization expense for the liquor franchise for the fiscal years ended June 30, 2021 and 2020 was \$55,197.

(q) Capital Assets

Capital assets, which include property and equipment, are reported in the financial statements. The Entity defines capital assets as assets with an expected useful life of one year or more from the time of acquisition and a cost of five thousand dollars or more. Such assets are recorded at historical cost.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Software	3 – 5 years
Furniture and equipment	3 – 10 years
Leasehold improvements	Lesser of 10-year amortization period or lease term

(r) Net Position

Net position is displayed in three components as follows:

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

- Net investment in capital assets – represents capital assets, net of accumulated depreciation less the outstanding balances of bonds, notes, and other borrowings used to acquire, construct, or improve those assets.
- Restricted – consists of net position that is legally restricted externally by creditors, contributors, laws, or regulations or internally by enabling legislation.
- Unrestricted – consists of net position that does not meet the definition of net investment in capital assets or restricted.

The Entity's restricted assets relate to the debt service and other amounts owed as required by the debt service agreements and are reported as part of "cash and cash equivalents – restricted" on the statements of net position. However, such amounts are always less than or equal to the liabilities that are used in the calculation of the restricted assets. As a result, the restricted component of net position, as defined above, would be negative or zero, and it would be irrelevant to present this line separately if the balance is negative (deficit) or zero.

(s) Classification of Revenues and Expenses

Revenues and expenses are classified as operating or nonoperating and are recognized in the period received. Under the Entity's definition:

- "Operating revenues" includes all revenues resulting from transactions and activities, other than financing and investing activities, related to the distribution, merchandising, and sale of spirituous liquor in the State under the authority of the liquor franchise sold to the Entity by the State on February 1, 2013, as well as rebates on those sales. Included are revenues for services performed in the distribution centers related to receiving and preparing product for distribution, as well as loan application fees and loan interest.
- "Operating expenses" includes all expenses resulting from transactions and activities, other than financing and investing activities, related to the distribution, merchandising, and sale of spirituous liquor in the State under the authority of the liquor franchise sold to the Entity by the State on February 1, 2013, as well as costs that support economic development activities.

All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The Entity has initiated loan and grant programs to private businesses in the State to support economic development. For the fiscal years ended June 30, 2021 and 2020, the Entity issued grants for such purposes, reported in the Entity's statements of revenues, expenses, and changes in net position as "economic development programs" expense.

As part of the loan program, the Entity charges applicants an application fee, which is used to offset the

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

cost of having a loan agreement drafted by outside counsel. Total revenue from application fees received during the fiscal years ended June 30, 2021 and 2020 was \$216 and \$87, respectively. Revenue from application fees is included in the Entity's statements of revenues, expenses, and changes in net position as "fees and other".

(t) Risk Management/Insurance

The Entity is exposed to various risks of loss related to torts and general liability; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Entity procures commercial insurance policies for commercial crime, management liability, directors' and officers' liability, employment practices, automobile liability, employers' liability, general liability, crime, and property. No claims have been submitted against the Entity since its incorporation and no liabilities have been identified or recorded. It is the Entity's policy that liabilities are to be reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Since no claims have been submitted, settled claims have not exceeded commercial coverage.

(u) Liquor Franchise

On February 1, 2013, the Entity and the State, through the Ohio Department of Commerce and the Ohio Office of Budget and Management, entered into a Transfer Agreement. Under the terms of the Transfer Agreement, the Entity purchased from the State an exclusive franchise for the sale of spirituous liquor throughout the State. In return, the Entity transferred cash to the State and committed to Supplemental Payments (described below), to the State based upon sales of spirituous liquor by the Entity. Pursuant to the Transfer Agreement, the Entity will receive all gross revenue from the distribution, merchandising, and sale of spirituous liquor in the State.

The liquor franchise established by the Transfer Agreement terminates 25 years from February 1, 2013. During the term of the franchise, the Entity is responsible for operating the "Liquor Business", as that term is defined in the Transfer Agreement, while the State will, under contract with the Entity, perform merchandising as a contract service, and will retain all liquor regulatory functions.

"Supplemental Payments," are payments to the State based upon a formula specified in the Transfer Agreement. Beginning with the fiscal year ended June 30, 2014, if "Liquor Business Profits," as that term is defined in the Transfer Agreement, for a fiscal year exceed a threshold amount of Liquor Business Profits set for that fiscal year (Base Franchise Profits (\$326,193 for fiscal year ending June 30, 2021 and \$316,693 for fiscal year ending June 30, 2020)), then the Entity is required to make a cash payment to the State equal to 75 percent of the amount by which Liquor Business Profits exceed Base Franchise Profits. Total Supplemental Payment expense for the fiscal years ended June 30, 2021 and 2020 was \$125,820 and \$71,218, respectively.

The Entity also contemporaneously contracted with the Ohio Department of Commerce for the continued operation and management of the Liquor Business under an Operations Services Agreement ("Services

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

Agreement”). Under the Services Agreement, the Ohio Department of Commerce will provide ongoing operations, management, and administrative services related to the Liquor Business. Covered services include administrative support, tax support and reporting, information technology, agency operation and review, merchandise marketing and advertising, real property leasing, and management. Total service fees expense in the fiscal years ended June 30, 2021 and 2020, was \$15,601 and \$16,104, respectively.

Contemporaneously with the execution of the Transfer Agreement and the Services Agreement, special obligation revenue bonds were issued by the Entity under the provisions of a Master Trust Indenture and first and second Supplemental Trust Indentures, dated February 1, 2013 (collectively referred to as the “Indenture”) between the Entity and Huntington National Bank (“Trustee”). The bonds and any additional obligations are paid solely from the Trust Estate, which consists primarily of the Liquor Business Profits, the Revenue Fund, the Tax Fund, the Debt Service Fund, and Supplemental Payment Reserve Fund, maintained by the Trustee. The bonds are special, limited obligations of the Entity, payable solely from assets held in the Trust Estate, and are not general obligations of the Entity or the State.

The Entity is required to maintain certain accounts with the Trustee as specified by the Indenture. The Entity grants, assigns, pledges, and transfers to the Trustee, for the benefit of the bondholders, all right, title, and interest in the Liquor Business Profits to provide for debt service of the bonds. Funds established by the Indenture are restricted for payments of tax related to the sale of liquor, operating expenses of the Liquor Business, debt service, and Supplemental Payments to the State.

(v) Use of Restricted and Unrestricted Resources

In the event that the Entity is to fund outlays for a particular purpose from both restricted and unrestricted resources, in order to calculate the amounts to report as restricted and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Entity’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

(w) Compensated Absences

The Entity provides no paid time off to part-time employees. Full-time employees (nonexecutive) are granted paid time off in annual amounts which increase with the individual employees’ years of service on the basis of the following schedule:

<u>Years of Service</u>	<u>Annual Paid Time Off</u>
0 - 2	3 weeks
3 - 6	4 weeks
7+	5 weeks

Paid time off is not contingent upon services already rendered and no payment is made for unused paid time off at termination or retirement.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

(x) New Accounting Pronouncements

GASB Statement No. 87, *Leases*, addresses improving accounting and financial reporting for leases. The definition of a lease is a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement provides guidance for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2021. The Entity is assessing the impact of GASB Statement No. 87 to its financial statements and will implement in the timeline required by GASB. GASB Statement No. 90, *Majority Equity Interests*, defines a majority equity interest and specifies how a majority equity interest in a legally separate organization should be reported as an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. The requirements of this statement are effective for financial statements for fiscal years beginning after December 15, 2019. The Entity has implemented GASB Statement No. 90 for the financial statements for the fiscal year ended June 30, 2021, resulting in JOGC, which was established in the fiscal year ended June 30, 2021, being broken out in the combining information in note 2(e) below.

(y) Subsequent Events

The Entity has evaluated subsequent events through September 28, 2021, the date of basic financial statement issuance, to determine if any other recognition or disclosure of significant events or transactions was required. No subsequent events requiring additional disclosure were identified.

(2) Detailed Notes on Activities and Funds

(a) Assets

1. Cash Deposits and Investments with Financial Institutions

The Entity is not subject to statutory restrictions on deposits or investments on certain accounts. All deposit and investment activity is governed by a policy adopted by the Entity's Board of Directors. Cash deposits consist of amounts held in demand accounts.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Entity's deposits may not be returned. The Entity's investment policy adopted by the Board of Directors provided that the Entity minimizes credit risk as to cash deposits by prequalifying financial institutions with which the Entity will do business. Of the total bank balance at June 30, 2021 and 2020, \$750 was insured through the Federal Deposit Insurance Corporation (FDIC). The remaining \$141,903 and

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

\$78,226, respectively, was uninsured and exposed to custodial credit risk.

The Entity has a checking account that is linked to an overnight sweep account, under which total uninvested cash is automatically transferred (or swept) from the primary cash accounts into a money market mutual fund that invests primarily in short-term, high-quality, fixed-income, domestic-sourced securities issued by banks, corporations, and the U.S. government, rated in the highest short-term category or of comparable quality. The money market mutual fund was rated Aaa-mf by Moody's. The amount invested in the money market mutual fund was \$214,500 and \$171,602 at June 30, 2021 and 2020, respectively.

Certain Investments Classified as Cash Equivalents

Pursuant to the terms of the Indenture, the Transfer Agreement, and the Services Agreement, the Entity is required to comply with various covenants and requirements. All financial covenants associated with the agreements executed in connection with the franchise transaction have been fully complied with as of June 30, 2021 and 2020.

The Entity is required to maintain certain accounts with the Trustee as specified by the Indenture. The Entity grants, assigns, pledges, and transfers to the Trustee, for the benefit of the bondholders, all right, title, and interest in the Liquor Business Profits to provide for debt service of the bonds. Funds maintained in certain accounts are restricted for State tax payments, operating expenses of the Liquor Business, debt service, costs of bond issuance, and Supplemental Payments. The following funds have been established by the Indenture:

Fund	Fund custody	June 30, 2021	
		Unrestricted	Restricted
Revenue fund	Trustee	\$ -	\$ 51,268
Operations fund	Entity	-	742
Debt service fund	Trustee	-	54,446
General purpose fund	Entity	-	-
Cost of issuance	Trustee	-	-
Supplemental Payment reserve fund	Trustee	-	108,786
Total funds required by indenture		-	215,242
Cash		179,723	-
Cash held at fiscal agents		-	14,202
Other		-	-
Total cash and cash equivalents		<u>\$ 179,723</u>	<u>\$ 229,444</u>

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

Fund	Fund custody	June 30, 2020	
		Unrestricted	Restricted
Revenue fund	Trustee	\$ -	\$ 56,800
Operations fund	Entity	-	29,612
Debt service fund	Trustee	-	53,760
General purpose fund	Entity	9,572	-
Cost of issuance	Trustee	-	77
Supplemental Payment reserve fund	Trustee	-	60,965
Total funds required by indenture		9,572	201,214
Cash		39,491	-
Cash held at fiscal agents		4,118	12,987
Other		3	-
Total cash and cash equivalents		\$ 53,184	\$ 214,201

2. Cash with Fiscal Agents

As indicated in note 1(i) above, agency stores under contract with the Entity collect sale proceeds as agents for the Entity and are contractually required to segregate such proceeds and to remit them to the Entity on a daily basis. The agency stores are responsible for any risk of loss while in their possession and such amounts are typically swept into the Entity's bank accounts within two to three business days. The balance of these sale proceeds under such contractual arrangements as of June 30, 2021 and 2020 was \$14,202 and \$17,105, respectively. Custodial credit risk as to these amounts was addressed by surety bond coverage required under the contracts between the Entity and each agent.

3. Investments

The Entity is not subject to statutory restrictions on investments. The Entity's formal investment policy statement, as adopted by the Board, is the basis for all investment activity. Authorized investments under the Board policy include cash and cash equivalents, investment-grade bonds, high yield bank loans, high yield bonds, emerging market bonds, United States public equities, international public equities, private real estate, and private equity.

The Entity categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

The following is a summary of the investments by fair value category as of June 30, 2021:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2021			
U.S. government obligations	\$ 162,793	\$ 133,519	\$ 29,274	\$ -
U.S. government agency obligations	190,546	147,593	42,953	-
Non agency obligations	22,831	-	22,831	-
Other government obligations	6,821	-	6,821	-
International bonds	649	-	649	-
Corporate bonds	142,434	42,628	99,806	-
Equities	5,453	5,453	-	-
Bond mutual funds	88,096	88,096	-	-
Equity mutual funds	24,063	7,962	-	-
Corporate bond and note funds	18,063	-	18,063	-
Private equity	4,601	-	-	4,601
Total	<u>\$ 666,350</u>	<u>\$ 425,251</u>	<u>\$ 220,397</u>	<u>\$ 4,601</u>

The following is a summary of the investments by fair value category as of June 30, 2020:

		Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	June 30, 2020		
US Treasury	\$ 313,860	\$ -	\$ 313,860
FHLB Notes	80,414	-	80,414
FFCB Notes	111,247	-	111,247
FHLMC Notes	17,719	-	17,719
FNMA Notes	27,074	-	27,074
Corporates	173,807	-	173,807
Total	<u>\$ 724,121</u>	<u>\$ -</u>	<u>\$ 724,121</u>

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets.

Investments classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources the investment managers.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

Investments classified in Level 3 of the fair value hierarchy are valued based upon the best information in the circumstance and may require significant management judgement. These prices are provided by the investment managers.

The Entity may, from time to time, have investments where the funds have been sent to the investment managers, but the investment transaction has not settled as of the end of financial statement period. These investments are referred to as investments in transit. The Entity had investments in transit of \$10,500 and \$0 as of June 30, 2021 and 2020, respectively.

Liquidity and Interest Rate Risk – As a means of limiting exposure to fair value losses arising from rising interest rates, the Entity's investment policy generally requires that the investment portfolio remain sufficiently liquid to meet all operating and economic development programmatic needs.

As of June 30, 2021, the maturities of the Entity's investments are as follows:

	Fair Value	Investment maturity			
		1 year or less	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
U.S. government obligations	\$ 162,793	\$ 4,052	\$ 148,480	\$ 8,226	\$ 2,035
U.S. government agency obligations	190,546	20,198	134,140	3,721	32,487
Non agency obligations	22,831	-	3,429	5,125	14,277
Other government obligations	6,821	-	-	2,081	4,740
International bonds	649	-	649	-	-
Corporate bonds	142,434	26,967	70,617	26,194	18,656
Total	<u>\$ 526,074</u>	<u>\$ 51,217</u>	<u>\$ 357,315</u>	<u>\$ 45,347</u>	<u>\$ 72,195</u>

As of June 30, 2020, the maturities of the Entity's investments are as follows:

	Fair Value	Investment maturity			
		1 year or less	Between 1 and 2 years	Between 2 and 4 years	Between 4 and 5 years
US Treasury	\$ 313,860	\$ 137,678	\$ 72,355	\$ 103,827	\$ -
FHLB Notes	80,414	26,766	15,650	37,998	-
FFCB Notes	111,247	24,492	25,764	60,991	-
FHLMC Notes	17,719	10,152	-	7,567	-
FNMA Notes	27,074	8,113	-	16,305	2,656
Corporates	173,807	45,157	46,605	82,045	-
Total	<u>\$ 724,121</u>	<u>\$ 252,358</u>	<u>\$ 160,374</u>	<u>\$ 308,733</u>	<u>\$ 2,656</u>

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

Credit Risk – To minimize credit risk, the Entity prequalifies the financial institutions, broker/dealers, intermediaries, and advisors with whom the Entity will do business. In addition, the investment portfolio is diversified to minimize risk of loss. The Entity's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of June 30, 2021:

	Fair Value	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Not Rated
U.S. government obligations	\$ 162,793	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,793
U.S. government agency obligations	190,546	582	152,555	-	-	-	-	-	-	-	-	37,409
Non agency obligations	22,831	5,606	-	-	500	-	231	-	-	750	-	15,744
Other government obligations	6,821	-	1,298	-	1,532	2,400	-	-	-	-	-	1,591
International bonds	649	-	-	-	-	-	649	-	-	-	-	-
Corporate bonds	142,434	3,207	1,269	6,004	6,653	21,802	38,918	26,480	13,417	11,114	8,746	4,824
Total	\$ 526,074	\$ 9,395	\$ 155,122	\$ 6,004	\$ 8,685	\$ 24,202	\$ 39,798	\$ 26,480	\$ 13,417	\$ 11,864	\$ 8,746	\$ 222,361

The Entity's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of June 30, 2020:

	Fair Value	AAA	AA+	AA	AA-	A+	A	A-	BBB+
FHLB Notes	\$ 80,414	\$ -	\$ 80,414	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FFCB Notes	111,247	-	111,247	-	-	-	-	-	-
FHLMC Notes	17,719	-	17,719	-	-	-	-	-	-
FNMA Notes	27,074	-	27,074	-	-	-	-	-	-
Corporates	173,807	2,014	3,090	12,371	14,241	23,790	79,611	37,056	1,634
Total	\$ 410,261	\$ 2,014	\$ 239,544	\$ 12,371	\$ 14,241	\$ 23,790	\$ 79,611	\$ 37,056	\$ 1,634

Concentration of Credit Risk – To limit exposure to the risk of loss due to the magnitude of the Entity's investments in a single issuer, investments are to be diversified in accordance with allocations determined by the Board of Directors, after consultation with the Board's Investment Committee.

Custodial Credit Risk – For an investment, this is the risk that in the event of the failure of the counterparty, the Entity will not be able to recover the value of its investments that are in the possession of an outside party. The Entity's investments of \$666,350 and \$724,121 as of June 30, 2021 and 2020, respectively, are uninsured and held in the name of its investment managers.

Investment activity for the fiscal year ended June 30, 2021 is summarized as follows:

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

	Balance, July 1, 2020	Purchases	Maturities	Accrued income (loss)	Balance, June 30, 2021
U.S. government obligations	\$ 313,860	\$ 247,097	\$ (391,566)	\$ (6,598)	\$ 162,793
U.S. government agency obligations	236,454	62,756	(98,278)	(10,386)	190,546
Non agency obligations	-	21,087	-	1,744	22,831
Other government obligations	-	5,108	-	1,713	6,821
International bonds	-	644	-	5	649
Corporate bonds	173,807	86,338	(117,278)	(433)	142,434
Equities	-	5,612	(116)	(43)	5,453
Bond mutual funds	-	87,441	-	655	88,096
Equity mutual funds	-	23,970	-	93	24,063
Corporate bond and note funds	-	18,000	-	63	18,063
Private equity	-	4,601	-	-	4,601
Total	<u>\$ 724,121</u>	<u>\$ 562,654</u>	<u>\$ (607,238)</u>	<u>\$ (13,187)</u>	<u>\$ 666,350</u>

Investment activity for the fiscal year ended June 30, 2020 is summarized as follows:

	Balance, July 1, 2019	Purchases	Maturities	Accrued income (loss)	Balance, June 30, 2020
US Treasury	\$ 333,430	\$ 64,486	\$ (90,055)	\$ 5,999	\$ 313,860
FHLB	105,727	19,343	(45,910)	1,254	80,414
FFCB	84,600	49,716	(24,742)	1,673	111,247
FHLMC	30,739	7,503	(13,100)	(7,423)	17,719
FNMA	9,748	18,731	(1,700)	295	27,074
Corporates	149,640	52,112	(38,648)	10,703	173,807
Total	<u>\$ 713,884</u>	<u>\$ 211,891</u>	<u>\$ (214,155)</u>	<u>\$ 12,501</u>	<u>\$ 724,121</u>

Interest income accrues on U.S. government and agency bonds over the bond term. Interest income is redeemed upon bond maturity. Income (loss) realized from maturities during the fiscal years ended June 30, 2021 and 2020 totaled (\$1,498) and \$280, respectively. Interest on public corporate income securities accrues over the term of the holding and is redeemed at various times until maturity. Accrued income (loss) of (\$13,187) and \$12,501 June 30, 2021 and 2020, respectively, represents unrealized bond interest earned, but not redeemed. Accrued income increases bond value, which is reported at fair value in the financial statements.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

4. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021 is as follows:

	Balance, July 1, 2020	Additions	Reductions	Balance, June 30, 2021
Furniture and equipment	\$ 823	\$ -	\$ -	\$ 823
Leasehold improvements	2,854	566	-	3,420
Software	2,900	6,282	-	9,182
Equipment	38	32	-	70
Total capital assets being depreciated	6,615	6,880	-	13,495
Less: accumulated depreciation				
Furniture and equipment	(628)	(69)	-	(697)
Leasehold improvements	(1,370)	(637)	-	(2,007)
Software	(1,650)	(641)	-	(2,291)
Equipment	(2)	(14)	-	(16)
Total accumulated depreciation	(3,650)	(1,361)	-	(5,011)
Total capital assets being depreciated, net	\$ 2,965	\$ 5,519	\$ -	\$ 8,484

Capital assets activity for the fiscal year ended June 30, 2020 is as follows:

	Balance, July 1, 2019	Additions	Reductions	Balance, June 30, 2020
Furniture and equipment	\$ 808	\$ 15	\$ -	\$ 823
Leasehold improvements	2,613	241	-	2,854
Software	1,521	1,379	-	2,900
Equipment	-	38	-	38
Total capital assets being depreciated	4,942	1,673	-	6,615
Less: accumulated depreciation				
Furniture and equipment	(542)	(86)	-	(628)
Leasehold improvements	(925)	(445)	-	(1,370)
Software	(1,433)	(217)	-	(1,650)
Equipment	-	(2)	-	(2)
Total accumulated depreciation	(2,900)	(750)	-	(3,650)
Total capital assets being depreciated, net	\$ 2,042	\$ 923	\$ -	\$ 2,965

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

5. Loans Receivable

The Entity's economic development initiatives include loans to companies that have limited access to capital and funding from conventional private sources of funding. In order to obtain a disbursement, the borrower submits to the Entity a draw request that identifies the applicable costs that have been incurred. The Entity recognizes the receivable at time of disbursement to the borrower.

The Entity established a loan program to support companies during the COVID-19 pandemic. The Workforce Retention Loan was a forgivable loan program that allowed companies to borrow funds to support their payroll over the course of six months. At the end of the six-month period, the companies were required to provide documentation to the Entity that illustrated they were able to maintain certain payroll metrics over the period. For borrowers that were able to maintain those certain payroll metrics, the loan was forgiven with no balance due. As of June 30, 2021, 83 of the 84 companies that participated in the program had their loan balance forgiven. The remaining 1 company had an outstanding balance of \$168 that is included in Loans, net of loss allowance. As of June 30, 2020, disbursements associated with the Workforce Retention Loan program were made to 76 companies totaling \$16,676 included in loans, net of loss allowance. The terms of the loans outstanding at June 30, 2021 and 2020 provide for disbursements of up to \$50,000. The outstanding balance of the commitments as of June 30, 2021 and 2020 were \$0 and \$33,324, respectively.

The Entity also established a loan program to support early-stage companies in their efforts to promote economic development across the State. The Innovation Loan program was designed to provide loans to companies that are convertible to equity in the event the borrower meets certain qualified financing requirements. As of June 30, 2021 and 2020, disbursements associated with the Innovation Loan program were made to 25 and 24 companies, respectively, totaling \$29,723 and \$29,288, respectively, and are included in Loans, net of loss allowance. The terms of the loans outstanding at June 30, 2021 and 2020 provide for disbursements of up to \$29,723 and \$30,298 respectively. The outstanding balance of the commitments as of June 30, 2021 and 2020 were \$0 and \$1,010, respectively.

The remaining loans receivable balance of \$96,936 as of June 30, 2021 relates to disbursements to 51 companies, and is net of loss allowance of \$3,919. Loans receivable balance of \$91,274 as of June 30, 2020 relates to disbursements to 59 companies and is net of loss allowance of \$19,420. The current portion of the loans receivable balance of \$9,328 and \$8,179 as of June 30, 2021 and 2020, respectively, represent principal payments due within the following twelve months. The terms of the loans outstanding at June 30, 2021 and 2020 provide for disbursements of up to \$142,700 and \$142,305, respectively. The outstanding balance of the commitments as of June 30, 2021 and 2020 were \$19,395 and \$11,091, respectively.

The Entity offered a six-month deferral of principal and interest payments to its existing borrowers in response to the COVID-19 pandemic. Interest accrued at 0% during the deferral period. As of June 30, 2021 the deferral period had expired and interest resumed accruing. As of June 30, 2020, 41 borrowers

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

opted into the program totaling \$4,108 in deferred payments.

The Entity's loans are held at amortized cost less a valuation allowance. A loan is impaired when, based on current information and events, it is probable that the Entity will be unable to collect all amounts due according to the contractual terms of the loan agreement. If determined that a loan requires a valuation allowance, a provision for loss is established equal to the difference between the carrying value and either the fair value of the collateral less costs to sell or the present value of expected future cash flows discounted at the loan's effective interest rate. The amount of valuation allowance was \$3,919 and \$19,420, respectively, as of June 30, 2021 and 2020.

6. Accounts Receivable Balances

Accounts receivable comprise amounts due from liquor agency stores and liquor vendors, and the Ohio Department of Administrative Services ("DAS"). The amounts due from liquor agency stores and liquor vendors are attributable to inventory adjustments from audits, store manager adjustments, distribution center services, and other miscellaneous claims. Accounts receivable also includes interest receivable on investments and loans. Accounts receivable balance of \$6,453 and \$4,682 as of June 30, 2021 and 2020, respectively, is net of allowance for uncollectable accounts of \$5.

The amount due from DAS as of June 30, 2021 and 2020 of \$58,849 and \$42,263, respectively, is attributable to the Entity's purchases of Personal Protective Equipment on behalf of DAS in response to the COVID-19 pandemic. The amount due from DAS is included in Accounts receivable – long-term.

7. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the basic financial statements. This includes \$10,928 and \$4,217 of service fees to the Ohio Department of Commerce as of June 30, 2021 and 2020, respectively, as well as \$350 and \$91 as of June 30, 2021 and 2020, respectively, for prepaid rent payments on two separate operating lease agreements. See note 2(b)6 below.

8. Intangible Asset – Liquor Franchise

As a result of the purchase of the franchise for the sale of spirituous liquor, the Entity recorded an intangible asset of \$1,379,924, reflecting the net franchise fee paid to the State, net of certain tangible assets received in the transfer pursuant to the Transfer Agreement.

The intangible asset – liquor franchise, is amortized over its useful life that coincides with the related contractual rights of the Transfer Agreement of 25 years. Amortization expense was \$55,197 for each of the fiscal years ended June 30, 2021 and 2020.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

Intangible asset – liquor franchise activity for the fiscal year ended June 30, 2021 is as follows:

	<u>Balance, July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2021</u>
Liquor franchise	\$ 1,379,924	\$ -	\$ -	\$ 1,379,924
Less: Accumulated amortization	<u>(409,378)</u>	<u>(55,197)</u>	<u>-</u>	<u>(464,575)</u>
Liquor franchise, net of amortization	<u>\$ 970,546</u>	<u>\$ (55,197)</u>	<u>\$ -</u>	<u>\$ 915,349</u>

Intangible asset – liquor franchise activity for the fiscal year ended June 30, 2020 is as follows:

	<u>Balance, July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2020</u>
Liquor franchise	\$ 1,379,924	\$ -	\$ -	\$ 1,379,924
Less: accumulated amortization	<u>(354,181)</u>	<u>(55,197)</u>	<u>-</u>	<u>(409,378)</u>
Liquor franchise, net of amortization	<u>\$ 1,025,743</u>	<u>\$ (55,197)</u>	<u>\$ -</u>	<u>\$ 970,546</u>

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

(b) Liabilities

1. Accrued Liabilities

Accrued liabilities – current portion reported at June 30, 2021 and 2020 are as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Economic development programs	\$ 192,063	\$ 109,338
Liquor purchases	10,775	7,547
Agency commissions	17,462	15,336
Taxes	13,699	13,785
Supplemental Payment	125,820	71,218
Professional services	1,662	787
Payroll	486	589
Legal services	102	39
Liquor operations	179	122
Paid time off	373	289
Deferred rent	622	751
Employee benefits	-	25
Other	<u>1,489</u>	<u>843</u>
Total	<u>\$ 364,732</u>	<u>\$ 220,669</u>

The Entity recognizes accrued liabilities that are payable in greater than 12 months as long-term accrued liabilities. As of June 30, 2021 and 2020, the balance of long-term accrued liabilities was \$20,000 and \$0, respectively, and were associated with economic development programs.

2. Economic Development Programs – Grants

The Entity operates eight grant programs to encourage economic development within the State. These comprise:

- Economic Development Grants – The Economic Development grant program focuses on fixed asset and infrastructure investment.
- Workforce Grants – The Workforce grant program focuses on training costs associated with new or incumbent employees.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

- **Revitalization Grants** – The Revitalization grant program is designed to support the acceleration of redeveloping sites in Ohio, with the primary focus on projects where the cost of redevelopment and remediation is more than the value of the land in question.
- **Revitalization Phase II Assessment Grants** – The Revitalization Phase II Assessment grant program is designed to assist in the review of potential environmental risks on a project site where redevelopment for job creation or retention is likely to occur.
- **Research and Development Grants** – The Research and Development grant program provides opportunity to collaborate and partner on new discoveries that can further companies' competitive advantage and impact their respective industries.
- **Innovation District Grants** – The Innovation District grant program provides funds for Innovation hubs across the State in support of research and STEM projects within the districts and provides the opportunity for businesses to operate from a centralized location to promote economic development growth.
- **Inclusion Grants** – The Inclusion grant program provides financial support in designated distressed communities and/or businesses owned by underrepresented populations across the State.
- **Speculative Development Grants** – The Ohio Site Inventory Program (OSIP) offers funding to support speculative site and building development projects with no identified end user.

As of June 30, 2021, the Entity had executed 1,419 grants, including 548 economic development grants, 391 workforce grants, 279 revitalization grants, 20 research and development grants, 8 innovation district grants, 151 inclusion grants, and 22 speculative development grants with a total committed amount of \$868,852. As of June 30, 2021, the Entity had \$349,209 in committed, but unpaid grants. As of June 30, 2020, the Entity had executed 1,056 grants, including 442 economic development grants, 345 workforce grants, 250 revitalization grants, 16 research and development grants, and 3 innovation district grants with a total committed amount of \$601,439. As of June 30, 2020, the Entity had \$173,324 in committed, but unpaid grants. The grants are historically funded on a reimbursement basis where the grantee must provide documentation illustrating where applicable costs have been incurred. In light of the COVID-19 pandemic, the Entity implemented a Rapid Deployment Initiative program where grantees could request funds on a non-reimbursement basis to support their cash needs during the crisis.

The Entity recognizes grant expense and the related liability for allowable costs where the transaction is reasonably estimable in amount and probable of distribution. This process includes the use of estimates in the absence of information as to costs incurred, but unclaimed by the grantee. The Entity has developed a methodology to produce an estimate of the liability as of the financial statement date, based upon the anticipated progress of the related project. The corresponding result is recorded as accrued economic development programs and is included in accrued liabilities in the statements of net

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

position. Some of the economic development programs which have been accrued have terms that result in payment to be made outside of the subsequent twelve months, resulting in a long-term liability. The accrued economic development programs were \$212,063 and \$108,801 as of June 30, 2021 and 2020, respectively.

3. Economic Development Programs – Community Banks Loan Guarantee

The Entity has partnered with two community banks in Ohio to bolster their lending capability to assist small, lifestyle businesses. The Entity is providing a loan guarantee of up to \$50,000 to support the banks in the event of default on the additional lending to their borrowers.

As of June 30, 2021 and 2020, the community banks had provided loans totaling \$10,823 and \$7,051, respectively. The outstanding commitment for the program as of June 30, 2021 and 2020 was \$0 and \$42,949, respectively. As of June 30, 2021 and 2020 there were no reported defaults. The Entity estimates that the program will have a default rate of 10%, with a portion of the estimated default occurring in the next twelve months. The Entity recognized an expense associated with the program of \$269 and \$705, respectively, for the fiscal years ended June 30, 2021 and 2020, which is included in economic development programs expense. The Entity recorded current and long-term liabilities associated with the program totaling \$487 and \$487, respectively, as of June 30, 2021 and \$350 and \$355, respectively, as of June 30, 2020.

4. 401(k) Savings Plan

The Entity operates a defined contribution pension plan titled JobsOhio 401(k) Plan (herein referred to as the “Plan”) created in accordance with Internal Revenue Code Section 401(k). The Plan, available to all qualified employees of the Entity, permits employees to defer a percentage of their salary up to the maximum percentage allowed by the Internal Revenue Service. The Entity matches 100 percent of the first three percent of the employee contribution, plus 50 percent of the employee contribution over three percent but not greater than five percent, bringing the maximum match percentage to four percent. Employees are fully vested in the Plan at the time contributions begin and there are no forfeitures. Participants must be over 21 years of age and have completed three consecutive months of service.

The Entity is the plan administrator of the Plan and the Plan trustee is Great-West Trust Company. The Entity may amend the Plan to add new features or to change or eliminate various provisions, but may not take away or reduce protected benefits under the Plan. Participants direct the allocation of their deferral based on several investment options. The assets of the Plan are not included in the Entity’s financial statements and cannot be used for purposes other than the exclusive benefit of the participants or their beneficiaries or to pay the reasonable expenses of plan administration.

The Plan was implemented in February 2014 and updated in January 2020. For the fiscal year ended June 30, 2021, the total 401(k) match expense was \$500 on total employee contributions of \$967. For the fiscal years ended June 30, 2020, the total 401(k) match expense was \$456 on total employee

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

contributions of \$914. As of June 30, 2021, and 2020, accrued employee 401(k) deferrals and accrued employer match was \$0 and \$25, respectively, and are included in the statements of net position as accrued liabilities.

5. Commitments and Contingencies – Litigation

No litigation is currently pending against the Entity.

6. Lease Obligations

The Entity has an agreement for an office facilities lease and pays monthly rent. Rent expense was \$604 and \$609, respectively, for the fiscal years ended June 30, 2021 and 2020.

Minimum future lease payments as of June 30, 2021 under this operating lease are as follows:

Year ending June 30:	
2022	\$ 387
2023	396
2024	404
2025	412
2026 - 2027	<u>705</u>
Total	<u><u>\$ 2,304</u></u>

In fiscal years 2019 and 2015, the Entity entered into lease agreements for office equipment, which are classified as capital leases. The leased equipment is amortized on a straight-line basis over 5 years. Total accumulated amortization related to the leased equipment for the fiscal years ended June 30, 2021 and 2020 was \$87 and \$64, respectively. Property on capital lease as of June 30, 2021 is as follows:

Office equipment	\$ 163
Less: accumulated amortization	<u>(87)</u>
Total	<u><u>\$ 76</u></u>

Property on capital lease as of June 30, 2020 is as follows:

Office equipment	\$ 157
Less: accumulated amortization	<u>(64)</u>
Total	<u><u>\$ 93</u></u>

The interest rate related to the 2019 lease obligation is 0% and the maturity date is August 2024.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

Minimum future lease payments as of June 30, 2021 under this capital lease are as follows:

Year ending June 30:	
2022	\$ 24
2023	24
2024	24
2025	<u>4</u>
Total	<u>\$ 76</u>

In the fiscal year ended June 30, 2017, the Entity entered into two separate lease agreements for the use of distribution center facilities in Green, Ohio and Groveport, Ohio. Rent expense on the two facilities was \$3,197 and \$2,915, respectively, for the fiscal years ended June 30, 2021 and 2020.

The lease agreement for the distribution center in Green, Ohio has a term of seven years with a commencement date of April 1, 2017.

Minimum future lease payments as of June 30, 2021 under this operating lease are as follows:

Year ending June 30:	
2022	\$ 1,491
2023	1,491
2024	<u>1,118</u>
Total	<u>\$ 4,100</u>

The lease agreement for the distribution center in Groveport, Ohio has a term of 63 full months with a commencement date of April 3, 2017.

Minimum future lease payments as of June 30, 2021 under this operating lease are as follows:

Year ending June 30:	
2022	\$ 953
2023	<u>79</u>
Total	<u>\$ 1,032</u>

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

7. Long-Term Liabilities

Special obligation revenue bonds were issued on February 1, 2013, by the Entity to finance payment of consideration in connection with the purchase of a franchise to operate the Liquor Business including the transfer of certain Liquor Business assets and bond transaction costs. The obligations were issued as bonds with (approximately) level debt service (principal and interest) maturing each year with maturities that range from one to 25 years.

On February 5, 2020, the Entity issued special obligation revenue bonds to advance refund the 2038 maturity of the Series 2013A Bonds and finance certain costs of the refunding transaction. The Series 2020A Bonds were issued in the amount of \$371,025. The obligations were issued as bonds with approximately level debt service, including both principal and interest, maturing each year with maturities that range from one to 18 years. The reasoning for refinancing was to reduce the interest rate on the debt from 5% for the Series 2013A Bonds to 1.7% – 2.8% for the Series 2020A Bonds, resulting in a net present value savings of \$61,597.

The proceeds from the 2020A Bonds were used for the advanced refunding of the 2038 maturity of the series 2013A Bonds consisting of future principal payments of \$335,970 and future interest payments of \$50,396. The net proceeds of the Series 2020A Bonds in the amount of \$370,866 were deposited in and held in trust in an escrow account. That amount was used to purchase certain direct noncallable obligations of the United States of America having such maturities or redemption dates and interest payment dates and bearing such interest as will be, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon sufficient, together with any other moneys in the escrow account after such purchase, for the payment of all principal of and interest on the 2038 maturity of the series 2013A Bonds through and including their January 1, 2023 optional redemption date. Upon the purchase of those noncallable obligations, according to the terms of the Indenture, the 2038 maturity of the series 2013A Bonds were deemed paid and discharged and legally defeased.

The net present value of the savings from the advanced refunding on February 5, 2020 is as follows:

Debt Service on 2020A Bonds	Debt Service on Defeased 2013A Bonds	Savings	Present value using a yield of 2.85%
\$ 535,464	\$ 616,300	\$ 80,836	\$ 63,273
Cashflows present value savings			63,273
Less: Prior funds on hand			(1,680)
Plus: Refunding funds on hand			4
Net present value savings			<u>\$ 61,597</u>

JOBSONHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

JobsOhio Beverage System Statewide Senior Lien Liquor Profits Tax-Exempt Revenue Bonds, Series 2013A; JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds, 2013B; and JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds, 2020A outstanding at June 30, 2021 and 2020 are as follows:

Special obligation bonds	Original issue date	Outstanding as of June 30, 2021	Interest rates to maturity	Final maturity
Series 2013A	Feb. 2013	\$ 10,000	4.0% – 5.0%	2023
Series 2013B	Feb. 2013	\$ 847,975	3.1% – 4.5%	2035
Series 2020A	Feb. 2020	\$ 368,035	1.7% – 2.8%	2038

Special obligation bonds	Original issue date	Outstanding as of June 30, 2020	Interest rates to maturity	Final maturity
Series 2013A	Feb. 2013	\$ 15,000	4.0% – 5.0%	2023
Series 2013B	Feb. 2013	\$ 891,865	2.9% – 4.5%	2035
Series 2020A	Feb. 2020	\$ 371,025	1.7% – 2.8%	2038

The bonds have maturities that started in 2015 and continue through 2038. Maturities due within one year at June 30, 2021 and 2020 are \$52,460 and \$51,880, respectively. The bond series are subject to mandatory sinking fund redemption starting in 2024 and each year thereafter to maturity. The bonds will be repaid from Liquor Business Profits. All proceeds from the Liquor Business are pledged to the Trustee to pay obligations under the Indenture. The Indenture imposes certain restrictions and requirements whereby all Liquor Business revenues are required to be deposited in a trust fund held by the Trustee to settle obligations under the Indenture, including amounts sufficient to cover annual debt service for each fiscal year on account for all outstanding revenue bonds.

Liquor Business Profits must meet the minimum debt service coverage ratio of 135 percent for each fiscal year pursuant to the Transfer Agreement. Certain amounts are released from the lien of the Indenture and certain other amounts are held in funds pursuant to the terms of the Indenture for which amounts will not be pledged for the benefit of the owners of the bonds. These funds include the Tax Fund, the Operations Fund, and the General Purpose Fund. The bonds are not general obligations of the Entity or the State, and neither the faith nor credit are pledged as security for payment of the bonds.

JOB SOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

Debt service requirements related to the bonds as of June 30, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2022	\$ 52,460	\$ 45,938	\$ 98,398
2023	54,135	44,253	98,388
2024	55,925	42,461	98,386
2025	58,090	40,280	98,370
2026	60,350	38,011	98,361
2027 – 2031	339,350	152,292	491,642
2032 – 2036	417,805	72,933	490,738
2037 – 2038	187,895	8,022	195,917
Total	<u>1,226,010</u>	<u>\$ 444,190</u>	<u>\$ 1,670,200</u>
Unamortized premium	20,140		
Less current portion	<u>(52,460)</u>		
Total debt, long-term portion	<u>\$ 1,193,690</u>		

Debt service activity for the fiscal year ended June 30, 2021 is as follows:

	<u>Balance, July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2021</u>	<u>Current portion</u>
Bond principal	\$ 1,277,890	\$ -	\$ (51,880)	\$ 1,226,010	\$ 52,460
Bond premium	59,663	-	-	59,663	-
Less: Accumulated amortization	<u>(26,096)</u>	<u>(13,427)</u>	<u>-</u>	<u>(39,523)</u>	<u>-</u>
Total debt	<u>\$ 1,311,457</u>	<u>\$ (13,427)</u>	<u>\$ (51,880)</u>	<u>\$ 1,246,150</u>	<u>\$ 52,460</u>

Debt service activity for the fiscal year ended June 30, 2020 is as follows:

	<u>Balance, July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2020</u>	<u>Current portion</u>
Bond principal	\$ 1,289,555	\$ 371,025	\$ (382,690)	\$ 1,277,890	\$ 51,880
Bond premium	59,663	-	-	59,663	-
Less: Accumulated amortization	<u>(18,027)</u>	<u>(8,069)</u>	<u>-</u>	<u>(26,096)</u>	<u>-</u>
Total debt	<u>\$ 1,331,191</u>	<u>\$ 362,956</u>	<u>\$ (382,690)</u>	<u>\$ 1,311,457</u>	<u>\$ 51,880</u>

JOBSONIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

Bonds are subject to redemption prior to their stated maturity dates at the option of the Entity, in whole or in part on any date on or after January 1, 2023 at a redemption price equal to the principal amount of bonds to be redeemed plus accrued interest. For Series 2013B Bonds, the redemption price is the greater of (1) the principal amount or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date plus accrued interest. Series 2020A Bonds maturing in 2038 are subject to mandatory sinking fund redemption on January 1, 2035 and each year thereafter to maturity. Series 2013B Bonds maturing in 2029 and 2035 are subject to mandatory sinking fund redemption on January 1, 2024 and 2030, respectively, and each year thereafter to maturity. Redemptions are from moneys in the Debt Service Fund established under the Indenture, at a redemption price equal to 100 percent of the principal amount to be redeemed plus accrued interest.

Pursuant to the terms of the Indenture, the Transfer Agreement, and the Services Agreement, the Entity is required to comply with various covenants and requirements.

(c) Revenues

Liquor sales revenues are reported net of wholesale discounts, sales taxes, and an allowance for uncollectible accounts. For the fiscal year ended June 30, 2021, operating revenues were reported net of discounts of \$19,505, sales tax of \$107,184, and uncollectable accounts of \$159. For the fiscal year ended June 30, 2020, operating revenues were reported net of discounts of \$17,885, sales tax of \$90,640, and uncollectable accounts of \$132.

Distribution center revenues are for services performed in the distribution centers related to receiving and preparing product for distribution.

In March 2020, the Entity temporarily implemented a liquor buyback program to allow bars and restaurants to return unused product that was purchased in the thirty days prior to their shutdown due to COVID-19. Returns are reported as part of net liquor sales on the statements of revenues, expenses, and changes in net position and totaled \$22 and \$1,566 in the fiscal years ended June 30, 2021 and 2020, respectively.

(d) Deferred Outflow

For the defeasance of the 2038 maturity of the Series 2013A Bonds, proceeds from the Series 2020A bonds were deposited in and held in trust in an escrow account. The proceeds were used to purchase certain direct noncallable obligations of the United States of America having such maturities or redemption dates and interest payment dates and bearing such interest as will be, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon sufficient, together with any other moneys in the escrow account after such purchase, for the payment of all principal of and interest on the 2038 maturity of the series 2013A Bonds through and including their January 1, 2023 optional redemption date. Upon the purchase of those noncallable obligations,

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

June 30, 2021 and 2020

(In thousands)

according to the terms of the Indenture, the 2038 maturity of the series 2013A Bonds were deemed paid and discharged and legally defeased.

The difference between the reacquisition price and the net carrying amount of the bonds defeased with refunding debt is reported as a deferred outflow of resources and recognized as a component of Bond interest, net over the remaining life of the refunded debt. Deferred outflow activity for the fiscal year ended June 30, 2021 is as follows:

	Balance, July 1, 2020	Additions	Reductions	Balance, June 30, 2021
Deferred outflow	\$ 34,896	\$ -	\$ -	\$ 34,896
Less: Accumulated amortization	<u>(5,816)</u>	<u>(11,632)</u>	<u>-</u>	<u>(17,448)</u>
Total deferred outflow	<u>\$ 29,080</u>	<u>\$ (11,632)</u>	<u>\$ -</u>	<u>\$ 17,448</u>

Deferred outflow activity for the fiscal year ended June 30, 2020 is as follows:

	Balance, July 1, 2019	Additions	Reductions	Balance, June 30, 2020
Deferred outflow	\$ -	\$ 34,896	\$ -	\$ 34,896
Less: Accumulated amortization	<u>-</u>	<u>(5,816)</u>	<u>-</u>	<u>(5,816)</u>
Total deferred outflow	<u>\$ -</u>	<u>\$ 29,080</u>	<u>\$ -</u>	<u>\$ 29,080</u>

JOBSSOHIO
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements

Combining Schedule of Net Position

(In thousands)

(e) Combining Information

	June 30, 2021					June 30, 2020				
	JobsOhio	Component Unit JobsOhio Beverage System	Component Unit JobsOhio Growth Capital	Eliminating Entries	Combined Balance	JobsOhio	Component Unit JobsOhio Beverage System	Eliminating Entries	Combined Balance	
Assets:										
Current assets:										
Cash and cash equivalents - unrestricted	\$ 135,638	\$ -	\$ 44,085	\$ -	\$ 179,723	\$ 39,491	\$ 13,693	\$ -	\$ 53,184	
Cash and cash equivalents - restricted	-	229,444	-	-	229,444	-	214,201	-	214,201	
Investments at fair value	665,663	-	687	-	666,350	724,121	-	-	724,121	
Inventory	-	94,012	-	-	94,012	-	87,830	-	87,830	
Loans	9,328	-	-	-	9,328	8,179	-	-	8,179	
Receivables, net of allowance of uncollectible accounts	4,681	1,743	29	-	6,453	2,778	1,904	-	4,682	
Prepaid expenses	1,443	11,806	-	-	13,249	1,343	4,667	-	6,010	
Due from related entities	1,778	-	-	(1,778)	-	306	-	(306)	-	
Total current assets	818,531	337,005	44,801	(1,778)	1,198,559	776,218	322,295	(306)	1,098,207	
Long-term assets:										
Intangible asset - liquor franchise, net of amortization	-	915,349	-	-	915,349	-	970,546	-	970,546	
Intangible asset - trademark, net of amortization	10	6	-	-	16	-	5	-	5	
Equity method investments	52,770	-	-	(52,770)	-	-	-	-	-	
Other long-term investments	11,973	-	5,310	-	17,283	-	-	-	-	
Accounts receivable - long-term	-	58,849	-	-	58,849	-	42,263	-	42,263	
Capital assets, net of accumulated depreciation	1,755	6,729	-	-	8,484	1,880	1,085	-	2,965	
Loans, net of loss allowance	114,124	-	3,375	-	117,499	129,059	-	-	129,059	
Total long-term assets	180,632	980,933	8,685	(52,770)	1,117,480	130,939	1,013,899	-	1,144,838	
Total assets	999,163	1,317,938	53,486	(54,548)	2,316,039	907,157	1,336,194	(306)	2,243,045	
Deferred outflow of resources:										
Deferred outflow on bond defeasance	-	17,448	-	-	17,448	-	29,080	-	29,080	
Total deferred outflow of resources	-	17,448	-	-	17,448	-	29,080	-	29,080	
Liabilities:										
Current liabilities:										
Accounts payable	6,969	22,752	-	-	29,721	4,137	51,042	-	55,179	
Accrued liabilities - current portion	195,793	168,939	-	-	364,732	111,575	109,094	-	220,669	
Special obligation bonds payable - current portion	-	52,460	-	-	52,460	-	51,880	-	51,880	
Bond interest payable	-	22,969	-	-	22,969	-	22,779	-	22,779	
Community bank loan guarantee - current portion	487	-	-	-	487	350	-	-	350	
Capital lease payable - current portion	25	-	-	-	25	23	-	-	23	
Due to JobsOhio	-	953	825	(1,778)	-	-	306	(306)	-	
Total current liabilities	203,274	268,073	825	(1,778)	470,394	116,085	235,101	(306)	350,880	
Long-term liabilities:										
Special obligation bonds payable	-	1,193,690	-	-	1,193,690	-	1,259,577	-	1,259,577	
Accrued liabilities	20,000	-	-	-	20,000	-	-	-	-	
Community bank loan guarantee	487	-	-	-	487	355	-	-	355	
Capital lease payable	51	-	-	-	51	71	-	-	71	
Total long-term liabilities	20,538	1,193,690	-	-	1,214,228	426	1,259,577	-	1,260,003	
Total liabilities	223,812	1,461,763	825	(1,778)	1,684,622	116,511	1,494,678	(306)	1,610,883	
Net position:										
Net investment in capital assets	1,755	6,729	-	-	8,484	1,880	1,085	-	2,965	
Unrestricted	773,596	(133,106)	52,661	(52,770)	640,381	788,766	(130,489)	-	658,277	
Total net position	\$ 775,351	\$ (126,377)	\$ 52,661	\$ (52,770)	\$ 648,865	\$ 790,646	\$ (129,404)	\$ -	\$ 661,242	

JOBSONHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Revenues, Expenses, and Changes in Net Position

(In thousands)

	Year Ended June 30, 2021					Year Ended June 30, 2020				
		Component	Component				Component			
		Unit	Unit				Unit			
		JobsOhio	JobsOhio				JobsOhio			
		Beverage	Growth	Eliminating	Combined		Beverage	Eliminating	Combined	
	JobsOhio	System	Capital	Entries	Balance	JobsOhio	System	Entries	Balance	
Operating revenues:										
Net liquor sales	\$ -	\$ 1,672,571	\$ -	\$ -	\$ 1,672,571	\$ -	\$ 1,433,432	\$ -	\$ 1,433,432	
Less: wholesale rebates	-	(1,202)	-	-	(1,202)	-	(3,223)	-	(3,223)	
Distribution center revenue	-	9,009	-	-	9,009	-	7,808	-	7,808	
Interest income - loans	4,972	-	29	-	5,001	2,090	-	-	2,090	
Fees and other	9,879	-	-	(9,354)	525	8,266	-	(7,989)	277	
Total operating revenues	14,851	1,680,378	29	(9,354)	1,685,904	10,356	1,438,017	(7,989)	1,440,384	
Operating expenses:										
Cost of goods sold	-	980,893	-	-	980,893	-	843,928	-	843,928	
Sales commissions	-	107,332	-	-	107,332	-	91,622	-	91,622	
Liquor gallonage taxes	-	57,705	-	-	57,705	-	54,034	-	54,034	
Amortization of intangible asset - liquor franchise	-	55,197	-	-	55,197	-	55,197	-	55,197	
Service fees	-	15,601	-	-	15,601	-	16,104	-	16,104	
Supplemental Payment	-	125,820	-	-	125,820	-	71,218	-	71,218	
JobsOhio management fees	-	9,354	-	(9,354)	-	-	7,989	(7,989)	-	
Economic development programs	210,001	-	-	-	210,001	233,138	-	-	233,138	
Salaries and benefits	19,060	-	-	-	19,060	16,537	-	-	16,537	
Economic development purchased services	14,181	-	-	-	14,181	13,270	-	-	13,270	
Professional services	16,229	8,129	204	-	24,562	8,522	8,060	-	16,582	
Insurance	263	436	-	-	699	223	403	-	626	
Administrative and support	7,323	6,769	-	-	14,092	4,781	4,029	-	8,810	
Marketing	32,626	-	-	-	32,626	10,907	-	-	10,907	
Other	-	205	-	-	205	(41)	199	-	158	
Total operating expenses	299,683	1,367,441	204	(9,354)	1,657,974	287,337	1,152,783	(7,989)	1,432,131	
Operating income (loss)	(284,832)	312,937	(175)	-	27,930	(276,981)	285,234	-	8,253	
Nonoperating revenues (expenses):										
Grants	265,000	(265,000)	-	-	-	255,000	(255,000)	-	-	
Bond interest, net	-	(44,926)	-	-	(44,926)	-	(48,472)	-	(48,472)	
Investment income	4,537	-	66	-	4,603	29,453	-	-	29,453	
Other, net	-	16	-	-	16	-	429	-	429	
Total nonoperating revenues (expenses)	269,537	(309,910)	66	-	(40,307)	284,453	(303,043)	-	(18,590)	
Change in net position before transfer	(15,295)	3,027	(109)	-	(12,377)	7,472	(17,809)	-	(10,337)	
Transfer of net position	(52,770)	-	52,770	-	-	-	-	-	-	
Change in net position	(68,065)	3,027	52,661	-	(12,377)	7,472	(17,809)	-	(10,337)	
Net position (deficit), beginning of year	790,646	(129,404)	-	-	661,242	783,174	(111,595)	-	671,579	
Net position (deficit), end of year	\$ 722,581	\$ (126,377)	\$ 52,661	\$ -	\$ 648,865	\$ 790,646	\$ (129,404)	\$ -	\$ 661,242	

JOBSONHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Cash Flows

(In thousands)

	Year Ended Ended June 30, 2021					Year Ended Ended June 30, 2020				
	Component		Component			Component				
	Unit	Unit	Unit			Unit				
	JobsOhio	JobsOhio	JobsOhio	Eliminating	Combined	JobsOhio	JobsOhio	Eliminating	Combined	
	Beverage	Growth	Beverage	Entries	Balance	Beverage	System	Entries	Balance	
	System	Capital	System			System				
Cash flows from operating activities:										
Receipts from fees and other	\$ 3,247	\$ -	\$ -	\$ -	\$ 3,247	\$ 2,740	\$ -	\$ -	\$ 2,740	
Receipts from customers	-	1,671,614	-	-	1,671,614	-	1,430,568	-	1,430,568	
Receipts from suppliers	-	8,923	-	-	8,923	-	7,471	-	7,471	
Payments to employees	(19,105)	-	-	-	(19,105)	(16,115)	-	-	(16,115)	
Payments to suppliers	(65,069)	(1,025,538)	(204)	-	(1,090,811)	(36,150)	(840,142)	-	(876,292)	
Payments for economic development programs	(93,221)	-	(3,375)	-	(96,596)	(256,780)	-	-	(256,780)	
Payments for commissions	-	(105,205)	-	-	(105,205)	-	(79,187)	-	(79,187)	
Receipts from sales taxes	-	107,184	-	-	107,184	-	90,640	-	90,640	
Payments for sales tax collections to State and county	-	(107,338)	-	-	(107,338)	-	(88,101)	-	(88,101)	
Payments for gallonage tax collections to State	-	(57,637)	-	-	(57,637)	-	(53,386)	-	(53,386)	
Payments for servicing fees	-	(22,312)	-	-	(22,312)	-	(18,460)	-	(18,460)	
Payments for Supplemental Payment to State	-	(71,218)	-	-	(71,218)	-	(56,495)	-	(56,495)	
Receipts (payments) between JobsOhio and component unit	7,883	(8,708)	825	-	-	7,697	(7,697)	-	-	
Net cash provided by (used in) operating activities	(166,265)	389,765	(2,754)	-	220,746	(298,608)	385,211	-	86,603	
Cash flows from noncapital financing activities:										
Receipts (payments) between JobsOhio and component unit for grants	265,000	(265,000)	-	-	-	255,000	(255,000)	-	-	
Payments for other nonoperating expenses	-	(19,292)	-	-	(19,292)	-	(39,827)	-	(39,827)	
Net cash provided by (used in) noncapital financing activities	265,000	(284,292)	-	-	(19,292)	255,000	(294,827)	-	(39,827)	
Cash flows from capital and related financing activities:										
Bond issuance proceeds	-	-	-	-	-	-	371,025	-	371,025	
Payments for bond issuance costs	-	1	-	-	1	-	(1,763)	-	(1,763)	
Defeasance of bond principal	-	-	-	-	-	-	(335,970)	-	(335,970)	
Payment for deferred outflow of defeased bond interest	-	-	-	-	-	-	(34,896)	-	(34,896)	
Payments for bond principal	-	(51,880)	-	-	(51,880)	-	(46,720)	-	(46,720)	
Acquisition of capital assets	(822)	(5,563)	-	-	(6,385)	(1,283)	(257)	-	(1,540)	
Acquisition of capital lease	-	-	-	-	-	-	-	-	-	
Payments for capital lease	(18)	-	-	-	(18)	(20)	-	-	(20)	
Payments for bond interest	-	(46,530)	-	-	(46,530)	-	(55,893)	-	(55,893)	
Net cash used in capital and related financing activities	(840)	(103,972)	-	-	(104,812)	(1,303)	(104,474)	-	(105,777)	
Cash flows from investing activities:										
Conversion of loans to equity	(11,468)	-	(5,931)	-	(17,399)	-	-	-	-	
Proceeds from loan conversion	(505)	-	-	-	(505)	-	-	-	-	
Investment in related entity	(52,770)	-	52,770	-	-	-	-	-	-	
Dividends and interest income	17,724	49	-	-	17,773	16,951	2,428	-	19,379	
Purchases of investments	(561,967)	-	-	-	(561,967)	(211,890)	-	-	(211,890)	
Proceeds from maturities of investments	607,238	-	-	-	607,238	214,155	-	-	214,155	
Net cash provided by (used in) investing activities	(1,748)	49	46,839	-	45,140	19,216	2,428	-	21,644	
Net Increase (decrease) in cash and cash equivalents	96,147	1,550	44,085	-	141,782	(25,695)	(11,662)	-	(37,357)	
Cash and cash equivalents, beginning of year	39,491	227,894	-	-	267,385	65,186	239,556	-	304,742	
Cash and cash equivalents, end of year	\$ 135,638	\$ 229,444	\$ 44,085	\$ -	\$ 409,167	\$ 39,491	\$ 227,894	\$ -	\$ 267,385	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:										
Operating income (loss)	\$ (284,832)	\$ 312,937	\$ (175)	\$ -	\$ 27,930	\$ (276,981)	\$ 285,234	\$ -	\$ 8,253	
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:										
Amortization of intangible asset - liquor franchise	-	55,197	-	-	55,197	-	55,197	-	55,197	
Increase in intangible asset - trademark	(10)	(1)	-	-	(11)	-	(6)	-	(6)	
Depreciation and amortization expense	850	509	-	-	1,359	447	302	-	749	
Decrease in loans	29,287	-	(3,375)	-	25,912	(61,599)	-	-	(61,599)	
Decrease in loan valuation allowance	(15,501)	-	-	-	(15,501)	16,495	-	-	16,495	
Increase in inventory	-	(6,182)	-	-	(6,182)	-	(3,160)	-	(3,160)	
(Increase) decrease in receivables, net of allowance for doubtful accounts	(1,903)	161	(29)	-	(1,771)	116	19	-	135	
(Increase) decrease in prepaid expenses	(100)	(7,139)	-	-	(7,239)	(403)	(2,098)	-	(2,501)	
(Increase) decrease in due from/to component unit (net)	(1,472)	647	825	-	-	(292)	292	-	-	
Increase (decrease) in accounts payable	2,929	(26,354)	-	-	(23,425)	1,876	29,953	-	31,829	
Increase in community bank guarantee	269	-	-	-	269	705	-	-	705	
Increase (decrease) in accrued liabilities	104,218	59,990	-	-	164,208	21,028	19,478	-	40,506	
Total adjustments	118,567	76,828	(2,579)	-	192,816	(21,627)	99,977	-	78,350	