



Berberich Trahan & Co., P. A.

Certified Public Accountants

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

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FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2004 AND 2003

with

INDEPENDENT AUDITORS' REPORT



# Berberich Trahan & Co., P.A.

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March 10, 2005

The Board of Directors  
Growth Organization of Topeka/Shawnee County, Inc.:

This letter includes comments and recommendations with respect to matters that came to our attention in connection with our audit of the financial statements of the Growth Organization of Topeka/Shawnee County, Inc. (the Organization) for the year ended December 31, 2004. These items are offered as constructive suggestions to be considered as part of the ongoing process of modifying and improving the Organization's practices and procedures.

## Comments and Recommendations

### Credit Card Expense Approval

Several requisitions for the payment of credit card expenses were not approved by a person other than the person requesting the payment. We recommend that procedures be enhanced to require an independent person approve these expenses. This procedure will improve internal controls over cash and provide better accountability.

### Review of Financial Reports and Journal Entries

Bank reconciliations, payroll registers and journal entries prepared by the external accounting firm were not being reviewed or approved by individuals within the Organization. We recommend that an appropriate individual within the Organization review and approve all financial reports and journal entries prepared by the external accounting firm. This procedure would improve ownership and accountability over the financial records relating to the Organization.

### Allowance for Uncollectible Pledges

The allowance for uncollectible pledges was calculated based on an arbitrary percentage without considering historical collectibility and trends. We recommend that the allowance for uncollectible pledges be analyzed and calculated based on historical collections and trends. This procedure would allow for better valuing of pledges receivable.

The Board of Directors  
Growth Organization of Topeka/Shawnee County, Inc.  
March 10, 2005  
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### **Contributions of Services**

Financial Accounting Standards Board Statement No. 116 Accounting for Contributions Received and Contributions Made establishes standards for contributions of services and promises to give services. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There was insufficient support for some of the contributed services received or used for the Organization during the current year. Support for promises to give services that are part of the pledges made to the Organization has been obtained, but it was difficult to determine if any of the services were used. We recommend documentation be maintained for these contributions stating the amount of the contribution, the name of the contributor, when the contribution was made and the fair value of the contribution. We also recommend that the amount of the pledge that has been used for each of the years be tracked.

This is a repeat comment from the prior year.

### **Follow-up on Prior Year Recommendations**

#### **Cash Receipts Procedures**

The same person records the receipts into the computer, fills out the deposit slip, and makes the deposit. Segregating certain accounting duties is important for protection of both the Organization and the employee performing multiple functions. We recommended that a person other than the person performing the above functions, make a log of receipts before they are processed. After the receipts have been recorded into the computer and the deposit has been made, the log should be compared to the validated deposit slip by the person that prepared the log. This procedure would improve internal controls over cash receipts which would provide better control and accountability.

Follow-up: Management has implemented procedures to increase the controls over the cash receipts process.

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This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

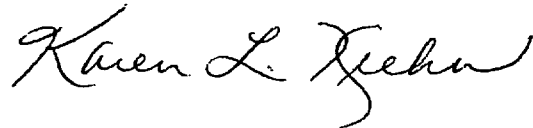
■■■ Berberich Trahan & Co., P.A.

The Board of Directors  
Growth Organization of Topeka/Shawnee County, Inc.  
March 10, 2005  
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Finally, we wish to express our appreciation to the Growth Organization of Topeka/Shawnee County, Inc.'s personnel for their assistance and cooperation during our audit, and we look forward to working with you on future engagements.

Very truly yours,

BERBERICH TRAHAN & CO., P.A.

A handwritten signature in cursive script that reads "Karen L. Keehn".

Karen L. Keehn  
Shareholder

KLK:tls

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

Years Ended December 31, 2004 and 2003

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Growth Organization of Topeka/Shawnee County, Inc.:

We have audited the accompanying statements of financial position of the Growth Organization of Topeka/Shawnee County, Inc. (the Organization) as of December 31, 2004 and 2003 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Growth Organization of Topeka/Shawnee County, Inc. at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Growth Organization of Topeka/Shawnee County, Inc. taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Berberich Trahan & Co., P.A.*

March 10, 2005

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,805,451	\$ 2,145,598
Pledges receivable, net of allowance of \$ 2,100 in 2004	41,188	24,300
Prepaid expenses	39,125	-
Due from Greater Topeka Chamber of Commerce (Note 7)	2,375	207
Total current assets	<u>3,888,139</u>	<u>2,170,105</u>
Fixed assets, net (Note 2)	<u>72,894</u>	<u>59,212</u>
Other assets:		
Land held for economic development (Note 3)	1,984,054	1,274,238
Investment - deferred compensation (Note 5)	24,957	-
Total other assets	<u>2,009,011</u>	<u>1,274,238</u>
Total assets	<u>\$ 5,970,044</u>	<u>\$ 3,503,555</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current maturities of long-term debt (Note 4)	\$ -	\$ 571,005
Accounts payable	-	2,762
Deferred JEDO grant revenue (Notes 8, 9 and 11)	3,089,915	1,822,347
Due to Governor's Strategic Military Planning Commission	318,004	-
Total current liabilities	<u>3,407,919</u>	<u>2,396,114</u>
Noncurrent liabilities:		
Deferred compensation payable (Note 5)	24,957	-
Total liabilities	<u>3,432,876</u>	<u>2,396,114</u>
Net assets:		
Unrestricted:		
Undesignated	553,114	204,208
Board designated (Note 6)	1,984,054	903,233
Total net assets	<u>2,537,168</u>	<u>1,107,441</u>
	<u>\$ 5,970,044</u>	<u>\$ 3,503,555</u>

See accompanying notes to financial statements.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues:		
JEDO grant (Note 8)	\$ 3,234,404	\$ 3,148,284
Private contributions	337,663	306,237
Workforce development fund	-	38,000
Other grants	20,833	-
Small business awards	6,503	4,434
Other	24,798	35,214
	<u>3,624,201</u>	<u>3,532,169</u>
Expenses:		
Economic development	(2,204,512)	(1,353,622)
Other income:		
Interest income	10,038	3,757
	<u>1,429,727</u>	<u>2,182,304</u>
Change in net assets	1,429,727	2,182,304
Net assets (deficit), beginning of year	<u>1,107,441</u>	<u>(1,074,863)</u>
Net assets, end of year	<u>\$ 2,537,168</u>	<u>\$ 1,107,441</u>

See accompanying notes to financial statements.



GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Change in net assets	\$ 1,429,727	\$ 2,182,304
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,917	9,390
Bad debt expense	2,100	-
Changes in assets and liabilities:		
Pledges receivable	(18,988)	3,200
Prepaid expenses	(39,125)	29,527
Due from Greater Topeka Chamber of Commerce	(2,168)	(983)
Accounts payable	(2,762)	(29,218)
Deferred revenue	1,267,568	1,428,196
Due to Governor's Strategic Military Planning Commission	318,004	-
Net cash provided by operating activities	<u>2,965,273</u>	<u>3,622,416</u>
Cash flows from investing activities:		
Purchase of land held for economic development	(598,796)	(380,180)
Purchase of improvements to land held for economic development	(237,774)	-
Reimbursement for improvements to land held for development	126,754	-
Purchase of fixed assets	(24,599)	(4,199)
Increase in investment - deferred compensation	(24,957)	-
Net cash used in investing activities	<u>(759,372)</u>	<u>(384,379)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(571,005)	(1,561,015)
Increase in deferred compensation payable	24,957	-
Net cash used in financing activities	<u>(546,048)</u>	<u>(1,561,015)</u>
Increase in cash and cash equivalents	1,659,853	1,677,022
Cash and cash equivalents, beginning of year	<u>2,145,598</u>	<u>468,576</u>
Cash and cash equivalents, end of year	<u>\$ 3,805,451</u>	<u>\$ 2,145,598</u>

See accompanying notes to financial statements.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

1 - Organization and Summary of Significant Accounting Policies

Organization

The Growth Organization of Topeka/Shawnee County, Inc. (the Organization) was organized to encourage business and industry to locate and develop within the greater Topeka area and to otherwise promote the common economic interests of greater Topeka.

Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents include cash and investments with an original maturity of three months or less.

Pledges Receivable

Pledges receivable represent legally enforceable pledges and are recorded as receivables in the year made. Pledges are carried at their original amount less an allowance for uncollectibles. The allowance is based on percentages, historical experience and management's assessment of the general financial conditions affecting the Organization. Pledges are written off at the time they are deemed uncollectible.

Fixed Assets

Fixed assets are carried at cost. Depreciation is computed using the straight-line method over an estimated useful life of five years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Fixed assets purchased with grant money revert back to the grantor if the grant contract is terminated.

Land Held for Economic Development

Land held for economic development is recorded at cost which approximates fair value.

Deferred Revenue

Deferred revenue represents funds received which have not been earned as of the end of the year.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Functional Expenses

Included in the economic development expenses on the statement of activities are general and administrative expenses of approximately \$140,600 and \$115,800 for the years ended December 31, 2004 and 2003, respectively.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(6) of the Internal Revenue Code, is exempt from federal income taxes pursuant to Section 501(a) of the Code and has been classified as other than a private foundation.

Retirement Plan

The Organization participates in a 401(k) plan sponsored by the American Chamber of Commerce Executives. The Organization contributes seven percent of salaries which is expensed when paid. The employees may contribute up to fifteen percent of their salaries with no minimum contribution required.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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.

Concentration of Risk

For the years ended December 31, 2004 and 2003, 89% of the total revenues relate to the grant with the Joint Economic Development Organization (JEDO). In the event this grant was discontinued, the activities of the Organization would be curtailed accordingly.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Reclassification

Certain 2003 balances have been reclassified to conform to the current year presentation.

2 - Fixed Assets

Fixed assets consisted of the following at December 31:

	2004	2003
Equipment	\$ 85,691	\$ 67,266
Leasehold improvements	12,494	6,320
	98,185	73,586
Less accumulated depreciation	(25,291)	(14,374)
	\$ 72,894	\$ 59,212

Depreciation expense was \$ 10,917 and \$ 9,390 for the years ended December 31, 2004 and 2003, respectively.

3 - Land Held for Economic Development

The Organization has an agreement with Shawnee County (the County) and JEDO to purchase land for the development of the Commerce Park in southwest Topeka. The Organization has the right to transfer the land to companies for economic development. As of December 31, 2004 and 2003, \$ 1,984,054 and \$ 1,274,238, respectively, of owned land was held for transfer to third parties for development.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

4 - Long-Term Debt

The Organization had an agreement with the County and JEDO, whereby the County loaned to the Organization \$ 2,132,020 in exchange for land for the development of the Commerce Park. The note had an administrative fee of 3%, was payable in monthly installments of \$ 180,600 and matured on April 30, 2004.

5 - Deferred Compensation Plan

The Organization allows certain salaried employees to defer a portion of their salaries by having the Organization remit such amounts to an annuity carrier. Upon request for payoff, the Organization authorizes the remittance of the deferred amount plus interest to the employee. The Organization reflects the amount of the annuity contract as a noncurrent asset and the amount of withheld deferred compensation as a noncurrent liability.

At December 31, 2004, funds have been set aside in the amount of \$ 24,957. The employees are fully vested and therefore these amounts are shown as deferred compensation payable on the statements of financial position. These investments are in annuities.

6 - Board Designated Net Assets

As of December 31, 2003, the board of directors of the Organization had designated net assets in the amount of \$ 200,000 for a grant to Growth Opportunity Connections, Inc. of Kansas City, Missouri (GO Connections), a Missouri not-for-profit organization. The grant provided training and management of a loan program to assist with fostering jobs and increasing economic development in the Topeka/Shawnee County area. The grant was paid to GO Connections during the year ended December 31, 2004 and was used as loans for socially and economically disadvantaged businesses.

As of December 31, 2004 and 2003, the board of directors designated net assets of \$ 1,984,054 and \$ 703,233, respectively, related to land held for economic development net of related debt.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

7 - Related Party Transactions

The Organization has a service agreement with the Greater Topeka Chamber of Commerce (the Chamber) in which the Chamber furnishes certain services and resources, including personnel, office space and equipment to the Organization. The Chamber pays the costs and then bills the Organization. Total expenses billed to the Organization for the years ended December 31, 2004 and 2003 were approximately \$ 517,000 and \$ 444,000, respectively. At December 31, 2004 and 2003, \$ 2,375 and \$ 207, respectively, was due from the Chamber, which represents amounts paid in excess of billings.

8 - JEDO Grant

The Organization entered into an agreement with JEDO in January 2002. JEDO is a separate legal entity authorized by Kansas Statute 12-2904(a) which was created by an interlocal agreement between the Board of Commissioners of Shawnee County and the City of Topeka. The agreement provided for a grant to the Organization for the purpose of providing economic development services, including research, target marketing, existing business retention and expansion, new business recruitment, disadvantaged business enterprises, infrastructure development, site acquisition and development, incentive funds, workforce training and expansion and other such activities deemed necessary and appropriate. The term of the agreement was from January 1, 2002 to December 31, 2002 and could be extended for successive periods of one year each unless either party terminates the agreement. The Organization entered into agreements with JEDO for the successive periods of 2003 and 2004 to receive a \$ 4.8 million grant for economic development in each period. JEDO approved the carry-over of the 2003 and 2004 unexpended grant funds. This carry-over is included in deferred revenue at December 31, 2004 and 2003, and includes approximately \$ 199,000 for the disadvantaged business enterprises program at December 31, 2004.

9 - Incentives

For the year ended December 31, 2004, the Organization provided a \$ 250,000 incentive to Goodyear Tire and Rubber Company for the expansion and improvement of the manufacturing plant in Topeka. Goodyear Tire and Rubber Company will operate the manufacturing plant in accordance with certain terms and conditions of the agreement with the Organization.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

9 - Incentives (Continued)

Also during 2004, the Organization provided \$ 125,000 as an incentive to the Governor's Strategic Military Planning Commission for coordinating the efforts to prevent the closure or downsizing of Kansas's military facilities, to maximize the input into the Base Realignment and Closure process, to protect the interest of the communities adjacent to the bases, to encourage the relocation of military mission to Kansas and to mitigate the effects of any reduction in military civilian personnel.

10 - Retirement Plan

Employees are eligible to participate in the 401(k) retirement plan if they have attained 1,000 hours of service, are age 21 and have completed 12 months of service. The employer contributes to the retirement plan an amount equal to 7% of an employee's total annual earnings. Employee contributions are vested at a rate of 20% for two years of service to 100% for six years of service. The Organization's contribution to the 401(k) retirement plan was \$ 29,552 and \$ 21,561 for the years ended December 31, 2004 and 2003, respectively.

11 - Commitments

At December 31, 2004, the Organization has outstanding incentive commitments to various companies in the approximate amount of \$ 1,756,000. In addition, the Organization is negotiating potential new commitments in the approximate amount of \$ 4,055,000. These commitments will be paid from deferred JEDO grant revenue.

SUPPLEMENTARY INFORMATION



## GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

## EXPENSES

Years Ended December 31, 2004 and 2003

	2004	2003
Payroll	\$ 414,979	\$ 383,056
Payroll taxes	31,149	25,715
Retirement	29,552	21,561
Legal	1,017	4,636
Telephone, utilities and rent	67,180	65,112
Contract labor	29,955	25,843
Maintenance	21,232	20,924
Postage	2,526	3,474
Supplies and printing	17,938	24,977
Car and travel	31,525	28,815
Subscriptions, dues and memberships	1,361	2,059
Accounting and data processing	37,789	31,738
Insurance and taxes	78,143	53,326
Marketing	222,495	217,324
Professional services	48,679	140,911
Commerce Park development	18,034	76,874
Meetings	7,872	8,871
Prospecting trips/other services	135,834	166,382
Professional training	7,508	2,564
Depreciation	10,917	9,390
Incentives	384,462	-
Disadvantaged business enterprises expenses	446,603	-
Minor improvements	10,334	3,695
Small business awards	5,058	4,510
JEDO expenses	5,662	6,035
Sales tax initiative (from private contributions)	122,370	-
Other division activities	14,338	25,830
	-	-
	<u>\$ 2,204,512</u>	<u>\$ 1,353,622</u>

See accompanying independent auditors' report.