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TOPEKA, KANSAS

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

Financial Statements and  
Auditors' Report

December 31, 2009 and 2008

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

Financial Statements  
December 31, 2009 and 2008

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Independent Auditors' Report

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

We have audited the statements of financial position of the Growth Organization of Topeka/Shawnee County, Inc. as of December 31, 2009 and 2008, 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 audit 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 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 Growth Organization of Topeka/Shawnee County, Inc. as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Mayer Hoffman McCann P.C.*

Mayer Hoffman McCann P.C.  
Topeka, Kansas  
May 7, 2010

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

Statements of Financial Position  
December 31,

Assets

|                                    | <u>2009</u>         | <u>2008</u>         |
|------------------------------------|---------------------|---------------------|
| Current assets:                    |                     |                     |
| Cash and cash equivalents          | \$ 4,040,655        | \$ 2,223,318        |
| Investments                        | 7,600,662           | 10,069,066          |
| Pledges receivable                 |                     | 2,000               |
| Accrued interest receivable        | 21,000              | 35,000              |
| Prepaid expenses                   | <u>119,554</u>      | <u>28,236</u>       |
| Total current assets               | <u>11,781,871</u>   | <u>12,357,620</u>   |
| Property and equipment:            |                     |                     |
| Equipment                          | 149,014             | 160,653             |
| Leasehold improvements             | <u>6,320</u>        | <u>49,680</u>       |
| Total property and equipment       | 155,334             | 210,333             |
| Less accumulated depreciation      | <u>(86,030)</u>     | <u>(112,680)</u>    |
| Net property and equipment         | <u>69,304</u>       | <u>97,653</u>       |
| Other assets:                      |                     |                     |
| Land held for economic development | <u>4,818,786</u>    | <u>3,244,243</u>    |
| Total other assets                 | <u>4,818,786</u>    | <u>3,244,243</u>    |
| Total assets                       | <u>\$16,669,961</u> | <u>\$15,669,516</u> |

Liabilities and Net Assets

|  |                     |                     |
|--|---------------------|---------------------|
| Current liabilities:                           |                     |                     |
| Deferred revenue                               | \$ 26,000           | \$ 300              |
| Deferred JEDO grant revenue                    | 10,628,566          | 11,262,515          |
| Due to Greater Topeka Chamber of Commerce      | 88,071              | 57,815              |
| Due to Governor's Military Council agency fund | <u>264,527</u>      | <u>364,234</u>      |
| Total current liabilities                      | <u>11,007,164</u>   | <u>11,684,864</u>   |
| Net assets:                                    |                     |                     |
| Undesignated                                   | 844,011             | 770,409             |
| Board designated                               | <u>4,818,786</u>    | <u>3,244,243</u>    |
| Total net assets                               | <u>5,662,797</u>    | <u>4,014,652</u>    |
| Total liabilities and net assets               | <u>\$16,669,961</u> | <u>\$15,669,516</u> |

The accompanying notes are an integral part of these financial statements

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

Statements of Activities  
Years Ended December 31,

|                                       | <u>2009</u>        | <u>2008</u>        |
|---------------------------------------|--------------------|--------------------|
| Revenue:                              |                    |                    |
| JEDO grant                            | \$5,559,949        | \$2,791,966        |
| Private contributions                 | 274,622            | 419,084            |
| Small business awards                 | 8,360              | 8,084              |
| Interest income                       | 141,430            | 253,393            |
| Change in market value of investments | (103,024)          | 81,074             |
| Other                                 | <u>22,180</u>      | <u>21,538</u>      |
| Total revenue                         | <u>5,903,517</u>   | <u>3,575,139</u>   |
| Expenses:                             |                    |                    |
| Program expenses:                     |                    |                    |
| Economic development                  | <u>4,000,090</u>   | <u>2,765,179</u>   |
| Total program expenses                | <u>4,000,090</u>   | <u>2,765,179</u>   |
| Support services expenses:            |                    |                    |
| General and administrative            | <u>255,282</u>     | <u>225,658</u>     |
| Total support expenses                | <u>255,282</u>     | <u>225,658</u>     |
| Total program and support expenses    | <u>4,255,372</u>   | <u>2,990,837</u>   |
| Change in net assets                  | 1,648,145          | 584,302            |
| Net assets at beginning of year       | <u>4,014,652</u>   | <u>3,430,350</u>   |
| Net assets at end of year             | <u>\$5,662,797</u> | <u>\$4,014,652</u> |

The accompanying notes are an integral part of these financial statements

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

Statements of Cash Flows  
Years Ended December 31,

|   | <u>2009</u>         | <u>2008</u>         |
|---|---------------------|---------------------|
| Cash flows from operating activities:   |                     |                     |
| Contributions, grants and other support   | \$ 5,293,782        | \$ 5,359,581        |
| Cash paid to employees and suppliers  | (2,751,518)         | (2,518,376)         |
| Cash incentives paid  | (388,780)           | (331,316)           |
| Interest received   | <u>168,129</u>      | <u>220,261</u>      |
| Net cash provided by operating activities   | <u>2,321,613</u>    | <u>2,730,150</u>    |
| Cash flows from investing activities:   |                     |                     |
| Purchase of investments   | (13,444,921)        | (15,837,958)        |
| Proceeds from sale of investments   | 15,797,602          | 14,641,962          |
| Purchase of land for economic development   | (2,851,543)         | (527,000)           |
| Purchase of property and equipment  | <u>(5,414)</u>      | <u>(21,937)</u>     |
| Net cash (used in) investing activities   | <u>(504,276)</u>    | <u>(1,744,933)</u>  |
| Net increase in cash  | 1,817,337           | 985,217             |
| Cash and cash equivalents at beginning of year  | <u>2,223,318</u>    | <u>1,238,101</u>    |
| Cash and cash equivalents at end of year  | \$ <u>4,040,655</u> | \$ <u>2,223,318</u> |
| Reconciliation of change in net assets to net cash provided by operating activities:    |                     |                     |
| Change in net assets  | \$ <u>1,648,145</u> | \$ <u>584,302</u>   |
| Adjustments to reconcile change in net assets to net cash used by operating activities: |                     |                     |
| Land incentive  | 1,277,000           |                     |
| Depreciation  | 27,953              | 26,378              |
| Loss on disposal of fixed assets  | 5,810               |                     |
| Unrealized losses (gains) on investments  | 103,024             | (81,074)            |
| Realized losses (gains) on investments  | 12,699              | (35,167)            |
| Change in allowance for uncollectible receivables                                       |                     | (7,000)             |
| Change in pledges receivable  | 2,000               | 9,500               |
| Change in accrued interest receivable   | 14,000              | 2,035               |
| Change in prepaid expenses  | (91,318)            | 8,045               |
| Change in due to/from Greater Topeka Chamber of Commerce                                | 30,256              | 49,724              |
| Change in deferred revenue  | 25,700              | (36,590)            |
| Change in deferred JEDO grant revenue   | (633,949)           | 2,145,999           |
| Change in due to Governor's Military Council agency fund                                | <u>(99,707)</u>     | <u>63,998</u>       |
| Total adjustments   | <u>673,468</u>      | <u>2,145,848</u>    |
| Net cash provided by operating activities   | \$ <u>2,321,613</u> | \$ <u>2,730,150</u> |

The accompanying notes are an integral part of these financial statements

# GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

## Notes to Financial Statements December 31, 2009 and 2008

### 1. History and Organization

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

### 2. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the accompanying financial statements.

#### Basis of Reporting

Assets, liabilities, net assets, revenues and expenses are recognized on the accrual basis of accounting.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The unrestricted operating fund represents the portion of expendable funds that is available for support of the Organization's operations.

The temporarily restricted fund and the permanently restricted fund represent funds that are subject to restrictions of the donated instruments, if any. These funds require either that the principal be invested in perpetuity and the income only be used by the Organization or are restricted by the donor's intent as to usage.

#### Fair Value Measurement

Assets recorded at fair value are categorized based upon the level of observability associated with the inputs used to measure their fair value. Fair value is defined as the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The availability of observable inputs is affected by a variety of factors, including the type of asset and the transparency of market transactions. To the extent that fair value is based on inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date.
- Level 2 – Inputs are other than quoted prices in active markets that are observable for the asset, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs are unobservable and significant to the asset and include situations where there is little, if any, market activity.

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

Notes to Financial Statements  
December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (Continued)

Investments

Investments consist of U.S. Government Securities money market fund, certificates of deposit and U.S. government securities. Investments are stated at fair value. Realized and unrealized gains and losses, dividends and interest on investments are reflected in the statement of activities.

Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks in the near term could materially affect investments and the amounts reported in the statements of financial position.

Pledges Receivable

Pledges receivable represent legally enforceable pledges and are recorded as receivable in the year made. Pledges are carried at their original amount less an allowance for uncollectible amounts.

Property and Equipment

The Organization capitalizes all expenditures in excess of \$2,000 for property and equipment at cost. Depreciation is determined on the straight-line basis, with estimated useful lives as follows:

|                        |             |
|------------------------|-------------|
| Equipment              | 3 - 5 years |
| Leasehold improvements | 5-10 years  |

Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expenses as incurred.

Management annually reviews property and equipment to determine whether carrying values have been impaired.

Income Taxes

The Organization is exempt from federal income tax under 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.



# GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

## Notes to Financial Statements December 31, 2009 and 2008

### 2. Summary of Significant Accounting Policies (Continued)

The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, management believes it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Organization.

The Organization files income tax returns in the U.S. federal and Kansas jurisdictions. The Organization is generally no longer subject to federal and state income tax examinations by taxing authorities for years before 2006. There are currently no examinations of the Organization's income tax returns in progress.

#### Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and services benefited.

#### Cash Defined For Statement of Cash Flows

For purposes of the statement of cash flows, the Organization considers cash or cash equivalents in the bank with original maturities of three months or less to be cash and cash equivalents.

#### Management Use of Estimates

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

### 3. Cash & Investments

Cash & cash equivalents include repurchase agreements with local banks. The repurchase agreements represent ownership interests in Federal Agency securities. Other bank deposits are within FDIC-insured limits.

Investments consist of the following at December 31. All investments are valued using Level 1 inputs.

|   | <u>2009</u>         | <u>2008</u>         |
|---|---------------------|---------------------|
| U.S. government securities money market funds | \$ 2,086,800        | \$ 3,017,021        |
| Certificates of deposit                       | 1,201,686           |                     |
| U.S. government securities                    | <u>4,312,176</u>    | <u>7,052,045</u>    |
| Total investments                             | <u>\$ 7,600,662</u> | <u>\$10,069,066</u> |

# GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

## Notes to Financial Statements December 31, 2009 and 2008

### 4. Land Held for Economic Development

The Organization has purchased land for economic development in southwest Topeka, Kansas. The Organization has the right to transfer the land to companies for economic development. As of December 31, 2009 and 2008, \$4,818,786 and \$3,244,243 of owned land was held for transfer to third parties for development.

Land held for economic development is a board designated net asset.

### 5. Operating Lease Obligations

The Organization leases a facility for an economic development program under an operating lease arrangement which expired during 2008.

Rent expense for the Organization on leases was \$12,019 for the year ended December 31, 2008.

### 6. Agency Funds

The Organization acts as an agent on behalf of the Governor's Military Council. Cash held on behalf of the Governor's Military Council is classified as both cash and a corresponding liability.

### 7. Board Designated Net Assets

As of December 31, 2009 and 2008, the board of directors designated net assets of \$4,818,786 and \$3,244,243 related to land held for economic development.

### 8. Related Party Transactions

The Organization has a service agreement with the Greater Topeka Chamber of Commerce 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, 2009 and 2008 were approximately \$897,000 and \$905,000. This includes reimbursement for a portion of the Chamber's office building and equipment leases. Payments made by the Organization on a month-to-month basis on these Chamber leases for the years ended December 31, 2009 and 2008 were \$70,385 and \$67,878.

At December 31, 2009 and 2008, the Organization owed the Greater Topeka Chamber of Commerce \$88,071 and \$57,815.

# GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

## Notes to Financial Statements December 31, 2009 and 2008

### 9. 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 for one year and could be extended for successive periods of one year each unless either party terminates the agreement.

JEDO approved the carryover of the 2009 and 2008 unexpended grant funds. This carryover is included in the deferred JEDO grant revenue at December 31, 2009 and 2008, and includes approximately \$371,000 and \$240,000 for the disadvantaged business enterprises program at December 31, 2009 and 2008.

### 10. Concentrations and Major Customers

The Organization received 94% and 78%, respectively, of their total revenue from a grant with the Joint Economic Development Organization (JEDO) for the years ended December 31, 2009 and 2008. In the event this grant was discontinued, the activities of the Organization would be curtailed accordingly.

### 11. 401(k) Retirement Plan

The Organization established a 401(k) retirement plan through a common paymaster agreement with the Greater Topeka Chamber of Commerce in which eligibility is reached when an employee has 1,000 hours of services, is age 21, and has completed 12 months of service. The 401(k) retirement plan is sponsored by the American Chamber of Commerce Executives.

Contributions to the retirement plan are an amount equal to 7% of an employee's total annual earnings. The employees may contribute up to 15% of their annual earnings with no minimum contribution required. Employer contributions are vested at a rate of 20% for two years of service to 100% for six years of service.

The Organization's contributions to the 401(k) retirement plan were \$43,885 and \$38,559 for the years ended December 31, 2009 and 2008.

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

Notes to Financial Statements  
December 31, 2009 and 2008

**12. Incentives**

For the years ended December 31, 2009 and 2008, performance-based cash incentives totaling \$388,780 and \$331,316 were paid to various organizations. These incentives are paid under agreements generally covering several years and requiring maintenance of employment levels and other benchmarks. In 2008, the Organization received \$50,000 as repayment from a company that did not fulfill its incentive obligation. In addition, in 2009, the Organization provided a land incentive at Central Crossing Commerce Park, with a cost of \$1,277,000.

**13. Commitments and Contingencies**

At December 31, 2009, the Organization has approved outstanding performance-based incentive commitments to various companies expected to be payable as follows:

|                     |                    |
|---------------------|--------------------|
| 2010                | \$1,187,453        |
| 2011 and thereafter | <u>2,657,977</u>   |
|                     | <u>\$3,845,430</u> |

In addition, at December 31, 2009, the Organization was negotiating potential new cash and land incentive commitments in the approximate amount of \$5,470,000. These commitments will be paid from deferred JEDO grant revenue if conditions are met.

**14. Subsequent Events**

The Organization has evaluated subsequent events through May 7, 2010, the date which the financial statements were available to be issued. In January 2010, the Organization acquired additional land for economic development at a cost of \$1,637,417.