

Attachment A

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

**Financial Statements and
Independent Auditors' Report**

December 31, 2008 and 2007

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

Financial Statements
December 31, 2008 and 2007

Table of Contents

	<u>Page</u>
Independent auditors' report	1
Financial statements:	
Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Notes to financial statements	5-10

The logo consists of the letters 'MHM' in a white, bold, sans-serif font, centered within a solid black square.

Mayer Hoffman McCann P.C.

An Independent CPA Firm

990 SW Fairlawn Road
Topeka, Kansas 66606-2384
785-272-3176 ph
785-272-2903 fx
www.mhm-pc.com

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, 2008 and 2007, 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, 2008 and 2007, 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
April 29, 2009

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

Statements of Financial Position
December 31,

Assets

	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 2,223,318	\$ 1,238,101
Investments	10,069,066	8,756,829
Pledges receivable, net of allowance of \$7,000 in 2007	2,000	4,500
Accrued interest receivable	35,000	37,035
Prepaid expenses	<u>28,236</u>	<u>36,281</u>
Total current assets	<u>12,357,620</u>	<u>10,072,746</u>
Property and equipment:		
Equipment	160,653	138,716
Leasehold improvements	<u>49,680</u>	<u>49,680</u>
Total property and equipment	210,333	188,396
Less accumulated depreciation	<u>(112,680)</u>	<u>(86,302)</u>
Net property and equipment	<u>97,653</u>	<u>102,094</u>
Other assets:		
Land held for economic development	3,244,243	2,717,243
Deferred compensation investment	<u>36,336</u>	<u>109,074</u>
Total other assets	<u>3,280,579</u>	<u>2,826,317</u>
Total assets	<u>\$15,735,852</u>	<u>\$13,001,157</u>

Liabilities and Net Assets

Current liabilities:		
Deferred revenue	\$ 300	\$ 36,890
Deferred JEDO grant revenue	11,262,515	9,116,516
Due to Greater Topeka Chamber of Commerce	57,815	8,091
Due to Governor's Military Council - agency fund	<u>364,234</u>	<u>300,236</u>
Total current liabilities	11,684,864	9,461,733
Long-term liabilities:		
Deferred compensation payable	<u>36,336</u>	<u>109,074</u>
Total liabilities	<u>11,721,200</u>	<u>9,570,807</u>
Net assets:		
Undesignated	770,409	713,107
Board designated	<u>3,244,243</u>	<u>2,717,243</u>
Total net assets	<u>4,014,652</u>	<u>3,430,350</u>
Total liabilities and net assets	<u>\$15,735,852</u>	<u>\$13,001,157</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>2008</u>	<u>2007</u>
Revenue:		
JEDO grant	\$2,791,966	\$2,025,992
Private contributions	419,084	293,754
Small business awards	8,084	9,250
Investment income	334,467	402,028
Other	<u>21,538</u>	<u>21,915</u>
Total revenue	<u>3,575,139</u>	<u>2,752,939</u>
Expenses:		
Program expenses:		
Economic development	<u>2,765,179</u>	<u>2,692,850</u>
Total program expenses	<u>2,765,179</u>	<u>2,692,850</u>
Support services expenses:		
General and administrative	<u>225,658</u>	<u>173,854</u>
Total support expenses	<u>225,658</u>	<u>173,854</u>
Total program and support expenses	<u>2,990,837</u>	<u>2,866,704</u>
Change in net assets	584,302	(113,765)
Net assets at beginning of year	<u>3,430,350</u>	<u>3,544,115</u>
Net assets at end of year	<u>\$4,014,652</u>	<u>\$3,430,350</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>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Contributions, grants and other support	\$ 5,359,581	\$ 4,941,343
Cash paid to employees and suppliers	(2,849,692)	(2,597,493)
Interest received	<u>220,261</u>	<u>340,469</u>
Net cash provided by operating activities	<u>2,730,150</u>	<u>2,684,319</u>
Cash flows from investing activities:		
Purchase of investments	(15,837,958)	(20,749,253)
Proceeds from sale of investments	14,641,962	17,991,204
Decrease (increase) in deferred compensation investment	72,738	(24,775)
Purchase of land for economic development	(527,000)	
Purchase of property and equipment	<u>(21,937)</u>	<u>(29,688)</u>
Net cash used in investing activities	<u>(1,672,195)</u>	<u>(2,812,512)</u>
Cash flows from financing activities:		
(Decrease) increase in deferred compensation payable	<u>(72,738)</u>	<u>24,775</u>
Net cash (used in) provided by financing activities	<u>(72,738)</u>	<u>24,775</u>
Net increase (decrease) in cash	985,217	(103,418)
Cash at beginning of year	<u>1,238,101</u>	<u>1,341,519</u>
Cash at end of year	\$ <u>2,223,318</u>	\$ <u>1,238,101</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ <u>584,302</u>	\$ <u>(113,765)</u>
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	26,378	21,027
Unrealized gains on investments	(81,074)	190
Realized gains on investments	(35,167)	(60,848)
Change in allowance for uncollectible receivables	(7,000)	2,000
Change in pledges receivable	9,500	(2,100)
Change in accrued interest receivable	2,035	(901)
Change in prepaid expenses	8,045	(7,699)
Change in due to/from Greater Topeka Chamber of Commerce	49,724	16,727
Change in deferred revenue	(36,590)	
Change in deferred JEDO grant revenue	2,145,999	2,592,532
Change in due to Governor's Military Council agency fund	<u>63,998</u>	<u>237,156</u>
Total adjustments	<u>2,145,848</u>	<u>2,798,084</u>
Net cash provided by operating activities	\$ <u>2,730,150</u>	\$ <u>2,684,319</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, 2008 and 2007

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.

Investments

Investments are recorded at fair market value based on quoted prices in active markets. These are considered Level 1 inputs in accordance with Statement of Financial Accounting Standards No. 157, effective January 1, 2008. Investments are generally held to maturity.

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.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

Notes to Financial Statements
December 31, 2008 and 2007

2. Summary of Significant Accounting Policies (Continued)

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.

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 in the bank with original maturities of three months or less to be cash.

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. Investments

Investments consist of the following at December 31, 2008:

	<u>Cost</u>	<u>Fair Value</u>
Money market	\$3,017,021	\$ 3,017,021
U.S. government securities	<u>6,942,955</u>	<u>7,052,045</u>
Total investments	<u>\$9,959,976</u>	<u>\$10,069,066</u>

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

Notes to Financial Statements
December 31, 2008 and 2007

3. Investments (Continued)

	<u>2008</u>	<u>2007</u>
Interest income	\$ 415,541	\$ 402,451
Change in market value	<u>(81,074)</u>	<u>(423)</u>
Total investment income	<u>\$ 334,467</u>	<u>\$ 402,028</u>

4. Land Held for Economic Development

The Organization purchased land for the development of the Central Crossing Commerce Park in southwest Topeka, Kansas. The Organization has the right to transfer the land to companies for economic development. As of December 31, 2008 and 2007, \$3,244,243 and \$2,717,243 of owned land was held for transfer to third parties for development.

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

5. Deferred Compensation Plan

The Growth Organization of Topeka/Shawnee County, Inc. sponsors a deferred compensation plan that allows certain salaried employees to defer a portion of their salaries by having the Organization remit such amounts for investment in a mutual fund. Upon request for payoff, the Organization authorizes the remittance of the deferred amount plus interest to the employee. The Organization reflects the amount as a noncurrent asset and the amount of the withheld deferred compensation as a noncurrent liability.

As of December 31, 2008 and 2007, funds have been set aside in the amount of \$36,336 and \$109,074, respectively. The employees are fully vested and, therefore, these amounts are shown as deferred compensation payable on the statements of financial position.

6. 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 and \$36,380 for the years ended December 31, 2008 and 2007.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

Notes to Financial Statements
December 31, 2008 and 2007

7. 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.

8. Board Designated Net Assets

As of December 31, 2008 and 2007, the board of directors designated net assets of \$3,244,243 and \$2,717,243 related to land held for economic development.

9. 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, 2008 and 2007 were approximately \$905,000 and \$695,000. 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, 2008 and 2007 were \$67,878 and \$60,878.

At December 31, 2008 and 2007, the Organization owed the Greater Topeka Chamber of Commerce \$57,815 and \$8,091.

10. 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 2008 and 2007 unexpended grant funds. This carryover is included in the deferred JEDO grant revenue at December 31, 2008 and 2007, and includes approximately \$240,000 and \$25,000 for the disadvantaged business enterprises program at December 31, 2008 and 2007.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

Notes to Financial Statements
December 31, 2008 and 2007

11. Concentrations and Major Customers

The Organization received 78% and 74%, respectively, of their total revenue from a grant with the Joint Economic Development Organization (JEDO) for the years ended December 31, 2008 and 2007. In the event this grant was discontinued, the activities of the Organization would be curtailed accordingly.

12. 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.

GTCC contributes to the retirement plan 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 \$38,559 and \$33,328 for the years ended December 31, 2008 and 2007.

13. Incentives

For the years ended December 31, 2008 and 2007, performance-based incentives totaling \$331,316 and \$715,653 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 2008, the Organization expended \$1,027,000 for site improvements at Central Crossing Commerce Park.

GROWTH ORGANIZATION OF TOPEKA/SHAWNEE COUNTY, INC.

Notes to Financial Statements
December 31, 2008 and 2007

14. Commitments and Contingencies

At December 31, 2008, the Organization has approved outstanding performance-based incentive commitments to various companies expected to be payable as follows:

2009	\$ 614,500
2010	413,500
2011 and thereafter	<u>1,364,000</u>
	<u>\$ 2,392,000</u>

In addition, at December 31, 2008, the Organization was negotiating potential new cash and land commitments in the approximate amount of \$7,500,000. These commitments will be paid from deferred JEDO grant revenue if conditions are met.

15. Subsequent Event

Subsequent to year end the Organization transferred 75 acres of land at Central Crossing Commerce Park to Home Depot as part of an approved incentive package. This incentive was included in the pending incentives at December 31, 2008.



Mayer Hoffman McCann P.C.

An Independent CPA Firm

990 SW Fairlawn Road
Topeka, Kansas 66606-2384
785-272-3176 ph
785-272-2903 fx
www.mhm-pc.com

April 29, 2009

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

In planning and performing our audit of the financial statements of Growth Organization of Topeka/Shawnee County, Inc. as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Growth Organization of Topeka/Shawnee County, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We observed the following matters, which were not deemed to be significant deficiencies or material weaknesses and offer these comments and suggestions that could be beneficial to the Organization.

Follow up on prior year comment and recommendation:

- ***Functional expense allocations:***

Prior year recommendation:

In our prior year communication, we recommended that the Organization set up the internal accounting and reporting system to mirror the functional expense allocation methods determined for year end audited financial statements. This would allow the Organization's monthly expenses to be presented to the Board by functional expense. This required setting up new funds, administration and fundraising, and allocating expenses to these two new funds each month.

Allocation of functional expenses is not required for modified cash basis reporting, which is the basis that your monthly financials are presented, but is considered a best practice for not-for-profits and can provide the Board and management with improved financial information.

Current Status:

In 2008, the Organization set up its accounting system to report functional expense allocation on the same basis as used in determining the audited financial statements. The functional expense reporting was implemented for the entire years' 2008 monthly financial statements. We commend the management of the Organization for implementing this recommendation and the improvement of financial information on a monthly basis.

This letter is intended solely for the information and use of the Board of Directors, management and others within the Organization and should not be used by anyone other than these specified parties.

Please extend our appreciation to all that assisted us by providing records and answering questions for the audit. Please feel free to give us a call if you have any questions.

Mayer Hoffman McCann P.C.

Mayer Hoffman McCann P.C.
Topeka, Kansas



Mayer Hoffman McCann P.C.
An Independent CPA Firm

990 SW Fairlawn Road
Topeka, Kansas 66606-2384
785-272-3176 ph
785-272-2903 fx
www.mhm-pc.com

April 29, 2009

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

We have audited the financial statements of the Growth Organization of Topeka/Shawnee County, Inc. for the year ended December 31, 2008, and have issued our report thereon dated April 29, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 18, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on December 18, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Growth Organization of Topeka/Shawnee County, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

No misstatements were noted by us as a result of our auditing procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 29, 2009.

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of directors and management of the Growth Organization of Topeka/Shawnee County, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mayer Hoffman McCann P.C.

Mayer Hoffman McCann, P.C.