

JOBSOHIO

(A Component Unit of the State of Ohio)

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Review Report Thereon)

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JOBSONHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

(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, 2020 and 2019. 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 sole component unit, 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 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 assets increased 40% in the fiscal year ended June 30, 2019 from \$626,905 in the fiscal year ended June 30, 2018 to \$875,969 in the fiscal year ended June 30, 2019.
- Total 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. Total liabilities increased 62% in the fiscal year ended June 30, 2019 from \$57,232 in the fiscal year ended June 30, 2018 to \$92,708 in the fiscal year ended June 30, 2019.
- 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. Operating and non-operating revenues increased 87% in the fiscal year ended June 30, 2019 when compared to the same time period one year prior from \$201,005 in the fiscal year ended June 30, 2018 to \$375,608 in the fiscal year ended June 30, 2019.
- 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. Total operating expenses increased 37% in the fiscal year ended June 30, 2019 when compared to the same time period one year prior from \$118,569 in the fiscal year ended June 30, 2018 to \$162,107 in the fiscal year ended June 30, 2019.

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 the JobsOhio Beverage System (JOBS), 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 \$71,218 and \$56,495, respectively, for the fiscal years ended June 30, 2020 and 2019. The final payment amount due to the State is calculated at the conclusion of the fiscal year.

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During the fiscal year ended June 30, 2020 and 2019, JobsOhio received grants and contributions from JOBS totaling \$255,000 and \$350,000, 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 sole component unit, 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 financial statements.

The statements of net position provides 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 outlines 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.

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Financial Analysis

Net Position

	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 39,491	\$ 65,186
Investments	724,121	713,884
Loans	8,179	7,547
Receivables, net of allowance for uncollectable accounts	2,778	2,894
Prepaid expenses	1,343	940
Due from JOBS	306	14
Total current assets	776,218	790,465
Long-term assets:		
Capital assets, net of accumulated depreciation	1,880	917
Loans, net of loss allowance	129,059	84,587
Total long-term assets	130,939	85,504
Total assets	907,157	875,969
Liabilities:		
Current liabilities:		
Accounts payable	4,137	2,134
Accrued liabilities	111,575	90,547
Community bank loan guarantee - current portion	350	-
Capital lease payable - current portion	23	27
Total current liabilities	116,085	92,708
Long-term liabilities:		
Community bank loan guarantee	355	-
Capital lease payable	71	87
Total long-term liabilities	426	87
Total liabilities	116,511	92,795
Net position:		
Net investment in capital assets	1,880	917
Unrestricted	788,766	782,257
Total net position	\$ 790,646	\$ 783,174

Current assets consist of cash in demand deposits, investments, prepaid expenses, and receivables due from JOBS for management services as well as outstanding principal from loans to promote economic development due within the following twelve months. 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 fiscal year ended June 30, 2020. Current assets increased 46% in the fiscal year ended June 30, 2019 from \$541,282 in the fiscal year ended June 30, 2018 to \$790,465 in fiscal year

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ended June 30, 2019. The increases in current assets are primarily due to funds received from JOBS for grants to support JobsOhio's mission.

Long-term assets consist of software, furniture, equipment and leasehold improvements, as well as outstanding principal from loans made for economic development programs due after the following twelve months. 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. Long-term assets decreased less than one percent in the fiscal year ended June 30, 2019 from \$85,623 in the fiscal year ended June 30, 2018 to \$85,504 in the fiscal year ended June 30, 2019. The changes in long-term assets are primarily due to assets related to JobsOhio's loan program.

Current liabilities represent accounts payable and accrued liabilities, as well as amounts due within the following twelve months for a capital lease that was added in fiscal year 2020. 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. Current liabilities increased 62% in the fiscal year ended June 30, 2019 from \$57,224 in the fiscal year ended June 30, 2018 to \$92,708 in the fiscal year ended June 30, 2019. These increases 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 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. Long-term liabilities increased 988% in the fiscal year ended June 30, 2019 from \$8 in the fiscal year ended June 30, 2018 to \$87 in the fiscal year ended June 30, 2019. The current year change in long-term liabilities was primarily due to a new economic development program to support community bank loans. The prior year change in long-term liabilities was primarily due to amounts due for capital lease.

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. Net position increased by \$213,501 for the fiscal year ended June 30, 2019, from a net position of \$569,673 in the fiscal year ended June 30, 2018 to a net position of \$783,174 as of the fiscal year ended June 30, 2019. The changes in net position are primarily due to JobsOhio's economic development programs and reflect the accrual of grant expense, as well as economic development purchased services. Increases in salaries and benefits and professional services also contributed to the changes in net position.

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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, 2020 and 2019:

	June 30, 2020	June 30, 2019
	<u> </u>	<u> </u>
Operating revenues:		
Interest income - loans	\$ 2,090	\$ 2,729
Fees and other	8,266	1,531
Total operating revenues	<u>10,356</u>	<u>4,260</u>
Operating expenses:		
Economic development programs	233,138	112,393
Salaries and benefits	16,537	14,974
Economic development purchased services	13,270	13,679
Professional services	8,522	6,032
Insurance	223	227
Administrative and support	4,781	4,323
Marketing	10,907	10,437
Other	(41)	42
Total operating expenses	<u>287,337</u>	<u>162,107</u>
Operating loss	<u>(276,981)</u>	<u>(157,847)</u>
Nonoperating revenues:		
Grants	255,000	350,000
Investment income	29,453	21,348
Total nonoperating revenues	<u>284,453</u>	<u>371,348</u>
Change in net position	7,472	213,501
Net position, beginning of period	<u>783,174</u>	<u>569,673</u>
Net position, end of period	<u>\$ 790,646</u>	<u>\$ 783,174</u>

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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 is a forgivable loan program that allows companies to borrow funds to support their payroll over the course of six months. At the end of the six-month period, the companies must provide documentation to the Entity that illustrates they were able to maintain certain payroll metrics over the period and if so, the loan will be forgiven and no balance will be due. If the company does not maintain its headcount, their loan will begin to amortize and payments of principal and interest will begin. As of June 30, 2020 and 2019, disbursements associated with the Workforce Retention Loan program were made to 76 and 0 companies, respectively, totaling \$16,676 and \$0, respectively, and are included in Loans, net of loss allowance. The terms of the loans outstanding at June 30, 2020 and 2019 provide for disbursements of up to \$50,000 and \$0, respectively. The outstanding balance of the commitments as of June 30, 2020 and 2019 were \$33,324 and \$0, 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 is 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, 2020 and 2019, disbursements associated with the Innovation Loan program were made to 24 and 0 companies, respectively, totaling \$29,288 and \$0, respectively, and are included in Loans, net of loss allowance. The terms of the loans outstanding at June 30, 2020 and 2019 provide for disbursements of up to \$30,298 and \$0, respectively. The outstanding balance of the commitments as of June 30, 2020 and 2019 were \$1,010 and \$0, respectively.

The remaining 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. Loans receivable balance of \$92,134 as of June 30, 2019 relates to disbursements to 45 companies and is net of loss allowance of \$2,925. The current portion of the loans receivable balance of \$8,179 and \$7,547 as of June 30, 2020 and 2019, respectively, represent principal payments due within the following twelve months. The terms of the loans outstanding at June 30, 2020 and 2019 provide for disbursements of up to \$142,305 and \$128,595, respectively. The outstanding balance of the commitments as of June 30, 2020 and 2019 were \$11,091 and \$21,383, 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 accrues at 0% during the deferral period. As of June 30, 2020 and 2019, 41 and 0 borrowers, respectively, opted into the program totaling \$4,108 and \$0, respectively, 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

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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 \$19,420 and \$2,925, respectively, as of June 30, 2020 and 2019.

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 \$4,682 and \$4,817 as of June 30, 2020 and 2019, respectively, is net of allowance for uncollectable accounts of \$5 and \$50, respectively.

The amount due from DAS totals \$42,263 and \$0 as of June 30, 2020 and 2019, respectively, and 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 \$4,217 and \$1,861 of service fees to the Ohio Department of Commerce as of June 30, 2020 and 2019, respectively, as well as \$91 for each of the fiscal years ended June 30, 2020 and 2019 for prepaid rent payments on two separate operating lease agreements. See note 2(b)5 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, 2020 and 2019. No impairment of the intangible asset existed as of June 30, 2020 and 2019.

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

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	<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>

Intangible asset – liquor franchise activity for the fiscal year ended June 30, 2019 is as follows:

	<u>Balance, July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2019</u>
Liquor franchise	\$ 1,379,924	\$ -	\$ -	\$ 1,379,924
Less: accumulated amortization	<u>(298,984)</u>	<u>(55,197)</u>	<u>-</u>	<u>(354,181)</u>
Liquor franchise, net of amortization	<u>\$ 1,080,940</u>	<u>\$ (55,197)</u>	<u>\$ -</u>	<u>\$ 1,025,743</u>

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(b) Liabilities

1. Accrued Liabilities

Accrued liabilities reported at June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019
Economic development programs	\$ 109,338	\$ 87,871
Liquor purchases	7,547	18,339
Agency commissions	15,336	2,900
Taxes	13,785	10,599
Supplemental Payment	71,218	56,495
Economic development purchased services	-	710
Professional services	787	1,019
Payroll	589	226
Legal services	39	106
Liquor operations	122	215
Paid time off	289	207
Deferred rent	751	794
Employee benefits	25	49
Other	843	489
	\$ 220,669	\$ 180,019

2. Economic Development Programs – Grants

The Entity operates six 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.
- 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.

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- **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.

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. As of June 30, 2019, the Entity had executed 862 grants, including 345 economic development grants, 291 workforce grants, 212 revitalization grants and 14 research and development grants with a total committed amount of \$423,309. As of June 30, 2019, the Entity had \$183,856 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 position. The accrued economic development programs were \$108,801 and \$87,871 as of June 30, 2020 and 2019, 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, 2020 and 2019, the community banks had provided loans totaling \$7,051 and \$0,

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respectively. The outstanding commitment for the program as of June 30, 2020 and 2019 was \$42,949 and \$0, respectively. As of June 30, 2020 and 2019 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 \$705 and \$0, respectively, as of June 30, 2020 and 2019 which is included in economic development programs expense. The Entity recorded current and long-term liabilities associated with the program totaling \$350 and \$355, respectively, as of June 30, 2020 and \$0 and \$0, respectively, as of June 30, 2019.

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, 2020, the total 401(k) match expense was \$456 on total employee contributions of \$914. For the fiscal years ended June 30, 2019 the total 401(k) match expense was \$393 on total employee contributions of \$905. As of June 30, 2020 and 2019, accrued employee 401(k) deferrals and accrued employer match was \$25 and \$45, respectively, and are included in the statements of net position as accrued liabilities.

5. Commitments and Contingencies – Litigation

The Entity has filed two lawsuits against two companies that have received grant funds without maintaining the job commitment related to receiving those funds. Resolution of the litigation is pending.

6. Lease Obligations

The Entity has an agreement for an office facilities lease and pays monthly rent. Rent expense was \$609 and \$605, respectively, for the fiscal years ended June 30, 2020 and 2019.

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Minimum future lease payments as of June 30, 2020 under this operating lease are as follows:

Year ending June 30:	
2021	\$ 379
2022	387
2023	396
2024 - 2027	<u>1,521</u>
Total	<u><u>\$ 2,683</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, 2020 and 2019 was \$64 and \$37, respectively. 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>

Property on capital lease as of June 30, 2019 is as follows:

Office equipment	\$ 150
Less: accumulated amortization	<u>(37)</u>
Total	<u><u>\$ 113</u></u>

The interest rate related to the 2019 lease obligation is 0% and the maturity date is August 2024. Minimum future lease payments as of June 30, 2020 under this capital lease are as follows:

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Year ending June 30:	
2020	\$ 6
2021	21
2022	21
2023	21
2024 - 2025	<u>24</u>
Total	<u>\$ 93</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 \$2,915 and \$2,953, respectively, for the fiscal years ended June 30, 2020 and 2019.

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, 2020 under this operating lease are as follows:

Year ending June 30:	
2021	\$ 1,473
2022	1,491
2023	1,491
2024	<u>1,118</u>
Total	<u>\$ 5,573</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, 2020 under this operating lease are as follows:

Year ending June 30:	
2021	\$ 928
2022	953
2023	<u>79</u>
Total	<u>\$ 1,960</u>

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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.

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

<u>Debt Service on 2020A Bonds</u>	<u>Debt Service on Defeased 2013A Bonds</u>	<u>Savings</u>	<u>Present value using a yield of 2.85%</u>
\$ 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>

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, 2020 and 2019 are as follows:

<u>Special obligation bonds</u>	<u>Original issue date</u>	<u>Outstanding as of March 31, 2020</u>	<u>Interest rates to maturity</u>	<u>Final maturity</u>
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

<u>Special obligation bonds</u>	<u>Original issue date</u>	<u>Outstanding as of June 30, 2019</u>	<u>Interest rates to maturity</u>	<u>Final maturity</u>
Series 2013A	Feb. 2013	\$ 379,790	4.0% – 5.0%	2038
Series 2013B	Feb. 2013	\$ 909,765	2.5% – 4.5%	2035

The bonds have maturities that started in 2015 and continue through 2038. Maturities due within one year at June 30, 2020 and 2019 are \$51,880 and \$46,720, 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.

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(In thousands)

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.

Debt service requirements related to the bonds as of June 30, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2021	\$ 51,880	\$ 46,531	\$ 98,411
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 – 2030	326,240	165,463	491,703
2031 – 2035	401,185	89,897	491,082
2036 – 2038	277,975	15,897	293,872
Total	<u>1,277,890</u>	<u>\$ 490,720</u>	<u>\$ 1,768,610</u>
Unamortized premium	33,567		
Less current portion	<u>(51,880)</u>		
Total debt, long-term portion	<u>\$ 1,259,577</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>

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(In thousands)

Debt service activity for the fiscal year ended June 30, 2019 is as follows:

	<u>Balance, July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2019</u>	<u>Current portion</u>
Bond principal	\$ 1,335,400	\$	\$ (45,845)	\$ 1,289,555	\$ 46,720
Bond premium	59,663			59,663	
Less: Accumulated amortization	<u>(15,297)</u>	<u>(2,730)</u>	<u></u>	<u>(18,027)</u>	<u></u>
Total debt	<u>\$ 1,379,766</u>	<u>\$ (2,730)</u>	<u>\$ (45,845)</u>	<u>\$ 1,331,191</u>	<u>\$ 46,720</u>

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, 2020, operating revenues were reported net of discounts of \$17,885 and sales tax of \$90,640. For the fiscal year ended June 30, 2019, operating revenues were reported net of discounts of \$21,797 and sales tax of \$74,329.

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 \$1,566 and \$0 in the fiscal years ended June 30, 2020 and 2019, respectively.

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(In thousands)

In May 2020, the Entity started offering a rebate program to bars and restaurants with liquor permits in good standing in the state of Ohio to support their efforts to reopen their businesses following the shutdown due to COVID-19. The wholesale rebates are reported on the statements of revenue, expenses, and changes in net position and totaled \$3,223 and \$0 for the fiscal years ended June 30, 2020 and 2019, respectively.

(d) Deferred Outflows

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

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, as amended by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, 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, 2020 is as follows:

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

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Combining Schedule of Net Position

(In thousands)

(e) Combining Information

	June 30, 2020				June 30, 2019			
	Component Unit			Combined Balance	Component Unit			Combined Balance
	JobsOhio	JobsOhio Beverage System	Eliminating Entries		JobsOhio	JobsOhio Beverage System	Eliminating Entries	
	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance
Assets:								
Current assets:								
Cash and cash equivalents - unrestricted	\$ 39,491	\$ 13,693	\$ -	\$ 53,184	\$ 65,186	\$ 75,491	\$ -	\$ 140,677
Cash and cash equivalents - restricted	-	214,201	-	214,201	-	164,065	-	164,065
Investments	724,121	-	-	724,121	713,884	-	-	713,884
Inventory	-	87,830	-	87,830	-	84,670	-	84,670
Loans	8,179	-	-	8,179	7,547	-	-	7,547
Receivables, net of allowance for uncollectable accounts	2,778	1,904	-	4,682	2,894	1,923	-	4,817
Prepaid expenses	1,343	4,667	-	6,010	940	2,569	-	3,509
Due from JOBS	306	-	(306)	-	14	-	(14)	-
Total current assets	776,218	322,295	(306)	1,098,207	790,465	328,718	(14)	1,119,169
Long-term assets:								
Intangible asset - liquor franchise, net of amortization	-	970,546	-	970,546	-	1,025,743	-	1,025,743
Accounts receivable - long-term	-	42,263	-	42,263	-	-	-	-
Loans, net of loss allowance	129,059	-	-	129,059	84,587	-	-	84,587
Capital assets, net of accumulated depreciation	1,880	1,085	-	2,965	917	1,125	-	2,042
Intangible asset - trademark, net of amortization	-	5	-	5	-	-	-	-
Total long-term assets	130,939	1,013,899	-	1,144,838	85,504	1,026,868	-	1,112,372
Total assets	907,157	1,336,194	(306)	2,243,045	875,969	1,355,586	(14)	2,231,541
Deferred outflow of resources:								
Deferred outflow on bond defeasance	-	29,080	-	29,080	-	-	-	-
Total deferred outflow of resources	-	29,080	-	29,080	-	-	-	-
Liabilities:								
Current liabilities:								
Accounts payable	4,137	51,042	-	55,179	2,134	18,557	-	20,691
Accrued liabilities	111,575	109,094	-	220,669	90,547	89,472	-	180,019
Special obligation bonds payable - current portion	-	51,880	-	51,880	-	46,720	-	46,720
Bond interest payable	-	22,779	-	22,779	-	27,947	-	27,947
Community bank loan guarantee - current portion	350	-	-	350	-	-	-	-
Capital lease payable - current portion	23	-	-	23	27	-	-	27
Due to JobsOhio	-	306	(306)	-	-	14	(14)	-
Total current liabilities	116,085	235,101	(306)	350,880	92,708	182,710	(14)	275,404
Long-term liabilities:								
Special obligation bonds payable	-	1,259,577	-	1,259,577	-	1,284,471	-	1,284,471
Community bank loan guarantee	355	-	-	355	-	-	-	-
Capital lease payable	71	-	-	71	87	-	-	87
Total long-term liabilities	426	1,259,577	-	1,260,003	87	1,284,471	-	1,284,558
Total liabilities	116,511	1,494,678	(306)	1,610,883	92,795	1,467,181	(14)	1,559,962
Net position:								
Net investment in capital assets	1,880	1,085	-	2,965	917	1,125	-	2,042
Unrestricted	788,766	(130,489)	-	658,277	782,257	(112,720)	-	669,537
Total net position	\$ 790,646	\$ (129,404)	\$ -	\$ 661,242	\$ 783,174	\$ (111,595)	\$ -	\$ 671,579

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

(In thousands)

	Year Ended June 30, 2020				Year Ended June 30, 2019			
	Component Unit			Combined	Component Unit			Combined
	JobsOhio	JobsOhio Beverage System	Eliminating Entries		JobsOhio	JobsOhio Beverage System	Eliminating Entries	
				Balance				Balance
Operating revenues:								
Net liquor sales	\$ -	\$ 1,433,432	\$ -	\$ 1,433,432	\$ -	\$ 1,277,678	\$ -	\$ 1,277,678
Less: wholesale rebates	-	(3,223)	-	(3,223)	-	-	-	-
Distribution center revenue	-	7,808	-	7,808	-	7,139	-	7,139
Interest income - loans	2,090	-	-	2,090	2,729	-	-	2,729
Fees and other	8,266	-	(7,989)	277	1,531	-	(1,147)	384
Total operating revenues	10,356	1,438,017	(7,989)	1,440,384	4,260	1,284,817	(1,147)	1,287,930
Operating expenses:								
Cost of goods sold	-	843,928	-	843,928	-	754,857	-	754,857
Sales commissions	-	91,622	-	91,622	-	69,479	-	69,479
Liquor gallonage taxes	-	54,034	-	54,034	-	50,189	-	50,189
Amortization of intangible asset - liquor franchise	-	55,197	-	55,197	-	55,197	-	55,197
Service fees	-	16,104	-	16,104	-	15,372	-	15,372
Supplemental Payment	-	71,218	-	71,218	-	56,495	-	56,495
JobsOhio management fees	-	7,989	(7,989)	-	-	1,147	(1,147)	-
Economic development programs	233,138	-	-	233,138	112,393	-	-	112,393
Salaries and benefits	16,537	-	-	16,537	14,974	-	-	14,974
Economic development purchased services	13,270	-	-	13,270	13,679	-	-	13,679
Professional services	8,522	8,060	-	16,582	6,032	7,346	-	13,378
Insurance	223	403	-	626	227	405	-	632
Administrative and support	4,781	4,029	-	8,810	4,323	3,825	-	8,148
Marketing	10,907	-	-	10,907	10,437	-	-	10,437
Other	(41)	199	-	158	42	(598)	-	(556)
Total operating expenses	287,337	1,152,783	(7,989)	1,432,131	162,107	1,013,714	(1,147)	1,174,674
Operating income (loss)	(276,981)	285,234	-	8,253	(157,847)	271,103	-	113,256
Nonoperating revenues (expenses):								
Grants	255,000	(255,000)	-	-	350,000	(350,000)	-	-
Bond interest, net	-	(48,472)	-	(48,472)	-	(53,741)	-	(53,741)
Investment income	29,453	-	-	29,453	21,348	-	-	21,348
Other, net	-	429	-	429	-	6,570	-	6,570
Total nonoperating revenues (expenses)	284,453	(303,043)	-	(18,590)	371,348	(397,171)	-	(25,823)
Change in net position	7,472	(17,809)	-	(10,337)	213,501	(126,068)	-	87,433
Net position, beginning of period	783,174	(111,595)	-	671,579	569,673	14,473	-	584,146
Net position, end of period	\$ 790,646	\$ (129,404)	\$ -	\$ 661,242	\$ 783,174	\$ (111,595)	\$ -	\$ 671,579

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Combining Schedule of Cash Flows

(In thousands)

	Year Ended June 30, 2020				Year Ended June 30, 2019			
	Component Unit				Component Unit			
	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance
Cash flows from operating activities:								
Receipts from fees and other	\$ 2,740	\$ -	\$ -	\$ 2,740	\$ 2,532	\$ -	\$ -	\$ 2,532
Receipts from customers	-	1,430,568	-	1,430,568	-	1,279,460	-	1,279,460
Receipts from suppliers	-	7,471	-	7,471	-	7,112	-	7,112
Payments to employees	(16,115)	-	-	(16,115)	(14,934)	-	-	(14,934)
Payments to suppliers	(36,150)	(840,142)	-	(876,292)	(33,557)	(772,665)	-	(806,222)
Payments for economic development programs	(256,780)	-	-	(256,780)	(79,104)	-	-	(79,104)
Payments for commissions	-	(79,187)	-	(79,187)	-	(69,708)	-	(69,708)
Receipts from sales taxes	-	90,640	-	90,640	-	74,329	-	74,329
Payments for sales tax collections to State and county	-	(88,101)	-	(88,101)	-	(74,345)	-	(74,345)
Payments for gallonage tax collections to State	-	(53,386)	-	(53,386)	-	(50,342)	-	(50,342)
Payments for servicing fees	-	(18,460)	-	(18,460)	-	(16,491)	-	(16,491)
Payments for Supplemental Payment to State	-	(56,495)	-	(56,495)	-	(36,831)	-	(36,831)
Payments for taxes	-	-	-	-	(42)	-	-	(42)
Receipts (payments) between JobsOhio and component unit	7,697	(7,697)	-	-	1,237	(1,237)	-	-
Net cash provided by (used in) operating activities	(298,608)	385,211	-	86,603	(123,868)	339,282	-	215,414
Cash flows from noncapital financing activities:								
Receipts (payments) between JobsOhio and component unit for grants	255,000	(255,000)	-	-	350,000	(350,000)	-	-
Payments for other nonoperating expenses	-	(39,827)	-	(39,827)	-	(2)	-	(2)
Net cash provided by (used in) noncapital financing activities	255,000	(294,827)	-	(39,827)	350,000	(350,002)	-	(2)
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(1,283)	(257)	-	(1,540)	(162)	(214)	-	(376)
Acquisition of capital lease	-	-	-	-	112	-	-	-
Payments for capital lease	(20)	-	-	(20)	(16)	-	-	(16)
Bond issuance proceeds	-	371,025	-	371,025	-	-	-	-
Payments for bond issuance costs	-	(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	-	(46,720)	-	(46,720)	-	(45,845)	-	(45,845)
Payments for bond interest	-	(55,893)	-	(55,893)	-	(57,049)	-	(57,049)
Net cash used in capital and related financing activities	(1,303)	(104,474)	-	(105,777)	(66)	(103,108)	-	(103,286)
Cash flows from investing activities:								
Dividends and interest income	16,951	2,428	-	19,379	10,565	6,572	-	17,137
Purchases of investments	(211,890)	-	-	(211,890)	(330,270)	-	-	(330,270)
Proceeds from maturities of investments	214,155	-	-	214,155	87,851	-	-	87,851
Net cash provided by (used in) investing activities	19,216	2,428	-	21,644	(231,854)	6,572	-	(225,282)
Net decrease in cash and cash equivalents	(25,695)	(11,662)	-	(37,357)	(5,788)	(107,256)	-	(113,044)
Cash and cash equivalents, beginning of period	65,186	239,556	-	304,742	70,974	346,812	-	417,786
Cash and cash equivalents, end of period	\$ 39,491	\$ 227,894	\$ -	\$ 267,385	\$ 65,186	\$ 239,556	\$ -	\$ 304,742
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ (276,981)	\$ 285,234	\$ -	\$ 8,253	\$ (157,847)	\$ 271,103	\$ -	\$ 113,256
Adjustments to reconcile operating income to net cash provided by operating activities:								
Amortization of intangible asset - liquor franchise	-	55,197	-	55,197	-	55,197	-	55,197
Decrease in intangible asset - trademark	-	(6)	-	(6)	-	-	-	-
Depreciation and amortization expense	447	302	-	749	325	233	-	558
Increase in loans	(61,599)	-	-	(61,599)	(1,655)	-	-	(1,655)
Decrease in loan valuation allowance	16,495	-	-	16,495	465	-	-	465
Increase in inventory	-	(3,160)	-	(3,160)	-	(8,673)	-	(8,673)
(Increase) decrease in receivables, net of allowance for doubtful accounts	116	19	-	135	(768)	2,012	-	1,244
Increase in prepaid expenses	(403)	(2,098)	-	(2,501)	56	(1,243)	-	(1,187)
(Increase) decrease in due from/to component unit (net)	(292)	292	-	-	89	(89)	-	-
Increase in accounts payable	1,876	29,953	-	31,829	673	1,015	-	1,688
Increase in accrued liabilities	21,733	19,478	-	41,211	34,794	19,727	-	54,521
Total adjustments	(21,627)	99,977	-	78,350	33,979	68,179	-	102,158
Net cash provided by (used in) operating activities	\$ (298,608)	\$ 385,211	\$ -	\$ 86,603	\$ (123,868)	\$ 339,282	\$ -	\$ 215,414