JOBSOHIO

(A Component Unit of the State of Ohio)

Financial Statements

March 31, 2020 and 2019

(With Independent Auditors' Review Report Thereon)

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors of JobsOhio:

We have reviewed the accompanying statements of net position of JobsOhio, a component unit of the State of Ohio, and its sole component unit JobsOhio Beverage System (collectively the "Entity") as of March 31, 2020, and the related statements of revenues, expenses, and changes in net position for the three-month and nine-month periods ended March 31, 2020 and 2019, and of cash flows for the nine-month periods ended March 31, 2020 and 2019, and the related notes (the "interim financial information").

Management's Responsibility for the Interim Financial Information

The Entity's management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-7 be presented to supplement the interim financial information. Such information, although not a part of the interim financial information, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the interim financial information in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the interim financial information, and other knowledge we obtained during our review of the interim financial information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the interim financial information referred to above for it to be in accordance with accounting principles generally accepted in the United States of America.

Report on Statement of Net Position as of June 30, 2019

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the statement of net position of the Entity as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2019. In our opinion, the accompanying statement of net position of the Entity as of June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 2(x) in the interim financial information, the Entity has implemented a number of programs in response to the impact of the COVID-19 pandemic. Our conclusion is not modified with respect to this matter.

Deloitte + Touche LLP

May 28, 2020

The management of JobsOhio offers this narrative overview and analysis of the financial activities of JobsOhio for the nine months ended March 31, 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 financial statements.

Financial Highlights

- Total assets increased 8% in the nine months ended March 31, 2020 from $875,969 in the fiscal year ended June 30, 2019 to $948,336 in the nine months ended March 31, 2020. Total assets increased 11% in the nine months ended March 31, 2019 from $626,905 in the fiscal year ended June 30, 2018 to $694,841 in the nine months ended March 31, 2019.

- Total liabilities increased 93% in the nine months ended March 31, 2020 from $92,795 in the fiscal year ended June 30, 2019 to $178,960 in the nine months ended March 31, 2020. Total liabilities increased 138% in the nine months ended March 31, 2019 from $57,232 in the fiscal year ended June 30, 2018 to $135,971 in the nine months ended March 31, 2019.

- Operating and non-operating revenues increased 45% in the nine months ended March 31, 2020 when compared to the same time period one year prior from $166,207 in the nine months ended March 31, 2019 to $240,302 in the nine months ended March 31, 2020. Operating and non-operating revenues increased 12% in the nine months ended March 31, 2019 when compared to the same time period one year prior from $148,125 in the nine months ended March 31, 2018 to $166,207 in the nine months ended March 31, 2019.

- Total operating expenses increased 44% in the nine months ended March 31, 2020 when compared to the same time period one year prior from $177,010 in the nine months ended March 31, 2019 to $254,100 in the nine months ended March 31, 2020. Total operating expenses increased 29% in the nine months ended March 31, 2019 when compared to the same time period one year prior from $136,881 in the nine months ended March 31, 2018 to $177,010 in the nine months ended March 31, 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 $49,846 and $40,591, respectively, for the nine months ended March 31, 2020 and 2019. The final payment amount due to the State is calculated at the conclusion of the fiscal year.

During the nine months ended March 31, 2020 and 2019, JobsOhio received grants and contributions from JOBS totaling $210,000 and $150,000, 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 statement of net position provides information about assets and liabilities and reflects the financial position at quarter end and the previous fiscal year-end. The statement 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 statement 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.

Financial Analysis

Net Position

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 increased 10% in the nine months ended March 31, 2020 from $790,465 in the fiscal year ended June 30, 2019 to $866,268 in nine months ended March 31, 2020. Current assets increased 12% in the nine months ended March 31, 2019 from $541,282 in the fiscal year ended June 30, 2018 to $604,282 in nine months ended March 31, 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 decreased 4% in the nine months ended March 31, 2020 from $85,504 in the fiscal year ended June 30, 2019 to $82,068 in nine months ended March 31, 2020. Long-term assets increased 6% in the nine months ended March 31, 2019 from $85,623 in the fiscal year ended June 30, 2018 to $90,559 in nine months ended March 31, 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 2019. Current liabilities increased 93% in the nine months ended March 31, 2020 from $92,708 in the fiscal year ended June 30, 2019 to $178,888 in the nine months ended March 31, 2020. Current liabilities increased 138% in the nine months ended March 31, 2019 from $57,224 in the fiscal year ended June 30, 2018 to $135,970 in the nine months ended March 31, 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 decreased 17% in the nine months ended March 31, 2020 from $87 in the fiscal year ended June 30, 2019 to $72 in the nine months ended March 31, 2020. Long-term liabilities decreased 88% in the nine months ended March 31, 2019 from $8 in the fiscal year ended June 30, 2018 to $1 in the nine months ended March 31, 2019. The changes in long-term liabilities are primarily due to amounts due for capital lease.

Net position decreased by $13,800 for the nine months ended March 31, 2020, from a net position of $783,174 in the fiscal year ended June 30, 2019 to a net position of $769,376 as of the nine months ended March 31, 2020. Net position decreased by $10,803 for the nine months ended March 31, 2019, from a net position of $569,673 in the fiscal year ended June 30, 2018 to a net position of $558,870 as of the nine months ended March 31, 2019. The changes in net position are primarily due to JobsOhio's grant economic development program 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.

(Continued)

JOBSOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis (Unaudited)

March 31, 2020 and 2019

(In thousands)

Revenues, Expenses, and Changes in Net Position

The following is a summary of revenues, expenses, and changes in net position for the nine months ended March 31, 2020 and 2019:

	March 31, 2020	March 31, 2019
Operating revenues:		
Interest income - loans	$ 1,944	$ 2,029
Fees and other	5,989	1,175
Total operating revenues	7,933	3,204
Operating expenses:		
Economic development programs	215,202	140,242
Salaries and benefits	12,539	11,580
Economic development purchased services	9,558	9,916
Professional services	4,718	4,399
Insurance	167	171
Administrative and support	3,589	3,242
Marketing	8,369	7,424
Other	(42)	36
Total operating expenses	254,100	177,010
Operating loss	**(246,167)**	**(173,806)**
Nonoperating revenues:		
Grants	210,000	150,000
Investment income	22,369	13,003
Total nonoperating revenues	232,369	163,003
Change in net position	**(13,798)**	**(10,803)**
Net position, beginning of period	783,174	569,673
Net position, end of period	**$ 769,376**	**$ 558,870**

(Continued)

The primary source of revenue for JobsOhio is grants from JOBS, however JobsOhio also earns revenue from its investments, as well as interest on loans made for economic development programs. For the nine months ended March 31, 2020, total operating and nonoperating revenues were $240,302, an increase of $74,095 over the same time period one year prior of $166,207. This change is primarily due to an increase in the amount of grant revenue received from JOBS of $60,000, as well as an increase in the amount of investment income of $9,366. For the nine months ended March 31, 2019, total operating and nonoperating revenues were $166,207, an increase of $18,082 over the same time period one year prior of $148,125. This change was primarily due to an increase in the amount of grant revenue received from JOBS of $5,000, as well as an increase in the amount of interest income received on loans made for economic development programs.

Operating expenses increased by $77,090 in the nine months ended March 31, 2020, from $177,010 in the nine months ended March 31, 2019 to $254,100 in the nine months ended March 31, 2020, primarily due to an increase in the amount of grants issued as part of JobsOhio's mission and reported as economic development program expense. Operating expenses increased by $40,129 in the nine months ended March 31, 2019, from $136,881 in the nine months ended March 31, 2018 to $177,010 in the nine months ended March 31, 2019, primarily due to an increase in the amount of grants issued as part of JobsOhio's mission and reported as economic development program expense. Other operating expenses for the nine months ended March 31, 2020 and 2019 included economic development purchased services, salaries and benefits, professional services, marketing, insurance, and administrative and support expenses.

JobsOhio experienced a decrease in net position of $13,798 in the nine months ended March 31, 2020, which was a decrease of $2,997 from the decrease in net position as of March 31, 2019 of $10,803. JobsOhio experienced a decrease in net position of $10,803 in the nine months ended March 31, 2019, which was a decrease of $22,047 from the increase in net position as of March 31, 2018 of $11,244. The major factor affecting these changes was the increase in the amount of economic development program grants issued to support JobsOhio's mission.

Capital Asset Activity

Capital asset additions of $1,494 in the nine months ended March 31, 2020 were due to expenses related to a new website as well as capital office expenses. Capital asset additions to furniture and equipment of $166 in the fiscal year ended June 30, 2019 were primarily attributable to new copiers and office printers, financed by a capital lease. Refer to page 25 of the notes to the financial statements for further information on capital assets.

Requests for Information

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

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Net Position

(Unaudited)

(In thousands)

	March 31, 2020	June 30, 2019
Assets:		
Current assets:		
Cash and cash equivalents - unrestricted	$ 120,074	$ 140,677
Cash and cash equivalents - restricted	151,814	164,065
Investments at fair value	772,744	713,884
Inventory	83,064	84,670
Loans	8,796	7,547
Receivables, net of allowance for uncollectable accounts	6,591	4,817
Prepaid expenses	3,368	3,509
Total current assets	1,146,451	1,119,169
Long-term assets:		
Intangible asset - liquor franchise, net of amortization	984,345	1,025,743
Loans, net of loss allowance	80,143	84,587
Capital assets, net of accumulated depreciation	3,072	2,042
Intangible asset - trademark, net of amortization	6	-
Total long-term assets	1,067,566	1,112,372
Total assets	**2,214,017**	**2,231,541**
Liabilities:		
Current liabilities:		
Accounts payable	44,390	20,691
Accrued liabilities	254,028	180,019
Special obligation bonds payable - current portion	51,880	46,720
Bond interest payable	10,972	27,947
Capital lease payable - current portion	21	27
Total current liabilities	361,291	275,404
Long-term liabilities:		
Special obligation bonds payable	1,230,946	1,284,471
Capital lease payable	72	87
Total long-term liabilities	1,231,018	1,284,558
Total liabilities	**1,592,309**	**1,559,962**
Net position:		
Net investment in capital assets	3,072	2,042
Unrestricted	618,636	669,537
Total net position	**$ 621,708**	**$ 671,579**

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Revenues, Expenses, and Changes in Net Position

(Unaudited)

(In thousands)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Operating revenues:		
Net liquor sales	$ 330,546	$ 292,344
Distribution center revenue	1,749	1,733
Interest income - loans	659	713
Fees and other	68	140
Total operating revenues	333,022	294,930
Operating expenses:		
Cost of goods sold	193,746	172,817
Sales commissions	19,789	15,744
Liquor gallonage taxes	12,620	11,474
Amortization of intangible asset - liquor franchise	13,799	13,799
Service fees	4,885	4,143
Supplemental Payment	17,029	12,598
Economic development programs	88,322	27,050
Salaries and benefits	5,589	3,393
Economic development purchased services	3,444	3,507
Professional services	3,357	2,854
Insurance	155	167
Administrative and support	2,249	2,118
Marketing	2,562	2,419
Other	47	89
Total operating expenses	367,593	272,172
Operating income	**(34,571)**	**22,758**
Nonoperating revenues (expenses):		
Bond interest, net	(10,524)	(13,295)
Investment income	13,033	5,595
Other, net	(1,272)	1,708
Total nonoperating revenues (expenses)	1,237	(5,992)
Change in net position	**(33,334)**	**16,766**
Net position, beginning of period	655,042	573,238
Net position, end of period	**$ 621,708**	**$ 590,004**

See accompanying notes to financial statements

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Revenues, Expenses, and Changes in Net Position

(Unaudited)

(In thousands)

	Nine Months Ended March 31, 2020	Nine Months Ended March 31, 2019
Operating revenues:		
Net liquor sales	$ 1,036,939	$ 949,526
Distribution center revenue	5,637	5,359
Interest income - loans	1,944	2,029
Fees and other	236	314
Total operating revenues	1,044,756	957,228
Operating expenses:		
Cost of goods sold	610,182	559,335
Sales commissions	61,155	51,659
Liquor gallonage taxes	39,707	37,428
Amortization of intangible asset - liquor franchise	41,398	41,398
Service fees	14,655	12,429
Supplemental Payment	49,846	40,591
Economic development programs	215,202	140,242
Salaries and benefits	12,539	11,580
Economic development purchased services	9,558	9,916
Professional services	10,608	9,815
Insurance	470	474
Administrative and support	6,561	6,135
Marketing	8,369	7,424
Other	96	207
Total operating expenses	1,080,346	928,633
Operating income	**(35,590)**	**28,595**
Nonoperating revenues (expenses):		
Bond interest, net	(37,114)	(40,446)
Investment income	22,369	13,003
Other, net	464	4,706
Total nonoperating revenues (expenses)	(14,281)	(22,737)
Change in net position	**(49,871)**	**5,858**
Net position, beginning of period	671,579	584,146
Net position, end of period	**$ 621,708**	**$ 590,004**

JOBSOHIO
(A Component Unit of the State of Ohio)

Statements of Cash Flows

Nine Months Ended March 31, 2020 and 2019

(Unaudited)

(In thousands)

	2020	2019
Cash flows from operating activities:		
Receipts from fees and other	$ 2,595	$ 2,424
Receipts from customers	1,037,151	951,625
Receipts from suppliers	5,639	5,512
Payments to employees	(11,948)	(11,351)
Payments to suppliers	(635,760)	(601,580)
Payments for economic development programs	(128,141)	(68,406)
Payments for commissions	(56,021)	(51,774)
Receipts from sales taxes	62,485	55,504
Payments for sales tax collections to State and county	(59,916)	(55,662)
Payments for gallonage tax collections to State	(39,049)	(37,658)
Payments for servicing fees	(13,575)	(12,348)
Payments for taxes	-	(36)
Payments for Supplemental Payment to State	(56,495)	(36,831)
Net cash provided by operating activities	106,965	139,419
Cash flows from noncapital financing activities:		
Payments for other nonoperating expenses	(80)	(1)
Net cash used in noncapital financing activity	(80)	(1)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,317)	(183)
Payments for capital lease	(21)	(7)
Bond issuance proceeds	371,025	-
Payments for bond issuance costs	(1,757)	-
Defeasance of bond principal	(335,970)	
Payment for deferred outflow of defeased bond interest	(34,896)	
Payments for bond principal	(46,720)	(45,845)
Payments for bond interest	(55,893)	(57,049)
Net cash used in capital and related financing activities	(105,549)	(103,084)
Cash flows from investing activities:		
Dividends and interest income	62,258	12,255
Purchases of investments	(164,985)	(125,137)
Proceeds from maturities of investments	68,537	83,374
Net cash used in investing activities	(34,190)	(29,508)
Net increase in cash and cash equivalents	(32,854)	6,826
Cash and cash equivalents, beginning of period	304,742	417,786
Cash and cash equivalents, end of period	**$ 271,888**	**$ 424,612**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ (35,590)	$ 28,595
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Amortization of intangible asset - liquor franchise	41,398	41,398
Increase in intangible asset - trademark	(6)	-
Depreciation and amortization expense	497	413
(Increase) decrease in loans	1,648	(6,892)
Decrease in loan valuation allowance	1,547	570
(Increase) decrease in inventory	1,606	(4,234)
(Increase) decrease in receivables, net of allowance for doubtful accounts	(1,774)	2,625
(Increase) decrease in prepaid expenses	141	(190)
Increase (decrease) in accounts payable	23,490	(673)
Increase in accrued liabilities	74,008	77,807
Total adjustments	142,555	110,824
Net cash provided by operating activities	**$ 106,965**	**$ 139,419**
Noncash capital and related financing activities:		
Purchases of capital assets on account	$ 210	$ 8
Amortization of bonds payable	$ 1,805	$ 2,052

See accompanying notes to financial statements

(1) Unaudited Financial Statements

The financial information included in these financial statements is unaudited. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows for the period presented have been made on a consistent basis.

These financial statements should be read in conjunction with the financial statements and notes contained in JobsOhio's audited financial statements for the year ended June 30, 2019.

(2) Summary of Significant Accounting Policies

(a) Organization

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

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

On February 1, 2013, JOBS effected a major change in its business model, acquiring an exclusive 25-year franchise for the sale of spirituous liquor in the State to fund economic development activities by JobsOhio, its sole member. See note 2(t), below, for information on this transaction.

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

(b) Financial Statements

As a special-purpose primary reporting entity engaged only in business-type activities, JobsOhio presents financial statements required for enterprise funds. For such entities, the basic financial statements include the statements of net position; statements of revenues, expenses, and changes in net position; statements of cash flows; and notes to financial statements.

(c) Measurement Focus and Basis of Accounting

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

(d) Use of Estimates

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

(e) Cash and Cash Equivalents

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

(f) Restricted Assets

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

(g) Investments

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

(h) Inventory

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

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

In regard to a subset of agency stores known as “interim agency stores,” under the terms of the Franchise and Transfer Agreement (“Transfer Agreement”), at the point inventory is delivered to an interim agency store, title to such inventory transfers to the Ohio Division of Liquor Control on a cost-free basis. However, the economic substance of such transactions does not differ from that for regular agency stores. On the basis of the Entity’s contractual rights and the status of the interim agency stores as agents of the Entity, such inventory is considered an asset of the Entity, is reported as inventory on the Entity’s statements of net position, and upon sale the cost of such inventory is included in cost of goods sold. Inventory at interim agency stores as of March 31, 2020 and June 30, 2019 was $16,312 and $16,557, respectively.

(i) Loans

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

(j) Allowance for Loan Losses

The allowance for loan losses is established, as necessary, based on past experience and other factors which, in management’s judgment, deserve current recognition in estimating future loan losses. Management’s estimate considers such factors as the payment history of the loans, guarantees, historical loss experience, and overall economic conditions. Based on the review of the factors, an amount is calculated and a provision is made to reflect the estimated balance. While management uses available information to recognize losses, future adjustments to the allowance may be necessary based on changes in economic conditions. At March 31, 2020 and June 30, 2019, the amount of allowance for loan losses was $1,547 and $2,925, respectively, and is reported in the Entity’s statements of net position as part of “loans, net of loss allowance”.

(k) Receivables

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

(In thousands)

(l) Allowance for Uncollectable Accounts

The allowance for uncollectable accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating future uncollectable accounts. Management's estimate considers such factors as inventory reconciliation and historical experience. Based on the review of the factors, an amount is calculated and a provision is made to reflect the estimated balance. While management uses available information to recognize losses, future adjustments to the allowance may be necessary. At March 31, 2020 and June 30, 2019, the amount of allowance for uncollectable accounts was $50 and is reported in the Entity's statements of net position as part of "receivables, net of allowance for uncollectible accounts".

(m) Prepaid Expenses

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

(n) Amortization of Premiums

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

(o) Intangible Assets

The intangible asset represents both an exclusive franchise for the sale of spirituous liquor in the State, as well as a trademark for the OHLQ logo. The liquor franchise is amortized on a straight-line basis over the 25-year term of the franchise. Amortization expense for the liquor franchise for the three and nine months ended March 31, 2020 and 2019 was $41,398 and $13,799, respectively.

(p) Capital Assets

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

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

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

(q) Net Position

Net position is displayed in three components as follows:

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

(r) Classification of Revenues and Expenses

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

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

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

The Entity has initiated loan and grant programs to private businesses in the State to support economic development. For the three and nine months ended March 31, 2020 and 2019, the Entity issued grants for such purposes, reported in the Entity's statements of revenues, expenses, and changes in net position as "economic development programs" expense.

As part of the loan program, the Entity charges applicants an application fee, which is used to offset the cost of having a loan agreement drafted by outside counsel. Total revenue from application fees received during the three and nine months ended March 31, 2020 was $12 and $63, respectively. Total revenue from application fees received during the three and nine months ended March 31, 2019 was $72 and $130, respectively. Revenue from application fees are included in the Entity's statements of revenues, expenses, and changes in net position as "fees and other".

(s) Risk Management/Insurance

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

(t) Liquor Franchise

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

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

"Supplemental Payments," are payments to the State based upon a formula specified in the Transfer Agreement. Beginning with the fiscal year ended June 30, 2014, if "Liquor Business Profits," as that term is defined in the Transfer Agreement, for a fiscal year exceed a threshold amount of Liquor Business Profits set for that fiscal year (Base Franchise Profits ($316,693 for fiscal year ending June 30, 2020 and $307,468 for fiscal year ending June 30, 2019)), then the Entity is required to make a cash payment to the State equal to 75 percent of the amount by which Liquor Business Profits exceed Base Franchise Profits. Total Supplemental Payment expense for the three and nine months ended March 31, 2020 was $17,025 and $49,842, respectively. Total Supplemental Payment expense for the three and nine months ended March 31, 2019 was $12,598 and $40,591, respectively.

The Entity also contemporaneously contracted with the Ohio Department of Commerce for the continued operation and management of the Liquor Business under an Operations Services Agreement ("Services Agreement"). Under the Services Agreement, the Ohio Department of Commerce will provide ongoing operations, management, and administrative services related to the Liquor Business. Covered services include administrative support, tax support and reporting, information technology, agency operation and review, merchandise marketing and advertising, real property leasing, and management. Total service fees expense in the three and nine months ended March 31, 2020 was $4,885 and $14,655, respectively. Total service fees expense in the three and nine months ended March 31, 2019 was $4,143 and $12,429, respectively.

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

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

(u) Use of Restricted and Unrestricted Resources

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

(v) Compensated Absences

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

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

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

(w) New Accounting Pronouncements

GASB Statement No. 87, *Leases*, addresses improving accounting and financial reporting for leases. The definition of a lease is a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement provides guidance for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2021. The Entity is assessing the impact of GASB Statement No. 87 to its financial statements and will implement in the timeline required by GASB.

(x) Subsequent Events

The Entity has evaluated subsequent events for potential recognition and disclosure through May 28, 2020, the date on which financial statements were available for issuance, that require consideration as adjustment to, or disclosure in, the Entity's financial statement. In March 2020, the World Health Organization declared a global pandemic related to the outbreak of a respiratory illness caused by the coronavirus, COVID-19. Related impacts and disruptions continue to be experienced in the geographical areas in which we operate, and the ultimate duration and intensity of this global health emergency is unclear. Given the dynamic nature of the emergency, its impact on The Entity's operations, cash flows, and financial condition cannot be reasonably estimated at this time.

As a nonprofit corporation supporting economic development and job creation and retention in the state of Ohio, the Entity has implemented a number of programs in response to the impact of the outbreak. The programs were at various stages of implementation as of the date on which financial statements were available for issuance and the following constitutes a listing of those programs:

- ***Personal Protective Equipment (PPE)*** – The Entity has issued purchase orders totaling $69,000 to obtain PPE for the state of Ohio. These PPE purchases will be received by the State's health department and distributed for use throughout Ohio.

- ***Community Banks Loan Guarantee Program*** – 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.

- ***Workforce Retention Loan Program*** – The Entity is providing forgivable loans to qualifying clients that retain its employees for six months during the COVID-19 crisis. The loans are being provided to 85 businesses totaling $49,600.

- ***Wholesale Restock Rebate Program*** – The Entity is 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 rebates are expected to total $6,800.

- ***Loan Deferment Program*** – The Entity is offering a six-month deferral of principal and interest payments to its existing borrowers. Interest will accrue at 0% during this time. 39 borrowers have opted into the program totaling $4,000 in deferred payments.

(3) Detailed Notes on Activities and Funds

(a) Assets

1. Cash Deposits and Investments with Financial Institutions

At March 31, 2020, the carrying amount of the Entity's deposits was $129,560, and the respective bank balance was $80,112. At June 30, 2019, the carrying amount of the Entity's deposits was $123,516 and the respective bank balance was $102,258. The difference in the carrying amount and the bank balances as of these dates are attributed to cash with fiscal agents and outstanding checks. See note 3(a)2 below.

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

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Entity's deposits may not be returned. The Entity's investment policy adopted by the Board of Directors provided that the Entity minimizes credit risk as to cash deposits by prequalifying financial institutions with which the Entity will do business. Of the total bank balance at March 31, 2020 and June 30, 2019, $30,782 and $26,277, respectively, was insured through the Federal Deposit Insurance Corporation (FDIC), including up to $30,282 and $25,777, respectively, deposited into money market accounts through a brokered deposit program permitting the Entity to obtain full FDIC coverage on the principal deposit amount. The remaining $84,415 and $75,981, respectively, was uninsured and exposed to custodial credit risk.

The Entity has a checking account that is linked to an overnight sweep account, under which total uninvested cash is automatically transferred (or swept) from the primary cash accounts into a money market mutual fund that invests primarily in short-term, high-quality, fixed-income, domestic-sourced securities issued by banks, corporations, and the U.S. government, rated in the highest short-term category or of comparable quality. The money market mutual fund was rated Aaa-mf by Moody's. The amount invested in the money market mutual fund was $142,437 and $181,408 at March 31, 2020 and June 30, 2019, respectively.

Certain Investments Classified as Cash Equivalents

Pursuant to the terms of the Indenture, the Transfer Agreement, and the Services Agreement, the Entity is required to comply with various covenants and requirements. All financial covenants associated with the agreements executed in connection with the franchise transaction have been fully complied with as of March 31, 2020 and June 30, 2019.

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

Combining Schedule of Net Position

(Unaudited)

(In thousands)

		March 31, 2020	
Fund	**Fund custody**	**Unrestricted**	**Restricted**
Revenue fund	Trustee	$ 28,421	$ 37,547
Operations fund	Entity	-	37,798
Debt service fund	Trustee	-	28,166
General purpose fund	Entity	1,080	-
Cost of issuance	Trustee	-	82
Supplemental Payment reserve fund	Trustee	-	48,221
	Total funds required by indenture	29,501	151,814
Cash		75,989	-
Cash held at fiscal agents		14,581	-
Other		3	-
	Total cash and cash equivalents	$ 120,074	$ 151,814

		June 30, 2019	
Fund	**Fund custody**	**Unrestricted**	**Restricted**
Revenue fund	Trustee	42,076	$ 29,059
Operations fund	Entity	-	24,733
Debt service fund	Trustee	-	56,023
General purpose fund	Entity	12,233	-
Supplemental Payment reserve fund	Trustee	-	54,250
	Total funds required by indenture	54,309	164,065
Cash		65,186	-
Cash held at fiscal agents		21,179	-
Other		3	-
	Total cash and cash equivalents	$ 140,674	$ 164,065

2. Cash with Fiscal Agents

As indicated in note 2(h) above, agency stores under contract with the Entity collect sale proceeds as agents for the Entity and are contractually required to segregate such proceeds and to remit them to the Entity on a daily basis. The agency stores are responsible for any risk of loss while in their possession and such amounts are typically swept into the Entity's bank accounts within two to three business days. The balance of these sale proceeds under such contractual arrangements as of March 31, 2020 and June 30, 2019 was $14,581 and $21,179, respectively. Custodial credit risk as to these amounts was addressed by surety bond coverage required under the contracts between the Entity and each agent.

(In thousands)

3. Investments

The Entity is not subject to statutory restrictions on investments. The Entity's formal investment policy, as adopted by the Board, is the basis for all investment activity. Authorized investments under the Board policy include sweep accounts, United States Treasury Securities and Agency Securities, repurchase agreements, certifications of deposit, bankers' acceptances, commercial paper, public corporate fixed income securities, and money market funds. The weighted average maturity of the portfolio should not exceed four years.

On February 6, 2015, the Entity entered into an agreement for an Investment Management Account with Huntington National Bank. As of March 31, 2020, the Entity had the following investments and maturities held in trust pursuant to the terms of that agreement, as well as the Huntington Asset Management Agreement dated January 13, 2014:

		Investment maturity		
	Fair Value	**1 year or less**	**Between 1 and 2 years**	**Between 2 and 4 years**
US Treasury	$ 357,275	$ 160,443	$ 82,732	$ 114,100
FHLB Notes	104,392	35,632	20,696	48,064
FFCB Notes	94,284	19,350	32,079	42,855
FHLMC Notes	30,368	14,208		16,160
FNMA Notes	13,574	5,080	3,101	5,393
Corporates	172,851	32,049	58,714	82,088
Total	$ 772,744	$ 266,762	$ 197,322	$ 308,660

As of June 30, 2019, the Entity had the following investments and maturities held in trust pursuant to the terms of the Huntington Investment Management Account Agreement dated February 6, 2015, as well as the Huntington Asset Management Agreement dated January 13, 2014:

(In thousands)

		Investment maturity		
	Fair Value	**1 year or less**	**Between 1 and 2 years**	**Between 2 and 4 years**
US Treasury	$ 333,430	$ 69,858	$ 156,663	$ 106,909
FHLB Notes	105,727	18,991	40,886	45,850
FFCB Notes	84,600	23,829	25,362	35,409
FHLMC Notes	30,739	4,038	11,591	15,110
FNMA Notes	9,748	1,694	8,054	
Corporates	149,640	23,684	50,212	75,744
Total	$ 713,884	$ 142,094	$ 292,768	$ 279,022

The Entity categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The Entity does not value any of its investments using Level 3 inputs.

The following is a summary of the fair value hierarchy of the fair value of investments as of March 31, 2020 and June 30, 2019:

		Fair Value Measurements Using			Fair Value Measurements Using	
	March 31, 2020	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**June 30, 2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
US Treasury	$ 357,275	$ 357,275	$ -	$ 333,430	$ 333,430	$ -
FHLB Notes	104,392	-	104,392	105,727	-	105,727
FFCB Notes	94,284	-	94,284	84,600	-	84,600
FHLMC Notes	30,368	-	30,368	30,739	-	30,739
FNMA Notes	13,574	-	13,574	9,748	-	9,748
Corporates	172,851	-	172,851	149,640	-	149,640
Total	$ 772,744	$ 357,275	$ 415,469	$ 713,884	$ 333,430	$ 380,454

Investments classified in Level 1 of the fair value hierarchy, valued at $357,275 and $333,430 as of March 31, 2020 and June 30, 2019, respectively, are valued using quoted prices in active markets.

(In thousands)

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

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

Credit Risk – To minimize credit risk, the Entity prequalifies the financial institutions, broker/dealers, intermediaries, and advisors with whom the Entity will do business. In addition, the investment portfolio is diversified to minimize risk of loss. The Entity's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of March 31, 2020:

	Fair Value	AAA	AA+	AA	AA-	A+	A	A-
FHLB Notes	$ 104,392	$ -	$ 104,392	$ -	$ -	$ -	$ -	$ -
FFCB Notes	94,284	-	94,284	-	-	-	-	-
FHLMC Notes	30,368	-	30,368	-	-	-	-	-
FNMA Notes	13,574	-	13,574	-	-	-	-	-
Corporates	172,851	2,024	3,097	12,239	17,096	22,013	75,964	40,418
Total	$ 415,469	$ 2,024	$ 245,715	$ 12,239	$ 17,096	$ 22,013	$ 75,964	$ 40,418

The Entity's investments were rated as follows by Standard & Poor's or Moody's Investor Services as of June 30, 2019:

	Fair Value	AAA	AA+	AA	AA-	A+	A	A-
FHLB Notes	$ 105,727	$ -	$ 105,727	$ -	$ -	$ -	$ -	$ -
FFCB Notes	84,600	-	84,600	-	-	-	-	-
FHLMC Notes	30,739	-	30,739	-	-	-	-	-
FNMA Notes	9,748	-	9,748	-	-	-	-	-
Corporates	149,640	2,006	5,078	14,143	16,228	28,266	63,406	20,513
Total	$ 380,454	$ 2,006	$ 235,892	$ 14,143	$ 16,228	$ 28,266	$ 63,406	$ 20,513

Concentration of Credit Risk – To limit exposure to the risk of loss due to the magnitude of the Entity's investments in a single issuer, no more than five percent of the total market value of the Entity's portfolio may be invested in bankers' acceptances issued by any one commercial bank and no more than five percent of the total market value of the portfolio may be invested in commercial paper of any one issuer. Investments are to be diversified in accordance with allocations determined by the Board of Directors, after consultation with the Board's Investment Committee.

(In thousands)

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the Entity will not be able to recover the value of its investments that are in the possession of an outside party. The Entity's investments of $772,744 and $713,884 as of March 31, 2020 and June 30, 2019, respectively, are uninsured and held in the name of its investment manager.

Investment activity for the nine months ended March 31, 2020 is summarized as follows:

	Balance, July 1, 2019	Purchases	Maturities	Accrued income (loss)	Balance, March 31, 2020
US Treasury	$ 333,430	$ 56,986	$ (47,513)	$ 14,371	$ 357,274
FHLB	105,727	16,146	(19,000)	1,519	104,392
FFCB	84,600	31,734	(23,742)	1,692	94,284
FHLMC	30,739	6,000	-	(6,371)	30,368
FNMA	9,748	-	(1,700)	5,526	13,574
Corporates	149,640	54,118	23,418	(54,324)	172,852
Total	$ 713,884	$ 164,984	$ (68,537)	$ (37,587)	$ 772,744

Investment activity for the fiscal year ended June 30, 2019 is summarized as follows:

	Balance, July 1, 2018	Purchases	Maturities	Accrued income	Balance, June 30, 2019
US Treasury	$ 219,678	$ 142,170	$ (33,991)	$ 5,573	$ 333,430
FHLB	49,394	60,143	(5,000)	1,190	105,727
FFCB	53,370	34,853	(5,000)	1,377	84,600
FHLMC	15,371	15,000	-	368	30,739
FNMA	29,597	-	(20,000)	151	9,748
Corporates	93,272	78,104	(23,860)	2,124	149,640
Total	$ 460,682	$ 330,270	$ (87,851)	$ 10,783	$ 713,884

Interest income accrues on U.S. government and agency bonds over the bond term. Interest income is redeemed upon bond maturity. Income (loss) realized from maturities during the three and nine months ended March 31, 2020 totaled ($189) and $10, respectively. Income (loss) realized from maturities during the three and nine months ended March 31, 2019 totaled ($19) and ($60), respectively. Interest on public corporate fixed income securities accrues over the term of the holding and is redeemed at various times until maturity. Accrued income (loss) of ($37,587) and $10,783 as of March 31, 2020 and June 30, 2019, respectively, represents unrealized bond interest earned, but not redeemed. Accrued income increases bond value, which is reported at fair value in the financial statements.

(In thousands)

4. Capital Assets

Capital assets activity for the nine months ended March 31, 2020 is as follows:

	Balance, July 1, 2019	Additions	Reductions	Balance, March 31, 2020
Furniture and equipment	$ 808	$ 44	$ -	$ 852
Leasehold improvements	2,613	229	-	2,842
Software	1,521	1,252	-	2,773
Total capital assets being depreciated	4,942	1,525	-	6,467
Less: accumulated depreciation				
Furniture and equipment	(542)	(69)	-	(611)
Leasehold improvements	(925)	(328)	-	(1,253)
Software	(1,433)	(98)	-	(1,531)
Total accumulated depreciation	(2,900)	(495)	-	(3,395)
Total capital assets being depreciated, net	$ 2,042	$ 1,030	-	$ 3,072

Capital assets activity for the fiscal year ended June 30, 2019 is as follows:

(In thousands)

	Balance, July 1, 2018	Additions	Reductions	Balance, June 30, 2019
Furniture and equipment	$ 656	$ 166	$ (14)	$ 808
Leasehold improvements	2,436	213	(36)	2,613
Software	1,521	-	-	1,521
Total capital assets being depreciated	4,613	379	(50)	4,942
Less: accumulated depreciation				
Furniture and equipment	(479)	(63)	-	(542)
Leasehold improvements	(569)	(356)	-	(925)
Software	(1,332)	(101)	-	(1,433)
Total accumulated depreciation	(2,380)	(520)	-	(2,900)
Total capital assets being depreciated, net	$ 2,233	$ (141)	$ (50)	$ 2,042

5. Loans Receivable

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

Loans receivable balance of $88,939 as of March 31, 2020 relates to disbursements to 58 companies, and is net of loss allowance of $1,547. 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 $8,796 and $7,547 as of March 31, 2020 and June 30, 2019, respectively, represent principal payments due within the following twelve months. The terms of the loans outstanding at March 31, 2020 and June 30, 2019 provide for disbursements of up to $134,895 and $128,595, respectively. The outstanding balance of the commitments as of March 31, 2020 and June 30, 2019 were $24,391 and $21,383, respectively.

The Entity's loans are held at amortized cost less a valuation allowance. A loan is impaired when, based on current information and events, it is probable that the Entity will be unable to collect all amounts due according to the contractual terms of the loan agreement. If determined that a loan requires a valuation allowance, a provision for loss is established equal to the difference between the carrying value and either the fair value of the collateral less costs to sell or the present value of expected future cash flows discounted at the loan's effective interest rate. The amount of valuation allowance was $1,547 and $2,925, respectively, as of March 31, 2020 and June 30, 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. The amounts due from DAS are attributable to JOBS purchases of PPE on behalf of DAS. Accounts receivable also includes interest receivable on investments and loans. Accounts receivable balance of $6,591 and $4,817 as of March 31, 2020 and June 30, 2019, respectively, is net of allowance for uncollectable accounts of $50.

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 $782 and $1,861 of service fees to the Ohio Department of Commerce as of March 31, 2020 and June 30, 2019, respectively, as well as $91 and $331, respectively, as of March 31, 2020 and June 30, 2019 for prepaid rent payments on two separate operating lease agreements. See note 3(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 $13,799 and $41,398 for the three and nine months ended March 31, 2020 and 2019, respectively. No impairment of the intangible asset existed as of March 31, 2020 and June 30, 2019.

Intangible asset – liquor franchise activity for the nine months ended March 31, 2020 is as follows:

(In thousands)

	Balance, July 1, 2019	Additions	Reductions	Balance, March 31, 2020
Liquor franchise	$ 1,379,924	$ -	$ -	$ 1,379,924
Less: Accumulated amortization	(354,181)	(41,398)	-	(395,579)
Liquor franchise, net of amortization	$ 1,025,743	$ (41,398)	$ -	$ 984,345

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

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

(In thousands)

(b) Liabilities

1. Accrued Liabilities

Accrued liabilities reported at March 31, 2020 and June 30, 2019 are as follows:

	March 31, 2020	June 30, 2019
Economic development programs	$ 172,404	$ 87,871
Liquor purchases	7,005	18,339
Agency commissions	8,034	2,900
Taxes	13,826	10,599
Supplemental Payment	49,842	56,495
Economic development purchased services	-	710
Professional services	631	1,019
Payroll	878	226
Legal services	58	106
Liquor operations	86	215
Paid time off	195	207
Deferred rent	764	794
Employee benefits	-	49
Other	305	489
	$ 254,028	$ 180,019

2. Economic Development Programs – Grants

The Entity operates five 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.

- 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.

As of March 31, 2020, the Entity had executed 1,004 grants, including 412 economic development grants, 334 workforce grants, 243 revitalization grants, and 15 research and development grants with a total committed amount of $566,632. As of March 31, 2020, the Entity had $198,061 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 is also supporting the creation of Innovation Districts in the state of Ohio, the first of which will be located in Cincinnati, Ohio. The Entity will award grant funds in support of research and STEM programs within the Districts. As of March 31, 2020, the Entity had executed one research grant totaling $12,500.

In accordance with generally accepted accounting principles, 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 $172,404 and $87,871 as of March 31, 2020 and June 30, 2019, respectively.

3. 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 three and nine months ended March 31, 2020, the total 401(k) match expense was \$131 and \$309, respectively, on total employee contributions of \$264 and \$685, respectively. For the three and nine months ended March 31, 2019, the total 401(k) match expense was \$145 and \$298, respectively, on total employee contributions of \$282 and \$686, respectively. As of March 31, 2020, and June 30, 2019, accrued employee 401(k) deferrals and accrued employer match was \$0 and \$45, respectively, and are included in the statements of net position as accrued liabilities.

4. 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.

5. Lease Obligations

The Entity has an agreement for an office facilities lease and pays monthly rent. Rent expense was \$157 and \$461, respectively, for the three and nine months ended March 31, 2020. Rent expense was \$148 and \$452, respectively, for the three and nine months ended March 31, 2019.

Minimum future lease payments as of March 31, 2020 under this operating lease are as follows:

(In thousands)

Year ending June 30:		
2020	$	94
2021		379
2022		387
2023		396
2024 - 2027		1,521
Total	$	2,777

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 is $57 and $37 at March 31, 2020 and June 30, 2019, respectively. Property on capital lease as of March 31, 2020 is as follows:

Office equipment	$	150
Less: accumulated amortization		(57)
Total	$	93

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

Office equipment	$	150
Less: accumulated amortization		(37)
Total	$	113

The interest rate related to the 2019 lease obligation is 0% and the maturity date is August 2024. Minimum future lease payments as of March 31, 2020 under this capital lease are as follows:

(In thousands)

Year ending June 30:		
2020	$	6
2021		21
2022		21
2023		21
2024 - 2025		24
Total	$	93

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 $728 and $2,186, respectively, for the three and nine months ended March 31, 2020. Rent expense on the two facilities was $807 and $2,243, respectively, for the three and nine months ended March 31, 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 March 31, 2020 under this operating lease are as follows:

Year ending June 30:		
2020	$	354
2021		1,473
2022		1,491
2023		1,491
2024		1,118
Total	$	5,927

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 March 31, 2020 under this operating lease are as follows:

(In thousands)

Year ending June 30:		
2020	$	227
2021		928
2022		953
2023		79
Total	$	2,187

6. Long-Term Liabilities

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

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

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

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

Combining Schedule of Net Position

(Unaudited)

(In thousands)

Debt Service on 2020A Bonds	Debt Service on Defeased 2013A Bonds	Savings	Present value using a yield of 2.85%
$ 535,464	$ 616,300	$ 80,836	$ 63,273

Cashflows present value savings	63,273
Less: Prior funds on hand	(1,680)
Plus: Refunding funds on hand	4
Net present value savings	**$ 61,597**

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 March 31, 2020 and June 30, 2019 are as follows:

Special obligation bonds	Original issue date	Outstanding as of March 31, 2020	Interest rates to maturity	Final maturity
Series 2013A	Feb. 2013	$ 15,000	4.0% – 5.0%	2023
Series 2013B	Feb. 2013	$ 891,865	2.9% – 4.5%	2035
Series 2020A	Feb. 2020	$ 371,025	1.7% – 2.8%	2038

Special obligation bonds	Original issue date	Outstanding as of June 30, 2019	Interest rates to maturity	Final maturity
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 March 31, 2020 and June 30, 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.

(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 March 31, 2020 are as follows:

	Principal	**Interest**	**Total**
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	1,277,890	$ 490,720	$ 1,768,610
Unamortized premium	36,924		
Unamortized deferred outflow	(31,988)		
Less current portion	(51,880)		
Total debt, long-term portion	$ 1,230,946		

Debt service activity for the nine months ended March 31, 2020 is as follows:

Combining Schedule of Net Position

(Unaudited)

(In thousands)

	Balance, July 1, 2019	Additions	Reductions	Balance, March 31, 2020	Current portion
Bond principal	$ 1,289,555	$ 371,025	$ (382,690)	$ 1,277,890	$ 51,880
Bond premium	59,663	-	-	59,663	-
Deferred outflows	-	-	(34,896)	(34,896)	-
Less: Accumulated amortization	(18,027)	(1,804)	-	(19,831)	-
Total debt	$ 1,331,191	$ 369,221	$ (417,586)	$ 1,282,826	$ 51,880

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

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

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 three and nine months ended March 31, 2020, operating revenues were reported net of discounts of $4,362 and $15,719, respectively, and sales tax of $20,636 and $62,485, respectively. For the three and nine months ended March 31, 2019, operating revenues were reported net of discounts of $5,173 and $16,038, respectively, and sales tax of $16,854 and $55,504, respectively.

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 in the three and nine months ended as of March 31, 2020 totaled $1,099.

Combining Schedule of Net Position

(Unaudited)

(In thousands)

(d) Combining Information

	March 31, 2020				June 30, 2019			
	JobsOhio	**Component Unit JobsOhio Beverage System**	**Eliminating Entries**	**Combined Balance**	**JobsOhio**	**Component Unit JobsOhio Beverage System**	**Eliminating Entries**	**Combined Balance**
Assets:								
Current assets:								
Cash and cash equivalents - unrestricted	$ 75,989	$ 44,085	$ -	$ 120,074	$ 65,186	$ 75,491	$ -	$ 140,677
Cash and cash equivalents - restricted		151,814	-	151,814	-	164,065	-	164,065
Investments	772,744	-	-	772,744	713,884	-	-	713,884
Inventory		83,064	-	83,064	-	84,670	-	84,670
Loans	8,796	-	-	8,796	7,547	-	-	7,547
Receivables, net of allowance for uncollectable accounts	2,595	3,996	-	6,591	2,894	1,923	-	4,817
Prepaid expenses	2,047	1,321	-	3,368	940	2,569	-	3,509
Due from JOBS	4,097	-	(4,097)	-	14	-	(14)	-
Total current assets	866,268	284,280	(4,097)	1,146,451	790,465	328,718	(14)	1,119,169
Long-term assets:								
Intangible asset - liquor franchise, net of amortization	-	984,345	-	984,345	-	1,025,743	-	1,025,743
Loans, net of loss allowance	80,143	-	-	80,143	84,587	-	-	84,587
Capital assets, net of accumulated depreciation	1,925	1,147	-	3,072	917	1,125	-	2,042
Intangible asset - trademark, net of amortization	-	6	-	6	-	-	-	-
Total long-term assets	82,068	985,498		1,067,566	85,504	1,026,868	-	1,112,372
Total assets	**948,336**	**1,269,778**	**(4,097)**	**2,214,017**	**875,969**	**1,355,586**	**(14)**	**2,231,541**
Liabilities:								
Current liabilities:								
Accounts payable	4,564	39,826	-	44,390	2,134	18,557	-	20,691
Accrued liabilities	174,303	79,725	-	254,028	90,547	89,472	-	180,019
Special obligation bonds payable - current portion	-	51,880	-	51,880	-	46,720	-	46,720
Bond interest payable	-	10,972	-	10,972	-	27,947	-	27,947
Capital lease payable - current portion	21	-	-	21	27	-	-	27
Due to JobsOhio	-	4,097	(4,097)	-	-	14	(14)	-
Total current liabilities	178,888	186,500	(4,097)	361,291	92,708	182,710	(14)	275,404
Long-term liabilities:								
Special obligation bonds payable	-	1,230,946	-	1,230,946	-	1,284,471	-	1,284,471
Capital lease payable	72	-	-	72	87	-	-	87
Total long-term liabilities	72	1,230,946	-	1,231,018	87	1,284,471	-	1,284,558
Total liabilities	**178,960**	**1,417,446**	**(4,097)**	**1,592,309**	**92,795**	**1,467,181**	**(14)**	**1,559,962**
Net position:								
Net investment in capital assets	1,925	1,147	-	3,072	917	1,125	-	2,042
Unrestricted	767,451	(148,815)	-	618,636	782,257	(112,720)	-	669,537
Total net position	**$ 769,376**	**$ (147,668)**	**$ -**	**$ 621,708**	**$ 783,174**	**$ (111,595)**	**$ -**	**$ 671,579**

JOBSOHIO

(A Component Unit of the State of Ohio)

Notes to Financial Statements

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

(Unaudited)

(In thousands)

	Three Months Ended March 31, 2020				Three Months Ended March 31, 2019			
		Component Unit				Component Unit		
	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance	JobsOhio	JobsOhio Beverage System	Eliminating Entries	Combined Balance
Operating revenues:								
Net liquor sales	$ -	$ 330,546	$ -	$ 330,546	$ -	$ 292,344	$ -	$ 292,344
Distribution center revenue	-	1,749	-	1,749	-	1,733	-	1,733
Interest income - loans	659	-	-	659	713	-	-	713
Fees and other	1,978	-	(1,910)	68	405	-	(265)	140
Total operating revenues	2,637	332,295	(1,910)	333,022	1,118	294,077	(265)	294,930
Operating expenses:								
Cost of goods sold	-	193,746	-	193,746	-	172,817	-	172,817
Sales commissions	-	19,789	-	19,789	-	15,744	-	15,744
Liquor gallonage taxes	-	12,620	-	12,620	-	11,474	-	11,474
Amortization of intangible asset - liquor franchise	-	13,799	-	13,799	-	13,799	-	13,799
Service fees	-	4,885	-	4,885	-	4,143	-	4,143
Supplemental Payment	-	17,029	-	17,029	-	12,598	-	12,598
JobsOhio management fees	-	1,910	(1,910)	-	-	265	(265)	-
Economic development programs	88,322	-	-	88,322	27,050	-	-	27,050
Salaries and benefits	5,589	-	-	5,589	3,393	-	-	3,393
Economic development purchased services	3,444	-	-	3,444	3,507	-	-	3,507
Professional services	1,493	1,864	-	3,357	961	1,893	-	2,854
Insurance	55	100	-	155	59	108	-	167
Administrative and support	1,247	1,002	-	2,249	1,067	1,051	-	2,118
Marketing	2,562	-	-	2,562	2,419	-	-	2,419
Other	-	47	-	47	36	53	-	89
Total operating expenses	102,712	266,791	(1,910)	367,593	38,492	233,945	(265)	272,172
Operating income (loss)	**(100,075)**	**65,504**	**-**	**(34,571)**	**(37,374)**	**60,132**	**-**	**22,758**
Nonoperating revenues (expenses):								
Grants	55,000	(55,000)	-	-	50,000	(50,000)	-	-
Bond interest, net	-	(10,524)	-	(10,524)	-	(13,295)	-	(13,295)
Investment income	13,033	-	-	13,033	5,595	-	-	5,595
Other, net	-	(1,272)	-	(1,272)	-	1,708	-	1,708
Total nonoperating revenues (expenses)	68,033	(66,796)	-	1,237	55,595	(61,587)	-	(5,992)
Change in net position	**(32,042)**	**(1,292)**	**-**	**(33,334)**	**18,221**	**(1,455)**	**-**	**16,766**
Net position, beginning of period	801,418	(146,376)	-	655,042	540,649	32,589	-	573,238
Net position, end of period	**$ 769,376**	**$ (147,668)**	**$ -**	**$ 621,708**	**$ 558,870**	**$ 31,134**	**$ -**	**$ 590,004**

(Continued)

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

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

(Unaudited)

(In thousands)

	Nine Months Ended March 31, 2020				Nine Months Ended March 31, 2019			
	JobsOhio	Component Unit JobsOhio Beverage System	Eliminating Entries	Combined Balance	JobsOhio	Component Unit JobsOhio Beverage System	Eliminating Entries	Combined Balance
Operating revenues:								
Net liquor sales	$ -	$ 1,036,939	$ -	$ 1,036,939	$ -	$ 949,526	$ -	$ 949,526
Distribution center revenue	-	5,637	-	5,637	-	5,359	-	5,359
Interest income - loans	1,944	-	-	1,944	2,029	-	-	2,029
Fees and other	5,989	-	(5,753)	236	1,175	-	(861)	314
Total operating revenues	7,933	1,042,576	(5,753)	1,044,756	3,204	954,885	(861)	957,228
Operating expenses:								
Cost of goods sold	-	610,182	-	610,182	-	559,335	-	559,335
Sales commissions	-	61,155	-	61,155	-	51,659	-	51,659
Liquor gallonage taxes	-	39,707	-	39,707	-	37,428	-	37,428
Amortization of intangible asset - liquor franchise	-	41,398	-	41,398	-	41,398	-	41,398
Service fees	-	14,655	-	14,655	-	12,429	-	12,429
Supplemental Payment	-	49,846	-	49,846	-	40,591	-	40,591
JobsOhio management fees	-	5,753	(5,753)		-	861	(861)	-
Economic development programs	215,202	-	-	215,202	140,242	-	-	140,242
Salaries and benefits	12,539	-	-	12,539	11,580	-	-	11,580
Economic development purchased services	9,558	-	-	9,558	9,916	-	-	9,916
Professional services	4,718	5,890	-	10,608	4,399	5,416	-	9,815
Insurance	167	303	-	470	171	303	-	474
Administrative and support	3,589	2,972	-	6,561	3,242	2,893	-	6,135
Marketing	8,369	-	-	8,369	7,424	-	-	7,424
Other	(42)	138	-	96	36	171	-	207
Total operating expenses	254,100	831,999	(5,753)	1,080,346	177,010	752,484	(861)	928,633
Operating income (loss)	**(246,167)**	**210,577**	**-**	**(35,590)**	**(173,806)**	**202,401**	**-**	**28,595**
Nonoperating revenues (expenses):								
Grants	210,000	(210,000)	-		150,000	(150,000)	-	-
Bond interest, net	-	(37,114)	-	(37,114)	-	(40,446)	-	(40,446)
Investment income	22,369	-	-	22,369	13,003	-	-	13,003
Other, net	-	464	-	464	-	4,706	-	4,706
Total nonoperating revenues (expenses)	232,369	(246,650)	-	(14,281)	163,003	(185,740)	-	(22,737)
Change in net position	**(13,798)**	**(36,073)**	**-**	**(49,871)**	**(10,803)**	**16,661**	**-**	**5,858**
Net position, beginning of period	783,174	(111,595)	-	671,579	569,673	14,473	-	584,146
Net position, end of period	**$ 769,376**	**$ (147,668)**	**$ -**	**$ 621,708**	**$ 558,870**	**$ 31,134**	**$ -**	**$ 590,004**

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Cash Flows

(Unaudited)

(In thousands)

	Nine Months Ended March 31, 2020				Nine Months Ended March 31, 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	$ 2,595	$ -	$ -	$ 2,595	$ 2,424	$ -	$ -	$ 2,424
Receipts from customers	-	1,037,151	-	1,037,151	-	951,625	-	951,625
Receipts from suppliers	-	5,639	-	5,639	-	5,512	-	5,512
Payments to employees	(11,948)	-	-	(11,948)	(11,351)	-	-	(11,351)
Payments to suppliers	(25,778)	(609,982)	-	(635,760)	(24,799)	(576,781)	-	(601,580)
Payments for economic development programs	(128,141)	-	-	(128,141)	(68,406)	-	-	(68,406)
Payments for commissions	-	(56,021)	-	(56,021)	-	(51,774)	-	(51,774)
Receipts from sales taxes	-	62,485	-	62,485	-	55,504	-	55,504
Payments for sales tax collections to State and county	-	(59,916)	-	(59,916)	-	(55,662)	-	(55,662)
Payments for gallonage tax collections to State	-	(39,049)	-	(39,049)	-	(37,658)	-	(37,658)
Payments for servicing fees	-	(13,575)	-	(13,575)	-	(12,348)	-	(12,348)
Payments for Supplemental Payment to State	-	(56,495)	-	(56,495)	-	(36,831)	-	(36,831)
Payments for taxes	-	-	-	-	(36)	-	-	(36)
Receipts (payments) between JobsOhio and component unit	1,671	(1,671)	-	-	929	(929)	-	-
Net cash provided by (used in) operating activities	(161,601)	268,566	-	106,965	(101,239)	240,658	-	139,419
Cash flows from noncapital financing activities:								
Receipts (payments) between JobsOhio and component unit for grants	210,000	(210,000)	-	-	150,000	(150,000)	-	-
Payments for other nonoperating expenses	-	(80)	-	(80)	-	(1)	-	(1)
Net cash provided by (used in) noncapital financing activities	210,000	(210,080)	-	(80)	150,000	(150,001)	-	(1)
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(1,084)	(233)	-	(1,317)	(54)	(129)	-	(183)
Payments for capital lease	(21)	-	-	(21)	(7)	-	-	(7)
Bond issuance proceeds	-	371,025	-	371,025	-	-	-	-
Payments for bond issuance costs	-	(1,757)	-	(1,757)	-	-	-	-
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	(1,105)	(104,444)	-	(105,549)	(61)	(103,023)	-	(103,084)
Cash flows from investing activities:								
Dividends and interest income	59,957	2,301	-	62,258	7,548	4,707	-	12,255
Purchases of investments	(164,985)	-	-	(164,985)	(125,137)	-	-	(125,137)
Proceeds from maturities of investments	68,537	-	-	68,537	83,374	-	-	83,374
Net cash provided by (used in) investing activities	(36,491)	2,301	-	(34,190)	(34,215)	4,707	-	(29,508)
Net increase (decrease) in cash and cash equivalents	10,803	(43,657)	-	(32,854)	14,485	(7,659)	-	6,826
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	**$ 75,989**	**$ 195,899**	**$ -**	**$ 271,888**	**$ 85,459**	**$ 339,153**	**$ -**	**$ 424,612**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ (246,167)	$ 210,577	$ -	$ (35,590)	$ (173,806)	$ 202,401	$ -	$ 28,595
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:								
Amortization of intangible asset - liquor franchise	-	41,398	-	41,398	-	41,398	-	41,398
Increase in intangible asset - trademark	-	(6)	-	(6)	-	-	-	-
Depreciation and amortization expense	276	221	-	497	241	172	-	413
(Increase) decrease in loans	1,648	-	-	1,648	(6,892)	-	-	(6,892)
(Increase) decrease in loan valuation allowance	1,547	-	-	1,547	570	-	-	570
Increase (decrease) in inventory	-	1,606	-	1,606	-	(4,234)	-	(4,234)
(Increase) decrease in receivables, net of allowance for doubtful accounts	299	(2,073)	-	(1,774)	116	2,509	-	2,625
(Increase) decrease in prepaid expenses	(1,107)	1,248	-	141	(274)	84	-	(190)
(Increase) decrease in due from/to component unit (net)	(4,083)	4,083	-		68	(68)	-	-
Increase (decrease) in accounts payable	2,230	21,260	-	23,490	593	(1,266)	-	(673)
Increase (decrease) in accrued liabilities	83,756	(9,748)	-	74,008	78,145	(338)	-	77,807
Total adjustments	84,566	57,989	-	142,555	72,567	38,257	-	110,824
Net cash provided by (used in) operating activities	**$ (161,601)**	**$ 268,566**	**$ -**	**$ 106,965**	**$ (101,239)**	**$ 240,658**	**$ -**	**$ 139,419**
Noncash capital and related financing activities:								
Purchases of capital assets on account	$ 200	$ 10	$ -	$ 210	$ 8	$ -	$ -	$ 8
Amortization of bonds payable	$ -	$ 1,805	$ -	$ 1,805	$ -	$ 2,052	$ -	$ 2,052

(Concluded)