

FINANCING
REAL ESTATE
BUSINESS ASSISTANCE
WORKFORCE
SITE SELECTION

ANNUAL REPORT 2016





James Foutz
Chair

2016 CHAIR'S MESSAGE

When I first joined the Fay-Penn Board of Directors over twenty years ago, our organization was just beginning its ascent as the premier economic development organization in Fayette County. Today, as I address you as the Chair of the Board, Fay-Penn is a bright, shining star lighting the path for Fayette County's continuing progress.

Our successes during 2016 were the result of good planning and even better work. We updated our staffing structure, which empowered our employees to reach their full potentials via unrestricted communication pathways and direct responsibility for their project outcomes. The results speak for themselves. To mention a few highlights: A record number of small business loans processed, the completion of a brand new industrial park in Dunbar Township, and two major revitalization projects in Redstone Township and downtown Uniontown that not only saved hundreds of existing jobs from leaving, but also brought new jobs with promise for more.

You can read more about our 2016 exploits in the subsequent sections of this annual report.

I'd like to thank the entire Fay-Penn team for their dedication to being "second-to-none" in economic development. Our officers, committee chairs, board directors, members, staff, partners, government officials, and other supporters are vital for making positive things happen the way they do. That group has turned challenges into opportunities at every turn, and I'm certain they'll step up as always as we advance through our future together.

I'm excited about what we did in 2016, but I'm even more excited about what is yet to come.

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ABOUT FAY-PENN

Fay-Penn Economic Development Council assists in growing and diversifying the economy in Fayette County, Pennsylvania. The organization is **the pre-eminent "1st stop shop" economic development organization in the county**, providing comprehensive, **second-to-none business development services** through its staff or partners to make local businesses more competitive in a global marketplace.

Fay-Penn is a 501(c)3 nonprofit that began in 1991, and is recognized as an industrial development organization by federal, state, and local governments. Fay-Penn is the only entity located in Fayette County that is designated by the Commonwealth of Pennsylvania as a **Certified Economic Development Organization (CEDO)**.

Fay-Penn's ultimate purpose is to **sustain a supportive environment for business start-up, expansion, and attraction.**

PRIMARY OBJECTIVES

- Retain and grow existing businesses
- Add new businesses
- Create and retain jobs
- Develop the workforce
- Generate private and public business investment
- Enhance quality of life amenities and services

BUSINESS SERVICES

Confidential • No-Cost • Customized

FINANCING

... Customized, low rate/low fee loan packages for every business need

SITE LOCATION

... Land and building sales, lease, and build-to-suit

ENTREPRENEURSHIP

... Comprehensive support for business start-ups

BUSINESS NETWORKS

... Connections to prospective partners, clients, investors & vendors

WORKFORCE

... Employee training and recruitment

MARKET DEVELOPMENT

... Domestic, export, government, supply chain & foreign investment commerce generation

GOVERNMENT INCENTIVES

... Federal/state/local grants, loans & tax credits

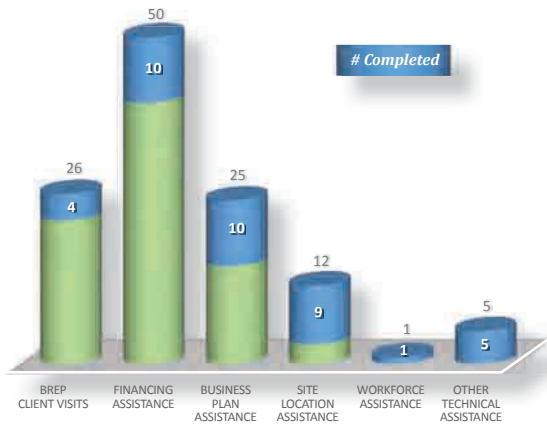


PERFORMANCE METRICS

2016

CLIENT INQUIRY/ SERVICE SUMMARY ¹

TOTAL CLIENT INQUIRIES: 64



COMPLETED
BUSINESS
PROJECTS:
19

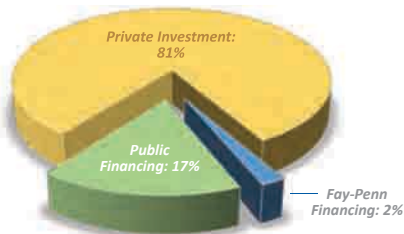


PROGRAM ACTIVITY SUMMARY ²

NON-BUSINESS PROJECT SPECIFIC

Workshops/Trainings Held	8
Workshop/Training Attendees	424
Activities Held/Supported	12
Initiatives Established/Managed and/or Supported	3
GED Assistance Provided	15
Scholarships Provided	22
Scholarship \$'s Awarded	\$5,500
Internships Funded	2

NEW INVESTMENT:
1991-2016



MAJOR BUSINESS DEVELOPMENT PROJECTS ECONOMIC IMPACT ³

	ALL COMPANY PROJECTS		FAY-PENN REVOLVING LOAN FUND PROJECTS (included in "All Company Projects" Column)	
	2016	CUMULATIVE 1992-2016	2016	1993-2016
Completed Projects (Unique)	19	353	10	189***
Direct Jobs Created & Retained *	388	9,378	-	-
Increase in Annual Payroll	\$3,441,600	\$199,175,279	-	-
Increase in Payroll Taxes **	\$140,048	\$8,554,040	-	-
Construction Dollars	\$4,950,275	\$533,759,695	-	-
New Investment	\$6,101,128	\$1,327,791,507	\$3,465,236	\$71,255,682
FP RLF Loans	\$1,621,226	\$27,531,507	\$1,621,226	\$27,531,507
Other Public Financing	\$286,650	\$221,652,627	-	-
Private Investment	\$4,193,252	\$1,078,607,518	\$1,844,010	\$43,724,175

* Based on current and three-year projections provided by companies. The cumulative data is not adjusted to reflect reductions or increases in original estimates.

** Includes State and Local Payroll Taxes only. Does not include residential, municipal, school or county real estate taxes.

*** Represents # of projects funded, including those that received multiple loans from different RLF programs. Actual # of individual loans made is 234.

Footnotes:

¹ Includes all client-related activity during 2016, including those listed in the "Major Business Development Projects - Economic Impact" table.

² See Pages 7-8 for program descriptions related to the Program Activity Summary metrics.

³ See Pages 5-6 for a listing of Major Business Development Projects whose data is reflected in this table.



FAY-PENN REAL ESTATE ACTIVITY/HOLDINGS ⁴

	2016 ACTIVITY	HOLDINGS (AS OF 12/31/2016)
TOTAL # OF PROPERTIES OWNED (LAND AND BUILDING SITES)	-	21
Number of Vacant Land Sites	-	7
Total Acres:	-	1,470
Developed (w/Infrastructure)	-	259
Undeveloped	-	1,212
# Parcels Sold:	2	-
# of Acres Sold:	17	-
Land Sales \$:	\$603,908	-
New Capital Investment:	\$1,235,589	-
Number of Building Sites	-	14
Total # of Buildings:	-	15
Total Sq. Ft. (Includes Common Areas)	-	666,978
% Leased (Leasable space only)	-	82%
# of Buildings Sold:	-	-
# of Sq. Ft. Sold:	-	-
Building Sales \$:	-	-
Building Space Leased (sf):	71,074	-
New Capital & Leasehold Investment	\$2,427,008	-

LOTS AND
LEASE
SPACE
AVAILABLE



Footnotes:

⁴ With the exception of Capital Investments, data is included in the "Major Business Development Projects - Economic Impact" table on Page 3

BUSINESS DEVELOPMENT PROJECT HIGHLIGHTS



"We've been in Uniontown since 2006, when we worked with Fay-Penn to get our office opened there. They stepped up again when we needed to move to ensure we were getting a first class location with the amenities we wanted." – *Karen Ehrens, PTC Director of Estate and Facilities*

"We are thrilled to be staying in Uniontown and anticipate years of continued success and growth of PTC in this area."
– *Aaron Tuomi, PTC's Uniontown Solution Center Director*

Laurel Highlands Brewing: "Fay-Penn has been an excellent business and financial resource for Laurel Highlands Brewing. They helped us bring our idea of "common beers, uncommon flavor" craft beer to Uniontown and the surrounding areas ... We are appreciative to Fay-Penn for not only providing us with the capital necessary to get our dream off the ground, but for also providing services outside of financial support to keep our business moving forward. We highly recommend that any Fayette County business owners or new startup companies take advantage of the exceptional services Fay-Penn offers."

– *Matt Smiley, Owner*



ContactUS, LLC: Fay-Penn partnered with ContactUS to help with the lease and renovation of the facility. It's assistance through this process helped the management team at the Grindstone facility expedite the retention and transition process. "When plans to close the facility in Grindstone were announced, the client immediately reached out to us to inquire about taking over the facility and rehiring as many experienced employees as possible ... Our client has always been more than satisfied with the customer service and support available from this staff, and when we evaluated the team, we were equally impressed." – *Trevor Friesen, President*

"A lot of that (site renovations) was with the help of Fay-Penn."

– *Patrick Hall, ContactUS executive director of strategic services*



CLIENT NAME/ LOCATION:	CLIENT PRODUCT/ SERVICE:	SERVICE(S) PROVIDED:	PROJECT DESCRIPTION:	TOTAL EST. NEW INVESTMENT
3 GEMS CATERING MT. PLEASANT	COMMERCIAL FOOD CATERING	RLF LOAN	BUILDING ACQUISITION	\$117,000
ADI FABRICATIONS GEORGES TWP.	MANUFACTURER OF PROSTHETIC DEVICES	SITE SELECTION/LOCATION ASSISTANCE	LEASED 10,300 SF IN 500 MOUNTAIN VIEW DRIVE FACILITY, FAYETTE BUSINESS PARK	N/A
ADVANCED ACOUSTIC CONCEPTS (AAC, INC.), NORTH UNION TWP.	HIGH TECHNOLOGY MANUFACTURING DEFENSE CONTRACTOR	SITE SELECTION/LOCATION ASSISTANCE	- PARKING EXPANSION - 5,046 SF OF ADDITIONAL LEASE SPACE IN OFF-SITE LOCATION - BUILD-OUT EQUIPMENT	\$47,300
ARKOS REALTY & INVESTMENTS, LP. GEORGES TWP.	OIL & GAS INDUSTRY SERVICE PROVIDER	SITE SELECTION/LOCATION ASSISTANCE	ACQUIRED 9.87 ACRES AT FAYETTE BUSINESS PARK FOR BUSINESS EXPANSION	\$372,183
CONTACTUS, LLC. REDSTONE TWP.	CUSTOMER SERVICE CALL CENTER	SITE SELECTION/LOCATION ASSISTANCE	- LEASED 19,848 SF IN THE BROWNSVILLE PLAZA - EQUIPMENT ACQUISITION - NEW SOFTWARE - JOB TRAINING & TAX CREDITS	\$737,650
HUNTER REALTY PARTNERS, LLC., GEORGES TWP.	COMMERCIAL TRUCK SALES & SERVICE	SITE SELECTION/LOCATION ASSISTANCE	ACQUIRED 7 ACRE SITE AT FAYETTE BUSINESS PARK FOR BUSINESS EXPANSION	\$231,725
LAUREL HIGHLANDS BREWING COMPANY NORTH UNION TWP.	MICRO-BREWERY	- RLF LOAN - TECHNICAL ASSISTANCE - BUSINESS PLAN	NEW EQUIPMENT, INVENTORY & WORKING CAPITAL	\$78,900
MASONTOWN INVESTMENTS, LLC DBA FAT ANGELO'S PIZZA MASONTOWN	RESTAURANT/FOOD SERVICE	- RLF LOAN - BUSINESS PLAN	BUSINESS EXPANSION TO NEW LOCATON	\$65,000
MAY'S CUSTOM MEAT PROCESSING, LLC. MILL RUN	MEAT PROCESSING PLANT	- RLF LOAN - TECHNICAL ASSISTANCE - BUSINESS PLAN	EQUIPMENT FOR EXPANSION	\$534,454
NPL CONSTRUCTION CO. NORTH UNION TWP.	ENERGY AND INFRASTRUCTURE CONSTRUCTION COMPANY	SITE SELECTION/LOCATION ASSISTANCE	LEASED 10,500 SF IN THE NORTH UNION BUSINESS CENTER	N/A
PTC, INC. UNIONTOWN	TECHNOLOGY SOLUTIONS	SITE SELECTION/LOCATION ASSISTANCE	LEASED 14,000 SF IN THE FAY-PENN BUSINESS CENTER	\$700,000
RUFFIN' AROUND RESORT & DAY SPA, LLC., MENALLEN TWP.	DOG DAYCARE FACILITY	RLF LOAN	EQUIPMENT FOR EXPANSION	\$241,500
SHANE FELTER INDUSTRIES, INC., MENALLEN TWP.	STRUCTURAL METAL FABRICATION	- RLF LOANS - TECHNICAL ASSISTANCE	- BUSINESS EXPANSION - LINE OF CREDIT	\$830,693 \$648,789
STRIKE, LLC. NORTH UNION TWP.	OIL & GAS INDUSTRY SERVICE PROVIDER	SITE SELECTION/LOCATION ASSISTANCE	LEASED 5,980 SF FACILITY IN GREATER UNIONTOWN BUSINESS PARK	N/A
THE BLAKE FAMILY CORPORATION DBA COUNTRY CARE MANOR REDSTONE TWP.	PERSONAL CARE FACILITY	- RLF LOAN - TECHNICAL ASSISTANCE - BUSINESS PLAN	BUSINESS ACQUISITION	\$850,000
TOWNSEND INSURANCE SERVICES, LLC. MENALLEN TWP.	INSURANCE AGENCY	- RLF LOAN - TECHNICAL ASSISTANCE - BUSINESS PLAN	WORKING CAPITAL FOR SECOND BUSINESS LOCATION	\$45,500
WESTERN PA BEHAVIORAL HEALTH RESOURCES REDSTONE TWP.	PSYCHIATRIC/ COUNSELING SERVICES	SITE SELECTION/LOCATION ASSISTANCE	LEASED 5,400 SF IN THE BROWNSVILLE PLAZA FACILITY	\$20,000
YOUR PETS, LLC. HOPWOOD	PET STORE & GROOMING	RLF LOAN	EQUIPMENT FOR EXPANSION	\$53,400



Country Care Manor: "Country Care Manor is committed to providing quality housing and services. I chose Fay-Penn because of the professionalism of their staff to guide me through the purchase of my business. Our corporation is accountable to the employees and our precious residents and families who have entrusted us with caring for them. Fay-Penn will be an important element in the success of our business." - *Karen Durso, Owner*



May's Custom Meat Processing: "May's Custom Meat Processing is a family-run business located in Mill Run, PA. Because the demand for fresher higher quality meats is on the rise, there is a great need for customized butcher shops. With our new state-of-the-art facility, thanks to the assistance of Fay-Penn, we will be able to provide quality and customized meats for families and businesses. Fay-Penn has been great to work with, in fact, they have toured our facility several times and are just as excited as we are to watch it become a reality and success." - *Kim May, Owner*



Townsend Insurance Services, LLC: "This loan from Fay-Penn Economic Development Council will give us the capital needed to expand our agency into Greene County as well as giving two individuals the opportunity for full-time employment." - *Tonya Townsend, Agent/Owner*

Ruffin' Around Resort & Day Spa, LLC:



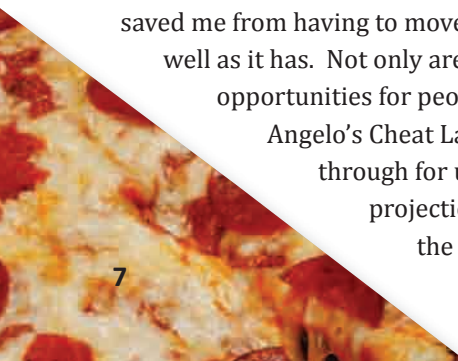
"It was an absolute pleasure working with Fay-Penn. Everyone was extremely helpful and the terms for the financing they offered me were a perfect fit for my small business. Starting a new venture can be both exciting and stressful. Fay-Penn alleviated a lot of the stress by assisting me every step of the way with the financing process. A big thank you to all at Fay-Penn!" - *Lori Coffman, Owner*

Your Pets, LLC: "Your Pets, LLC has been part of the community for over 30 years. The funds from Fay-Penn will help us to expand our business by adding an additional groomer and pet massage therapist to our staff."

- *Tange McDowell, Owner*



Masontown Investments, LLC dba Fat Angelo's Pizzeria: "I'm incredibly grateful for the help provided by everyone at Fay-Penn and the Saint Vincent's Small Business Development Council, to make this happen. The 4th Fat Angelo's is about to open, thanks to all of you! Fay-Penn financed my building in Lemont Furnace, which saved me from having to move out two years ago, and that was the beginning of everything coming together as well as it has. Not only are you helping me make my dreams come true, but together we are creating jobs and opportunities for people in our community ... Thanks to you, I am now in a position to purchase the Fat Angelo's Cheat Lake shop, set up the franchising and open Sweet Pies Eatery. Without Fay-Penn coming through for us on the financing end and Mr. Kunkel's diligent help with my business plans and projections, this would not be happening. I look forward to working with all of you again in the near future to start moving on the next location." - *Tom Richards, Co-owner*



PROGRAM HIGHLIGHTS

Fay-Penn delivers ongoing business support through a variety of services, initiatives, and other activities. 2016 highlights include:

SERVICES

- ◇ Provided on-site outreach, one-on-one counseling, specialized workshops, and financial incentives to local companies through Pennsylvania's Partnerships for Regional Performance (PREP) program.
- ◇ Collaborated with the Saint Vincent College Small Business Development Center to guide companies through the business planning process.

INITIATIVES

- ◇ In concert with the Community Foundation of Fayette County, facilitated the Orville and Ruth Eberly Workforce Scholarship Fund to support local technical/trade education and high school GED achievement.
- ◇ Commenced the second cohort of the Fayette Leaders Academy to develop the next generation of the region's business professionals.
- ◇ Co-led the launch of the Fayette-Greene Manufacturing Consortium, a group committed to increasing the manufacturing base in Southwestern Pennsylvania.





The Challenge Program Participants and Volunteers



2016 Bankers' Breakfast

ACTIVITIES

◇ Hosted workshops:

- » 4th Annual Bankers' Breakfast, an event that links lenders with economic development groups to generate increased financial assistance to higher risk businesses.
- » QuickBooks (Basic and Advanced)
- » Doing Business with the Government
- » Generations and Succession Planning
- » Greening Your Business
- » Social Media for Business
- » Understanding Financial Statements

- ◇ Provided internships for students at the Laurel Highlands High School Academy of Finance.
- ◇ Supported the Fayette County Business Pitch Competition for high school students to showcase their start-up businesses.
- ◇ Procured funding to subsidize the annual United States Collegiate Athletic Association (USCAA) National Basketball Championships, which generated over \$500,000 in local tourism revenue each year.
- ◇ Organized the Career Days at Penn State Fayette to create awareness among local high schoolers about career opportunities in Fayette County.

◇ Contributed financial support to various local undertakings:

- » Community Industries Food Voucher program
- » Connellsville Farmer's Markets
- » Pennsylvania Free Enterprise Week local student sponsorship
- » The Challenge Program at Brownsville High School
- » Fayette Chamber of Commerce Student of the Month
- » Penn State Fayette Scholarship Fund
- » Various other economic development needs



USCAA Basketball Tournament and Career Days at Penn State Fayette, The Eberly Campus

Fayette-Greene Manufacturer's Consortium Kick-off Event at Hranec Sheet Metal Inc.



2016 OFFICERS, BOARD OF DIRECTORS & STAFF

Officers and Directors

CHAIR	1ST VICE CHAIR	2ND VICE CHAIR	TREASURER	SECRETARY	ASSISTANT SECRETARY	PAST CHAIR
						
James Foutz CPA	Mark Fike Account Executive Sprowls Insurance Group	Dan Gearing President Specialty Conduit & Mfg., LLC.	Lawrence Kiefer Treasurer Scottsdale Bank & Trust	Greg Parsons Owner Parsons Insurance	Stephen Neubauer President/General Mgr. Neubauer's Flowers, Inc.	William Blaney Vice Pres./General Mgr Blaney Farms
Ed Balling President, Fairchance Construction	William K. Jackson Owner, Jackson Farms	Dennis Noonan VP of Sales, Nemacolin Woodlands Resort & Spa	Dr. Ed Jeffreys Exec. Dir., Fayette County Career & Technical Institute	Clara Pascoe Exec. Dir., Community Foundation of Fay. Co., PA	Dr. Charles Patrick Chancellor, Penn State Fayette, The Eberly Campus	Robert Pinarski Vice Pres./Publisher, Uniontown Newspapers
Dave Berish President, Berish Agency, Inc.	Bernie Kasieovich Mayor, City of Uniontown	George Rattay Retired, Plumbers & Pipefitters Local 354	Richard Kasunic PA Senator, Retired	Frank Ricco Secretary/Treasurer, Brownsville Bus Lines	Charmaine Sampson Administrative Assistant, The Eberly Foundation	Terrance Shallenberger President, Shallenberger Construction
Brian Boyle Vice President, TecEng Solutions	Corbin Kearns Plant Manager, Johnson Matthey	Eli Shumar, Jr. Pres., Shumar's Welding & Machine Service, Inc.	Bryan S. Kisiel Managing Shareholder, Kisiel & Associates, PC	George Rattay Retired, Plumbers & Pipefitters Local 354	Charmaine Sampson Administrative Assistant, The Eberly Foundation	Terrance Shallenberger President, Shallenberger Construction
CJ Callahan Market President, United Bank	Sharon Klay Owner/President, Christian W. Klay Winery	Rusty Smalley President, George R. Smalley Co., Inc.	Terri Knupp Area Mgr., First Energy/West Penn Power	Raymond J. Koffler, II Senior Vice President, PNC Bank	Leo T. Krantz, Jr. Retired	Reid Smith Loan Officer, Bridgeway Capital
Todd Casteel President & CEO, Casteel Corporation	Greg Lincoln Mayor, City of Connellsville	Senator Pat Stefano PA Senate	John F. Coleman Branch Mgr./1st VP., Janney Montgomery Scott	John Malone Vice President, Somerset Trust	Pat McCulloch Partner, Computer Trends/OffSite Datasafe	Vincent Vicites Chairman, Fay. Co. Board of Commissioners
John F. Coleman Branch Mgr./1st VP., Janney Montgomery Scott	Robert McKeown President, Keystone Gas Solutions, LLC	Mark Wasler President, Kingfish Worldwide, Inc.	Michelle Cunningham Chief Executive Officer, Highlands Hospital	James Means Fayette County Assoc. of Twp. Supervisors	James Means Fayette County Assoc. of Twp. Supervisors	Fred E. Wright President, Ohio Pyle Prints, Inc.
Nancy Decker President & CEO, Laurel Business Institute	Pamela Moore General Manager, Uniontown Mall	Edward Yankovich Vice President, International UMWA Dist. #2	Henry A. Dunham Vice President, Community Bank			
Edward J. Franczyk Market President, United Bank			George Franks President, Masontown Trophy & Embroidery			
Wayne Freed Vice Pres., Business Banking, First National Bank			Johnathan Garlow President, Ford Business Machines, Inc.			
James Gnagey Owner, Gnagey Gas & Oil, Inc.						
Tiffany R. M. Guittap Branch Mgr.- ISP/Asst. VP, First Niagara Bank						
Max R. House, Jr. President, House Financial Service						

STAFF

Bob Shark Executive Director	Jessica Firmstone Loan Programs	Earl Miller Construction	Cindy Tucker Admin. Asst./Social Media
Gloria Calabro Loan Servicing	Twila Kendall Grant & Contract Compliance	Brenda Sopic Accountant II	Tina W. Wargo Assets & Contracts
Ron Cole Construction	Traci Klink Office Manager	Lori Scott Business Support	Kimberly Wyda Accountant I
Heather Fani Workforce Development	Sandy McClelland Administrative Assistant	Alicia Thompson Site Selection	Linda Yuhaniak Chief Financial Officer

MAJOR CONTRIBUTORS

- US APPALACHIAN REGIONAL COMMISSION
- US DEPARTMENT OF AGRICULTURE,
RURAL DEVELOPMENT
- COMMONWEALTH OF PENNSYLVANIA
- FAYETTE COUNTY
- LAUREL HIGHLANDS VISITORS BUREAU

MEMBERS

84 Lumber
Argon ST, Inc.
Atlantic Broadband
Bear Construction
Berish Agency, Inc.
Berkley Medical
Blaney Farms, Inc.
BPU Investment Management, Inc.
Bridgeway Capital, Inc.
Brier Hill Steel
Brodak's Shop-N-Save
Brother's Lazer Service, Inc.
Brownsville Area Revitalization Corp.
Brownsville Bus Lines
Brownsville Marine Products, LLC
Carlisle Construction Materials dba
Hunter Panels
Casteel Corporation
Catalyst Connection
Chevron, U.S.A., Inc.
Christian W. Klay Winery
Coldwell Banker Laurel Ridge Realty
Columbia Gas of PA, Inc.
Community Bank
Community Foundation of Fay. County
Computer Trends, LLC
Connellsville Redevelopment Authority
Dairy Queen of SWPA, Inc.
Day Centennial Chevrolet, Inc.
DeFrank Development
Demco Excavating, Inc.
Donald M. Miller, Inc.
Fairchance Construction Co.
Fayette Chamber of Commerce
Fayette Co. Behavioral Health Admin.
Fayette Co. Career & Technical Institute
Fayette Co. Community Action Agency
Fayette Co. Housing Authority
Fayette Parts Service, Inc.
First Energy/West Penn Power Co.
First Federal Savings & Loan of Greene
First National Bank of PA
Ford Business Machines
Foutz, James, CPA
Gallatin Fuels
Gene & Boots Candies, Inc.

George, Port & George
George R. Smalley Co., Inc.
Gerome Manufacturing Co., Inc.
Gnagey Gas & Oil Co. Inc.
Goodwill Industries of Fayette Co.
Greater Connellsville Chamber of
Commerce
Greater Uniontown Heritage Consortium/
State Theatre Center for the Arts
Hazemag, USA Inc.
Highlands Hospital
Hilton Garden Inn Uniontown
Holt & Bugbee Hardwoods
House Financial Services
Jackson Dairy Farm
Janney Montgomery Scott, LLC
John A. Fiesta Agency, Inc.
Johnson Matthey, Inc.
Kasunic, Richard, Senator
KeyBank
Keystone Gas Solutions, LLC
Kingfish Worldwide
Kisiel & Associates PC
Koval Building & Plumbing Supply
Krantz, Leo T. Jr.
Laurel Business Institute
Laurel Caverns
Laurel Highlands School District
Laurel Highlands Visitor's Bureau
Laurel Machine Co.
Mark IV Office Supply
Masontown Borough
Masontown Trophy & Embroidery Co.
Matheson - Midwest Zone
McClure and Wolf, LLP
McMillen Engineering
Meloni's Restaurant
Microdiamant USA, Inc.
MLP Steel
Mon Valley Reg. Chamber of Commerce
Nationwide Payment Solutions
Nemacolin Woodlands Resort & Spa
Neubauer's Flowers, Inc.
Noonan, Dennis
North Fayette County Municipal Authority
O.C. Cluss Lumber Co., Inc.

Ohiopyle Prints, Inc.
Parsons Insurance Services, LLC
Penn State Fayette, the Eberly Campus
Pine Hollow Mechanical, Inc.
Plumbers & Pipefitters Local 354
PNC Bank
Ptak's
Redev. Auth. of the City of Uniontown
Redev. Auth. of the County of Fayette
Sampson, Charmaine L.
Scottsdale Bank & Trust Co.
Shallenberger Construction
Shane Felter Industries
Sisters of the Order of St. Basil the Great
Sleighter Engineering
Somerset Trust Company
Specialty Conduit & Mfg., LLC
Sprowls Insurance Group
Stefano's Printing, Inc.
Stephen R. Haky Funeral Home
TecEng Solutions
Township of Brownsville
Township of Bullskin
Township of Georges
Township of German
Township of Luzerne
Township of Redstone
Township of Saltlick
Township of Springhill
Township of Upper Tyrone
Township of Wharton
Uniontown Area School District
Uniontown Hospital
Uniontown Mall
Uniontown Newspapers
United Bank
United Dairy
United Mine Workers of America
Vermin Control Co.
Vertex Outsourcing, LLC
Vitalink
West Penn Warehousing
Western PA Conservancy/Fallingwater
Westmoreland-Fayette WIB
WSW Holdings, Inc.
ZRM Enterprises



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FINANCIAL REPORT

**FAY-PENN ECONOMIC
DEVELOPMENT COUNCIL**

YEAR ENDED DECEMBER 31, 2016

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
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INDEPENDENT AUDITORS' REPORT

March 30, 2017

To the Board of Directors
Fay-Penn Economic Development Council
Uniontown, Pennsylvania

We have audited the accompanying financial statements of the Fay-Penn Economic Development Council (a nonprofit organization) which comprise the statement of financial position as of December 31, 2016, and the related statements of changes in net assets, activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fay-Penn Economic Development Council as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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March 30, 2017

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining schedules of divisions' financial position and activities on pages 19 - 20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

ASSETS

Cash and cash equivalents	\$ 2,467,500	
Investments (Note 4)	8,371,421	
Accounts receivable, net of allowance for doubtful accounts of \$126,588 (Note 3)	890,016	
Other assets, net of accumulated amortization (Note 8)	171,847	
Revolving loan fund:		
Cash and cash equivalents	2,196,179	
Loans receivable - capital loans, net of allowance for doubtful accounts of \$330,000 (Note 10)	4,874,265	
Property and equipment, net of accumulated depreciation (Note 9)	<u>30,885,824</u>	
TOTAL ASSETS		<u>\$ 49,857,052</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 35,612	
Accrued expenses	18,491	
Security deposits	155,891	
Deferred revenue (Note 17)	710,317	
Debt obligations (Note 12)	<u>3,653,022</u>	
TOTAL LIABILITIES		\$ 4,573,333
NET ASSETS (Note 7)		
Unrestricted:		
Revolving loan fund	14,701,076	
Operating fund	<u>30,566,935</u>	
TOTAL UNRESTRICTED NET ASSETS	45,268,011	
TEMPORARILY RESTRICTED NET ASSETS	<u>15,708</u>	
TOTAL NET ASSETS		<u>45,283,719</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 49,857,052</u>

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets - beginning	\$ 44,739,801	\$ 39,897	\$ 44,779,698
Change in net assets	<u>528,210</u>	<u>(24,189)</u>	<u>504,021</u>
Net assets - ending	<u>\$ 45,268,011</u>	<u>\$ 15,708</u>	<u>\$ 45,283,719</u>

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT			
Grants - Commonwealth of Pennsylvania	\$ 106,177	\$ -	\$ 106,177
Grants - Federal			
Department of Agriculture	90,624	-	90,624
Appalachian Regional Commission	500,000	-	500,000
Grants - other	-	1,101	1,101
Contributions from foundations, corporations and individuals	3,000	7,865	10,865
Contributions from members	59,600	-	59,600
	<u>759,401</u>	<u>8,966</u>	<u>768,367</u>
TOTAL SUPPORT	<u>759,401</u>	<u>8,966</u>	<u>768,367</u>
OPERATING REVENUES			
Administrative fees	41,184	-	41,184
Building rental	1,916,112	-	1,916,112
Oil and gas lease signing bonus	66,539	-	66,539
Oil and gas lease production royalties	53,619	-	53,619
Investment income	64,607	-	64,607
Interest income - Revolving Loan Fund	238,604	-	238,604
Interest income - Operating Fund	47,676	-	47,676
Annual dinner	37,300	-	37,300
Realized and unrealized gain on investments	72,013	-	72,013
Gain on sale of fixed assets	351,167	-	351,167
Other	12,381	-	12,381
	<u>2,901,202</u>	<u>-</u>	<u>2,901,202</u>
TOTAL OPERATING REVENUES	<u>2,901,202</u>	<u>-</u>	<u>2,901,202</u>
NET ASSETS RELEASED FROM RESTRICTION:			
Satisfaction of program restrictions	33,155	(33,155)	-
	<u>33,155</u>	<u>(33,155)</u>	<u>-</u>
TOTAL SUPPORT AND OPERATING REVENUES	<u>3,693,758</u>	<u>(24,189)</u>	<u>3,669,569</u>
FUNCTIONAL EXPENSES			
Program	2,209,112	-	2,209,112
Management and general	956,436	-	956,436
	<u>3,165,548</u>	<u>-</u>	<u>3,165,548</u>
TOTAL FUNCTIONAL EXPENSES	<u>3,165,548</u>	<u>-</u>	<u>3,165,548</u>
CHANGE IN NET ASSETS	<u>\$ 528,210</u>	<u>\$ (24,189)</u>	<u>\$ 504,021</u>

The accompanying notes are an integral
part of the financial statements

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES			
Salaries	\$ 446,840	\$ 392,429	\$ 839,269
Fringe benefits	116,718	116,023	232,741
Amortization	-	17,640	17,640
Annual dinner and report	-	25,393	25,393
Bad debts	47,818	94,673	142,491
Communication	-	8,671	8,671
Depreciation	878,958	23,056	902,014
Dues and subscriptions	411	6,630	7,041
Educational initiatives	4,247	-	4,247
Insurance	45,962	33,123	79,085
Interest	107,887	-	107,887
Marketing	5,252	11,778	17,030
Office supplies	46	44,257	44,303
Other expenses	4,612	3,435	8,047
Payroll taxes	39,508	34,699	74,207
Professional fees	74,130	76,907	151,037
Real estate taxes	150,761	9,216	159,977
Repairs and maintenance	222,827	26,571	249,398
Training	2,944	9,488	12,432
Travel and entertainment	13,453	9,932	23,385
Utilities	46,738	12,515	59,253
TOTAL FUNCTIONAL EXPENSES	\$ 2,209,112	\$ 956,436	\$ 3,165,548

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

CHANGE IN NET ASSETS \$ 504,021

**ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Amortization	\$	17,640
Depreciation		902,014
Net unrealized gain on investments		(72,013)
Investment fees paid from investment account		7,505
Gain on sale of assets		(351,167)
Provision for bad debts		142,490

CHANGES IN ASSETS AND LIABILITIES:

Other assets		(56,165)
Receivables		1,209,623
Accounts payable		(75,678)
Accrued expenses		(6,227)
Security deposits		(11,671)
Deferred revenue		<u>(177,291)</u>

TOTAL ADJUSTMENTS 1,529,060

NET CASH PROVIDED BY OPERATING ACTIVITIES 2,033,081

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of certificates of deposit		(4,000,000)
Purchases of investments		(64,606)
Proceeds from loan repayments		554,524
Loans issued		(1,227,595)
Proceeds from sale of property		601,948
Purchases of real property and equipment		<u>(2,746,686)</u>

NET CASH USED BY INVESTING ACTIVITIES (6,882,415)

CASH FLOWS FROM FINANCING ACTIVITIES

Borrowings on long-term debt		149,875
Principal payments on long-term debt		<u>(263,302)</u>

NET CASH USED BY FINANCING ACTIVITIES (113,427)

DECREASE IN CASH AND CASH EQUIVALENTS (4,962,761)

CASH AND CASH EQUIVALENTS - BEGINNING 9,626,440

CASH AND CASH EQUIVALENTS - ENDING \$ 4,663,679

SUPPLEMENTAL DISCLOSURES

Interest paid		<u>\$ 107,887</u>
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NONCASH INVESTING AND FINANCING ACTIVITIES

Acquisition of property by assuming debt		<u>\$ 875,000</u>
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The accompanying notes are an integral
part of the financial statements

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

Note 1 – Organization

Fay-Penn Economic Development Council (Fay-Penn) is a private, nonprofit, community-based corporation chartered in Pennsylvania in 1991. Fay-Penn's mission is to maintain and increase employment opportunities in Fayette County in an effort to improve the quality of life for its residents. This mission is met through a comprehensive strategy of specific economic development objectives. The organization primarily focuses on the manufacturing sector with an additional concentration on tourism and infrastructure development.

As a membership-based organization, funding is partially provided by grants from the Commonwealth of Pennsylvania and the federal government for specific programs, and contributions from various individuals and local businesses. Fay-Penn is governed by a fifty-five member board mostly composed of representatives from local businesses. Approximately 52% of total support and operating revenues is derived from rent revenue from businesses.

Fay-Penn maintains its records using a system that accounts for transactions by two funds; the Operating Fund and the Revolving Loan Fund (RLF). As further discussed in Notes 6 and 10, Fay-Penn maintains a separate accounting of RLF transactions as required by agreement with third party funding sources. Under this system, the RLF maintains an accounting of all the assets, liabilities, income and expenses incurred in connection with loans awarded under the RLF program. Occasionally, the RLF program provides loans to projects sponsored by Fay-Penn itself, in lieu of financing those projects with funds obtained from financial institutions. Inter-fund transactions of this nature are recorded on the books and records of both funds for internal reporting purposes. For external financial reporting purposes, such as the preparation of these general purpose financial statements, all inter-fund loans receivable and payable, and interest income and expense are eliminated.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting: The financial statements are presented using the accrual basis of accounting. Accordingly, revenues and support are recognized when earned, and expenses are recognized when incurred. Grant revenues are recognized as exchange transactions, and revenue is recorded to the extent eligible expenditures have been incurred or services performed. Contributions are recognized as either unrestricted or temporarily restricted depending upon the existence of a donor-imposed restrictions. Contributions received with restrictions that are satisfied in the year of receipt are recognized as unrestricted contributions in that year. Administrative service fees are recognized as revenue as services required under the agreements are performed.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when acquired. Fay-Penn maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. It is the opinion of management that the solvency of the related financial institutions is not of particular concern at this time.

Fair Value Measurements: Financial assets valued using level 1 inputs are based on quoted market prices within active markets, whereas assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using level 3 inputs are based on inputs that reflect Fay-Penn management's assumptions about the factors that market participants would use in pricing the asset based on the best information available in the circumstances.

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

Note 2 – Summary of Significant Accounting Policies (continued)

Investments: The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Advertising: The Organization uses advertising to promote its programs among the population it serves. Advertising costs are expensed as incurred. During 2016, advertising expense amounted to \$17,030.

Land development costs: Costs that clearly relate to land development projects are capitalized. Costs are allocated to project components by the specific identification method whenever possible. Interest costs from financial institutions (not internally funded) are capitalized while development is in progress.

Loans Receivable: Fay-Penn provides subordinated loans to businesses that relocate or expand their business activities in Fayette County. The loans are provided to businesses under terms and conditions that generally are more favorable or otherwise unavailable to businesses from traditional financial institutions. Consequently, it is anticipated that credit losses may occur, and losses may exceed those experienced by conventional lenders. Fay-Penn has adopted the allowance method to estimate anticipated loan losses. Under this method, Fay-Penn specifically identifies nonperforming loans for potential loss impairment, with historical loan loss analysis applied to the performing loans. Estimated losses are recorded as bad debt expense and presented as such in the Statement of Activities in the year that it is anticipated the loan will not be repaid in its entirety. A corresponding allowance for the estimated uncollectible portion is established and is presented as a reduction to the loan receivable on the Statement of Financial Position. Recovery of bad debts is recorded as income in the Statement of Activities in the year payments are received on receivables previously considered impaired and written off. Interest income is recognized on the loan portfolio as it is earned. Uncollected interest income is subject to the allowance method for recognizing bad debts.

Property and Equipment: Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. Fay-Penn follows the practice of capitalizing all expenditures for property and equipment in excess of \$500, including capitalizing project costs during preacquisition, acquisition, development and construction, including construction period interest from financial institutions.

Functional Allocation of Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The costs allocable to fund raising activities were immaterial to the financial statements as a whole, and therefore were not separately presented.

Income Taxes: The Organization is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). Fay-Penn's tax returns are subject to examination by taxing authorities for the prior three years.

The Organization may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service and the state of Pennsylvania. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on Fay-Penn's financial condition, results of operations, or cash flows.

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

Note 2 – Summary of Significant Accounting Policies (continued)

Reserved Cash: The United States Department of Agriculture Rural Microentrepreneur Assistance Program requires that Fay-Penn use the USDA loan proceeds to capitalize a rural microloan revolving fund to be held in a separate interest-bearing bank account. Additionally, Fay-Penn is required to establish a Loan Loss Reserve Fund so that the amount in the fund is greater than or equal to 5% of the loan payable to the USDA.

Note 3 – Accounts Receivable

Accounts receivable as of December 31, 2016 are as follows:

Accounts Receivable	\$ 1,016,604
Less allowance for doubtful accounts	<u>(126,588)</u>
Accounts receivable, net	<u>\$ 890,016</u>

Accounts receivable consists of amounts due from governmental agencies, and tenants for rent and utilities. Management has established an allowance for doubtful accounts of \$126,588 as of December 31, 2016.

Finance charges are not assessed on outstanding accounts receivable.

Note 4 – Investments

Investments consist of cash held in investment accounts, certificates of deposit with maturities longer than three months, and marketable securities, and are stated at fair value based on quoted prices in active markets (all Level 1 measurements) and are summarized as of December 31, 2016 as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Loss</u>
Cash held in investment accounts	\$ 31,106	\$ 31,106	\$ -
Certificates of deposit	6,252,345	6,252,345	-
Equity mutual funds and ETF	1,406,477	1,369,932	36,545
Fixed income mutual funds	<u>681,493</u>	<u>681,474</u>	<u>19</u>
Total	<u>\$ 8,371,421</u>	<u>\$ 8,334,857</u>	<u>\$ 36,564</u>

Investments in certificates of deposit are with various banks, in which some exceed the insured limit of \$250,000.

Investment income is composed of the following for the year ended December 31, 2016:

	<u>Amount</u>
Interest and dividends	\$ 64,607
Unrealized and realized gain	<u>72,013</u>
Net investment income	<u>\$ 136,620</u>

Investment fees of \$7,505 were incurred for the year ended December 31, 2016.

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

Note 5 – Fair Value Measurements

Fair values of assets measured as of December 31, 2016 are as follows:

		Fair Value Measurements at the End of the Reporting Period Using		
		Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Recurring fair value measurements</u>	<u>Total</u>			
Investments	<u>\$ 8,371,421</u>	<u>\$ 8,371,421</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Nonrecurring fair value measurements</u>				
Land and buildings	<u>\$ 31,098,007</u>	<u>\$ -</u>	<u>\$ 31,098,007</u>	<u>\$ -</u>

The fair values for land and buildings are based on historical cost and the residual net book value.

Note 6 – Revolving Loan Fund

Fay-Penn established an internally designated Revolving Loan Fund (RLF) to monitor the financial activity associated with the loans it provides to businesses that relocate or expand their operations in Fayette County. (See Notes 1 and 8). The Fund's activity consist substantially of loans receivable from businesses, interest earned on loans receivable, cash, and investments, and loans payable to USDA. The Board has elected to transfer interest earnings from the RLF to the Operating Fund to assist in the funding of its operations. During the year 2016 the Board approved an earnings transfer from the RLF to the Operating fund of \$516,388.

The Revolving Loan Fund net asset balance decreased by \$41,549 for the year ended December 31, 2016, before interdivisional eliminations.

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2016 are available for the following purposes:

Workforce development	\$ 12,158
Little free libraries	<u>3,550</u>
	<u>\$ 15,708</u>

Net assets were released from donor restriction by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Small business grant reserve	\$ 25,000
Workforce development	3,037
Strategic plan	3,717
Farmers market marketing	<u>1,401</u>
	<u>\$ 33,155</u>

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

Note 8 – Other Assets

Other assets as of December 31, 2016 consist of the following:

Prepaid expenses	\$ 10,293
Lease incentive payment	55,714
Oil and gas rights	<u>176,400</u>
	242,407
Accumulated amortization	<u>(70,560)</u>
Total other assets	<u>\$ 171,847</u>

The lease incentive payment will reduce rent revenue over the remaining term of the lease, including the renewal option periods.

Oil and gas rights are being amortized on a straight-line basis over ten years. Amortization expense for the year amounted to \$17,640.

Estimated amortization expense for the following five years is as follows:

2017	\$ 17,640
2018	17,640
2019	17,640
2020	17,640
2021	17,640

Note 9 – Property and Equipment

Property and equipment consist of the following as of December 31, 2016:

Land	\$ 10,991,351
Buildings and improvements	26,508,648
Construction in progress	3,498,885
Office furniture and equipment	<u>285,559</u>
	41,284,443
Accumulated depreciation	<u>(10,398,619)</u>
Property and equipment, net	<u>\$ 30,885,824</u>

Management's intent is to acquire land for the purpose of fostering economic development in Fayette County through the development and resale of land to businesses that are interested in relocating or expanding their operations in the area. Occasionally it has been discovered that the land contains valuable natural resources such as certain minerals, oil and gas, or timber in commercially viable quantities. In such cases Fay-Penn may lease the rights of those assets to third-parties in exchange for compensation in the form of bonus payments or royalties. No charge is recorded for the estimated depletion of the natural resources consumed during the leasing process.

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

Note 10 – Revolving Loan Fund - Loans Receivable

The Revolving Loan Fund (RLF) was established in 1993, and consists of the Fayette Capital Loan Fund, Enterprise Zone Loan Fund, Tourism Revolving Loan Fund, Workforce Development Loan Fund, Downtown Revitalization Loan Fund, Rural Microenterprise Assistance Program, Small Business Loan Fund, and the Residential Development Loan Fund. The RLF is designed to assist business growth and job creation in Fayette County by making below market rate loans for capital expansion projects or providing needed collateral. To date, 190 projects have been financed with these loans and have resulted in the creation and/or retention of 4,672 jobs. The original loan amount for the loans outstanding at December 31, 2016 was \$8,197,007. The fund is increased by revolving loan repayments from borrowers, and decreased by bad debts and interest transferred to the Operating Fund.

Loans receivable of the Revolving Loan Fund, net of any inter-fund loans to the Operating Fund as described in Note 1, are summarized as follows by interest rate:

<u>Number of Loans:</u>	<u>Interest Rate</u>	<u>Principal Outstanding</u>
6	3.00 - 3.50%	\$ 1,235,863
33	4.00 - 4.50%	2,010,026
<u>19</u>	5.00 - 5.50%	<u>1,958,376</u>
<u>58</u>		5,204,265
Less Allowance for bad debts		<u>(330,000)</u>
		<u>\$ 4,874,265</u>

Estimated annual maturities of the loans receivable, net of any inter-fund loans to the Operating Fund as described in Note 1, are summarized as follows as of December 31, 2016:

2017	\$ 1,925,203
2018	519,662
2019	438,826
2020	396,853
2021	335,642
2022	305,762
Thereafter	<u>1,282,317</u>
	5,204,265
Less Allowance for Loan Losses	<u>(330,000)</u>
	<u>\$ 4,874,265</u>

The loans are secured by subordinated and/or shared collateral positions in the property/business assets acquired by the borrower, and by personal guarantees. Fay-Penn has granted a company a line of credit of \$1,400,000 that has a sixty day advanced notice termination clause that can be exercised by either party, bears interest at 4%, and is due on demand. The line of credit balance as of December 31, 2016 amounted to \$1,269,905.

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

Note 11 – Building and Land Leases

Fay-Penn owns thirteen buildings which are leased to businesses located in the Fayette County area, including building #7 that it occupies. Future minimum rentals to be received under non-cancelable leases as of December 31, 2016 are summarized as follows:

<u>Building #</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>
1	\$ 229,824	\$ -	\$ -	\$ -	\$ -	\$ -
2	145,425	76,669	-	-	-	-
3	210,750	47,818	31,166	25,615	25,615	12,808
4	204,616	209,116	122,900	74,509	37,800	-
5	16,000	-	-	-	-	-
7	136,200	131,600	98,700	47,400	-	-
8	357,025	357,025	99,921	14,220	14,220	18,960
10	218,400	218,400	218,400	218,400	145,600	-
12	167,289	110,748	105,139	51,137	35,586	-
13	129,969	129,969	129,969	129,969	75,815	-
14	37,500	37,500	25,000	-	-	-
15	-	-	-	-	-	-
18	39,325	39,325	22,940	-	-	-
Total	<u>\$ 1,892,323</u>	<u>\$ 1,358,170</u>	<u>\$ 854,135</u>	<u>\$ 561,250</u>	<u>\$ 334,636</u>	<u>\$ 31,768</u>

The schedule above does not account for lease renewal options or lease buyouts.

Fay-Penn also has one land lease located in Fayette County that has future minimum lease payments to be received in 2017 for \$38,400.

Note 12 – Debt Obligations

Long-term debt at December 31, 2016, consists of the following:

<u>Building</u>	<u>Creditor</u>	<u>Interest Rate</u>	<u>Monthly Installment</u>	<u>Principal Outstanding</u>	<u>Maturity</u>
7	Bank	3.75%	\$ 12,675	\$ 1,369,281	2027
8	PIDA	3.00%	\$ 8,489	338,053	2020
10	Bank	4.87%	\$ 6,892	861,905	2031
13	Bank	4.25%	\$ 4,644	424,233	2026
	USDA	2.00%	\$ 2,827	411,516	2030
	USDA	2.00%	Deferred	248,034	2035
Total				<u>\$ 3,653,022</u>	

Building #7 – Bank holds a first lien position on this building located at 1040 Eberly Way, Lemont Furnace. Monthly installments include principal and interest. The loan is secured by property that has a net book value of approximately \$1,972,000.

Building #8 – PIDA holds a first lien position on this building located at 1080 Eberly Way, Lemont Furnace. Monthly installments include principal and interest. The loan is secured by property that has a net book value of approximately \$2,111,000.

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

Note 12 – Debt Obligations (continued)

Building #10 – Bank holds a first lien position on this building located at 142 W. Main Street, Uniontown. Monthly installments include principal and interest. The loan is secured by property that has a net book value of approximately \$2,119,000.

Building #13 – Bank holds a first lien position on this building located at 999 Mountain View Drive, Smithfield. Monthly installments due include principal and interest. The loan is secured by property that has a net book value of approximately \$1,124,000.

United State Department of Agriculture (USDA) – Fay-Penn secured these loans through the US Department of Agriculture's Rural Microentrepreneur Assistance Program (RMAP), authorized by the Food, Conservation and Energy Act of 2008, also known as the Farm Bill. This funding enabled Fay-Penn to stimulate small business development by providing financing to small rural businesses and start-ups that would not otherwise have access to these resources. Principal and interest payments were deferred for the first two years, with payments beginning February 2017 on the second loan. The interest accrued was capitalized and amortized over an eighteen year period. The USDA holds a first lien position on the Rural Microentrepreneur Revolving Fund bank account, Loan Loss Reserve bank account, and notes receivable from microloans.

For the year ended December 31, 2016, Fay-Penn incurred interest expense of \$107,887.

Estimated maturities of long-term debt are as follows:

2017	\$ 312,593
2018	323,560
2019	335,264
2020	296,165
2021	255,201
Thereafter	<u>2,130,239</u>
	<u>\$ 3,653,022</u>

Note 13 – Employee Benefit Plan

Fay-Penn has a noncontributory simplified employees' retirement plan which covers all employees who have completed one year of service. Fay-Penn is required to contribute an amount equal to eight percent of participants' compensation to the plan. Fay-Penn's pension expense for the year ended December 31, 2016 amounted to \$54,636.

Note 14 – Related Party Transactions

Fay-Penn has entered into a loan agreement with businesses whose officers are members of the Board of Directors of Fay-Penn. The balance of the loan receivable as of December 31, 2016 amount to \$136,683.

The Organization has a mortgage payable to a local financial institution whose Treasurer is also the Treasurer of Fay-Penn. The amount of the mortgage payable as of December 31, 2016 amounted to \$1,369,281.

Through the normal course of business, Fay-Penn had occasion to utilize the products or services of companies whose management is represented on Fay-Penn's Board of Directors. At all times, proper procedures regarding ethical guidelines were followed by requiring abstention from voting on related transactions. Such amounts were not significant.

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

Note 15 - Contingencies

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

The Organization has entered into a loss sharing agreement with Pennsylvania Industrial Development Authority (PIDA) for the sharing of losses on development project loans. PIDA provides low interest loans to nonprofit industrial development corporations (IDCs) for eligible businesses that commit to creating and/or retaining jobs.

Under the loss sharing agreement, PIDA and Fay-Penn will share equally in the loss due to default after pursuing collection and guarantees from the borrowers.

There is no recorded liability for the potential losses under this guarantee, nor is there any liability for the Organization's obligation to stand ready to fund such guarantees. The balance on the loans payable guaranteed by Fay-Penn as of December 31, 2016 amounted to \$886,701, of which the Organization is 50% liable.

Note 16 – Litigation

Fay-Penn began legal proceedings against a company for default of its lease obligations to Fay-Penn. On October 4, 2016 Fay-Penn filed a Complaint for Confession of Judgment for all the amounts payable due under the lease. The amount outstanding at December 31, 2016 is \$94,458, and is included in the reserve for bad debts.

Note 17 – Deferred Revenue

Deferred revenue consists of the following at December 31, 2016:

<u>Reference</u>	<u>Source</u>	<u>Amount</u>
A	Oil and gas production signing bonus	\$ 111,973
B	Oil and gas production signing bonus	1,659
C	Oil and gas production signing bonus	183,526
D	Oil and gas production signing bonus	166,667
E	Prepaid membership	43,525
F	Prepaid rent	183,286
G	Other	<u>19,681</u>
		<u>\$ 710,317</u>

- A. For financial reporting purposes, signing bonus revenue is recorded on a prorated basis over the one hundred and twenty month fixed base term of the agreement commencing in January 2013, the month that the agreement became effective. See Note 18 for further information on oil and gas production signing bonus.

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

Note 17 – Deferred Revenue (continued)

- B. For financial reporting purposes, signing bonus revenue is recorded on a prorated basis over the sixty month fixed base term of the agreement commencing in January 2013, the month that the agreement became effective. See Note 18 for further information on oil and gas production signing bonus.
- C. For financial reporting purposes, signing bonus revenue is recorded on a prorated basis over the one hundred and twenty month fixed base term of the agreement commencing in January 2014, the month that the agreement became effective. See Note 18 for further information on oil and gas production signing bonus.
- D. For financial reporting purposes, signing bonus revenue is recorded on a prorated basis over the one hundred and twenty month fixed base term of the agreement commencing in May 2015, the month that the agreement became effective. See Note 18 for further information on oil and gas production signing bonus.
- E. The Organization received an advance payment for membership. The membership recognized as deferred revenue until recognized in the period earned.
- F. Rent received in advance of the period earned, and recognized as rent revenue over a period of 60 months.
- G. Rent received in advance and miscellaneous items.

Note 18 – Agreement to Provide Oil and Gas Drilling Rights

On January 7, 2013, Fay-Penn negotiated a conditional agreement that awarded an entity the right to drill for oil and gas on certain parcels of land of which Fay-Penn had a 49% interest. The agreement is for a term of one hundred twenty months and is not subject to extension at expiration. Under the terms of the agreement, the lessee agreed to pay Fay-Penn a one-time, nonrefundable signing bonus of \$186,621. Additional fees for production royalties and constructed well sites are receivable in the future.

On January 7, 2013, Fay-Penn negotiated a conditional agreement that awarded an entity the right to drill for oil and gas on certain parcels of land owned by Fay-Penn. The agreement is for a term of sixty months and is not subject to extension at expiration. The lessee agreed to pay Fay-Penn a one-time, nonrefundable signing bonus of \$8,296. Additional fees for production royalties and constructed well sites are receivable in the future as well.

On January 28, 2014, Fay-Penn negotiated a conditional agreement that awarded an entity the right to drill for oil and gas on certain parcels of land owned by Fay-Penn. The agreement is for a term of one hundred twenty months and is not subject to extension at expiration. The lessee agreed to pay Fay-Penn a one-time, nonrefundable signing bonus of \$262,180. Additional fees for production royalties and constructed well sites are receivable in the future as well.

On May 1, 2015, Fay-Penn negotiated a conditional agreement that awarded an entity the right to drill for oil and gas on certain parcels of land owned by Fay-Penn. The agreement is for a term of one hundred twenty months and is not subject to extension at expiration. The lessee agreed to pay Fay-Penn a one-time, nonrefundable signing bonus of \$200,000. Additional fees for production royalties and constructed well sites are receivable in the future as well.

Signing bonus revenue recognized during the year for all agreements amounted to \$66,539 and is presented as "Oil and gas lease signing bonus" income on the Statement of Activities.

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS**

Note 18 – Agreement to Provide Oil and Gas Drilling Rights (continued)

Revenue from royalties, constructed well sites, and other forms of compensation will be recognized on the accrual basis when the oil and gas is produced, the well site completed, or when the earnings process is complete. Oil and gas production began in December 2009. Revenue earned from the production of oil and gas activities for the year 2016 was \$53,619 and is presented as “Oil and gas lease production royalties” income on the Statement of Activities.

Note 19 – Land and Building under Long-term Lease

Fay-Penn owns land with a building that is leased under a long-term agreement. The lease provides for the tenant to pay the real estate taxes and insurance in lieu of rent. The lease agreement expires in year 2033. The deed to the property has certain restrictions placed on the property as well.

The property was acquired by an entity that was merged into Fay-Penn in a prior period. The property was not recorded on the books and records of the predecessor at the time of the merger. In 2015 Fay-Penn determined the original purchase price of the property amounted to \$26,577.

Note 20 – Real Estate Sales

Gain on sale of land is as follows for the year ended December 31, 2016:

<u>Description of Property</u>	<u>Amount of Gain</u>
Land in Fayette Business Park	\$ <u>390,972</u>

Note 21 – Subsequent Events

Management has evaluated subsequent events through the date of the independent auditors’ report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY DATA

FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
SCHEDULE I
COMBINING SCHEDULE OF DIVISIONS' FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

	Operating Fund Division	Revolving Loan Fund Division	Inter-Division Eliminations Debit	Credit	Combined Total
Cash and cash equivalents	\$ 2,467,500	\$ -	\$ -	\$ -	\$ 2,467,500
Investments	7,121,421	1,250,000	-	-	8,371,421
Accounts receivable, net of allowance for doubtful accounts of \$126,588	890,016	-	-	-	890,016
Interdivision interest receivable/payable	43,485	(43,485)	-	-	-
Other assets	171,847	-	-	-	171,847
Revolving loan fund:					
Cash and cash equivalents	-	2,196,179	-	-	2,196,179
Loans receivable - capital loans, net of allowance for doubtful accounts of \$330,000	-	12,199,905	-	7,325,640	4,874,265
Property, plant and equipment, net of accumulated depreciation	31,127,797	-	74,228	316,201	30,885,824
TOTAL ASSETS	\$ 41,822,066	\$ 15,602,599	\$ 74,228	\$ 7,641,841	\$ 49,857,052

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 35,612	\$ -	\$ -	\$ -	\$ 35,612
Accrued expenses	18,491	-	-	-	18,491
Security deposits	155,891	-	-	-	155,891
Deferred revenue	710,317	-	-	-	710,317
Debt obligations	10,319,112	659,550	7,325,640	-	3,653,022
TOTAL LIABILITIES	11,239,423	659,550	7,325,640	-	4,573,333

NET ASSETS

Unrestricted:					
Revolving loan fund	-	14,943,049	548,995	307,022	14,701,076
Operating fund	30,566,935	-	-	-	30,566,935
	30,566,935	14,943,049	548,995	307,022	45,268,011
Temporarily restricted:					
Operating fund	15,708	-	-	-	15,708
TOTAL NET ASSETS	30,582,643	14,943,049	548,995	307,022	45,283,719

TOTAL LIABILITIES AND NET ASSETS	\$ 41,822,066	\$ 15,602,599	\$ 7,948,863	\$ 7,948,863	\$ 49,857,052
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Inter-Division entries eliminate transactions conducted solely between the Divisions

**FAY-PENN ECONOMIC DEVELOPMENT COUNCIL
SCHEDULE II
COMBINING SCHEDULE OF DIVISIONS' ACTIVITIES
DECEMBER 31, 2016**

	Operating Fund Division	Revolving Loan Fund Division	Inter-Division Eliminations		Combined Total
			Debit	Credit	
SUPPORT					
Grants - Commonwealth of Pennsylvania	\$ 106,177	\$ -	\$ -	\$ -	\$ 106,177
Grants - Federal					
Department of Agriculture	98,270	(7,646)	-	-	90,624
Appalachian Regional Commission	500,000	-	-	-	500,000
Grants - other	1,101	-	-	-	1,101
Contributions from foundations, corporations and individuals	10,865	-	-	-	10,865
Contributions from members	59,600	-	-	-	59,600
TOTAL SUPPORT	776,013	(7,646)	-	-	768,367
OPERATING REVENUES					
Administrative fees	41,184	-	-	-	41,184
Building rental	1,916,112	-	-	-	1,916,112
Oil and gas lease signing bonus	66,539	-	-	-	66,539
Oil and gas lease production royalties	53,619	-	-	-	53,619
Interest and dividends	64,607	-	-	-	64,607
Interest income - Revolving Loan Fund	-	537,720	299,116	-	238,604
Interest income - other	47,676	-	-	-	47,676
Annual dinner	37,300	-	-	-	37,300
Realized and unrealized gain and loss on investments	72,013	-	-	-	72,013
Gain on sale of assets	351,167	-	-	-	351,167
Other	9,411	2,970	-	-	12,381
TOTAL OPERATING REVENUES	2,659,628	540,690	299,116	-	2,901,202
TOTAL SUPPORT AND OPERATING REVENUES	3,435,641	533,044	299,116	-	3,669,569
EXPENSES					
Program	2,457,929	58,205	-	307,022	2,209,112
Management and general	956,436	-	-	-	956,436
TOTAL EXPENSES	3,414,365	58,205	-	307,022	3,165,548
EXCESS OF SUPPORT AND REVENUE OVER EXPENSES	21,276	474,839	299,116	307,022	504,021
NET ASSETS TRANSFERRED BETWEEN DIVISIONS	516,388	(516,388)	-	-	-
CHANGE IN NET ASSETS	537,664	(41,549)	299,116	307,022	504,021
BEGINNING NET ASSETS	30,044,979	14,984,598	249,879	-	44,779,698
ENDING NET ASSETS	\$ 30,582,643	\$ 14,943,049	\$ 548,995	\$ 307,022	\$ 45,283,719

Inter-Division entries eliminate transactions conducted solely between the Divisions