JOBSOHIO

(A Component Unit of the State of Ohio)

Basic Financial Statements

September 30, 2023

(With Independent Auditor’s Review Report Thereon)

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INDEPENDENT AUDITOR'S REVIEW REPORT

The Board of Directors of JobsOhio:

Results of Review of Interim Financial Information

We have reviewed the accompanying statement of net position of JobsOhio, a component unit of the State of Ohio, and its component units JobsOhio Beverage System and JobsOhio Growth Capital (collectively the "Entity") as of September 30, 2023, and the related statements of revenues, expenses, changes in net position, and cash flows for the three-month period then ended, and the related notes (collectively referred to as the "interim financial information").

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

Basis for Review Results

We conducted our review in accordance with auditing standards generally accepted in the United States of America (GAAS) 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. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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.

Deloitte & Touche LLP

November 29, 2023

The management of JobsOhio offers this narrative overview and analysis of the financial activities of JobsOhio for the three months ended September 30, 2023 and 2022. 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 component units, JobsOhio Growth Capital ("JOGC") and JobsOhio Beverage System ("JOBS"), however the following information is solely based on JobsOhio's financial activities and is presented in a non-blended format. Management's discussion and analysis of JOBS is included in that corporation's separately issued basic financial statements.

Financial Highlights

- Total assets decreased 1% in the three months ended September 30, 2023 from $1,183,039 in the fiscal year ended June 30, 2023 to $1,165,842 in the three months ended September 30, 2023.
- Total liabilities decreased 4% in the three months ended September 30, 2023 from $482,497 in the fiscal year ended June 30, 2023 to $462,450 in the three months ended September 30, 2023.
- Operating and non-operating revenues increased 31% in the three months ended September 30, 2023 when compared to the same time period one-year prior from $36,963 in the three months ended September 30, 2022 to $48,434 in the three months ended September 30, 2023.
- Total operating expenses decreased 73% in the three months ended September 30, 2023 when compared to the same time period one-year prior from $166,747 in the three months ended September 30, 2022 to $45,584 in the three months ended September 30, 2023.

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 JobsOhio Growth Capital, which makes debt and equity investments in companies with operations in Ohio. JobsOhio is also the sole member of the JobsOhio Beverage System, 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 $25,834 and $26,228 for the three months ended September 30, 2023 and 2022, respectively.

During each of the three months ended September 30, 2023 and 2022, JobsOhio received grants and contributions from JOBS totaling $60,000 and $65,000, respectively. These grants comprise funding from operating income of the liquor franchise by JOBS and proceeds from a bond issuance in 2023.

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 component units, JOGC and 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 basic financial statements.

The statement of net position provide information about assets and liabilities and reflects the financial position at 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.

JOBSOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis

September 30, 2023 and 2022

(In thousands)

Financial Analysis

Net Position

	September 30, 2023	June 30, 2023
Assets:		
Current assets:		
Cash and cash equivalents - unrestricted	$ 53,671	$ 33,136
Cash and cash equivalents - restricted	10,255	10,168
Investments at fair value	835,823	868,808
Loans	11,098	11,197
Receivables, net of allowance for uncollectable accounts	17,488	21,654
Prepaid expenses	2,808	2,497
Due from related entities	3,517	2,588
Total current assets	934,660	950,048
Long-term assets:		
Equity method investments	145,000	145,000
Loans, net of loss allowance	81,731	82,628
Right-to-use lease assets, net of accumulated amortization	1,014	1,093
Right-to-use subscription assets, net of accumulated	2,559	3,229
Capital assets, net of accumulated depreciation	831	1,004
Intangible asset - trademark, net of amortization	47	37
Total long-term assets	231,182	232,991
Total assets	**1,165,842**	**1,183,039**
Liabilities:		
Current liabilities:		
Accounts payable	4,762	4,389
Accrued liabilities - current portion	243,891	266,001
Community bank loan guarantee - current portion	-	5
Lease liability - current portion	383	386
Subscription liability - current portion	1,219	2,150
Due to related entities	6,991	6,991
Total current liabilities	257,246	279,922
Long-term liabilities:		
Accrued liabiilities	202,513	199,769
Lease liability	953	1,046
Subscription liability	-	115
Community bank loan guarantee	295	328
Port authority bond reserve	1,443	1,317
Total long-term liabilities	205,204	202,575
Total liabilities	**462,450**	**482,497**
Net position:		
Net investment in capital assets	1,849	1,004
Restricted for investment in related entity	5,000	5,000
Unrestricted	696,543	694,538
Total net position	**$ 703,392**	**$ 700,542**

Current assets consist of cash in demand deposits, investments, prepaid expenses, receivable due from JOBS, as well as outstanding principal from loans to promote economic development due within the following twelve months. Current assets decreased 2% in the three months ended September 30, 2023 from $950,048 in the fiscal year ended June 30, 2023 to $934,660 in the three months ended September 30, 2023. The decrease was primarily due to a decrease in investment balances due to market fluctuations.

Long-term assets consist of an investment in a subsidiary company, outstanding principal from loans made for economic development programs due after the following twelve months, right-to-use lease assets, right-to-use subscription assets, capital assets, and an intangible asset for a trademark. Long-term assets decreased 1% in the three months ended September 30, 2023 from $232,991 in the fiscal year ended June 30, 2023 to $231,182 in the three months ended September 30, 2023. The decrease was primarily due to the amortization of right-to-use assets.

Current liabilities represent accounts payable, accrued liabilities, payable due JOGC, and the current portion of lease and subscription liabilities. Current liabilities decreased 8% in the three months ended September 30, 2023 from $279,992 in the fiscal year ended June 30, 2023 to $257,246 in the three months ended September 30, 2023. The decrease was primarily due to the accrual of economic development program expense.

Long-term liabilities consist of amounts due for lease and subscription liabilities, the long-term portion of accrued grant expense, and an economic development program designed to support community banks and local Ohio port authorities. Long-term liabilities increased 1% in the three months ended September 30, 2023 from $202,575 in the fiscal year ended June 30, 2023 to $205,204 in the three months ended September 30, 2023. The increase was primarily due to the accrual of economic development program expense.

Net position increased by $2,851 for the three months ended September 30, 2023, from a net position of $700,542 in the fiscal year ended June 30, 2023 to a net position of $703,392 as of the three months ended September 30, 2023. The change in net position is primarily due to the accrual of economic development program expense.

(In thousands)

Revenues, Expenses, and Changes in Net Position

The following is a summary of revenues, expenses, and changes in net position for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Operating revenues:		
Interest income - loans	$ 818	$ 631
Fees and other	2,653	2,614
Total operating revenues	3,471	3,245
Operating expenses:		
Economic development programs	23,867	143,344
Salaries and benefits	5,853	5,450
Economic development purchased services	4,161	3,955
Professional services	4,259	4,217
Insurance	83	80
Administrative and support	2,515	2,751
Marketing	4,846	6,950
Total operating expenses	45,584	166,747
Operating loss	**(42,113)**	**(163,502)**
Nonoperating revenues:		
Grants	60,000	65,000
Investment loss	(15,037)	(31,282)
Total nonoperating revenues	44,963	33,718
Change in net position	**2,850**	**(129,784)**
Net position, beginning of period	700,542	609,461
Net position, end of period	**$ 703,392**	**$ 479,677**

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 three months ended September 30, 2023, total operating and nonoperating revenues were $48,434, an increase of $11,471 over the same time period one-year prior of $36,963. This change is primarily due to a decrease in investment loss due to market fluctuations.

Operating expenses decreased by $121,163 in the three months ended September 30, 2023, from $166,747 in the three months ended September 30, 2022 to $45,584 in the three months ended September 30, 2023. This change is primarily due to a decrease in economic development program expense.

JobsOhio experienced an increase in net position of $2,850 in the three months ended September 30, 2023, resulting in a net position of $703,392. For the three months ended September 30, 2022, there was a decrease in net position of $129,784. The major factor affecting these changes was the amount of economic development program expense.

Capital Asset Activity

Capital asset additions remained relatively consistent in the three months ended September 30, 2023. Capital asset additions of $22 in the fiscal year ended June 30, 2023 were due to expenses related to a new website. Refer to page 24 of the notes to the financial statements for further information on capital assets.

JobsOhio Growth Capital

JobsOhio Growth Capital ("JOGC") was formed as a nonprofit limited liability company on April 15, 2021, pursuant to and in accordance with Chapter 1705 of the Ohio Revised Code, as amended from time to time, and as superseded by Chapter 1706 of the Ohio Revised Code effective January 1, 2022 (the "LLCA"), with JobsOhio as the sole member. The purpose of JOGC is to make debt and equity investments in companies with operations in Ohio through the JobsOhio Growth Capital Program, to operate other programs supporting economic development in Ohio, and to engage in any lawful act or activity for which limited liability companies may be formed under the LLCA and to engage in any and all necessary or incidental activities, in all cases that support the not-for-profit purposes and activities of JobsOhio.

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 Todd Bunce, Controller, at bunce@jobsohio.com.

JOBSOHIO
(A Component Unit of the State of Ohio)

Statement of Net Position

(Unaudited)

(In thousands)

	September 30, 2023
Assets:	
Current assets:	
Cash and cash equivalents - unrestricted	$ 69,503
Cash and cash equivalents - restricted	175,296
Investments at fair value	850,405
Inventory	107,875
Loans	11,098
Receivables, net of allowance for uncollectable accounts	22,819
Prepaid expenses	10,130
Total current assets	1,247,126
Long-term assets:	
Other long-term investments, net of loss allowance	90,989
Loans, net of loss allowance	107,667
Capital assets, net of accumulated depreciation	7,753
Right-to-use lease assets, net of accumulated amortization	4,702
Right-to-use subscription assets, net of accumulated amortization	3,180
Intangible asset - liquor franchise, net of amortization	791,156
Intangible asset - trademark, net of amortization	58
Total long-term assets	1,005,505
Total assets	**2,252,631**
Liabilities:	
Current liabilities:	
Accounts payable	30,454
Accrued liabilities - current portion	309,544
Special obligation bonds payable - current portion	85,755
Bond interest payable	14,522
Lease liability - current portion	2,712
Subscription liability	1,559
Total current liabilities	444,546
Long-term liabilities:	
Accrued liabilities	202,513
Special obligation bonds payable	1,386,185
Community bank loan guarantee	295
Lease liability	2,446
Port authority bond reserve	1,443
Total long-term liabilities	1,592,882
Total liabilities	**2,037,428**
Net position:	
Net investment in capital assets	8,918
Restricted for investment in related entity	5,000
Unrestricted	201,285
Total net position	**$ 215,203**

See accompanying notes to financial statements

JOBSOHIO
(A Component Unit of the State of Ohio)

Statement of Revenues, Expenses, and Changes in Net Position

(Unaudited)

(In thousands)

	Three Monthds Ended September 30, 2023
Operating revenues:	
Net liquor sales	$ 442,149
Distribution center revenue	2,117
Interest income - loans	1,371
Loss on investments	(752)
Fees and other	85
Total operating revenues	444,970
Operating expenses:	
Cost of goods sold	262,839
Sales commissions	27,384
Liquor gallonage taxes	14,337
Amortization of intangible asset - liquor franchise	13,799
Service fees	5,146
Supplemental Payment	25,834
Economic development programs	23,867
Salaries and benefits	5,594
Economic development purchased services	4,161
Professional services	7,422
Insurance	233
Administrative and support	7,212
Marketing	7,175
Total operating expenses	405,003
Operating income	**39,967**
Nonoperating revenues (expenses):	
Bond interest, net	(14,522)
Investment income	(15,037)
Other, net	2,681
Total nonoperating expenses	(26,878)
Change in net position	**13,089**
Net position, beginning of period	202,114
Net position, end of period	**$ 215,203**

JOBSOHIO

(A Component Unit of the State of Ohio)

Statement of Cash Flows

(Unaudited)

(In thousands)

	Three Months Ended September 30, 2023
Cash flows from operating activities:	
Receipts from fees and other	$ 2,523
Receipts from customers	442,018
Receipts from suppliers	2,332
Payments to employees	(6,147)
Payments to suppliers	(282,217)
Payments for economic development programs	(39,039)
Payments for commissions	(37,151)
Receipts from sales taxes	26,306
Payments for sales tax collections to State and county	(26,500)
Payments for gallonage tax collections to State	(14,534)
Payments for servicing fees	(4,953)
Payments for Supplemental Payment to State	(104,267)
Net cash used in operating activities	(41,629)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(571)
Payments for right-to-use lease assets	(911)
Payments for right-to-use subscription assets	(1,456)
Payments for bond interest	(27,742)
Net cash used in capital and related financing activities	(30,680)
Cash flows from investing activities:	
Conversion of loans to equity	(6,481)
Loan conversion proceeds	(57)
Dividends and interest income	13,507
Purchases of investments	(44,464)
Proceeds from maturities of investments	39,692
Net cash provided by investing activities	2,197
Net decrease in cash and cash equivalents	(70,112)
Cash and cash equivalents, beginning of period	314,911
Cash and cash equivalents, end of period	**$ 244,799**
Reconciliation of operating income to net cash used in operating activities:	
Operating income	$ 39,967
Adjustments to reconcile operating loss to net cash used in operating activities:	
Amortization of intangible asset - liquor franchise	13,799
Increase in intangble asset - trademark	(11)
Depreciation and amortization expense	2,192
Amortization of right-to-use lease assets	846
Amortization of right-to-use subscription assets	811
Decrease in loans	1,796
Increase in loan valuation allowance	1,528
Gain on investments	809
Interest expense	49
Decrease in inventory	4,520
Decrease in receivables, net of allowance for doubtful accounts	4,348
Increase in prepaid expenses	(80)
Increase in accounts payable	1,062
Decrease in community bank guarantee	(38)
Increase in port authority bond fund	126
Decrease in accrued liabilities	(113,353)
Total adjustments	(81,596)
Net cash used in operating activities	**$ (41,629)**
Noncash capital and related financing activities:	
Purchases of capital assets on account	$ 357

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, 2023.

(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 Growth Capital ("JOGC") and JobsOhio Beverage System ("JOBS"), its component units (collectively the "Entity"). JOGC and JOBS are considered blended component units of JobsOhio.

JOGC was formed as a nonprofit limited liability company on April 15, 2021, pursuant to and in accordance with Chapter 1705 of the Ohio Revised Code, as amended from time to time, and as superseded by Chapter 1706 of the Ohio Revised Code effective January 1, 2022 (the "LLCA"), with JobsOhio as the sole member. The purpose of JOGC is to make debt and equity investments in companies with operations in Ohio through the JobsOhio Growth Capital Program, to operate other programs supporting economic development in Ohio, and to engage in any lawful act or activity for which limited liability companies may be formed under the LLCA and to engage in any and all necessary or incidental activities, in all cases that support the not-for-profit purpose and activities of JobsOhio.

JOBS is governed by a Board of Directors appointed by JobsOhio as the sole member of JOBS. 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(u), below, for information on this transaction.

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

(b) Basic 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 statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to basic financial statements.

(c) Measurement Focus and Basis of Accounting

The Entity 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 and certificate of deposits with maturities of six months or less.

(f) Restricted Assets

In accordance with a Master Trust Indenture and related agreements associated with JOBS' bond issuances, 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) Other long-term investments

Other long-term investments represent equity holdings in unrelated companies. These holdings were direct equity investments or originally recognized as loan receivable balances and converted to investments upon borrowers achieving certain criteria. Other long-term investments are carried at cost at time of purchase, less the allowance for equity investment losses.

(i) Allowance for equity investment losses

The allowance for equity investment losses is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating future equity investment losses. Management's estimate considers such factors as portfolio company reporting, communication with portfolio companies, and communication with other co-investors. 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 September 30, 2023, the amount of allowance for equity investment losses was $0, and is reported in the Entity's statement of net position as part of "other long-term investments, net of loss allowance".

(j) 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 September 30, 2023 was $16,793.

(k) 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.

(l) 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 September 30, 2023, the amount of allowance for loan losses was $27,035, and is reported in the Entity's statements of net position as part of "loans, net of loss allowance".

(m) Receivables

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

(n) 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 September 30, 2023, the amount of allowance for uncollectable accounts was $346 and is reported in the Entity's statements of net position as part of "receivables, net of allowance for uncollectible accounts".

(o) 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.

(p) Intangible Assets

The intangible asset represents both an exclusive franchise for the sale of spirituous liquor in the State, as well as a trademarks for the OHLQ logos and slogans. 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 months ended September 30, 2023 was $13,799.

(q) 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

(r) 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. This includes leases and SBITAs, net of accumulated amortization, less the corresponding lease and subscription liabilities.
- 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.

The Entity's restricted assets relate to the debt service and other amounts owed as required by the debt service agreements and are reported as part of "cash and cash equivalents – restricted" on the statements of net position. However, such amounts are always less than or equal to the liabilities that are used in the calculation of the restricted assets. As a result, the restricted component of net position, as defined above, would be negative or zero, and it would be irrelevant to present this line separately if the balance is negative (deficit) or zero.

(s) 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, as well as rebates on those sales. 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 months ended September 30, 2023, the Entity issued grants for such purposes, reported in the Entity's statement 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 months ended September 30, 2023 was $24. Revenue from application fees is included in the Entity's statements of revenues, expenses, and changes in net position as "fees and other."

(t) 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.

(u) 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 ($356,440 for fiscal year ended June 30, 2024)), 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 months ended September 30, 2023 was $25,834.

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 months ended September 30, 2023 was $5,146.

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.

(v) 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.

(w) 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	4 weeks
3 - 6	5 weeks
7+	6 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.

(x) New Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences,* updates the recognition and measurement guidance for compensated absences. The requirements of this Statement will result in a liability for compensated absences that more appropriately reflects when an obligation is incurred. The requirements of this Statement are effective for financial statements for fiscal years beginning after December 15, 2023. The Entity is assessing the impact of GASB Statement No. 101 to its financial statements and will implement in the timeline required by GASB.

(y) Subsequent Events

The entity has evaluated subsequent events through November 29, 2023, the date of basic financial statement issuance, to determine if either recognition or disclosure of significant events or transactions was required. No subsequent events requiring additional disclosure were identified.

(3) Detailed Notes on Activities and Funds

(a) Assets

1. Cash Deposits and Investments with Financial Institutions

The Entity is not subject to statutory restrictions on deposits or investments on certain accounts. All deposit and investment activity are 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 September 30, 2023 $3,250 was insured through the Federal Deposit Insurance Corporation (FDIC). The remaining $103,501 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 $113,181 as of September 30, 2023.

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 September 30, 2023.

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:

(In thousands)

Fund	Fund custody	September 30, 2023 Unrestricted	Restricted
Revenue fund	Trustee	$ -	$ 9,178
Operations fund	Entity	-	25,722
Debt service fund	Trustee	-	94,275
General purpose fund	Entity	-	770
Supplemental Payment reserve fund	Trustee	-	9,728
Port authority fund	Entity	-	10,255
	Total funds required by indenture	-	149,928
Cash		69,503	-
Cash held at fiscal agents		-	25,365
Other		-	3
	Total cash and cash equivalents	$ 69,503	$ 175,296

2. Cash with Fiscal Agents

As indicated in note 2(j) 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 September 30, 2023 was $25,365. Custodial credit risk as to these amounts was addressed by surety bond coverage required under the contracts between the Entity and each agent.

3. Investments

The Entity is not subject to statutory restrictions on investments. The Entity's formal investment policy statement, as adopted by the Board, is the basis for all investment activity. Authorized investments under the Board policy include cash and cash equivalents, investment-grade bonds, high yield bank loans, high yield bonds, emerging market bonds, United States public equities, international public equities, private real estate, and private equity.

The Entity categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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.

(In thousands)

The following is a summary of the investments by fair value category as of September 30, 2023:

		Fair Value Measurements Using			
	September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as Practical Expedient (NAV)
U.S. government obligations	$ 156,349	$ 12,264	$ 144,085	$ -	$ -
U.S. government agency obligations	75,761	-	75,761	-	-
Non agency obligations	72,168	-	72,168	-	-
Other government obligations	12,203	-	12,203	-	-
International bonds	2,774	-	2,774	-	-
Corporate bonds	146,861	-	146,861	-	-
Equities	13,830	13,830	-	-	-
Bond mutual funds	230,872	219,354	-	-	11,518
Equity mutual funds	39,804	-	-	-	39,804
Corporate bond and note funds	55,743	-	-	-	55,743
Real estate funds	23,940	-	-	-	23,940
Private equity	20,100	-	-	-	20,100
Total	$ 850,405	$ 245,448	$ 453,852	$ -	$ 151,105

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets.

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 the investment managers.

Investments classified at NAV are excluded from the fair value hierarchy. These assets are valued by the investment managers.

The Entity may, from time to time, have investments where the funds have been sent to the investment managers, but the investment transaction has not settled as of the end of financial statement period. These investments are referred to as investments in transit. The Entity had investments in transit of $0 as of September 30, 2023.

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.

(In thousands)

As of September 30, 2023, the maturities of the Entity's investments are as follows:

		Investment maturity			
	Fair Value	**1 year or less**	**Between 1 and 5 years**	**Between 5 and 10 years**	**More than 10 years**
U.S. government obligations	$ 156,349	$ 60,227	$ 67,111	$ 23,776	$ 5,235
U.S. government agency obligations	75,761	-	3,297	2,902	69,562
Non agency obligations	72,168	-	22,298	17,912	31,958
Other government obligations	12,203	-	4,773	4,211	3,219
International bonds	2,774	1,625	634	515	-
Corporate bonds	146,861	38,333	51,226	36,444	20,858
Total	$ 466,116	$ 100,185	$ 149,339	$ 85,760	$ 130,832

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 September 30, 2023:

	Fair Value	**AAA**	**AA+**	**AA**	**AA-**	**A+**	**A**	**A-**	**BBB+**	**BBB**	**BBB-**	**BB-**	**Not Rated**
U.S. government obligations	$156,349	$ -	$113,522	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 42,827
U.S. government agency obligations	75,761	33,030	10,701	-	-	-	-	-	-	-	-	-	32,030
Non agency obligations	72,168	49,625	-	2,207	2,129	1,475	2,357	1,208	512	4,211	5,434	230	2,780
Other government obligations	12,203	2,207	777	6,039	1,654	1,526	-	-	-	-	-	-	-
International bonds	2,774	-	-	-	-	1,845	929	-	-	-	-	-	-
Corporate bonds	146,861	9,618	6,712	3,365	11,406	21,554	23,609	28,400	16,498	17,653	8,046	-	-
Total	$466,116	$ 94,480	$ 131,712	$ 11,611	$ 15,189	$ 26,400	$ 26,895	$ 29,608	$ 17,010	$ 21,864	$ 13,480	$ 230	$ 77,637

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, investments are to be diversified in accordance with allocations determined by the Board of Directors, after consultation with the Board's Investment Committee.

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 $850,405 as of September 30, 2023 are uninsured and held in the name of its investment managers.

(In thousands)

Investment activity for the three months ended September 30, 2023 is summarized as follows:

	Balance, July 1, 2023	Purchases	Maturities	Accrued income (loss)	Balance, September 30, 2023
U.S. government obligations	$ 145,233	$ 28,276	$ (16,040)	$ (1,120)	$ 156,349
U.S. government agency obligations	85,101	1,322	(5,376)	(5,286)	75,761
Non agency obligations	77,566	3,321	(4,571)	(4,148)	72,168
Other government obligations	13,826	-	(1,271)	(352)	12,203
International bonds	2,407	496	(118)	(11)	2,774
Corporate bonds	152,518	9,064	(12,048)	(2,673)	146,861
Equities	15,028	415	(268)	(1,345)	13,830
Bond mutual funds	240,546	652	-	(10,326)	230,872
Equity mutual funds	41,755	-	-	(1,951)	39,804
Corporate bond and note funds	54,684	-	-	1,059	55,743
Real estate funds	24,429	-	-	(489)	23,940
Private equity	19,209	918	-	(27)	20,100
Total	$ 872,302	$ 44,464	$ (39,692)	$ (26,669)	$ 850,405

Interest income accrues on U.S. government and agency bonds over the bond term. Interest income is redeemed upon bond maturity. Income realized from maturities during the three months ended September 30, 2023 totaled $221. Interest on public corporate income securities accrues over the term of the holding and is redeemed at various times until maturity. Accrued loss of ($26,669) as of September 30, 2023 represents unrealized bond interest earned, but not redeemed. Accrued income increases bond value, which is reported at fair value in the financial statements.

(Continued)

(In thousands)

4. Capital Assets

Capital assets activity for the three months ended September 30, 2023 is as follows:

	Balance, July 1, 2023	Additions	Reductions	Balance, September 30, 2023
Furniture and equipment	$ 758	$ 76	$ -	$ 834
Leasehold improvements	9,657	644	-	10,301
Software	16,306	22	-	16,328
Equipment	409	-	-	409
Total capital assets being depreciated	27,130	742	-	27,872
Less: accumulated depreciation				
Furniture and equipment	(745)	(3)	-	(748)
Leasehold improvements	(6,727)	(924)	-	(7,651)
Software	(10,347)	(1,243)	-	(11,590)
Equipment	(110)	(20)	-	(130)
Total accumulated depreciation	(17,929)	(2,190)	-	(20,119)
Total capital assets being depreciated, net	$ 9,201	$ (1,448)	$ -	$ 7,753

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.

The Entity also established a loan program to support early-stage companies in their efforts to promote economic development across the State. The Innovation Loan program was designed to provide loans to companies that are convertible to equity in the event the borrower meets certain qualified financing requirements. As of September 30, 2023, disbursements associated with the Innovation Loan program were made to 39 companies, totaling $25,936, net of loss allowance of $2,882, and are included in Loans, net of loss allowance. The terms of the loans outstanding as of September 30, 2023 provide for disbursements of up to $28,818. The outstanding balance of the commitments as of September 30, 2023 was $0.

The remaining loans receivable balance of $92,829 as of September 30, 2023 relates to disbursements to 64 companies, and is net of loss allowance of $24,153. The current portion of the loans receivable balance of $11,098 as of September 30, 2023 represent principal payments due within the following twelve months. The terms of the loans outstanding as of September 30, 2023 provide for disbursements of up to $184,958. The outstanding balance of the commitments as of September 30, 2023 were $29,380.

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 $27,035 as of September 30, 2023.

6. Accounts Receivable Balances

Accounts receivable comprise amounts due from liquor agency stores and liquor vendors. The amounts due from liquor agency stores and liquor vendors are attributable to inventory adjustments from store audits, store manager adjustments, distribution center services, and other miscellaneous claims. Accounts receivable also includes interest receivable on investments and loans. Accounts receivable balance of $22,819 as of September 30, 2023 is net of allowance for uncollectable accounts of $346.

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 $6,577 of service fees to the Ohio Department of Commerce as of September 30, 2023.

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 for the three months ended September 30, 2023.

Intangible asset – liquor franchise activity for the three months ended September 30, 2023 is as follows:

(In thousands)

	Balance, July 1, 2023	Additions	Reductions	Balance, September 30, 2023
Liquor franchise	$ 1,379,924	$ -	$ -	$ 1,379,924
Less: Accumulated amortization	(574,969)	(13,799)	-	(588,768)
Liquor franchise, net of amortization	$ 804,955	$ (13,799)	$ -	$ 791,156

9. Leases

The Entity has entered into several lease agreements. The lease agreements include property lease agreements for distribution centers and office space as well as equipment lease agreements for copiers and warehouse and transportation equipment. The leases do not contain any variable payments, residual value guarantees, or commitments before commencement of the lease terms. No impairment of the right-to-use lease assets existed as of September 30, 2023.

Right-to-use lease asset activity for the three months ended September 30, 2023 is as follows:

	Balance, July 1, 2023	Additions	Reductions	Balance, September 30, 2023
Property	$ 9,219	$ -	$ -	$ 9,219
Equipment	1,794	-	-	1,794
Total right-to-use lease assets being amortized	11,013	-	-	11,013
Less: Accumulated amortization				
Property	(4,492)	(724)	-	(5,216)
Equipment	(974)	(121)	-	(1,095)
Total accumulated amortization	(5,466)	(845)	-	(6,311)
Total right-to-use lease assets being amortized, net	$ 5,547	$ (845)	$ -	$ 4,702

Lease liability activity for the three months ended September 30, 2023 is as follows:

(In thousands)

	Balance, July 1, 2023	Additions	Reductions	Balance, September 30, 2023	Current portion
Total lease liability	$ 6,029	$ -	$ (871)	$ 5,158	$ 2,712

Interest expense on the lease liabilities for the three months ended September 30, 2023 totaled $36. Future principal and interest requirements on the lease liabilities are as follows as of September 30, 2023:

Year ending June 30:	Principal	Interest	Total
2024	$ 2,260	$ 80	$ 2,340
2025	1,778	55	1,833
2026	724	18	742
2027	383	5	388
2028	13	-	13
Total	$ 5,158	$ 158	$ 5,316

10. Subscription-Based Information Technology Arrangements

The Entity has entered into subscription-based information technology arrangements ("SBITAs"). The SBITAs include various software-as-a-service agreements. The subscriptions do not contain any variable payments, residual value guarantees, or commitments before commencement of the subscription terms. No impairment of the right-to-use subscription assets existed as of September 30, 2023.

Right-to-use subscription asset activity for the three months ended September 30, 2023 is as follows:

	Balance, July 1, 2023	Additions	Reductions	Balance, September 30, 2023
Total right-to-use subscription assets	$ 7,269	$ 58	$ (119)	$ 7,208
Less: Accumulated amortization	(3,301)	(846)	119	(4,028)
Total right-to-use subscription assets being amortized, net	$ 3,968	$ (788)	$ -	$ 3,180

Subscription liability activity for the three months ended September 30, 2023 is as follows:

	Balance, July 1, 2023	Additions	Reductions	Balance, September 30, 2023	Current portion
Total subscription liability	$ 2,946	$ -	$ (1,387)	$ 1,559	$ 1,559

(In thousands)

Interest expense on the subscription liabilities for the three months ended September 30, 2023 totaled \$13. Future principal and interest requirements on the subscription liabilities are as follows as of September 30, 2023:

Year ending June 30:	Principal	Interest	Total
2024	$ 1,114	$ 30	$ 1,144
2025	445	12	457
Total	$ 1,559	$ 42	$ 1,601

(b) Liabilities

1. Accrued Liabilities

Accrued liabilities – current portion reported as of September 30, 2023 are as follows:

	September 30, 2023
Economic development programs	$ 444,332
Liquor purchases	16,903
Agency commissions	7,141
Taxes	13,461
Supplemental Payment	25,834
Professional services	2,472
Payroll	402
Legal services	37
Liquor operations	266
Paid time off	515
Employee benefits	85
Interest expense	28
Other	581
Total	$ 512,057

2. Economic Development Programs – Grants

The Entity operates eight 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.

- Innovation District Grants – The Innovation District grant program provides funds for Innovation hubs across the State in support of research and STEM projects within the districts and provides the opportunity for businesses to operate from a centralized location to promote economic development growth.

- Inclusion Grants – The Inclusion grant program provides financial support in designated distressed communities and/or businesses owned by underrepresented populations across the State.

- Speculative Development Grants – The Ohio Site Inventory Program (OSIP) offers funding to support speculative site and building development projects with no identified end user.

- Vibrant Community Grants – The Vibrant Community grant program was established to assist distressed small and medium sized communities with the implementation of catalytic development projects that fulfill a market need and represent a significant reinvestment in areas that have struggled to attract new investment.

- Broadband Access Grants – The Broadband Access grant program provides broadband access in Ohio's underrepresented communities to ensure equitable education, economic opportunity, and access to advanced digital services.

As of September 30, 2023, the Entity had executed 2,117 grants, including 786 economic development grants, 476 workforce grants, 333 revitalization grants, 29 research and development grants, 11 innovation district grants, 392 inclusion grants, 76 speculative development grants, 13 vibrant community grants, and 1 broadband access grant with a total committed amount of $1,666,352. As of September 30, 2023, the Entity had $578,167 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.

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. Some of the economic development programs which have been accrued have terms that result in payment to be made outside of the subsequent twelve months, resulting in a long-term liability. The accrued economic development program expense was $444,332 as of September 30, 2023.

3. Economic Development Programs – Community Banks Loan Guarantee

The Entity has partnered with two community banks in Ohio to bolster their lending capability to assist small, lifestyle businesses. The Entity is providing a loan guarantee of up to $50,000 to support the banks in the event of default on the additional lending to their borrowers.

As of September 30, 2023, the community banks had provided loans totaling $11,166. The outstanding commitment for the program as of September 30, 2023 was $0. As of September 30, 2023, there were 2 defaults totaling $107. The Entity estimates that the program will have a default rate of 10%. The Entity recognized an expense associated with the program of $(38) in the three months ended September 30, 2023, which is included in economic development programs expense. The Entity recorded long-term liabilities associated with the program totaling $295 as of September 30, 2023.

4. Economic Development Programs – Port Authority Bond Fund

The Entity has partnered with six local port authorities in Ohio to bolster their ability to issue bonds to finance the costs of port authority facilities to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, government operations, culture, research industry, and commerce and create and preserve jobs and employment opportunities. The Entity is pledging up to $50,000 to secure the repayment of bonds in the event of the borrower's inability to make a payment. Restricted cash in support of this program totaled $10,255 as of September 30, 2023.

As of September 30, 2023, the port authorities issued bonds totaling $144,300. The Entity estimates that the program will have a default rate of 1% and recorded a long-term liability of $1,443, as of September 30, 2023. As of September 30, 2023 there were no defaults on the issued bonds and no payments made from the reserve. For the three months ended September 30, 2023, the Entity recognized an expense associated with the program of $126, which is included in economic development programs expense.

5. 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 months ended September 30, 2023, the total 401(k) match expense was $172, on total employee contributions of $392. As of September 30, 2023, accrued employee 401(k) deferrals and accrued employer match was $56 and $25, respectively, and are included in the statements of net position as accrued liabilities.

6. Commitments and Contingencies – Litigation

No litigation is currently pending against the Entity.

7. Long-Term Liabilities

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

On February 5, 2020, the Entity issued special obligation revenue bonds to advance refund the 2038 maturity of the Series 2013A Bonds and finance certain costs of the refunding transaction. The 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.

On February 1, 2023, JOBS issued special obligation revenue bonds to provide funding for economic development programs of and projects by JobsOhio and to pay costs of issuance of the bonds. The obligations were issued as bonds with approximately level debt service, including both principal and

(Continued)

(In thousands)

interest, maturing each year with maturities that range from one to 10 years.

JobsOhio Beverage System Statewide Senior Lien Liquor Profits Tax-Exempt Revenue Bonds, Series 2013B; JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds Series 2020A; and JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds Series 2023 outstanding at September 30, 2023 are as follows:

Special obligation bonds	Original issue date	Outstanding as of September 30, 2023		Interest rates to maturity	Final maturity
Series 2013B	Feb. 2013	$	755,545	4.0% – 4.5%	2035
Series 2020A	Feb. 2020	$	363,870	1.8% – 2.8%	2038
Series 2023	Feb. 2023	$	352,525	4.4%	2033

The bonds have maturities that started in 2015 and continue through 2038. Maturities due within one year as of September 30, 2023 are $85,755. 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.

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 September 30, 2023 are as follows:

(In thousands)

	Principal	Interest	Total
Year ending June 30:			
2024	85,755	29,044	114,799
2025	87,955	54,585	142,540
2026	91,560	50,992	142,552
2027	95,320	47,246	142,566
2028	99,235	43,344	142,579
2029 - 2033	563,290	149,830	713,120
2034 - 2038	448,825	41,259	490,084
Total	$ 1,471,940	$ 416,300	$ 1,888,240
Unamortized premium	-		
Less current portion	(85,755)		
Total debt, long-term portion	$ 1,386,185		

Debt service activity for the three months ended September 30, 2023 is as follows:

	Balance, July 1, 2023	Additions	Reductions	Balance, September 30, 2023	Current portion
Bond principal	$ 1,471,940	$ -	$ -	$ 1,471,940	$ 85,755

Bonds are subject to redemption prior to their stated maturity dates at the option of JOBS, in whole or in part on any date on or after April 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. Series 2020 Bonds maturing in 2033 are subject to mandatory sinking fund redemption on January 1, 2024, 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 months ended September 30, 2023, operating revenues were reported net of discounts of $7,103, sales tax of $26,306, and uncollectable accounts of $14.

Distribution center revenues are for services performed in the distribution centers related to receiving and preparing product for distribution.

Combining Schedule of Net Position

(In thousands)

(d) Combining Information

	September 30, 2023				
	JobsOhio	Component Unit JobsOhio Beverage System	Component Unit JobsOhio Growth Capital	Eliminating Entries	Combined Balance
Assets:					
Current assets:					
Cash and cash equivalents - unrestricted	$ 53,671	$ -	$ 15,832	$ -	$ 69,503
Cash and cash equivalents - restricted	10,255	165,041	-	-	175,296
Investments at fair value	835,823	-	14,582	-	850,405
Inventory	-	107,875	-	-	107,875
Loans	11,098	-	-	-	11,098
Receivables, net of allowance of uncollectible accounts	17,488	2,045	3,286	-	22,819
Prepaid expenses	2,808	7,322	-	-	10,130
Due from related entities	3,517	-	6,991	(10,508)	-
Total current assets	934,660	282,283	40,691	(10,508)	1,247,126
Long-term assets:					
Intangible asset - liquor franchise, net of amortization	-	791,156	-	-	791,156
Intangible asset - trademark, net of amortization	47	11	-	-	58
Equity method investments	145,000	-	-	(145,000)	-
Other long-term investments	-	-	90,989	-	90,989
Right-to-use assets, net of accumulated depreciation	1,014	3,688	-	-	4,702
Right-to-use subscription assets, net of accumulated amortization	2,559	621	-	-	3,180
Capital assets, net of accumulated depreciation	831	6,922	-	-	7,753
Loans, net of loss allowance	81,731	-	25,936	-	107,667
Total long-term assets	231,182	802,398	116,925	(145,000)	1,005,505
Total assets	**1,165,842**	**1,084,681**	**157,616**	**(155,508)**	**2,252,631**
Liabilities:					
Current liabilities:					
Accounts payable	4,762	25,692	-	-	30,454
Accrued liabilities - current portion	243,891	65,653	-	-	309,544
Special obligation bonds payable - current portion	-	85,755	-	-	85,755
Bond interest payable	-	14,522	-	-	14,522
Lease liabilities - current portion	383	2,329	-	-	2,712
Subscription liability - current portion	1,219	340	-	-	1,559
Due to related entities	6,991	3,517	-	(10,508)	-
Total current liabilities	257,246	197,808	-	(10,508)	444,546
Long-term liabilities:					
Accrued liabilities	202,513	-	-	-	202,513
Special obligation bonds payable	-	1,386,185	-	-	1,386,185
Lease liabilities	953	1,493	-	-	2,446
Community bank loan guarantee	295	-	-	-	295
Port authority bond reserve	1,443	-	-	-	1,443
Total long-term liabilities	205,204	1,387,678	-	-	1,592,882
Total liabilities	**462,450**	**1,585,486**	**-**	**(10,508)**	**2,037,428**
Net position:					
Net investment in capital assets	1,849	7,069	-	-	8,918
Restricted for investment in related entity	5,000	-	-	-	5,000
Unrestricted	696,543	(507,874)	157,616	(145,000)	201,285
Total net position	**$ 703,392**	**$ (500,805)**	**$ 157,616**	**$ (145,000)**	**$ 215,203**

JOBSOHIO

(A Component Unit of the State of Ohio)

Notes to Financial Statements

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

(In thousands)

	Three Months Ended September 30, 2023				
	JobsOhio	Component Unit JobsOhio Beverage System	Component Unit JobsOhio Growth Capital	Eliminating Entries	Combined Balance
Operating revenues:					
Net liquor sales	$ -	$ 442,149	$ -	$ -	$ 442,149
Distribution center revenue	-	2,117	-	-	2,117
Interest income - loans	818	-	553	-	1,371
Gain (loss) on investments	-	-	(752)	-	(752)
Fees and other	2,653	-	-	(2,568)	85
Total operating revenues	3,471	444,266	(199)	(2,568)	444,970
Operating expenses:					
Cost of goods sold	-	262,839	-	-	262,839
Sales commissions	-	27,384	-	-	27,384
Liquor gallonage taxes	-	14,337	-	-	14,337
Amortization of intangible asset - liquor franchise	-	13,799	-	-	13,799
Amortization of intangible asset - trademark	-	-	-	-	-
Service fees	-	5,146	-	-	5,146
Supplemental Payment	-	25,834	-	-	25,834
JobsOhio management fees	-	2,568	-	(2,568)	-
Economic development programs	23,867	-	(259)	-	23,608
Salaries and benefits	5,853	-	-	-	5,853
Economic development purchased services	4,161	-	-	-	4,161
Professional services	4,259	3,147	16	-	7,422
Insurance	83	150	-	-	233
Administrative and support	2,515	4,697	-	-	7,212
Marketing	4,846	2,329	-	-	7,175
Total operating expenses	45,584	362,230	(243)	(2,568)	405,003
Operating income (loss)	**(42,113)**	**82,036**	**44**	**-**	**39,967**
Nonoperating revenues (expenses):					
Grants	60,000	(60,000)	-	-	-
Bond interest, net	-	(14,522)	-	-	(14,522)
Investment income	(15,037)	-	-	-	(15,037)
Other, net	-	2,681	-	-	2,681
Total nonoperating revenues (expenses)	44,963	(71,841)	-	-	(26,878)
Change in net position	**2,850**	**10,195**	**44**	**-**	**13,089**
Net position (deficit), beginning of period	700,542	(511,000)	157,572	(145,000)	202,114
Net position (deficit), end of period	**$ 703,392**	**$ (500,805)**	**$ 157,616**	**$ (145,000)**	**$ 215,203**

JOBSOHIO
(A Component Unit of the State of Ohio)

Notes to Financial Statements

Combining Schedule of Cash Flows

(In thousands)

	Three Months Ended September 30, 2023				
		Component Unit	Component Unit		
	JobsOhio	JobsOhio Beverage System	JobsOhio Growth Capital	Eliminating Entries	Combined Balance
Cash flows from operating activities:					
Receipts from fees and other	$ 981	$ -	$ 1,542	$ -	$ 2,523
Receipts from customers	-	442,018	-	-	442,018
Receipts from suppliers	-	2,332	-	-	2,332
Payments to employees	(6,147)	-	-	-	(6,147)
Payments to suppliers	(11,780)	(270,422)	(16)	-	(282,218)
Payments for economic development programs	(40,790)	-	1,752	-	(39,038)
Payments for commissions	-	(37,151)	-	-	(37,151)
Receipts from sales taxes	-	26,306	-	-	26,306
Payments for sales tax collections to State and county	-	(26,500)	-	-	(26,500)
Payments for gallonage tax collections to State	-	(14,534)	-	-	(14,534)
Payments for servicing fees	-	(4,953)	-	-	(4,953)
Payments for Supplemental Payment to State	-	(104,267)	-	-	(104,267)
Receipts (payments) between JobsOhio and component unit	1,640	(1,640)	-	-	-
Net cash provided by (used in) operating activities	(56,096)	11,189	3,278	-	(41,629)
Cash flows from noncapital financing activities:					
Receipts (payments) between JobsOhio and component unit for grants	60,000	(60,000)	-	-	-
Net cash provided by (used in) noncapital financing activities	60,000	(60,000)	-	-	-
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(22)	(549)	-	-	(571)
Payments for right to use assets	(106)	(805)	-	-	(911)
Payments for right-to-use subscription assets	(1,100)	(356)			(1,456)
Payments for bond interest	-	(27,742)	-	-	(27,742)
Net cash used in capital and related financing activities	(1,228)	(29,452)	-	-	(30,680)
Cash flows from investing activities:					
Conversion of loans to equity	-	-	(6,481)	-	(6,481)
Proceeds from loan conversion	-	-	(57)	-	(57)
Dividends and interest income	10,663	2,685	159	-	13,507
Purchases of investments	(32,409)	-	(12,055)	-	(44,464)
Proceeds from maturities of investments	39,692	-	-	-	39,692
Net cash provided by (used in) investing activities	17,946	2,685	(18,434)	-	2,197
Net Increase (decrease) in cash and cash equivalents	20,622	(75,578)	(15,156)	-	(70,112)
Cash and cash equivalents, beginning of period	43,304	240,619	30,988	-	314,911
Cash and cash equivalents, end of period	**$ 63,926**	**$ 165,041**	**$ 15,832**	**$ -**	**$ 244,799**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (42,113)	$ 82,036	$ 44	$ -	$ 39,967
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Amortization of intangible asset - liquor franchise	-	13,799	-	-	13,799
Increase in intangble asset - trademark	(10)	(1)	-	-	(11)
Depreciation and amortization expense	197	1,995	-	-	2,192
Amortization of right to use assets	79	767	-	-	846
Amortization of right-to-use subscription assets	693	118	-	-	811
Increase (decrease) in loans	(791)	-	2,587	-	1,796
Increase (decrease) in loan valuation allowance	1,787	-	(259)	-	1,528
Gain on investments	-	-	809	-	809
Interest expense	20	29	-	-	49
Increase in inventory	-	4,520	-	-	4,520
(Increase) decrease in receivables, net of allowance for doubtful accounts	4,166	85	97	-	4,348
(Increase) decrease in prepaid expenses	(311)	231	-	-	(80)
(Increase) decrease in due from/to component unit (net)	(929)	929	-	-	-
Increase in accounts payable	373	689	-	-	1,062
Decrease in community bank guarantee	(38)	-	-	-	(38)
Increase in port authority bond fund	126	-	-	-	126
Decrease in accrued liabilities	(19,345)	(94,008)	-	-	(113,353)
Total adjustments	(13,983)	(70,847)	3,234	-	(81,596)
Net cash provided by (used in) operating activities	**$ (56,096)**	**$ 11,189**	**$ 3,278**	**$ -**	**$ (41,629)**
Noncash capital and related financing activities:					
Purchases of capital assets on account	$ -	$ 357	$ -	$ -	$ 357

(Concluded)