JOBSOHIO

(A Component Unit of the State of Ohio)

Basic Financial Statements

September 30, 2022

(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, 2022, 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 Entity 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, although not a part of the basic financial statements, is required by the Governmental 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 review 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, 2022

JOBSOHIO
(A Component Unit of the State of Ohio)

Management's Discussion and Analysis (Unaudited)

September 30, 2022 and 2021

(In thousands)

The management of JobsOhio offers this narrative overview and analysis of the financial activities of JobsOhio for the three months ended September 30, 2022 and 2021. 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 2% in the three months ended September 30, 2022 from $914,386 in the fiscal year ended June 30, 2022 to $899,005 in the three months ended September 30, 2022.
- Total liabilities increased 38% in the three months ended September 30, 2022 from $304,925 in the fiscal year ended June 30, 2022 to $419,328 in the three months ended September 30, 2022.
- Operating and non-operating revenues decreased 24% in the three months ended September 30, 2022 when compared to the same time period one-year prior from $48,816 in the three months ended September 30, 2021 to $36,963 in the three months ended September 30, 2022.
- Total operating expenses increased 62% in the three months ended September 30, 2022 when compared to the same time period one-year prior from $103,116 in the three months ended September 30, 2021 to $166,747 in the three months ended September 30, 2022.

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 $26,228 and $30,283, respectively, for the three months ended September 30, 2022 and 2021. The final payment amount due to the State is calculated at the conclusion of the fiscal year.

During each of the three months ended September 30, 2022 and 2021, JobsOhio received grants and contributions from JOBS totaling $65,000 and $50,000, respectively. These grants comprise funding from operating income of the liquor franchise by JOBS and proceeds of the bond issue.

Discussion of Basic Financial Statements

The activities of JobsOhio are accounted for on a fiscal year basis, comprising 12 calendar months ending June 30 of each year. These activities are accounted for as an enterprise fund, reporting all financial activity, assets, and liabilities using the accrual basis of accounting in the same manner as with private sector businesses. Financial statements prepared by JobsOhio include its 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 statements of net position provide information about assets and liabilities and reflects the financial position at fiscal year-end. The statements of revenues, expenses, and changes in net position reports the revenue activity and the expenses related to such activity for the quarter and current fiscal year to date. The statements of cash flows outline 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.

(Continued)

(In thousands)

Financial Analysis

Net Position

	September 30, 2022	June 30, 2022
Assets:		
Current assets:		
Cash and cash equivalents - unrestricted	$ 49,759	$ 42,980
Cash and cash equivalents - restricted	10,010	10,001
Investments at fair value	630,611	655,997
Loans	10,926	10,382
Receivables, net of allowance for uncollectable accounts	5,652	2,135
Prepaid expenses	2,212	2,248
Due from related entities	3,269	3,344
Total current assets	712,439	727,087
Long-term assets:		
Equity method investments	97,184	97,184
Loans, net of loss allowance	86,109	86,446
Right to use assets, net of accumulated depreciation	1,355	1,409
Capital assets, net of accumulated depreciation	1,884	2,226
Intangible asset - trademark, net of amortization	34	34
Total long-term assets	186,566	187,299
Total assets	**899,005**	**914,386**
Liabilities:		
Current liabilities:		
Accounts payable	4,259	6,327
Accrued liabilities	293,796	295,238
Community bank loan guarantee - current portion	337	337
Lease liabilities - current portion	371	368
Revolving note	117,794	-
Total current liabilities	416,557	302,270
Long-term liabilities:		
Lease liability	1,366	1,432
Community bank loan guarantee	337	337
Port authority bond reserve	1,068	886
Total long-term liabilities	2,771	2,655
Total liabilities	**419,328**	**304,925**
Net position:		
Net investment in capital assets	1,884	2,226
Unrestricted	477,793	607,235
Total net position	**$ 479,677**	**$ 609,461**

Current assets consist of cash in demand deposits, investments, prepaid expenses, receivables due from JOBS and JOGC, 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, 2022 from $727,087 in the fiscal year ended June 30, 2022 to $712,439 in the three months ended September 30, 2022. The decrease was primarily due to a decrease in investments.

Long-term assets consist of investment in subsidiary company, outstanding principal from loans made for economic development programs due after the following twelve months, right-to-use lease assets, capital assets, and an intangible asset for a trademark. Long-term assets stayed relatively flat in the three months ended September 30, 2022 from $187,299 in the fiscal year ended June 30, 2022 to $186,566 in the three months ended September 30, 2022.

Current liabilities represent accounts payable, accrued liabilities, a revolving note, and the current portion of lease liabilities. Current liabilities increased 38% in the three months ended September 30, 2022 from $302,270 in the fiscal year ended June 30, 2022 to $416,557 in the three months ended September 30, 2022. The increase was primarily due to the revolving note that was entered into in fiscal year 2023.

Long-term liabilities consist of amounts due for lease liabilities and economic development program designed to support community banks and local Ohio port authorities. Long-term liabilities increased 4% in the three months ended September 30, 2022 from $2,655 in the fiscal year ended June 30, 2022 to $2,771 in the three months ended September 30, 2022. The increase was primarily due to an increase in port authority bond reserve.

Net position decreased by $129,784 for the three months ended September 30, 2022, from a net position of $609,461 in the fiscal year ended June 30, 2022 to a net position of $479,677 as of the three months ended September 30, 2022. The change in net position is primarily due JobsOhio's economic development programs and the amount of grant funds received from JOBS.

(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, 2022 and 2021:

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
Operating revenues:		
Interest income - loans	$ 631	$ 1,280
Fees and other	2,614	2,538
Total operating revenues	3,245	3,818
Operating expenses:		
Economic development programs	143,344	81,591
Salaries and benefits	5,450	4,527
Economic development purchased services	3,955	3,716
Professional services	4,217	3,658
Insurance	80	68
Administrative and support	2,751	1,712
Marketing	6,950	7,844
Total operating expenses	166,747	103,116
Operating loss	**(163,502)**	**(99,298)**
Nonoperating revenues:		
Grants	65,000	50,000
Investment income	(31,282)	(5,002)
Total nonoperating revenues	33,718	44,998
Change in net position	**(129,784)**	**(54,300)**
Net position, beginning of period	609,461	775,351
Net position, end of period	**$ 479,677**	**$ 721,051**

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, 2022, total operating and nonoperating revenues were $36,963, a decrease of $11,853 over the same time period one-year prior of $48,816. This change is primarily due to a decrease in the amount of investment income due to market fluctuations.

Operating expenses increased by $63,631 in the three months ended September 30, 2022, from $103,116 in the three months ended September 30, 2021 to $166,747 in the three months ended September 30, 2022. This change is primarily due to a change of expense in grant funds.

JobsOhio experienced a decrease in net position of $129,784 in the three months ended September 30, 2022, resulting in a net position of $479,677. For the three months ended September 30, 2021, there was a decrease in net position of $54,300.The major factor affecting these changes was the amount of economic development program grants issued to support JobsOhio's mission.

Capital Asset Activity

Capital asset additions stayed relatively flat in the three months ended September 30, 2022. Capital asset additions of $2,228 in the fiscal year ended June 30, 2022 were due to expenses related to a new website. Refer to page 25 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 Brian Faust, Chief Financial Officer, JobsOhio at faust@jobsohio.com.

JOBSOHIO
(A Component Unit of the State of Ohio)

Statement of Net Position

(Unaudited)

(In thousands)

	September 30, 2022
Assets:	
Current assets:	
Cash and cash equivalents - unrestricted	$ 58,189
Cash and cash equivalents - restricted	149,701
Investments at fair value	634,328
Inventory	106,320
Loans	10,926
Receivables, net of allowance for uncollectable accounts	11,499
Prepaid expenses	10,111
Total current assets	981,074
Long-term assets:	
Other long-term investments, net of loss allowance	65,966
Loans, net of loss allowance	108,941
Capital assets, net of accumulated depreciation	13,753
Right-to-use lease assets, net of accumulated amortization	8,485
Intangible asset - liquor franchise, net of amortization	846,353
Intangible asset - trademark, net of amortization	40
Total long-term assets	1,043,538
Total assets	**2,024,612**
Deferred outflow of resources:	
Deferred outflow on bond defeasance	2,908
Total deferred outflow of resources	**2,908**
Liabilities:	
Current liabilities:	
Accounts payable	24,793
Accrued liabilities	359,844
Special obligation bonds payable - current portion	54,135
Bond interest payable	11,063
Community bank loan guarantee - current portion	337
Lease liabilities - current portion	3,785
Revolving note	117,794
Total current liabilities	571,751
Long-term liabilities:	
Special obligation bonds payable	1,122,772
Community bank loan guarantee	5,188
Lease liabilities	337
Port authority bond reserve	1,068
Total long-term liabilities	1,129,365
Total liabilities	**1,701,116**
Net position:	
Net investment in capital assets	13,753
Unrestricted	312,651
Total net position	**$ 326,404**

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 months ended September 30, 2022
Operating revenues:		
Net liquor sales	$	441,705
Distribution center revenue		2,482
Interest income - loans		1,070
Gain (loss) on investments		6,383
Fees and other		103
Total operating revenues		451,743
Operating expenses:		
Cost of goods sold		261,180
Sales commissions		27,445
Liquor gallonage taxes		14,671
Amortization of intangible asset - liquor franchise		13,799
Service fees		6,349
Supplemental Payment		26,228
Economic development programs		143,196
Salaries and benefits		5,450
Economic development purchased services		3,955
Professional services		7,349
Insurance		226
Administrative and support		7,504
Marketing		9,521
Other		1
Total operating expenses		526,874
Operating loss		**(75,131)**
Nonoperating revenues (expenses):		
Bond interest, net		(10,615)
Investment loss		(31,282)
Other, net		765
Total nonoperating expenses		(41,132)
Change in net position		**(116,263)**
Net position, beginning of period		442,667
Net position, end of period	**$**	**326,404**

JOBSOHIO
(A Component Unit of the State of Ohio)

Statement of Cash Flows

(Unaudited)

(In thousands)

	Three months Ended September 30, 2022
Cash flows from operating activities:	
Receipts from fees and other	$ 2,492
Receipts from customers	441,782
Receipts from suppliers	2,502
Payments to employees	(5,735)
Payments to suppliers	(303,233)
Payments for economic development programs	(141,405)
Payments for commissions	(37,331)
Receipts from sales taxes	26,355
Payments for sales tax collections to State and county	(26,207)
Payments for gallonage tax collections to State	(14,713)
Payments for servicing fees	(6,423)
Payments for Supplemental Payment to State	(108,448)
Net cash used in operating activities	(170,364)
Cash flows from noncapital financing activities:	
Receipts from revolving note	117,794
Payments for other nonoperating expenses	(5)
Net cash used in noncapital financing activity	117,789
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(656)
Payments for right to use assets	(1,543)
Payments for bond interest	(22,127)
Net cash used in capital and related financing activities	(24,326)
Cash flows from investing activities:	
Conversion of loans to equity	(6,662)
Loan conversion proceeds	(10)
Dividends and interest income	13,185
Purchases of investments	(23,260)
Proceeds from maturities of investments	10,097
Net cash used in investing activities	(6,650)
Net decrease in cash and cash equivalents	(83,551)
Cash and cash equivalents, beginning of period	291,441
Cash and cash equivalents, end of period	**$ 207,890**
Reconciliation of operating income to net cash used in operating activities:	
Operating loss	$ (75,131)
Adjustments to reconcile operating income to net cash used in operating activities:	
Amortization of intangible asset - liquor franchise	13,799
Depreciation and amortization expense	2,012
Amortization of right-to-use lease assets	918
Decrease in loans	2,654
Decrease in loan valuation allowance	(531)
Gain on investments	(6,374)
Interest expense	636
Decrease in inventory	1,079
Increase in receivables, net of allowance for doubtful accounts	(4,358)
Increase in prepaid expenses	(82)
Decrease in accounts payable	(8,783)
Increase in port authority bond fund	182
Decrease in accrued liabilities	(96,385)
Total adjustments	(95,233)
Net cash used in operating activities	**$ (170,364)**
Noncash capital and related financing activities:	
Purchases of capital assets on account	$ 114
Amortization of bonds payable	$ 449

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, 2022.

(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(v), 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.

(f) Restricted Assets

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

(g) Investments

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

(h) 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 coast 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, 2022 the amount of allowance for equity investment losses was $1,200, 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, 2022 was $21,111.

(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, 2022 the amount of allowance for loan losses was $11,982, 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, 2022 the amount of allowance for uncollectable accounts was $1,839 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) Amortization of Premiums

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

(q) 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, 2022 was $13,799.

(r) 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

(s) Net Position

Net position is displayed in three components as follows:

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

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.

(t) 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, 2022, 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, 2022 was $12. Revenue from application fees is included in the Entity's statements of revenues, expenses, and changes in net position as "fees and other".

(u) 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.

(v) 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 ($346,058 for fiscal year ending June 30, 2023)), 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, 2022 was $26,228.

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, 2022 was $6,349.

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.

 (Continued)

(w) 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.

(x) 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.

(y) New Accounting Pronouncements

GASB Statement No. 96, *Subscription-Based Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. This Statement requires recognition of a right-to-use subscription asset, initially measured as the sum of the initial subscription liability amount, payments made to the vendor before commencement of the subscription term, and capitalizable implementation costs. The subscription asset is then amortized over the subscription term. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2022. JOBS is assessing the impact of GASB Statement No. 96 to its financial statements and will implement in the timeline required by GASB.

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.

(z) Subsequent Events

The Entity has evaluated subsequent events through November 29, 2022, the date of basic financial statement issuance, to determine if any other 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 is governed by a policy adopted by the Entity's Board of Directors. Cash deposits consist of amounts held in demand accounts.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Entity's deposits may not be returned. The Entity's investment policy adopted by the Board of Directors provided that the Entity minimizes credit risk as to cash deposits by prequalifying financial institutions with which the Entity will do business. Of the total bank balance at September 30, 2022 $750 was insured through the Federal Deposit Insurance Corporation (FDIC). The remaining $88,272 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 $99,854 at September 30, 2022.

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, 2022.

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

(In thousands)

Business, debt service, costs of bond issuance, and Supplemental Payments. The following funds have been established by the Indenture:

Fund	Fund custody	September 30, 2022 Unrestricted	September 30, 2022 Restricted
Revenue fund	Trustee	$ -	$ 17,071
Operations fund	Entity	-	20,185
Debt service fund	Trustee	-	61,997
General purpose fund	Entity	-	175
Supplemental Payment reserve fund	Trustee	-	20,786
Port authority fund	Entity	-	10,010
	Total funds required by indenture	-	130,224
Cash		58,189	-
Cash held at fiscal agents		-	19,474
Other		-	3
	Total cash and cash equivalents	$ 58,189	$ 149,701

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, 2022 was $19,474. 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, 2022:

		Fair Value Measurements Using			
	September 30, 2022	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	$ 59,051	$ 40,230	$ 18,821	$ -	$ -
U.S. government agency obligations	75,284	37,147	38,137	-	-
Non agency obligations	56,223	-	56,223	-	-
Other government obligations	13,481	-	13,481	-	-
International bonds	939	-	939	-	-
Corporate bonds	93,279	25,593	67,686	-	-
Equities	12,796	12,796	-	-	-
Bond mutual funds	195,597	195,597	-	-	-
Equity mutual funds	34,241	8,102	167	-	25,972
Corporate bond and note funds	49,833	-	23,857	25,976	-
Real estate funds	31,168	-	-	31,168	-
Private equity	12,436	-	-	12,436	-
Total	$ 634,328	$ 319,465	$ 219,311	$ 69,580	$ 25,972

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 in Level 3 of the fair value hierarchy are valued based upon the best information in the circumstance and may require significant management judgement. These prices are provided by 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, 2022.

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, 2022, 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	$ 59,051	$ -	$ 18,644	$ 34,861	$ 5,546
U.S. government agency obligations	75,284	972	8,668	2,438	63,206
Non agency obligations	56,223	480	10,256	12,548	32,939
Other government obligations	13,481	-	4,715	4,795	3,971
International bonds	939	-	850	89	-
Corporate bonds	93,279	972	36,079	35,887	20,341
Total	$ 298,257	$ 2,424	$ 79,212	$ 90,618	$ 126,003

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, 2022:

	Fair Value	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Not Rated
U.S. government obligations	$59,051	$59,051	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
U.S. government agency obligations	75,284	37,197	4,899	-	-	-	-	-	-	-	-	33,188
Non agency obligations	56,223	33,597	-	1,033	2,049	486	2,760	2,380	383	3,954	6,858	2,723
Other government obligations	13,481	2,225	1,410	6,606	1,672	1,568	-	-	-	-	-	-
International bonds	939	-	-	-	-	823	-	-	116	-	-	-
Corporate bonds	93,279	5,115	3,045	1,842	4,729	11,191	16,736	13,157	13,157	13,837	10,470	-
Total	$ 298,257	$ 137,185	$ 9,354	$ 9,481	$ 8,450	$ 14,068	$ 19,496	$ 15,537	$ 13,656	$ 17,791	$ 17,328	$ 35,911

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 $634,328 as of September 30, 2022 are uninsured and held in the name of its investment managers.

Investment activity for the three months ended September 30, 2022 is summarized as follows:

(In thousands)

	Balance, July 1, 2022	Purchases	Maturities	Accrued income (loss)	Balance, September 30, 2022
U.S. government obligations	$ 61,514	$ 3,785	$ (3,185)	$ (3,063)	$ 59,051
U.S. government agency obligations	79,119	2,366	-	(6,201)	75,284
Non agency obligations	54,556	7,036	(1,447)	(3,922)	56,223
Other government obligations	13,386	926	-	(831)	13,481
International bonds	1,100	-	(145)	(16)	939
Corporate bonds	98,773	3,982	(4,610)	(4,866)	93,279
Equities	12,637	498	(710)	371	12,796
Bond mutual funds	209,010	588	-	(14,001)	195,597
Equity mutual funds	38,408	-	-	(4,167)	34,241
Corporate bond and note funds	49,685	-	-	148	49,833
Real estate funds	28,811	2,400	-	(43)	31,168
Private equity	11,487	1,679	-	(730)	12,436
Total	$ 658,486	$ 23,260	$ (10,097)	$ (37,321)	$ 634,328

Interest income accrues on U.S. government and agency bonds over the bond term. Interest income is redeemed upon bond maturity. Income (loss) realized from maturities during the three months ended September 30, 2022 totaled ($923). Interest on public corporate income securities accrues over the term of the holding and is redeemed at various times until maturity. Accrued loss of $37,321 as of September 30, 2022 represents unrealized bond interest earned, but not redeemed. Accrued income increases bond value, which is reported at fair value in the financial statements.

4. Capital Assets

Capital assets activity for the three months ended September 30, 2022 is as follows:

(In thousands)

	Balance, July 1, 2022	Additions	Reductions	Balance, September 30, 2022
Furniture and equipment	$ 758	$ -	$ -	$ 758
Leasehold improvements	9,341	216	-	9,557
Software	14,373	244	-	14,617
Equipment	120	289	-	409
Total capital assets being depreciated	24,592	749	-	25,341
Less: accumulated depreciation				
Furniture and equipment	(729)	(3)	-	(732)
Leasehold improvements	(3,036)	(928)	-	(3,964)
Software	(5,774)	(1,069)	-	(6,843)
Equipment	(38)	(11)	-	(49)
Total accumulated depreciation	(9,577)	(2,011)	-	(11,588)
Total capital assets being depreciated, net	$ 15,015	$ (1,262)	$ -	$ 13,753

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, 2022 disbursements associated with the Innovation Loan program were made to 33, totaling $25,369 and are included in Loans, net of loss allowance. The terms of the loans outstanding at September 30, 2022 provide for disbursements of up to $25,369. The outstanding balance of the commitments as of September 30, 2022 $0.

The remaining loans receivable balance of $106,481 as of September 30, 2022 relates to disbursements to 54 companies, and is net of loss allowance of $7,634. The current portion of the loans receivable balance of $10,926 as of September 30, 2022 represent principal payments due within the following twelve months. The terms of the loans outstanding at September 30, 2022 provide for disbursements of up to $183,088. The outstanding balance of the commitments as of September 30, 2022 were $45,089.

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 $11,982 as of September 30,2022.

(In thousands)

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 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 $2,192 as of September 30, 2022 is net of allowance for uncollectable accounts of $35.

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 $6,934 of service fees to the Ohio Department of Commerce as of September 30, 2022.

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, 2022.

Intangible asset – liquor franchise activity for the three months ended September 30, 2022 is as follows:

	Balance, July 1, 2022	Additions	Reductions	Balance, September 30, 2022
Liquor franchise	$ 1,379,924	$ -	$ -	$ 1,379,924
Less: Accumulated amortization	(519,772)	(13,799)	-	(533,571)
Liquor franchise, net of amortization	$ 860,152	$ (13,799)	$ -	$ 846,353

(In thousands)

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, 2022.

Right-to-use lease asset activity for the three months ended September 30, 2022 is as follows:

	Balance, July 1, 2022	Additions	Reductions	Balance, September 30, 2022
Property	$ 6,431	$ 3,712	$ (924)	$ 9,219
Equipment	2,791	-	-	2,791
Total right-to-use lease assets being amortized	9,222	3,712	(924)	12,010
Less: Accumulated amortization				
Property	(2,547)	(671)	924	(2,294)
Equipment	(985)	(246)	-	(1,231)
Total accumulated amortization	(3,532)	(917)	924	(3,525)
Total right-to-use lease assets being amortized, net	$ 5,690	$ 2,795	$ -	$ 8,485

Interest expense on the lease liabilities for the three months ended September 30, 2022 totaled $53. Future principal and interest requirements as of September 30, 2022 are as follows:

(In thousands)

Year ending June 30:	Principal	Interest	Total
2023	$ 2,915	$ 153	$ 3,068
2024	3,130	118	3,248
2025	1,778	55	1,833
2026	724	18	742
2027	383	5	388
2028	14	-	14
Total	$ 8,944	$ 349	$ 9,293

(b) Liabilities

1. Accrued Liabilities

Accrued liabilities – current portion reported at September 30, 2022 are as follows:

	September 30, 2022
Economic development programs	$ 291,299
Liquor purchases	17,464
Agency commissions	7,236
Taxes	13,444
Supplemental Payment	26,228
Professional services	1,935
Payroll	338
Legal services	123
Liquor operations	(20)
Paid time off	462
Employee benefits	71
Other	1,264
Total	$ 359,844

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, 2022, the Entity had executed 1,807 grants, including 677 economic development grants, 439 workforce grants, 310 revitalization grants, 23 research and development grants, 11 innovation district grants, 282 inclusion grants, 58 speculative development grants, 6 vibrant community grants, and 1 broadband access grant with a total committed amount of $1,283,961. As of September 30, 2022, the Entity had $413,040 in committed, but unpaid grants. The grants are historically funded on a reimbursement basis where the grantee must provide documentation illustrating where applicable costs have been incurred. In light of the COVID-19 pandemic, the Entity implemented a Rapid Deployment Initiative program where grantees could request funds on a non-reimbursement basis to support their cash needs during the crisis.

The Entity recognizes grant expense and the related liability for allowable costs where the transaction is reasonably estimable in amount and probable of distribution. This process includes the use of estimates in the absence of information as to costs incurred, but unclaimed by the grantee. The Entity has developed a methodology to produce an estimate of the liability as of the financial statement date, based upon the anticipated progress of the related project. The corresponding result is recorded as accrued economic development programs and is included in accrued liabilities in the statements of net position. 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 programs were $291,299 as of September 30, 2022.

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, 2022, the community banks had provided loans totaling $11,166. The outstanding commitment for the program as of September 30, 2022 was $0. As of September 30, 2022, there were no reported defaults. The Entity estimates that the program will have a default rate of 10%, with a portion of the estimated default occurring in the next twelve months. The Entity recognized an expense associated with the program of $0, as of September 30, 2022, which is included in economic development programs expense. The Entity recorded current and long-term liabilities associated with the program totaling $337, as of September 30, 2022.

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 $10,010 as of September 30, 2022.

As of September 30, 2022, the port authorities issued bonds totaling $106,800. The Entity estimates that the program will have a default rate of 1% and recorded a long-term liability of $1,068, as of September 30, 2022. As of September 30, 2022 there were no defaults on the issued bonds and no payments made from the reserve. For the three months ending September 30,2022, the Entity recognized an expense associated with the program of $182, 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, 2022, the total 401(k) match expense was $146 on total employee contributions of $330. As of September 30, 2022, accrued employee 401(k) deferrals and accrued employer match was $44 and $20, 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. Revolving Note

The Entity entered into a Revolving Note agreement with The Huntington National Bank in July 2022. Under the terms of the note, the Entity can borrow up to $125,000. The Entity has pledged certain Investments at Fair Value as collateral for the note. As of September 30, 2022, the amount of unused was credit $7,206.

8. 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.

(In thousands)

On February 5, 2020, the Entity issued special obligation revenue bonds to advance refund the 2038 maturity of the Series 2013A Bonds and finance certain costs of the refunding transaction. The Series 2020A Bonds were issued in the amount of $371,025. The obligations were issued as bonds with approximately level debt service, including both principal and interest, maturing each year with maturities that range from one to 18 years.

JobsOhio Beverage System Statewide Senior Lien Liquor Profits Tax-Exempt Revenue Bonds, Series 2013A; JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds, 2013B; and JobsOhio Beverage System Statewide Senior Lien Liquor Profits Taxable Revenue Bonds, 2020A outstanding at September 30, 2022 are as follows:

Special obligation bonds	Original issue date	Outstanding as of September 30, 2022	Interest rates to maturity	Final maturity
Series 2013A	Feb. 2013	$ 5,000	4.0% – 5.0%	2023
Series 2013B	Feb. 2013	$ 802,580	3.2% – 4.5%	2035
Series 2020A	Feb. 2020	$ 365,970	1.7% – 2.8%	2038

The bonds have maturities that started in 2015 and continue through 2038. Maturities due within one year at September 30, 2022 are $54,135. 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.

(In thousands)

Debt service requirements related to the bonds as of September 30, 2022 are as follows:

	Principal	**Interest**	**Total**
Year ending June 30:			
2023	$ 54,135	$ 22,127	$ 76,262
2024	55,925	42,461	98,386
2025	58,090	40,280	98,370
2026	60,350	38,011	98,361
2027	62,700	35,649	98,349
2028 – 2032	353,380	138,204	491,584
2033 – 2037	433,710	56,695	490,405
2038	95,260	2,699	97,959
Total	1,173,550	$ 376,126	$ 1,549,676
Unamortized premium	3,357		
Less current portion	(54,135)		
Total debt, long-term portion	$ 1,122,772		

Debt service activity for the three months ended September 30, 2022 is as follows:

	Balance, July 1, 2022	**Additions**	**Reductions**	**Balance, September 30, 2022**	**Current portion**
Bond principal	$ 1,173,550	$ -	$ -	$ 1,173,550	$ 54,135
Bond premium	59,663	-	-	59,663	-
Less: Accumulated amortization	(52,950)	(3,356)	-	(56,306)	-
Total debt	$ 1,180,263	$ (3,356)	$ -	$ 1,176,907	$ 54,135

Bonds are subject to redemption prior to their stated maturity dates at the option of the Entity, in whole or in part on any date on or after January 1, 2023 at a redemption price equal to the principal amount of bonds to be redeemed plus accrued interest. For Series 2013B Bonds, the redemption price is the greater of (1) the principal amount or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date plus accrued interest. Series 2020A Bonds maturing in 2038 are subject to mandatory sinking fund redemption on January 1, 2035 and each year thereafter to maturity. Series 2013B Bonds maturing in 2029 and 2035 are subject to mandatory sinking fund redemption on January 1, 2024 and 2030, respectively, and each year thereafter to maturity. Redemptions are from moneys in the Debt Service Fund established under the Indenture, at a redemption price equal to 100 percent of the principal amount to be redeemed plus accrued interest.

Pursuant to the terms of the Indenture, the Transfer Agreement, and the Services Agreement, the Entity is required to comply with various covenants and requirements.

(In thousands)

(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, 2022, operating revenues were reported net of discounts of $6,887, sales tax of $26,355, and uncollectable accounts of $(9).

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

(d) Deferred Outflow

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

The difference between the reacquisition price and the net carrying amount of the bonds defeased with refunding debt is reported as a deferred outflow of resources and recognized as a component of Bond interest, net over the remaining life of the refunded debt. Deferred outflow activity for the three months ended September 30, 2022 is as follows:

	Balance, July 1, 2022	Additions	Reductions	Balance, September 30, 2022
Deferred outflow	$ 34,896	$ -	$ -	$ 34,896
Less: Accumulated amortization	(29,080)	(2,908)	-	(31,988)
Total deferred outflow	$ 5,816	$ (2,908)	$ -	$ 2,908

Combining Schedule of Net Position

(In thousands)

(e) Combining Information

	September 30, 2022				
	JobsOhio	Component Unit JobsOhio Beverage System	Component Unit JobsOhio Growth Capital	Eliminating Entries	Combined Balance
Assets:					
Current assets:					
Cash and cash equivalents - unrestricted	$ 49,759	$ -	$ 8,430	$ -	$ 58,189
Cash and cash equivalents - restricted	10,010	139,691	-	-	149,701
Investments at fair value	630,611	-	3,717	-	634,328
Inventory	-	106,320	-	-	106,320
Loans	10,926	-	-	-	10,926
Receivables, net of allowance of uncollectible accounts	5,652	2,192	3,655	-	11,499
Prepaid expenses	2,212	7,897	2	-	10,111
Due from related entities	3,269	-	-	(3,269)	-
Total current assets	712,439	256,100	15,804	(3,269)	981,074
Long-term assets:					
Intangible asset - liquor franchise, net of amortization	-	846,353	-	-	846,353
Intangible asset - trademark, net of amortization	34	6	-	-	40
Equity method investments	97,184	-	-	(97,184)	-
Other long-term investments	-	-	65,966	-	65,966
Right to use assets, net of accumulated depreciation	1,355	7,130	-	-	8,485
Capital assets, net of accumulated depreciation	1,884	11,869	-	-	13,753
Loans, net of loss allowance	86,109	-	22,832	-	108,941
Total long-term assets	186,566	865,358	88,798	(97,184)	1,043,538
Total assets	**899,005**	**1,121,458**	**104,602**	**(100,453)**	**2,024,612**
Deferred outflow of resources:					
Deferred outflow on bond defeasance	-	2,908	-	-	2,908
Total deferred outflow of resources	**-**	**2,908**	**-**	**-**	**2,908**
Liabilities:					
Current liabilities:					
Accounts payable	4,259	20,534	-	-	24,793
Accrued liabilities	293,796	66,048	-	-	359,844
Special obligation bonds payable - current portion	-	54,135	-	-	54,135
Bond interest payable	-	11,063	-	-	11,063
Community bank loan guarantee - current portion	337	-	-	-	337
Lease liabilities - current portion	371	3,414	-	-	3,785
Revolving note	117,794	-	-	-	117,794
Due to JobsOhio	-	2,444	825	(3,269)	-
Total current liabilities	416,557	157,638	825	(3,269)	571,751
Long-term liabilities:					
Special obligation bonds payable	-	1,122,772	-	-	1,122,772
Lease liabilities	1,366	3,822	-	-	5,188
Community bank loan guarantee	337	-	-	-	337
Port authority bond reserve	1,068	-	-	-	1,068
Total long-term liabilities	2,771	1,126,594	-	-	1,129,365
Total liabilities	**419,328**	**1,284,232**	**825**	**(3,269)**	**1,701,116**
Net position:					
Net investment in capital assets	1,884	11,869	-	-	13,753
Unrestricted	477,793	(171,735)	103,777	(97,184)	312,651
Total net position	**$ 479,677**	**$ (159,866)**	**$ 103,777**	**$ (97,184)**	**$ 326,404**

(Continued)

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, 2022				
	JobsOhio	Component Unit JobsOhio Beverage System	Component Unit JobsOhio Growth Capital	Eliminating Entries	Combined Balance
Operating revenues:					
Net liquor sales	$ -	$ 441,705	$ -	$ -	$ 441,705
Distribution center revenue	-	2,482	-	-	2,482
Interest income - loans	631	-	439	-	1,070
Gain (loss) on investments	-	-	6,383	-	6,383
Fees and other	2,614	-	-	(2,511)	103
Total operating revenues	3,245	444,187	6,822	(2,511)	451,743
Operating expenses:					
Cost of goods sold	-	261,180	-	-	261,180
Sales commissions	-	27,445	-	-	27,445
Liquor gallonage taxes	-	14,671	-	-	14,671
Amortization of intangible asset - liquor franchise	-	13,799	-	-	13,799
Service fees	-	6,349	-	-	6,349
Supplemental Payment	-	26,228	-	-	26,228
JobsOhio management fees	-	2,511	-	(2,511)	-
Economic development programs	143,344	-	(148)	-	143,196
Salaries and benefits	5,450	-	-	-	5,450
Economic development purchased services	3,955	-	-	-	3,955
Professional services	4,217	3,116	16	-	7,349
Insurance	80	146	-	-	226
Administrative and support	2,751	4,745	8	-	7,504
Marketing	6,950	2,571	-	-	9,521
Other	-	1	-	-	1
Total operating expenses	166,747	362,762	(124)	(2,511)	526,874
Operating income (loss)	**(163,502)**	**81,425**	**6,946**	**-**	**(75,131)**
Nonoperating revenues (expenses):					
Grants	65,000	(65,000)	-	-	-
Bond interest, net	-	(10,615)	-	-	(10,615)
Investment income	(31,282)	-	-	-	(31,282)
Other, net	-	765	-	-	765
Total nonoperating revenues (expenses)	33,718	(74,850)	-	-	(41,132)
Change in net position	(129,784)	6,575	6,946	-	(116,263)
Net position (deficit), beginning of period	609,461	(166,441)	96,831	(97,184)	442,667
Net position (deficit), end of period	**$ 479,677**	**$ (159,866)**	**$ 103,777**	**$ (97,184)**	**$ 326,404**

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, 2022				
		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	$ 1,283	$ -	$ 1,209	$ -	$ 2,492
Receipts from customers	-	441,782	-	-	441,782
Receipts from suppliers	-	2,502	-	-	2,502
Payments to employees	(5,735)	-	-	-	(5,735)
Payments to suppliers	(24,587)	(277,814)	(832)	-	(303,233)
Payments for economic development programs	(142,999)	-	1,594	-	(141,405)
Payments for commissions	-	(37,331)	-	-	(37,331)
Receipts from sales taxes	-	26,355	-	-	26,355
Payments for sales tax collections to State and county	-	(26,207)	-	-	(26,207)
Payments for gallonage tax collections to State	-	(14,713)	-	-	(14,713)
Payments for servicing fees	-	(6,423)	-	-	(6,423)
Payments for Supplemental Payment to State	-	(108,448)	-	-	(108,448)
Receipts (payments) between JobsOhio and component unit	2,586	(2,586)	-	-	-
Net cash provided by (used in) operating activities	(169,452)	(2,883)	1,971	-	(170,364)
Cash flows from noncapital financing activities:					
Receipts (payments) between JobsOhio and component unit for grants	65,000	(65,000)	-	-	-
Receipts from revolving note	117,794	-	-	-	117,794
Payments for other nonoperating expenses	-	(5)	-	-	(5)
Net cash provided by (used in) noncapital financing activities	182,794	(65,005)	-	-	117,789
Cash flows from capital and related financing activities:					
Acquisition of capital assets	-	(656)	-	-	(656)
Payments for right to use assets	(658)	(885)	-	-	(1,543)
Payments for bond interest	-	(22,127)	-	-	(22,127)
Net cash used in capital and related financing activities	(658)	(23,668)	-	-	(24,326)
Cash flows from investing activities:					
Conversion of loans to equity	-	-	(6,662)	-	(6,662)
Proceeds from loan conversion	-	-	(10)	-	(10)
Dividends and interest income	7,085	771	5,329	-	13,185
Purchases of investments	(23,078)	-	(182)	-	(23,260)
Proceeds from maturities of investments	10,097	-	-	-	10,097
Net cash provided by (used in) investing activities	(5,896)	771	(1,525)	-	(6,650)
Net Increase (decrease) in cash and cash equivalents	6,788	(90,785)	446	-	(83,551)
Cash and cash equivalents, beginning of period	52,981	230,476	7,984	-	291,441
Cash and cash equivalents, end of period	**$ 59,769**	**$ 139,691**	**$ 8,430**	**$ -**	**$ 207,890**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (163,502)	$ 81,425	$ 6,946	$ -	$ (75,131)
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	-	-	-	-	-
Depreciation and amortization expense	342	1,670	-	-	2,012
Amortization of right to use assets	55	863	-	-	918
Increase in loans	176	-	2,478	-	2,654
Decrease in loan valuation allowance	(383)	-	(148)	-	(531)
Gain on investments	-	-	(6,374)	-	(6,374)
Interest expense	594	42	-	-	636
Increase in inventory	-	1,079	-	-	1,079
(Increase) decrease in receivables, net of allowance for doubtful accounts	(3,517)	97	(938)	-	(4,358)
(Increase) decrease in prepaid expenses	36	(125)	7	-	(82)
(Increase) decrease in due from/to component unit (net)	75	(75)	-	-	-
Decrease in accounts payable	(2,068)	(6,715)	-	-	(8,783)
Increase in community bank guarantee	-	-	-	-	-
Increase in port authority bond fund	182	-	-	-	182
Decrease in accrued liabilities	(1,442)	(94,943)	-	-	(96,385)
Total adjustments	(5,950)	(84,308)	(4,975)	-	(95,233)
Net cash provided by (used in) operating activities	**$ (169,452)**	**$ (2,883)**	**$ 1,971**	**$ -**	**$ (170,364)**
Noncash capital and related financing activities:					
Purchases of capital assets on account	$ -	$ 114	$ -	$ -	$ 114
Amortization of bonds payable	$ -	$ 449	$ -	$ -	$ 449