

**TOPEKA DEVELOPMENT CORPORATION**

Financial Statements With Independent Auditors' Report

For the Period Ended December 31, 2023

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For the Period Ended December 31, 2023

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Topeka Development Corporation**  
Topeka, Kansas

### Opinion

We have audited the accompanying financial statements of **Topeka Development Corporation**, a component unit of City of Topeka, Kansas, which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses and change in net position and cash flows for the period from inception (October 18, 2023) to December 31, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of **Topeka Development Corporation**, as of December 31, 2023, and the changes in its net position and cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Topeka Development Corporation**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Topeka Development Corporation's** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Topeka Development Corporation's** internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Topeka Development Corporation's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.



**ADAMSBROWN, LLC**  
Certified Public Accountants  
Wichita, Kansas

April 30, 2024

**TOPEKA DEVELOPMENT CORPORATION**

Statement of Net Position

December 31, 2023

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| <b><u>ASSETS</u></b>                            |                     |
|---|---------------------|
| <b>Current Assets</b>                           |                     |
| Cash and Cash Equivalents                       | \$ 495,566          |
| Accounts Receivable, Net                        | 14,165              |
| Inventory                                       | 24,186              |
| Prepaid Expenses and Other Assets               | <u>100,979</u>      |
| <b>Total Current Assets</b>                     | <u>634,896</u>      |
| <b>Capital Assets</b>                           |                     |
| Building  | 7,287,977           |
| Accumulated Depreciation                        | <u>(60,733)</u>     |
| <b>Net Capital Assets</b>                       | <u>7,227,244</u>    |
| <b>Total Assets</b>                             | <u>\$ 7,862,140</u> |
| <b><u>LIABILITIES</u></b>                       |                     |
| <b>Current Liabilities</b>                      |                     |
| Trade Accounts Payable                          | \$ 253,783          |
| Other Payables                                  | 13,474              |
| Accrued Payroll                                 | 24,053              |
| Deposits Received                               | <u>34,626</u>       |
| <b>Total Current Liabilities</b>                | <u>325,936</u>      |
| <b><u>NET POSITION</u></b>                      |                     |
| Invested in Capital Assets, Net of Related Debt | 7,227,244           |
| Unrestricted                                    | <u>308,960</u>      |
| <b>Total Net Position</b>                       | <u>7,536,204</u>    |
| <b>Total Liabilities and Net Assets</b>         | <u>\$ 7,862,140</u> |

The accompanying notes are an integral part of the financial statements.

**TOPEKA DEVELOPMENT CORPORATION**  
Statement of Revenues, Expenses and Change in Net Position  
For the Period Ended December 31, 2023

| <b><u>REVENUES</u></b>                        |                     |
|---|---------------------|
| <b>Operating Revenues</b>                     |                     |
| Charges for Services                          |                     |
| Room  | \$ 318,621          |
| Restaurant                                    | 24,776              |
| Banquet                                       | 92,769              |
| Other   | 8,371               |
|   | 444,537             |
| <b>Total Operating Revenue</b>                | <b>444,537</b>      |
| <b><u>EXPENSES</u></b>                        |                     |
| <b>Operating Expenses</b>                     |                     |
| <b>Payroll and Compensation Expense</b>       |                     |
| Room  | 91,769              |
| Food and Beverage                             | 23,581              |
| Restaurant                                    | 20,461              |
| Banquet                                       | 28,219              |
| Administrative and General                    | 38,506              |
| Sales and Marketing                           | 30,888              |
| Repairs and Maintenance                       | 40,429              |
|   | 273,853             |
| <b>Total Payroll and Compensation Expense</b> | <b>273,853</b>      |
| <b>Professional Services</b>                  |                     |
| Room  | 16,858              |
| Food and Beverage                             | 5,855               |
| Administrative and General                    | 27,952              |
| IT  | 23,362              |
| Sales and Marketing                           | 17,942              |
| Repairs and Maintenance                       | 4,447               |
|   | 96,416              |
| <b>Total Professional Services</b>            | <b>96,416</b>       |
| <b>Supplies</b>                               |                     |
| Room  | 13,916              |
| Food and Beverage                             | 46,405              |
| Other   | 2,893               |
| Administrative and General                    | 3,922               |
| IT  | 1,233               |
| Repairs and Maintenance                       | 25,067              |
| Utilities                                     | 69,154              |
| Fixed   | 108,417             |
|   | 271,007             |
| <b>Total Supplies</b>                         | <b>271,007</b>      |
| <b>Depreciation</b>                           | <b>60,733</b>       |
| <b>Total Operating Expenses</b>               | <b>702,009</b>      |
| <b>Net Operating Loss (carried forward)</b>   | <b>\$ (257,472)</b> |

The accompanying notes are an integral part of the financial statements.

**TOPEKA DEVELOPMENT CORPORATION**  
Statement of Revenues, Expenses and Change in Net Position  
For the Period Ended December 31, 2023

|   |                     |
|---|---------------------|
| <b>Net Operating Loss (carried forward)</b>     | \$ <u>(257,472)</u> |
| <b><u>NON OPERATING REVENUES (EXPENSES)</u></b> |                     |
| Interest Income                                 | 21                  |
| Interest Expense and Finance Charges            | <u>(14,867)</u>     |
| <b>Net Nonoperating Revenues (Expenses)</b>     | <u>(14,846)</u>     |
| <b>Loss Before Contributions</b>                | <u>(272,318)</u>    |
| <b>Capital Contributions</b>                    |                     |
| Initial Capital Contribution                    | 7,391,457           |
| Other Capital Contribution                      | <u>417,065</u>      |
| <b>Total Capital Contributions</b>              | <u>7,808,522</u>    |
| Change in Net Position                          | 7,536,204           |
| <b>Net Position Beginning of Period</b>         | <u>-</u>            |
| <b>Net Position End of Period</b>               | <u>\$ 7,536,204</u> |

The accompanying notes are an integral part of the financial statements.

**TOPEKA DEVELOPMENT CORPORATION**  
Statement of Cash Flows  
For the Period Ended December 31, 2023

|   |                     |
|---|---------------------|
| <b>Cash Flows From Operating Activities</b>   |                     |
| Hotel Services  | \$ 458,131          |
| Payments to Suppliers   | <u>(364,784)</u>    |
| <b>Net Cash Provided by Operating Activities</b>  | <u>93,347</u>       |
| <b>Cash Flows From Capital and Capital Related Financing Activities</b>                         |                     |
| Capital Contributions Received  | 417,065             |
| Interest Expense and Finance Charges  | <u>(14,867)</u>     |
| <b>Net Cash Provided by Capital and Capital Related Financing Activities</b>                    | <u>402,198</u>      |
| <b>Cash Flows from Investing Activities</b>   |                     |
| Interest Income   | <u>21</u>           |
| <b>Net Increase in Cash and Cash Equivalents</b>  | <b>495,566</b>      |
| <b>Cash and Cash Equivalents - Beginning of Year</b>  | <u>-</u>            |
| <b>Cash and Cash Equivalents - End of Year</b>  | <u>\$ 495,566</u>   |
| <b>Supplemental Disclosure</b>  |                     |
| Noncash Capital Grants and Contributions Received   | \$ 7,391,457        |
| <b>Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities</b>        |                     |
| <b>Net Operating Loss</b>   | <b>\$ (257,472)</b> |
| <b>Adjustments to Reconcile Net Operating Loss to Net Cash Provided by Operating Activities</b> |                     |
| Depreciation  | 60,733              |
| (Increase) Decrease in  |                     |
| Accounts Receivable   | 3,374               |
| Inventory   | 5,371               |
| Prepaid Expenses  | 36,333              |
| Increase (Decrease) in  |                     |
| Accounts Payable  | 197,663             |
| Other Payables  | 13,072              |
| Accrued Payroll and Benefits  | 24,053              |
| Deposits Received   | <u>10,220</u>       |
| <b>Net Cash Provided by Operating Activities</b>  | <u>\$ 93,347</u>    |

The accompanying notes are an integral part of the financial statements.



## TOPEKA DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2023

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

**Topeka Development Corporation** (the Organization) was incorporated on October 18, 2023, as a nonprofit organization for the exclusive benefit of City of Topeka, Kansas, in particular to aid, assist and foster the planning, designing, development, supervision, acquisition, construction, furnishing, equipping, management, operation and improvement of a convention center hotel in City of Topeka, Kansas. The Organization is a blended component unit of City of Topeka, Kansas and shares the same governing body as City of Topeka, Kansas. The Organization has no component units of its own.

#### Basis of Accounting

The accounting and reporting policies of the Organization, relating to the programs included in the accompanying financial statements, conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments (GASB 34 Edition).

The Organization's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. For financial statement reporting purposes, the Organization is considered a special-purpose government engaged only in business-type activities and consists of one proprietary fund.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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.

#### Cash and Cash Equivalents

Cash and cash equivalents include checking accounts.

#### Accounts Receivable, Net

Accounts receivables are recorded when services are rendered and are primarily related to credit card payments. There was no allowance for uncollectable accounts at year end.

#### Prepaid Expenses and Inventory

Payments made to vendors for goods or services that will benefit periods beyond the current year are recorded as inventory or prepaid expenses.

#### Capital Assets

Capital assets are defined by the Organization as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of two years or greater. These assets are valued at historical cost, estimated historical cost if actual cost is not available, and estimated acquisition value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

## TOPEKA DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2023

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Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful life for the building is 20 years.

### Net Position

The Organization's net position is classified as follows:

Invested in capital assets, net of related debt: This represents the Organization's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Unrestricted net position: The Organization receives various funds from organizations and hotel guests which are available for use at the discretion of the Organization.

### Hotel Service Revenue

The Organization operates a full service hotel. Hotel revenues are recognized when services or goods have been rendered and it has a legal and enforceable right to receive payment. Hotel service revenues primarily consist of room rentals and restaurant and banquet charges.

### Income Taxes

The Organization is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (IRC), as an Organization described in IRC Section 501(c)(3). Further, the Organization has been classified as an Organization that is not a private foundation under IRC Section 509(a) and, as such, contributions to the Organization qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. The Organization did not have any material unrelated business income tax liability for the period ended December 31, 2023.

### Management Agreement

The Organization has contracted with TOKS Associates LLC to manage the operations of Hotel Topeka at City Center. The management agreement commenced on October 31, 2023, and was renewed for an additional six months on December 31, 2023. The agreement will automatically renew for an additional six months indefinitely until either party provides notice of termination of the agreement.

The Organization will pay a management fee equal to the greater of 3% of total revenues, or \$7,500 per month, provided that the total fee for any full fiscal year is not less than \$120,000. If, at the end of any full fiscal year, the total of the monthly installments is less than \$120,000, the Organization shall pay TOKS Associates LLC an amount equal to the difference. The Organization will also pay TOKS Associates LLC an accounting fee of \$1,500 per month.

All hotel employees are employees of TOKS Associates LLC and, as such, the Organization has no direct employees and no pension obligations.

For the period ended December 31, 2023, the Organization paid total management fees of \$17,572 and total accounting fees of \$3,050.

### Budgetary Information

The Organization is not subject to legal annual operating budget requirements and, therefore, has not included any budgetary information in these financial statements.

## NOTE 2 – CASH

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by **Topeka Development Corporation**. The

## TOPEKA DEVELOPMENT CORPORATION

### Notes to Financial Statements

December 31, 2023

statute requires banks eligible to hold the Organization's funds have a main or branch bank in the county in which the Organization is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Organization has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Organization's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Organization has no investment policy that would further limit its investment choices.

#### Concentration of Credit Risk

State statutes place no limit on the amount the Organization may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

#### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Organization's deposits may not be returned to it. State statutes require the Organization's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Organization does not use "peak periods". All deposits were not legally secured at December 31, 2023. At December 31, 2023, the Organization's carrying amount of deposits and cash on hand was \$495,566 and the bank balance was \$415,807. Of the bank balance, \$400,021 was covered by federal depository insurance and \$15,786 was unsecured.

Cash balances at December 31, 2023 were as follows:

|                                  |    |                |
|----------------------------------|----|----------------|
| Demand Deposit – U.S. Bank       | \$ | 150,021        |
| Demand Deposit – Bank of America |    | 340,545        |
| Petty Cash on Hand               |    | <u>5,000</u>   |
| Total Cash                       | \$ | <u>495,566</u> |

### NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in capital asset for the period ended December 31, 2023.

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| <b>Depreciable Capital Assets</b>                              |                              |                  |                  |                           |
| Building   | \$ -                         | 7,287,977        | -                | 7,287,977                 |
| <b>Less Accumulated<br/>    Depreciation</b>                   | <u>-</u>                     | <u>(60,733)</u>  | <u>-</u>         | <u>(60,733)</u>           |
| <b>Capital Assets, Net of<br/>    Accumulated Depreciation</b> | <u>\$ -</u>                  | <u>7,227,244</u> | <u>-</u>         | <u>7,227,244</u>          |

## TOPEKA DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2023

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The Organization incurred total depreciation expense for the period ended December 31, 2023, of \$60,733.

### NOTE 4 – CAPITAL CONTRIBUTION

The Organization is a blended component unit of City of Topeka, Kansas and received capital contributions from the City of \$417,065 in cash and an initial noncash contribution of \$7,391,457, which are included in the statement of revenues, expenses and changes in net position for the period ended December 31, 2023.

### NOTE 5 – ACQUISITION

On June 7, 2023, City of Topeka, Kansas (City) entered into a purchase contract to acquire Hotel Topeka at City Center (Hotel) out of receivership for a total transaction price of \$7,668,750 with adjustments for working capital.

The transaction closed on October 31, 2023, with the final closing documents identifying **Topeka Development Corporation** as the acquiring entity. The funds for acquiring the Hotel were paid for by the City. The amounts paid by the City on behalf of the Organization have been accounted for as an initial contribution in these financial statements.

The acquisition of the Hotel has been accounted for in accordance with GASB 69 as the consideration paid was significant in relation to the assets and liabilities acquired. The operations of the Hotel became a part of the Organization's operations effective November 1, 2023.

The assets and liabilities were recorded at acquisition value in accordance with paragraph 32 of GASB 69. The following is the allocation of net assets acquired and consideration paid.

|                          |    |                  |
|--------------------------|----|------------------|
| Cash                     | \$ | 5,000            |
| Accounts Receivable, Net |    | 12,539           |
| Inventory                |    | 29,557           |
| Prepaid Expenses         |    | 137,312          |
| Capital Assets           |    | 7,287,977        |
| Accounts Payable         |    | (56,120)         |
| Deposits Received        |    | <u>(24,808)</u>  |
| Total Consideration Paid | \$ | <u>7,391,457</u> |

### NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30, 2024, which is the date the financial statements were available to be issued.