

CLEVELAND CITYWIDE DEVELOPMENT CORPORATION

CUYAHOGA COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Cleveland Citywide Development Corporation
601 Lakeside Ave Room 210
Cleveland, Ohio 44114

We have reviewed the *Independent Auditors' Report* of the Cleveland Citywide Development Corporation, Cuyahoga County, prepared by Watson, Rice & Co., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cleveland Citywide Development Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

June 7, 2019

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CLEVELAND CITYWIDE DEVELOPMENT CORPORATION
CUYAHOGA COUNTY
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2018

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Certified Public Accountants
A Professional Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Cleveland Citywide Development Corporation
City of Cleveland - Department of
Economic Development – Room 210
614 Lakeside Avenue
Cleveland, Ohio 44114

We have audited the accompanying statements of Cleveland Citywide Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cleveland Citywide Development Corporation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our audit report dated April 19, 2019, on our consideration of Cleveland Citywide Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cleveland Citywide Development Corporation's internal control reporting and compliance.



Cleveland, Ohio
April 19, 2019

CLEVELAND CITYWIDE DEVELOPMENT CORPORATION
 STATEMENT OF FINANCIAL POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>
<u>ASSETS:</u>	
<u>Current Assets</u>	
Cash	\$419,981
Prepaid Expense	613
Short Term Investments (Note 2)	<u>984</u>
Total Current Assets	<u>421,578</u>
TOTAL ASSETS	<u><u>\$421,578</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
Accounts Payable	2,314
Refundable Grant Advance (Note 6)	<u>176,954</u>
Total Current Liabilities	179,268
TOTAL LIABILITIES	<u><u>179,268</u></u>
 NET ASSETS -	
- Without Donor Restrictions	242,310
- With Donor Restrictions	<u>0</u>
TOTAL NET ASSETS	<u><u>242,310</u></u>
 TOTAL LIABILITIES AND NET ASSETS:	 <u><u>\$421,578</u></u>

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

CLEVELAND CITYWIDE DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

	2018
<u>REVENUES AND GAINS</u>	
Closing and Processing Fee Revenues - Non-Loans	\$9,509
Closing and Processing Fee Revenues - Loans	40,962
Closing and Processing Fee Revenues - Tax Incremental Financing	77,117
Grant Revenues	40,546
Interest Income	51
Total Revenues and Gains Without Donor Restrictions	\$168,185
 <u>EXPENSES:</u>	
<u>Program Services:</u>	
Cleveland Foundation - Software Education	\$27,560
Cleveland Foundation - Individual Credit Repair	12,986
Total Program Services	\$40,546
 <u>Supporting Services:</u>	
Management and General	202,275
Total Expenses	\$242,821
Increase in Net Assets Without Donor Restrictions	(74,636)
Net Assets at Beginning of Fiscal Year	316,946
 NET ASSETS AT END OF FISCAL YEAR WITHOUT DONOR RESTRICTIONS	 \$242,310

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

CLEVELAND CITYWIDE DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 Program Services		2018 Supporting	2018 TOTAL
	Cleveland Foundation Software Education	Cleveland Foundation Individual Credit Repair	Services Management and General	
Client Education and Training	\$27,560	\$12,986		\$40,546
Accounting and Auditing			\$8,140	8,140
Legal Expenses			18,928	18,928
Other Professional Services			7,964	7,964
Contributions to the City of Cleveland				
Department of Economic Development (Note 3)			69,979	69,979
City of Cleveland - Employee Training (Note 3)			57,455	57,455
City of Cleveland - Marketing			35,915	35,915
Insurance Expense			2,293	2,293
Employee Bonding Expenses			691	691
Board of Trustee Expenses			810	810
Tax Filing Expenses			100	100
Total Expenses	\$27,560	\$12,986	\$202,275	\$242,821

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

CLEVELAND CITYWIDE DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018
<u>Cash Flows From Operating Activities:</u>	
Closing and Processing Fee Revenue - Non-Loan	\$9,509
Closing and Processing Fee Revenues - Loans	40,962
Closing and Processing Fee Revenues - Tax Incremental Financing	77,117
Interest Income	51
Cash Grant Receipts	217,500
Cash Paid for Professional Services	(26,892)
Cash Paid for Grant Expenses	40,546
Cash Paid for Audit and Tax Filing Fee	(8,240)
Cash Paid for Marketing	(35,915)
Contributions to City of Cleveland - Department of Economic Development	(71,375)
Cash Paid for Insurance Expenses	(2,984)
Cash Paid for Employee Training	(55,647)
Cash Paid for Board of Trustee Expenses	(810)
	102,730
NET CASH PROVIDED BY (USED) OPERATING ACTIVITIES	102,730
Cash and Cash Equivalents at Beginning of Year	318,235
Cash and Cash Equivalents at End of Year	\$420,965
Reconciliation of Excess in Net Assets to:	
Cash Provided by Operating Activities:	
CHANGES IN NET ASSETS	(\$74,636)
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Increase(Decrease) in Accounts Payable	413
(Increase) Decrease in Prepaid Expenses	(1)
Increase (Decrease) in Refundable Advances	176,954
	\$177,366
Total Adjustments	\$177,366
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$102,730

The accompanying footnotes are an integral part of these financial statements.

CLEVELAND CITYWIDE DEVELOPMENT CORPORATION
Cuyahoga County
Notes to Basic Financial Statements
For the Year Ended December 31, 2018

Note 1 Summary of Significant Accounting Policies

A) Description of the Entity

Cleveland Citywide Development Corporation (CCDC) was organized in June 1981 under Chapter 1724 of the Ohio Revised Code regulating Not-for-Profit Community Improvement Corporations. The Corporation promotes economic development in the City of Cleveland (City) by serving as a fiscal intermediary for loans made to small businesses and by reviewing loan requests made under other loan programs sponsored by the City. In June 1994 the Corporation converted from a Certified Development Corporation (CDC) to an Associate Development Corporation (ADC). Cleveland Citywide Development Corporation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Cleveland Citywide Development Corporation reviews Economic Development Administration (EDA), Small Business Revolving Loan Fund (SBRLF), Housing and Urban Development Section 108 (HUD-108), Neighborhood Development Investment Fund (NDIF) and Urban Development Action Grant (UDAG) loans, Empowerment Zone (EZ), Core Loans 1 and Core Loans 2, as well as Tax Incremented Financing (TIF), VPI Loans, including Bridge Loans, SBA Muni-Cuyahoga County, Small Business Grant Initiatives, The Steelyard TIF grants, and other grants for the City of Cleveland. Repayment of principal and interest will result in additional proceeds that can be loaned to other eligible small business concerns. With the exception of the HUD-108 EZ, SBA Muni-Cuyahoga County programs and The Steelyard TIF, all programs are designed as revolving loan programs.

B) Basis of Accounting

The accounting records of Cleveland Citywide Development Corporation are maintained on the accrual basis of accounting.

C) Contributions

Contributions received are recorded as without restrictions or with restrictions depending on the existence and/or nature of any donor imposed restrictions. Contributions are recognized when the donor makes a promise to give to the Corporation, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net asset without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

CCDC has determined that there are no donor imposed restrictions on any of its net assets and all net assets as of December 31, 2018 were net assets without donor restrictions.

CLEVELAND CITYWIDE DEVELOPMENT CORPORATION
Cuyahoga County
Notes to Basic Financial Statements
For the Year Ended December 31, 2018

Note 2 Investments

CCDC's short-term investment of \$984 consists of a variable interest rate 91-day certificate of deposit. As of December 31, 2018, the interest rate on this certificate of deposit was .01%. The 91-day certificate of deposit is shown as a cash and cash equivalent in the Statement of Cash Flows.

Note 3 Contributions to the City of Cleveland

The CCDC contributed office related expenses of \$69,979 to the City of Cleveland Department of Economic Development (CCDED) during calendar year 2018. In addition to these contributions, CCDC also provided employee training expenses to CCDED for an additional \$57,455.

Note 4 Implementation of Financial Accounting Standard Board (FASB) Accounting Standard Update (ASU) No. 2016-14

The CCDC implemented FASB-ASU No. 2016-14 in calendar year 2018. The implementation of this update resulted in the reclassification of net assets into net assets with donor restrictions, net assets without donor restrictions, the preparation of the Statement of Functional Expenses, additional footnote disclosures and other changes to this report.

Note 5 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported period. Actual results could differ from those estimates.

Note 6 Liquidity and Availability of Resources

All CCDC assets and liabilities are considered current assets or current liabilities. All current assets except cash of \$176,954 are available for general expenditures within one year. This cash is restricted to be used for possible grant expenses under CCDC contract agreement with its grantor agency and may or may not be fully expended within one year. All liabilities except all or some of the \$176,954 or refundable advance liability will be liquidated within one year. As allowable grant expenses are incurred, CCDC refundable advance will be reduced and revenues recognized and the restricted cash amount of \$176,954 relating to the refundable grant advance will be reduced. CCDC assets available to meet cash needs for general expenditures within one year are \$244,624.

CLEVELAND CITYWIDE DEVELOPMENT CORPORATION

Cuyahoga County

Notes to Basic Financial Statements
For the Year Ended December 31, 2018

Note 7 Cost Allocations

The financial statements report expenses to various programs. Each of these program is supported by separate contract agreements and currently all charges to a specific program are direct chargers to that program and there are no allocated charges to any current CCDC program. Also CCDC does not currently allocate any expenses between programs and supportive services.

Note 8 Subsequent Events

Subsequent events were evaluated through March 27, 2019 which is the date financial statements were available to be issued. Management believes there are no subsequent events that would require either footnote and/or financial statement disclosure in this audit report.

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**INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Cleveland Citywide Development Corporation
City of Cleveland - Department of
Economic Development – Room 210
614 Lakeside Avenue
Cleveland, Ohio 44114

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States, the financial statements of the Cleveland Citywide Development Corporation (CCDC--a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CCDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCDC's internal control. Accordingly, we do not express an opinion on the effectiveness of CCDC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this report and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these material limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that we have not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CCDC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be disclosed under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cleveland, Ohio
April 19, 2019

OHIO AUDITOR OF STATE KEITH FABER



CLEVELAND CITYWIDE DEVELOPMENT CORPORATION

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 20, 2019**