

**CLEVELAND CITYWIDE DEVELOPMENT CORPORATION**

**AUDIT REPORT**

**FOR THE YEARS ENDING SEPTEMBER 30, 2003 AND 2002**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Cleveland Citywide Development Corporation

We have reviewed the Independent Auditor's Report of the Cleveland Citywide Development Corporation, Cuyahoga County, prepared by Watson, Rice & Co. for the audit period October 1, 2002 through September 30, 2003. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

April 5, 2004

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CLEVELAND CITYWIDE DEVELOPMENT CORPORATION

TABLE OF CONTENTS

|  | <u>PAGE NUMBER</u> |
|--|--------------------|
| Independent Auditors' Report   | 1                  |
| Statement of Financial Position  | 2                  |
| Statements of Activities and Changes in Net Assets   | 3                  |
| Statements of Cash Flows   | 4                  |
| Notes to Financial Statements  | 5                  |
| Independent Auditor's Report on Compliance and on<br>Internal Control Over Financial Reporting Based on an<br>Audit of Financial Statements performed in Accordance<br>With <i>Government Auditing Standards</i> | 7                  |

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Cleveland Citywide Development Corporation  
601 Lakeside Avenue - Room 210  
Cleveland, OH 44114

Gentlemen/Madam:

We have audited the accompanying Statements of Financial Position of Cleveland Citywide Development Corporation (a non-profit organization) as of September 30, 2003 and September 30, 2002 and the related Statements of Activities and Changes in Net Assets and the Statements of Cash Flows for the years then ended. These financial statements are the responsibility of the Cleveland Citywide Development Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. 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 includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cleveland Citywide Development Corporation as of September 30, 2003 and September 30, 2002 and the results of its operations and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 12, 2004 on our consideration of the Cleveland Citywide Development internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

March 12, 2004

*Watson, Rice & Co.*

**CLEVELAND CITYWIDE DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2002)**

|                                   | <u>2003</u>            | <u>2002</u>            |
|-----------------------------------|------------------------|------------------------|
| <b>ASSETS</b>                     |                        |                        |
| Current Assets                    |                        |                        |
| Cash                              | \$51,132               | \$38,969               |
| Prepaid Expense                   | 1,120                  | 1,014                  |
| Short Term Investments (Note 3)   | <u>2,578</u>           | <u>2,554</u>           |
| Total Current Assets              | <u>\$54,830</u>        | <u>\$42,537</u>        |
| <br>                              |                        |                        |
| Total Assets                      | <u><u>\$54,830</u></u> | <u><u>\$42,537</u></u> |
| <br>                              |                        |                        |
| <b>LIABILITIES AND NET ASSETS</b> |                        |                        |
| Current Liabilities               |                        |                        |
| Accounts Payable                  | <u>0</u>               | <u>0</u>               |
| Total Current Liabilities         | <u>0</u>               | <u>0</u>               |
| Total Liabilities                 | <u>0</u>               | <u>0</u>               |
| Net Assets                        | <u>54,830</u>          | <u>42,537</u>          |
| Total Liabilities and Net Assets  | <u><u>\$54,830</u></u> | <u><u>\$42,537</u></u> |

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



**CLEVELAND CITYWIDE DEVELOPMENT CORPORATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2002)**

|   | <u>2003</u>         | <u>2002</u>         |
|---|---------------------|---------------------|
| <b>REVENUES</b>   |                     |                     |
| In-Kind Contributions (Note 2)                                      | \$166,572           | \$152,002           |
| Closing Fee Revenue   | 51,959              | 28,795              |
| Interest Income   | 318                 | 480                 |
|   | <hr/>               | <hr/>               |
| Total Revenues  | <u>\$218,849</u>    | <u>\$181,277</u>    |
| <br><b>EXPENSES</b>   |                     |                     |
| Salaries & Fringe Benefits (Note 2)                                 | \$162,994           | \$148,424           |
| Office Rent (Note 2)  | 3,578               | 3,578               |
| Employee Bonding  | 603                 | 581                 |
| Insurance Expense   | 1,725               | 1,496               |
| Professional Services   | 21,200              | 4,672               |
| Contributions to City of Cleveland (Note 4)                         | 9,989               | 37,041              |
| Employee Training Expenses  | 5,091               | 8,420               |
| Printing, Marketing, and Project Development                        | 250                 | 583                 |
| Bank Service Charges  | 183                 | 180                 |
| Board of Trustee Expenses   | 162                 | 1,047               |
| Office Supplies   | 781                 | 278                 |
| Miscellaneous   |                     | 40                  |
|   | <hr/>               | <hr/>               |
| Total Expenses  | <u>\$206,556</u>    | <u>\$206,340</u>    |
| <br>Change in Net Assets  | <br>12,293          | <br>(25,063)        |
| <br>Unrestricted Net Assets at Beginning of<br>Fiscal Year (Note 2) | <br><hr/> 42,537    | <br><hr/> 67,600    |
| <br>Net Assets at End of Fiscal Year                                | <br><u>\$54,830</u> | <br><u>\$42,537</u> |

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

**CLEVELAND CITYWIDE DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2002)**

|  | <u>2003</u> | <u>2002</u> |
|--|-------------|-------------|
| Cash Flows From Operating Activities:  |             |             |
| Closing Fee Revenue  | \$51,959    | \$28,795    |
| Interest Income  | 318         | 480         |
| Cash Paid for Professional Services  | (21,200)    | (4,672)     |
| Cash Paid for Miscellaneous Expenses   | 0           | (40)        |
| Contributions to City of Cleveland and Department<br>of Economic Development                       | (9,989)     | (37,041)    |
| Cash Paid for Insurances   | (2,434)     | (2,079)     |
| Cash Paid for Employee Training  | (5,091)     | (8,420)     |
| Cash Paid for Bank Service Charges   | (183)       | (180)       |
| Cash Paid for Printing, Marketing, and Project Development   | (250)       | (583)       |
| Cash Paid for Office Supplies  | (781)       | (278)       |
| Cash Paid for Board of Trustee Expenses  | (162)       | (1,047)     |
|  | 12,187      | (25,065)    |
| NET CASH PROVIDED BY OPERATING ACTIVITIES  | 12,187      | (25,065)    |
| Cash and Cash Equivalents at Beginning of Year   | 41,523      | 66,588      |
| Cash and Cash Equivalents at End of Year   | \$53,710    | \$41,523    |
| <br>Reconciliation of Excess of Revenue Over<br>Expenses to Cash Provided by Operating Activities: |             |             |
| EXCESS OF REVENUES OVER EXPENSES   | 12,293      | (25,063)    |
| Adjustments to Reconcile Net Income to<br>Net Cash Provided by Operating Activities:               |             |             |
| In-Kind Contributions  | 166,572     | 152,022     |
| In-Kind Expenses   | (166,572)   | (152,022)   |
| (Increase) in Prepaid Assets   | (106)       | (2)         |
|  | (106)       | (2)         |
| Total Adjustments  | (106)       | (2)         |
| NET CASH PROVIDED BY OPERATING ACTIVITIES  | \$12,187    | (\$25,065)  |

Disclosure of Accounting Policy:

For purposes of the statement of cash flows, the Cleveland Citywide Development Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CLEVELAND CITYWIDE DEVELOPMENT CORPORATION  
Notes to Financial Statements  
September 30, 2003

Note 1 Organization

Cleveland Citywide Development Corporation (CCDC or Corporation) 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.

Loan Programs

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), as well as Industrial Development Bonds (IDB) 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 and IDB programs, all programs are designed as revolving loan programs.

Note 2 Summary of Significant Accounting Policies

Accrual Accounting

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

In-Kind

The City of Cleveland paid the salaries and related fringe benefits of the CCDC staff and provides office space at no cost to CCDC.

The estimated fair value of in-kind contributions is reported as revenue and expense in the period in which the services or facilities are used. CCDC also benefited from the contribution of the Trustees' and Loan Committee members' time to attend Board meetings. The estimated fair value of these members' contribution is not reflected in these statements since it is not susceptible to objective valuation.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

CLEVELAND CITYWIDE DEVELOPMENT CORPORATION  
Notes to Financial Statements - (Continued)  
September 30, 2003

Note 2 Summary of Significant Accounting Policies (Continued)

In-Kind (Continued)

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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CCDC has determined that there are no donor imposed restrictions on any of its net assets and all net assets as of September 30, 2003 and September 30, 2002 were unrestricted net assets.

Note 3 Investments

CCDC's short-term investment consists of a variable interest rate 90-day certificate of deposit. As of September 30, 2003, the interest rate on this certificate of deposit was 1.24%. The 90-day certificate of deposit is shown as a cash and cash equivalent in the Statement of Cash Flows.

Note 4 Contributions to the City of Cleveland

The CCDC contributed employee staff training expenses of \$6,239, printing, marketing and project development expenses of \$603, furniture and fixture purchases of \$2,930 and miscellaneous expenses of \$217 to the City of Cleveland Department of Economic Development during fiscal year 2003.

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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Cleveland Citywide Development Corporation (CCDC) as of and for the years ended September 30, 2003 and September 30, 2002, and have issued our report thereon dated March 12, 2004. We conducted our audit in accordance with 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 General of the United States.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether the CCDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance, which we have reported to the management of CCDC in a separate letter dated March 12, 2004.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the CCDC internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to management of CCDC in a separate letter dated March 12, 2004.

This report is intended solely for the information and use of the Board of Trustees, management and others within the organization and is not intended to be should not be used by anyone other than those specified parties.

March 12, 2004

*Watson, Rice & Co.*



**Auditor of State  
Betty Montgomery**

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**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  
APRIL 20, 2004**