

COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY

DEFIANCE COUNTY

**JANUARY 1, 2011 TO DECEMBER 31, 2011
FINANCIAL AUDIT**



Dave Yost • Auditor of State

Board of Directors
Community Improvement Corporation of Defiance County
1300 E. Second Street, Suite 201
Defiance, Ohio 43512

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of Defiance County, prepared by Luderman & Konst, Inc., for the audit period January 1, 2011 through December 31, 2011. 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 Community Improvement Corporation of Defiance County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 24, 2012

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**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
1300 E. Second Street, Suite 201
Defiance, Ohio 43512
(An Ohio Non-Profit Organization)**

**FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010**

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Luderman & Konst, Inc.
Certified Public Accountants

March 13, 2012

Board of Directors
Community Improvement Corporation of Defiance County
Defiance, Ohio 43512

Independent Auditor's Report

We have audited the accompanying statements of financial position of the Community Improvement Corporation of Defiance County (a Nonprofit Organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audits 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 audits provide 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 the Community Improvement Corporation of Defiance County as of December 31, 2011 and 2010, and the changes in its 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 our report dated March 13, 2012, on our consideration of the Organization's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Luderman & Konst, Inc.

Luderman & Konst, Inc.
Certified Public Accountants

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**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
STATEMENTS OF FINANCIAL POSITION
December 31,**

*Exhibit A*ASSETS

<u>Current Assets</u>	2011	2010
Cash And Cash Equivalents	\$ 17,374	\$ 36,770
Accounts Receivable	0	1,600
Prepaid Expenses	1,000	0
Note Receivable	30,000	30,000
Allowance for Doubtful Accounts	(30,000)	(30,000)
Total Current Assets	<u>18,374</u>	<u>38,370</u>
<u>Property & Equipment</u>		
Office Equipment	15,364	17,455
Less: Accumulated Depreciation	(12,512)	(13,533)
Net Property & Equipment	<u>2,852</u>	<u>3,922</u>
Total Assets	\$ <u>21,226</u>	\$ <u>42,292</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accrued Payroll Taxes	\$ 43	\$ 0
Notes Payable-Current Portion	11,207	10,231
Total Current Liabilities	<u>11,250</u>	<u>10,231</u>
<u>Long-Term Liabilities</u>		
Notes Payable-Long-Term Portion	0	25,851
Total Long-Term Liabilities	<u>0</u>	<u>25,851</u>
Total Liabilities	<u>11,250</u>	<u>36,082</u>
<u>Net Assets</u>		
Unrestricted	<u>9,976</u>	<u>6,210</u>
Total Net Assets		
Total Liabilities And Net Assets	\$ <u>21,226</u>	\$ <u>42,292</u>

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
STATEMENTS OF ACTIVITIES
For the Years Ended December 31,**

Exhibit B

<u>Revenue</u>	<u>2011</u>	<u>2010</u>
Public And Private Support	\$ 216,000	\$ 231,450
Enterprise Zone Fees	6,006	11,106
Interest Income	81	170
Total Revenue	<u>222,087</u>	<u>242,726</u>
<u>Expenses</u>		
Program Services: Economic Development	174,076	185,625
Supporting Services: General And Administrative	44,245	43,421
Total Expenses	<u>218,321</u>	<u>229,046</u>
 Change In Net Assets	 3,766	 13,680
 Net Assets, Beginning Of Year	 <u>6,210</u>	 <u>(7,470)</u>
 Net Assets, End Of Year	 <u>\$ 9,976</u>	 <u>\$ 6,210</u>

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
For The Years Ended December 31,**

Exhibit C

2011

	Program Services	Supporting Services	Fundraising	Total Expenses
Advertising	\$ 8,435	\$ 0	\$ 0	\$ 8,435
Consulting	360	0	0	360
Depreciation	844	843	0	1,687
Fringe Benefits	17,482	3,085	0	20,567
Insurance	650	649	0	1,299
Interest	1,406	0	0	1,406
Legal And Professional	0	4,421	0	4,421
Loss On Disposal of Equipment	0	0	0	0
Memberships	2,893	2,893	0	5,786
Miscellaneous	53	52	0	105
Office Supplies	675	2,025	0	2,700
Postage	404	405	0	809
Promotion & Planning	15,717	0	0	15,717
Rent	8,764	2,922	0	11,686
Salary	102,015	18,002	0	120,017
Software	306	307	0	613
Staff Training	579	102	0	681
Telephone	6,016	1,062	0	7,078
Travel And Entertainment	7,477	7,477	0	14,954
Total	\$ 174,076	\$ 44,245	\$ 0	\$ 218,321

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
For The Years Ended December 31,**

Exhibit C

	2010			
	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 13,363	\$ 0	\$ 0	\$ 13,363
Consulting	4,040	0	0	4,040
Depreciation	1,133	1,132	0	2,265
Fringe Benefits	16,912	2,985	0	19,897
Insurance	954	955	0	1,909
Interest	2,092	0	0	2,092
Legal And Professional	0	5,358	0	5,358
Loss On Disposal of Equipment	0	322	0	322
Memberships	2,252	2,253	0	4,505
Miscellaneous	619	623	0	1,242
Office Supplies	553	1,659	0	2,212
Postage	323	322	0	645
Promotion & Planning	26,161	0	0	26,161
Rent	8,139	2,713	0	10,852
Salary	95,753	16,898	0	112,651
Software	137	138	0	275
Staff Training	85	15	0	100
Telephone	6,145	1,084	0	7,229
Travel And Entertainment	6,964	6,964	0	13,928
Total	<u>\$ 185,625</u>	<u>\$ 43,421</u>	<u>\$ 0</u>	<u>\$ 229,046</u>

"SEE NOTES TO FINANCIAL STATEMENTS"

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
STATEMENTS OF CASH FLOWS
For The Years Ended December 31,**

Exhibit D

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	2011	2010
Change In Net Assets	\$ 3,766	\$ 13,680
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	1,687	2,265
Loss On Disposal Of Equipment	-	322
Decrease (Increase) In Accounts Receivable	1,600	(1,600)
(Increase) In Prepaid Expenses	(1,000)	-
(Decrease) In Accounts Payable	-	(8,750)
Increase In Accrued Payroll Taxes	43	-
Total Adjustments	<u>2,330</u>	<u>(7,763)</u>
Net Cash Provided By Operating Activities	<u>6,096</u>	<u>5,917</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase Of Property And Equipment	<u>(617)</u>	<u>-</u>
Net Cash (Used In) Investing Activities	<u>(617)</u>	<u>-</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments On Long-Term Debt	<u>(24,875)</u>	<u>(9,705)</u>
Net Cash (Used In) Financing Activities	<u>(24,875)</u>	<u>(9,705)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(19,396)</u>	<u>(3,788)</u>
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>36,770</u>	<u>40,558</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ <u>17,374</u>	\$ <u>36,770</u>
<u>SUPPLEMENTAL DISCLOSURES:</u>		
Interest Paid	<u>\$ 1,406</u>	<u>\$ 2,092</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>

"SEE NOTES TO FINANCIAL STATEMENTS"

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature Of Activities – Community Improvement Corporation of Defiance County is incorporated as a corporation, not for profit, under section 1724.01 of the revised code of the State of Ohio, to advance, encourage and promote the industrial, economic, commercial and civic development of Defiance County.

Basis Of Accounting – The financial statements of Community Improvement Corporation of Defiance County have been prepared on the accrual basis and accordingly reflect all significant receivables, payables and other liabilities.

Basis Of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any temporarily restricted or permanently restricted net assets.

Cash And Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude donor restricted cash and cash equivalents.

Accounts Receivable – Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property And Equipment – Property and equipment are stated at cost. Depreciation for financial reporting is computed using accelerated methods and for federal tax reporting is computed using the modified accelerated cost recovery method. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Maintenance and repairs are charged to expense as incurred.

Management Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Income Tax Status – The Organization is a not-for-profit Organization that the Internal Revenue Service has determined to be exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The Organization's federal Exempt Organization Business Income Tax Returns for 2008, 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising – Advertising costs are charged to expense as incurred.

Expense Allocation – Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Restricted And Unrestricted Revenue – Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Unless specifically restricted by the donor, all contributions and grants are considered to be available for unrestricted use in the activities of the Organization.

The Board of Trustees has discretionary control of the unrestricted net assets to use in the activities of the Organization.

NOTE 2 – NOTE RECEIVABLE

Notes Receivable consists of the following:

	12-31-11	12-31-10
Notes receivable from Northwest Ethanol, LLC (a limited liability company), dated October 19, 2001, maturing June 30, 2005, due in 3 annual payments of \$ 10,000 beginning June 30, 2003, including interest at a fixed rate of 2.0%. Unsecured. Northwest Ethanol is delinquent in all of the principal payments and \$ 2103 of interest payments.	\$ 30,000	\$ 30,000
Amount due within one year	<u>30,000</u>	<u>30,000</u>
Amount due after one year	<u>\$ 0</u>	<u>\$ 0</u>

Although Northwest Ethanol still exists, the building of the ethanol plant in Hicksville, Ohio has been taken over by New Energy Corporation. The outcome of Northwest Ethanol's negotiations with New Energy Corporation will determine whether or not Northwest Ethanol will have funds to repay the loan. Because of the uncertainty of the negotiations, the fact the loan is unsecured, and none of the scheduled principal payments have been made, management feels the loan is impaired and that an allowance equal to the loan should be made. Any future interest payments received on this loan will be recognized when received.

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 3 – RETIREMENT PLAN

The Organization maintains a Simple retirement plan for qualified employees. The Organization contributes 3% of the employees' compensation to the plan. Contributions for 2011 and 2010 were \$ 3,466 and \$ 3,584, respectively.

NOTE 4 - CONCENTRATION

For the year ended December 31, 2011, the Organization received 50% (47% in 2010) of its revenue from Defiance County, City of Defiance, and the Village of Hicksville.

NOTE 5 - FUNDRAISING

The major revenue of the organization is support from area businesses and local governments. A professional fundraiser was hired in both 2004 and 2009 to conduct a fundraising campaign. Area businesses and local governments are approached and asked for a 5 year pledge. The pledges are not binding since the organization retains the right to modify or cancel the pledge.

NOTE 6 – LEASES

Beginning October 21, 2005 the Organization began leasing office space at 1300 East Second Street, Suite 201 from the Defiance County Commissioners. Rent is being charged at a rate of \$ 973.88 per month for 2011 and \$ 904.32 per month for 2010. The lease is renewable each year for a period of one year. Lease expense was \$ 11,686 and \$ 10,852 for the years ended December 31, 2011 and 2010, respectively. The Organization has entered into a new lease agreement for 2012 at a rate of \$ 973.88 per month.

NOTE 7 – NOTE PAYABLE

In April 2009 the Organization borrowed \$ 52,000 from a local bank to pay for a professional fundraiser. Monthly payments of \$ \$ 983, including interest at 4.99% are due through March 2012 with the balance due in April 2012. Current maturities are as follows: 2012-\$11,207. This note is unsecured.

NOTE 8 – SUBSEQUENT EVENT

Subsequent events have been evaluated through March 13, 2012, the date the financial statements were available to be distributed.

Supplemental Information



Luderman & Konst, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH 'GOVERNMENT AUDITING STANDARDS'
March 13, 2012**

Board of Trustees
Community Improvement Corporation of Defiance County

We have audited the financial statements of the Community Improvement Corporation of Defiance County (a Nonprofit Organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Trustees
Community Improvement Corporation of Defiance County
March 13, 2012
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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*.

We noted certain matters that we reported to management of Community Improvement Corporation of Defiance County in a separate letter dated March 13, 2012.

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 used and should not be used by anyone other than these specified parties.

Luderman & Konst, Inc.

Luderman & Konst, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY

DEFIANCE 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 7, 2012**