

**Youngstown Central Area
Community Improvement Corporation**

AUDIT REPORTS

Years Ended June 30, 2011 and 2010



Canfield • Warren • Columbus

www.bodineperry.com



Dave Yost • Auditor of State

Board of Trustees
Youngstown Central Area Community Improvement Corporation
11 Central Square, Suite 1600
Youngstown, Ohio 44503

We have reviewed the *Independent Auditors' Report* of the Youngstown Central Area Community Improvement Corporation, Mahoning County, prepared by Bodine Perry, LLC, for the audit period July 1, 2009 through June 30, 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 Youngstown Central Area Community Improvement Corporation is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

April 30, 2013

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INDEPENDENT AUDITORS' REPORT

March 16, 2013

Board of Trustees
Youngstown Central Area Community Improvement Corporation
Youngstown, Ohio

We have audited the accompanying financial statements of Youngstown Central Area Community Improvement Corporation (YCACIC) as of June 30, 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 YCACIC'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 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 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 the 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 YCACIC, as of June 30, 2011 and 2010, and the changes in its net assets and revenues, expenditures and other changes, and the 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 16, 2013, on our consideration of YCACIC'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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses on page 13 is presented for purposes of additional analysis as required by *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of functional expenses is fairly stated in all material respects in relation to the financial statements as a whole.

Bodine Perry, LLC

BODINE PERRY, LLC
Certified Public Accountants and Business Analysts

Canfield, Ohio

Youngstown Central Area Community Improvement Corporation

Statements of Financial Position

June 30, 2011 and 2010

ASSETS

	2011	2010
<u>CURRENT ASSETS</u>		
Cash	\$ 228,741	\$ 128,217
State of Ohio DAS Ohio Center Project Trust Fund	984,805	978,173
Accounts Receivable	33,106	91,794
Accrued Receivables	193,193	233,048
Prepaid Expenses	9,426	9,108
Total Current Assets	1,449,271	1,440,340
 <u>PROPERTY AND EQUIPMENT</u>		
Building	11,843,198	11,843,198
Building Improvements	417,139	629,216
Land	1,616,962	1,616,962
Land Improvements	29,856	8,780
Furniture and Equipment	11,503	11,503
Subtotal	13,918,658	14,109,659
Less: Accumulated Depreciation	(4,073,975)	(3,681,687)
Total Property and Equipment	9,844,683	10,427,972
 <u>OTHER ASSETS</u>		
Deferred Bond Issue Costs, Net of Accumulated Amortization of Amortization of \$87,188 and \$80,482 in 2011 and 2010, respectively	114,017	120,723
Total Other Assets	114,017	120,723
 TOTAL ASSETS	\$ 11,407,971	\$ 11,989,035

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 142,864	\$ 198,994
Bonds Payable, Current Portion	160,000	150,000
Security Deposits	-	450
Accrued Bond Interest	128,427	131,759
Accrued Real Estate Taxes	143	142
Unearned Rent	3,158,245	3,288,402
Total Current Liabilities	3,589,679	3,769,747
 <u>LONG-TERM DEBT</u>		
Bonds Payable, Net of Current Portion and Unamortized Bond Discount of \$87,876 and \$94,184 in 2011 and 2010, respectively	5,352,124	5,505,816
 Total Liabilities	8,941,803	9,275,563
 <u>NET ASSETS</u>		
Unrestricted		
Designated	984,805	978,173
Undesignated	1,481,363	1,735,299
Total Unrestricted Net Assets	2,466,168	2,713,472
 TOTAL LIABILITIES AND NET ASSETS	\$ 11,407,971	\$ 11,989,035

See Independent Auditors' Report and Notes to Financial Statements

Youngstown Central Area Community Improvement Corporation

Statements of Activities

For The Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>UNRESTRICTED REVENUES AND OTHER SUPPORT</u>		
Rental Income	\$ 1,166,180	\$ 1,149,726
Interest Income	2,045	1,734
Other	<u>481,742</u>	<u>1,246,238</u>
Total Unrestricted Revenues and Other Support	1,649,967	2,397,698
 <u>EXPENSES</u>		
Program	1,873,271	2,647,135
General and Administrative	<u>24,000</u>	<u>24,000</u>
Total Expenses	<u>1,897,271</u>	<u>2,671,135</u>
 Decrease in Unrestricted Net Assets	 (247,304)	 (273,437)
 Unrestricted Net Assets - Beginning of Year	 <u>2,713,472</u>	 <u>2,986,909</u>
 Unrestricted Net Assets - End of Year	 <u>\$ 2,466,168</u>	 <u>\$ 2,713,472</u>

See Independent Auditors' Report and Notes to Financial Statements

Youngstown Central Area Community Improvement Corporation

Statement of Cash Flows

For The Years Ended June 30, 2011 and 2010

	2011	2010
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (247,304)	\$ (273,437)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Loss on Sale of Property and Equipment	15,378	-
Depreciation	439,593	440,170
Amortization of Bond Issue Costs	6,707	6,707
Amortization of Original Issue Discount on Bonds	6,308	6,308
(Increase) Decrease in Operating Assets		
Accounts Receivable	58,688	(48,658)
Accrued Receivables	39,855	53,266
Prepaid Expenses	(318)	(355)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(56,129)	(902,251)
Security Deposits	(450)	-
Accrued Bond Interest	(3,332)	(2,722)
Accrued Real Estate Taxes	1	(953)
Unearned Rent	(130,157)	(146,572)
Net Cash Provided By (Used In) Operating Activities	128,840	(868,497)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payment of Bonds Payable	(150,000)	(125,000)
Net Cash Flows Used In Financing Activities	(150,000)	(125,000)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Property	(21,075)	-
Increase in State of Ohio DASOCP Trust Fund	(2,516,963)	(2,263,181)
Decrease in State of Ohio DASOCP Trust Fund	2,511,332	2,242,575
Change in Construction in Progress	-	936,772
Sale/Disposition of Property and Equipment	148,390	-
Net Cash Provided By Investing Activities	121,684	916,166
Net Increase (Decrease) In Cash	100,524	(77,331)
Cash - Beginning of Year	128,217	205,548
Cash - End of Year	\$ 228,741	\$ 128,217
<u>SUPPLEMENTARY INFORMATION</u>		
Cash Paid for Interest	\$ 293,647	\$ 299,186

See Independent Auditors' Report and Notes to Financial Statements

The Youngstown Central Area Community Improvement Corporation

Notes to Financial Statements

June 30, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Youngstown Central Area Community Improvement Corporation (the “Organization”) is a community improvement organization which was formed on April 25, 1988, with the primary purpose of promoting industrial and economic development within the central area of the City of Youngstown.

Basis of Accounting

The Organization has prepared its financial statements on the accrual basis in conformity with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization maintains its cash balances in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization’s deposits may at times exceed the insured limit.

Accounts Receivable and Accrued Receivables

Accounts receivable and accrued receivables are stated at the amount management expects to collect from balances outstanding at year-end. The potential risk is limited to the amount recorded in the financial statements. Receivables are written off when they are determined to be uncollectible. Based on management’s assessment of the credit history with organizations having outstanding balances, it has concluded that all receivables at June 30, 2011 and 2010 are collectible.

Grants and Deferred Revenue

Governmental grants are deferred and are not recognized as revenue until expenditures are incurred.

Property and Equipment

Property and equipment purchased and real estate given by or transferred from the City of Youngstown to the Organization are recorded at cost. Donated assets are recorded at fair market value at the date of the gift. No formal appraisal has been done on the donated properties and no reasonable method has been available to value the property.

Renewals and replacements of a routine nature are expensed, while those that extend or improve the life of existing properties are capitalized.

Assets are depreciated by the straight-line method over their estimated useful lives. The following is a summary of the useful lives.

Land and Building Improvements	7-20 years
Buildings	20-30 years
Furniture and Equipment	5 years

Unearned Rent

The organization has a rent agreement with the County of Mahoning for the 7th District Court of Appeals (COA) for a 30 year period. The COA has the option to purchase the building for \$1 at anytime during the lease period. Rent was prepaid in 2006. The rent will be recognized over the

The Youngstown Central Area Community Improvement Corporation

Notes to Financial Statements

June 30, 2011 and 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON’T)

period of the agreement. Rental income received during the years ended June 30, 2011 and 2010 was \$131,332 per year.

Program Services

For financial statement purposes, the Organization is involved with one program service which is to promote industrial and economic development within the central business district of the city of Youngstown.

Restriction Policy

The Organization has no donor imposed restrictions which need to be classified as temporary or permanently restricted assets.

Designated Net Assets

The Organization has funds designated for the purpose of transactions related to the construction and rental of the Voinovich Center. The funds are shown on the Statements of Net Assets under the descriptions of “State of Ohio DAS Ohio Center Project Trust Fund and Designated Net Assets”.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 and disclosure. Actual results could differ from those estimates.

Federal Income Taxes

The Organization is a nonprofit organization and is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has no provision for federal income taxes. The Organization follows the accounting standards of FASB ASC 740 for contingencies in evaluating uncertain tax positions. The guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of June 30, 2011 and 2010.

Date of Management’s Review

The Company has evaluated subsequent events through March 16, 2013, the date the financial statements were available to be issued.

NOTE B – GRANTS

During 2008 two grants were received for \$2,750,000 from Ohio Board of Regents and \$282,000 from the Small Business Administration. These grants were received for the Tech Block III project.

The Youngstown Central Area Community Improvement Corporation

Notes to Financial Statements

June 30, 2011 and 2010

NOTE B – GRANTS (CON’T)

The total unused portion of these grants totaled \$0 and \$32,743 for the years ended June 30, 2011 and 2010, respectively.

NOTE C – STATE OF OHIO DAS OHIO CENTER PROJECT TRUST FUND

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of value hierarchy under FASB ASC Topic 820 are described as follows:

Level 1 Fair Value Measurements

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Fair Value Measurements

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are delivered principally from or corroborated by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Fair Value Measurements

Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable measurements.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

The investments of the Organization are valued at the closing price reported in the active markets in which they are traded.

The Youngstown Central Area Community Improvement Corporation

Notes to Financial Statements

June 30, 2011 and 2010

NOTE C – STATE OF OHIO DAS OHIO CENTER PROJECT TRUST FUND (CON'T)

The preceding method described may produce fair value calculations that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

Cost and fair value of U.S. Treasury Money Market accounts, within the fair value hierarchy, at June 30, 2011 and 2010 are as follows:

	2011		2010	
	Quoted Prices in Active Markets for Identical Assets (Level 1) Fair Market Value	Cost	Quoted Prices in Active Markets for Identical Assets (Level 1) Fair Market Value	Cost
U.S. Treasury Money Market	\$ 984,805	\$ 984,805	\$ 978,173	\$ 978,173

NOTE D – LONG TERM DEBT

Long-term debt consisted of the following:

	June 30,	
	2011	2010
Bond obligations, interest rates from 4.05% to 5.0 %, due at various dates until 2028	\$ 5,600,000	\$ 5,750,000
Less unamortized discount	(87,876)	(94,184)
Less current portion	(160,000)	(150,000)
Net Long-Term Debt	\$ 5,352,124	\$ 5,505,816

The Youngstown Central Area Community Improvement Corporation

Notes to Financial Statements

June 30, 2011 and 2010

NOTE D – LONG TERM DEBT (CON'T)

Year Ending June 30,		Amount
2012	\$	160,000
2013		185,000
2014		190,000
2015		0
2016		0
Thereafter		5,065,000
	\$	5,600,000

Interest incurred was \$293,647 and \$299,186 for the years ended June 30, 2011 and 2010, respectively.

NOTE E – RENTALS UNDER OPERATING LEASES

The Company is the lessor of office space under operating leases with the State of Ohio with renewal options extending through 2029. The State of Ohio is able to exercise its option to purchase the building for \$1 at any time after the certificates of participation have been completed pursuant to the provisions of the trust agreement. Management expects these leases will be renewed. Including renewals, minimum future rentals to be received on these noncancelable leases as of June 30, 2011 for each of the next five years and in the aggregate are:

Year Ended June 30,		Amount
2012	\$	913,420
2013		913,420
2014		940,823
2015		940,823
2016		969,048
Thereafter		13,966,972
Total Minimum Future Rentals	\$	18,644,506

The following is a summary of office space held for lease:

	June 30,	
	2011	2010
Building	\$ 7,802,229	\$ 7,802,229
Less: Accumulated Depreciation	(3,060,874)	(2,800,800)
	\$ 4,741,355	\$ 5,001,429

**The Youngstown Central Area
Community Improvement Corporation**

Notes to Financial Statements

June 30, 2011 and 2010

NOTE F – PRIOR PERIOD ADJUSTMENT

During the audit for the year ended June 30, 2010, inventory of the capital assets was taken and it was noted that the beginning balance for the year ended June 30, 2010 needed to be restated. Due to this correction, beginning unrestricted net assets for the year ended June 30, 2010 were decreased by \$1,403,315. This correction was made for the year ended June 30, 2010.

Youngstown Central Area Community Improvement Corporation

Schedule of Functional Expenses

For The Years Ended June 30, 2011 and 2010

	Program		General and Administrative		Totals	
	2011	2010	2011	2010	2011	2010
Depreciation	\$ 439,593	\$ 440,170	\$ -	\$ -	\$ 439,593	\$ 440,170
Contracted Services	205,962	201,963	24,000	24,000	229,962	225,963
Legal and Professional	19,853	57,554	-	-	19,853	57,554
Occupancy and Maintenance	799,104	1,633,201	-	-	799,104	1,633,201
Marketing	1,958	725	-	-	1,958	725
Bond Expense	296,021	303,240	-	-	296,021	303,240
Real Estate Expense	530	1,730	-	-	530	1,730
Other	110,250	8,552	-	-	110,250	8,552
Total	\$ 1,873,271	\$ 2,647,135	\$ 24,000	\$ 24,000	\$ 1,897,271	\$ 2,671,135

See Independent Auditors' Report and Notes to Financial Statements



**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 16, 2013
Board of Trustees
Youngstown Central Area Community Improvement Corporation
Youngstown, Ohio

We have audited the financial statements of Youngstown Central Area Community Improvement Corporation as of and for the years ended June 30, 2011 and 2010 and have issued our report thereon dated March 16, 2013. 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.

Internal Control Over Financial Reporting

Management of Youngstown Central Area Community Improvement Corporation is responsible for establishing and maintaining effective internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of Youngstown Central Area Community Improvement Corporation'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. A material weakness is a significant deficiency, or combinations of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the 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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Youngstown Central Area Community Improvement Corporation's financial statements are free of 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 reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Youngstown Central Area Community Improvement Corporation in a separate letter dated March 16, 2013

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

Bodine Perry, LLC

BODINE PERRY, LLC
Certified Public Accountants and Business Analysts

Canfield, OH

**The Youngstown Central Area
Community Improvement Corporation**

Schedule of Findings and Questioned Costs

Years Ended June 30, 2011 and 2010

Findings

There were no audit findings, during the 2011 and 2010 fiscal years.

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Dave Yost • Auditor of State

YOUNGSTOWN CENTRAL AREA COMMUNITY IMPROVEMENT CORPORATION

MAHONING 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
MAY 14, 2013**