

COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY

DEFIANCE COUNTY

JANUARY 1, 2004 TO DECEMBER 31, 2004

PREPARED BY: LUNDERMAN & KONST, INC.



**Auditor of State
Betty Montgomery**

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

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, 2004 through December 31, 2004. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 26, 2005

This Page is Intentionally Left Blank.

**COMMUNITY IMPOROVEMENT CORPORATION
OF DEFIANCE COUNTY
197-2B-1 Island Park Avenue
Defiance, Ohio 43512
(An Ohio Non-Profit Organization)**

**FINANCIAL STATEMENTS
For the Years Ended December 31, 2004 and 2003**

INDEX

	<u>Page No.</u>
Index -----	1
Independent Auditor's Report-----	2
Statement of Financial Position – Exhibit A -----	3
Statement of Activities – Exhibit B -----	4
Statement of Functional Expenses – Exhibit C -----	5 & 6
Statement of Cash Flows – Exhibit D-----	7
Notes to Financial Statements -----	8 - 10
<i>Supplemental Information:</i>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with “Government Auditing Standards” -----	11

April 22, 2005

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

Independent Auditor's Report

We have audited the accompanying statement of financial position of the Community Improvement Corporation of Defiance County (a Nonprofit Organization) as of December 31, 2004 and 2003, 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, 2004 and 2003, 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 April 22, 2005, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Luderman & Konst, Inc.
Certified Public Accountants

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

Exhibit AASSETS

<u>Current Assets</u>	2004	2003
Cash And Cash Equivalents	\$ 49,976	\$ 3,953
Certificates Of Deposit & Money Market	0	100,752
Note Receivable	30,000	20,000
Interest Receivable	303	1,042
Total Current Assets	\$ 80,279	\$ 125,747
<u>Property & Equipment</u>		
Office Equipment	\$ 4,175	\$ 8,436
Less: Accumulated Depreciation	(2,841)	(7,751)
Net Property & Equipment	\$ 1,334	\$ 685
<u>Other Assets</u>		
Note Receivable	\$ 0	\$ 10,000
 Total Assets	 \$ 81,613	 \$ 136,432

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts Payable	\$ 69,000	\$ 0
Payroll Taxes Withheld	3,437	2,055
Deferred Revenue	28,359	0
Total Current Liabilities	\$ 100,796	\$ 2,055
<u>Net Assets</u>		
Unrestricted	\$ (19,183)	\$ 134,377
Total Net Assets		
 Total Liabilities And Net Assets	 \$ 81,613	 \$ 136,432

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
STATEMENT OF ACTIVITIES
December 31,**

Exhibit BREVENUECurrent Revenue

	<u>2004</u>	<u>2003</u>
Public And Private Support	\$ 162,872	\$ 115,825
Revenue Pass Through	61,641	0
Enterprise Zone Application Fees	24,702	20,460
Interest Income	1,492	2,606
Miscellaneous	0	52
Total Revenue	<u>\$ 250,707</u>	<u>\$ 138,943</u>

Expenses

Program Services: Economic Development	\$ 218,851	\$ 113,684
Supporting Services: General And Administrative	34,639	26,462
Fundraising	150,777	0
Total Expenses	<u>\$ 404,267</u>	<u>\$ 140,146</u>

Change In Net Assets	\$ (153,560)	\$ (1,203)
----------------------	--------------	------------

Net Assets, Beginning Of Year	<u>134,377</u>	<u>135,580</u>
-------------------------------	----------------	----------------

Net Assets, End Of Year	<u><u>\$ (19,183)</u></u>	<u><u>\$ 134,377</u></u>
-------------------------	---------------------------	--------------------------

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

Exhibit C**2004**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 19,841	\$ 0	\$ 0	\$ 19,841
Application Fees	1,150	0	0	1,150
Contracted Services	3,000	0	0	3,000
Consulting	0	0	144,045	144,045
Depreciation	250	249	0	499
Equipment And Maintenance	452	451	0	903
Expenses Pass Through	61,641	0	0	61,641
Fringe Benefits	15,125	2,669	0	17,794
Insurance	695	695	0	1,390
Legal And Professional	0	3,129	0	3,129
Loss on Disposal	50	50	0	100
Memberships	4,793	4,793	0	9,586
Miscellaneous	145	144	60	349
Office Supplies	1,018	3,052	768	4,838
Planning	600	0	0	600
Postage	659	658	211	1,528
Promotion	5,576	0	190	5,766
Salary	90,186	15,915	5,143	111,244
Software	513	512	0	1,025
Staff Training	1,070	189	0	1,259
Telephone	5,092	899	338	6,329
Travel And Entertainment	6,995	1,234	22	8,251
Total	<u>\$ 218,851</u>	<u>\$ 34,639</u>	<u>\$ 150,777</u>	<u>\$ 404,267</u>

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

*Exhibit C***2003**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 13,487	\$ 0	\$ 0	\$ 13,487
Application Fees	0	0	0	0
Contracted Services	3,000	0	0	3,000
Consulting	0	0	0	0
Depreciation	229	228	0	457
Equipment And Maintenance	270	270	0	540
Expenses Pass Through	0	0	0	0
Fringe Benefits	9,981	1,761	0	11,742
Insurance	695	695	0	1,390
Legal And Professional	0	2,593	0	2,593
Loss on Disposal	0	0	0	0
Memberships	4,602	4,602	0	9,204
Miscellaneous	204	204	0	408
Office Supplies	848	2,542	0	3,390
Planning	4,000	0	0	4,000
Postage	604	603	0	1,207
Promotion	3,390	0	0	3,390
Salary	63,972	11,289	0	75,261
Software	235	234	0	469
Staff Training	401	71	0	472
Telephone	3,666	647	0	4,313
Travel And Entertainment	4,100	723	0	4,823
Total	<u>\$ 113,684</u>	<u>\$ 26,462</u>	<u>\$ 0</u>	<u>\$ 140,146</u>

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

Exhibit D

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	2004	2003
Change In Net Assets	\$ (153,560)	\$ (1,203)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Loss On Disposal	100	0
Depreciation	499	457
Decrease (Increase) in Interest Receivable	739	(600)
Increase In Accounts Payable	69,000	0
Increase In Payroll Taxes Withheld	1,382	1,763
Increase In Deferred Revenue	28,359	0
Total Adjustments	\$ 100,079	\$ 1620
Net Cash (Used In) Provided By Operating Activities	\$ (53,481)	\$ 417
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Net Redemption (Purchase) Of Certificate Of Deposit	\$ 100,752	\$ 1,049
Purchase Of Property And Equipment	(1,248)	0
Net Cash Provided By Investing Activities	\$ 99,504	\$ 1,049
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 46,023	\$ 1,466
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	3,953	2,487
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ 49,976	\$ 3,953

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003**

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 in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

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.

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.

Management 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 reported amounts of revenue and expenses during the reporting period. 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.

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.

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 or the Organization.

Advertising – Advertising costs are charged to expense as incurred. The Organization's advertising costs totaled \$ 19,841 and \$ 13,487 for the years ended December 31, 2004 and 2003, respectively.

NOTE 2 – NOTE RECEIVABLE

Notes Receivable consists of the following:

	12-31-04	12-31-03
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. The Organization did not receive all of the semi-annual interest payments due in 2002, 2003, and 2004, nor did it receive any principal repayments in 2003 or 2004.	\$ 30,000	\$ 30,000
Amount due within one year	30,000	20,000
Amount due after one year	0	10,000

Although none of the principal has been received through December 31, 2004, management feels the note will eventually be paid. The project has encountered difficulties in getting started but is anticipated the project will begin in the near future.

NOTE 3 – RETIREMENT PLAN

The Organization maintains a 403(b) retirement plan for qualified employees. The Organization contributes 5% of the employees' compensation to the plan. Contributions for 2004 and 2003 were \$ 4,367 and \$ 3,023, respectively.

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003**

NOTE 4 - CONCENTRATION

For the year ended December 31, 2004, the Organization received 49% (58% in 2003) of its revenue from Defiance County, City of Defiance, and the Village of Hicksville.

NOTE 5 - SUBSEQUENT EVENTS

At December 31, 2004 the organization has an option to purchase 15.1 acres of real estate at \$ 28,000 per acre, which, if exercised would immediately be resold at the same price to several potential investors.

NOTE 6 - FUNDRAISING

During 2004 the organization hired a professional fundraiser and entered into a contract for assistance in a major fundraising campaign. The goal of the campaign is to raise \$ 1,500,000 over the next 5 years. To date approximately \$ 1,350,000 has been pledged and the organization feels that they will meet the goal. The contract is for \$ 133,500 with \$ 18,500 payable in two installments of \$ 9,250 each and the balance of \$ 115,000 payable in twenty payments of \$ 5,750 each. In addition the organization is liable for travel expenses, etc. not to exceed \$ 14,000. At December 31, 2004 an amount of \$ 69,000 is still owed under the terms of the contract and is reflected in Accounts Payable.

NOTE 7 - DEFERRED REVENUE

Included in deferred revenue at December 31, 2004 is \$ 25,000, which represents half of the organizations 2005 allotment from Defiance County. At the time the funds were advanced, it was felt the organization would need these funds to acquire property.

Supplemental Information

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
'GOVERNMENT AUDITING STANDARDS'
April 22, 2005**

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, 2004, and have issued our report thereon dated April 22, 2005. 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.

Compliance

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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's 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 the 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.

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

Luderman & Konst, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**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 9, 2005**