



OHIO AUDITOR OF STATE
KEITH FABER



**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY
DECEMBER 31, 2020 AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation of Defiance County
Defiance County
1300 East Second Street, Suite 201
Defiance, Ohio 43512

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Improvement Corporation of Defiance County, Defiance County, Ohio (the Corporation), (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of December 31, 2020 and 2019, the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the 2020 financial statements and Note 9 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of the Corporation'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the Corporation's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

November 18, 2021

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	298,631
Cash Restricted for Economic Development		5,854
Loans Receivable - Current		19,794
Prepaid Expenses		1,096
Total Current Assets		325,375

Property and Equipment

Furniture and Fixtures		24,554
Less Accumulated Depreciation		(23,106)
Total Property and Equipment - Net		1,448

Other Assets

Loans Receivable		145,745
Total Other Assets		145,745

Total Assets

\$ 472,568

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	3,098
Accrued Payroll Taxes		213
Total Current Liabilities		3,311

Net Assets

Net Assets Without Donor Restrictions		463,403
Net Assets With Donor Restrictions		5,854
Total Net Assets		469,257
Total Liabilities and Net Assets	\$	472,568

The notes to the financial statements are an integral part of this statement.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Public and Private Support	\$ 311,014	\$ 47,550	\$ 358,564
Administrative Fees	5,704	-	5,704
Interest Income	3,830	-	3,830
Net Assets Released From Restrictions	47,550	(47,550)	-
Total Revenues	<u>368,098</u>	<u>-</u>	<u>368,098</u>
Expenses			
Economic Development	268,634	-	268,634
Supporting Services: Management and General	85,595	-	85,595
Total Expenses	<u>354,229</u>	<u>-</u>	<u>354,229</u>
Change in Net Assets	13,869	-	13,869
Net Assets, Beginning of Year	449,534	5,854	455,388
Net Assets, End of Year	<u>\$ 463,403</u>	<u>\$ 5,854</u>	<u>\$ 469,257</u>

The notes to the financial statements are an integral part of this statement.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services	Supporting Services	Total Expenses
Advertising	\$ 2,367	\$ -	\$ 2,367
Consulting	3,757	-	3,757
Depreciation	509	508	1,017
Development	48,943	-	48,943
Fringe Benefits and Taxes	17,099	5,214	22,313
Insurance	1,510	1,510	3,020
Legal and Professional	-	11,193	11,193
Memberships	1,767	1,767	3,534
Office Supplies	1,935	5,844	7,779
Postage	585	584	1,169
Promotion and Planning	10,050	-	10,050
Rent	9,352	3,548	12,900
Salary	160,816	49,045	209,861
Software	2,328	2,328	4,656
Staff Training	636	212	848
Telephone	4,704	1,567	6,271
Travel and Entertainment	2,276	2,275	4,551
Total	<u>\$ 268,634</u>	<u>\$ 85,595</u>	<u>\$ 354,229</u>

The notes to the financial statements are an integral part of this statement.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
 DEFIANCE COUNTY
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 13,869
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	1,017
Decrease in Loans Receivable	19,066
(Increase) in Prepaid Expenses	(21)
Increase in Accounts Payable	3,098
Increase in Accrued Payroll Taxes	88
Net Cash Provided by Operating Activities	37,117
Net Increase in Cash and Cash Equivalents	37,117
Cash and Cash Equivalents at Beginning of Year	267,368
Cash and Cash Equivalents at End of Year	\$ 304,485

The notes to the financial statements are an integral part of this statement.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 1 – Summary of Operations and Significant Accounting Policies

This summary of significant accounting policies of the Community Improvement Corporation of Defiance County, Ohio (the Corporation) is presented to assist in understanding the Corporation's financial statements. The financial statements and notes are representations of the Corporation's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature Of Organization – The Corporation is incorporated as a corporation, not for profit, under section 1724.01 of the revised code of the State of Ohio. The purpose of the Corporation is to advance, encourage and promote the industrial, economic, commercial, and civic development of Defiance County. The Corporation's basic programs include advertising in industrial development publications, assisting businesses in obtaining incentives to expand or locate in Defiance County and administering incentive programs for taxing authorities and related businesses.

Basis Of Accounting – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. At December 31, 2020, total cash and cash equivalents that equals the amount shown in the statement of cash flows includes unrestricted cash and cash equivalents and donor restricted cash and cash equivalents of \$304,485.

Display of Net Assets by Class – The accompanying financial statements have been prepared in conformity with the presentation requirements of the Financial Accounting Standards Board for non-profit entities. Accordingly, the net assets of the Corporation are reported in each of the following two classes: (a) net assets without donor restrictions, and (b) net assets with donor restrictions. Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally net assets without donor restrictions. Support that is restricted by the donor is reported as an increase in the net assets with donor restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions.

Public and Private Support Revenue – The Corporation's major source of revenue is public and private support revenue comprising payments from Defiance County, the City of Defiance, and various villages and townships within the County and membership support received from businesses and individuals in Defiance County. Other income consists of administration fees of tax incentive programs and interest income received from loans receivable.

Advertising – Advertising costs are charged to expense as incurred.

Contributions – Contributions are recognized when the donor makes a promise to the Corporation that is, in substance, unconditional. Contributions which have no restrictions or donor restrictions expiring in the current year are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When the restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished) the restricted net assets are reclassified to net assets without donor restrictions.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Property and Equipment – The Corporation capitalizes all expenditures in excess of \$500 for property and equipment. Fixed assets are recorded at cost or, if donated, at fair value at the date of donation. Major renewal and improvements are capitalized, while replacements, maintenance, and repairs which did not materially extend the useful lives of assets, are expensed. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

Federal Income Taxes – The Corporation is exempt from federal income taxes as a non-profit corporation under Section 501(c)(6) of the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

Functional Expenses – The costs of providing the various programs have been summarized on a functional basis in the statement of functional expenses. Expenses are allocated to program services and supporting services (management and general) on the following basis:

- Management and general expenses are allocated based on management’s estimate of time spent.
- Personnel expenses are allocated on the basis of direct salaries.
- Building and occupancy costs are allocated on a management’s estimate of representative space used for each activity.

Management Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures on contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments – The Corporation’s financial instruments are cash, notes receivable, and accounts payable. The recorded values of cash and accounts payable approximate their fair values based on their short-term nature. The recorded values of notes receivable approximate fair value, as interest approximates market rates.

Note 2 – Liquidity and Availability of Financial Assets

The following represents the Corporation’s financial assets at December 31, 2020:

Financial Assets, at Year End:		
Cash and Cash Equivalents	\$	304,485
Loans Receivable – Current Portion		19,794
Less:		
Financial Assets Held for Donor Restrictions		<u>(5,854)</u>
Financial Assets Available to Meet General Expenditures		
Within the Next Year	\$	<u>318,425</u>

The Corporation may receive donor-restricted contributions. Because a donor’s restriction requires resources to be used in a specific manner or in a future period, the Corporation must maintain sufficient resources to meet its responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year of December 31, 2020. As part of the Corporation’s liquidity management plan, cash in excess of daily requirements is invested in money market and savings accounts.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 3 – Loans Receivable

The Corporation encourages expansion of local businesses by making low interest loans. The loans are secured by inventory, chattel paper, accounts, equipment and general intangibles. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to loans receivable. The allowance for bad debts for the year ended December 31, 2020 is \$0.

Terms of the loans are as follows:

	<u>12/31/20</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Due Date</u>
Clemens Mobile Welding	\$ 109,971	2.00%	\$ 758.83	Nov-34
B&B Molded Products	25,250	2.00%	893.72	Apr-23
Spyker Contracting	<u>30,318</u>	2.00%	257.40	Nov-31
Total	165,539			
Less: Current Portion	<u>(19,794)</u>			
Long Term Portion	<u><u>\$ 145,745</u></u>			

Note 4 – Net Assets

At December 31, 2020, net assets with donor restrictions consists of cash totaling \$5,854. All net assets without donor restrictions are undesignated as of December 31, 2020. Net assets released from net assets with donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors were \$47,550 for the year ended December 31, 2020.

The net assets with donor restrictions include funds for economic development and are considered restricted revenue until the donor-stipulated time expires or the purpose of the restriction is accomplished. The net assets with donor restrictions are reclassified to “net assets without donor restrictions” and reported in the statement of activities as net assets are released from restrictions.

Note 5 – Concentration of Revenue and Other Risks

The Corporation received approximately 25 percent of its revenue from Defiance County and 25 percent of its revenue from City of Defiance in 2020.

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash and cash equivalents. The Corporation maintains cash balances at financial institutions that, at times, may exceed the Federal Deposit Insurance Corporation limit of \$250,000 per institution. The amount in excess of the limits was \$11,197 at December 31, 2020. Management monitors the soundness of these financial institutions and believes it is not exposed to any significant credit risks related to cash deposits.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 6 – Cost Allocations

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that have been allocated are wages, fringes and taxes, rent, training, and telephone which are allocated on the basis of estimates of time and effort; and depreciation, insurance, memberships, office supplies, postage, software, travel and entertainment, which are allocated on usage.

Note 7 – Lease Commitments

Beginning October 21, 2005, the Corporation began leasing office space at 1300 East Second Street, Suite 201 from the Defiance County Commissioners. The current lease began January 1, 2016 and ended December 31, 2020. Rent is being charged at a rate of \$1,075 per month. Lease expense was \$12,900 for the year ended December 31, 2020. This lease was renewed in December 2020 for another five year term beginning January 1, 2021 through December 31, 2025.

The Corporation began leasing a new copier in May 2019 with a contract scheduled to expire in April 2024. Rental expense was \$2,206 for the year ended December 31, 2020.

The following is a schedule of future minimum payments required under the above non-cancellable operating leases:

Year Ended December 31,	
2021	\$ 15,362
2022	15,629
2023	15,896
2024	14,704
2025	14,246
	<u>\$ 75,837</u>

Note 8 – Retirement Plan

The Corporation maintains a Simple retirement plan for qualified employees. The Corporation contributes 3 percent of the employees' compensation to the plan. Contributions for 2020 were \$5,936.

Note 9 – Presentation

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet date for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the matter of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 31, 2021, including interim periods within those fiscal years beginning after December 31, 2022. Management is currently evaluating the impact of the ASU and the effects to the financial statements.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Note 10 – Property and Equipment

Property and equipment activity for the year ended December 31, 2020, was as follows:

	Balance 1/1/20	Additions	Dispositions	Balance 12/31/20
<i>Property and Equipment, Being Depreciated:</i>				
Furniture and Fixtures	\$ 24,554	\$ -	\$ -	\$ 24,554
Total, Being Depreciated	24,554	-	-	24,554
Less: Accumulated Depreciation:				
Furniture and Fixtures	(22,089)	(1,017)	-	(23,106)
Total Accumulated Depreciation	(22,089)	(1,017)	-	(23,106)
Property and Equipment, Being Depreciated, Net	\$ 2,465	\$ (1,017)	\$ -	\$ 1,448

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation. In addition, the impact on the Corporation's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 261,514
Cash Restricted for Economic Development	5,854
Loans Receivable - Current	19,415
Prepaid Expenses	1,075
Total Current Assets	<u>287,858</u>

Property and Equipment

Furniture and Fixtures	24,554
Less Accumulated Depreciation	(22,089)
Total Property and Equipment - Net	<u>2,465</u>

Other Assets

Loans Receivable	165,191
Total Other Assets	<u>165,191</u>

Total Assets

\$ 455,514

LIABILITIES AND NET ASSETS

Current Liabilities

Accrued Payroll Taxes	\$ 126
Total Current Liabilities	<u>126</u>

Net Assets

Net Assets Without Donor Restrictions	449,534
Net Assets With Donor Restrictions	5,854
Total Net Assets	<u>455,388</u>
Total Liabilities and Net Assets	<u><u>\$ 455,514</u></u>

The notes to the financial statements are an integral part of this statement.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Public and Private Support	\$ 315,100	\$ 85,001	\$ 400,101
Administrative Fees	4,998	-	4,998
Interest Income	3,839	-	3,839
Net Assets Released From Restrictions	90,669	(2,024,122)	(1,933,453)
Total Revenues	<u>414,606</u>	<u>(1,939,121)</u>	<u>(1,524,515)</u>
Expenses			
Economic Development	319,331	-	319,331
Supporting Services: Management and General	85,517	-	85,517
Total Expenses	<u>404,848</u>	<u>-</u>	<u>404,848</u>
Change in Net Assets	9,758	(1,939,121)	(1,929,363)
Net Assets, Beginning of Year	439,776	1,944,975	2,384,751
Net Assets, End of Year	<u>\$ 449,534</u>	<u>\$ 5,854</u>	<u>\$ 455,388</u>

The notes to the financial statements are an integral part of this statement.

COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services	Total Expenses
Advertising	\$ 5,960	\$ -	\$ 5,960
Consulting	12,152	-	12,152
Depreciation	980	979	1,959
Development	100,102	-	100,102
Fringe Benefits and Taxes	13,259	3,976	17,235
Insurance	1,379	1,379	2,758
Legal and Professional	-	12,808	12,808
Memberships	2,484	2,485	4,969
Office Supplies	1,591	4,839	6,430
Postage	559	559	1,118
Promotion and Planning	19,463	-	19,463
Rent	8,647	4,007	12,654
Salary	140,088	45,081	185,169
Software	1,598	1,598	3,196
Staff Training	745	248	993
Telephone	4,149	1,383	5,532
Travel and Entertainment	6,175	6,175	12,350
Total	<u>\$ 319,331</u>	<u>\$ 85,517</u>	<u>\$ 404,848</u>

The notes to the financial statements are an integral part of this statement.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash Flows from Operating Activities

Change in Net Assets	\$ (1,929,363)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	1,959
Decrease in Loans Receivable	18,755
(Increase) in Prepaid Expenses	(21)
Increase in Accrued Payroll Taxes	127
Net Cash Provided by Operating Activities	(1,908,543)

Cash Flows from Investing Activities

Decrease in Real Estate Held for Development	1,933,453
Net Increase in Cash and Cash Equivalents	24,910
Cash and Cash Equivalents at Beginning of Year	242,458
Cash and Cash Equivalents at End of Year	\$ 267,368

The notes to the financial statements are an integral part of this statement.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 1 – Summary of Operations and Significant Accounting Policies

Nature of Organization – The Community Improvement Corporation of Defiance County, Ohio (the Corporation) is incorporated as a corporation, not for profit, under section 1724.01 of the revised code of the State of Ohio. The purpose of the Corporation is to advance, encourage and promote the industrial, economic, commercial, and civic development of Defiance County. The Corporation's basic programs include advertising in industrial development publications, assisting businesses in obtaining incentives to expand or locate in Defiance County, and administering incentive programs for taxing authorities and related businesses.

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

Basis of Presentation – The financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) which requires the Corporation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors, and grantors. Donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operation activities consist of those items attributable to the Corporation's ongoing services. Nonoperating activities are limited to resources that generate return from other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. At December 31, 2019, total cash and cash equivalents that equals the amount shown in the statement of cash flows includes unrestricted cash and cash equivalents and donor restricted cash and cash equivalents of \$267,368.

Property and Equipment – Property and equipment are stated at cost. Depreciation for financial reporting and for federal tax reporting is computed using the straight-line method over the asset's estimated useful life. The Corporation capitalizes all acquisitions in excess of \$500.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Contributions – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Corporation. The expenses that have been allocated are wages, fringes and taxes, rent, training, and telephone which are allocated on the basis of estimates of time and effort; and depreciation, insurance, memberships, office supplies, postage, software, travel and entertainment, which are allocated on usage.

Income Tax Status – The Corporation is exempt from income taxes under IRC section 501(c)(6), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Corporation has processes in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Corporation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. It has been classified as a corporation other than a private foundation.

Advertising – Advertising costs 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. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however actual results could differ from those estimates.

Note 2 – Availability and Liquidity

The following represents the Corporation’s financial assets at December 31, 2019:

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Financial Assets, at Year End:	
Cash and Cash Equivalents	\$ 267,368
Loans Receivable – Current Portion	<u>19,415</u>
Total Financial Assets	286,783
Less Amounts Not Available to be Used Within One Year:	
Net Assets With Donor Restrictions	<u>(5,854)</u>
Financial Assets Available to Meet General Expenditures	
Within the Next Year	<u>\$ 280,929</u>

The Corporation receives donor-restricted contributions. Because a donor's restriction requires resources to be used in a specific manner or in a future period, the Corporation must maintain sufficient resources to meet its responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year of December 31, 2019. As part of the Corporation's liquidity management plan, cash in excess of daily requirements are invested in money market and savings accounts.

Note 3 – Loans Receivable

The Corporation is encouraging expansion of local businesses by making low interest loans. The loans are secured by inventory, chattel paper, accounts, equipment and general intangibles. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to loans receivable. The allowance for bad debts for the year ended December 31, 2019 is \$0. Terms of the loans are as follows:

	12/31/19	Interest Rate	Monthly Payment	Due Date
Clemens Mobile Welding	\$ 117,327	2.00%	\$ 758.83	Nov-34
B&B Molded Products	34,520	2.00%	893.72	Apr-23
Spyker Contracting	<u>32,759</u>	2.00%	257.40	Nov-31
Total	184,606			
Less: Current Portion	<u>(19,415)</u>			
Long Term Portion	<u>\$ 165,191</u>			

Note 4 – Net Assets

Net assets with donor restrictions include funds for economic development and are available once any donor-imposed conditions have been met. At December 31, 2019, net assets with donor restrictions consists of cash totaling \$5,854.

Net assets without donor restrictions are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Corporation. At December 31, 2019 net assets without donor restrictions consisted of cash totaling \$261,514, notes receivable of \$184,606, prepaid expenses of \$1,075, and property and equipment totaling \$2,465.

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 5 – Retirement Plan

The Corporation maintains a Simple retirement plan for qualified employees. The Corporation contributes 3 percent of the employees' compensation to the plan. Contributions for 2019 were \$2,668.

Note 6 – Concentration of Revenue and Other Risks

The Corporation received approximately 25 percent of its revenue from Defiance County and 25 percent of its revenue from City of Defiance in 2019.

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash and cash equivalents. The Corporation maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Corporation's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Corporation has not experienced, nor does it anticipate, any losses with respect to such accounts.

Note 7 – Operating Leases

Beginning October 21, 2005, the Corporation began leasing office space at 1300 East Second Street, Suite 201 from the Defiance County Commissioners. The current lease begins January 1, 2016 and ends December 31, 2020. Rent is being charged at a rate of \$1,055 per month. Lease expense was \$12,660 for the year ended December 31, 2019.

The Corporation leased a copier with a contract that ended in May 2019. Rental expense was \$627 for the year ended December 31, 2019.

The Corporation began leasing a new copier in May 2019 with a contract scheduled to expire in April 2024. Rental expense was \$1,471 for the year ended December 31, 2019.

Future minimum lease payments under these operating leases as of December 31, 2019 are as follows:

Year Ended December 31,	
2020	\$ 15,106
2021	2,206
2022	2,206
2023	2,206
2024	735
	<u>\$ 22,459</u>

Note 8 – Property and Equipment

Property and equipment activity for the year ended December 31, 2019, was as follows:

**COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

	Balance 1/1/19	Additions	Dispositions	Balance 12/31/19
<i>Property and Equipment, Being Depreciated:</i>				
Furniture and Fixtures	\$ 24,554	\$ -	\$ -	\$ 24,554
Total, Being Depreciated	<u>24,554</u>	<u>-</u>	<u>-</u>	<u>24,554</u>
Less: Accumulated Depreciation:				
Furniture and Fixtures	(20,130)	(1,959)	-	(22,089)
Total Accumulated Depreciation	<u>(20,130)</u>	<u>(1,959)</u>	<u>-</u>	<u>(22,089)</u>
Total Property and Equipment, Being Depreciated, Net	<u>\$ 4,424</u>	<u>\$ (1,959)</u>	<u>\$ -</u>	<u>\$ 2,465</u>

Note 9 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation. In addition, the impact on the Corporation's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Community Improvement Corporation of Defiance County
Defiance County
1300 East Second Street, Suite 201
Defiance, Ohio 43512

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Community Improvement Corporation of Defiance County, Defiance County, Ohio (the Corporation), (a not-for-profit corporation), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Corporation.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 18, 2021

COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY
DEFIANCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2020-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In 2019, decrease in real estate held for development in the amount of \$1,933,453 was incorrectly classified as cash flows from operating activities instead of cash flows from investing activities on the Statement of Cash Flows.

This error was the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Board of Directors making misinformed decisions. The accompanying financial statements have been adjusted to correct this error.

To help ensure the Corporation's financial statements and notes to the financial statements are complete and accurate, the Corporation should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Executive Director and Board of Directors, to help identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to the finding reported above.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	This finding was first reported in 2016. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as Finding 2020-001 in this report.	The Executive Director was unaware of the error in the financial statements. The Corporation now has a better understanding of the reporting issue and will continue to make corrections where needed in the future.

OHIO AUDITOR OF STATE KEITH FABER



COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY

DEFIANCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/2/2021

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This report is a matter of public record and is available online at
www.ohioauditor.gov