

COMMUNITY IMPROVEMENT CORPORATION OF DEFIANCE COUNTY

DEFIANCE COUNTY

JANUARY 1, 2009 TO DECEMBER 31, 2009

REGULAR AUDIT



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of Defiance County, Defiance County, prepared by Luderman & Konst, Inc., for the audit period January 1, 2009 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 28, 2010

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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, 2009 and 2008**

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Luderman & Konst, Inc.
 Certified Public Accountants

July 20, 2010

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, 2009 and 2008, 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, 2009 and 2008, 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 July 20, 2010, 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

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

*Exhibit A***ASSETS**

<u>Current Assets</u>	2009	2008
Cash And Cash Equivalents	\$ 40,558	\$ 42,968
Certificates Of Deposit & Money Market	0	0
Note Receivable	30,000	30,000
Allowance for Doubtful Accounts	(30,000)	(30,000)
Total Current Assets	40,558	42,968
 <u>Property & Equipment</u>		
Office Equipment	19,090	16,664
Less: Accumulated Depreciation	(12,581)	(10,072)
Net Property & Equipment	6,509	6,592
 Total Assets	\$ 47,067	\$ 49,560

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts Payable	\$ 8,750	\$ 0
Notes Payable-Current Portion	9,734	0
Total Current Liabilities	18,484	0
 <u>Long-Term Liabilities</u>		
Notes Payable-Long-Term Portion	36,053	0
Total Long-Term Liabilities	36,053	0
 Total Liabilities	54,537	0
 <u>Net Assets</u>		
Unrestricted	(7,470)	49,560
Total Net Assets	47,067	49,560
 Total Liabilities And Net Assets	\$ 47,067	\$ 49,560

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

Exhibit B

<u>Revenue</u>	<u>2009</u>	<u>2008</u>
Public And Private Support	\$ 263,559	\$ 248,298
Revenue Pass Through	(800)	800
Enterprise Zone Fees	12,473	17,565
Interest Income	165	740
Total Revenue	<u>275,397</u>	<u>267,403</u>
 <u>Expenses</u>		
Program Services: Economic Development	235,698	233,916
Supporting Services: General And Administrative	49,488	51,717
Fundraising	47,241	0
Total Expenses	<u>332,427</u>	<u>285,633</u>
 Change In Net Assets	 (57,030)	 (18,230)
 Net Assets, Beginning Of Year	 <u>49,560</u>	 <u>67,790</u>
 Net Assets, End Of Year	 <u>\$ (7,470)</u>	 <u>\$ 49,560</u>

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

Exhibit C**2009**

	Program Services	Supporting Services	Fundraising	Total Expenses
Advertising	\$ 16,146	\$ 0	\$ 0	\$ 16,146
Consulting	459	0	47,241	47,700
Depreciation	1,254	1,254	0	2,508
Expenses Pass Through	0	0	0	0
Fringe Benefits	21,040	3,713	0	24,753
Insurance	1,233	1,233	0	2,466
Interest	1,652	0	0	1,652
Legal And Professional	0	5,403	0	5,403
Loss On Disposal of Equipment	0	0	0	0
Memberships	5,651	5,650	0	11,301
Miscellaneous	29	29	0	58
Office Supplies	833	2,498	0	3,331
Postage	591	591	0	1,182
Promotion & Planning	59,698	0	0	59,698
Rent	7,513	2,504	0	10,017
Salary	106,385	18,774	0	125,159
Software	493	493	0	986
Staff Training	115	20	0	135
Telephone	6,412	1,132	0	7,544
Travel And Entertainment	6,194	6,194	0	12,388
Total	\$ 235,698	\$ 49,488	\$ 47,241	\$ 332,427

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

Exhibit C**2008**

	Program Services	Supporting Services	Fundraising	Total Expenses
Advertising	\$ 43,012	\$ 0	\$ 0	\$ 43,012
Consulting	6,441	0	0	6,441
Depreciation	1,319	1,319	0	2,638
Expenses Pass Through	1,600	0	0	1,600
Fringe Benefits	20,725	3,658	0	24,383
Insurance	676	676	0	1,352
Interest	0	0	0	0
Legal And Professional	0	3,136	0	3,136
Loss On Disposal of Equipment	0	0	0	0
Memberships	7,608	7,607	0	15,215
Miscellaneous	763	763	0	1,526
Office Supplies	1,135	3,405	0	4,540
Postage	662	661	0	1,323
Promotion & Planning	20,343	0	0	20,343
Rent	6,887	2,296	0	9,183
Salary	107,653	18,998	0	126,651
Software	620	620	0	1,240
Staff Training	803	142	0	945
Telephone	6,353	1,121	0	7,474
Travel And Entertainment	7,316	7,315	0	14,631
Total	\$ 233,916	\$ 51,717	\$ 0	\$ 285,633

**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>	2009	2008
Change In Net Assets	\$ (57,030)	\$ (18,230)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED IN) OPERATING ACTIVITIES:		
Depreciation	2,508	2,638
Loss On Disposal Of Equipment	0	0
Increase In Accounts Payable	8,750	
Total Adjustments	<u>11,258</u>	<u>2,638</u>
Net Cash (Used In) Operating Activities	<u>(45,772)</u>	<u>\$ (15,592)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Net Redemption (Purchase) Of Certificate Of Deposit	0	25,655
Purchase Of Property And Equipment	<u>(2,425)</u>	<u>(3,473)</u>
Net Cash (Used In) Provided By Investing Activities	<u>(2,425)</u>	<u>22,182</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds Received From Long-Term Debt	52,000	
Payments On Long-Term Debt	<u>(6,213)</u>	<u>0</u>
Net Cash Provided By Financing Activities	<u>45,787</u>	<u>0</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,410)	6,590
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>42,968</u>	<u>36,378</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ <u>40,558</u>	\$ <u>42,968</u>
<u>SUPPLEMENTAL DISCLOSURES:</u>		
Interest Paid	<u>\$ 1,652</u>	<u>\$ 0</u>
Income Taxes Paid	<u>\$ 0</u>	<u>\$ 0</u>

"SEE NOTES TO FINANCIAL STATEMENTS"

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

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.

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, 2009 and 2008**

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 of the Organization.

Advertising – Advertising costs are charged to expense as incurred. The Organization's advertising costs totaled \$ 16,146 and \$ 43,012 for the years ended December 31, 2009 and 2008, respectively.

NOTE 2 – NOTE RECEIVABLE

Notes Receivable consists of the following:

	12-31-09	12-31-08
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.

NOTE 3 – RETIREMENT PLAN

The Organization maintains a 403(b) retirement plan for qualified employees. The Organization contributes 4%-5% of the employees' compensation to the plan. Contributions for 2009 and 2008 were \$ 4,665 and \$ 4,875, respectively.

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 4 - CONCENTRATION

For the year ended December 31, 2009, the Organization received 53% (43% in 2008) of its revenue from Defiance County, City of Defiance, and the Village of Hicksville.

NOTE 5 - 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 was to raise \$ 1,500,000 over the next 5 years. To date approximately \$ 1,238,300 has been pledged and the Organization feels that they will meet the goal. These pledges represent intentions to give because the donor has the option to modify or cancel the pledge. For the year ended December 31, 2009 \$ 233,150 (\$ 233,150 at December 31, 2008) of pledges were collected. The balance of uncollected pledges at December 31, 2009 is approximately \$ 187,000.

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 \$ 834.75 per month for 2009 and \$ 765.19 per month for 2008. The lease extended until December 31, 2008 and was renewed for a period of one year. Lease expense was \$ 10,017 and \$ 9,182 for the years ended December 31, 2009 and 2008, respectively. The Organization has entered into a new lease agreement for 2010 at a rate of \$ 904.32 per month.

Beginning January 1, 2006 the Organization began leasing space in Hicksville from the Hicksville Building and Loan (now First Place Bank) for 1 year at a rate of \$ 1,500 per year. This lease was terminated in 2008.

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: 2010-\$9,734; 2011-\$10,231; and 2012-\$ 25,822. This note is unsecured.

NOTE 8 - SUBSEQUENT EVENTS

During March, 2009 the Organization hired a professional fundraiser and entered into a contract for assistance in another major fundraising campaign. This Campaign is similar to the 2004 campaign mentioned in Note 5. The cost of the campaign is \$ 42,000 plus expenses with \$ 7,000 per month due beginning February 2009 and ending July 2009. The goal is to raise \$ 300,000 per year for five (5) years.

During 2009, the organization has entered into a contract with Corradino Group to do a feasibility study of the potential development of new rail service facilities in Defiance County. The cost is \$ 50,000 of which \$ 30,000 has been received to offset this cost.

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'
July 20, 2010**

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, 2009, and have issued our report thereon dated July 20, 2010. 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
July 20, 2010
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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 July 20, 2010.

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

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Mary Taylor, CPA
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
NOVEMBER 18, 2010**