



Dave Yost • Auditor of State

**COMMUNITY IMPROVEMENT CORPORATION OF FOSTORIA OHIO
SENECA COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation of Fostoria Ohio
Seneca County
121 North Main Street
Fostoria, Ohio 44830

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Improvement Corporation of Fostoria Ohio, Seneca County, Ohio (the CIC), (a not-for-profit corporation), which comprise the statement of financial position as of and for the years ended December 31, 2017 and 2016, the related statements of activities and cash flows for the years 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 that are 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 CIC'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 CIC'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 opinion.

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 Fostoria Ohio, Seneca County, Ohio as of December 31, 2017 and 2016, and 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2018, on our consideration of the CIC'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 CIC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2018

**Community Improvement Corporation of Fostoria Ohio
Seneca County**

**Statement of Financial Position
December 31, 2017 and 2016**

	2017	2016
Assets		
Cash and Cash Equivalents	\$ 122,969	\$ 134,956
Property and Construction in Progress	199,360	1,428,645
<i>Total Assets</i>	\$ 322,329	\$ 1,563,601
Liabilities		
Loan Payable	\$ -	\$ 1,200,000
Net Assets		
Unrestricted	297,037	335,744
Temporarily Restricted	25,292	27,857
Total Net Assets	322,329	363,601
<i>Total Liabilities and Net Assets</i>	\$ 322,329	\$ 1,563,601

See accompanying notes to the basic financial statements

**Community Improvement Corporation of Fostoria Ohio
Seneca County**

**Statement of Activities
For the Year Ended December 31, 2017**

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support			
Grants	\$ -	\$ 35,000	\$ 35,000
Donations	57,538	-	57,538
Interest	434	-	434
Sale of Capital Asset	1,350,000	-	1,350,000
<i>Total Revenues, Gains, and Other Support</i>	1,407,972	35,000	1,442,972
Net Assets Released From Restrictions			
Restrictions Satisfied By Payments	37,565	(37,565)	-
<i>Total Revenues and Reclassifications</i>	1,445,537	(2,565)	1,442,972
Expenses			
Program Expenses:			
Downtown Façade Program	12,565	-	12,565
DT Mural Project	25,000	-	25,000
StreetScape Project	57,538	-	57,538
Infrastructure Project	1,360,992	-	1,360,992
<i>Total Program Expenses</i>	1,456,095	-	1,456,095
General Supporting Expenses:			
Bank Charges	194	-	194
Dues and Subscriptions	200	-	200
Property Transfer	905	-	905
Taxes - Property	2,850	-	2,850
Loan Interest	24,000	-	24,000
<i>Total Expenses</i>	1,484,244	-	1,484,244
<i>Change in Net Assets</i>	(38,707)	(2,565)	(41,272)
<i>Net Assets Beginning of Year</i>	335,744	27,857	363,601
<i>Net Assets End of Year</i>	\$ 297,037	\$ 25,292	\$ 322,329

See accompanying notes to the basic financial statement:

**Community Improvement Corporation of Fostoria Ohio
Seneca County**

**Statement of Activities
For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support			
Grants	\$ 26,000	\$ 30,000	\$ 56,000
Donations	17,500	-	17,500
Interest	1,744	-	1,744
Property Transfer/Contribution	316,331	-	316,331
	<hr/>	<hr/>	<hr/>
<i>Total Revenues, Gains, and Other Support</i>	361,575	30,000	391,575
Net Assets Released From Restrictions			
Restrictions Satisfied By Payments	2,942	(2,942)	-
	<hr/>	<hr/>	<hr/>
<i>Total Revenues and Reclassifications</i>	364,517	27,058	391,575
	<hr/>	<hr/>	<hr/>
Expenses			
Program Expenses:			
Downtown Façade Program	17,942	-	17,942
General Supporting Expenses:			
Bank Charges	108	-	108
Dues and Subscriptions	100	-	100
Property Transfer	129,819	-	129,819
Taxes - Property	4,468	-	4,468
Facilities and Equipment	1,000	-	1,000
	<hr/>	<hr/>	<hr/>
<i>Total Expenses</i>	153,437	-	153,437
	<hr/>	<hr/>	<hr/>
<i>Change in Net Assets</i>	211,080	27,058	238,138
	<hr/>	<hr/>	<hr/>
<i>Net Assets Beginning of Year</i>	124,664	799	125,463
	<hr/>	<hr/>	<hr/>
<i>Net Assets End of Year</i>	<u>\$ 335,744</u>	<u>\$ 27,857</u>	<u>\$ 363,601</u>

See accompanying notes to the basic financial statement:

**Community Improvement Corporation of Fostoria Ohio
Seneca County**

**Statement of Cash Flows
For the Year Ended December 31, 2017 and 2016**

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	\$ (41,272)	\$ 238,138
Adjustment to reconcile change in net assets to net cash provided by operations:		
Fostoria Revolving Loan	(1,200,000)	1,200,000
<i>Net Cash Provided by (Used in) Operating Activities</i>	<i>(1,241,272)</i>	<i>1,438,138</i>
Cash Flows from Investing Activities		
Property Held for Future Use: State Route 23	-	(82,280)
Property Speculative Building	122,560	(122,560)
Property Speculative Building Construction in Progress	1,106,725	(1,106,725)
<i>Net Cash Provided by (Used in) Investing Activities</i>	<i>1,229,285</i>	<i>(1,311,565)</i>
Cash Flows from Financing Activities		
Temporarily Restricted:		
Net Asset	(36,229)	(799)
Beginning Balance	36,229	799
Restricted Income - Current	5,000	30,000
Restrictions Released - Current	(35,529)	(2,942)
Unrestricted Net Asset:		
Reclassify Released Restrictions	35,529	2,942
Reclassify Restricted Income	(5,000)	(30,000)
<i>Net Cash Provided by (Used in) Financing Activities</i>	<i>-</i>	<i>-</i>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>(11,987)</i>	<i>126,573</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>134,956</i>	<i>8,383</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$ 122,969</i>	<i>\$ 134,956</i>

See accompanying notes to the basic financial statements

**Community Improvement Corporation of Fostoria Ohio
Seneca County**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and 2016**

Note A – Reporting Entity

The Community Improvement Corporation of Fostoria, Ohio (CIC) is a nonprofit corporation organized on March 17, 1966 under Chapter 1724 of the Ohio Revised Code for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of the City of Fostoria and the surrounding area.

In 2014, the CIC adopted a new strategic plan that focuses on three major initiatives that includes Downtown Revitalization, the Underpass Project and Vacant Housing and/or Buildings in Fostoria. To that end the CIC is partnering with the City of Fostoria and the Fostoria Economic Development Corporation to better the Fostoria community.

Note B – Summary of Significant Accounting Policies

This summary of significant accounting policies of the CIC is presented to assist in understanding the CIC's financial statements. The financial statements and notes are representations of the CIC's management, who is responsible for the integrity and objectivity of the financial statements.

Basis of Accounting and Presentation

The CIC presents its financial statements following the recommendations of the Financial Accounting Standards Board ASC 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, the CIC is required to report information regarding its financial positions and activities according to three classes of net assets, depending on the existence and nature of donor restrictions. The three classes of net assets are:

Unrestricted net assets – Net assets that are not subject to donor or grantor-imposed restrictions are reported as unrestricted net assets.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the CIC and/or passage of time are reported as temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets resulting from contributions and other inflows of assets whose use by the CIC is limited by donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the CIC are reported as permanently restricted net assets.

The CIC had no permanently restricted net assets at December 31, 2017 and 2016.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the CIC considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of checking and savings accounts at Key Bank with balances totaling \$122,969 as of December 31, 2017 and \$134,996 as of December 31, 2016. Although the balance in these accounts, at times, may exceed the federal insurance limit, management does not believe that the CIC is exposed to any substantial credit risk.

**Community Improvement Corporation of Fostoria Ohio
Seneca County**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and 2016
(Continued)**

Revenue Recognition

Contributions and grants are recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of donor or grantor restrictions. When a restriction expires, that is when a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as purpose restrictions released. It is the policy of the CIC to recognize restricted contributions in the unrestricted net asset class if the restrictions have been met in the same year.

Capital Assets

Capital Assets consist of real estate being held for future use and property allocated for specific projects. All purchased properties are stated at cost. Donated properties and properties with a donation component are capitalized at estimated fair value at the date of donation based on the county auditor's records. There are no depreciable assets as of December 31, 2017 and 2016.

Donated Facilities and Services

The Fostoria Economic Development Corporation provides the CIC with office space and various office services without charge. The Board of Directors responsible for the governance of the CIC consists of four officers and two trustees which are unpaid positions. The CIC has not recognized the estimated fair value for the use of the facilities and contributed office services as contributions in the financial statements as the CIC believes it to be minimal.

Estimates

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

Federal Income Tax

The CIC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The CIC qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509 (a)(1).

The CIC files annual federal tax returns and is subject to federal examinations for the current year and certain prior years based on applicable laws and regulations.

Note C – Loan Payable

The CIC borrowed \$1,200,000 from the City of Fostoria Revolving Loan fund in 2016 with an interest rate of 2% for the construction of a specialized industrial building to be sold upon completion.

The sale of the building for \$1,350,000 closed on November 22, 2017. The loan with the City of Fostoria Revolving loan was repaid including interest of \$24,000 on December 27, 2017.

**Community Improvement Corporation of Fostoria Ohio
Seneca County**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and 2016
(Continued)**

Note D – Temporarily Restricted Net Assets

Temporarily restricted net assets are included in cash and cash equivalents and consist of the following:

	<u>2017</u>	<u>2016</u>
Downtown Façade	\$ 15,292	\$ 2,857
DT Mural	-	25,000
Way Finding	5,000	-
Small Business Start Up	5,000	-
Temporarily Restricted Net Assets	<u>\$ 25,292</u>	<u>\$ 27,857</u>

At December 31, 2016 there were unspent funds from the Fostoria Revolving Loan Fund proceeds of \$93,678 which was being held for final construction costs related to specialized industrial building. At December 31, 2017 there were unspent funds totaling \$46,225. These unspent funds are included in cash and cash equivalents at December 31, 2017 and 2016.

Note E – Supplemental Disclosures for Cash Flow Information

<u>Cash Paid During the Year for:</u>	<u>2017</u>	<u>2016</u>
Interest	\$ 24,000	\$ -

<u>Noncash Investing Activities</u>		
Noncash investing activities for the year ending December 31, 2017:		
The CIC had no noncash investing activities to report.		
Noncash investing activities for the year ending December 31, 2016:		
The CIC received three real estate parcels from Fostoria Economic Development Corporation recorded as a contribution under property transfers at estimated fair value. See Note F - Related Party Transactions.		\$ 204,840
The CIC purchased two real estate parcels from Seneca County Commission on Aging with an estimated fair value of \$129,820 for \$18,329. The difference between the estimated fair value and the amount paid is recorded as a contribution under property transfers.		\$ 111,491
The CIC sold two real estate parcels to Fostoria Area Historical Society with an estimated fair value of \$129,820 for \$1.00. The difference between the estimated fair value and the amount received is recorded as an expense under property transfer.		\$ (129,819)

**Community Improvement Corporation of Fostoria Ohio
Seneca County**

**Notes to the Basic Financial Statements
For the Years Ended December 31, 2017 and 2016
(Continued)**

Note F – Related Party Transactions

The CIC Board of Directors is made up of six board members of which five are also on the Board of Directors for Fostoria Economic Development Corporation (FEDC). FEDC provides CIC with office space and various office services without charge. The estimated fair value for the use of facilities and contributed services are not recognized in the financial statements.

FEDC transferred real estate to the CIC to further its mission to better the Fostoria community. The estimated fair value of the property was \$204,840 and is recorded in the financial statements as income from property transfers/contributions.

Note G – Subsequent Events

Due to a misunderstanding on when property taxes increase (when occupancy took place or when the building is 75% complete) and a show of good faith, the CIC has agreed to pay \$15,678 for 2017 real estate taxes for the time the CIC owned the specialized industrial building.



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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 Fostoria Ohio
Seneca County
121 North Main Street
Fostoria, Ohio 44830

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 Fostoria Ohio, Seneca County, Ohio (the CIC) (a not-for-profit corporation) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the CIC's internal control over financial reporting (internal control) to determine the 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 CIC'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 CIC'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 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the CIC'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 determination of financial statement amounts. 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 CIC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the CIC's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 18, 2018

**COMMUNITY IMPROVEMENT CORPORATION OF FOSTORIA OHIO
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

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.

The CIC's management is responsible for the fair presentation of the financial statements.

Financial Accounting Standards Board (FASB) ASC § 958-205-05-6 provides general-purpose financial statements classify and report net assets in three groups—permanently restricted, temporarily restricted, and unrestricted—based on the existence or absence of restrictions and the nature of those restrictions.

FASB ASC § 958-205-55-2 provides not-for-profit (NFP) entities are encouraged to provide information in ways that are most relevant and understandable to donors, creditors, and other external users of financial statements.

FASB ASC § 958-205-55-4 provides certain basic totals that must be reported in financial statements to comply with the provisions of Subtopics 958-210, 958-225, and 958-230. Together they require not only reporting those certain basic totals but also reporting components of those aggregates; for example, they require reporting information about the gross amounts of items of revenues and expenses and cash receipts and payments.

FASB ASC § 958-205-45-5 provides a set of financial statements shall include, either in the body of financial statements or in the accompanying notes, that information required by generally accepted accounting principles (GAAP) or that do not specifically exempt NFPs and required by applicable specialized accounting and reporting principles and practices. Furthermore, ASC § 958-205-55-14 illustration includes net assets at beginning of year and net assets at end of year.

Errors were noted in the financial statements, resulting in the following audit adjustments:

- A \$25,000 grant for “general support” was reported as temporarily restricted for Downtown Façade \$15,000 and Property Acquisition \$10,000, and should have been reported as Unrestricted in 2016.
- Due to the grant not being temporarily restricted, this also resulted in restrictions satisfied by payments temporarily restricted to be overstated by \$15,829 in 2016 and \$905 in 2017.
- Property Transfers/Contribution and Property Purchase/Transfer were understated by \$31,640 due to a parcel purchased in 2016 being omitted.
- The statement of activities included income by project instead of revenues, gains and other support by source/type (grants and donations):
 - Donation of \$57,538 were reported as Streetscape Project in 2017;
 - Donation of \$17,500 were reported as Property Acquisition in 2016;

- Grants of \$35,000 were reported as Downtown Façade Program \$25,000, Small Business Start Up \$5,000, and Way Finding \$5,000 in 2017;
- Grants of \$56,000 were reported as Downtown Façade Program \$20,000, DT Mural Project \$25,000, Property Acquisition \$10,000, and Industrial Park Sign \$1,000 in 2016.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Board making misinformed decisions. The accompanying financial statements, notes to the financial statements and accounting records have been adjusted for these errors. Additional errors were noted in smaller relative amounts that did not require adjustment to the financial statements.

To help ensure the CIC's financial statements and notes to the financial statements are complete and accurate, the CIC should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Board, to identify and correct errors and omissions. The CIC should also review FASB ASC § 958-205 to help ensure the financial statements are properly reported.

Officials' Response

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



Dave Yost • Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF FOSTORIA OHIO

SENECA 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
OCTOBER, 2 2018**