



OHIO AUDITOR OF STATE  
**KEITH FABER**





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

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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 CIC), (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2018 and 2017, 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 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 opinions.

***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, Defiance County, Ohio as of December 31, 2018 and 2017, 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.

***Emphasis of Matter***

As discussed in Note 2 to the 2018 financial statements, during 2018 the CIC adopted new accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. 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 15, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

November 15, 2019

**Community Improvement Corporation of Defiance County**  
Defiance County  
Statement of Financial Position  
As of December 31, 2018

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**Current Assets:**

Cash and Cash Equivalents	\$230,936
Cash Restricted for Economic Development	11,522
Loans Receivable	19,031
Prepaid Expenses	1,054
Real Estate Held for Development	<u>1,933,453</u>
<b>Total Current Assets</b>	<u><u>2,195,996</u></u>

**Property and Equipment:**

Furniture & Fixtures	24,554
Less Accumulated Depreciation	<u>(20,130)</u>
<b>Net Property and Equipment</b>	<u><u>4,424</u></u>

**Other Assets:**

Loans Receivable	<u>184,331</u>
<b>Total Other Assets</b>	<u>184,331</u>
<b>Total Assets</b>	<u><u>\$2,384,751</u></u>

**Net Assets:**

Net Assets Without Donor Restrictions	\$439,776
Net Assets With Donor Restrictions	<u>1,944,975</u>
<b>Total Net Assets</b>	<u>2,384,751</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$2,384,751</u></u>

*See accompanying notes to the basic financial statements*

**Community Improvement Corporation of Defiance County**  
Defiance County  
Statement of Activities  
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues:</b>			
Public and Private Support	\$321,200	\$2,094,000	\$2,415,200
Enterprise Zone Fees	4,409		4,409
Interest Income	3,930		3,930
Net Assets Released From Restrictions	149,025	(149,025)	
<b>Total Revenue</b>	<u>478,564</u>	<u>1,944,975</u>	<u>2,423,539</u>
<b>Expenses:</b>			
Economic Development	355,627		355,627
Supporting Services: Management and General	79,512		79,512
<b>Total Expenses</b>	<u>435,139</u>		<u>435,139</u>
Change in Net Assets	43,425	1,944,975	1,988,400
<b>Net Assets, Beginning of Year</b>	<u>396,351</u>		<u>396,351</u>
<b>Net Assets, End of Year</b>	<u>\$439,776</u>	<u>\$1,944,975</u>	<u>\$2,384,751</u>

*See accompanying notes to the basic financial statements*

**Community Improvement Corporation of Defiance County**  
Defiance County  
Statement of Functional Expenses  
For the Year Ended December 31, 2018

	Program Services	Supporting Services	Total
Advertising	\$765		\$765
Consulting	(717)		(717)
Depreciation	801	\$801	1,602
Development	153,874		153,874
Fringe Benefits	12,881	3,799	16,680
Insurance	1,379	1,379	2,758
Legal and Professional		4,030	4,030
Memberships	3,404	3,405	6,809
Office Supplies	2,204	6,611	8,815
Postage	390	390	780
Promotion & Planning	19,003		19,003
Rent	8,473	3,926	12,399
Salary	136,792	43,437	180,229
Software	2,470	2,469	4,939
Staff Training	2,616	872	3,488
Telephone	4,348	1,449	5,797
Travel and Entertainment	6,944	6,944	13,888
Total	<u>\$355,627</u>	<u>\$79,512</u>	<u>\$435,139</u>

*See accompanying notes to the basic financial statements*

**Community Improvement Corporation of Defiance County**  
 Defiance County  
 Statement of Cash Flows  
 For the Year Ended December 31, 2018

<b>Cash Flows from Operating Activities:</b>	
Change in Net Assets	\$1,988,400
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	1,602
Increase in Prepaid Expenses	(1,054)
Decrease in Accrued Payroll Taxes	(183)
Decrease in Loans Receivable	19,294
Total Adjustments	<u>19,659</u>
 Net Cash Used in Operating Activities	 <u>2,008,059</u>
 <b>Cash Flows from Investing Activities:</b>	
Purchase of Equipment	(5,027)
Increase of Real Estate Held for Development	<u>(1,933,453)</u>
 Net Cash Used in Investing Activities	 <u>(1,938,480)</u>
 Net Increase in Cash and Cash Equivalents	 69,579
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>172,879</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$242,458</u></u>

*See accompanying notes to the basic financial statements*

Community Improvement Corporation of Defiance County  
Defiance County  
Notes to the Financial Statements  
For the Year Ended December 31, 2018

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**Note 1 – Summary of Significant Accounting Policies**

**Nature of Activities** – The Community Improvement Corporation of Defiance County (the “CIC”) 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 CIC is to advance, encourage and promote the industrial, economic, commercial and civic development of Defiance County, Ohio. The CIC’s basic programs include advertising in industrial development publications, assisting businesses in obtaining incentives to expand or locate in Defiance County, Ohio, and administering incentive programs for taxing authorities and related businesses.

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

**Basis of Presentation** – The financial statements of the CIC have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the CIC 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 CIC. These net assets may be used at the discretion of the CIC’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 CIC 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 restricts 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. Operating activities consist of those items attributable to the CIC’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 CIC 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.

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

**Accounts Receivable** – Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The CIC provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances. It is the CIC’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**Property and Equipment** – Property and equipment are stated at cost. Depreciation for financial reporting and for federal tax reporting is computed using straight-line method over the asset’s estimated useful life. The CIC 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, 2018

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**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 statements 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 statements 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 Organization. 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 CIC is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The CIC 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 CIC has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. It has been classified as an organization other than a private foundation.

**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.

**Advertising** – Advertising costs are charged to expense as incurred.

## **Note 2 – New Accounting Pronouncement**

On August 18, 2016 FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The CIC has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. The new standards change the following aspects of the CIC's financial statements:

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The temporarily net asset class has been renamed *net assets with donor restrictions*.
- The financial statements include a new disclosure about liquidity and available resources (Note 3).

The changes have the following effect on net assets at December 31, 2017:

Community Improvement Corporation of Defiance County  
 Defiance County  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2018

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted Net Assets	\$ 396,351	
Net Assets Without Donor Restrictions		\$ 396,351
Total Net Assets	<u>\$ 396,351</u>	<u>\$ 396,351</u>

**Note 3 – Availability and Liquidity**

The following represents the CIC’s financial assets at December 31, 2018:

Financial Assets At Year End:

Cash & Cash Equivalents	\$ 242,458
Loans Receivable	19,031
Real Estate Held for Development	<u>1,933,453</u>
Total Financial Assets	<u>2,194,942</u>

Less Amounts Not Available To Be Used Within One Year:

Net Assets With Donor Restrictions	<u>1,944,975</u>
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Financial Assets Available To Meet General Expenditures

Over The Next Twelve Months	<u>\$ 249,967</u>
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The CIC receives donor-restricted contributions. Because a donor’s restriction requires resources to be used in a specific manner or in a future period, the CIC 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, 2018. As part of the CIC’s liquidity management plan, cash in excess of daily requirements are invested in money market savings accounts.

**Note 4 – Loans Receivable**

The CIC is encouraging expansion of local business 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 notes receivable. The allowance for bad debts for the year ended December 31, 2018 is \$0. Terms of the loans are as follows:

	Balance 12/31/2018	Interest Rate	Monthly Payment	Due Date
Clemens Mobile Welding	\$ 123,760	2.00%	\$ 759	11/2034
B&B Molded Products	44,443	2.00%	\$ 894	04/2023
Spyker Contracting	<u>35,159</u>	2.00%	\$ 257	11/2031
Total	203,362			
Less: Current Portion	(19,031)			
Long Term Portion	<u>\$ 184,331</u>			

Community Improvement Corporation of Defiance County  
Defiance County  
Notes to the Financial Statements  
For the Year Ended December 31, 2018

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**Note 5 – Net Assets**

Net assets with donor restrictions include funds for economic development and are available once donor-imposed conditions have been met. At December 31, 2018 net assets with donor restrictions consisted of cash totaling \$11,522 and real estate held for development totaling \$1,933,453.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. At December 31, 2018 net assets without donor restrictions consisted of cash totaling \$230,936, loans receivable of \$203,362, prepaid expenses of \$1,054 and property and equipment totaling \$4,424.

**Note 6 – Retirement Plan**

The CIC maintains a Savings Incentive Match Plan for Employees (SIMPLE) retirement plan for qualified employees. The CIC contributes 3% of the employees' compensation to the plan. Contributions for 2018 were \$2,641.

**Note 7 – Concentration**

For the year ended December 31, 2018, the CIC received approximately 93% of its revenue from Defiance County, the City of Defiance, and the Village of Hicksville.

**Note 8 – Operating Leases**

Beginning October 21, 2005, the CIC began leasing office space at 1300 East Second Street, Suite 201 from the Defiance County Commissioners. The current lease began January 1, 2016 and ends December 31, 2020. Rent is being charged at a rate of \$1,033 per month for 2018. Lease expense was \$12,399 for the year ended December 31, 2018.

The CIC leases a copier with a contract scheduled to expire December 2020. Payments were \$2,696 for the year ended December 31, 2018.

Future minimum lease payments under these operating leases as of December 31, 2018 are as follows: 2019 - \$14,780 and 2020 - \$15,106.

**Note 9 – Property and Equipment**

Property and Equipment activity for the year ended December 31, 2018, was as follows:

Community Improvement Corporation of Defiance County  
 Defiance County  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2018

	Balance January 1, 2018	Additions	Disposals	Balance December 31, 2018
<i>Property &amp; Equipment, being depreciated:</i>				
Office Equipment	\$ 19,526	\$ 5,028		\$ 24,554
Total, being depreciated	19,526	5,028		24,554
<i>Less: accumulated depreciation:</i>				
Office Equipment	(18,527)	(1,603)		(20,130)
Total accumulated depreciation	(18,527)	(1,603)		(20,130)
Total Property & Equipment, being depreciated, net	<u>\$ 999</u>	<u>\$ 3,425</u>		<u>\$ 4,424</u>

**Note 10 – Subsequent Events**

On August 23, 2019, the CIC transferred real estate held for development of \$1,933,453 to Defiance Harmon LLC.

Subsequent events have been evaluated through November 15, 2019, which is the date of the financial statement issuance date.

**Community Improvement Corporation of Defiance County**  
Defiance County  
Statement of Financial Position  
As of December 31, 2017

<b>Current Assets:</b>	
Cash and Cash Equivalents	\$172,879
Loans Receivable	18,638
<b>Total Current Assets</b>	<u>191,517</u>
<b>Property and Equipment:</b>	
Furniture & Fixtures	19,526
Less Accumulated Depreciation	<u>(18,527)</u>
<b>Net Property and Equipment</b>	<u>999</u>
<b>Other Assets:</b>	
Loans Receivable	<u>204,018</u>
<b>Total Other Assets</b>	<u>204,018</u>
<b>Total Assets</b>	<u><u>\$396,534</u></u>
<b>Current Liabilities:</b>	
Accrued Payroll Taxes	<u>\$183</u>
<b>Total Current Liabilities</b>	<u>183</u>
<b>Net Assets:</b>	
Unrestricted	<u>396,351</u>
<b>Total Net Assets</b>	<u>396,351</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$396,534</u></u>

*See accompanying notes to the basic financial statements*

**Community Improvement Corporation of Defiance County**  
Defiance County  
Statement of Activities  
For the Year Ended December 31, 2017

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<b>Revenues:</b>	
Public and Private Support	\$466,100
Enterprise Zone Fees	6,307
Interest Income	4,710
<b>Total Revenue</b>	<u>477,117</u>
<b>Expenses:</b>	
Program Services: Economic Development	338,950
Supporting Services: General and Administrative	65,939
<b>Total Expenses</b>	<u>404,889</u>
Change in Net Assets	72,228
<b>Net Assets, Beginning of Year</b>	<u>324,123</u>
<b>Net Assets, End of Year</b>	<u><u>\$396,351</u></u>

*See accompanying notes to the basic financial statements*

**Community Improvement Corporation of Defiance County**  
Defiance County  
Statement of Functional Expenses  
For the Year Ended December 31, 2017

	Program Services	Supporting Services	Total
Advertising	\$5,491		\$5,491
Consulting	33,677		33,677
Depreciation	298	\$299	597
Development	114,500		114,500
Fringe Benefits	13,551	2,391	15,942
Insurance	1,379	1,379	2,758
Legal and Professional		9,121	9,121
Memberships	3,114	3,114	6,228
Office Supplies	1,684	5,053	6,737
Postage	387	386	773
Promotion & Planning	46,303		46,303
Rent	9,116	3,038	12,154
Salary	97,901	32,634	130,535
Software	1,172	1,171	2,343
Staff Training	431	143	574
Telephone	4,106	1,369	5,475
Travel and Entertainment	5,840	5,841	11,681
Total	<u>\$338,950</u>	<u>\$65,939</u>	<u>\$404,889</u>

*See accompanying notes to the basic financial statements*

**Community Improvement Corporation of Defiance County**  
Defiance County  
Statement of Cash Flows  
For the Year Ended December 31, 2017

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**Cash Flows from Operating Activities:**

Change in Net Assets	\$72,228
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	597
Increase in Accrued Payroll Taxes	57
Decrease in Loans Receivable	17,403
Total Adjustments	<u>18,057</u>
Net Cash Used in Operating Activities	<u>90,285</u>
Net Increase in Cash and Cash Equivalents	90,285
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>82,594</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$172,879</u></u>

*See accompanying notes to the basic financial statements*

Community Improvement Corporation of Defiance County  
Defiance County  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

---

**Note 1 – Summary of Significant Accounting Policies**

**Nature of Activities** – The Community Improvement Corporation of Defiance County (the “CIC”) 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 CIC is to advance, encourage and promote the industrial, economic, commercial and civic development of Defiance County, Ohio. The CIC’s basic programs include advertising in industrial development publications, assisting businesses in obtaining incentives to expand or locate in Defiance County, Ohio, and administering incentive programs for taxing authorities and related businesses.

**Basis of Accounting** – The financial statements of the CIC 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 CIC 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 CIC did not have any temporarily restricted or permanently restricted net assets as of December 31, 2017.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the CIC, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. Unless specifically restricted by the donor, all contributions and grants are considered to be available for unrestricted use in the activities of the CIC.

**Measure of Operations** – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the CIC’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 CIC 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.

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

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

**Income Tax Status** – The CIC is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The CIC files Form 990 annually. It has been classified as an organization other than a private foundation.

**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.

Community Improvement Corporation of Defiance County  
 Defiance County  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2017

Management believes that the estimates and assumptions are reasonable in the circumstances; however actual results could differ from those estimates.

**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 CIC.

**Advertising** – Advertising costs are charged to expense as incurred.

**Note 2 – Loans Receivable**

The CIC is encouraging expansion of local business 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 notes receivable. The allowance for bad debts for the year ended December 31, 2017 is \$0. Terms of the loans are as follows:

	Balance 12/31/2017	Interest Rate	Monthly Payment	Due Date
Clemens Mobile Welding	\$ 130,196	2.00%	\$ 759	11/2034
B&B Molded Products	54,956	2.00%	\$ 894	04/2023
Spyker Contracting	37,504	2.00%	\$ 257	11/2031
Total	222,656			
Less: Current Portion	(18,638)			
Long Term Portion	<u>\$ 204,018</u>			

**Note 3 – Retirement Plan**

The CIC maintains a Savings Incentive Match Plan for Employees (SIMPLE) retirement plan for qualified employees. The CIC contributes 3% of the employees' compensation to the plan. Contributions for 2017 were \$2,536.

**Note 4 – Concentration**

For the year ended December 31, 2017, the CIC received approximately 59% of its revenue from Defiance County, the City of Defiance, and the Village of Hicksville.

**Note 5 – Operating Leases**

Beginning October 21, 2005, the CIC began leasing office space at 1300 East Second Street, Suite 201 from the Defiance County Commissioners. The current lease began January 1, 2016 and ends December 31, 2020. Rent is being charged at a rate of \$1,013 per month for 2017. Lease expense was \$12,154 for the year ended December 31, 2017.

The CIC leases a copier with a contract scheduled to expire December 2020. Payments were \$2,696 for the year ended December 31, 2017.

Future minimum lease payments under these operating leases as of December 31, 2017 are as follows: 2018 - \$14,281, 2019 - \$14,780 and 2020 - \$15,106.

Community Improvement Corporation of Defiance County  
 Defiance County  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2017

**Note 6 – Property and Equipment**

Property and Equipment activity for the year ended December 31, 2017, was as follows:

	Balance January 1, 2017	Additions	Disposals	Balance December 31, 2017
<i>Property &amp; Equipment, being depreciated:</i>				
Furniture & Fixtures	\$ 19,526			\$ 19,526
Total, being depreciated	19,526			19,526
 <i>Less: accumulated depreciation:</i>				
Furniture & Fixtures	(17,930)	\$ (597)		(18,527)
Total accumulated depreciation	(17,930)	(597)		(18,527)
Total Property & Equipment, being depreciated, net	<u>\$ 1,596</u>	<u>\$ (597)</u>		<u>\$ 999</u>

**Note 7 – Subsequent Events**

Subsequent events have been evaluated through November 15, 2019, which is the date of the financial statement issuance date.

# 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, (the CIC) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2019, wherein we noted the CIC adopted new accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* during 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 2018-001 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*.

Community Improvement Corporation of Defiance County  
Defiance County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Governmental 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.



Keith Faber  
Auditor of State

Columbus, Ohio

November 15, 2019

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

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**Material Weakness – Financial Monitoring**

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 following errors were noted in the accompanying 2018 and 2017 financial statements:

- In 2017, \$32,100 in contributions were recorded as a reduction to the expense line item instead of being reported as revenue. As a result, total revenue and expenses were understated.
- In 2018, the purchase of land for \$1,933,453 was recorded as a reduction to the revenue line item instead of being reported as an expense. In addition, the land was not reported as an asset on the financial statements. As a result, total revenue and assets were understated.

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 have been adjusted to correct these errors. Additional errors were identified in smaller relative amounts for additional reasons.

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

**Officials' Response:**

We did not receive a response from Officials to this finding.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Material weakness due to errors over financial reporting.	Not corrected and repeated in this report as Finding 2018-001.	The Executive Director was unaware of the errors and will review the proper procedures and make corrections in the future.

**ECONOMIC DEVELOPMENT  
OF DEFIANCE COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



**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  
DECEMBER 5, 2019**