

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
(An Ohio Non-Profit Organization)**

**FINANCIAL STATEMENTS
For The Years Ended December 31, 2007 and 2006**



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of Defiance County, prepared by Luderman & Konst, Inc., for the audit period January 1, 2007 through December 31, 2007. 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

June 3, 2008

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**COMMUNITY IMPOROVEMENT 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, 2007 and 2006**

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Luderman & Konst, Inc.
 Certified Public Accountants

May 12, 2008

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, 2007 and 2006, 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, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2008, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Luderman & Konst, Inc.

Luderman & Konst, Inc.
 Certified Public Accountants

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

*Exhibit A***ASSETS****Current Assets**

	2007	2006
Cash And Cash Equivalents	\$ 36,378	\$ 48,313
Certificates Of Deposit & Money Market	25,655	0
Note Receivable	30,000	30,000
Allowance for Doubtful Accounts	(30,000)	(30,000)
Total Current Assets	<u>\$ 62,033</u>	<u>\$ 48,313</u>

Property & Equipment

Office Equipment	\$ 13,191	\$ 13,505
Less: Accumulated Depreciation	(7,434)	(7,679)
Net Property & Equipment	<u>\$ 5,757</u>	<u>\$ 5,826</u>

Total Assets

	<u>\$ 67,790</u>	<u>\$ 54,139</u>
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LIABILITIES AND NET ASSETS**Current Liabilities**

Notes Payable-Current Portion	\$ 0	\$ 16,608
Payroll Taxes Withheld	0	4,162
Advances Payable	0	3,359
Total Current Liabilities	<u>\$ 0</u>	<u>\$ 24,129</u>

Long-Term Liabilities

Notes Payable-Long-Term Portion	\$ 0	\$ 0
Total Long-Term Liabilities	<u>\$ 0</u>	<u>\$ 0</u>

Total Liabilities

	<u>\$ 0</u>	<u>\$ 24,129</u>
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Net Assets

Unrestricted	\$ 67,790	\$ 30,010
Total Net Assets	<u>\$ 67,790</u>	<u>\$ 30,010</u>

Total Liabilities And Net Assets

	<u>\$ 67,790</u>	<u>\$ 54,139</u>
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**COMMUNITY IMPROVEMENT CORPORATION
OF DEFLANCE COUNTY
STATEMENT OF ACTIVITIES
For the Years Ended December 31,**

Exhibit B

<u>Revenue</u>	2007	2006
Public And Private Support	\$ 249,394	\$ 255,086
Revenue Pass Through	227,538	344,674
Enterprise Zone Fees	25,841	22,600
Interest Income	730	549
Total Revenue	<u>\$ 503,503</u>	<u>\$ 622,909</u>
 <u>Expenses</u>		
Program Services: Economic Development	\$ 416,542	\$ 529,949
Supporting Services: General And Administrative	49,181	50,148
Fundraising	0	0
Total Expenses	<u>\$ 465,724</u>	<u>\$ 580,097</u>
 Change In Net Assets	 \$ 37,780	 \$ 42,812
 Net Assets, Beginning Of Year	 <u>30,010</u>	 <u>(12,802)</u>
 Net Assets, End Of Year	 <u><u>\$ 67,790</u></u>	 <u><u>\$ 30,010</u></u>

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

Exhibit C

2007

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 25,904	\$ 0	\$ 0	\$ 25,904
Contracted Services	0	0	0	0
Consulting	9,600	0	0	9,600
Depreciation	1,155	1,155	0	2,310
Expenses Pass Through	225,938	0	0	225,938
Fringe Benefits	18,059	3,187	0	21,246
Insurance	737	736	0	1,473
Interest	540	0	0	540
Legal And Professional	0	3,518	0	3,518
Loss On Disposal of Equipment	0	543	0	543
Memberships	7,190	7,190	0	14,379
Miscellaneous	939	939	0	1,877
Office Supplies	1,474	4,422	0	5,896
Postage	662	662	0	1,323
Promotion	7,032	0	0	7,032
Rent	7,386	2,462	0	9,848
Salary	96,078	16,955	0	113,033
Software	423	423	0	845
Staff Training	1,902	336	0	2,238
Telephone	5,913	1,044	0	6,957
Travel And Entertainment	5,612	5,612	0	11,224
Total	<u>\$ 416,542</u>	<u>\$ 49,181</u>	<u>\$ 0</u>	<u>\$ 465,724</u>

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

Exhibit C

2006

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 19,698	\$ 0	\$ 0	\$ 19,698
Contracted Services	3,000	0	0	3,000
Consulting	2,375	0	0	2,375
Depreciation	1,423	1,423	0	2,846
Expenses Pass Through	344,674	0	0	344,674
Fringe Benefits	15,052	2,656	0	17,708
Insurance	1,473	1,473	0	2,946
Interest	2,947	0	0	2,947
Legal And Professional	0	3,500	0	3,500
Loss On Disposal of Equipment	0	0	0	0
Memberships	7,154	7,154	0	14,308
Miscellaneous	2,752	838	0	3,590
Office Supplies	1,614	4,842	0	6,456
Postage	712	711	0	1,423
Promotion	7,970	0	0	7,970
Rent	5,300	1,767	0	7,067
Salary	99,175	17,502	0	116,677
Software	362	362	0	724
Staff Training	2,360	416	0	2,776
Telephone	5,349	944	0	6,293
Travel And Entertainment	6,560	6,560	0	13,120
Total	<u>\$ 529,949</u>	<u>\$ 50,148</u>	<u>\$ 0</u>	<u>\$ 580,097</u>

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

Exhibit D

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	2007	2006
Change In Net Assets	\$ 37,780	\$ 42,812
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation	2,310	2,846
Loss On Disposal Of Equipment	543	0
(Decrease) In Accounts Payable	0	(14,302)
(Decrease) In Payroll Taxes Withheld	(4,162)	(1,769)
(Decrease) In Advances Payable	(3,359)	(126,404)
Total Adjustments	<u>\$ (4,668)</u>	<u>\$ (139,629)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 33,112</u>	<u>\$ \$ (96,817)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Net Redemption (Purchase) Of Certificate Of Deposit	\$ (25,655)	\$ 40,670
Purchase Of Property And Equipment	<u>(2,784)</u>	<u>(475)</u>
Net Cash (Used In) Provided By Investing Activities	<u>\$ (28,439)</u>	<u>\$ 40,195</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments On Long-Term Debt	<u>\$ (16,608)</u>	<u>\$ (43,473)</u>
Net Cash (Used In) Financing Activities	<u>\$ (16,608)</u>	<u>\$ (43,473)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (11,935)	\$ (100,095)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>48,313</u>	<u>148,408</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 36,378</u></u>	<u><u>\$ 48,313</u></u>
<u>SUPPLEMENTAL DISCLOSURES:</u>		
Interest Paid	<u>\$ 540</u>	<u>\$ 2,947</u>
Income Taxes Paid	<u>\$ 0</u>	<u>\$ 0</u>

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature Of Activities – Community Improvement Corporation of Defiance County is incorporated as a corporation, not for profit, under section 1724.01 of the revised code of the State of Ohio, to advance, encourage and promote the industrial, economic, commercial and civic development of Defiance County.

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

Basis Of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any temporarily restricted or permanently restricted net assets.

Property And Equipment – Property and equipment are stated at cost. Depreciation for financial reporting is computed using accelerated methods and for federal tax reporting is computed using the modified accelerated cost recovery method. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Maintenance and repairs are charged to expense as incurred.

Cash And Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude donor restricted cash and cash equivalents.

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

Income Tax Status – The Organization is a not-for-profit Organization that the Internal Revenue Service has determined to be exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code.

Expense Allocation – Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates.

Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006**

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 \$ 25,904 and \$ 19,698 for the years ended December 31, 2007 and 2006, respectively.

NOTE 2 – NOTE RECEIVABLE

Notes Receivable consists of the following:

	12-31-07	12-31-06
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 \$ 1503 of interest payments.	\$ 30,000	\$ 30,000
Amount due within one year	30,000	30,000
Amount due after one year	\$ 0	\$ 0

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 2007 and 2006 were \$ 3,798 and \$ 4,570, respectively.

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006**

NOTE 4 - CONCENTRATION

For the year ended December 31, 2007, the Organization received 42% (39% in 2006) 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, 2007 \$ 242,200 (\$ 241,150 at December 31, 2006) of pledges were collected. The balance of uncollected pledges at December 31, 2007 is approximately \$ 485,000.

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 \$ 695.63 per month for 2007 and \$ 463.95 per month for 2006. The lease extended until December 31, 2006 and was renewed for a period of one year. Lease expense was \$ 8,347.56 and \$ 5,567.40 for the years ended December 31, 2007 and 2006, respectively. The Organization has entered into a new lease agreement for 2008 at a rate of \$ 765.19 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 renewed for 2008.

NOTE 7 - ADVANCES

The funds in advances are public monies provided to the Organization to assist local businesses in setting up infrastructure. All of the funds are kept in separate bank accounts. The balances are money advanced by Standridge Corporation and Johns Manville to be spent as needed on expenses of the two businesses.

NOTE 8 - NOTES PAYABLE

In May 2005, the Organization borrowed \$ 69,000 from a local bank to pay the balance of the fundraisers contract. Monthly payments of \$ 1,648, including interest at 6.75% are due through May 2009. Additional principle payments were made in 2006 and the loan was paid off in 2007. The loan is as follows:

<u>Lender</u>	<u>2007</u>	<u>2006</u>
First Federal Bank	0	16,608
Less Current Portion	<u>0</u>	<u>16,608</u>
Long Term Portion	<u>\$ 0</u>	<u>\$ 0</u>

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'
May 12, 2008**

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, 2007, and have issued our report thereon dated May 12, 2008. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatements of the financial statements will not be prevented or detected by the entity's internal control.

Board of Trustees
Community Improvement Corporation of Defiance County
Page 2

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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.

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 April 25, 2008.

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



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
JUNE 17, 2008**