

Lincoln Heights Community Improvement Corporation

Hamilton County, Ohio

Regular Audit

January 1, 2003 through December 31, 2004

Years Audited Under GAGAS: 2004 and 2003

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com



**Auditor of State
Betty Montgomery**

Board of Trustees
Lincoln Heights Community Improvement Corporation
33 Tech View Drive
Lincoln Heights, Ohio 45215

We have reviewed the *Independent Auditors' Report* of the Lincoln Heights Community Improvement Corporation, Hamilton County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2003 through December 31, 2004. 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 Lincoln Heights Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 17, 2005

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Lincoln Heights Community Improvement Corporation

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Cincinnati, Ohio 45215

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of the Lincoln Heights Community Improvement Corporation (the Corporation), as of December 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the 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 Corporation as of December 31, 2004 and 2003, and the changes in net assets and 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 September 2, 2005, on our consideration of the Corporation's internal control over financial reporting and on 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 audits.



Balestra, Harr & Scherer, CPAs, Inc.
September 2, 2005

Lincoln Heights Community Improvement Corporation

*Statements of Financial Position
As of December 31, 2004 and 2003*

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<u>Current Assets</u>		
Cash & cash equivalents	\$ 46,802	\$ 34,693
Revenues receivable	50,041	14,998
Total Current Assets	<u>96,843</u>	<u>49,691</u>
<u>Fixed Assets</u>		
Land	112,100	-
Buildings	1,062,100	-
Furniture & Equipment	<u>1,691</u>	<u>-</u>
Total Fixed Assets	1,175,891	-
less Accumulated Depreciation	<u>(2,125)</u>	<u>-</u>
Net Fixed Assets	<u>1,173,766</u>	<u>-</u>
<u>Other Assets</u>		
Tenant Security Deposit reserves	<u>3,651</u>	<u>-</u>
Total Assets	<u><u>1,274,260</u></u>	<u><u>49,691</u></u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Prepaid rental income	732	-
Payroll liabilities	1,248	-
Accounts payable-trade	57,689	-
Tenant security deposits	3,650	-
Line of credit payable	<u>47,200</u>	<u>-</u>
Total Current Liabilities	<u>110,519</u>	<u>-</u>
<u>Long-term Liabilities</u>		
Mortgage payable	<u>134,757</u>	<u>-</u>
Total Liabilities	245,276	-
<u>Net Assets</u>		
Unrestricted	<u>1,028,984</u>	<u>49,691</u>
Total Net Assets	<u>1,028,984</u>	<u>49,691</u>
Total Liabilities and Net Assets	<u><u>\$ 1,274,260</u></u>	<u><u>\$ 49,691</u></u>

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

Lincoln Heights Community Improvement Corporation
Statements of Activities
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
<u>Public Support and Revenues</u>		
Government Support		
EPA Brownfield Project revenues	\$ 120,320	\$ 37,592
Grant - Village of Lincoln Heights	17,000	39,000
In-kind donation - Village of Lincoln Heights	109,600	-
In-kind donation - US Dept of Housing & Urban Development	864,080	-
Grants		
Local Initiatives Support Corporation.	67,700	108,992
Contract fees	37,398	10,493
Rental Income - C&H Estates	3,852	-
Sales Revenues	1,900	-
Contributions	450	-
Miscellaneous Income	6	150
Total Public Support and Revenues	<u>1,222,306</u>	<u>196,227</u>
Functional Expenses		
Program Service	214,267	126,876
Management and General	28,746	48,910
	<u>243,013</u>	<u>175,786</u>
Change in Net Assets	979,293	20,441
Net Assets - Beginning of Year	49,691	29,250
Net Assets - End of Year	<u>\$ 1,028,984</u>	<u>\$ 49,691</u>

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

Lincoln Heights Community Improvement Corporation

Statement of Functional Expenses

For the Year Ended December 31, 2004

	Program Services	Management and General	Total
Salaries	\$ 11,815	\$ -	\$ 11,815
Benefits	1,467	-	1,467
Payroll taxes	983	-	983
Accounting fees		1,696	1,696
Executive Director fees	43,200	16,800	60,000
Other professional fees	125,842	-	125,842
Temporary help	3,984	-	3,984
Supplies	2,490	969	3,459
Telephone	3,110	1,209	4,319
Postage	415	161	576
Rent	1,350	525	1,875
Utilities	190	74	264
Maintanance	144	56	200
Printing & publications	2,070	805	2,875
Travel	1,074	-	1,074
Conferences & meetings	690	-	690
Interest	759	-	759
Depreciation-furn & fixtures	20	8	28
Insurance-general	1,408	-	1,408
Insurance-Directors & Officers	-	1,375	1,375
Dues	-	1,200	1,200
Bank fees	-	162	162
Advertising	1,247	-	1,247
Other expenses	-	3,706	3,706
C&H Estates Rental:			
Insurance	3,268	-	3,268
Depreciation	2,097	-	2,097
Other renting expense	30	-	30
Office supplies	163	-	163
Management fee	255	-	255
Electricity	430	-	430
Pest Control	324	-	324
Maintenance/Repairs Payroll	1,925	-	1,925
Maintenance/Repairs Supplies	1,655	-	1,655
Lock Replacement Contract	1,791	-	1,791
Vehicle Mileage Reimb	71	-	71
Total Functional Expenses	<u>\$ 214,267</u>	<u>\$ 28,746</u>	<u>\$ 243,013</u>

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

Lincoln Heights Community Improvement Corporation

Statement of Functional Expenses

For the Year Ended December 31, 2003

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Executive Director fees	\$ 56,000	\$ 22,500	\$ 78,500
Accounting fees	-	1,100	1,100
Legal fees	3,000	2,500	5,500
Other professional fees	58,498	427	58,925
Temporary help	-	9,189	9,189
Supplies	5,169	4,367	9,536
Telephone	1,402	1,590	2,992
Postage	105	219	324
Rent	269	933	1,202
Maintanance	238	828	1,066
Printing & publications	423	1,290	1,713
Travel	85	1,592	1,677
Conferences & meetings	250	420	670
Insurance-general	116	402	518
Insurance-Directors & Officers	-	1,250	1,250
Dues	-	125	125
Advertising	1,321	178	1,499
Total Functional Expenses	<u>\$ 126,876</u>	<u>\$ 48,910</u>	<u>\$ 175,786</u>

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

Lincoln Heights Community Improvement Corporation

Statements of Cash Flows

For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Cash Flows From Operating Activities</u>		
Excess (Deficiency) of Revenues over Expenses	\$ 979,293	\$ 20,441
 <u>Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities</u>		
Depreciation and amortization	2,125	-
 <u>(Increase) Decrease in:</u>		
Grants receivable	(35,043)	(14,998)
Other assets	(3,651)	-
 <u>Increase (Decrease) in:</u>		
Prepaid rental income	732	-
Payroll liabilities	1,248	-
Accounts payable-trade	57,689	-
Tenant security deposits	3,650	-
Net Cash Provided (Used) By Operating Activities	<u>1,006,043</u>	<u>5,443</u>
 <u>Cash Flows From Investing Activities</u>		
Acquisition of Property and equipment	<u>(1,175,891)</u>	-
Net Cash Provided (Used) by Investing Activities	<u>(1,175,891)</u>	-
 <u>Cash Flows From Financing Activities</u>		
Increase in line of credit	47,200	-
Increase in mortgages payable	135,200	-
Payment of mortgages payable	(443)	-
Net Cash Provided (Used) by Financing Activities	<u>181,957</u>	-
 Net Increase (Decrease) in Cash	12,109	5,443
 Cash - Beginning of Year	34,693	29,250
 Cash - End of Year	<u>\$ 46,802</u>	<u>\$ 34,693</u>
 <u>Supplementary Disclosure of Cash Flow Information:</u>		
<u>Cash Paid During the Year For:</u>		
Interest	<u>\$ 759</u>	<u>\$ -</u>

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

Lincoln Heights Community Improvement Corporation

Notes to the Financial Statements

For the Years Ended December 31, 2004 and 2003

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Lincoln Heights Community Improvement Corporation (the Corporation) was founded in October 2001 to promote residential and commercial development in the Village of Lincoln Heights.

Basis of Accounting

The accompanying financial statements of the Corporation have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There are no temporarily restricted net assets as of December 31, 2004 or 2003.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation. There are no permanently restricted net assets as of December 31, 2004 or 2003.

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code. Therefore, no provision for income taxes has been made in these financial statements. The Corporation is not a private foundation as defined by Section 509(a) of the Internal Revenue code.

Donated Materials

The Corporation records the value of donated goods or services used in the operations of the Corporation when there is an objective basis available to measure their value. Donated materials used by the Corporation are reflected as contributions at their estimated value at date of receipt

Cash Equivalents

Cash and cash equivalents consists of cash in checking accounts. Fair value approximates carrying value.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - BUSINESS AND SUPPORT CONCENTRATIONS

The Corporation receives support from individuals, businesses, foundations and governments in the Lincoln Heights and Greater Cincinnati areas.

The Corporation received grants of \$67,700 in 2004 and \$108,992 in 2003 from the Local Initiatives Support Corporation. The Corporation received revenues of \$120,320 in 2004 and \$37,592 in 2003 from the Environmental Protection Agency for the Brownfield Pilot Demonstration Project. The Corporation received \$17,000 in 2004 and \$39,000 in 2003 in grants from the Village of Lincoln Heights.

Lincoln Heights Community Improvement Corporation

Notes to the Financial Statements

For the Years Ended December 31, 2004 and 2003

NOTE C – IN-KIND REVENUES

The Village of Lincoln Heights donated several vacant lots with a total fair market value of \$109,600 during the year ended December 31, 2004. This amount is reported as in-kind revenues in these financial statements.

In November 2004, the Corporation purchased 15 rental properties that were in foreclosure by HUD. The purchase price was \$145,820, and the properties were valued at \$1,009,900 by the Hamilton County Auditor's Office for real estate tax purposes. The \$864,080 difference between the purchase price and the value is reported as in-kind revenue.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment includes expendable resources restricted for land, buildings, and equipment. Expenditures for physical properties are stated at cost. Donated assets are recorded at their estimated fair market values at the date of donation. Depreciation of physical properties is calculated on the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Furniture and equipment	5 years

NOTE E – MORTGAGES PAYABLE AND LINE-OF-CREDIT

The Corporation opened a \$100,000 line-of-credit with Key Bank in November of 2004. The line has a balance outstanding of \$47,200 as of December 31, 2004. The line requires interest only payments, at Prime plus 1%. The rate as of December 31, 2004 is 5.75%.

The Corporation also obtained a \$135,200 mortgage from Key Bank at 6.74%. This is a five-year loan with a 15 year amortization. A balloon payment of \$105,558 is due November 22, 2009. The proceeds of this loan were used to acquire rental property with a value of \$1,009,900. The balance outstanding is \$134,757 as of December 31, 2004.

Current maturities are as follows:

2005	\$52,711
2006	5,895
2007	6,305
2008	6,744
2009	<u>110,302</u>
Total	<u>\$181,957</u>

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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*

Board of Trustees
Lincoln Heights Community Improvement Corporation
33 Tech View Drive
Cincinnati, Ohio 45215

We have audited the financial statements of the Lincoln Heights Community Improvement Corporation (the Corporation), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 2, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

September 2, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

LINCOLN HEIGHTS COMMUNITY IMPROVEMENT CORPORATION

HAMILTON 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 6, 2005**