

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

**FINANCIAL STATEMENTS
For The Years Ended December 31, 2005 and 2004**



**Auditor of State
Betty Montgomery**

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, 2005 through December 31, 2005. 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.

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

BETTY MONTGOMERY
Auditor of State

May 16, 2006

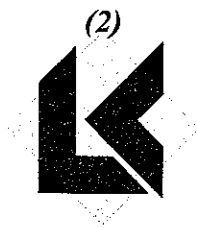
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**COMMUNITY IMPOROVEMENT CORPORATION
OF DEFIANCE COUNTY
1300 E. Second Street, Suite 201
Defiance, Ohio 43512
(An Ohio Non-Profit Organization)**

**FINANCIAL STATEMENTS
For the Years Ended December 31, 2005 and 2004**

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Luderman & Konst, Inc.
Certified Public Accountants

April 21, 2006

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, 2005 and 2004, 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, 2005 and 2004, 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 21, 2006, 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 DEFLANCE COUNTY
STATEMENT OF FINANCIAL POSITION
December 31,**

*Exhibit A*ASSETS

<u>Current Assets</u>	2005	2004
Cash And Cash Equivalents	\$ 148,408	\$ 49,976
Certificates Of Deposit & Money Market	40,670	0
Note Receivable	30,000	30,000
Allowance for Doubtful Accounts	(30,000)	0
Interest Receivable	0	303
Total Current Assets	<u>\$ 189,078</u>	<u>\$ 80,279</u>
<u>Property & Equipment</u>		
Office Equipment	\$ 13,030	\$ 4,175
Less: Accumulated Depreciation	(4,833)	(2,841)
Net Property & Equipment	<u>\$ 8,197</u>	<u>\$ 1,334</u>
Total Assets	<u>\$ 197,275</u>	<u>\$ 81,613</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Notes Payable-Current Portion	\$ 16,212	\$ 0
Accounts Payable	14,302	69,000
Payroll Taxes Withheld	5,931	3,437
Advances Payable	129,763	3,359
Deferred Revenue	0	25,000
Total Current Liabilities	<u>\$ 166,208</u>	<u>\$ 100,796</u>
<u>Long-Term Liabilities</u>		
Notes Payable-Long-Term Portion	\$ 43,869	\$ 0
Total Long-Term Liabilities	<u>\$ 43,869</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 210,077</u>	<u>\$ 100,796</u>
<u>Net Assets</u>		
Unrestricted	\$ (12,802)	\$ (19,183)
Total Net Assets		
Total Liabilities And Net Assets	<u>\$ 197,275</u>	<u>\$ 81,613</u>

"SEE NOTES TO FINANCIAL STATEMENTS"

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFLANCE COUNTY
STATEMENT OF ACTIVITIES
December 31,**

Exhibit B**REVENUE**

<u>Current Revenue</u>	2005	2004
Public And Private Support	\$ 235,373	\$ 162,872
Revenue Pass Through	2,072,847	61,641
Enterprise Zone Application Fees	21,260	24,702
Other Income	15,000	0
Interest Income	2,332	1,492
Total Revenue	<u>\$ 2,346,812</u>	<u>\$ 250,707</u>
<u>Expenses</u>		
Program Services: Economic Development	\$ 2,288,662	\$ 218,851
Supporting Services: General And Administrative	41,350	34,639
Fundraising	10,419	150,777
Total Expenses	<u>\$ 2,340,431</u>	<u>\$ 404,267</u>
 Change In Net Assets	 \$ 6,381	 \$ (153,560)
 Net Assets, Beginning Of Year	 <u>(19,183)</u>	 <u>134,377</u>
 Net Assets, End Of Year	 <u><u>\$ (12,802)</u></u>	 <u><u>\$ (19,183)</u></u>

"SEE NOTES TO FINANCIAL STATEMENTS"

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

Exhibit C

2005

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 26,269	\$ 0	\$ 0	\$ 26,269
Application Fees	0	0	0	0
Bad Debts	30,302	0	0	30,302
Contracted Services	3,000	0	0	3,000
Consulting	864	0	3,706	4,570
Depreciation	996	996	0	1,992
Equipment And Maintenance	1,499	1,498	0	2,997
Expenses Pass Through	2,072,847	0	0	2,072,847
Fringe Benefits	15,290	2,698	0	17,988
Insurance	0	0	0	0
Interest	2,615	0	0	2,615
Legal And Professional	0	3,564	0	3,564
Loss on Disposal	0	0	0	0
Memberships	8,585	8,585	0	17,170
Miscellaneous	436	435	124	995
Office Supplies	1,140	3,419	0	4,559
Planning	125	0	0	125
Postage	558	558	37	1,153
Promotion	16,653	0	0	16,653
Rent	1,044	348	0	1,392
Salary	92,496	16,323	1,149	109,968
Software	568	567	0	1,135
Staff Training	1,890	333	0	2,223
Telephone	5,328	940	51	6,319
Travel And Entertainment	6,157	1,086	5,352	12,595
Total	\$ 2,288,662	\$ 41,350	\$ 10,419	\$ 2,340,431

"SEE NOTES TO FINANCIAL STATEMENTS"

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

Exhibit C

2004

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 19,841	\$ 0	\$ 0	\$ 19,841
Application Fees	1,150	0	0	1,150
Bad Debts	0	0	0	0
Contracted Services	3,000	0	0	3,000
Consulting	0	0	144,045	144,045
Depreciation	250	249	0	499
Equipment And Maintenance	452	451	0	903
Expenses Pass Through	61,641	0	0	61,641
Fringe Benefits	15,125	2,669	0	17,794
Insurance	695	695	0	1,390
Interest	0	0	0	0
Legal And Professional	0	3,129	0	3,129
Loss on Disposal	50	50	0	100
Memberships	4,793	4,793	0	9,586
Miscellaneous	145	144	60	349
Office Supplies	1,018	3,052	768	4,838
Planning	600	0	0	600
Postage	659	658	211	1,528
Promotion	5,576	0	190	5,766
Rent	0	0	0	0
Salary	90,186	15,915	5,143	111,244
Software	513	512	0	1,025
Staff Training	1,070	189	0	1,259
Telephone	5,092	899	338	6,329
Travel And Entertainment	6,995	1,234	22	8,251
Total	\$ 218,851	\$ 34,639	\$ 150,777	\$ 404,267

**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>	2005	2004
Change In Net Assets	\$ 6,381	\$ (153,560)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Loss On Disposal	0	100
Depreciation	1,992	499
Bad Debt Expense	30,000	0
Decrease in Interest Receivable	303	739
(Decrease) Increase In Accounts Payable	(54,698)	69,000
Increase In Payroll Taxes Withheld	2,494	1,382
Increase in Advances Payable	126,404	3,359
(Decrease) Increase In Deferred Revenue	(25,000)	25,000
Total Adjustments	\$ 81,495	\$ 100,079
Net Cash Provided By (Used In) Operating Activities	\$ 87,876	\$ (53,481)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Net (Purchase) Redemption Of Certificate Of Deposit	\$ (40,670)	\$ 100,752
Purchase Of Property And Equipment	(8,855)	(1,248)
Net Cash (Used In) Provided By Investing Activities	\$ (49,525)	\$ 99,504
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds Received From Long-Term Debt	\$ 69,000	\$ 0
Payments On Long-Term Debt	(8,919)	0
Net Cash Provided By Financing Activities	\$ 60,081	\$ 0
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 98,432	\$ 46,023
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	49,976	3,953
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ 148,408	\$ 49,976
<u>SUPPLEMENTAL DISCLOSURES:</u>		
Interest Paid	\$ 2,615	\$ 0
Income Taxes Paid	\$ 0	\$ 0

"SEE NOTES TO FINANCIAL STATEMENTS"

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004**

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, 2005 and 2004**

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 \$ 26,269 and \$ 19,841 for the years ended December 31, 2005 and 2004, respectively.

NOTE 2 – NOTE RECEIVABLE

Notes Receivable consists of the following:

	<u>12-31-05</u>	<u>12-31-04</u>
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 \$ 903 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 2005 and 2004 were \$ 4,387 and \$ 4,367, respectively.

**COMMUNITY IMPROVEMENT CORPORATION
OF DEFIANCE COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004**

NOTE 4 - CONCENTRATION

For the year ended December 31, 2005, the Organization received 40% (49% in 2004) 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 \$ 1,255,800 (revised from \$ 1,350,000 a year ago) 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, 2005 \$ 225,150 (\$43,850 at December 31, 2004) of pledges were collected. The balance of uncollected pledges at December 31, 2005 is approximately \$ 986,800.

NOTE 6 - DEFERRED REVENUE

Included in deferred revenue at December 31, 2004 is \$ 25,000, which represents half of the Organization's 2005 allotment from Defiance County. At the time the funds were advanced, it was felt the Organization would need these funds to acquire property.

NOTE 7 - 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 \$ 463.95 per month. The lease extended until December 31, 2005 and was renewed for a period of one year. Lease expense was \$ 1,391.85 for the year ended 2005. Prior to this time office space was provided without charge.

NOTE 8 - ADVANCES

The majority of the funds in advances are public monies provided to the Organization to assist a local business in setting up infrastructure. All of the funds are kept in a separate bank account. The balance is money advanced by Standridge Corporation to be spent as needed on expenses of Standridge.

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts, which, at December 31, 2005, exceeded federally insured limits by \$ 67,973. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 10 - 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. Long-term debt maturities are as follows: 2006-\$ 16,212; 2007-\$ 17,341; 2008-\$ 18,548 and 2009-\$ 7,980.

NOTE 11 - OTHER INCOME

The Organization hired a professional fundraiser in 2004 at a contract cost of \$ 133,500, payable in installments. The entire amount was expensed in 2004. During 2005 the Organization was offered a discount of \$ 15,000 if the entire balance was paid. Funds were borrowed in May 2005 to pay off the contract (See Note 10).

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'
April 21, 2006**

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, 2005, and have issued our report thereon dated April 21, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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 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 21, 2006.

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



**Auditor of State
Betty Montgomery**

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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
MAY 30, 2006**