

Lincoln Heights Community Improvement Corporation

Hamilton County, Ohio

Regular Audit

January 1, 2005 through December 31, 2006

Years Audited Under GAGAS: 2006 and 2005

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Lincoln Heights Community Improvement Corporation  
1550 Magnolia Dr.  
Cincinnati, Ohio 45215-1914

We have reviewed the *Independent Auditor's Report* of the Lincoln Heights Community Improvement Corporation, Hamilton County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2006. 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 "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

June 13, 2007

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**Lincoln Heights Community Improvement Corporation**

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*For the Years Ended December 31, 2006 and 2005*

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Member American Institute of Certified Public Accountants

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Board of Trustees  
Lincoln Heights Community Improvement Corporation  
1550 Magnolia Drive  
Lincoln Heights, Ohio 45215

**Independent Auditor's Report**

We have audited the accompanying statements of financial position of the Lincoln Heights Community Improvement Corporation (the Corporation), as of December 31, 2006 and 2005, 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, 2006 and 2005, 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 April 3, 2007, 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.  
April 3, 2007

**Lincoln Heights Community Improvement Corporation**

*Statements of Financial Position*

*As of December 31, 2006 and 2005*

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
<u>Current Assets</u>		
Cash & cash equivalents	\$278,451	\$210,843
Rent receivable	2,791	3,501
Grants receivable	8,048	10,100
Prepaid expenses	500	3,780
Total Current Assets	<u>289,790</u>	<u>228,224</u>
 <u>Fixed Assets</u>		
Land	100,935	112,100
Buildings	1,109,240	1,109,240
Furniture & Equipment	1,691	1,691
Total Fixed Assets	<u>1,211,866</u>	<u>1,223,031</u>
less Accumulated Depreciation	<u>(55,479)</u>	<u>(28,802)</u>
Net Fixed Assets	<u>1,156,387</u>	<u>1,194,229</u>
 Other Assets		
Work in Progress - Jackson Homes Project	0	134,987
Tenant Security Deposit reserves	5,754	5,433
Total Other Assets	<u>5,754</u>	<u>140,420</u>
 Total Assets	<u>\$1,451,931</u>	<u>\$1,562,873</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Prepaid rental income	\$226	\$540
Accounts payable-trade	158,203	20,483
Deferred revenue - Jackson Homes project	0	6,239
Tenant security deposits	6,175	4,478
Notes payable	31,500	0
Line of credit payable	94,680	376,513
Total Current Liabilities	<u>290,784</u>	<u>408,253</u>
 <u>Long-term Liabilities</u>		
Mortgage payable	<u>123,583</u>	<u>133,913</u>
 Total Liabilities	<u>414,367</u>	<u>542,166</u>
 <u>Net Assets</u>		
Unrestricted	<u>1,037,564</u>	<u>1,020,707</u>
Total Net Assets	<u>1,037,564</u>	<u>1,020,707</u>
 Total Liabilities and Net Assets	<u>\$1,451,931</u>	<u>\$1,562,873</u>

See the accompanying notes to the financial statements.



**Lincoln Heights Community Improvement Corporation**  
*Statements of Activities*  
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
Public Support and Revenues		
Government Support		
EPA Brownfield Project revenues	\$0	\$38,463
Grant - Village of Lincoln Heights	25,000	25,000
In-kind donations	45,800	0
Grants		
Local Initiatives Support Corporation	91,447	88,500
Hamilton County Development Grant	0	33,224
Jackson Homes Project		
Gross proceeds	1,301,091	0
less costs of construction	(1,356,978)	0
Interest income	2,517	0
Rental Income - C&H Estates	120,388	125,562
Sales Revenues	620	1,500
Contributions	522	500
Total Public Support and Revenues	<u>230,407</u>	<u>312,749</u>
Functional Expenses		
Program Service	173,213	286,155
Management and General	40,337	34,871
Total Functional Expenses	<u>213,550</u>	<u>321,026</u>
Change in Net Assets	16,857	(8,277)
Net Assets - Beginning of Year	<u>1,020,707</u>	<u>1,028,984</u>
Net Assets - End of Year	<u>\$1,037,564</u>	<u>\$1,020,707</u>

See the accompanying notes to the financial statements.

**Lincoln Heights Community Improvement Corporation**

*Statement of Functional Expenses*

*For the Year Ended December 31, 2006*

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	Program Services	Management and General	Total
Workers compensation	\$20	\$0	\$20
Accounting fees	0	2,506	2,506
Executive Director fees	47,520	18,480	66,000
Other professional fees	4,522	0	4,522
Temporary help	1,000	0	1,000
Supplies	1,313	510	1,823
Telephone	3,113	1,210	4,323
Postage	204	80	284
Rent	2,340	910	3,250
Utilities	1,392	542	1,934
Maintanance	1,706	664	2,370
Printing & publications	195	76	271
Travel	2,044	0	2,044
Conferences & meetings	729	0	729
Depreciation-furn & fixtures	19,207	7,470	26,677
Insurance-general	884	0	884
Insurance-Directors & Officers	0	1,275	1,275
Dues	0	615	615
Advertising	214	0	214
Other expenses	0	5,999	5,999
C&H Estates Rental expenses	86,810	0	86,810
Total Functional Expenses	<u>\$173,213</u>	<u>\$40,337</u>	<u>\$213,550</u>

See the accompanying notes to the financial statements.

**Lincoln Heights Community Improvement Corporation**  
*Statement of Functional Expenses*  
For the Year Ended December 31, 2005

	Program Services	Management and General	Total
Salaries	\$1,913	\$0	\$1,913
Benefits	1,240	0	1,240
Payroll taxes	156	0	156
Accounting fees	0	5,124	5,124
Legal fees	11,816	0	11,816
Executive Director fees	48,672	18,928	67,600
Other professional fees	62,494	500	62,994
Temporary help	100	0	100
Supplies	1,450	564	2,014
Telephone	3,102	1,206	4,308
Postage	243	94	337
Rent	5,040	1,960	7,000
Utilities	2,069	804	2,873
Maintanance	354	137	491
Printing & publications	349	136	485
Travel	1,881	0	1,881
Conferences & meetings	255	0	255
Interest	3,622	0	3,622
Depreciation-furn & fixtures	26,582	95	26,677
Insurance-general	2,677	0	2,677
Insurance-Directors & Officers	0	1,375	1,375
Dues	0	840	840
Bank fees	0	23	23
Advertising	1,882	0	1,882
Other expenses	0	3,085	3,085
C&H Estates Rental Expenses	110,258	0	110,258
<b>Total Functional Expenses</b>	<b>\$286,155</b>	<b>\$34,871</b>	<b>\$321,026</b>

See the accompanying notes to the financial statements.

**Lincoln Heights Community Improvement Corporation**  
*Statements of Cash Flows*  
For the Years Ended December 31, 2006 and 2005

	2006	2005
<u>Cash Flows From Operating Activities</u>		
Excess (Deficiency) of Revenues over Expenses	\$16,857	(\$8,277)
<u>Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities</u>		
Depreciation and amortization	26,677	26,677
<u>(Increase) Decrease in:</u>		
Grants receivable	2,052	39,941
Rent receivable	710	(3,501)
Prepaid expenses	3,280	(3,780)
Other assets	134,666	(136,769)
<u>Increase (Decrease) in:</u>		
Prepaid rental income	(314)	(192)
Payroll liabilities	0	(1,248)
Accounts payable-trade	137,720	(37,206)
Deferred revenues	(6,239)	6,239
Tenant security deposits	1,697	828
Net Cash Provided (Used) By Operating Activities	317,106	(117,288)
<u>Cash Flows From Investing Activities</u>		
Disposition of property and equipment	89,000	0
Acquisition of property and equipment	(77,835)	(47,140)
Net Cash Provided (Used) by Investing Activities	11,165	(47,140)
<u>Cash Flows From Financing Activities</u>		
Proceeds from line of credit	339,550	329,313
Payments of line of credit	(621,383)	0
Proceeds from notes payable	31,500	0
Payment of mortgages payable	(10,330)	(844)
Net Cash Provided (Used) by Financing Activities	(260,663)	328,469
Net Increase in Cash	67,608	164,041
Cash - Beginning of Year	210,843	46,802
Cash - End of Year	\$278,451	\$210,843
Supplementary Disclosure of Cash Flow Information:		
Cash Paid During the Year For:		
Interest	\$14,854	\$17,135

See the accompanying notes to the financial statements.

**Lincoln Heights Community Improvement Corporation**

*Notes to the Financial Statements*

*For the Years Ended December 31, 2006 and 2005*

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**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Lincoln Heights Community Improvement Corporation (the Organization) 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 Organization 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 Organization 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 Organization 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, 2006 or 2005.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There are no permanently restricted net assets as of December 31, 2006 or 2005.

**Income Taxes**

The Organization 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 Organization is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

**Donated Materials**

The Organization records the value of donated goods or services used in the operations of the Organization when there is an objective basis available to measure their value. Donated materials used by the Organization 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 Organization receives support from individuals, businesses, foundations and governments in the Lincoln Heights and Greater Cincinnati areas.

The Organization received grants of \$91,447 in 2006 and \$88,500 in 2005 from the Local Initiatives Support Corporation. The Organization received revenues of \$38,463 in 2005 from the Environmental Protection Agency for the Brownfield Pilot Demonstration Project. The Organization received \$25,000 in 2006 and 2005 in grants from the Village of Lincoln Heights. The Organization received \$33,224 in 2005 from Hamilton County as a development grant.

**Lincoln Heights Community Improvement Corporation**

*Notes to the Financial Statements*

*For the Years Ended December 31, 2006 and 2005*

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**NOTE C – IN-KIND REVENUES**

The Organization acquired 2 properties in 2006 at no cost for future development. The estimated fair market values of these properties are \$45,800 and are reported as in-kind donations for 2006.

**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	40 years
Furniture and equipment	5 years

**NOTE E – MORTGAGES PAYABLE AND LINE-OF-CREDIT**

The Organization opened a \$100,000 line-of-credit with Key Bank in November of 2004. The line has a balance outstanding of \$94,680 as of December 31, 2006 and \$250,822 as of December 31, 2005. The line requires interest only payments, at Prime + 1%.

The Organization 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 \$123,583 as of December 31, 2006 and \$133,913 as of December 31, 2005.

The Organization obtained a line of credit from Fifth Third Bank in 2005. The proceeds of this line of credit were being used for construction of the Jackson Homes Project. A total of \$125,691 has been drawn on this line of credit as of December 31, 2005. The loan was paid in full as of December 31, 2006.

The Organization borrowed \$31,500 at no interest from the Local Initiatives Support Group to finance acquisition of property. The loans are payable in full when the properties are developed and sold.

Current maturities are as follows:

Current Maturities	Total	LISC		
		Notes Payable	Key Bank LOC	Key Bank Mortgage
2007	\$132,520	\$31,500	\$94,680	\$6,340
2008	6,781	0	0	6,781
2009	110,462	0	0	110,462
Total	<u>\$249,763</u>	<u>\$31,500</u>	<u>\$94,680</u>	<u>\$123,583</u>

**NOTE F – JACKSON HOMES PROJECT**

Construction of the Jackson Homes Project began in August 2005, and was completed in 2006. The Jackson Homes project was made possible with grants from the Ohio Housing Finance Agency and the Hamilton County Department of Community Development. These grants require that the new homes be sold to buyers earning 80% of the Area Median Income or less. Through these two grant programs over \$60,000 in subsidies are available to each qualified buyer, making these new homes valued at over \$160,000 available to buyers who qualify for a \$100,000 first mortgage. Construction of the seven planned homes will add over \$1 million to the residential property tax base of the Village of Lincoln Heights.

# BALESTRA, HARR & SCHERER CPAs, INC.

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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  
1550 Magnolia Drive  
Lincoln Heights, Ohio 45215

We have audited the financial statements of Lincoln Heights Community Improvement Corporation (the Corporation), Hamilton County, Ohio, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 3, 2007. We conducted our audit 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 audit, we considered the Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation'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 Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

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

Our consideration of 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 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.


Board of Trustees  
Lincoln Heights Community Improvement Corporation

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*  
Page 2

### **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, regulations, 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Balestra, Harr & Scherer, CPAs, Inc.  
April 3, 2007





**Mary Taylor, CPA**  
Auditor of State

**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**  
**JUNE 26, 2007**