

NuZone Community Improvement Corporation

Hamilton County, Ohio

Regular Audit

January 1, 2007 through December 31, 2008

Fiscal Years Audited Under GAGAS: 2008 and 2007



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the NuZone Community Improvement Corporation, Hamilton County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2008. 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 NuZone Community Improvement Corporation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 20, 2010

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NuZone Community Improvement Corporation
Hamilton County, Ohio

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Independent Auditor's Report

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

We have audited the accompanying statements of financial position of the NuZone Community Improvement Corporation (the Corporation), as of December 31, 2008 and 2007, and 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 audit.

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 the *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides 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, 2008 and 2007, 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 March 31, 2010, 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 audit.

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. As discussed in Note G to the financial statements. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer".

Balestra, Harr & Scherer, CPAs, Inc.
March 31, 2010

NuZone Community Improvement Corporation
Statements of Financial Position
As of December 31, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
<u>Current Assets</u>		
Cash & cash equivalents	\$98,768	\$137,435
Rent receivable	3,067	1,383
Prepaid expenses	0	500
Total Current Assets	<u>101,835</u>	<u>139,318</u>
<u>Fixed Assets</u>		
Land	113,241	105,106
Buildings	1,109,240	1,109,240
Furniture & Equipment	1,691	1,691
Total Fixed Assets	<u>1,224,172</u>	<u>1,216,037</u>
less Accumulated Depreciation	<u>(108,832)</u>	<u>(82,155)</u>
Net Fixed Assets	<u>1,115,340</u>	<u>1,133,882</u>
<u>Other Assets</u>		
Tenant Security Deposit reserves	0	6,279
Total Other Assets	<u>0</u>	<u>6,279</u>
 Total Assets	 <u>\$1,217,175</u>	 <u>\$1,279,479</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Prepaid rental income	\$45	\$66
Accounts payable-trade	18,926	11,733
Tenant security deposits	6,834	6,257
Notes payable	26,822	26,822
Total Current Liabilities	<u>52,627</u>	<u>44,878</u>
<u>Long-term Liabilities</u>		
Mortgage payable	<u>269,931</u>	<u>275,703</u>
Total Liabilities	<u>322,558</u>	<u>320,581</u>
<u>Net Assets</u>		
Unrestricted	<u>894,617</u>	<u>958,898</u>
Total Net Assets	<u>894,617</u>	<u>958,898</u>
Total Liabilities and Net Assets	<u>\$1,217,175</u>	<u>\$1,279,479</u>

See the accompanying notes to the financial statements.

NuZone Community Improvement Corporation
Statements of Activities
For the Years Ended December 31, 2008 and 2007

	2008 <u>Unrestricted</u>	2007 <u>Unrestricted</u>
Public Support and Revenues		
Government Support		
EPA Brownfield Project revenues	\$20,623	\$128,650
Grants		
Local Initiatives Support Corporation	18,470	81,530
Jackson Homes Project		
Gross proceeds	0	3,343
Gain on sale of property	8,556	0
Rental Income - C&H Estates	126,387	129,653
Sales Revenues	1,984	1,000
Miscellaneous	736	50
Total Public Support and Revenues	<u>176,756</u>	<u>344,226</u>
Functional Expenses		
Program Service	212,881	389,010
Management and General	28,156	33,882
Total Functional Expenses	<u>241,037</u>	<u>422,892</u>
Change in Net Assets	(64,281)	(78,666)
Net Assets - Beginning of Year	<u>958,898</u>	<u>1,037,564</u>
Net Assets - End of Year	<u><u>\$894,617</u></u>	<u><u>\$958,898</u></u>

See the accompanying notes to the financial statements.

NuZone Community Improvement Corporation
Statement of Functional Expenses
For the Year Ended December 31, 2008

	Program Services	Management and General	Total
Salaries	\$997	\$0	\$997
Payroll taxes	176	0	176
Accounting fees	0	3,255	3,255
Legal fees	2,456	0	2,456
Executive Director fees	49,421	19,219	68,640
Brownfield Cleanup Contract fees	20,385	0	20,385
Supplies	0	534	534
Telephone	86	34	120
Postage	207	81	288
Rent	5,616	2,184	7,800
Printing & publications	74	28	102
Travel	568	0	568
Conferences & meetings	25	0	25
Interest	3,904	0	3,904
Depreciation-furn & fixtures	26,339	338	26,677
Insurance-general	938	0	938
Insurance-Directors & Officers	0	1,275	1,275
Dues	0	200	200
Bank fees	0	83	83
Other expenses	0	925	925
Vacant properties costs	3,130	0	3,130
Town Home Project costs	199	0	199
C&H Estates Rental expenses	98,360	0	98,360
Total Functional Expenses	<u>\$212,881</u>	<u>\$28,156</u>	<u>\$241,037</u>

See the accompanying notes to the financial statements.

NuZone Community Improvement Corporation
Statement of Functional Expenses
For the Year Ended December 31, 2007

	Program Services	Management and General	Total
Salaries	\$3,100	\$0	\$3,100
Payroll taxes	1,063	0	1,063
Accounting fees	0	4,659	4,659
Legal fees	4,560	0	4,560
Executive Director fees	52,056	20,244	72,300
Brownfield Cleanup Contract fees	128,506	0	128,506
Supplies	31	777	808
Telephone	732	285	1,017
Postage	139	53	192
Rent	4,291	1,669	5,960
Maintanance	260	101	361
Printing & publications	2,440	949	3,389
Travel	256	0	256
Conferences & meetings	622	0	622
Interest	10,447	0	10,447
Depreciation-furn & fixtures	26,339	338	26,677
Insurance-general	887	0	887
Insurance-Directors & Officers	0	1,275	1,275
Dues	0	435	435
Bank fees	0	500	500
Advertising	141	0	141
Other expenses	0	2,597	2,597
Vacant properties costs	5,188	0	5,188
Town Home Project costs	6,933	0	6,933
C&H Estates Rental Expenses	141,019	0	141,019
Total Functional Expenses	\$389,010	\$33,882	\$422,892

See the accompanying notes to the financial statements.

NuZone Community Improvement Corporation
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	2008	2007
<u>Cash Flows From Operating Activities</u>		
Excess (Deficiency) of Revenues over Expenses	(\$64,281)	(\$78,666)
<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	0	8,048
Rent receivable	(1,684)	1,408
Prepaid expenses	500	0
Other assets	6,279	(525)
<u>Increase (Decrease) in:</u>		
Prepaid rental income	(21)	(160)
Accounts payable-trade	7,193	(146,471)
Tenant security deposits	577	82
Net Cash Provided (Used) By Operating Activities	(24,760)	(189,607)
<u>Cash Flows From Investing Activities</u>		
Acquisition of property and equipment	(8,135)	(4,172)
Net Cash Provided (Used) by Investing Activities	(8,135)	(4,172)
<u>Cash Flows From Financing Activities</u>		
Proceeds of new mortgages	0	280,000
Payments of line of credit	0	(94,680)
Payments on notes payable	0	(4,678)
Payment of mortgages payable	(5,772)	(127,879)
Net Cash Provided (Used) by Financing Activities	(5,772)	52,763
Net Increase in Cash	(38,667)	(141,016)
Cash - Beginning of Year	137,435	278,451
Cash - End of Year	\$98,768	\$137,435
Supplementary Disclosure of Cash Flow Information:		
Cash Paid During the Year For:		
Interest	\$3,904	\$17,135

See the accompanying notes to the financial statements.

NuZone Community Improvement Corporation
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

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. In 2007 the Organization was reorganized to include Hamilton, Butler, Warren and Clermont Counties and the name was changed to NuZone Community Improvement Corporation.

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, 2008 or 2007.

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, 2008 or 2007.

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 \$18,470 in 2008 and \$81,530 in 2007 from the Local Initiatives Support Corporation. The Organization received revenues of \$20,623 in 2008 and \$128,650 from the Environmental Protection Agency for the Brownfield Pilot Demonstration Project.

NuZone Community Improvement Corporation
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

NOTE C – 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 was paid in full as of December 31, 2007.

The Organization also obtained a \$135,200 mortgage in 2004 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. This load was refinanced in 2007, and an additional \$159,466 was borrowed. Under the new terms for the loan of \$280,000 a balloon payment of \$240,262 is due July 2012, and the monthly payments of \$2,097 are calculated using a 20-year amortization, at a rate of 6.63%. The balance outstanding is \$269,931 as of December 31, 2008 and \$275,703 as of December 31, 2009.

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. The balance is \$26,822 as of December 31, 2008 and \$26,822 as of December 31, 2007.

Current maturities are as follows:

Current Maturities	Total	LISC	
		Notes Payable	Key Bank Mortgage
2009	\$34,139	\$26,822	\$7,317
2010	7,824	0	7,824
2011	8,366	0	8,366
2012	246,424	0	246,424
Total	<u>\$296,753</u>	<u>\$26,822</u>	<u>\$269,931</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.

NOTE G – SUBSEQUENT EVENTS/CONTINUED EXISTENCE

During 2009 the Corporation decided that due to lack of funding they were ceasing operation and began to take steps to sell off their assets to pay their outstanding liabilities.



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 Directors
NuZone Community Improvement Corporation
1550 Magnolia Drive
Lincoln Heights, Ohio 45215

We have audited the accompanying statements of financial position of the NuZone County Community Improvement Corporation, Hamilton County, Ohio (the Corporation), as of and for the years ended December 31, 2008 and 2007, and the related statement of activities and cash flows and have issued our report thereon dated March 31, 2010. Wherein we noted there is substantial doubt about the corporation's ability to continue as a going concern. 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the Corporation's basis of accounting 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 over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Corporation's internal control will not prevent or detect a material financial statement misstatement.

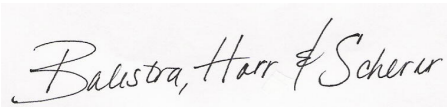
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 did not disclose an instance of noncompliance that is required to be reported under *Government Auditing Standards*.

We noted an instance of noncompliance which we have reported to management in a separate letter dated March 31, 2010.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
March 31, 2010



Mary Taylor, CPA
Auditor of State

NUZONE 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
MAY 6, 2010**