



Dave Yost • Auditor of State

**NUZONE CIC
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

NuZone CIC
Hamilton County
3637 Edwards Road
Cincinnati, Ohio 45208

To the Board of Trustees:

We have audited the accompanying financial statements of the NuZone CIC, Hamilton County, Ohio (the Corporation), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NuZone CIC, Hamilton County, Ohio, as of December 31, 2010 and 2009, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. As discussed in Note F to the financial statements, the Corporation disbanded during 2011 and the executive director is in the process of liquidating all Corporation assets to retire Corporation liabilities, which raises substantial doubt about the Corporation's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the financial statements that collectively comprise the Corporation's financial statements taken as a whole. The supplementary information provides additional analysis and is not a required part of the financial statements. The supplementary information is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. These statements were subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 30, 2011

NuZone CIC
Hamilton County
Statement of Financial Position
As of December 31, 2009 and 2010

	2009	2010
Assets		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$29,596	\$3,043
Rent Receivable	5,849	3,148
<i>Total Current Assets</i>	<i>35,445</i>	<i>6,191</i>
<u>Fixed Assets</u>		
Land	101,241	101,241
Buildings	1,109,240	1,109,240
Furniture & Equipment	1,691	1,691
Total Fixed Assets	1,212,172	1,212,172
less accumulated depreciation	(135,480)	(161,819)
Net Fixed Assets	1,076,692	1,050,353
<u>Other Assets</u>		
Tenants Security Deposit Reserve	9,292	7,067
	9,292	7,067
 Total Assets	 \$1,121,429	 \$1,063,611
Liabilities		
<u>Current Liabilities</u>		
Prepaid Rental Income	181	137
Payroll Liabilities	-	-
Accounts Payable - Trade	24,370	81,034
Tenant Security Deposits	8,727	8,013
Notes Payable	27,760	27,760
Total Current Liabilities	61,038	116,944
<u>Long Term Liabilities</u>		
Mortgage Payable	262,611	254,376
	262,611	254,376
 Total Liabilities	 323,649	 371,320
<u>Net Assets</u>		
Unrestricted	797,780	692,291
Total Net Assets	797,780	692,291
 Total Liabilities and Net Assets	 \$1,121,429	 \$1,063,611

See accompanying notes to the basic financial statements

NuZone CIC
Hamilton County
Statement of Activities
As of December 31, 2009 and 2010

	<u>2009</u>	<u>2010</u>
<u>Public Support and Revenues</u>		
Grants	4,660	-
Loss on Sale of Property	(4,801)	-
Rental Income - C&H Estates	179,629	120,570
Miscellaneous	17,502	-
	<u>196,990</u>	<u>120,570</u>
<u>Expenses</u>		
Payroll taxes	6,727	-
Professional fees		
Accounting fees	5,632	1,508
Legal fees	-	390
Executive Director fees	68,650	68,640
Other fees	200	-
Brownfield cleanup contract	4,903	-
Office expenses		
Office supplies	62	-
Postage	80	-
Occuapncy		
Internet access	75	-
Rent	5,400	(1,800)
Vacant Property		
Property taxes	566	-
Maintenance	660	(510)
Other		
Mileage	24	-
Interest	1,564	-
Depreciation	26,648	26,339
Insurance	2,234	1,504
Miscellaneous	201	413
Rental property expenses	170,197	129,575
Total Expenses	<u>293,823</u>	<u>226,059</u>
Change in Net Assets	(96,833)	(105,489)
Net Assets - Beginning of Year	894,613	797,780
Net Assets - End of Year	<u><u>\$797,780</u></u>	<u><u>\$692,291</u></u>

See accompanying notes to the basic financial statements

NuZone CIC
Hamilton County
Statement of Cash Flows
As of December 31, 2009 and 2010

	2009	2010
Assets		
<u>Cash Flows from Operating Activities</u>		
Excess (Deficiency) of Revenues over Expenses	(\$96,833)	(\$105,489)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation and amortization	26,648	26,339
(Increased) Decrease in Rent Receivable	(2,782)	2,701
Tenant Security Reserves	(9,292)	2,225
Increased (Decrease) in Prepaid Rental Income	136	(44)
Accounts Payable - Trade	5,440	56,664
Tenant Security Deposits	1,893	(714)
	(\$74,790)	(\$18,318)
Net Cash Provided (Used) By Operating Activities		
Cash Flows From Investing Activities		
Disposition of Property and equipment	12,000	-
Net Cash Provided (Used) by Investing Activities	12,000	-
Cash Flows From Financing Activities		
Proceeds of debt	938	-
Payment of mortgages payable	(7,320)	(8,235)
Net Cash Provided (Used) by Financing Activities	(6,382)	(8,235)
Net Increase (Decrease) in Cash	(\$69,172)	(\$26,553)
Cash - Beginning of Year	98,768	29,596
Cash - End of Year	\$29,596	\$3,043
Supplementary Disclosure of Cash Flow Information:		
Cash Paid During the Year For:		
Interest	\$19,413	\$16,935
Income Taxes	-	-

See accompanying notes to the basic financial statements

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**NUZONE, CIC
HAMILTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Lincoln Heights Community Redevelopment Corporation (the Organization) was founded in October 2001 to promote residential and commercial development in the Village of Lincoln Heights. In 2008, the Organization's name was changed to NuZone and the activities were expanded to promote development in the Greater Cincinnati area.

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 asset - 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.

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.

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 consist 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.

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. Newly effective accounting standards prescribe when to recognize and how to measure the financial statement effects, if any, of income tax positions taken or expected to be taken in a tax return. The standards require that a tax position be recognized or derecognized based on a "more likely than not" threshold. Based on management's evaluation, the Organization does not believe its financial statements include any uncertain tax positions. Further, no interest or penalties have been accrued or charged to expense as of December 31, 2010 or 2009 or for the years then ended. The Organization's federal tax returns are subject to examination by the Internal Revenue Service for a period of three years from the date they are filed. As of December 31, 2010, the following tax years are subject to examination.

**NUZONE, CIC
HAMILTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Jurisdiction	Tax Return	Open Years for Filed Returns	Return to be filed in 2011
Federal	Form 990	2007-2009	2010

NOTE B – BUSINESS AND SUPPORT CONCENTRATIONS

The Organization receives support from individuals, businesses, foundations, and governments in the Greater Cincinnati area. Net rental income of \$179,629 and \$120,570 for 2009 and 2010 provided 91% and 100% respectively of total income for those years.

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 and improvements	40 years
Furniture and equipment	5 years

NOTE D - MORTGAGES PAYABLE AND LINE-OF-CREDIT

The Organization obtained a \$135,200 mortgage in 2004 from Key Bank at 6.74%. This was a five-year loan with a 15-year amortization. A balloon payment of \$105,558 was due November 22, 2009. The proceeds of this loan were used to acquire rental property with a value of \$1,009,900. This loan 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 was \$262,611 as of December 31, 2009, and \$254,376 as of December 31, 2010.

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 \$27,760 as of December 31, 2009 and 2010.

Current maturities are as follows:

Current Maturities	Total	LISC Note Payable	Key Bank Mortgage
2010	\$ 8,235	\$ 0	\$ 8,235
2011	36,502	27,760	8,742
2012	245,635	0	245,634
Total	\$ 290,371	\$ 27,760	\$ 262,611

NOTE E – ACCOUNTS PAYABLE

NuZone's contract for Executive Director services provides for monthly payments of \$5,720. NuZone made payments of \$57,190 under this contract in 2009, with a remaining payable of \$11,450 as of December 31, 2009. NuZone did not pay any Executive Director fees in 2010, but the \$5,720 per month was accrued as payable. The total payable for Executive Director fees is \$80,090 as of December 31, 2010. As of December 31, 2009 and 2010, accounts payable consisted of the following:

**NUZONE, CIC
HAMILTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

NOTE E – ACCOUNTS PAYABLE (Continued)

	2009	2010
Rent	1,800	0
Utilities	510	0
Payroll Taxes	6,408	0
Accounting Fees	2,880	0
Executive Director Fees	11,450	80,090
Other	1,322	944
Total	24,370	81,034

NOTE F – GOING CONCERN / SUBSEQUENT EVENTS

The Corporation disbanded in 2011 and the executive director is in the process of liquidating remaining assets of the Corporation to retire Corporation liabilities.

In 2011, NuZone sold three of the rental properties. These properties were originally given to NuZone by the U.S. Dept of Housing and Urban Development. The cost basis reported in the financials is the assessed value for real estate tax purposes as of the date they were received. The results of these sales are as follows:

Cost Basis	\$ 286,400
Less Accumulated Depreciation	<u>(41,427)</u>
Net Book Value	244,973
Proceeds of Sales	<u>100,000</u>
(Loss) on Sales	\$ <u>(144,973)</u>

In 2011, NuZone also transferred title to several vacant lots to the Village of Lincoln Heights. The total cost basis on these transferred properties is \$113,241.

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NuZone CIC
Hamilton County
Supplementary Schedule of Assets and Liabilities
C&H Estates Rental Property
As of December 31, 2009 and 2010

	2009	2010
Assets		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$22,568	\$319
Rent Receivable	5,849	3,148
<i>Total Current Assets</i>	<i>\$28,417</i>	<i>\$3,467</i>
<u>Fixed Assets</u>		
Land	55,700	55,700
Buildings	1,053,540	1,053,540
Total Fixed Assets	1,109,240	1,109,240
less accumulated depreciation	(133,789)	(160,128)
Net Fixed Assets	\$975,451	\$949,112
<u>Other Assets</u>		
Tenants Security Deposit Reserve	9,292	7,067
	9,292	7,067
 Total Assets	 \$1,013,160	 \$959,646
Liabilities		
<u>Current Liabilities</u>		
Accounts Payable	1,323	945
Prepaid Rental Income	181	137
Tenant Security Deposits	8,727	8,013
Total Current Liabilities	10,231	9,095
<u>Long Term Liabilities</u>		
Mortgage Payable	262,611	254,376
	262,611	254,376
 Total Liabilities	 272,842	 263,471
<u>Net Assets</u>		
Unrestricted	740,318	696,175
Total Net Assets	740,318	696,175
 Total Liabilities and Net Assets	 \$1,013,160	 \$959,646

NuZone CIC
Hamilton County
Supplementary Schedule of Revenues and Expenses
C&H Estates Rental Property
For the Years Ended December 31, 2009 and 2010

	<u>2009</u>	<u>2010</u>
Revenues - C&H Estates		
Rental Income	\$124,014	\$126,191
less Apartment allowance & concessions	(824)	-
less vacancies	(7,362)	(7,398)
Insurance proceeds	62,068	-
Net Rental Income	<u>177,896</u>	<u>118,793</u>
Damages and Cleaning Fees		
NSF and late charges	1,725	1,770
Interest Income	8	7
	<u> </u>	<u> </u>
Total Revenues - C&H Estates	<u>\$179,629</u>	<u>\$120,570</u>
Expenses		
Other renting expenses	141	1,269
Office Supplies	268	213
Management Fee	10,200	10,200
Electricity	1,081.00	1,013
Exterminating Contract	1,550	663
Maintenance Payroll	3,940	1,694
Maintenance Supplies	5,845	7,879
Mileage Reimbursement	1,155	1,672
Real Estate Taxes	11,380	29,051
Water and Sewer	1,735	1,616
Miscellaneous Financial Expenses	305	339
Property Insurance	9,509	10,251
Mortgage Interest	17,849	16,935
Postage	927	108
Advertising	920	302
Cabinets/countertops/doors	875	-
Carpet and Tile	4,994	1,391
Lawn Care	675	2,755
Maintenance Contracts	45,192	31,140
Bad Debts	(1,297)	7,360
Painting Contracts	4,670	-
Janitor and Cleaning Supplies	-	165
Miscellaneous Administration	175	796
Appliance Repairs	841	229
Plumbing Repairs	512	915
Heating/cooling Repairs	1,255	300
Grounds Contract	750	-
Roofing	43,573	-
Legal Fees	478	1,319
Trash Removal	400	-
Painting/decorating Supplies	299	-
Total Expenses - C&H Rental	<u>\$170,197</u>	<u>\$129,575</u>
Excess (deficiency) of Revenues over Expenses	<u>\$9,432</u>	<u>(\$9,005)</u>



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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

NuZone CIC
Hamilton County
3637 Edwards Road
Cincinnati, Ohio 45208

To the Board of Trustees:

We have audited the basic financial statements of the NuZone CIC, Hamilton County, Ohio (the Corporation), as of and for the years ended December 31, 2010 and 2009 and have issued our report thereon dated September 30, 2011, wherein we noted that the Corporation disbanded during 2011 and the executive director is in the process of liquidating all Corporation assets to retire Corporation liabilities.

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 Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, Board of Trustees, and others within the Corporation. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

September 30, 2011



Dave Yost • 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
NOVEMBER 29, 2011**