



Dave Yost • Auditor of State

**NUZONE COMMUNITY IMPROVEMENT CORPORATION
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Nuzone Community Improvement Corporation
Hamilton County
3637 Edwards Road
Cincinnati, Ohio 45208

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying basic financial statements of Nuzone Community Improvement Corporation, Hamilton County, Ohio (the Corporation), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NuZone Community Improvement Corporation, Hamilton County, Ohio, as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note G to the financial statements, the Corporation ceased operation during fiscal year ended December 31, 2012.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

January 24, 2014

Nuzone Community Improvement Corporation
Hamilton County
Statement of Net Position
As of December 31, 2012 and 2011

	2011	2012
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$10,115	\$0
Receivables:		
Rent	2,839	0
<i>Total Current Assets</i>	<u>12,954</u>	<u>0</u>
<i>Noncurrent Assets:</i>		
<i>Capital Assets:</i>		
Buildings	527,840	0
Furniture & Equipment	1,691	0
Less Accumulated Depreciation	<u>(90,159)</u>	<u>0</u>
<i>Total Noncurrent Assets</i>	<u>439,372</u>	<u>0</u>
<i>Total Assets</i>	<u>452,326</u>	<u>0</u>
Liabilities		
<i>Current Liabilities:</i>		
Accounts Payable - Trade	149,738	0
Security Deposits	2,657	0
Prepaid Rent	<u>487</u>	<u>0</u>
<i>Total Current Liabilities</i>	<u>152,882</u>	<u>0</u>
<i>Long-Term Liabilities:</i>		
Mortgage Payable	<u>83,695</u>	<u>0</u>
<i>Total Long-Term Liabilities</i>	<u>83,695</u>	<u>0</u>
<i>Total Liabilities</i>	<u>236,577</u>	<u>0</u>
Net Position		
Unrestricted	<u>215,749</u>	<u>0</u>
<i>Total Net Position</i>	<u><u>\$215,749</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Nuzone Community Improvement Corporation
Hamilton County
Statement of Activities
As of December 31, 2012 and 2011

	2011	2012
Public Support & Revenues		
Rental Income - C&H Estates	\$77,996	\$29,681
Gain on Sale of Assets	2,132	0
Miscellaneous	2,852	0
<i>Total Public Support & Revenues</i>	<u>82,980</u>	<u>29,681</u>
Expenses		
Grants & Assistance	73,481	0
Professional Fees	70,780	(78,079)
Rental Expenses	70,771	27,313
Supplies	37	0
Depreciation	12,504	0
Insurance	1,250	358
Loss on Sale of Assets	330,499	290,992
Vacancy Expense	0	4,412
Other	200	434
<i>Total Expenses</i>	<u>559,522</u>	<u>245,430</u>
<i>Change in Net Position</i>	(476,542)	(215,749)
<i>Net Position Beginning of Year</i>	<u>692,291</u>	<u>215,749</u>
<i>Net Position End of Year</i>	<u><u>\$215,749</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Nuzone Community Improvement Corporation
Statement of Cash Flows
As of December 31, 2012 and 2011

	<u>2011</u>	<u>2012</u>
<i>Cash Flows From Operating Activities</i>		
Excess (Deficiency) of Revenues over Expenses	(476,542)	(215,749)
<i>Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities</i>		
<i>(Increase) Decrease in:</i>		
Rent Receivable	309	2,839
Tenant Security Reserves	7,067	-
<i>Increase (Decrease) in:</i>		
Prepaid rental income	350	(487)
Accounts payable-trade	68,704	(149,738)
Tenant security deposits	(5,356)	(2,657)
Net Cash Provided (Used) by Operating Activities	<u>(405,468)</u>	<u>(365,792)</u>
<i>Cash Flows from Investing Activities</i>		
Disposition of Property & Equipment	610,981	439,372
Net Cash Provided (Used) by Investing Activities	<u>610,981</u>	<u>439,372</u>
<i>Cash Flows from Financing Activities</i>		
Forgiveness of Debt	(27,760)	-
Mortgages payable	(170,681)	(83,695)
Net Cash Provided (Used) by Financing Activities	<u>(198,441)</u>	<u>(83,695)</u>
Net Increase (Decrease) in Cash	7,072	(10,115)
Cash - Beginning of Year	3,043	10,115
Cash - End of Year	10,115	-

See accompanying notes to the basic financial statements

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**NUZONE
HAMILTON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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 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.

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, 2012 and 2011.

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.

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

NOTE B- BUSINESS AND SUPPORT CONCENTRATIONS

Net rental income of \$34,877 and \$80,644 was the primary source of revenue for 2012 and 2011, respectively.

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 base 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, 2012 for the year 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, 2012, the following tax years are subject to examination.

<u>Jurisdiction</u>	<u>Tax Return</u>	<u>Open Years for Filed Returns</u>	<u>Return to be filed in 2013</u>
Federal	Form 990	2009-2011	2012

**NUZONE
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

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

All property and equipment was disposed as of December 31, 2012. No depreciation expense was recorded in 2012 for these disposed assets.

Capital Assets Lead Sheet 2011	Balance 1/1/2011	Deletions	Balance 12/31/2011
Capital Assets Not Being Depreciated			
Land	101,241	(101,241)	-
Total Capital Assets Not Being Depreciated	101,241	(101,241)	-
Capital Assets Being Depreciated			
Buildings	1,109,240	(581,400)	527,840
Furniture & Equipment	1,691		1,691
Total Capital Assets Being Depreciated	1,110,931	(581,400)	529,531
Less Accumulated Depreciation			
Building & Improvements	(160,128)	71,660	(88,468)
Furniture & Equipment	(1,691)	-	(1,691)
Total Accumulated Depreciation	(161,819)	71,660	(90,159)
Total Capital Assets Being Depreciated, Net	949,112	(509,740)	439,372
Capital Assets, Net	1,050,353	(610,981)	439,372

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

Capital Assets Lead Sheet 2012	Balance 1/1/2012	Deletions	Balance 12/31/2012
Capital Assets Being Depreciated			
Buildings	527,840	(527,840)	-
Furniture & Equipment	1,691	(1,691)	-
Total Capital Assets Being Depreciated	529,531	(529,531)	-
Less Accumulated Depreciation			
Building & Improvements	(88,468)	88,468	-
Furniture & Equipment	(1,691)	1,691	-
Total Accumulated Depreciation	(90,159)	90,159	-
Total Capital Assets Being Depreciated, Net	439,372	(439,372)	-
Capital Assets, Net	439,372	(439,372)	-

NOTE D- MORTGAGE PAYABLE

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 on this loan was paid in full as of December 31, 2012.

2011

Debt Type	Balance 1/1/2011	Principle Paid	Balance 12/31/2011	Interest Paid	Total Paid
Key Bank Mortgage	254,376.00	170,681.00	83,695.00	11,509.36	182,190.36
LISG Note Payable	27,760.00	27,760.00	-	-	27,760.00
Totals	282,136.00	198,441.00	83,695.00	11,509.36	209,950.36

2012

Debt Type	Balance 1/1/2012	Principle Paid	Balance 12/31/2012	Interest Paid	Total Paid
Key Bank Mortgage	83,695.00	83,695.00	-	2,789.00	86,484.00

**NUZONE
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)**

NOTE E- EXECUTIVE DIRECTOR FEES

NuZone's contract for Executive Director service provided for monthly payments of \$5,720 through August 2011. NuZone did not pay any Executive Director fees in 2010 or 2011 due to cash flow constraints. The total payable for Executive Director fees was \$125,850 as of December 31, 2011. Payments of \$68,011 were made on this payable as of December 31, 2012, and the balance was written off due to cash flow constraints.

NOTE F- DISPOSITION OF FIXED ASSETS

In 2012, NuZone sold all remaining fixed assets, consisting of six rental properties. In addition, three vacant lots were abandoned to the Village of Lincoln Heights. These properties were originally purchased in 2004 by NuZone from the U.S Dept of Housing and Urban Development. The purchase price was \$145,820 for ten properties. The assessed value for real estate taxes was \$1,009,900 at the date of purchase. The properties were recorded at their assessed value for real estate taxes. The difference between the purchase price and assessed value was reported as an in-kind donation in 2004. Four of these properties were sold in 2011, and the remaining six were sold in 2012.

The results of the 2012 sales are as follows:

Basis of Property	527,640
Less Accumulated Depreciation	<u>(88,468)</u>
Net Book Value	439,172
Proceeds of Sales	175,000
Less Closing Costs	<u>(26,780)</u>
Net Proceeds	148,220
Loss on Sales of Property	<u>(290,992)</u>

NOTE G- DISSOLUTION OF ORGANIZATION

On September 21, 2012, the Organization filed a Certificate of Dissolution with the Ohio Secretary of State. As of that date, substantially all of the assets had been sold or otherwise disposed. As of December 31, 2012, the Organization had no assets and had ceased operations.

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

Nuzone Community Improvement Corporation
Hamilton County
3637 Edwards Road
Cincinnati, Ohio 45208

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the basic financial statements of Nuzone Community Improvement Corporation, Hamilton County, Ohio (the Corporation), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated January 24, 2014, wherein we noted that the Corporation ceased operation during fiscal year ended December 31, 2012.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

January 24, 2013



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
FEBRUARY 20, 2014**