

OLD BROOKLYN COMMUNITY DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2008

OLD BROOKLYN COMMUNITY DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Old Brooklyn Community Development Corporation
Cleveland, Ohio

We have audited the accompanying statement of financial position of Old Brooklyn Community Development Corporation (a nonprofit organization) as of June 30, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Old Brooklyn Community Development Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 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 Old Brooklyn Community Development Corporation as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued reports dated January 5, 2009, on our consideration of Old Brooklyn Community Development 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 those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion of the basic financial statements of Old Brooklyn Community Development Corporation taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPFF, LLC

Cleveland, Ohio
January 5, 2009

OLD BROOKLYN COMMUNITY DEVELOPMENT CORPORATION
Statement of Financial Position
Year ended June 30, 2008

A S S E T S

Current assets:	
Cash and equivalents	\$ 74,722
Receivables, net of allowance for uncollectibles of \$7,717	116,790
Prepaid items	<u>3,130</u>
Total current assets	<u>194,642</u>
Property and equipment:	
Office furniture and equipment	43,701
Computer equipment	35,414
Machinery and equipment	<u>3,499</u>
	82,614
Less accumulated depreciation	<u>72,010</u>
	<u>10,604</u>
 TOTAL ASSETS	 <u>\$ 205,246</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Short-term borrowings (Note 2)	\$ 84,500
Accounts payable	42,262
Accrued liabilities	<u>57,792</u>
Total current liabilities/total liabilities	<u>184,554</u>
Net assets:	
Unrestricted	15,692
Temporarily restricted	<u>5,000</u>
Total net assets	<u>20,692</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 205,246</u>

The notes to financial statements are an integral part of these statements.

OLD BROOKLYN COMMUNITY DEVELOPMENT CORPORATION
Statement of Activities
Year ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Support:			
Government grants	\$ 742,872	\$ -	\$ 742,872
Special events and fundraising	27,256	-	27,256
Donations	18,050	-	18,050
Private grants	6,000	5,000	11,000
Total support	<u>794,178</u>	<u>5,000</u>	<u>799,178</u>
Revenues:			
Newspaper advertisements	43,202	-	43,202
Lead abatement	13,031	-	13,031
Membership dues	7,103	-	7,103
Development fees	4,770	-	4,770
Miscellaneous	130	-	130
Book sales	60	-	60
Interest income	20	-	20
Total revenues	<u>68,316</u>	<u>-</u>	<u>68,316</u>
Net assets released from restrictions	<u>9,101</u>	<u>(9,101)</u>	<u>-</u>
Total support and revenues	<u>871,595</u>	<u>(4,101)</u>	<u>867,494</u>
Expenses:			
Program services:			
Newspaper	62,362	-	62,362
Community services	691,308	-	691,308
Total program services	<u>753,670</u>	<u>-</u>	<u>753,670</u>
Supporting services:			
Management and general	100,094	-	100,094
Fundraising	14,681	-	14,681
Total supporting services	<u>114,775</u>	<u>-</u>	<u>114,775</u>
Total expenses	<u>868,445</u>	<u>-</u>	<u>868,445</u>
Change in net assets	3,150	(4,101)	(951)
Net assets at beginning of year	<u>12,542</u>	<u>9,101</u>	<u>21,643</u>
Net assets at end of year	<u>\$ 15,692</u>	<u>\$ 5,000</u>	<u>\$ 20,692</u>

The notes to financial statements are an integral part of these statements.

OLD BROOKLYN COMMUNITY DEVELOPMENT CORPORATION
Statement of Functional Expenses
Year ended June 30, 2008

	<u>Newspaper</u>	<u>Community Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll	\$ 1,397	\$ 326,410	\$ 43,313	\$ 13,229	\$ 384,349
Payroll taxes and employee benefits	<u>-</u>	<u>72,355</u>	<u>2,850</u>	<u>-</u>	<u>75,205</u>
	1,397	398,765	46,163	13,229	459,554
Program pass-through expenses	-	235,210	-	-	235,210
Legal and professional	-	32,758	7,059	-	39,817
Postage and printing	34,857	5,069	(415)	-	39,511
Occupancy	-	2,801	17,000	-	19,801
Contract labor	19,473	-	-	-	19,473
Interest	-	-	8,697	-	8,697
Office	-	3,977	4,582	-	8,559
Distribution	6,055	-	-	-	6,055
Auto and parking	-	5,706	124	-	5,830
Depreciation	-	-	4,661	-	4,661
Telephone	-	-	4,620	-	4,620
Lease expense	-	3,165	-	-	3,165
Meeting expense	-	111	1,812	880	2,803
Repairs	-	273	1,966	-	2,239
Advertising and marketing	-	-	1,668	-	1,668
Bad debts	450	867	140	-	1,457
Insurance	-	1,341	-	-	1,341
Dues and subscriptions	-	665	459	-	1,124
Storage rental	-	300	600	-	900
Ben Franklin Gardens	-	-	229	572	801
Donations	-	-	401	-	401
Licenses and fees	-	-	300	-	300
Miscellaneous	<u>130</u>	<u>300</u>	<u>28</u>	<u>-</u>	<u>458</u>
	<u>\$ 62,362</u>	<u>\$ 691,308</u>	<u>\$ 100,094</u>	<u>\$ 14,681</u>	<u>\$ 868,445</u>

The notes to financial statements are an integral part of these statements.

OLD BROOKLYN COMMUNITY DEVELOPMENT CORPORATION
Statement of Cash Flows
Years ended June 30, 2008

Operating activities:	
Change in net assets	\$ (951)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,661
Write-down of inventory	2,827
Changes in operating assets and liabilities:	
Receivables	88,172
Prepaid items	(3,130)
Accounts payable and accrued liabilities	<u>5,726</u>
Net cash provided by operating activities	97,305
Financing activities:	
Short-term borrowings	<u>(54,000)</u>
Increase in cash and equivalents	43,305
Cash and equivalents at beginning of year	<u>31,417</u>
Cash and equivalents at end of year	<u>\$ 74,722</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 8,697</u>

The notes to financial statements are an integral part of these statements.

OLD BROOKLYN COMMUNITY DEVELOPMENT CORPORATION
Notes to Financial Statements
June 30, 2008

Note 1 - Summary of significant accounting policies:

Description of entity:

Old Brooklyn Community Development Corporation (the corporation) (OBCDC) is a nonprofit organization incorporated to provide services to the Old Brooklyn neighborhood of Cleveland, Ohio; services include publication of a newspaper and business directory, housing referral services, and coordination of community events.

Basis of presentation:

The financial statements are prepared on the accrual basis of accounting, under which revenues are recognized when granted or earned, and expenses are recognized when incurred.

Under Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," OBCDC 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. In addition, OBCDC is required to present a statement of cash flows. As permitted by SFAS No. 117, OBCDC has, accordingly, classified its financial statements to present classes of net assets.

Under SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Use of estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Concentrations of credit risk:

In the routine course of business, the corporation can have credit risk in bank balances exceeding the F.D.I.C. insurance limit. In addition, OBCDC received approximately 85.6% of its revenue and support from governmental agencies in fiscal year 2008.

Cash equivalents:

The corporation considers all short-term, highly liquid investments to be cash equivalents. These investments are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

OLD BROOKLYN COMMUNITY DEVELOPMENT CORPORATION
Notes to Financial Statements
June 30, 2008

Note 1 - continued.

Property and equipment:

Property and equipment purchased costing \$500 or more is capitalized at cost. Purchases of assets with costs less than \$500 are expensed as supplies or as repairs and maintenance. Contributed property is stated at its estimated fair market or appraised value at the date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of assets commencing at the time the assets are placed into service, generally five years.

Income taxes:

The corporation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for amounts representing unrelated business income, which could be generated from the publication of the newspaper. For the year ended June 30, 2008, the publication of the newspaper generated an operating loss. There were no deferred income taxes. The corporation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualified for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Functional allocation of expenses:

The costs of providing program services, management and general expense and fundraising expenses have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain expenses have been allocated to the appropriate program and supportive service expense classifications.

Note 2 - Short-term borrowings:

Short-term borrowings represent advances against an operating line of credit agreement with Key Bank. The line provides for a maximum borrowing of \$150,000, is due on demand, and is collateralized by substantially all of the assets of the corporation. Interest on the line is payable monthly and is equal to the bank's prime rate (5% at June 30, 2008).

Note 3 - Retirement plan:

The corporation sponsors a Simple IRA retirement plan for its full-time employees. Participation is voluntary to the employees, and employees can contribute a maximum of 3% of their pay to this retirement plan. The corporation matches 100% of the first 3% withheld by the employee. The matching retirement plan expense was \$3,248 for 2008.

OLD BROOKLYN COMMUNITY DEVELOPMENT CORPORATION
Notes to Financial Statements
June 30, 2008

Note 4 - Contributed facility:

During 2008, the corporation received donated office space valued at \$17,000. The contribution and the related expense have been included in these financial statements.

Note 5 - Rental commitment:

The corporation is obligated under an equipment operating lease through December, 2010. The minimum rental commitment at June 30, 2008 under the lease is as follows:

Year ending December 31,

2009	\$ 2,580
2010	2,580
2011	<u>1,290</u>
	<u>\$ 6,450</u>

Note 6 - Significant event:

The corporation has executed a promissory note with Village Capital Corporation in the amount of \$75,000, bearing interest at 5% per annum and maturing June 7, 2009. As of June 30, 2008, the corporation has not yet borrowed anything against the note.

OLD BROOKLYN COMMUNITY DEVELOPMENT CORPORATION
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Pass-through from City of Cleveland, Department of Community Development:			
Community Development Block Grants/ Entitlement Grants	14.218	N/A	\$ <u>742,872*</u>
			\$ <u>742,872</u>

*Denotes a major program

Basis of presentation:

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of Old Brooklyn Community Development Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Old Brooklyn Community Development Corporation
Cleveland, Ohio

We have audited the financial statements of Old Brooklyn Community Development Corporation (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated January 5, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Old Brooklyn Community Development 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Old Brooklyn Community Development 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 Old Brooklyn Community Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Old Brooklyn Community Development 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 generally accepted accounting principles 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.

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 prevented or detected by the entity'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.

This report is intended solely for the information and use of the board of directors, management, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPFF, LLC.

Cleveland, Ohio
January 5, 2009

