Franklin Community Improvement Corporation

Financial Statements for the Years Ended December 31, 2000 and 1999 and Independent Auditors' Report

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Directors
Franklin Community Improvement Corporation

We have reviewed the Independent Auditor's Report of the Franklin Community Improvement Corporation, Franklin County, prepared by Deloitte & Touche LLP for the audit period January 1, 1999 through December 31, 2000. Based upon this review, we have accepted this report 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 Franklin Community Improvement Corporation is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

August 30, 2001

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Franklin Community Improvement Corporation:

We have audited the balance sheets of Franklin Community Improvement Corporation (the Company) as of December 31, 2000 and 1999 and the related statements of revenues, expenses and changes in fund balance and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

April 13, 2001

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

BALANCE SHEETS, DECEMBER 31, 2000 AND 1999

ASSETS	2000	1999
CASH AND CASH EQUIVALENTS	$ 503,413	$ 903,666
RESTRICTED CASH - In escrow	75,000	210,000
ACCOUNTS RECEIVABLE:		
Trade		6,927
Affiliate	362,737	
Total accounts receivable	362,737	6,927
LAND	1,863,868	2,911,387
PROPERTY - AT COST:		
Buildings	5,128,318	2,415,932
Tenant improvements	1,160,190	705,236
Total	6,288,508	3,121,168
Less accumulated depreciation	343,963	87,878
Property - net	5,944,545	3,033,290
PREPAID EXPENSES	4,462	2,746
TOTAL ASSETS	$ 8,754,025	$ 7,068,016
LIABILITIES AND FUND BALANCE		
ACCOUNTS PAYABLE:		
Accounts payable - trade	$ 468,248	$ 264,855
Retentions due subcontractors	195,906	48,335
Estimated costs to complete	390,477	516,420
Total accounts payable	1,054,631	829,610
ACCRUED LIABILITIES	145,855	244,866
NOTES PAYABLE	4,425,411	3,062,035
AFFILIATE PAYABLE		1,802,026
Total liabilities	5,625,897	5,938,537
FUND BALANCE	3,128,128	1,129,479
TOTAL LIABILITIES AND FUND BALANCE	$ 8,754,025	$ 7,068,016

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
REVENUES:		
Sale of land	$2,058,243	$1,531,919
Ground and building rents	377,545	113,158
Interest	74,225	48,583
Other	56,297	30,524
Total revenues	2,566,310	1,724,184
EXPENSES:		
Cost of land sold	1,221,576	731,077
Interest	266,921	212,110
Overhead allocation	187,804	204,255
Sales commission	110,768	6,012
Depreciation	256,085	87,878
Real estate taxes	97,976	56,647
Professional fees and charges	215,472	33,649
Insurance	10,570	11,250
Other	59,772	22,395
Total expenses	2,426,944	1,365,273
EXCESS OF REVENUES OVER (UNDER) EXPENSES	139,366	358,911
FUND BALANCE - Beginning of year	1,129,479	770,568
CONTRIBUTED CAPITAL	1,859,283	
FUND BALANCE - End of year	$3,128,128	$1,129,479

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 139,366	$ 358,911
Adjustments necessary to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	256,085	87,878
Gain on sale of land	(836,667)	(800,842)
Termination of obligation to Rickenbacker Port Authority	57,257	
Net changes in:		
Accounts receivable- trade	6,927	155,516
Accounts receivable - affiliate	(362,737)	
Prepaid expenses	(1,716)	1,607
Accounts payable - trade	203,393	(33,846)
Accrued liabilities	(99,011)	82,747
Net cash used in operating activities	(637,103)	(148,029)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of land	2,058,243	1,531,919
Purchases of land and buildings	(300,000)	(1,665,473)
Additions to property	(3,019,768)	
Net cash provided by (used in) investing activities	(1,261,525)	(133,554)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from cash advances from affiliate, net		286,420
Proceeds from notes payable	2,393,235	1,102,273
Payments of notes payable	(955,599)	(823,589)
Payment of exit fees	(74,261)	(23,739)
Net cash provided by (used in) financing activities	1,363,375	541,365
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(535,253)	259,782
CASH AND CASH EQUIVALENTS - Beginning of year	1,113,666	853,884
CASH AND CASH EQUIVALENTS - End of year	$ 578,413	$ 1,113,666
NONCASH ITEMS:		
Estimated costs to complete included in land costs and payables	$ 390,477	$ 516,420
Additions to property included in retentions due subcontractors	$ 195,906	$ 48,335
Exit fees included in debt	$	$ 74,261
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 271,465	$ 262,018
Capital contribution	$ 1,859,283	

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Organization* -** Franklin Community Improvement Corporation (the Company) is a non-profit organization incorporated in the State of Ohio in June 1993 for advancing, encouraging and promoting the industrial, economic, commercial and research development of real property in Central Ohio. Operations commenced in 1995. In addition to developing its own real estate projects, the Company can form partnerships and joint ventures with private businesses to help finance projects through private debt or invest public funds in development projects. The Company has a master Project Coordination Agreement with the Rickenbacker Port Authority (RPA). Under this agreement, RPA provides the Company with administrative services. Through December 31, 1995, such services were provided at no cost to the Company. The amount charged may be adjusted annually as required based on estimated actual costs incurred. This monthly amount was $15,833 and $16,667 for 2000 and 1999, respectively.

***Use of Estimates* -** The preparation of financial statements in accordance with accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents* -** Cash consists of amounts on deposit at one bank at December 31, 2000 and 1999. For purposes of the statement of cash flows, cash and cash equivalents include time and demand deposits with maturities of three months or less.

***Description of Land Development Project* -** In June 1995, the Company purchased 244 acres of real estate located in Franklin County, Ohio. In 1996, approximately 20 acres were classified as public roadway and 15.42 acres were sold. The development work was substantially completed at October 31, 1996 and an additional 86.81 acres were sold in 1997. Approximately 30 acres and 22 acres were sold in 2000 and 1999, respectively. At December 31, 2000 the Company has 50 acres remaining.

***Property* -** In 1999, the Company began development of a series of Air Cargo terminals on land leased from the Rickenbacker Port Authority. These properties are located in close proximity to the Rickenbacker International Airport and are located in Foreign Trade Zone #138. Through December 31, 2000 two buildings totaling 124,200 square feet were completed and a third building of 40,000 square feet was under construction.

Property is recorded at cost less accumulated depreciation, but not in excess of the net recoverable amount.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. Buildings are depreciated over 40 years and tenant improvements are depreciated over the lives of the respective leases.

Interest is capitalized during the development period and amortized over the estimated life of the buildings as buildings are completed and occupied. The Company incurred interest totaling $266,921 and $212,110 in 2000 and 1999, respectively, of which $65,791 and $64,871, respectively, were capitalized.

Retention Due Subcontractors **-** Retentions due to subcontractors primarily include amounts due under construction contracts, totaling $195,906 and $48,335, respectively, at December 31, 2000 and 1999, which have been retained pending completion and acceptance of the work.

Revenue Recognition **-** Sales of land revenue is recognized as acreage is sold based on contract price. Ground and building rent revenue is recognized as rents accrue under the terms of the leases.

Capitalization of Land Development Costs **-** Land and development costs are generally capitalized at the time development begins based on actual costs incurred. Land and development costs incurred through December 31, 2000 and 1999 are as follows:

	2000	**1999**
Land	$ 5,175,027	$ 4,875,027
Infrastructure costs	1,571,074	1,571,074
Exit fees	214,610	214,610
Professional fees	403,830	403,830
Interest	492,103	492,103
Real estate taxes	27,644	27,644
Amortization	9,937	9,937
Other carrying costs	620,875	620,875
Subtotal	8,515,100	8,215,100
Less accumulated costs of land sales and depreciation	(6,651,232)	(5,303,713)
Land costs at the end of year	$ 1,863,868	$ 2,911,387
Estimated costs to complete land sales	$ 390,477	$ 516,420

Recognition of Cost of Land Sold **-** The Company estimates total land development costs. These total estimated costs are divided by salable acreage to arrive at an estimated total cost per acre. As land is sold, the Company recognizes cost of land sold on the basis of acres sold multiplied by the calculated estimated total cost per acre.

Asset Impairments **-** Annually, a determination is made by management to ascertain whether investment property and other intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Company will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. At December 31, 2000 no impairment of assets is indicated.

Impact of New Accounting Pronouncements **-** The Company has completed its evaluation of the impact that will result from adopting Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Investments and Hedging Activities” (as amended and interpreted), and has concluded that the adoption of that Statement will not have a material effect on the Company’s financial position, results of operations, or cash flows.

Tax Status **-** The Company has received a determination letter from the Internal Revenue Service that it is a 501(a) exempt organization.

Reclassifications **-** Certain reclassifications have been made to the 1999 amounts to conform to the 2000 presentation.

2. NOTES PAYABLE

Notes payable outstanding at December 31, 2000 and 1999 consist of the following:

	2000	1999
Note payable with a bank, bearing interest at prime plus 1/2%. The note allowed for borrowings up to $2,925,000. This note was paid in full in February, 2000.		$ 987,425
Construction mortgage loan with a bank for construction and development of an Air Cargo Terminal, bearing interest at 8.0% during the initial five years. Thereafter interest is adjusted to the weekly average of treasury securities plus 2 1/2%. The loan allows borrowings up to $2,800,000. Principal and interest are paid monthly with maturity in 2019.	$2,757,578	2,074,610
Construction mortgage loan with a bank for construction and development of an Air Cargo Terminal, bearing interest at prime during construction. Upon conversion the loan bears interest at the one year LIBOR rate plus 2.25%. The loan allows borrowings up to $2,800,000 and matures in 60 months from the conversion date. Interest only is payable monthly during construction.	1,643,057	
Construction mortgage loan with a bank for construction and development of an Air Cargo Terminal, bearing interest at 8.25% during the initial five years. Thereafter interest is adjusted to the weekly average of treasury securities plus 3.0%. The loan allows borrowing up to $1,800,000. Interest only is payable monthly during construction.	24,776	
Total	$4,425,411	$3,062,035

Long-term debt matures as follows:

Year ending December 31:	
2001	$ 57,119
2002	1,734,617
2003	72,407
2004	77,901
2005	85,062
Thereafter	2,398,305
Total	$4,425,411

$1,667,833 of the $1,734,617 principal payments due in 2002 represent construction financing on two construction projects. Management believes the Company will obtain permanent financing in 2002 upon completion of the projects.

3. RESTRICTED CASH

As required by certain land sale closing documents, the Company establishes escrow accounts for payment of land improvements, real estate taxes, deposits and land sales.

At December 31, 2000 and 1999, $75,000 and $210,000, respectively, were held in escrow for deposit.

4. RELATED PARTY TRANSACTIONS

In August 1998, the Company entered into an amended and restated project coordination agreement with Rickenbacker Port Authority (RPA). In consideration of RPA making project advances, the Company shall pay all available net proceeds, as defined, to RPA. At December 31, 1999 the Company owed RPA $1,802,026 under this agreement.

In 2000, the Company entered into an amended services agreement with the RPA. The amended services agreement terminated the existing services agreement and project coordination agreement and all existing obligations of the Company to RPA. Consequently, the Company recorded $1,859,283 of contributed capital associated with this termination of obligations to RPA, effective May 2000. In consideration of RPA making project advances, the Company shall pay all its available net proceeds to the RPA on an annual basis. Available net proceeds are defined as all funds but not including $1,000,000 in working capital, certain project advances, reserves and other funds relating to RPA activities. The RPA also provides administrative services to the Company (see Note 1). A total of $190,600 and $200,000 were accrued and expensed for these services in 2000 and 1999, respectively.

5. INTERESTS IN LIMITED LIABILITY CORPORATIONS (LLCs)

In January 1996, the Company obtained a 20% ownership interest in an LLC which purchased 11.037 acres of land from RPA. In 1999, the Company received cash of $90,957 from the operations of this entity which was transferred to the RPA.

In November 1998, the Company sold its 20% interest in two limited liability corporations (LLCs) for $250,000. All funds advanced, loaned or otherwise including profits and cash disbursements transferred to FCIC by a person or entity other than RPA and which FCIC is obligated to utilize in connection with an RPA activity are to be paid to the RPA under the amended and restated project coordination agreement.

6. RENTAL INCOME

The Company leases space in its building to various tenants under non-cancelable operating leases which expire at various dates through March 2006. The leases generally provide for renewal options, reimbursement of certain operating costs and real estate taxes.

Future minimum rentals to be received under existing noncancelable operating leases in effect as of December 31, 2000 are as follows:

Year Ending December 31,	**Amount**
2001	$ 576,528
2002	572,044
2003	489,138
2004	457,620
2005	254,686
Thereafter	19,826
Total	$2,369,842

7. SUBSEQUENT EVENTS

In January 2001, the Company entered into a $1 million line of credit, with a bank, collateralized by 34 acres of land.

In April 2001, the Company closed on the sale of approximately 10 acres with a third party for approximately $756,000.

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FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

FRANKLIN 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
SEPTEMBER 11, 2001