Columbus/Franklin County Affordable Housing Trust Corporation

Financial Statements for the Years
Ended December 31, 2002 and 2001
and Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Trustees
Columbus Franklin County Affordable Housing Trust Corporation
1234 East Broad Street
Columbus, OH 43215

We have reviewed the Independent Auditor's Report of the Columbus Franklin County Affordable Housing Trust Corporation, Franklin County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2002 through December 31, 2002. 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 Columbus Franklin County Affordable Housing Trust Corporation is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 9, 2003

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Columbus/Franklin County Affordable Housing Trust Corporation

We have audited the accompanying statements of net assets of the Columbus/Franklin County Affordable Housing Trust Corporation (the Housing Trust), a joint venture of the City of Columbus, Ohio and Franklin County, as of December 31, 2002 and 2001 and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Housing Trust'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 and *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 audits provide 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 Housing Trust as of December 31, 2002 and 2001 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. The supplementary information is the responsibility of the Housing Trust. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2003 on our consideration of the Housing Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DELOITTE & TOUCHE LLP

March 10, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Columbus/Franklin County Affordable Housing Trust Corporation's financial report represents a discussion and analysis of the Housing Trust's financial performance during the fiscal years that ended December 31, 2002 and 2001. Please read it in conjunction with the Housing Trust's financial statements, which follows this section.

OVERVIEW OF THE COLUMBUS/FRANKLIN COUNTY AFFORDABLE HOUSING TRUST CORPORATION

The Affordable Housing Trust is organized to combat community deterioration, to prevent potential blight conditions and to relieve the poor and distressed in Franklin County by engaging in community improvement activities that are designed to provide home ownership and affordable rental housing opportunities throughout the County. (As used by the Affordable Housing Trust, "affordable housing" generally is meant to include housing that is targeted towards persons who earn less than 80% of the Area Median Adjusted Gross Income, but also includes housing opportunities in blighted and potentially blighted areas of the County, housing designed to stabilize neighborhoods and families, and affordable work force housing in underserved areas of the County.) By providing affordable housing opportunities to County residents, the Affordable Housing Trust will strengthen and stabilize families and neighborhoods in Franklin County. The Affordable Housing Trust will coordinate its efforts with persons in the private, non-profit and governmental sectors to address affordable housing needs in Franklin County, and thereby will combat community deterioration, prevent blight and relieve the poor and distressed. By these activities, the Affordable Housing Trust will also help to relieve the burdens of government to provide such assistance to its residents.

The Affordable Housing Trust will receive funds from governmental and other public charitable organizations, and will expend those funds in the form of grants, loans and investments to assist the development and production of affordable housing within Franklin County, Ohio. The Affordable Housing Trust expects that, by the production of affordable housing opportunities in blighted and underserved areas of Franklin County, it will strengthen and stabilize those neighborhoods, assist the poor and economically distressed in obtaining housing in and near work places, improve communities throughout the county, and relieve the burdens of the local municipal and county governments to provide those services to their residents. The Affordable Housing Trust has entered into agreements with a local municipality (the City of Columbus, Ohio) and with a local county government (the Board of Commissioners of the County of Franklin, Ohio) that obligate the organization to receive funds and expend those funds for affordable housing purposes as permitted under Section-16, Article VIII of the Ohio Constitution and under Section 307.698 of the Ohio Revised Code.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are prepared using proprietary fund (enterprise fund) accounting because the Housing Trust is operated under one enterprise fund. Under this method of accounting an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. These are followed by notes to the financial statements.

The *Statement of Net Assets* presents information on the assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Housing Trust is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Assets* reports the operating revenues and expenses and non-operating revenue and expenses of the Housing Trust for the applicable fiscal year with the difference being combined with any capital contributions to determine the change in net assets for the fiscal year.

The *Statement of Cash Flows* reports cash and cash equivalent activities for the applicable fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year.

The Columbus/Franklin County Affordable Housing Trust Corporation (the Housing Trust) was initially created as the Columbus Housing Trust Corporation, with Articles of Incorporation (Articles) filed with the Ohio Secretary of State on August 31, 2000. Amended Articles were then filed for the Housing Trust in May 2001. The Housing Trust was organized to promote home ownership and affordable rental housing opportunities in the City of Columbus, Ohio and Franklin County, Ohio.

Financial Position

The following represents the Housing Trust's financial position for the years ended December 31, 2001 and 2002:

	2002	2001	Change
ASSETS:			
Current assets	$3,274,059	$4,197,068	$ (923,009)
Capital assets—net	29,245	3,208	26,037
Non-current assets other than capital	2,722,420		2,722,420
Total assets	$6,025,724	$4,200,276	$1,825,448
LIABILITIES:			
Current liabilities	$ 55,894	$ 10,329	$ 45,565
Non-current liabilities	18,790		18,790
Total liabilities	74,684	10,329	64,355
NET ASSETS:			
Investment in capital assets, net of related debt	29,245	3,208	26,037
Restricted—endowment	10,000		10,000
Restricted—affordable housing trust purposes	5,544,417	3,884,406	1,660,011
Unrestricted net assets	367,378	302,333	65,045
Total liabilities and net assets	5,951,040	4,189,947	1,761,093
Total liabilities and net assets	$6,025,724	$4,200,276	$1,825,448

2002 was the Housing Trust's first full year of operations. The Housing Trust's overall financial position has improved in 2002 as a result of additional support revenue received from the City of Columbus and Franklin County. $1,992,994 of these funds were disbursed to various borrowers to promote the mission of the Housing Trust and have been recorded as loans receivable at December 31, 2002. The Housing Trust additionally purchased $665,675 of real estate in 2002. As a result of these transactions, current assets have declined but non-current assets have increased since 2001.

Financial Information

Revenue

The following schedule presents a summary of revenues for the fiscal years ended December 31, 2002 and 2001.

	2002	2001	Change
Operating revenue	$ 20,986	$ 325	$ 20,661
Non-operating revenue:			
City revenue—hotel/motel tax revenue	932,929	987,289	(54,360)
City revenue—appropriations		2,200,000	(2,200,000)
County revenue	1,000,000	1,000,000	
Interest	122,420	42,133	80,287
Total revenue	$ 2,076,335	$ 4,229,747	$ (2,153,412)

During 2001, the City of Columbus provided cash assistance to the Housing Trust totalling $3.1 million and Franklin County provided $1.0 million. The City of Columbus is committed through its legislation to provide .43% of its 5.1% hotel/motel tax collections to the Housing Trust each year.

Revenue in 2002 has decreased from 2001 predominantly due to the one time $2,200,000 City appropriations the Trust received in 2001 as start-up funding. This decline was partially offset by an $80,287 increase in interest income due to increased funds available to earn interest combined with interest earned on loans provided to Developers in 2002. Furthermore the Trust received other funds in 2002 related to loan fees charged.

Expenses

The following schedule presents a summary of expenses for the fiscal year ended December 31, 2002 and 2001:

	2002	2001	Change
Payroll and payroll related expenses	$ 211,391	$ 24,590	$ 186,801
Other operating expenses	103,851	15,210	88,641
Total operating expenses	$ 315,242	$ 39,800	$ 275,442

The Housing Trust began operations in November, 2001 by hiring an executive director. Payroll costs increased throughout 2002 as operations began fully with six full time employees on staff by December 31, 2002. Additionally, other operating expenses increased approximately $82,000 due to a full year of operations in 2002 as compared to only two months in 2001.

COLUMBUS/FRANKLIN COUNTY
AFFORDABLE HOUSING TRUST CORPORATION

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2002 and 2001

ASSETS	**2002**	**2001**
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,393,183	$ 4,068,967
Certificate of deposit—restricted	750,000	
Accounts receivable	130,876	128,101
Total current assets	3,274,059	4,197,068
NON-CURRENT ASSETS:		
Capital assets:		
Furniture and fixtures	26,529	3,300
Computers	5,522	
Less—accumulated depreciation	(2,806)	(92)
Total capital assets—net	29,245	3,208
Notes receivable	1,992,994	
Accrued interest	16,358	
Investment in real estate	665,675	
Beneficial interest in assets held by another entity	10,000	
Preacquisition costs	37,393	
Total non-current assets	2,751,665	3,208
TOTAL ASSETS	$ 6,025,724	$ 4,200,276
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 16,305	$ 10,329
Accrued expenses	5,669	
Deferred loan fees	33,920	
Total current liabilities	55,894	10,329
NON-CURRENT LIABILITIES—Deferred loan fees	18,790	
NET ASSETS:		
Invested in capital assets, net of related debt	29,245	3,208
Restricted—endowment	10,000	
Restricted—affordable housing trust purposes	5,544,417	3,884,406
Unrestricted net assets	367,378	302,333
Total net assets	5,951,040	4,189,947
TOTAL LIABILITIES AND NET ASSETS	$ 6,025,724	$ 4,200,276

See notes to financial statements.

COLUMBUS/FRANKLIN COUNTY
AFFORDABLE HOUSING TRUST CORPORATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
OPERATING REVENUES:		
Loan fees	$ 15,136	
Miscellaneous	5,850	$ 325
Total operating revenues	20,986	325
OPERATING EXPENSES:		
Payroll and payroll related expenses	211,391	24,590
Other operating expenses	103,851	15,210
Total operating expenses	315,242	39,800
OPERATING INCOME	(294,256)	(39,475)
NON-OPERATING REVENUES:		
Support revenue:		
City of Columbus—hotel/motel tax revenue	932,929	987,289
City of Columbus contribution		2,200,000
Franklin County contribution	1,000,000	1,000,000
Interest income	122,420	42,133
Total non-operating revenues	2,055,349	4,229,422
NET INCOME	1,761,093	4,189,947
NET ASSETS—Beginning of year	4,189,947	
NET ASSETS—End of year	$ 5,951,040	$ 4,189,947

See notes to financial statements.

COLUMBUS/FRANKLIN COUNTY
AFFORDABLE HOUSING TRUST CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loan fees received	$ 67,846	
Miscellaneous cash received	5,850	$ 325
Cash paid to employees	(211,391)	(24,590)
Other payments	(105,850)	(4,789)
Net cash used by operating activities	(243,545)	(29,054)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES—		
Cash received from city/county	1,930,154	4,059,188
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Certificate of deposit—restricted	(750,000)	
Disbursement of loan proceeds	(1,992,994)	
Purchase of furniture and fixtures	(28,751)	(3,300)
Net cash used by capital and related financing activities	(2,771,745)	(3,300)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Real estate preacquisition costs	(37,393)	
Investment in real estate	(665,675)	
Endowment fund contribution	(10,000)	
Interest received on cash and cash equivalents	122,420	42,133
Net cash (provided by) used by investing activities	(590,648)	42,133
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,675,784)	4,068,967
CASH AND CASH EQUIVALENTS—Beginning of year	4,068,967	
CASH AND CASH EQUIVALENTS—End of year	$ 2,393,183	$ 4,068,967
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$ (294,256)	$ (39,475)
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	2,714	92
Change in assets and liabilities:		
Accrued interest	(16,358)	
Accounts payable	5,976	10,329
Accrued expenses	5,669	
Deferred loan fees	52,710	
Net cash used by operating activities	$ (243,545)	$ (29,054)

See notes to financial statements.

COLUMBUS/FRANKLIN COUNTY
AFFORDABLE HOUSING TRUST CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

1. ORGANIZATION AND REPORTING ENTITY

***Organization*—**The Columbus/Franklin County Affordable Housing Trust Corporation (the Housing Trust) is a nonprofit corporation created on August 31, 2000, organized to promote home ownership and affordable rental housing opportunities in the City of Columbus and Franklin County. The Housing Trust is governed by an eleven member Board of Directors (the Board) appointed jointly by the Franklin County Board of Commissioners and the City of Columbus City Council.

***Reporting Entity*—**The Housing Trust's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Reporting Entity."* The financial statements include all divisions and operations for which the Housing Trust is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organizations other than the Housing Trust itself are included in the financial reporting entity.

The Housing Trust's Board is appointed jointly by the Mayor of the City of Columbus, Ohio and Franklin County, Ohio. The Housing Trust is considered to be a governmental organization as the City and County can impose their will on the Housing Trust through the appointment of the Board of Directors. The Housing Trust is a joint venture of the City of Columbus and Franklin County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies followed in the presentation of the financial statements.

***Basis of Presentation*—**The financial statements of the Housing Trust have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Pursuant to GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting",* the Housing Trust follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles, Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition—The Housing Trust's revenues are derived from funding received from the City of Columbus and Franklin County. Revenues from the City of Columbus include a sum not to exceed .43% of the 5.1% hotel/motel tax revenue stream collected by the City of Columbus and are recognized when the underlying exchange transaction on which the hotel/motel tax occurs. Revenues from Franklin County are voluntary non-exchange transactions that are recorded when all eligibility requirements are met. Revenues from support funding by the City of Columbus and Franklin County are reported as non-operating revenues. Transactions, which are capital, financing or investing related, are reported as non-operating revenues.

Loan Fees—Loan origination fees are recognized over the life of the related loan as an adjustment of loan yield.

Cash and Cash Equivalents—For purposes of the statement of cash flows, the Housing Trust considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Receivables—Receivables represent hotel/motel tax revenue due from the City of Columbus and are reported at their gross value when earned as the underlying exchange transaction occurs.

Loan Receivable and Allowance for Loan Loss—The Housing Trust extends low interest loans to various developers to promote development of home ownership and affordable rental housing opportunities in the City of Columbus and Franklin County, Ohio.

The Housing Trust has established an allowance for loan loss policy that is based on a risk rating system. When a loan or investment is characterized as less than satisfactory, the Housing Trust shall establish a minimum allowance for loan loss based on a percentage of the outstanding loan balance as follows:

Loan Classification	**Reserve Percentage**
Satisfactory	0%
Low	2%
Moderate	5%
High	10%
Loss	75% to 100%, depending on estimated salvage value

As of December 31, 2002, no loss reserve has been recorded by the Housing Trust. Management of the Housing Trust believes loan classification other than satisfactory is precluded due to the infancy of the lending program at December 31, 2002.

Restricted Assets—Restricted assets consist of monies and other resources, which are restricted legally or by enabling legislation. These restrictions are described below:

- ***Restricted for Affordable Housing Purposes—***$300,000 of the funding received in 2001 and 2002 can be utilized by the Housing Trust for their operations. The remaining funding received is restricted for affordable housing trust purposes. The City has specifically restricted funds such that one-half of the funds received from the City are to be expended in the first four years of the contract with the City to support housing options for households that earn 60% of area median income adjusted for household size. Additionally, one-half of the revenues received from the County are restricted to be expended, granted, loaned, or invested in projects that serve people whose income is at or below sixty percent of the medium income of Franklin County residents.

Capital Assets—Capital assets are stated at historical cost and include expenditures which substantially increase the useful lives of existing assets.

Depreciation of property and equipment is computed under the straight-line method at various rates considered adequate to allocate the cost over the estimated useful lives of such assets. The estimated lives for furniture and fixtures is 3 years.

Investment in Real Estate—Investment in real estate includes land acquisition costs for land purchased.

Preacquisition Costs—Preaquisition costs include costs such as options to purchase land, feasibility studies to determine if a proposed project is viable, and engineering and architect design costs. These costs are capitalized if they are attributable to a specific project, acquisition of the property is probable and total costs capitalized do not exceed the net realizable value of the property.

Income Taxes—The Housing Trust is tax exempt under the appropriate sections of the Internal Revenue Code as well as sections of state and local tax statues and, accordingly, no provision for Federal, state, or local income taxes is currently required for its operations.

Compensated Absences—The Housing Trust follows GASB Statements No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued for sick leave if it is probable that the employee will be compensated through a cash payment.

Reclassifications—Certain 2001 amounts have been reclassified to conform with the 2002 financial statement presentation.

3. CASH AND CASH EQUIVALENTS

Deposits With Financial Institutions—At December 31, 2002, the carrying amount balance of the Housing Trust's deposits with financial institutions was $2,393,183 and the bank balance was $2,401,800. Based upon criteria described in GASB Statement No. 3, *"Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements"*, $643,051 of the bank balance was covered by deposit insurance provided by the FDIC; and $1,758,749 was uncollateralized (Category 3) as defined by the GASB.

4. CERTIFICATE OF DEPOSIT—RESTRICTED

On May 20, 2002, the Trust deposited $750,000 into a Certificate of Deposit (CD) with a bank, earning 0% interest in exchange for an 85 basis points reduction on a construction loan entered into by the bank and Joyce Avenue Homes Limited Partnership. This partnership is constructing a 31-unit scattered site residential development in Columbus, Ohio. The principal balance of the CD will be paid to the Trust upon maturity on May 20, 2003.

5. NOTES RECEIVABLE

At December 31, 2002, notes receivable consisted of the following:

Homes on the Hill Community Development Corporation	$ 33,500
U.S. Villages I, Ltd.	500,000
Casto Morse Limited	950,000
Columbus Urban Growth Group	155,000
Miracit Development Corporation, Inc.	170,000
Spirit of Unity and Life Community Development Corporation	13,458
Northside Development Corporation	14,918
Homes on the Hill Community Development Corporation	35,757
Powell Partnership	120,361
Total Notes Receivable at December 31, 2002	$ 1,992,994

On February 7, 2002, the Trust entered into a construction loan agreement with Kingsford Road Home Ownership Limited Partnership, an Ohio limited partnership whereby the trust lent $175,000 for the construction of 4 detached single family residences. The loan was repaid in 2002 but a line of credit was extended to the borrower through July 30, 2003. No amounts are receivable on this line at December 31, 2002.

On April 8, 2002 the Trust provided a $150,000 revolving line of credit development loan agreement to Homes on the Hill Community Development Corporation, an Ohio not-for profit corporation. The proceeds of the loan are to be used for certain pre-development costs incurred in the purchase and development of 17 residential lots and single-family residences (the "premises"). The loan is collateralized by the premises and incurs interest at 2%. The loan and accrued interest are due April 30, 2004, with certain specified extension conditions which, if met, can extend the loan through April 30, 2006. At December 31, 2002 the loan receivable was $35,757.

On April 12, 2002 the Trust entered into an inter creditor agreement with U. S. Villages I, Ltd. and a commercial lender to assist in the construction and ownership of a 24-unit residential development located in the Victorian Village area of Columbus, Ohio. This $500,000 mezzanine equity financing incurs interest at a rate of 8% annually, interest only due monthly with balance due upon maturity in April, 2004. $250,000 of the loan is collateralized by a first mortgage on the premises and the remaining $250,000 is collateralized by a second mortgage on the property, fixture filing and personal property security interest on all building supplies and materials. Additionally, the borrowing is guaranteed by individuals specified in the agreement.

On July 25, 2002 the Trust entered into a loan agreement with Casto Morse Limited, an Ohio limited liability partnership whereby the trust is a subordinated lender on a 254 unit affordable housing apartment community in Columbus, Ohio. The loan is collateralized by an assignment of the partnership interests in the Partnership. The loan and accrued interest are due and payable on July, 2007. The loan provides for a temporarily preferred distribution interest from the partnership equal to 30% of the net cash flow of the partnership, as defined and a 30% permanent preferred distribution interest (ppdi) upon the occurrence of specified events which create capital proceeds. The obligation to pay ppdi is extinguished upon arm's length sale of the premises or maturity and repayment of the loan. At December 31, 2002 the loan receivable was $950,000.

On July 26, 2002 the Trust entered into a $155,000 loan agreement with Columbus Urban Growth Group, an Ohio not-for-profit corporation whereby the proceeds are to be used for the acquisition of two residential buildings to be rehabilitated into four condominium units in Columbus, Ohio (the "premises"). The loan is collateralized by the premises and incurs interest at 2%. The loan and accrued interest are due July 31, 2004. At December 31, 2002 the loan receivable was $155,000.

On August 16, 2002 the Trust entered into a $170,000 loan agreement with Miracit Development Corporation, Inc., an Ohio not-for-profit corporation whereby the proceeds are to be used for certain development costs incurred in the acquisition and development of eight residential building lots in Columbus, Ohio (the "premises"). The loan is collateralized by the premises and incurs interest at 2%. The loan and accrued interest are due August 31, 2004. At December 31, 2002 the loan receivable was $170,000.

On August 27, 2002 the Trust provided a $25,000 revolving line of credit development loan agreement to Spirit of Unity and Life Community Development Corporation, an Ohio not-for-profit corporation. The proceeds of the loan are to be used for certain pre-development costs incurred in the purchase and development of 3 single-family building lots and the construction of single-family residences (the "premises"). The loan is collateralized by the premises and incurs interest at 2%. The loan and accrued interest are due August 31, 2004. At December 31, 2002 the loan receivable was $13,458.

On November 21, 2002 the Trust entered into a $125,000 loan agreement with Northside Development Corporation, an Ohio not-for-profit corporation, whereby the proceeds are to be used for acquisition of eight property lots and the construction of eight single family residences in Columbus, Ohio (the "premises"). The loan is collateralized by the premises and incurs interest at 2%. The loan and accrued interest are due November 30, 2005. At December 31, 2002 the loan receivable was $14,918.

On November 25, 2002 the Trust provided a $150,000 revolving line of credit development loan agreement to Homes on the Hill Community Development Corporation, an Ohio not-for-profit corporation. The proceeds of the loan are to be used for certain pre-development costs incurred in the purchase and development of 8 to 12 single-family building renovations (the "premises"). The loan is collateralized by the premises and incurs interest at 2%. The loan and accrued interest are due November 30, 2004. At December 31, 2002 the loan receivable was $33,500.

On November 26, 2002 the Trust entered into a $145,000 loan agreement with Clyde M. Powell, Kimula S. Powell and Stenson Powell, an Ohio Partnership, (Powell Partnership) whereby the proceeds are to be used for acquisition of up to four existing residential buildings and four building lots in Columbus, Ohio (the "premises"). The loan is collateralized by the premises and incurs interest at 2%. The loan and accrued interest are due November 30, 2004. At December 31, 2002 the loan receivable was $120,361.

6. INVESTMENT IN REAL ESTATE

Investment in real estate consists of the following as of December 31, 2002:

	2002
Williams Road—Village of Obetz (35.67 acres, Franklin County, Ohio Auditors' parcel number 152-222890)	$ 562,675
Goshen Lane—Gahanna (1.64 acres, Franklin County, Ohio Auditors' parcel number 025-001041)	103,000
Total	$ 665,675

7. CAPITAL ASSETS

A summary of the changes in capital assets for the fiscal year follows:

	Balance January 1, 2002	Additions	Disposals/ Deletion	Balance December 31, 2002
Capital assets:				
Furniture and fixtures	$ 3,300	$ 23,229	$ -	$ 26,529
Computer		5,522		5,522
Less accumulated depreciation—				
Furniture and fixtures	92	2,714		2,806
Net capital assets	$ 3,208	$ 26,037	$ -	$ 29,245

8. RISK MANAGEMENT

The Housing Trust maintains comprehensive insurance coverage with private carriers for real property, building contents, directors and officers' liability insurance.

In addition, the Housing Trust offers medical benefits to most of its employees on a fully insured basis with an independent insurance company. The premium rate is calculated based on claim history and administrative costs.

There were no changes to the above policies during the current fiscal year. Claims experience over the past two years indicates that there were no instances of losses exceeding insurance coverage.

9. BENEFICIAL INTEREST IN ASSETS HELD BY ANOTHER ENTITY

In 2002, the Housing Trust created an Endowment Fund (the Fund) for the Housing Trust at the Columbus Foundation, an Ohio not-for-profit corporation. As of December 31, 2002, the Fund had assets with a fair value of $10,000. The Fund is included in the Housing Trust's financial statements.

10. OPERATING LEASE

The Housing Trust has an operating lease for use of office space. The initial lease term is 48 months and expires on July 1, 2006. The Housing Trust has the option to extend the lease for an additional 24 months. Minimum, lease payments are as follows:

At December 31, 2002, future minimum lease payments are as follows:

2003	$ 52,900
2004	55,928
2005	59,568
2006	49,640
Total	$ 218,036

Lease expense of $4,600 incurred in 2002.

* * * * *

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Columbus/Franklin County Affordable
Housing Trust Corporation

And

The Honorable Betty Montgomery
Auditor of State:

We have audited the financial statements of the Columbus/Franklin County Affordable Housing Trust Corporation (the "Housing Trust") as of and for the year ended December 31, 2002 and have issued our report thereon dated March 10, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Housing Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards.*

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the Housing Trust's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving internal control over financial reporting, which we have presented to management of the Housing Trust in a separate letter dated March 10, 2003.

The report is intended solely for the information and use of the Housing Trust's board of trustees and management, the Auditor of the State of Ohio, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DELOITTE & TOUCHE LLP

March 10, 2003

Auditor of State
Betty Montgomery

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COLUMBUS FRANKLIN COUNTY AFFORDABLE HOUSING TRUST 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
MAY 8, 2003