Columbus/Franklin County Affordable Housing Trust Corporation

Financial Statements for the Years Ended December 31, 2003 and 2002 and Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Trustees
Columbus/Franklin County Affordable Housing Trust Corporation
1234 East Broad Street
Columbus, Ohio 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, 2003 through December 31, 2003. 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

June 23, 2004

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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COLUMBUS/FRANKLIN COUNTY
AFFORDABLE HOUSING TRUST CORPORATION

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Deloitte.

Deloitte & Touche LLP
155 East Broad Street
18th Floor
Columbus, OH 43215-3611
USA

Tel: 614-221-1000
Fax: 614-229-4647
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
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, 2003 and 2002, 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 the standards applicable to the 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 respective financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective 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 Housing Trust as of December 31, 2003 and 2002, and their changes in net assets and their 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 on pages 3-6 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of Housing Trust's management. 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 May 10, 2004 on our consideration of 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

May 10, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Columbus/Franklin County Affordable Housing Trust Corporation's (the "Housing Trust") financial report represents a discussion and analysis of the Housing Trust's financial performance during the fiscal years that ended December 31, 2003 and 2002. 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 Housing Trust is organized to combat community deterioration and to prevent potential blight conditions in the City of Columbus (the "City") and Franklin County (the "County") by engaging in community improvement activities that are designed to provide home ownership and affordable rental housing opportunities throughout these areas. (As used by the 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 City and County.)

Homes and apartment projects financed by the Housing Trust are designed to expand affordable homeownership opportunities and provide homes near employment centers and in underserved areas of the City and County. By investing in affordable housing opportunities the Housing Trust expects to help stabilize families and strengthen neighborhoods. The Housing Trust coordinates its efforts with private institutions, non-profit organizations and local government agencies to address affordable housing needs in the City of Columbus and Franklin County.

The Housing Trust receives funds and other support from local, state and federal government sources, charitable organizations and private donations. The Housing Trust advances those funds in the form of secured, unsecured and subordinated loans and investments to encourage the development and production of affordable housing. The Housing Trust does not make grants. All loans and investments are expected to be fully repaid.

The Housing Trust has entered into agreements with the City of Columbus, Ohio and with the Franklin County Board of Commissioners that obligate the Trust to expend funds for housing purposes as permitted under Section-16, Article VIII of the Ohio Constitution and under Section 307.698 of the Ohio Revised Code.

The Columbus/Franklin County Affordable Housing Trust Corporation 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.

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 *Statements 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 *Statements 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 *Statements 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.

Financial Position

The following represents the Housing Trust's financial position at December 31, 2003 and 2002:

	2003	**2002**	**Change**
ASSETS:			
Current assets	$5,153,598	$3,274,059	$1,879,539
Capital assets—net	23,271	29,245	(5,974)
Non-current assets other than capital	2,776,997	2,722,420	54,577
Total assets	$7,953,866	$6,025,724	$1,928,142
LIABILITIES:			
Current liabilities	$ 64,823	$ 55,894	$ 8,929
Non-current liabilities	6,135	18,790	(12,655)
Total liabilities	70,958	74,684	(3,726)
NET ASSETS:			
Investment in capital assets, net of related debt	23,271	29,245	(5,974)
Restricted—endowment	10,064	10,000	64
Restricted—affordable housing trust purposes	7,138,493	5,544,417	1,594,076
Unrestricted net assets	711,080	367,378	343,702
Total net assets	7,882,908	5,951,040	1,931,868
Total liabilities and net assets	$7,953,866	$6,025,724	$1,928,142

- Current assets include funds committed to new loans for affordable housing that are in various stages of readiness. Funds committed as of December 31, 2003, but not yet funded total $2,937,805.

- The support received from the City of Columbus and Franklin County along with the repayment of a portion of the loans granted in 2002 and 2001 have increased the current assets of the Housing Trust. Repaid loans totaled $712,562 in 2003.

- The long-term assets of the Housing Trust has improved in 2003. In 2003 and 2002 the Housing Trust purchased $385,762 and $665,675 in real estate, respectively. As a result, the Trust's non-current assets increased.

Financial Information

Revenue

The following schedule presents a summary of revenues for the fiscal years ended December 31, 2003 and 2002.

	2003	2002	Change
Operating revenues	$ 177,915	$ 87,003	$ 90,912
Non-operating revenues:			
City of Columbus—hotel/motel tax revenue	909,439	932,929	(23,490)
City of Columbus contribution	429,154		429,154
Franklin County contribution	1,000,000	1,000,000	
Interest income	41,782	56,403	(14,621)
Total revenue	$2,558,290	$2,076,335	$ 481,955

- *Operating Revenues* consists primarily of interest from loans and loan fees. More loans were made in 2003 resulting in increased operating revenue.

- In 2002, the City of Columbus awarded a grant to the Housing Trust in the amount of $429,154. The proceeds of the grant were recognized during 2003, upon the Housing Trust meeting all eligibility requirements as reimbursement for allowable expenses that occurred in 2002 and 2003. The recognition of these grant funds increased revenue received in 2003 over that received in 2002.

Expenses

The following schedule presents a summary of expenses for the fiscal year ended December 31, 2003 and 2002:

	2003	2002	Change
Expenses:			
Program expenses	$ 78,819	$ 23,859	$ 54,960
Provision for loan losses	100,635		100,635
Payroll and payroll related expenses	281,093	211,391	69,702
Other operating expenses	165,875	79,992	85,883
Total expenses	$626,422	$315,242	$311,180

- *Operating Expenses* of $626,422 are not described using the same terminology contained in the operating budget of the Housing Trust. Rather they are classified in accordance with generally accepted accounting principles. Operating Expenses, as defined by the Contracts are: Payroll and Payroll related expenses and Other Operating Expenses. The total "Contract Defined Operating

Expenses" equal $446,968 (payroll and payroll related expense of $281,093 and operating expense of $165,875).

- *Program Expenses* include a provision for loan losses and program expenses (i.e. land characterizations, soil and other land tests, pre-acquisition and pre-loan fees and other costs).

- *Total Operating Expenses* have increased due to the addition of staff, pre-acquisition costs, loan loss reserves and new office space.

COLUMBUS/FRANKLIN COUNTY
AFFORDABLE HOUSING TRUST CORPORATION

STATEMENTS OF NET ASSETS
DECEMBER 31, 2003 AND 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	$5,077,869	$2,393,183
Certificate of deposit—restricted		750,000
Accounts receivable—City of Columbus	75,729	130,876
Total current assets	5,153,598	3,274,059
NON-CURRENT ASSETS:		
Capital assets:		
Furniture and fixtures	27,636	26,529
Computers	9,730	5,522
Less accumulated depreciation	(14,095)	(2,806)
Total capital assets—net	23,271	29,245
Notes receivable (net of allowance of $100,635 and $0, in 2003 and 2002, respectively)	1,673,797	1,992,994
Accrued interest	31,349	16,358
Investment in real estate	1,051,437	665,675
Beneficial interest in assets held by another entity	10,064	10,000
Preacquisition costs	10,350	37,393
Total non-current assets	2,800,268	2,751,665
TOTAL ASSETS	$7,953,866	$6,025,724
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 20,502	$ 16,305
Accrued expenses	5,249	5,669
Security deposit	10,000	
Deferred loan fees	29,072	33,920
Total current liabilities	64,823	55,894
NON-CURRENT LIABILITIES—Deferred loan fees	6,135	18,790
NET ASSETS:		
Invested in capital assets—net of related debt	23,271	29,245
Restricted—endowment	10,064	10,000
Restricted—affordable housing trust purposes	7,138,493	5,544,417
Unrestricted net assets	711,080	367,378
Total net assets	7,882,908	5,951,040
TOTAL LIABILITIES AND NET ASSETS	$7,953,866	$6,025,724

See notes to financial statements.

COLUMBUS/FRANKLIN COUNTY
AFFORDABLE HOUSING TRUST CORPORATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
OPERATING REVENUES:		
Interest income from notes receivable	$ 131,856	$ 66,017
Loan fees	42,454	15,136
Miscellaneous	3,605	5,850
Total operating revenues	177,915	87,003
OPERATING EXPENSES:		
Program expenses	78,819	23,859
Loan loss reserve	100,635	
Payroll and payroll related expenses	281,093	211,391
Other operating expenses	165,875	79,992
Total operating expenses	626,422	315,242
OPERATING LOSS	(448,507)	(228,239)
NON-OPERATING REVENUES:		
Support revenue:		
City of Columbus—hotel/motel tax revenue	909,439	932,929
City of Columbus contribution	429,154	
Franklin County contribution	1,000,000	1,000,000
Interest income	41,782	56,403
Total non-operating revenues	2,380,375	1,989,332
NET INCOME	1,931,868	1,761,093
NET ASSETS—Beginning of year	5,951,040	4,189,947
NET ASSETS—End of year	$7,882,908	$5,951,040

See notes to financial statements.

COLUMBUS/FRANKLIN COUNTY
AFFORDABLE HOUSING TRUST CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loan fees received	$ 24,886	$ 67,846
Loan interest received	116,865	66,017
Miscellaneous cash received	3,605	5,850
Cash paid to employees	(281,093)	(211,391)
Other payments	(219,563)	(105,850)
Net cash used in operating activities	(355,300)	(177,528)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES—		
Cash received from the City/County	2,393,740	1,930,154
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Certificate of deposit—restricted	750,000	(750,000)
Disbursement of loan proceeds	(494,000)	(1,992,994)
Loan payments	712,562	
Purchase of furniture and fixtures	(5,315)	(28,751)
Net cash provided by (used in) capital and related financing activities	963,247	(2,771,745)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Real estate preacquisition costs	27,043	(37,393)
Investment in real estate	(385,762)	(665,675)
Endowment fund contribution	(64)	(10,000)
Interest received on cash and cash equivalents	41,782	56,403
Net cash used in investing activities	(317,001)	(656,665)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,684,686	(1,675,784)
CASH AND CASH EQUIVALENTS—Beginning of year	2,393,183	4,068,967
CASH AND CASH EQUIVALENTS—End of year	$ 5,077,869	$ 2,393,183
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (448,507)	$ (228,239)
Adjustments to reconcile income from operations to net cash used in operating activities:		
Depreciation	11,289	2,714
Allowance for loan losses	100,635	
Change in assets and liabilities:		
Accrued interest	(14,991)	(16,358)
Accounts payable	4,197	5,976
Accrued expenses	(420)	5,669
Security deposit	10,000	
Deferred loan fees	(17,503)	52,710
Net cash used in operating activities	$ (355,300)	$ (177,528)

See notes to financial statements.

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 Mayor of the City of Columbus.

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 accounting principles generally accepted in the United States of America ("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 as a nonexchange transaction when the eligibility requirements are met. 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 all eligibility requirements are met.

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 depending on estimated salvage value

As of December 31, 2003, the Housing Trust has established an initial allowance for loan loss of $100,635. 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*—**$53,128 and $300,000 of the funding received in 2003 and 2002, respectively, 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 60% 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 three years.

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

Preacquisition Costs—Preacquisition 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 Statement 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 2002 amounts have been reclassified to conform with the 2003 financial statement presentation.

***New Accounting Standards Not Yet Implemented*—**In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment to GASB Statement No. 3,* which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The Statement standard is effective for periods beginning after June 15, 2004. The Housing Trust has not completed an analysis of the impact of this statement on its reported financial statements.

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* which establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The standard is effective for periods beginning after

December 15, 2004. The Housing Trust has not completed an analysis of the impact of this standard on its reported financial statements.

3. CASH AND CASH EQUIVALENTS

Deposits With Financial Institutions—At December 31, 2003, the carrying amount balance of the Housing Trust's deposits with financial institutions was $5,077,869 and the bank balance was $5,087,112, with the difference due mainly to outstanding checks. Based upon criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements,* $525,824 of the bank balance was covered by deposit insurance provided by the FDIC; and $4,561,288 was uncollateralized ("Category 3") as defined by the GASB.

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, with the difference due mainly to outstanding checks. 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 was paid to the Trust upon maturity on May 20, 2003.

5. NOTES RECEIVABLE

At December 31, 2003 and 2002, notes receivable consisted of the following:

	2003	2002
Homes on the Hill Community Development Corporation	$ 27,711	$ 33,500
U.S. Villages I, Ltd.	225,000	500,000
Casto Morse Limited	950,000	950,000
Columbus Urban Growth Group	155,000	155,000
Miracit Development Corporation, Inc.		170,000
Samaritan	35,847	
Spirit of Unity and Life Community Development Corporation	25,470	13,458
Northside Development Corporation	36,286	14,918
Homes on the hill Community Development Corporation	35,757	35,757
Frebis Wakeforest	14,000	
Moreland & Assoc.	149,000	
Powell Partnership	120,361	120,361
Less: Allowance for loan loss	(100,635)	
Total notes receivable	$1,673,797	$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 four 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, 2003.

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 was due April 30, 2004, and they have applied for an extension through April 30, 2006. At December 31, 2003 the loan receivable was $27,711.

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. $225,000 of the loan is collateralized by a first mortgage on the premises and the remaining $225,000 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. At December 31, 2003 the loan receivable was $225,000. As of April 30, 2004 this balance was paid in full.

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, 2003, 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, 2003, 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 were 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 was collateralized by the premises and incurred interest at 2%. The loan and accrued interest were due August 31, 2004. All amounts were paid as of December 31, 2003.

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. On December 30, 2003, the Trust provided an additional $470 to the Spirit of Unity and Life Community Development Corporation. The proceeds of the loan are to be used for certain pre-development costs incurred in the purchase and development of three 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, 2003, the loan receivable was $25,470.

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, 2003, the loan receivable was $36,286.

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, 2003, the loan receivable was $35,757.

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, 2003, the loan receivable was $120,361.

On December 27, 2002, the Trust entered into a $60,000 revolving line of credit development loan agreement with Wake Forest Contractors, Inc., an Ohio Corporation, (“Wake Forest”). The proceeds of the loan are to be used for certain pre-development costs incurred in the purchase and development of 6 single-family buildings. The loan is collateralized by the premises and incurs interest at 2%. The loan and accrued interest are due December 31, 2004. At December 31, 2003, the loan receivable was $14,000.

On May 21, 2003, the Trust entered into a $149,000 revolving line of credit development loan agreement with J. Moreland & Associates, LLC, an Ohio limited liability company, (“Moreland & Assoc.”). The proceeds of the loan are to be used for certain pre-development costs incurred in the purchase and development of 15 single-family buildings. The loan is collateralized by the premises and incurs interest at 2%. The loan and accrued interest are due May 21, 2006. At December 31, 2003, the loan receivable was $149,000.

On March 6, 2003, the Trust entered into a $200,000 revolving line of credit development loan agreement with Columbus Compact Corporation, an Ohio Corporation, (“Columbus Compact”). The proceeds of the loan are to be used for certain pre-development costs incurred in the purchase and development of four single-family buildings. The loan is collateralized by the premises and incurs interest at 2%. The loan and accrued interest are due March 6, 2006. No amounts were drawn on the line of credit as of December 31, 2003.

On March 12, 2003, the Trust entered into a $105,000 revolving line of credit development loan agreement with The Samaritan Project Development Corporation, an Ohio non-profit corporation, (“Samaritan”). The proceeds of the loan are to be used for certain pre-development costs incurred in the purchase and development of 4 single-family buildings. The loan is collateralized by the premises and incurs interest at 2%. The loan and accrued interest are due March 12, 2005. As of December 31, 2003, there was $35,847 drawn on the line of credit.

6. INVESTMENT IN REAL ESTATE

Investment in real estate consists of the following as of December 31, 2003 and 2002:

	2003	2002
Williams Road—Village of Obetz (35.67 acres, Franklin County, Ohio Auditors' parcel number 152-222890)	$ 562,675	$ 562,675
Alum Creek/Watkins Road (11.83 acres, Franklin County, Ohio Auditors' parcel number 010-267629, 010-267630, and 010-267699)	324,601	
Urbancrest	31,053	
Goshen Lane—Gahanna (1.64 acres, Franklin County, Ohio Auditors' parcel number 025-001041)	133,108	103,000
Total	$ 1,051,437	$ 665,675

7. CAPITAL ASSETS

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

	Balance January 1, 2003	Additions	Disposals/ Deletion	Balance December 31, 2003
Capital assets:				
Furniture and fixtures	$ 26,529	$ 1,107	$ -	$ 27,636
Computer	5,522	4,208		9,730
Less accumulated depreciation— Furniture and fixtures	2,806	11,289		14,095
Net capital assets	$ 29,245	$ (5,974)	$ -	$ 23,271

	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, 2003, the Fund had assets with a fair value of $10,064. 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, 2003, future minimum lease payments are as follows:

2004	$ 55,928
2005	59,568
2006	49,640
Total	$ 165,136

Lease expense of $55,200 and $4,600 incurred in 2003 and 2002, respectively.

11. COMMITMENTS

As of December 31, 2003, the Housing Trust has committed $2,937,805 in new loans for affordable housing. These loans are in various stages of readiness and the funds will be distributed upon completion of the application process.

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Deloitte.

Deloitte & Touche LLP
Bank One Center/Tower
111 Monument Circle
Suite 2000
Indianapolis, IN 46204-5120
USA

Tel: 317-464-8600
Fax: 317-464-8500
www.deloitte.com

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, 2003, and have issued our report thereon dated May 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Housing Trust, in a separate letter dated May 10, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 that 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.

This 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 pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

May 10, 2004

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

COLUMBUS/FRANKLIN COUNTY AFFORDABLE HOUSING TRUST CORP.

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
AUGUST 5, 2004