

***Franklin Community
Improvement Corporation***

*Financial Statements for the Years
Ended December 31, 2001 and 2000
and Independent Auditors' Report*



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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The Board of Directors
Franklin Community Improvement Corporation
7400 Alum Creek Drive
Columbus, Ohio 43217-1232

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, 2001 through December 31, 2001. 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 Franklin Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

May 24, 2002

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Franklin Community Improvement Corporation:

We have audited the accompanying balance sheets of Franklin Community Improvement Corporation (the "Company") as of December 31, 2001 and 2000, and the related statements of activities and 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, 2001 and 2000, 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 8, 2002

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

BALANCE SHEETS, DECEMBER 31, 2001 AND 2000

ASSETS	2001	2000
CASH AND CASH EQUIVALENTS	\$ 854,753	\$ 503,413
RESTRICTED CASH - In escrow (Note 3)		75,000
ACCOUNTS RECEIVABLE:		
Trade	4,211	
Affiliate		<u>362,737</u>
Total accounts receivable	4,211	362,737
PREPAID EXPENSES	4,479	4,462
INVESTMENT (Note 5)	213,153	
LAND	641,347	1,863,868
PROPERTY - AT COST:		
Buildings	6,033,431	5,128,318
Tenant improvements	<u>1,667,737</u>	<u>1,160,190</u>
Total	7,701,168	6,288,508
Less accumulated depreciation	<u>780,745</u>	<u>343,963</u>
Property - net	<u>6,920,423</u>	<u>5,944,545</u>
 TOTAL ASSETS	 <u>\$8,638,366</u>	 <u>\$8,754,025</u>
 LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE:		
Accounts payable - trade	\$ 23,924	\$ 468,248
Retentions due to contractors	169,465	195,906
Estimated costs to complete	<u>229,765</u>	<u>390,477</u>
Total accounts payable	423,154	1,054,631
ACCRUED LIABILITIES	136,721	145,855
NOTES PAYABLE (Note 2)	<u>4,659,596</u>	<u>4,425,411</u>
Total liabilities	5,219,471	5,625,897
UNRESTRICTED - NET ASSETS	<u>3,418,895</u>	<u>3,128,128</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$8,638,366</u>	 <u>\$8,754,025</u>

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
REVENUES:		
Sale of land	\$2,024,049	\$2,058,243
Ground and building rents	603,031	377,545
Interest	22,821	74,225
Other	<u>110,286</u>	<u>56,297</u>
Total revenues	<u>2,760,187</u>	<u>2,566,310</u>
EXPENSES:		
Cost of land sold	1,105,479	1,221,576
Interest	346,893	266,921
Overhead allocation (Note 4)	196,924	187,804
Sales commission	62,286	110,768
Depreciation	436,782	256,085
Real estate taxes	114,929	97,976
Professional fees and charges	84,619	215,472
Insurance	11,747	10,570
Other	<u>109,761</u>	<u>59,772</u>
Total expenses	<u>2,469,420</u>	<u>2,426,944</u>
CHANGE IN NET ASSETS	290,767	139,366
UNRESTRICTED - NET ASSETS - Beginning of year	3,128,128	1,129,479
CONTRIBUTED CAPITAL	<u> </u>	<u>1,859,283</u>
UNRESTRICTED - NET ASSETS - End of year	<u>\$3,418,895</u>	<u>\$3,128,128</u>

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 290,767	\$ 139,366
Adjustments necessary to reconcile change in net assets to net cash operating activities:		
Depreciation	436,782	256,085
Termination of obligation to Rickenbacker Port Authority		57,257
Net changes in:		
Accounts receivable - trade	(4,211)	6,927
Accounts receivable - affiliate	362,737	(362,737)
Prepaid expenses	(17)	(1,716)
Land	1,014,191	1,047,519
Accounts payable - trade	(444,324)	203,393
Estimated costs to complete (included in land cost of sales and payables)	(160,712)	(125,943)
Accrued liabilities	<u>(9,134)</u>	<u>(99,011)</u>
Net cash provided by operating activities	<u>1,486,079</u>	<u>1,121,140</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(1,439,101)	(3,019,768)
Purchase of investment	<u>(4,823)</u>	<u> </u>
Net cash used in investing activities	<u>(1,443,924)</u>	<u>(3,019,768)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	321,030	2,393,235
Payments on notes payable	(86,845)	(955,599)
Payment of exit fees	<u> </u>	<u>(74,261)</u>
Net cash provided by financing activities	<u>234,185</u>	<u>1,363,375</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	276,340	(535,253)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>578,413</u>	<u>1,113,666</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 854,753</u>	<u>\$ 578,413</u>
NONCASH ITEMS:		
Additions to property included in retentions due subcontractors	<u>\$ 169,465</u>	<u>\$ 195,906</u>
Non-cash investment in exchange for land	<u>\$ 208,330</u>	<u>\$</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 349,077</u>	<u>\$ 271,465</u>
Capital contribution	<u>\$</u>	<u>\$ 1,859,283</u>

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

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. The amount charged may be adjusted annually as required based on estimated actual costs incurred.

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, 2001 and 2000. For purposes of the statement of cash flows, cash and cash equivalents include time and demand deposits with maturities of three months or less.

Investment - The Company accounts for the investment in Note 5 using the cost method.

Description of Land Development Project - In June 1995, the Company purchased 244 acres of real estate located in Franklin County, Ohio. Approximately 29 acres and 30 acres were sold in 2001 and 2000, respectively. At December 31, 2001 the Company has 16 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, 2001 three air cargo buildings totaling 164,800 square feet were completed.

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

\$349,077 and \$271,465 in 2001 and 2000, respectively, of which \$2,184 and \$4,544, respectively, were capitalized.

Retention Due Subcontractors - Retentions due to subcontractors primarily include amounts due under construction contracts, totaling \$169,465 and \$195,906, respectively, at December 31, 2001 and 2000, 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, 2001 and 2000 are as follows:

	2001	2000
Land	\$ 5,427,027	\$ 5,175,027
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	<u>620,875</u>	<u>620,875</u>
Subtotal	8,767,100	8,515,100
Less accumulated costs of land sales	<u>(8,125,753)</u>	<u>(6,651,232)</u>
Land costs at the end of year	<u>\$ 641,347</u>	<u>\$ 1,863,868</u>
Estimated costs to complete land sales - included in cost of land sales above	<u>\$ 229,765</u>	<u>\$ 390,477</u>

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, 2001 no impairment of assets is indicated.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 provides guidance on the accounting for long-lived assets to be held and used and for assets to be disposed of through sale or by other means. SFAS 144 is effective for

fiscal years beginning after December 15, 2001. Management has not yet completed its analysis of this Statement as to its impact on the Company's financial statement and disclosures.

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

2. NOTES PAYABLE

Notes payable outstanding at December 31, 2001 and 2000 consist of the following:

	2001	2000
Mortgage loan with a bank bearing interest at 8.0% during the initial five years, which begins May 1, 2000. Thereafter interest is adjusted to the weekly average of treasury securities plus 2-1/2%. The loan allows borrowing up to \$2,800,000. Principal and interest are paid monthly with maturity in 2019, which is secured by real estate.	\$2,695,509	\$2,757,578
Construction mortgage loan with a bank for construction and development of an Air Cargo Terminal, bearing interest at prime during construction. Upon conversion at April 1, 2003, 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 the construction loan period.	1,964,087	1,643,057
Construction mortgage loan paid in full in November, 2001.	<u> </u>	<u>24,776</u>
Total	<u>\$4,659,596</u>	<u>\$4,425,411</u>

Long-term debt matures as follows:

Year ending December 31:	
2002	\$ 61,734
2003	107,015
2004	132,473
2005	143,000
2006	153,735
Thereafter	<u>4,061,639</u>
Total	<u>\$4,659,596</u>

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, \$75,000 was held in escrow for deposit and was satisfied in 2001.

4. RELATED PARTY TRANSACTIONS

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 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. RPA also provides administrative services to the Company (see Note 1). A total of \$170,089 and \$190,600 were accrued and expensed for these services in 2001 and 2000, respectively.

5. INVESTMENT IN LIMITED LIABILITY CORPORATION (LLC)

In July 2001, the Company obtained a 50% ownership interest in an LLC by transferring 5.11 acres of land. At December 31, 2001, the total amount invested was \$213,153.

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, 2001 are as follows:

Year Ending December 31:	Amount
2002	\$ 689,444
2003	642,814
2004	614,954
2005	309,772
2006	<u>120,271</u>
Total	<u>\$2,377,255</u>

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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
JUNE 13, 2002**