Franklin Community Improvement Corporation

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

Auditor of State
Betty Montgomery

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

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, 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 Franklin Community Improvement Corporation is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 18, 2004

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Franklin Community Improvement Corporation

We have audited the accompanying balance sheets of Franklin Community Improvement Corporation (the "Company") as of December 31, 2003 and 2002, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 2003 and 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2004, on our consideration of the Company'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 audits.

Deloitte & Touche LLP

May 4, 2004

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FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

BALANCE SHEETS
AS OF DECEMBER 31, 2003 AND 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Cash and equivalents	$ 553,754	$ 521,241
Accounts receivable—trade	7,937	6,630
Current portion of note receivable	11,477	10,389
Prepaid expenses	7,712	6,970
Investment	50,555	113,462
Total current assets	631,435	658,692
PROPERTY:		
Land	640,803	640,803
Buildings	6,117,524	6,112,894
Tenant improvements	2,040,578	1,967,330
Total	8,798,905	8,721,027
Less accumulated depreciation	1,814,218	1,292,598
Property—net	6,984,687	7,428,429
NOTE RECEIVABLE	83,040	92,527
TOTAL ASSETS	$7,699,162	$8,179,648

LIABILITIES AND NET ASSETS	2003	2002
CURRENT LIABILITIES:		
Accounts payable:		
Trade	$ 26,249	$ 212,186
Estimated costs to complete	229,780	229,780
Retentions due to contractors	-	5,118
Total accounts payable	256,029	447,084
Accrued liabilities	165,723	175,368
Current portion of long-term debt	148,217	66,836
Total current liabilities	569,969	689,288
LONG-TERM PORTION OF DEBT	4,363,255	4,525,455
UNRESTRICTED—Net assets	2,765,938	2,964,905
TOTAL LIABILITIES AND NET ASSETS	$7,699,162	$8,179,648

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
REVENUES:		
Ground and building rents	$ 876,505	$ 743,233
Interest	12,827	12,179
Sale of land	-	1,029
Other	163,736	127,453
Total revenues	1,053,068	883,894
EXPENSES:		
Depreciation	521,620	511,852
Interest	276,870	318,156
Real estate taxes	97,095	83,937
Overhead allocation	86,051	89,236
Loss on investment	62,907	99,691
Professional fees and charges	53,074	60,689
Insurance	17,767	14,658
Other	136,651	158,906
Sales commission	-	200
Cost of land sold	-	559
Total expenses	1,252,035	1,337,884
CHANGE IN NET ASSETS	(198,967)	(453,990)
UNRESTRICTED—NET ASSETS—Beginning of year	2,964,905	3,418,895
UNRESTRICTED—NET ASSETS—End of year	$2,765,938	$2,964,905

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (198,967)	$ (453,990)
Adjustments necessary to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	521,620	511,852
Loss on disposal of fixed assets	8,039	-
Loss on investment	62,907	99,691
Net changes in:		
Accounts receivable—trade	(1,307)	(2,419)
Prepaid expenses	(742)	(2,491)
Note receivable	8,399	(102,916)
Accounts payable—trade	(185,937)	188,262
Accrued liabilities	(9,645)	38,647
Estimated costs to complete (included in land cost of sales and payables)	-	15
Land	-	544
Net cash provided by operating activities	204,367	277,195
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(91,035)	(543,405)
Cash used in investing activities	(91,035)	(543,405)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(80,819)	(67,302)
Cash used in financing activities	(80,819)	(67,302)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,513	(333,512)
CASH AND CASH EQUIVALENTS—Beginning of year	521,241	854,753
CASH AND CASH EQUIVALENTS—End of year	$ 553,754	$ 521,241
NON-CASH ITEMS:		
Additions to (deductions from) property in retentions due subcontractors	$ (5,118)	$ 5,118
SUPPLEMENTAL DISCLOSURES—		
Cash paid for interest	$ 276,870	$ 318,156

See notes to financial statements.

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. In 1995, the Company entered into a master project coordination agreement with the Rickenbacker Port Authority (the RPA). Under this agreement, the RPA provided the Company with administrative services. The amount charged may be adjusted annually as required based on estimated actual costs incurred.

On December 12, 2002, the Columbus Municipal Airport Authority (CMAA), the City of Columbus, Ohio (the City) and the County of Franklin, Ohio (the County) entered into the Port Authority Consolidation and Joinder Agreement (the Agreement) with an effective date of January 1, 2003, which created a single regional authority to oversee the airports formerly managed by the CMAA and the RPA. Under the Agreement, the RPA was dissolved and the CMAA, the surviving entity, was renamed the Columbus Regional Airport Authority (the Authority). The Agreement provided for the ultimate transfer of all the RPA's rights, title and interests in all the assets and liabilities to the Authority. As of January 1, 2003, the Authority is now providing the administrative services that were previously provided under the master project coordination agreement with the RPA.

Use of Estimates—The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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, 2003 and 2002. 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 equity method.

Description of Land Development Project—In June 1995, the Company purchased 244 acres of real estate located in the County. No property was sold in 2003 and 0.01 acres were sold in 2002. At December 31, 2003, the Company has 16 acres remaining for sale.

Property—In 1999, the Company began development of a series of Air Cargo terminals on land leased from the RPA. These properties are located in close proximity to the Rickenbacker International Airport and are located in Foreign Trade Zone #138. Through December 31, 2003, 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 $276,870 and $318,156 in 2003 and 2002, respectively. No interest was capitalized in 2003 and 2002.

Retention Due to Subcontractors—Retentions due to subcontractors primarily include amounts due under construction contracts, totaling $5,118, at December 31, 2002 which were retained pending completion and acceptance of the work. No such amounts were due at December 31, 2003.

Revenue Recognition—Sales of land revenue are 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, 2003 and 2002 are as follows:

	2003	**2002**
Land	$ 5,427,027	$ 5,427,027
Infrastructure costs	1,571,074	1,571,074
Exit fees	214,610	214,610
Professional fees	403,830	403,830
Interest	492,103	492,103
Real estate taxes	27,644	27,644
Amortization	9,937	9,937
Other carrying costs	620,875	620,875
Subtotal	8,767,100	8,767,100
Less accumulated costs of land sales	(8,126,297)	(8,126,297)
Land costs at the end of year	$ 640,803	$ 640,803
Estimated costs to complete land sales—included in cost of land sales above	$ 229,780	$ 229,780

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, in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* 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, 2003 no impairment of assets is indicated.

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

2. NOTE RECEIVABLE

The Company provided tenant improvements and the lessee started paying additional base rent of $1,660 monthly beginning January 2003 which will continue until the improvements are paid in December 2009.

3. NOTES PAYABLE

Notes payable outstanding at December 31, 2003 and 2002 consist of the following:

	2003	2002
Mortgage loan with a bank bearing interest at 8.0% during the initial five years, which began September 16, 1998. Thereafter interest is adjusted to the weekly average of treasury securities plus 2-1/2%, currently the rate is 6%. 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.	$2,547,385	$2,628,204
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, 2004, 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	1,964,087
Total	$4,511,472	$4,592,291

Long-term debt matures as follows:

Year Ending December 31	
2004	$ 148,217
2005	171,303
2006	181,970
2007	193,304
2008	203,359
2009-2013	2,444,093
2014-2018	972,107
2019	197,119
Total	$4,511,472

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 the 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 the Authority making project advances, the Company shall pay all of its available net proceeds to the Authority 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 the Authority activities. The Authority also provides administrative services to the Company (see Note 1). A total of $115,821 and $120,818 were accrued and expensed for these services in 2003 and 2002, 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, 2003, the total amount invested was $50,555, a reduction of $62,907, from the December 31, 2002 balance of $113,462. Losses of $62,907 and $99,691, respectively, were recognized for 2003 and 2002 due to decreases in rental activities by the LLC.

6. RENTAL INCOME

The Company leases space in its building to various tenants under non-cancelable operating leases which expire on various dates through December 2007. 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, 2003 are as follows:

Year Ending December 31	Amount
2004	$ 869,952
2005	563,589
2006	336,417
2007	199,893
2008	141,600
2009-2012	610,000
Total	$ 2,721,451

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

Board of Directors
Franklin Community Improvement Corporation
Columbus, Ohio

We have audited the financial statements of the Franklin Community Improvement Corporation (the "Company") as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 4, 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 Company'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 audit, we considered the Company'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 Board of Directors and management of the Company, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

May 4, 2004

Auditor of State
Betty Montgomery

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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 1, 2004