Columbus/Franklin County Affordable Housing Trust Corporation

Financial Statements for the Years Ended December 31, 2004 and 2003 and Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Trustees
Columbus/Franklin County Affordable Housing Trust Corporation
415 East Mound 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, 2004 through December 31, 2004. 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

August 3, 2005

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COLUMBUS/FRANKLIN COUNTY
AFFORDABLE HOUSING TRUST CORPORATION

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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, 2004 and 2003, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Trust's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2004 and 2003, 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 12, 2005 on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 12, 2005

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, 2004 and 2003. 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.

Warren Tyler served as President of the Housing Trust from October 1, 2001 to December 31, 2004. Mark Milligan was elected president by the Board of Trustees and assumed the post on January 5, 2005.

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, 2004, 2003 and 2002:

	2004	2003	2002
ASSETS:			
Current assets	$4,914,956	$5,153,598	$3,274,059
Capital assets—net	12,219	23,271	29,245
Non-current assets other than capital	4,516,108	2,776,997	2,722,420
Total assets	$9,443,283	$7,953,866	$6,025,724
LIABILITIES:			
Current liabilities	$ 65,886	$ 64,823	$ 55,894
Non-current liabilities	10,973	6,135	18,790
Total liabilities	76,859	70,958	74,684
NET ASSETS:			
Investment in capital assets, net of related debt	12,219	23,271	29,245
Restricted—endowment	120,132	10,064	10,000
Restricted—affordable housing trust purposes	8,503,548	7,138,493	5,544,417
Unrestricted net assets	730,525	711,080	367,378
Total net assets	9,366,424	7,882,908	5,951,040
Total liabilities and net assets	$9,443,283	$7,953,866	$6,025,724

- Current assets include funds committed to new loans for affordable housing that are in various stages of readiness. Funds committed as of December 31, 2004, but not yet funded total $3,845,000.

- The long-term assets of the Housing Trust have improved in 2004. In 2004, 2003 and 2002 the Housing Trust purchased $479,389, $385,762 and 665,675 in real estate, respectively. The Housing Trust originated $3,028,000 of affordable housing loans in 2004, increasing total notes receivable. 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, 2004, 2003 and 2002.

	2004	2003	2002
Operating revenues	$ 181,619	$ 177,915	$ 87,003
Non-operating revenues:			
City of Columbus—hotel/motel tax revenue	988,966	909,439	932,929
City of Columbus contribution		429,154	
Franklin County contribution	1,000,000	1,000,000	1,000,000
Increase/(Decrease) in Beneficial Interest in assets held by another entity	10,135		
Interest income	53,249	41,782	56,403
Total revenue	$ 2,233,969	$ 2,558,290	$ 2,076,335

- *Operating Revenues* consists primarily of interest from loans and loan fees. The continuing increase in loans issued results in the continuing increase in operating revenue

- In 2002, the City of Columbus awarded a one-time 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 were incurred in 2002 and 2003. The recognition of these grant funds increased revenue in 2003 over that received in other years.

Expenses

The following schedule presents a summary of expenses for the fiscal year ended December 31, 2004, 2003 and 2002:

	2004	2003	2002
Expenses:			
Program expenses	$ 155,150	$ 78,819	$ 23,859
Loan loss reserve	160,015	100,635	
Payroll and payroll related expenses	257,226	281,093	211,291
Other operating expenses	178,062	165,875	79,992
Total expenses	$ 750,453	$ 626,422	$ 315,242

- *Operating Expenses* of $750,453 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 $435,288 (payroll and payroll related expense of $257,226 and operating expense of $178,062).

- *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) and have increased due to, pre-acquisition costs and loan loss reserves.

COLUMBUS/FRANKLIN COUNTY AFFORDABLE HOUSING TRUST CORPORATION

STATEMENTS OF NET ASSETS
DECEMBER 31, 2004 AND 2003

ASSETS	2004	2003
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,835,917	$ 5,077,869
Accounts receivable—City of Columbus	79,039	75,729
Total current assets	4,914,956	5,153,598
NON-CURRENT ASSETS:		
Capital assets:		
Furniture and fixtures	29,553	27,636
Computers	9,730	9,730
Less accumulated depreciation	(27,064)	(14,095)
Total capital assets—net	12,219	23,271
Notes receivable (net of allowance of $260,650 and $100,635, in 2004 and 2003, respectively)	2,759,215	1,673,797
Accrued interest	48,747	31,349
Investment in real estate	1,530,826	1,051,437
Beneficial interest in assets held by another entity	120,132	10,064
Preacquisition costs	57,188	10,350
Total non-current assets	4,528,327	2,800,268
TOTAL	$ 9,443,283	$ 7,953,866

LIABILITIES AND NET ASSETS	2004	2003
CURRENT LIABILITIES:		
Accounts payable	$ 16,449	$ 20,502
Accrued expenses	25,955	5,249
Security deposit	10,000	10,000
Deferred loan fees	13,482	29,072
Total current liabilities	65,886	64,823
NON-CURRENT LIABILITIES—Deferred loan fees	10,973	6,135
NET ASSETS:		
Invested in capital assets—net of related debt	12,219	23,271
Restricted—reserve fund	120,132	10,064
Restricted—affordable housing trust purposes	8,503,548	7,138,493
Unrestricted net assets	730,525	711,080
Total net assets	9,366,424	7,882,908
TOTAL	$ 9,443,283	$ 7,953,866

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, 2004 AND 2003

	2004	2003
OPERATING REVENUES:		
Interest income from notes receivable	$ 119,742	$ 131,856
Loan fees	47,112	42,454
Miscellaneous	14,765	3,605
Total operating revenues	181,619	177,915
OPERATING EXPENSES:		
Program expenses	155,150	78,819
Loan loss reserve	160,015	100,635
Payroll and payroll related expenses	257,226	281,093
Other operating expenses	178,062	165,875
Total operating expenses	750,453	626,422
OPERATING LOSS	(568,834)	(448,507)
NON-OPERATING REVENUES—		
Support revenue:		
City of Columbus—hotel/motel tax revenue	988,966	909,439
City of Columbus contribution		429,154
Franklin County contribution	1,000,000	1,000,000
Beneficial Interest in assets held by another entity	10,135	
Interest income	53,249	41,782
Total non-operating revenues	2,052,350	2,380,375
NET INCOME	1,483,516	1,931,868
NET ASSETS—Beginning of year	7,882,908	5,951,040
NET ASSETS—End of year	$ 9,366,424	$ 7,882,908

See notes to financial statements.

COLUMBUS/FRANKLIN COUNTY
AFFORDABLE HOUSING TRUST CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loan fees received	$ 36,425	$ 24,886
Loan interest received	119,742	116,865
Miscellaneous cash received	14,765	3,605
Cash paid to employees	(257,226)	(281,093)
Other payments	(321,053)	(219,563)
Net cash used in operating activities	(407,347)	(355,300)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES—		
Cash received from the city/county	1,985,656	2,393,740
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Certificate of deposit—restricted		750,000
Disbursement of loan proceeds	(3,314,167)	(494,000)
Loan payments	2,068,734	712,562
Purchase of furniture and fixtures	(1,917)	(5,315)
Net cash provided by (used in) capital and related financing activities	(1,247,350)	963,247
CASH FLOWS FROM INVESTING ACTIVITIES:		
Real estate preacquisition costs	(46,838)	27,043
Investment in real estate	(479,389)	(385,762)
Endowment fund contribution	(110,068)	(64)
Increase in beneficial interest held by others	10,135	
Interest received on cash and cash equivalents	53,249	41,782
Net cash used in investing activities	(572,911)	(317,001)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(241,952)	2,684,686
CASH AND CASH EQUIVALENTS—Beginning of year	5,077,869	2,393,183
CASH AND CASH EQUIVALENTS—End of year	$ 4,835,917	$ 5,077,869
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (568,834)	$ (448,507)
Adjustments to reconcile income from operations to net cash used in operating activities:		
Depreciation	12,969	11,289
Allowance for loan losses	160,015	100,635
Change in assets and liabilities:		
Accrued interest	(17,398)	(14,991)
Accounts payable	(4,053)	4,197
Accrued expenses	20,706	(420)
Security deposit		10,000
Deferred loan fees	(10,752)	(17,503)
NET CASH USED IN OPERATING ACTIVITIES	$ (407,347)	$ (355,300)

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* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* 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 percent of the 5.1 percent 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 on estimated salvage value

As of December 31, 2004 and 2003, the Housing Trust has established an allowance for loan loss of $260,650 and $100,635, respectively.

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—$230,000 and $53,128 of the funding received in 2004 and 2003, 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 percent 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 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. Assets are capitalized when their useful life is greater than one year and $500.

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 life for computers and 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.

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.

In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Legislation an amendment of GASB Statement No. 34,* which requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. This Statement clarifies that a legally enforceable enabling legislation restriction is one in which a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The standard is effective for periods beginning after June 15, 2005. 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, 2004, the carrying amount balance of the Housing Trust's deposits with financial institutions was $4,835,917 and the bank balance was $4,856,613, with the difference due to outstanding checks. Based upon criteria described in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*, $526,035 of the bank balance was covered by deposit insurance provided by the FDIC; and $4,330,578 was uncollateralized ("Category 3") as defined by the GASB.

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.

4. NOTES RECEIVABLE

At December 31, notes receivable consisted of the following:

	2004	2003
Homes on the Hill Community Development Corporation	$ 150,000	$ 27,711
U.S. Villages I, Ltd.		225,000
Casto Morse Limited	950,000	950,000
Columbus Urban Growth Group		155,000
Miracit Development Corporation, Inc.	59,536	
Samaritan	93,934	35,847
Spirit of Unity and Life Community Development Corporation	25,470	25,470
Northside Development Corporation	91,475	36,286
Homes on the Hill Community Development Corporation	136,756	35,757
Frebis Wakeforest	14,000	14,000
Moreland & Assoc.	149,000	149,000
Powell Partnership	120,361	120,361
National Church Residences	1,000,000	
Spirit of Unity and Life Community Development Corporation	32,991	
YouthBuild Columbus	23,453	
Moreland & Assoc.	100,000	
Columbus Compact Corporation	6,457	
Franklinton	66,432	
Spruce Bough		
Network Restoration		
Less: Allowance for loan loss	(260,650)	(100,635)
Total notes receivable	$2,759,215	$1,673,797

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 percent. The loan and accrued interest was due

April 30, 2004, and they have applied for an extension through April 30, 2006. At December 31, 2004 the loan receivable was $150,000.

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 percent 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. 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 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 percent of the net cash flow of the partnership, as defined and a 30 percent permanent preferred distribution interest ("ppdi") upon the occurrence of specified events which create capital proceeds. No such specified events occurred in 2004. 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, 2004, 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 percent. The loan and accrued interest was due July 31, 2004. As of May 31, 2004 this balance was paid in full.

On August 29, 2004, the Trust entered into a $150,000 revolving line of credit 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 percent. The loan and accrued interest are due December 31, 2007. At December 31, 2004, the loan receivable was $59,535.

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 four single-family buildings (the "premises"). The loan is collateralized by the premises and incurs interest at 2 percent. The loan and accrued interest are due March 12, 2005 and has been extended through March 11, 2007. As of December 31, 2004, there was $93,934 drawn on the line of credit.

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 percent. The loan and accrued interest was originally due August 31, 2004 and was extended until August 31, 2006. At December 31, 2004, 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 percent. The loan and accrued interest are due November 30, 2005. At December 31, 2004, the loan receivable was $91,475.

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 percent. The loan and accrued interest were due November 30, 2004. At December 31, 2004, the loan receivable was $136,756. The Board of Trustees has a motion pending to extend the due date of the loan.

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 "premises"). The loan is collateralized by the premises and incurs interest at 2 percent. The loan and accrued interest are due December 31, 2004. At December 31, 2004, the loan receivable was $14,000. Wake Forest and the Housing Trust have negotiated a payment schedule to repay this loan.

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 "premises"). The loan is collateralized by the premises and incurs interest at 2 percent. The loan and accrued interest are due May 21, 2006. At December 31, 2004, the loan receivable was $149,000.

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 percent. The loan and accrued interest were due November 30, 2004. At December 31, 2004, the loan receivable was $120,361. This balance was paid in full on January 7, 2005.

On October 29, 2004, the Trust entered into a $1,000,000 loan agreement with Waggoner Woods Limited Partnership, an Ohio limited partnership, ("Waggoner Woods"). The proceeds of the loan are to be used to fund a portion of the estimated project cost in the form of an equity bridge loan for the development of a 176-unit affordable housing apartment community in Columbus, Ohio. The loan is collateralized by an assignment of the partnership interests in the Partnership and incurs interest at 2 percent. The loan and accrued interest are due and payable on October 31, 2007. At December 31, 2004 the loan receivable was $1,000,000.

On June 16, 2004, the Trust entered into a $35,000 line of credit loan agreement with Spirit of Unity and Life Community Development Corporation, an Ohio non-profit corporation. The proceeds of the loan are to be used to assist in the predevelopment costs of three lots for the construction of single-family homes located in Columbus, Ohio (the "premises"). The loan is collateralized by a mortgage on the premises and a promissory note with an interest rate of 2 percent. The loan and accrued interest is due June 16, 2006. At December 31, 2004, the loan receivable was $32,991.

On June 31, 2004, the Trust entered into a $93,000 loan agreement with YouthBuild Columbus, an Ohio not-for-profit corporation, (“YouthBuild”). The proceeds of the loan are to be used for the rehabilitation of two residential homes in Columbus, Ohio (the “premises”). The loan is collateralized by a mortgage on the premises and a promissory note with an interest rate of 2 percent. The loan and accrued interest is due May 31, 2006. As of December 31, 2004, the loan receivable was $23,453.

On May 30, 2003, the Trust entered into a $100,000 loan agreement with J. Moreland and Associates LLC, an Ohio limited liability company. The proceeds of the loan are to be used to assist the construction of one single family home, to be used as a model in Columbus, Ohio (the “premises”). The loan is collateralized by a mortgage on the premises and a promissory note with an interest rate of 5 percent. The loan and accrued interest is due May 30, 2005. At December 31, 2004, the loan receivable was $100,000. The Board of Trustees has a motion pending to extend the due date of the loan.

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 “premises”). The loan is collateralized by the premises and incurs interest at 2 percent. The loan and accrued interest are due March 6, 2006. At December 31, 2004, the loan receivable was $6,457.

On October 27, 2004, the Trust entered into a $150,000 revolving line of credit loan agreement with Franklinton Development Association Development Corporation, an Ohio not-for-profit corporation. The proceeds of the loan are to be used to assist in the purchase of residential building lots and in the construction on scattered real property site located in Columbus, Ohio (the “premises”). The loan is collateralized by a mortgage on the premises and a promissory note with an interest rate of 2 percent. The loan and accrued interest is due October 30, 2007. At December 31, 2004, the loan receivable was $66,432.

On June 22, 2004, the Trust entered into a $750,000 loan agreement with Spruce Bough Homes, LLC, an Ohio corporation, (“Spruce Bough”). The proceeds of the loan are to be used for certain costs incurred in the purchase and renovation of residential buildings for use as 112 affordable housing residences on scattered real property sites (the “premises”). The loan is collateralized by the premises and incurs interest at 5 percent. The loan and accrued interest are due June 30, 2007. No amounts are receivable on this loan at December 31, 2004, as the amount due was fully repaid during 2004.

On June 22, 2004, the Trust entered into a $750,000 loan agreement with Network Restorations I, LLC Homes, LLC, an Ohio corporation, (“Network Restoration”). The proceeds of the loan are to be used for certain costs incurred in the purchase and renovation of residential buildings for use as 112 affordable housing residences on scattered real property sites (the “premises”). The loan is collateralized by the premises and incurs interest at 5 percent. The loan and accrued interest are due June 30, 2007. No amounts are receivable on this loan at December 31, 2004, as the amount due was fully repaid during 2004.

5. INVESTMENT IN REAL ESTATE

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

	2004	2003
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	324,601
Urbancrest (1.074 acres, Franklin County, Ohio Auditors' parcel number 161-000546, 161-000528, 161-000084, 161-000537 161-000683, 161-000334, 161-000331 and 161-000322)	72,789	31,053
Eakin Road (20.2 acres, Franklin County, Ohio Auditors' parcel number 570-105105 and 570-105106)	437,653	
Goshen Lane—Gahanna (1.64 acres, Franklin County, Ohio Auditors' parcel number 025-001041)	133,108	133,108
Total	$1,530,826	$1,051,437

6. CAPITAL ASSETS

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

	Balance January 1, 2004	Additions	Disposals/ Deletion	Balance December 31, 2004
Capital assets:				
Furniture and fixtures	$ 27,636	$ 1,917	$ -	$ 29,553
Computer	9,730			9,730
Less accumulated depreciation—				
Furniture and fixtures	14,095	12,969		27,064
Net capital assets	$ 23,271	$ (11,052)	$ -	$ 12,219

	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

7. 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.

8. BENEFICIAL INTEREST IN ASSETS HELD BY ANOTHER ENTITY

In 2002, the Housing Trust created a Reserve Fund (the "Fund") for the Housing Trust at the Columbus Foundation, an Ohio not-for-profit corporation. During 2004, the Housing Trust deposited $100,000 to partially fund a down payment assistance poll to promote early home sales on the Alum Creek site. In addition, the Trust received various private donations that have been deposited into this account. As of December 31, 2004 and 2003, the Fund had assets with a fair value of $120,132 and $10,064, respectively. The Fund is included in the Housing Trust's financial statements.

9. 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, 2004, future minimum lease payments are as follows:

2005	$ 59,568
2006	49,640
Total	$ 109,208

Lease expense of $56,292 and $55,200 incurred in 2004 and 2003, respectively.

10. COMMITMENTS

As of December 31, 2004, the Housing Trust has committed $3,845,000 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.

11. BOARD OF TRUSTEE INTERNAL DESIGNATIONS

In 2004, the Board of Trustees approved an internal designation of the Housing Trust's net assets to provide for a board designated reserve against the Housing Trust's investment in real estate. The December 31, 2004 investment is real estate balance of $1,530,826 is not considered permanently impaired under accounting standards. However, the Housing Trust may in the future sell of portion of their investment in real estate for less than the current carrying value. At December 31, 2004, this board designated reserve totaled $201,366.

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

To the Board of Trustees of
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, 2004, and have issued our report thereon dated May 12, 2005. 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.

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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Housing Trust in a separate letter dated May 12, 2005.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the Board of Trustees, the Audit Committee, management, 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 12, 2005

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
AUGUST 16, 2005