Franklin Community Improvement Corporation

Financial Statements as of and for the Years Ended December 31, 2004 and 2003 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, 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 Franklin Community Improvement Corporation is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 1, 2005

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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, 2004 and 2003, 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 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 Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2004 and 2003, 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 March 30, 2005, on our consideration of the Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 audits.

As discussed in Note 8, the accompanying 2003 financial statements have been restated.

Deloitte & Touche LLP

March 30, 2005

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

ASSETS	2004	2003 As Restated See Note 8
CURRENT ASSETS:		
Cash and equivalents	$ 843,800	$ 553,754
Accounts receivable—trade	5,113	7,937
Current portion of note receivable	12,679	11,477
Prepaid expenses	7,197	7,712
Investment		50,555
Total current assets	868,789	631,435
PROPERTY:		
Land	640,803	640,803
Buildings	6,117,524	6,117,524
Tenant improvements	2,040,578	2,040,578
Total	8,798,905	8,798,905
Less accumulated depreciation	2,910,836	2,284,617
Property—net	5,888,069	6,514,288
NOTE RECEIVABLE	72,102	83,040
TOTAL ASSETS	$6,828,960	$7,228,763

LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	$ 19,005	$ 26,249
Estimated costs to complete	229,780	229,780
Total accounts payable	248,785	256,029
Accrued liabilities	163,327	165,723
Current portion of long-term debt	185,932	148,217
Total current liabilities	598,044	569,969
LONG-TERM DEBT	4,165,242	4,363,255
UNRESTRICTED NET ASSETS	2,065,674	2,295,539
TOTAL LIABILITIES AND NET ASSETS	$6,828,960	$7,228,763

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003 As Restated See Note 8
REVENUES:		
Ground and building rents	$ 874,740	$ 876,505
Interest	15,824	12,827
Other	171,490	163,736
Total revenues	1,062,054	1,053,068
EXPENSES:		
Depreciation	626,219	656,658
Interest	223,417	276,870
Overhead allocation	97,486	86,051
Real estate taxes	62,594	97,095
Equity in net losses of investee	69,454	62,907
Professional fees and charges	36,570	53,074
Insurance	17,787	17,767
Other	158,392	136,651
Total expenses	1,291,919	1,387,073
CHANGE IN NET ASSETS	(229,865)	(334,005)
UNRESTRICTED NET ASSETS—Beginning of year, as previously reported	2,295,539	2,964,905
PRIOR PERIOD ADJUSTMENT (See Note 8)		(335,361)
UNRESTRICTED NET ASSETS—Beginning of year, as restated	2,295,539	2,629,544
UNRESTRICTED NET ASSETS—End of year	$2,065,674	$2,295,539

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

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

	2004	2003 As Restated See Note 8
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (229,865)	$ (334,005)
Adjustments necessary to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	626,219	656,658
Loss on disposal of fixed assets		8,039
Equity in loss of investee	86,703	62,907
Net changes in:		
Accounts receivable—trade	2,824	(1,307)
Prepaid expenses	515	(742)
Note receivable	9,736	8,399
Accounts payable—trade	(7,244)	(185,937)
Accrued liabilities	(2,396)	(9,645)
Net cash provided by operating activities	486,492	204,367
CASH FLOWS FROM INVESTING ACTIVITIES:		
Contribution to investment	(36,148)	
Additions to property		(91,035)
Cash used in investing activities	(36,148)	(91,035)
CASH FLOWS FROM FINANCING ACTIVITY—		
Payments on long-term debt	(160,298)	(80,819)
Cash used in financing activities	(160,298)	(80,819)
INCREASE IN CASH AND CASH EQUIVALENTS	290,046	32,513
CASH AND CASH EQUIVALENTS—Beginning of year	553,754	521,241
CASH AND CASH EQUIVALENTS—End of year	$ 843,800	$ 553,754
NON-CASH ITEMS—		
Deductions from property in retentions due subcontractors	$ -	$ (5,118)
SUPPLEMENTAL DISCLOSURES—		
Cash paid for interest	$ 223,417	$ 276,870

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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 Equivalents—Cash consists of amounts on deposit at one bank at December 31, 2004 and 2003. 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 described 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 2004 and 2003. At December 31, 2004, 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, 2004, three air cargo buildings totaling 164,800 square feet have been 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. Buildings are depreciated over approximately 21 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 $223,417 and $276,870 in 2004 and 2003, respectively. No interest was capitalized in 2004 and 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 both December 31, 2004 and 2003 are as follows:

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

Recognition of Cost of Land Sold—The Company accumulates total land development costs, including an estimate of costs to complete the development. These total accumulated development costs are divided by salable acreage to arrive at a 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 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, 2004 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 advance to a tenant, the cost of certain tenant improvements and received a note receivable bearing interest at 10 percent. The lessee started paying additional base rent of $1,660 monthly beginning January 2003 that will continue until the improvements are paid in December 2009.

3. LONG-TERM DEBT

Long-term debt outstanding at December 31, consist of the following:

	2004	2003
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 a building.	$2,437,604	$2,547,385
Construction mortgage loan with a bank for construction and development of an air cargo terminal, bearing interest at the prime rate during construction. Upon conversion at April 1, 2004, the loan bears interest at the one year LIBOR rate plus 2.25%, currently the rate is 3.591%. The loan allows borrowings up to $2,800,000 and matures in 60 months from the conversion date.	1,913,570	1,964,087
Total	$4,351,174	$4,511,472

Long-term debt matures as follows:

Year Ending December 31	
2005	$ 185,932
2006	195,789
2007	206,198
2008	215,034
2009	1,757,377
2010-2014	797,965
2015-2019	992,879
Total	$4,351,174

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 the termination of its 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 $106,191 and $115,821 were accrued and expensed for these services in 2004 and 2003, respectively.

5. INVESTMENT IN LIMITED LIABILITY CORPORATION ("LLC")

In July 2001, the Company obtained a 50 percent ownership interest in an LLC by transferring 5.11 acres of land. At December 31, 2004, the total amount invested was reduced to zero from the December 31, 2003 balance of $50,555. Losses of $86,703 and $62,907, respectively, were recognized for 2004 and 2003 due to decreases in rental activities by the LLC. The Company is required make additional contributions to the LLC to satisfy working capital needs.

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 2012. The leases generally provide for renewal options, reimbursement of certain operating costs and real estate taxes.

Future minimum rentals to be received under existing non-cancelable operating leases in effect as of December 31, 2004 are as follows:

Year Ending December 31	Amount
2005	$ 659,057
2006	379,043
2007	247,134
2008	193,699
2009	200,899
2010-2012	466,256
Total	$2,146,088

7. SUBSEQUENT EVENT

On March 2, 2005 the issuer of the Company's note receivable (see Note 2) filed a voluntary petition for relief under Chapter 7 of the U.S. Bankruptcy Code. An associated organization to the debtor also leases space from the Company under a non-cancelable operating lease which expires December 30, 2012. Future minimum rental income for 2005 is $162,720. Due to material uncertainties, it is not possible to predict the outcome of the bankruptcy petition or the effect of the bankruptcy petition on the Company.

8. PRIOR PERIOD ADJUSTMENT

Subsequent to the issuance of the Company's 2003 financial statements, management determined that air cargo terminals that were being depreciated over 40 years, the estimated useful life of the buildings, should be depreciated over the life of the related land lease, a term of approximately 21 years. Accordingly, the balance sheet as of December 31, 2003 and the related statement of activities for the year then ended have been restated to reflect adjustments of previously reported depreciation expense. The effects of the restatement are:

	As Previously Reported	As Restated
At December 31, 2003:		
Accumulated depreciation	$1,814,218	$2,284,617
Property—net	6,984,687	6,514,288
Change in net assets	(198,967)	(354,005)
Year Ended December 31, 2003:		
Depreciation expense	521,620	656,658
Unrestricted Net Assets—End of year	2,765,938	2,295,539

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT 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, 2004 and 2003, and have issued our report thereon dated March 30, 2005, which includes an explanatory paragraph relating to the restatement of the 2003 financial statements. 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 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.

Compliance and Other Matters

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*.

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

March 30, 2005

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 14, 2005