

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021



OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Gahanna Community Improvement Corporation
200 South Hamilton Road
Gahanna, Ohio 43230

We have reviewed the *Independent Auditor's Report* of the Gahanna Community Improvement Corporation, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2021 through December 31, 2022. 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 Gahanna Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 11, 2023

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**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY, OHIO
Regular Audit
For the Years Ended December 31, 2022 and 2021**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Gahanna Community Improvement Corporation
Franklin County
200 S. Hamilton Road
Gahanna, Ohio 43230

To the Board of Trustees:

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Gahanna Community Improvement Corporation, Franklin County, Ohio (the Corporation), as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Gahanna Community Improvement Corporation, Franklin, Ohio as of December 31, 2022 and 2021, and its changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Gahanna Community Improvement Corporation

Franklin County

Independent Auditor's Report

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Gahanna Community Improvement Corporation

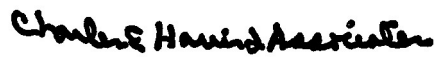
Franklin County

Independent Auditor's Report

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2023, on our consideration of Corporation's 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 solely 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 effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

September 22, 2023

GAHANNA COMMUNITY IMPROVEMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

ASSETS	2022	2021
CURRENT ASSETS:		
CASH & CASH EQUIVALENTS	\$ 116,685	\$ 1,662,921
ACCOUNTS RECEIVABLE	16,136	10,507
FUNDS HELD BY MANAGEMENT COMPANIES	12,808	8,457
PREPAID EXPENSES	2,864	2,949
ESCROW RECEIVABLE - COMPLETED PURCHASES	150,000	-
PAYMENTS AVAILABLE AS CREDIT TOWARD PURCHASE OFFER	50,000	-
TOTAL CURRENT ASSETS	348,493	1,684,834
INVESTMENT REALTY AND EQUIPMENT, net	290,091	773,877
REALTY HELD FOR SALE	7,504,725	-
TOTAL PROPERTY AND EQUIPMENT, net	7,794,816	773,877
NOTE RECEIVABLE FROM SALE OF IN KIND PROPERTY DUE FROM ASSIGNEE	95,331	107,786
TOTAL LONG TERM ASSETS	264,796	286,536
TOTAL ASSETS	\$ 8,408,105	\$ 2,745,247
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	\$ 463	\$ 902
ACCRUED PROPERTY TAX	50,250	27,442
UNEARNED INTEREST	34,859	37,812
SECURITY DEPOSITS	25,670	6,100
TOTAL CURRENT LIABILITIES	111,242	72,256
LONG TERM NOTE PAYABLE (net of loan fees)	4,958,457	-
TOTAL LIABILITIES	5,069,699	-
NET ASSETS		
NET ASSETS WITHOUT DONOR RESTRICTIONS	3,178,283	1,648,322
NET ASSETS WITH DONOR RESTRICTIONS	160,123	1,024,669
	3,338,406	2,672,991
TOTAL LIABILITIES AND NET ASSETS	\$ 8,408,105	\$ 2,745,247

See accompanying notes to the financial statements

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE AND SUPPORT:		
REVENUE SHARING	\$ 59,892	\$ 52,157
RENTAL INCOME	83,810	83,876
INTERGOVERNMENTAL REVENUE	794,642	426,971
MISCELLANEOUS REVENUE	-	905
NET ASSETS RELEASED FROM USE RESTRICTIONS	<u>875,044</u>	<u>-</u>
 TOTAL REVENUE AND SUPPORT	 1,813,388	 563,909
 EXPENSES:		
PROGRAM SERVICES:		
FOSTERING DEVELOPMENT	6,005	2,796
RESIDENTIAL RENTAL	149,203	136,400
TOTAL PROGRAM SERVICES	<u>155,208</u>	<u>139,196</u>
 SUPPORT SERVICES		
GENERAL AND ADMINISTRATIVE	12,381	16,176
 TOTAL EXPENSES	 <u>167,589</u>	 <u>155,372</u>
 INCOME (LOSS) FROM OPERATIONS	 1,645,799	 408,537
 OTHER INCOME (EXPENSE):		
INTEREST INCOME	97	63
IMPAIRMENT LOSS ON REALTY HELD FOR SALE	(115,935)	-
TOTAL OTHER INCOME (EXPENSE)	<u>(115,838)</u>	<u>63</u>
 INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 1,529,961	 408,600
 NET ASSETS WITH DONOR RESTRICTIONS:		
IN KIND CONTRIBUTIONS	-	797,252
INCREASE FROM IMPUTED INTEREST EARNED	10,498	11,120
NET ASSETS RELEASED FROM USE RESTRICTION	<u>(875,044)</u>	<u>-</u>
 INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	 <u>(864,546)</u>	 <u>808,372</u>
 TOTAL INCREASE (DECREASE) IN NET ASSETS	 665,415	 1,216,972
 NET ASSETS, BEGINNING OF THE YEAR	 <u>2,672,991</u>	 <u>1,456,019</u>
 NET ASSETS, END OF THE YEAR	 <u><u>\$3,338,406</u></u>	 <u><u>\$2,672,991</u></u>

See accompanying notes to the financial statements

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

2022

	FOSTERING DEVELOPMENT PROGRAM	RESIDENTIAL RENTAL PROGRAM	GENERAL & ADMIN	TOTAL EXPENSES
INSURANCE	\$ -	\$ 5,124	\$ 785	\$ 5,909
ADVERTISING	-	225	-	225
REPAIRS & MAINTENANCE	-	17,367	-	17,367
DEPRECIATION AND AMORTIZATION	1,955	52,396	-	54,351
MANAGEMENT FEES	-	5,193	-	5,193
PROPERTY TAXES	-	39,183	-	39,183
UTILITIES	-	15,065	-	15,065
MEETINGS	-	267	-	267
INTEREST EXPENSE	-	3,343	-	3,343
PROFESSIONAL FEES	-	10,300	11,152	21,452
DONATION	4,050	-	-	4,050
OFFICE SUPPLIES AND OTHER	-	740	444	1,184
TOTAL EXPENSES	\$ 6,005	\$ 149,203	\$ 12,381	\$ 167,589

See accompanying notes to the financial statements

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

2021

	FOSTERING DEVELOPMENT PROGRAM	RESIDENTIAL RENTAL PROGRAM	GENERAL & ADMIN	TOTAL EXPENSES
INSURANCE	\$ -	\$ 4,692	\$ 785	\$ 5,477
ADVERTISING	-	500	-	500
REPAIRS & MAINTENANCE	-	31,853	-	31,853
DEPRECIATION	2,083	51,339	-	53,422
MANAGEMENT FEES	-	8,822	-	8,822
PROPERTY TAXES	-	25,763	-	25,763
UTILITIES	-	11,479	-	11,479
MEETINGS	713	-	-	713
PROFESSIONAL FEES	-	1,407	15,351	16,758
OFFICE SUPPLIES AND OTHER	-	545	40	585
TOTAL EXPENSES	\$ 2,796	\$ 136,400	\$ 16,176	\$ 155,372

See accompanying notes to the financial statements

GAHANNA COMMUNITY IMPROVEMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ 665,415	\$ 1,216,972
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION	54,351	53,422
IN KIND CONTRIBUTION OF REALTY	-	(797,252)
IMPAIRMENT LOSS ON REALTY HELD FOR SALE	115,935	-
(INCREASE) DECREASE IN OPERATING ASSETS:		
RECEIVABLE	(5,629)	2,102
PREPAID EXPENSES	85	(1,587)
FUNDS HELD BY MANAGEMENT COMPANIES	(4,351)	(7,556)
INCREASE (DECREASE) IN OPERATING LIABILITIES:		
ACCOUNTS PAYABLE	(439)	742
ACCRUED PROPERTY TAXES	22,808	13,037
SECURITY DEPOSITS	19,570	5,231
NET CASH PROVIDED BY OPERATING ACTIVITIES	867,745	485,111
CASH FLOWS FROM INVESTING ACTIVITIES :		
PURCHASE OF REALTY	(7,191,225)	(445,279)
PROCEEDS FROM NOTE RECEIVABLE	12,455	51,067
UNEARNED INTEREST	(2,953)	37,812
DUE FROM ASSIGNEE	9,285	9,286
ESCROW RECEIVABLE	(150,000)	5,000
PURCHASE OFFER CREDITS	(50,000)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(7,372,438)	(342,114)
CASH FLOWS FROM FINANCING ACTIVITIES :		
PROCEEDS FROM NOTE PAYABLE, net	4,958,457	-
PROCEEDS FROM SALE OF IN KIND CONTRIBUTION	-	797,252
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,958,457	797,252
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,546,236)	940,249
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,662,921	722,672
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 116,685	\$ 1,662,921

See accompanying notes to the financial statements

GAHANNA COMMUNITY IMPROVEMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Gahanna Community Improvement Corporation (the “Corporation”) was incorporated on October 4, 1965. The Corporation is a not-for-profit community improvement corporation, as defined by Ohio Revised Code (ORC) section 1724.01, which was formed for the purpose of advancing, encouraging and promoting the industrial, economic, commercial and civic development of the City of Gahanna, Ohio and the surrounding area. Since 2014, the Corporation has also been assigned the City of Gahanna’s rights to serve as the Land Reutilization acquisition entity in conjunction with Franklin County’s authority to acquire tax delinquent realty pursuant to ORC section 5722.21. Most of the Corporation’s activities are pursuant to an annual contract with the City.

Taylor Holdings, LLC is a wholly owned limited liability Corporation, which had no activity in 2021, but was utilized in 2022 to discretely purchase and temporarily take title to realty being assembled for redevelopment by the Corporation.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements consolidate the accounts of the Corporation and its subsidiary and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Intercompany transactions and balances have been eliminated in consolidation.

FASB Accounting Standards Update (ASU) 2016-14 requires Not-for-Profit entities to report information based on two separate classes of Net Assets (net assets without donor restrictions and net assets with donor restrictions) based on the existence or absence of donor-imposed restrictions. In 2022 and 2021, the Corporation had net assets with donor restrictions due to specific uses. The restricted net assets are restricted for use for future land bank acquisition purposes. See Note 4 for additional details.

Effective for 2022 financial statements, accounting principles generally accepted in the United States of America require operating leases in excess of twelve months be reported in accordance with FASB Accounting Standards Codification (ASC) 842, *Leases*, which requires a subjectively valued asset and a related liability to be computed and recorded, and extensive additional narrative disclosures to be reported. Management has determined it is not beneficial to develop the information needed to comply with the new standard; therefore, financial statements, including the lease disclosure in Note 5 as lessee of fiber optic cable, and at Note 12 as owner of rental realty, follows the prior lease standard of FASB ASC 840, *Leases*.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenues and expenses during the period. Actual results could differ from those estimates.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Corporation is generally exempt from federal income taxes under Internal Revenue Code Section 501(c) (4). However, certain unrelated business activities of the Corporation may be subject to Federal income taxes to give rise to an entity level tax. Management believes no tax provision was necessary for the years ended December 31, 2022 and 2021, and no uncertain tax positions exist that would materially impact the financial statements. With few exceptions, the Corporation is no longer subject to tax examinations by tax authorities for the years prior to December 31, 2018. Taylor Holdings, LLC is considered to be a disregarded entity under the tax law so reports as if part of the parent Corporation.

Liquidity and Availability of Resources

The Corporation's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 116,685	\$ 1,662,921
Less unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	(99,650)	(157,443)
Receivables	<u>16,136</u>	<u>10,507</u>
Total	<u>\$ 33,171</u>	<u>\$ 1,515,985</u>

The Corporation does not have a formal policy regarding a minimum amount of short-term financial assets to have on hand. As of December 31, 2022, the Corporation has liquid resources available to meet more than three months of normal operating expenses, which are on average \$9,300 per month.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables

Accounts receivables pertain to the internet and data service provider commission agreements and the County agency Bond assignment fee arrangement. Receivables are stated at the amount management expects to collect from the different revenue sources. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. As of December 31, 2022 and 2021, all receivables were considered collectable.

Escrow receivable – Completed Purchases is an amount refunded on January 3, 2023 originally held by an escrow agent for a realty purchase completed on December 30, 2022 but not used as a direct credit at the realty closing.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Realty and Equipment

Investment realty and equipment, not currently held for sale, is stated at cost, less accumulated depreciation. Repairs and maintenance costs are charged to expense as incurred. Expenditures for assets and betterments of a nature considered to materially extend the useful lives of the assets are capitalized if costing \$500 or more. Fiber optic cable network assets are depreciated using the 150-declining balance method over 15 years.

Depreciation expense for the years ended December 31, 2022 and 2021 was \$54,351 and \$53,422, respectively.

Investment realty and equipment as of December 31, was as follows:

	<u>2022</u>	<u>2021</u>
Fiber Optic Cable Assets	\$ 31,710	\$ 31,710
Buildings and Improvements	263,672	593,251
Land	<u>244,598</u>	<u>360,298</u>
	539,980	985,259
Less: Accumulated Depreciation	<u>(249,889)</u>	<u>(211,382)</u>
Fixed Assets, net	<u>\$ 290,091</u>	<u>\$ 773,877</u>

Payments Available as Credit Toward Purchase Offer

This amount pertains to a realty purchase offer where if the Corporation completes the purchase, the entire amount becomes credited against the purchase price. However, only \$25,000 is for an earnest money deposit refundable to the Corporation in the event the seller terminates the offer contract. If the Corporation terminates the contract, no amount is refundable. The Corporation has until May 15, 2023 to waive an inspections contingency, and then must close on the purchase by August 15, 2023.

Allocation of Expenses

All expenses are either directly related to one of the programs or for administrative expenses. Therefore, specific expenses do not necessitate being allocated between programmatic and administrative expenses. Additionally, there are no salaried employees or office space to require an allocation based on time and effort or square footage.

Advertising Costs

The Corporation expenses advertising costs as incurred. Advertising expense was \$225 and \$500 for 2022 and 2021, respectively.

2) REVENUE RECOGNITION

FASB ASC 606, *Revenue from Contracts with Customers*, became effective for 2022. Under ASC 606, revenue is recognized when the Corporation transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services. The Corporation adopted ASC 606 using the “modified retrospective approach” which means prior year 2021 financial statements do not need to be restated. The Corporation

GAHANNA COMMUNITY IMPROVEMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

2) REVENUE RECOGNITION (Continued)

determined there was no cumulative effect adjustment to net assets upon adoption of the new revenue standard as of January 1, 2022. There are several “practical expedients” and exemptions allowed under ASC 606 impacting the timing of revenue recognition and disclosures. “Practical expedients” are accounting policy elections allowed by FASB to provide partial relief from the complex burden of complying with requirements of an accounting standard. The Corporation applied practical expedients to (i) account for revenues with similar characteristics as a collective group rather than individually, and (ii) not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year. The adoption of this update did not materially impact the financial statements.

The Corporation derives revenue from multiple sources.

Revenue Sharing

Revenue Sharing is pursuant to two agreements entered into by the Corporation and local cable network service and data center providers. On August 6, 2010, the Corporation entered into a 15-year network service agreement with a local cable network service provider to allow it to utilize specific fibers of a City owned fiber optic cable network which the Corporation leases from the City. The Corporation receives a 15% commission of the collected gross revenue of the provider from service fees of specific local private commercial business customers of the network. The contract states one half of the revenue received from the local network service provider must be spent by the Corporation to expand the network. The Corporation has expended approximately \$15,000 on fiber optic cables since inception of the contract, but the one-half of revenue provision has not otherwise been enforced so no liability has been accrued or Board restriction of cash has been recorded related to the contract provision. On August 23, 2019, the Corporation entered into another revenue sharing agreement with a Corporation that provides various managed and data center services which pays the Corporation 10% commission of the collected net revenues received from a specific local Corporation. Revenue is recognized monthly once the service has been completed.

Rental Income

Rental income is received from tenants of properties held while awaiting redevelopment opportunities. Rental income is recognized on a straight-line basis over the term of the leases. See Note 12.

Intergovernmental Revenue

In 2022 and 2021, Intergovernmental Revenue was recognized pursuant to a realty purchase cost reimbursement agreement with the City. Revenue is only recognized when realty acquisitions meeting the City’s criteria occur.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

2) REVENUE RECOGNITION (Continued)

In-Kind Contributions

In-kind Contribution revenue is from a parcel of commercial vacant land where the estimated fair market value above the one-dollar purchase price is reported as a contribution from the City. Revenue is recognized when the contributed land is received.

Economic factors can impact the nature, timing, amount, and uncertainty of revenue and cashflow. Such factors for the Corporation relate to the impact on businesses and individuals by the overall Ohio and City economy, the job market, and the growth or decline of the local area.

3) RELATED PARTY

The Board of Trustees of the Corporation consists of 11 Trustees of which 5 are appointed by the City. The remaining 6 Trustees are approved by a majority vote of the Trustees. Therefore, the Corporation does not meet the criteria of being a controlled affiliate subsidiary of the City pursuant to FASB ASC 958-810-25.

4) NOTE RECEIVABLE

In January 2018, the Corporation sold, to an unrelated third party, realty that had been received from the City as an in-kind contribution. The sale was 100% seller financed accepting 15-year non-interest-bearing \$300,000 promissory note calling for \$20,000 annual payments starting January 2019 through January 1, 2033. Pursuant to ASU 2015-03, *Interest- Imputation of Interest* the sale and related Note Receivable are required to be valued by estimating the fair market value to be the net present value of the future cash flows to be received discounted by using the expected interest rate that would be charged for a similar transaction by a commercial lender. Based on a local financial institution's reported lending rate for 100% financing of vacant commercial land, an interest rate of 7% was used to compute the net present value of the transaction in January 1, 2018 to be estimated at \$182,158 and resulting in a discount amount of \$117,842. Amortization of the discount is reported in the Statement of Activities and Changes in Net Assets as imputed interest earned. As of December 31, 2022 and 2021, the carrying value of the noninterest-bearing note unamortized discount is \$24,669 and \$32,214, respectively. As a condition of the City's In-Kind contribution, all proceeds of the Note are required to be used for future land bank acquisitions, so interest earned is shown as donor restricted income to add to the original discounted Note principal amount less required closing costs the Corporation was required to incur as a condition of the original contribution.

5) FIBER OPTIC CABLE OPERATING LEASE COMMITMENT

The Corporation leases from the City the exclusive use of four fiber optic cable fibers entering the City, referred to as Backbone Network, and up to forty-eight fiber optic cable fibers (forty-eight and forty-seven in use in 2022 and 2021, respectively) providing network connectivity within the City, referred to as Fiber Distribution Network. In 2022, the City provided the Corporation use of an additional fiber optic cable fiber entering the City at no additional cost. The lease is non-cancellable and expires in May 2025. The lease requires annual payments of \$450 per fiber being

GAHANNA COMMUNITY IMPROVEMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

5) FIBER OPTIC CABLE OPERATING LEASE COMMITMENT (Continued)

utilized, resulting in an annual lease payment of \$23,400 and \$22,950 for 2022 and 2021, respectively. Additionally, the contract calls for the City to be compensated for any pro-rata share of maintenance costs related to the fibers used. However, annual lease payments due and other costs have been waived each year by the City since contract inception. Thus, Management does not expect future payment obligations to be incurred during the remainder of the contract.

6) FEES AND NON-CURRENT ASSET FROM 2009 ASSIGNMENT OF BONDS

In December 2009, the Corporation received a 30-year economic development term loan from Franklin County specifically to purchase 30-year, zero interest, Taxable Revenue Bonds, Series 2009, issued by the Ohio Air Quality Development Authority totaling \$2,600,000, issued for the purpose of financing the installation of a methane gas capture system and redevelopment of a former Gahanna landfill by Franklin County's CIC. Repayment of the nonrecourse Note by the Corporation is to be exclusively from proceeds received from Bond repayments and in no event will the Corporation be responsible for repaying the loan from any other source. The Bonds were simultaneously assigned back to Franklin County to effectively extinguish the debt to the County since that is the sole source of the repayment obligation. Consequently, no liability is recorded by the Corporation pertaining to the Note. However, the Assignment Agreement also provides the County will pay the Corporation quarterly payments through December 2040 equal to 10 percent of the annual Bond payments received by the County. Consequently, the Corporation recorded revenue and a non-current Assignee Receivable for \$260,000 in 2009. In 2022 and 2021, the Corporation received total payments from the County of \$9,286 each year. None of the Assignee Receivable is classified as a current asset since Management considers such allocation to be immaterial to the financial statements.

7) CONTINGENCIES

As described in Note 5, the City has historically waived annual lease payments related to the Optical Fiber Use Agreement. However, the waiver of future lease payments is dependent on future City action.

The collection of the \$169,465 Assignee Receivable as of December 31, 2022, is contingent on the County fully collecting Bond principal.

As described in Note 2 about the Revenue Sharing received from a local cable network service provider, the Corporation could be called upon to use 50% of fees received to reinvest it in cable network infrastructure improvements.

8) NOTE PAYABLE

On December 30, 2022, the Corporation obtained a bank mortgage loan for \$5,000,000. The loan has an interest rate of 4.93%, with monthly payments of interest only starting on January 30, 2023. Principal is due as one lump sum on December 30, 2024. The note is secured by all commercial and residential realty owned as of December 30, 2022. The note also contains a financial covenant

GAHANNA COMMUNITY IMPROVEMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

8) NOTE PAYABLE (Continued)

requiring the Corporation to satisfy a debt service ratio of not less than 1.15 to 1.0, but the financial covenant was subsequently waived by the Lender.

	<u>2022</u>	<u>2021</u>
Total long-term debt	\$5,000,000	\$ -
Less: Unamortized debt issuance costs	<u>(41,543)</u>	<u>-</u>
Long-term debt, less unamortized debt issuance costs	4,958,457	-
Less: Current portion	<u>-</u>	<u>-</u>
Total long-term debt, less current portion	<u><u>\$4,958,457</u></u>	<u><u>\$ -</u></u>

FASB ASU 2015-03 requires debt issuance costs to be presented as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as additional interest expense in the statement of activities and was \$1,806 and \$0 in 2022 and 2021, respectively.

9) EXCHANGE OF SERVICES

Annually, the Corporation enters into an agreement with the City where the Corporation is obligated to perform certain services in exchange for the City to perform certain services for the Corporation. Management has deemed the amount of bartered exchanged services to be immaterial to the financial statements so no revenue or offsetting expenses have been recorded.

10) CONCENTRATIONS

The Corporation, at times, maintains its cash and cash equivalents deposits at a financial institution in excess of the \$250,000 federally insured limit.

The Corporation is dependent on contracts with the City of Gahanna for the majority of its activities.

11) SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through March 6, 2023, the date on which the financial statements were available to be issued. As of such date, there were no material subsequent events affecting the financial statements requiring disclosure.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

12) RENTAL INCOME UNDER OPERATING LEASES

The Corporation is the lessor of two single family residential properties held for long-term future redevelopment. Tenants of each property have a one-year lease with expiration dates of February 28, 2023 and April 30, 2023, respectively. Tenants pay monthly base and pet rent and pay for their own utilities. The Corporation pays for maintenance and realty taxes. In 2022 and 2021, total rents received by the Corporation were \$31,239 and \$25,151, respectively.

In 2021, the Corporation acquired a multi-tenant office building. As of December 31, 2022, all leases related to the multi-tenant office building expired and leasing efforts ceased to result in the realty being reclassified as held for sale. In 2022 and 2021, total rents received by the Corporation were \$47,106 and \$58,725, respectively.

In May 2022, the Corporation acquired a single-tenant commercial building held for sale, which became vacant by December 31, 2022. Total rents received by the Corporation were \$2,300 in 2022.

On December 30, 2022, the Corporation acquired a multi-tenant office building and a single-tenant commercial building subject to tenants' rights. Both properties are held for sale. As of December 31, 2022, lease terms range from one year to multiple year leases with renewal options. The leases expire between March 31, 2023 and December 31, 2025. In 2022, total rents received by the Corporation were \$3,165.

Future minimum payments under the non-cancellable operating leases as of December 31, 2022 are the following:

2023	\$ 221,979
2024	78,777
2025	33,183

The following is a summary of office and commercial space and single-family residential properties leased to others as of December 31:

	<u>2022</u>	<u>2021</u>
Realty Held Investments	\$ 263,672	\$ 593,251
Realty Held for Sale	3,212,130	-
Less: Accumulated Depreciation	<u>(232,393)</u>	<u>(195,842)</u>
Net Book Value	<u>\$ 3,243,409</u>	<u>\$ 397,409</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS

Gahanna Community Improvement Corporation
Franklin County
200 S. Hamilton Road
Gahanna, Ohio 43230

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Gahanna Community Improvement Corporation, Franklin County (the Corporation), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 22, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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 financial statements. 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*.

However, we noted certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated September 22, 2023.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
September 22, 2023

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020



**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
FRANKLIN COUNTY, OHIO
Regular Audit
For the Years Ended December 31, 2021 and 2020**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Gahanna Community Improvement Corporation
Franklin County
200 S. Hamilton Road
Gahanna, Ohio 43230

To the Board of Trustees:

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Gahanna Community Improvement Corporation, Franklin County, Ohio (the Corporation), as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gahanna Community Improvement Corporation, Franklin, Ohio as of December 31, 2021 and 2020, and its changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

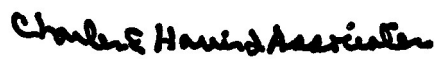
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2023, on our consideration of Corporation's 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 solely 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 effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
September 22, 2023

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

ASSETS	2021	2020
CURRENT ASSETS:		
CASH & CASH EQUIVALENTS	\$ 1,662,921	\$ 722,672
ACCOUNTS RECEIVABLE	10,507	12,609
FUNDS HELD BY MANAGEMENT COMPANIES	8,457	901
PREPAID EXPENSES	2,949	1,362
NOTE RECEIVABLE, Current	-	8,880
ESCROW DEPOSIT	-	5,000
	1,684,834	751,424
PROPERTY AND EQUIPMENT, net	773,877	382,020
NOTE RECEIVABLE FROM SALE OF IN KIND PROPERTY	107,786	149,973
DUE FROM ASSIGNEE	178,750	188,036
TOTAL LONG TERM ASSETS	286,536	338,009
TOTAL ASSETS	\$ 2,745,247	\$ 1,471,453
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	\$ 902	\$ 160
ACCRUED PROPERTY TAX	27,442	14,405
UNEARNED INTEREST	37,812	-
SECURITY DEPOSITS	6,100	869
TOTAL CURRENT LIABILITIES	72,256	15,434
NET ASSETS		
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,648,322	1,239,722
NET ASSETS WITH DONOR RESTRICTIONS	1,024,669	216,297
	2,672,991	1,456,019
TOTAL LIABILITIES AND NET ASSETS	\$ 2,745,247	\$ 1,471,453

See accompanying notes to the financial statements

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE AND SUPPORT:		
REVENUE SHARING	\$ 52,157	\$ 50,000
RENTAL INCOME	83,876	27,530
INTERGOVERNMENTAL REVENUE	426,971	20,000
MISCELLANEOUS REVENUE	905	-
TOTAL REVENUE AND SUPPORT	563,909	97,530
EXPENSES:		
PROGRAM SERVICES:		
FOSTERING DEVELOPMENT	2,796	26,229
RESIDENTIAL RENTAL	136,400	78,615
TOTAL PROGRAM SERVICES	139,196	104,844
SUPPORT SERVICES		
GENERAL AND ADMINISTRATIVE	16,176	13,742
TOTAL EXPENSES	155,372	118,586
INCOME (LOSS) FROM OPERATIONS	408,537	(21,056)
OTHER INCOME (EXPENSE):		
INTEREST INCOME	63	148
TOTAL OTHER INCOME (EXPENSE)	63	148
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	408,600	(20,908)
NET ASSETS WITH DONOR RESTRICTIONS:		
IN KIND CONTRIBUTIONS	797,252	-
INCREASE FROM IMPUTED INTEREST EARNED	11,120	11,701
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	808,372	11,701
TOTAL INCREASE (DECREASE) IN NET ASSETS	1,216,972	(9,207)
NET ASSETS, BEGINNING OF THE YEAR	1,456,019	1,465,226
NET ASSETS, END OF THE YEAR	\$2,672,991	\$1,456,019

See accompanying notes to the financial statements

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

2021

	FOSTERING DEVELOPMENT PROGRAM	RESIDENTIAL RENTAL PROGRAM	GENERAL & ADMIN	TOTAL EXPENSES
INSURANCE	\$ -	\$ 4,692	\$ 785	\$ 5,477
ADVERTISING	-	500	-	500
REPAIRS & MAINTENANCE	-	31,853	-	31,853
DEPRECIATION	2,083	51,339	-	53,422
MANAGEMENT FEES	-	8,822	-	8,822
PROPERTY TAXES	-	25,763	-	25,763
UTILITIES	-	11,479	-	11,479
MEETINGS	713	-	-	713
PROFESSIONAL FEES	-	1,407	15,351	16,758
OFFICE SUPPLIES AND OTHER	-	545	40	585
TOTAL EXPENSES	\$ 2,796	\$ 136,400	\$ 16,176	\$ 155,372

See accompanying notes to the financial statements

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

2020

	FOSTERING DEVELOPMENT PROGRAM	RESIDENTIAL RENTAL PROGRAM	GENERAL & ADMIN	TOTAL EXPENSES
GRANTS	\$ 20,000	\$ -	\$ -	\$ 20,000
INSURANCE	-	2,201	768	2,969
REPAIRS & MAINTENANCE	-	13,645	-	13,645
DEPRECIATION	2,229	43,946	-	46,175
MANAGEMENT FEES	-	3,249	-	3,249
PROPERTY TAXES	-	14,480	-	14,480
UTILITIES	-	791	-	791
MEETINGS	4,000	-	-	4,000
PROFESSIONAL FEES	-	-	12,935	12,935
OFFICE SUPPLIES AND OTHER	-	303	39	342
TOTAL EXPENSES	\$ 26,229	\$ 78,615	\$ 13,742	\$ 118,586

See accompanying notes to the financial statements

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ 1,216,972	\$ (9,207)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION	53,422	46,175
IN KIND CONTRIBUTION OF REALTY	(797,252)	-
(INCREASE) DECREASE IN OPERATING ASSETS:		
RECEIVABLE	2,102	(4,815)
ACCRUED INTEREST RECEIVABLE	-	12,244
PREPAID EXPENSES	(1,587)	(12)
FUNDS HELD BY MANAGEMENT COMPANIES	(7,556)	599
ESCROW DEPOSIT	5,000	(5,000)
INCREASE (DECREASE) IN OPERATING LIABILITIES:		
ACCOUNTS PAYABLE	742	160
ACCRUED PROPERTY TAXES	13,037	2,365
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	484,880	42,509
CASH FLOWS FROM INVESTING ACTIVITIES :		
PURCHASE OF FIXED ASSETS	(445,279)	-
PROCEEDS FROM NOTE RECEIVABLE	51,067	16,056
UNEARNED INTEREST	37,812	-
DUE FROM ASSIGNEE	9,286	9,285
SECURITY DEPOSITS	5,231	(281)
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(341,883)	25,060
CASH FLOWS FROM FINANCING ACTIVITIES :		
PROCEEDS FROM SALE OF IN KIND CONTRIBUTION	797,252	-
	<hr/>	<hr/>
NET CASH PROVIDED BY FINANCING ACTIVITIES	797,252	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	940,249	67,569
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	722,672	655,103
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,662,921	\$ 722,672
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the financial statements

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Gahanna Community Improvement Corporation (the “Corporation”) was incorporated on October 4, 1965. The Corporation is a not-for-profit community improvement corporation, as defined by Ohio Revised Code (ORC) section 1724.01, which was formed for the purpose of advancing, encouraging and promoting the industrial, economic, commercial and civic development of the City of Gahanna, Ohio and the surrounding area. Since 2014, the Corporation has also been assigned the City of Gahanna’s rights to serve as the Land Reutilization acquisition entity in conjunction with Franklin County’s authority to acquire tax delinquent realty pursuant to ORC section 5722.21. Most of the Corporation’s activities are pursuant to an annual contract with the City.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. FASB Accounting Standards Update (ASU) 2016-14 requires Not-for-Profit entities to report information based on two separate classes of Net Assets (net assets without donor restrictions and net assets with donor restrictions) based on the existence or absence of donor-imposed restrictions. In 2021 and 2020, the Corporation had net assets with donor restrictions due to specific uses. The restricted net assets are restricted for use for future land bank acquisition purposes. See Note 3 for additional details.

Revenue

The Corporation derives revenue from multiple sources.

Revenue Sharing is pursuant to two agreements entered into by the Corporation and local cable network service and data center providers. On August 6, 2010, the Corporation entered into a 15-year, network service agreement with a local cable network service provider to allow it to utilize specific fibers of a City owned fiber optic cable network which the Corporation leases from the City. The Corporation receives a 15% commission of the collected gross revenue of the provider from service fees of specific local private commercial business customers of the network. The contract states one half of the revenue received from the local network service provider must be spent by the Corporation to expand the network. The Corporation has expended approximately \$15,000 on fiber optic cables since inception of the contract, but the one-half of revenue provision has not otherwise been enforced so no liability has been accrued or Board restriction of cash has been recorded related to the contract provision. On August 23, 2019, the Corporation entered into another revenue sharing agreement with a Corporation that provides various managed and data center services which pays the Corporation 10% commission of the collected net revenues received from a specific local Corporation.

Rental income is received from tenants of properties held while awaiting redevelopment opportunities. Rental income is recognized on a straight-line basis over the term of the leases. See Note 11.

In 2021, Intergovernmental Revenue was recognized pursuant to a realty purchase cost reimbursement agreement with the City. In 2020, Intergovernmental Revenue was a one-time reimbursement from the City for payments disbursed by the Corporation to local businesses under the CARES Act.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue (Continued)

In-kind Contribution revenue is from a parcel of commercial vacant land where the estimated fair market value above the one-dollar purchase price is reported as a contribution from the City.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Income Taxes

The Corporation is generally exempt from federal income taxes under Internal Revenue Code Section 501(c) (4). However, certain unrelated business activities of the Corporation may be subject to Federal income taxes to give rise to an entity level tax. Management believes no tax provision was necessary for the years ended December 31, 2021 and 2020, and no uncertain tax positions exist that would materially impact the financial statements. With few exceptions, the Corporation is no longer subject to tax examinations by tax authorities for the years prior to December 31, 2017.

Liquidity and Availability of Resources

The Corporation's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$1,662,921	\$ 722,672
Less unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	(157,443)	(57,423)
Receivables	<u>10,507</u>	<u>12,609</u>
Total	<u>\$ 1,515,985</u>	<u>\$ 677,858</u>

The Corporation does not have a formal policy regarding a minimum amount of short-term financial assets to have on hand. As of December 31, 2021, the Corporation has liquid resources available to meet more than one year of normal operating expenses, which are on average \$8,500 per month.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables are stated at the amount management expects to collect from the different revenue sources. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. As of December 31, 2021 and 2020, all receivables were considered collectable.

Account receivables pertain to the internet and data service provider commission agreements and the County agency Bond assignment fee arrangement.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Repairs and maintenance costs are charged to expense as incurred. Expenditures for assets and betterments of a nature considered to materially extend the useful lives of the assets are capitalized if costing \$500 or more. Fiber optic cable network assets are depreciated using the 150-declining balance method over 15 years.

Depreciation expense for the years ended December 31, 2021 and 2020 was \$53,422 and \$46,175, respectively.

Property and equipment as of December 31, was as follows:

	<u>2021</u>	<u>2020</u>
Fiber Optic Cable Assets	\$ 31,710	\$ 31,710
Buildings and Improvements	593,251	263,672
Land	360,298	244,598
	<u>985,259</u>	<u>539,980</u>
Less: Accumulated Depreciation	<u>(211,382)</u>	<u>(157,960)</u>
Fixed Assets, net	<u>\$ 773,877</u>	<u>\$ 382,020</u>

Allocation of Expenses

All expenses are either directly related to one of the programs or for administrative expenses. Therefore, specific expenses do not necessitate being allocated between programmatic and administrative expenses. Additionally, there are no salaried employees or office space to require an allocation based on time and effort or square footage.

Advertising Costs

The Corporation expenses advertising costs as incurred. Advertising expense was \$500 and \$0 for 2021 and 2020, respectively.

GAHANNA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

2) RELATED PARTY

The Board of Trustees of the Corporation consists of 12 Trustees of which 5 are appointed by the City. The remaining 7 Trustees are approved by a majority vote of the Trustees. Therefore, the Corporation does not meet the criteria of being a controlled affiliate subsidiary of the City pursuant to FASB ASC 958-810-25.

3) NOTE RECEIVABLE

In January 2018, the Corporation sold, to an unrelated third party, the realty that had been received from the City as an in-kind contribution. The sale was 100% seller financed accepting 15-year non-interest-bearing \$300,000 promissory note calling for \$20,000 annual payments starting January 2019 through January 1, 2033. Pursuant to ASU 2015-03, *Interest- Imputation of Interest* the sale and related Note Receivable are required to be valued by estimating the fair market value to be the net present value of the future cash flows to be received discounted by using the expected interest rate that would be charged for a similar transaction by a commercial lender. Based on a local financial institution's reported lending rate for 100% financing of vacant commercial land, an interest rate of 7% was used to compute the net present value of the transaction in January 1, 2018 to be estimated at \$182,158 and resulting in a discount amount of \$117,842. Amortization of the discount is reported in the Statement of Activities and Changes in Net Assets as imputed interest earned. As of December 31, 2021 and 2020, the carrying value of the noninterest-bearing note unamortized discount is \$32,214 and \$81,146, respectively. As a condition of the City's In-Kind contribution, all proceeds of the Note are required to be used for future land bank acquisitions, so interest earned is shown as donor restricted income to add to the original discounted Note principal amount less required closing costs the Corporation was required to incur as a condition of the original contribution.

4) OPERATING LEASE COMMITMENT

The Corporation leases from the City the exclusive use of four fiber optic cable fibers entering the City, referred to as Backbone Network, and up to forty-eight fiber optic cable fibers (forty-seven in use in 2021 and 2020) providing network connectivity within the City, referred to as Fiber Distribution Network. The lease is non-cancellable and expires in May 2025. The lease requires annual payments of \$450 per fiber being utilized, resulting in an annual lease payment of \$22,950 for 2021 and 2020. Additionally, the contract calls for the City to be compensated for any pro-rata share of maintenance costs related to the fibers used. However, annual lease payments due and other costs have been waived each year by the City since contract inception. Thus, Management does not expect future payment obligations to be incurred during the remainder of the contract.

5) FEES AND NON-CURRENT ASSET FROM 2009 ASSIGNMENT OF BONDS

In December 2009, the Corporation received a 30-year economic development term loan from Franklin County specifically to purchase 30-year, zero interest, Taxable Revenue Bonds, Series 2009, issued by the Ohio Air Quality Development Authority totaling \$2,600,000, issued for the purpose of financing the installation of a methane gas capture system and redevelopment of a

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5) FEES AND NON-CURRENT ASSET FROM 2009 ASSIGNMENT OF BONDS (Continued)

former Gahanna landfill by Franklin County's CIC. Repayment of the nonrecourse Note by the Corporation is to be exclusively from proceeds received from Bond repayments and in no event will the Corporation be responsible for repaying the loan from any other source. The Bonds were simultaneously assigned back to Franklin County to effectively extinguish the debt to the County since that is the sole source of the repayment obligation. Consequently, no liability is recorded by the Corporation pertaining to the Note. However, the Assignment Agreement also provides the County will pay the Corporation quarterly payments through December 2040 equal to 10 percent of the annual Bond payments received by the County. Consequently, the Corporation recorded revenue and a non-current Assignee Receivable for \$260,000 in 2009. In 2020 and 2021, the Corporation received total payments from the County of \$9,286 each year. None of the Assignee Receivable is classified as a current asset since Management considers such allocation to be immaterial to the financial statements.

6) CONTINGENCIES

In 2017 and 2018, the City of Gahanna contingently appropriated \$350,000 of funds each year to be disbursed to the Corporation at the time properties are acquired. As of December 31, 2021, the Corporation has remaining contingent funds available of \$144,642 from the City for future realty acquisitions. Revenue is only recognized when realty acquisitions meeting the City's criteria occur.

As described in Note 4, the City has historically waived annual lease payments related to the Optical Fiber Use Agreement. However, the waiver of future lease payments is dependent on future City action.

The collection of the \$178,750 Assignee Receivable as of December 31, 2021, is contingent on the County fully collecting Bond principal.

As described in Note 1 about the Fees received from a local cable network service provider, the Corporation could be called upon to use 50% of fees received to reinvest it in cable network infrastructure improvements.

7) LINE OF CREDIT

On December 8, 2021, the Corporation obtained a \$750,000 line of credit with interest at the WSJ prime rate plus 0% (3.25% at December 31, 2021). The line of credit is collateralized by a hold on deposits held with the financial institution of up to \$487,500. As of December 31, 2021, there were no borrowings against the line of credit.

8) EXCHANGE OF SERVICES

Annually, the Corporation enters into an agreement with the City where the Corporation is obligated to perform certain services in exchange for the City to perform certain services for the Corporation. Management has deemed the amount of bartered exchanged services to be immaterial to the financial statements, so no revenue or offsetting expenses have been recorded.

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9) CONCENTRATIONS

The Corporation, at times, maintains its cash and cash equivalents deposits at a financial institution in excess of the \$250,000 federally insured limit.

The Corporation is dependent on contracts with the City of Gahanna for the majority of its activities.

10) SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through January 31, 2022, the date on which the financial statements were available to be issued. As of such date, there were no material subsequent events affecting the financial statements requiring disclosure.

11) RENTALS UNDER OPERATING LEASES

In 2021 and 2020, the Corporation is the lessor of two single family residential properties held for future redevelopment. One tenant had a six-month lease which expired August 31, 2021 and is vacant as of December 31, 2021. The other property has a one-year lease that will expire March 31, 2022. Tenants pay monthly base and pet rent and pay for their own utilities. The Corporation pays for maintenance and realty taxes. In 2021 and 2020, total rents received by the Corporation were \$25,151 and \$27,530, respectively.

In 2021, the Corporation acquired a multi-tenant office building. The property is held for future redevelopment opportunities. Lease terms range from monthly to 21 months with all leases expiring by December 31, 2022. In 2021, total rents received by the Corporation were \$58,725.

Future minimum payments under the non-cancellable operating leases as of December 31, 2021 for 2022 is \$36,923.

The following is a summary of office space and single family residential properties held for lease:

	<u>2021</u>	<u>2020</u>
Building and Improvements	\$ 593,251	\$ 263,672
Less: Accumulated Depreciation	<u>(195,842)</u>	<u>(144,502)</u>
Net Book Value	<u><u>\$ 397,409</u></u>	<u><u>\$ 119,170</u></u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS

Gahanna Community Improvement Corporation
Franklin County
200 S. Hamilton Road
Gahanna, Ohio 43230

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Gahanna Community Improvement Corporation, Franklin County (the Corporation), as of and for the year ended December 31, 2021, and the related notes to the financial statements which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated September 22, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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 financial statements. 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*.

However, we noted certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated September 22, 2023.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
September 22, 2023

OHIO AUDITOR OF STATE KEITH FABER



GAHANNA COMMUNITY IMPROVEMENT CORPORATION

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/21/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov