Franklin Community Improvement Corporation

Financial Statements as of and for the Years Ended December 31, 2005 and 2004, and Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Directors
Franklin Community Improvement Corporation
4600 International Gateway
Columbus, Ohio 43219

We have reviewed the *Independent Auditors' Report* of the Franklin Community Improvement Corporation, Franklin County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2005 through December 31, 2005. 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

April 25, 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Franklin Community Improvement Corporation:

We have audited the accompanying balance sheets of Franklin Community Improvement Corporation (the "Company") as of December 31, 2005 and 2004, 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, 2005 and 2004, 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 February 28, 2006, 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.

Deloitte & Touche LLP

March 24, 2006

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

BALANCE SHEETS
AS OF DECEMBER 31, 2005 AND 2004

	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	$ 785,768	$ 843,800
Accounts receivable—trade	22,705	5,113
Current portion of note receivable	-	12,679
Prepaid expenses	7,399	7,197
Total current assets	815,872	868,789
PROPERTY:		
Land	640,803	640,803
Buildings	6,072,157	6,117,524
Tenant improvements	2,040,578	2,040,578
Total property	8,753,538	8,798,905
Less accumulated depreciation	3,402,172	2,910,836
Property—net	5,351,366	5,888,069
OTHER ASSETS	6,646	6,646
NOTE RECEIVABLE	-	65,456
TOTAL ASSETS	$ 6,173,884	$ 6,828,960
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	$ 18,168	$ 19,005
Estimated costs to complete	229,780	229,780
Total accounts payable	247,948	248,785
Accrued liabilities	139,314	163,327
Current portion of long-term debt	148,326	185,932
Total current liabilities	535,588	598,044
LONG-TERM DEBT	4,052,352	4,165,242
UNRESTRICTED NET ASSETS	1,585,944	2,065,674
TOTAL LIABILITIES AND NET ASSETS	$ 6,173,884	$ 6,828,960

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
REVENUES:		
Ground and building rents	$ 700,583	$ 874,740
Interest	25,395	15,824
Other	156,810	171,490
Total revenues	882,788	1,062,054
EXPENSES:		
Depreciation	491,336	626,219
Interest	250,034	223,417
Professional fees and charges	212,349	134,056
Repair and maintenance	190,170	78,788
Bad debts	70,901	-
Real estate taxes	67,981	62,594
Insurance	17,586	17,787
Equity in net losses of LLC	-	86,703
Other	62,161	62,355
Total expenses	1,362,518	1,291,919
CHANGE IN NET ASSETS	(479,730)	(229,865)
UNRESTRICTED NET ASSETS—Beginning of year	2,065,674	2,295,539
UNRESTRICTED NET ASSETS—End of year	$ 1,585,944	$ 2,065,674

See notes to financial statements.

FRANKLIN COMMUNITY IMPROVEMENT CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (479,730)	$ (229,865)
Adjustments necessary to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	491,336	626,219
Abandoned development costs	45,367	-
Equity in loss of investee	-	86,703
Net changes in:		
Accounts receivable—trade	(17,592)	2,824
Prepaid expenses	(202)	515
Note receivable	78,135	9,736
Accounts payable—trade	(837)	(7,244)
Accrued liabilities	(24,013)	(2,396)
Net cash provided by operating activities	92,464	486,492
CASH FLOWS FROM INVESTING ACTIVITIES—Contribution to investment	-	(36,148)
Cash used in investing activities	-	(36,148)
CASH FLOWS FROM FINANCING ACTIVITY—Payments on long-term debt	(150,496)	(160,298)
Cash used in financing activities	(150,496)	(160,298)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(58,032)	290,046
CASH AND CASH EQUIVALENTS—Beginning of year	843,800	553,754
CASH AND CASH EQUIVALENTS—End of year	$ 785,768	$ 843,800
SUPPLEMENTAL DISCLOSURES—Cash paid for interest	$ 250,034	$ 223,417

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—Franklin Community Improvement Corporation (the "Company") is a nonprofit 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 the 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, 2005 and 2004. 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 2005 and 2004. At December 31, 2005, the Company had 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, 2005, three air cargo buildings totaling 164,800 square feet have been completed. In 2005, the Company wrote off $45,367 of costs, recorded in buildings on the 2004 financial statements, related to potential future building projects because the Company has decided not to pursue these projects.

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 they are completed and occupied. The Company incurred interest totaling $250,034 and $223,417 in 2005 and 2004, respectively. No interest was capitalized in 2005 and 2004.

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, 2005 and 2004, 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, 2005, 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.

Reclassifications—Certain amounts in the 2004 financial statements have been reclassified to conform to the 2005 presentation.

2. NOTE RECEIVABLE

The Company advanced to a tenant, the cost of certain tenant improvements and received a note receivable bearing interest at 10%. The lessee started paying additional base rent of $1,660 monthly beginning January 2003 that was to continue until the improvements were scheduled to be repaid in December 2009.

On March 2, 2005, the issuer of the note receivable filed for voluntary petition for relief under Chapter 7 of the U.S. Bankruptcy Code. As a result of the bankruptcy, the tenant was unable to pay the remaining balance of the note. The company wrote off the remaining unpaid balance of $70,901 during 2005.

3. LONG-TERM DEBT

Long-term debt outstanding at December 31, 2005 and 2004, consist of the following:

	2005	2004
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.	$2,320,475	$2,437,604
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 6.09%. The loan allows borrowings up to $2,800,000 and matures in 60 months from the conversion date.	1,880,203	1,913,570
Total	$4,200,678	$4,351,174

Long-term debt matures as follows:

Years Ending December 31	Amount
2006	$ 148,326
2007	157,607
2008	165,487
2009	1,939,086
2010	144,291
2011–2015	838,312
2016–2019	807,569
Total	$4,200,678

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, 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 $90,905 and $106,191 were accrued and expensed for these services in 2005 and 2004, respectively.

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

In July 2001, the Company obtained a 50% ownership interest in an LLC by transferring 5.11 acres of land. At December 31, 2005 and 2004, the Company's investment in the LLC is recorded at zero as the cumulative losses exceed the investment in the LLC. Since the investment is zero, no loss was recognized in 2005. A loss of $86,703 was recognized in 2004 due to decreases in rental activities by the LLC. The Company may be required to 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 noncancelable 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 noncancelable operating leases in effect as of December 31, 2005, are as follows:

Years Ending December 31	Amount
2006	$ 524,483
2007	312,325
2008	204,325
2009	194,082
2010	100,080
2011–201	204,000
Total	$ 1,539,295

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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*

To the Board of Directors of
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, 2005 and 2004, and have issued our report thereon dated March 24, 2006. 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 24, 2006

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
MAY 9, 2006