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**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
AND SUBSIDIARY**



Compiled Consolidated Financial Statements

December 31, 2022 and 2021

**GAHANNA COMMUNITY IMPROVEMENT CORPORATION
AND SUBSIDIARY**

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Gahanna Community Improvement Corporation and Subsidiary
Gahanna, Ohio

Management is responsible for the accompanying consolidated financial statements of Gahanna Community Improvement Corporation (a nonprofit organization) and its subsidiary, Taylor Holdings, LLC which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

As disclosed in Note 1 to the financial statements, effective for 2022, accounting principles generally accepted in the United States of America require operating leases be reported in compliance with FASB ASC 842. Management has informed us it is not beneficial to develop the information needed to comply with the new standard, and as such, management has not determined the effects of this departure on the financial position, results of operations, and cash flows for the year ending December 31, 2022.

Leppert Company CPAs, LLC

Gahanna, Ohio
March 6, 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 and accountant's compilation report

**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 and accountant's compilation report

**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

**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

**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
	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)	-
	(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
	4,958,457	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 and accountant's compilation report

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 “Company”) was incorporated on October 4, 1965. The Company 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 Company 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 Company’s activities are pursuant to an annual contract with the City.

Taylor Holdings, LLC is a wholly owned limited liability company, 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 Company.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements consolidate the accounts of the Company 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 Company 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 4 as lessee of fiber optic cable, and at Note 11 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 Company is generally exempt from federal income taxes under Internal Revenue Code Section 501(c)(4). However, certain unrelated business activities of the Company 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 Company 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 company.

Liquidity and Availability of Resources

The Company'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	16,136	10,507	
Total	<u>\$ 33,171</u>	<u>\$ 1,515,985</u>	

The Company 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 Company 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 Company 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	244,598	360,298
	<u>539,980</u>	<u>985,259</u>
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 Company 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 Company in the event the seller terminates the offer contract. If the Company terminates the contract, no amount is refundable. The Company 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 Company 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 Company 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 Company adopted ASC 606 using the “modified retrospective approach” which means prior year 2021 financial statements do not need to be restated. The Company determined there was no cumulative effect adjustment to net assets upon adoption of the new revenue standard

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

2) REVENUE RECOGNITION (Continued)

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 Company 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 Company derives revenue from multiple sources.

Revenue Sharing

Revenue Sharing is pursuant to two agreements entered into by the Company and local cable network service and data center providers. On August 6, 2010, the Company 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 Company leases from the City. The Company receives a 15% commission of the collected gross revenue of the provider from service fees of specific local private commercial businesses customers of the network. The contract states one half of the revenue received from the local network service provider must be spent by the Company to expand the network. The Company 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 Company entered into another revenue sharing agreement with a company that provides various managed and data center services which pays the Company 10% commission of the collected net revenues received from a specific local company. 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.

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.

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

2) REVENUE RECOGNITION (Continued)

Economic factors can impact the nature, timing, amount, and uncertainty of revenue and cashflow. Such factors for the Company 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 Directors of the Company 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 Company 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 Company 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 Company was required to incur as a condition of the original contribution.

5) FIBER OPTIC CABLE OPERATING LEASE COMMITMENT

The Company 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 Company 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 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.

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

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

In December 2009, the Company 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 Company is to be exclusively from proceeds received from Bond repayments and in no event will the Company 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 Company pertaining to the Note. However, the Assignment Agreement also provides the County will pay the Company quarterly payments through December 2040 equal to 10 percent of the annual Bond payments received by the County. Consequently, the Company recorded revenue and a non-current Assignee Receivable for \$260,000 in 2009. In 2022 and 2021, the Company 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 Company 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 Company 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 requiring the Company 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.

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

8) NOTE PAYABLE (Continued)

	<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>\$ 4,958,457</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 Company enters into an agreement with the City where the Company is obligated to perform certain services in exchange for the City to perform certain services for the Company. 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 Company, at times, maintains its cash and cash equivalents deposits at a financial institution in excess of the \$250,000 federally insured limit.

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

11) SUBSEQUENT EVENTS

The Company 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.

12) RENTAL INCOME UNDER OPERATING LEASES

The Company 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 Company pays for maintenance and realty taxes. In 2022 and 2021, total rents received by the Company were \$31,239 and \$25,151, respectively.

In 2021, the Company 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

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

12) RENTAL INCOME UNDER OPERATING LEASES (Continued)

being reclassified as held for sale. In 2022 and 2021, total rents received by the Company were \$47,106 and \$58,725, respectively.

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

On December 30, 2022, the Company 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 Company 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
2026	-

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>

13) REALTY HELD FOR SALE AND IMPAIRMENT LOSS

Realty held for sale consists of ten commercial parcels with a book value of \$7,504,725. The Company has entered into a letter of intent with a local developer to buy five of the properties for a total of \$4,016,000 and has an option to purchase three other properties for \$2,434,000 no later than June 30, 2023. The net book value of the realty held for sale have been adjusted by impairment losses of \$115,935 in 2022, related to the eight properties covered by the letter of intent.