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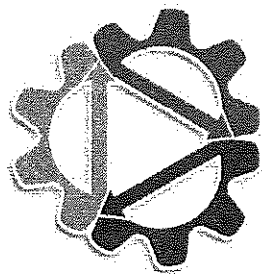
August 30, 2017

Board of Directors  
Franklin Development Corporation  
70 E. Monroe St.  
Franklin, IN 46131

We have reviewed the audit report prepared by Alerding CPA Group, for the period January 1, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Franklin Development Corporation, as of December 31, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner



**FRANKLIN**  
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014



# FRANKLIN DEVELOPMENT CORPORATION

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DECEMBER 31, 2015 AND 2014

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Franklin Development Corporation  
Indianapolis, Indiana

We have audited the accompanying financial statements of Franklin Development Corporation, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### **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.

### **Auditor's Responsibility**

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franklin Development Corporation as of December 31, 2015 and 2014, and its changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Aludy CPA Group*

July 12, 2016

# FRANKLIN DEVELOPMENT CORPORATION

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

### ASSETS

|                             | <u>2015</u>         | <u>2014</u>         |
|-----------------------------|---------------------|---------------------|
| <b>Assets:</b>              |                     |                     |
| Cash and cash equivalents   | \$ 1,452,495        | \$ 1,175,919        |
| RRLF loan receivables       | 163,582             | 172,181             |
| CRLF loan receivables       | 255,095             | 269,657             |
| Property and equipment, net | <u>-0-</u>          | <u>233,776</u>      |
|                             | <u>\$ 1,871,172</u> | <u>\$ 1,851,533</u> |

### LIABILITIES AND NET ASSETS

|                                      |                     |                     |
|--------------------------------------|---------------------|---------------------|
| <b>Liabilities:</b>                  |                     |                     |
| Accounts payable                     | \$ -0-              | \$ 8,625            |
| Economic development funding payable | <u>224,290</u>      | <u>-0-</u>          |
|                                      | <u>224,290</u>      | <u>8,625</u>        |
| <b>Net Assets:</b>                   |                     |                     |
| Unrestricted net deficit             | 114,488             | (65,843)            |
| Temporarily restricted net assets    | <u>1,532,394</u>    | <u>1,908,751</u>    |
| Total net assets                     | <u>1,646,882</u>    | <u>1,842,908</u>    |
|                                      | <u>\$ 1,871,172</u> | <u>\$ 1,851,533</u> |

See accompanying Notes to Financial Statements.

# FRANKLIN DEVELOPMENT CORPORATION

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2015

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|---------------------|
| <b>Changes in Unrestricted Net Assets:</b>                             |                     |                                   |                     |
| Unrestricted revenue and support:                                      |                     |                                   |                     |
| Government funding   | \$ 4,706            | \$ 500,000                        | \$ 504,706          |
| Interest income  | 14,182              | -0-                               | 14,182              |
| In-kind contributions  | 19,742              | -0-                               | 19,742              |
| Other revenue  | <u>3,005</u>        | <u>-0-</u>                        | <u>3,005</u>        |
| Total unrestricted revenue and support                                 | 41,635              | 500,000                           | 541,635             |
| <b>Temporarily Restricted Net Assets<br/>Released from Restriction</b> |                     |                                   |                     |
|  | <u>685,662</u>      | <u>(685,662)</u>                  | <u>-0-</u>          |
|  | <u>727,297</u>      | <u>(185,662)</u>                  | <u>541,635</u>      |
| Expenses:  |                     |                                   |                     |
| Program  | 685,662             | -0-                               | 685,662             |
| Administrative   | 32,257              | -0-                               | 32,257              |
| Personnel  | <u>19,742</u>       | <u>-0-</u>                        | <u>19,742</u>       |
| Total expenses   | <u>737,661</u>      | <u>-0-</u>                        | <u>737,661</u>      |
| Total change in net assets   | (10,364)            | (185,662)                         | (196,026)           |
| <b>Net Assets, Beginning of Year</b>                                   | (65,843)            | 1,908,751                         | 1,842,908           |
| <b>Fund Transfers</b>  | <u>190,695</u>      | <u>(190,695)</u>                  | <u>-0-</u>          |
| <b>Net Assets, End of Year</b>   | <u>\$ 114,488</u>   | <u>\$ 1,532,394</u>               | <u>\$ 1,646,882</u> |

See accompanying Notes to Financial Statements.

# FRANKLIN DEVELOPMENT CORPORATION

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2014

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|---------------------|
| <b>Changes in Unrestricted Net Assets:</b> |                     |                                   |                     |
| Unrestricted revenue and support:          |                     |                                   |                     |
| Government funding                         | \$ 57,682           | \$ -0-                            | \$ 57,682           |
| Interest income                            | 12,102              | -0-                               | 12,102              |
| In-kind contributions                      | 19,698              | -0-                               | 19,698              |
| Other revenue                              | <u>923</u>          | <u>-0-</u>                        | <u>923</u>          |
| Total unrestricted revenue and support     | 90,405              | -0-                               | 90,405              |
| <b>Temporarily Restricted Net Assets</b>   |                     |                                   |                     |
| Released from Restriction                  | <u>1,620,649</u>    | <u>(1,620,649)</u>                | <u>-0-</u>          |
|  | <u>1,711,054</u>    | <u>(1,620,649)</u>                | <u>90,405</u>       |
| Expenses:                                  |                     |                                   |                     |
| Program                                    | 1,620,649           | -0-                               | 1,620,649           |
| Administrative                             | 24,011              | -0-                               | 24,011              |
| Personnel                                  | <u>19,698</u>       | <u>-0-</u>                        | <u>19,698</u>       |
| Total expenses                             | <u>1,664,358</u>    | <u>-0-</u>                        | <u>1,664,358</u>    |
| Total change in net assets                 | 46,696              | (1,620,649)                       | (1,573,953)         |
| <b>Net Assets, Beginning of Year</b>       | <u>(112,539)</u>    | <u>3,529,400</u>                  | <u>3,416,861</u>    |
| <b>Net Assets, End of Year</b>             | <u>\$ (65,843)</u>  | <u>\$ 1,908,751</u>               | <u>\$ 1,842,908</u> |

See accompanying Notes to Financial Statements.

# FRANKLIN DEVELOPMENT CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2015 AND 2014

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| <b>Cash Flows From Operating Activities:</b>   |                     |                     |
| Change in net assets   | \$ (196,026)        | \$ (1,573,953)      |
| Adjustments to reconcile change in net assets<br>to net cash provided by (used in) operating activities: |                     |                     |
| Loss on disposal of assets   | 136,995             | -0-                 |
| Changes in operating assets and liabilities:   |                     |                     |
| RRLF loan receivables  | 8,599               | 35,480              |
| CRLF loan receivables  | 14,562              | 5,095               |
| Direct investment receivable   | -0-                 | 300,000             |
| Accounts payable   | (8,625)             | 8,625               |
| Economic development funding payable   | <u>224,290</u>      | <u>-0-</u>          |
| Net cash provided by (used in)<br>operating activities   | <u>179,795</u>      | <u>(1,224,753)</u>  |
| <b>Cash Flows From Investing Activities:</b>   |                     |                     |
| Capital expenditures   | -0-                 | (199,273)           |
| Proceeds from disposal of assets   | <u>96,781</u>       | <u>-0-</u>          |
| Net cash provided by (used in)<br>investing activities   | <u>96,781</u>       | <u>(199,273)</u>    |
| Net increase (decrease)  | 276,576             | (1,424,026)         |
| <b>Cash and Cash Equivalents,<br/>Beginning of Year</b>  | <u>1,175,919</u>    | <u>2,599,945</u>    |
| <b>Cash and Cash Equivalents,<br/>End of Year</b>  | <u>\$ 1,452,495</u> | <u>\$ 1,175,919</u> |

See accompanying Notes to Financial Statements.

# FRANKLIN DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Description of the Organization

Franklin Development Corporation (FDC), is a not-for-profit organization formed in 2008 to promote community betterment, primarily through economic development.

FDC serves as a provider of funds and resources to help in revitalizing the core areas of downtown Franklin, Indiana, and the main corridors throughout Franklin through the following programs:

#### Residential Revolving Loan Fund ("RRLF")

The RRLF is a cooperative community project developed to encourage and aid the rehabilitation/renovation of historic and/or underutilized homes and buildings located within the Integrated Economic Development Area of historic Franklin. Property owners may receive a low-interest rate loan up to \$20,000, which includes a ten percent grant. Loan approval is dependent on criteria outlined by the FDC Loan Committee and Board of Directors.

#### Commercial Revolving Loan Fund ("CRLF")

The CRLF is designed to encourage business owners and commercial property owners to invest in commercial properties in Franklin's historic downtown and within the Integrated Economic Development Area. Property owners may receive a low-interest rate loan up to \$50,000 dependent on certain criteria required by the FDC Loan Committee and Board of Directors.

#### Commercial Façade Matching Grant ("CFMG")

The CFMG program offers a dollar for dollar matching grant up to \$50,000 and is available to commercial property owners in the downtown core for street-facing façade renovation. Applicants must meet certain eligibility requirements and be approved by the FDC Board of Directors.

#### Requests For Proposals ("RFP")/Direct Investment ("DI") Grants

The RFP and DI grant programs focus on encouraging investment in the City of Franklin. The program supports start-up businesses and existing businesses through funding projects that rehabilitate historical downtown Franklin.

# FRANKLIN DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

The significant accounting policies followed by FDC in the preparation of its financial statements are summarized below:

### Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are net assets not subject to donor-imposed restrictions and are, therefore, available to support the general operations of the Organization. Temporarily restricted net assets are net assets subject to donor-imposed restrictions related to specific programs or the passage of time. Temporarily restricted net assets for the years ending December 31, 2015 and 2014 include funds received from the City of Franklin Redevelopment Commission.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

### Cash and Cash Equivalents

Cash and cash equivalents represent cash invested in checking, savings, and certificates of deposit accounts.

### Loans Receivable

FDC reports its loans receivable at the principal balance outstanding. The Board of Directors evaluates loans receivable on an ongoing basis and any amounts that are deemed uncollectible are directly written off as bad debts.

### Property, Equipment and Depreciation

Purchased property and equipment are recorded at cost. Items donated or deeded are recorded at fair market value on the date of donation. Costs of improvements that extend the life of the asset are capitalized, and costs of repairs and maintenance are expensed as incurred. Property and Equipment are depreciated over the estimated useful life, which range from 5 to 40 years using the straight-line method of depreciation. Buildings purchased for resale are carried at cost.

As of December 31, 2014, property and equipment included buildings held for sale in the amount of \$233,776. The properties were sold during 2015 and the loss on disposal of properties has been included in program expenses in the statement of activities.

# FRANKLIN DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### Revenue and Support Recognition

Revenues are reported as increases in temporarily restricted net assets if they are limited by donor-imposed restrictions. Contributions are recognized when the donor makes an unconditional promise to give to FDC, either in writing or verbally. Revenues, expenses, and assets and liabilities are reported as increases or decreases in unrestricted net assets unless the use is restricted by explicit donor stipulation or by law.

### In-Kind Contributions

In-kind contributions represent the fair value of donated personnel services provided by the City of Franklin. The in-kind expenses associated with these contributions have been reported as personnel costs in the statement of activities and changes in net assets.

### Income Taxes

FDC is organized as a not-for-profit corporation and accordingly, is exempt from Federal and state income taxes under section 501(c)(3) of the Internal Revenue Code.

Management of FDC evaluates all significant tax positions to ensure compliance with the exempt purpose of FDC as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2015, Management does not believe FDC has taken any tax positions that are not in compliance with the exempt purpose of FDC. FDC's Federal and state tax returns remain open and subject to examination beginning with the tax year ended December 31, 2012.

### Subsequent Events

Subsequent events have been evaluated through July 12, 2016, which is the date the financial statements were available for issuance (Note 8).

# FRANKLIN DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### 2. LOAN RECEIVABLES

RRLF and CRLF loan receivables include loans in progress and completed loans. Loans in progress are projects that have been approved and started, but not all funds have been drawn. Completed loans have been turned over to a third party service provider who services the loan accounts. As of December 31, 2015 and 2014, the loan receivables consisted of the following:

|                        | <u>2015</u>       | <u>2014</u>       |
|------------------------|-------------------|-------------------|
| RRLF completed loans   | \$ 163,582        | \$ 134,630        |
| RRLF loans in progress | <u>-0-</u>        | <u>37,551</u>     |
|                        | <u>\$ 163,582</u> | <u>\$ 172,181</u> |
| <br>                   |                   |                   |
| CRLF completed loans   | \$ 181,545        | \$ 257,407        |
| CRLF loans in progress | <u>73,550</u>     | <u>12,250</u>     |
|                        | <u>\$ 255,095</u> | <u>\$ 269,657</u> |

Loan repayment begins once the project is complete. Loans are payable to FDC over seven year terms and bear interest at 2.5% for the first three years and 4% for the remaining four years.

### 3. ECONOMIC DEVELOPMENT FUNDING PAYABLE

FDC entered into a grant agreement with the Franklin Redevelopment Commission ("RDC") to disburse allocated tax increment funds ("TIF") to approved projects. All funds received by FDC are disbursed out to a third party in accordance with an Economic Development Agreement, which establishes funding criteria, timelines, and duties of each party. Any undisbursed funds are classified as a liability in the Statement of Financial Position.

Economic development funding payables were \$224,290 and \$-0- at December 31, 2015 and 2014, respectively.

# FRANKLIN DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### 4. COMMITMENTS

FDC's Board of Directors approved and committed to fund projects for the following future programs as of December 31, 2015:

|                   |                   |
|-------------------|-------------------|
| RRLF              | \$ -0-            |
| CRLF              | 151,450           |
| CFMG              | 228,147           |
| RFP/DI            | 21,905            |
| Total commitments | <u>\$ 401,502</u> |

All projects are funded through restricted capital (Note 6) and are required to be completed within nine months of the loan closing, unless extensions are approved by the Board of Directors. Through May 2016, \$169,126 of funds have been disbursed on these commitments.

### 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are \$1,723,089 and \$1,908,751 as of December 31, 2015 and 2014, respectively, and include funds restricted for program expenses of FDC. FDC's board of directors has allocated the restricted funds to its various programs as follows:

|        | <u>2015</u>         | <u>2014</u>         |
|--------|---------------------|---------------------|
| RRLF   | \$ 838,867          | \$ 784,484          |
| CRLF   | 628,791             | 461,158             |
| CFMG   | 42,702              | 81,794              |
| RFP/DI | 21,764              | 581,315             |
|        | <u>\$ 1,532,124</u> | <u>\$ 1,908,751</u> |

### 6. NET ASSETS RELEASED FROM RESTRICTION

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or occurrence of other events specified by the donor. Net assets released from restrictions for the years ended December 31, 2015 and 2014 were \$685,662 and \$1,620,649, respectively.

# FRANKLIN DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

### 7. CONCENTRATIONS

#### Cash and Cash Equivalents

FDC maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. FDC has not experienced any losses in such accounts and does not believe it is exposed to any significant risk on such cash and cash equivalents.

#### Revenue and Support

For the years ended December 31, 2015 and 2014, 97% and 86%, respectively, of FDC's support and revenue was from the City of Franklin.

### 8. SUBSEQUENT EVENT

In March 2016, FDC purchased a building in the amount of \$100,329. The building will be available to be leased to unrelated related third parties.