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March 29, 2021

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

We have reviewed the audit report of Franklin Development Corporation, which was opined upon by Alerding CPA Group, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Franklin Development Corporation as of December 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Alerding CPA Group prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner



FINANCIAL STATEMENTS

DECEMBER 31, 2019



# FRANKLIN DEVELOPMENT CORPORATION

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Franklin Development Corporation  
Franklin, Indiana

We have audited the accompanying financial statements of Franklin Development Corporation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2019, and its changes in net assets, functional expenses, and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Prior Period Adjustment**

As discussed in Note 10 to the financial statements, errors were discovered by Management during 2020 prior to issuance of the 2019 financial statements resulting in an overstatement of liabilities, understatement of net assets, and reclassification of net assets without donor restrictions to net assets with donor restrictions as of December 31, 2018 from amounts as previously reported. The corrections resulted in a restatement of the beginning net assets in the financial statements presented herein. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Ashley CPA Group".

February 22, 2021

# FRANKLIN DEVELOPMENT CORPORATION

## STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

### ASSETS

#### **Assets:**

Cash and cash equivalents	\$ 1,289,916
Loans receivable:	
RRLF program loans	63,710
CRLF program loans	707,170
Other assets	25,848
Land, building and improvements, net	<u>274,105</u>
	<u>\$ 2,360,749</u>

### LIABILITIES AND NET ASSETS

#### **Liabilities:**

Accounts payable	\$ 56,338
Property tax payable	<u>1,846</u>
Total liabilities	<u>58,184</u>

#### **Net Assets:**

Without donor restrictions	1,385,588
With donor restrictions	<u>916,977</u>
Total net assets	<u>2,302,565</u>
	<u>\$ 2,360,749</u>

See accompanying Notes to Financial Statements.

# FRANKLIN DEVELOPMENT CORPORATION

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support:</b>			
Contributions:			
Government funding	\$ -0-	\$ 556,475	\$ 556,475
In-kind contributions	25,580	-0-	25,580
Total contributions	<u>25,580</u>	<u>556,475</u>	<u>582,055</u>
Interest income	14,087	-0-	14,087
Rental income	21,900	-0-	21,900
Other revenue	<u>26,095</u>	<u>-0-</u>	<u>26,095</u>
Total revenue and support	87,662	556,475	644,137
<b>Net Assets Released</b>			
<b>From Donor Restrictions</b>	<u>427,033</u>	<u>(427,033)</u>	<u>-0-</u>
	<u>514,695</u>	<u>129,442</u>	<u>644,137</u>
<b>Expenses:</b>			
Program services	576,897	-0-	576,897
Management and general	<u>37,545</u>	<u>-0-</u>	<u>37,545</u>
Total expenses	<u>614,442</u>	<u>-0-</u>	<u>614,442</u>
Change in net assets	<u>(99,747)</u>	<u>129,442</u>	<u>29,695</u>
<b>Net Assets, Beginning of Year, As Previously Reported</b>	1,271,584	350,761	1,622,345
<b>Prior Period Adjustments (Note 10)</b>	<u>213,751</u>	<u>436,774</u>	<u>650,525</u>
<b>Net Assets, Beginning of Year, As Restated</b>	<u>1,485,335</u>	<u>787,535</u>	<u>2,272,870</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,385,588</u>	<u>\$ 916,977</u>	<u>\$ 2,302,565</u>

See accompanying Notes to Financial Statements.

# FRANKLIN DEVELOPMENT CORPORATION

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Payroll in-kind and related expenses	\$ 20,598	\$ 5,150	\$ 25,748
Direct investments	338,309	-0-	338,309
CFMG Grants	109,247	-0-	109,247
RRLF grants	108,416	-0-	108,416
CRLF commercial	327	-0-	327
General facility costs	-0-	10,918	10,918
Depreciation	-0-	7,299	7,299
Professional fees	-0-	10,429	10,429
Bank fees	-0-	2,576	2,576
Insurance	-0-	1,173	1,173
Total expenses	<u>\$ 576,897</u>	<u>\$ 37,545</u>	<u>\$ 614,442</u>

See accompanying Notes to Financial Statements.

# FRANKLIN DEVELOPMENT CORPORATION

## STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2019

<b>Cash Flows From Operating Activities:</b>	
Change in net assets	\$ 29,695
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,299
Changes in operating assets and liabilities:	
Other assets	(25,848)
Accounts payable	43,603
Net cash provided by operating activities	<u>54,749</u>
<b>Cash Flows From Investing Activities:</b>	
Issuance/Draws under RRLF and CRLF loans receivable	(157,300)
Repayment of RRLF and CRLF loans receivable	164,950
Net cash provided by investing activities	<u>7,650</u>
Net increase	62,399
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,227,517</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,289,916</u>

See accompanying Notes to Financial Statements.

# FRANKLIN DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### 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 and Grant 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 \$15,000, which includes a percentage of the loan that is forgivable based on an income limitation system. 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 \$25,000 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 \$15,000 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.

#### Direct Investment (“DI”) Grants

The DI grant program focuses 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.

#### Property Recovery Task Force

The Property Recovery Task Force is an initiative that aims to bring back assessed value to abandoned, underutilized, tax delinquent properties in the City of Franklin. FDC will work with the City of Franklin to obtain the deeds to such properties and initiate a request for proposal process to rehabilitate the properties.

# FRANKLIN DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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. FDC uses the following accounts to distinguish among restrictions:

#### ***Net Assets Without Donor Restrictions***

Net assets without donor restrictions include all contributions received, without donor restrictions, and revenues and expenses for the general operation of FDC.

#### ***Net Assets With Donor Restrictions***

Net assets with donor restrictions include contributions that have donor-imposed restrictions that limit the use of the donated assets. Net assets with donor restrictions for the year ending December 31, 2019 include funds and properties received from the City of Franklin Redevelopment Commission. When a donor's restriction is met, restricted net assets are reclassified to net assets without donor restrictions through the release of restrictions in the Statement of Activities and Changes in Net Assets.

### 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 include cash invested in checking and savings accounts and certificates of deposit accounts with original maturities of less than 90 days.

### 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.

# FRANKLIN DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### Land, Building and Improvements and Depreciation

Land and building and improvements are recorded at cost. Items donated or deeded are recorded at fair value as of 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. Land and building and improvements are depreciated over the estimated useful life, which is 39 years using the straight-line method of depreciation.

### Revenue and Support Recognition

Revenues and support are recognized when the donor makes an unconditional promise to give to FDC, either in writing or verbally and consist primarily of contributions through government funding. The contributions are reported as revenue without donor restrictions unless the use is restricted by explicit donor stipulation or by law.

FDC recognizes rental income over the lease terms, and interest income on loans is recorded when earned in accordance with the terms of the loan agreement.

### 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 payroll expenses in the Statement of Functional Expenses.

### 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, 2019, Management does not believe FDC has taken any tax positions that are not in compliance with its exempt purpose. FDC's Federal and state tax returns remain open and subject to examination beginning with the tax year ended December 31, 2016.

### Subsequent Events

Subsequent events have been evaluated through February 22, 2021 which is the date the financial statements were available for issuance (Note 11).

# FRANKLIN DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### 2. LIQUIDITY AND AVAILABILITY

At December 31, 2019, financial assets available for future general expenditures within one year from the date of the Statement of Financial Position consist of the following:

Financial assets:	
Cash and cash equivalents	\$ 1,289,916
Loans receivable	<u>770,880</u>
Total financial assets	2,060,796
Less donor restricted funds not available to be used for general expenditures within one year	<u>(916,977)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,143,819</u>

FDC's liquidity objective is to maintain adequate liquid assets to fund near-term operating needs and maintain sufficient reserves to provide reasonable assurance obligations will be paid when due.

FDC's support historically includes donor restricted contributions. Donor restrictions require resources to be used in a particular manner or in a future period. FDC must maintain sufficient resources to meet those responsibilities to its donors and, accordingly, financial assets may not be available for general expenditure within one year. Thus, these financial assets may not be available for general expenditures within one year and are included in amounts not available to be used within one year above.

### 3. LAND, BUILDING, AND IMPROVEMENTS

Land, building, and improvements consist of the following as of December 31, 2019:

Land	\$ 15,000
Building and improvements	<u>284,651</u>
	299,651
Accumulated depreciation	<u>(25,546)</u>
	<u>\$ 274,105</u>

# FRANKLIN DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### 4. LOANS RECEIVABLE

RRLF and CRLF loans receivable include loans in progress and completed loans. Loans in progress are projects that have been approved and started, but all funds have not been drawn. Completed loans have been turned over to a third-party service provider who services the loan accounts. As of December 31, 2019, RRLF and CRLF in progress and completed loans receivable consist of the following:

	<u>In Progress</u>	<u>Completed</u>	<u>Total</u>
RRLF loans	\$ 37,093	\$ 26,617	\$ 63,710
CRLF loans	\$ 120,318	\$ 586,852	\$ 707,170

Loan repayment begins once the project is complete. Loans are payable to FDC over seven (7) year terms and bear interest at 2.5% for the first three (3) years and 4% for the remaining four (4) years.

### 5. RENTAL INCOME

FDC leased two (2) office spaces under the terms of operating leases to third party tenants through July 2019 at which point one lease was cancelled. The remaining lease agreement requires monthly lease payments of \$1,500 as of December 31, 2019, and is month-to-month and cancelable with sixty (60) days notice. Total rental income for the year ended December 31, 2019 was \$21,900.

### 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions totaled \$916,977 as of December 31, 2019, which consist of undisbursed RDC funds for direct project investments of \$80,864 and RRLF and CRLF funds of \$836,113 restricted indefinitely for the revolving loans programs as allocated to those programs by FDC's Board of Directors.

### 7. NET ASSETS RELEASED FROM DONOR RESTRICTION

Net assets are released from donor restrictions by incurring expenditures satisfying the restricted purpose or occurrence of other events specified by the donor. Net assets released from donor restrictions for the year ended December 31, 2019 were \$427,033.

# FRANKLIN DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### 8. COMMITMENTS

FDC's Board of Directors have approved and committed funds to projects under the following future programs as of December 31, 2019:

RRLF	\$	22,867
CRLF		69,962
CFMG		219,018
DI		<u>77,521</u>
	\$	<u>389,368</u>

All projects are funded through restricted capital and are required to be completed within nine (9) months of the loan closing unless extensions are approved by the Board of Directors.

### 9. 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 year ended December 31, 2019, FDC's revenue and support from the City of Franklin represented 90% of total revenue and support.

### 10. PRIOR PERIOD ADJUSTMENT - CORRECTION OF ERRORS

During 2020, prior to the issuance of the 2019 financial statements, Management discovered an error in the accounting for the economic development funding payable resulting in an overstatement of liabilities and understatement of net assets as of December 31, 2018. Accordingly, the beginning net assets have been restated herein to reflect the correction of the error resulting in a decrease in economic development funding payable and an increase in net assets without donor restrictions of \$650,525 as of December 31, 2018. Additionally, the previously reported net assets without donor restrictions in the amount \$436,774 have been transferred to net assets with donor restrictions for RRLF and CRLF funds held in cash and cash equivalents and loans outstanding as of December 31, 2018.

# FRANKLIN DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

## 11. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The effects of COVID-19 will likely adversely impact local, national and global economies. The extent to which COVID-19 impacts the FDC's operations is dependent on the breadth and duration of the pandemic and could be affected by other factors Management is not currently able to predict. Potential impacts could include, but are not limited to, reduced contributions and grants and shortages of personnel.