

**AIKEN CORPORATION
AND SUBSIDIARY**

**Consolidated Financial Statements
and
Accompanying Information**

June 30, 2002 and 2001

AIKEN CORPORATION AND SUBSIDIARY

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Aiken Corporation and Subsidiary
Aiken, South Carolina

We have audited the accompanying consolidated statements of financial position of Aiken Corporation and Subsidiary as of June 30, 2002 and 2001 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of Aiken Corporation's management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aiken Corporation and Subsidiary as of June 30, 2002 and 2001 and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Cherry, Bekaert & Holland, L.L.P.

Augusta, Georgia
October 23, 2002

AIKEN CORPORATION AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30, 2002 and 2001

ASSETS

	<u>2002</u>	<u>2001</u>
Current assets		
Cash	\$ 1,043,916	\$ 407,429
Accounts receivable	7,648	6,097
Inventory	5,714	5,950
Total current assets	<u>1,057,278</u>	<u>419,476</u>
Notes receivable	<u>43,500</u>	<u>97,000</u>
Property and equipment		
Land	324,286	-
Land improvements	13,014	-
Building	-	339,122
Washington office building	3,146,221	-
Office equipment	3,303	3,303
Construction in progress	6,685	1,970,067
	<u>3,493,509</u>	<u>2,312,492</u>
Less accumulated depreciation	(44,073)	(10,897)
Total property and equipment	<u>3,449,436</u>	<u>2,301,595</u>
Total assets	<u>\$ 4,550,214</u>	<u>\$ 2,818,071</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accrued interest	\$ -	\$ 30,393
Current portion – note payable	179,099	1,981,056
Total current liabilities	<u>179,099</u>	<u>2,011,449</u>
Note payable	<u>3,258,583</u>	<u>-</u>
Net assets		
Unrestricted	1,112,532	806,622
Total net assets	<u>1,112,532</u>	<u>806,622</u>
Total liabilities and net assets	<u>\$ 4,550,214</u>	<u>\$ 2,818,071</u>

The accompanying notes are an integral part of these consolidated financial statements.

AIKEN CORPORATION AND SUBSIDIARY

Consolidated Statements of Activities

For the Years Ended June 30, 2002 and 2001

	2002	2001
Changes in unrestricted net assets		
Revenues		
Contribution from City of Aiken	\$ 40,000	\$ 40,000
Medallion sales	14,889	7,016
Special events proceeds	16,332	14,814
Membership dues	18,707	14,325
Gain on sale of Spec Building	57,108	-
Rental income	236,998	-
Interest	27,555	13,665
Contributions	72,000	-
Other	4,974	5,240
	488,563	95,060
Net assets released from restrictions	-	273,408
Total unrestricted revenues	488,563	368,468
Expenses		
Program services		
Medallions	5,628	2,814
Housing program	14	123
Speculative building project	-	5,740
Interest expense	35,078	30,393
Loss on sale of Parker property	-	2,500
Support services		
Salaries and benefits	43,287	44,063
Advertising	1,642	1,853
Rent	3,600	3,600
General and administrative	37,705	19,073
Depreciation expense	42,959	9,796
Fund raising		
Special events	12,740	11,425
Total expenses	182,653	131,380
Increase in unrestricted net assets	305,910	237,088
Changes in temporarily restricted net assets		
Net assets released from restrictions	-	(273,408)
Decrease in temporarily restricted net assets	-	(273,408)
Increase (decrease) in net assets	305,910	(36,320)
Net assets at beginning of year	806,622	842,942
Net assets at end of year	\$ 1,112,532	\$ 806,622

The accompanying notes are an integral part of these consolidated financial statements.

AIKEN CORPORATION AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 305,910	\$ (36,320)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Loss on disposal of Parker property	-	2,500
Contributions - noncash	(72,000)	-
Depreciation expense	42,959	9,796
Increase in accounts receivable	(1,551)	(1,690)
(Increase) decrease in inventory	236	(879)
Gain on sale of Spec Building	(57,108)	-
Increase (decrease) in accrued interest	(30,393)	30,393
Net cash provided by operating activities	188,053	3,800
Cash flows from investing activities		
Proceeds received for Spec Building sale	386,447	-
Purchase of construction in progress	(1,176,154)	(1,970,067)
Decrease in notes receivable	53,500	-
Construction in progress – Spec Building	(6,685)	-
Proceeds received for Parker sale	-	50,000
Selling expenses paid for Parker sale	-	(2,500)
Land improvements	(13,014)	-
Purchase of land	(252,286)	-
Net cash used in investing activities	(1,008,192)	(1,922,567)
Cash flows from financing activities		
Loan proceeds from City of Aiken	1,485,620	1,981,056
Principal payments on loan	(28,994)	-
Net cash provided by financing activities	1,456,626	1,981,056
Net increase in cash	636,487	62,289
Cash, beginning of year	407,429	345,140
Cash, end of year	\$ 1,043,916	\$ 407,429

The accompanying notes are an integral part of these consolidated financial statements.

AIKEN CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended June 30, 2002 and 2001

Note 1 - Nature of organization and significant accounting policies

Aiken Corporation is a non-profit organization that was formed to assist in the development and enhancement of the City of Aiken as envisioned by the strategic plan crafted by over 300 area residents. Aiken Corporation operates as three committees: Housing, Executive, and Downtown Development. The Housing Committee's goal is to increase downtown vitality by creating more upscale housing units in the area. The Executive Committee also serves as the Industrial Development Committee. This Committee works in conjunction with area financial institutions and the City of Aiken to attract new businesses to the area and help stabilize existing businesses. The mission of the Aiken Downtown Development Association is to improve the economic vitality, enhance the beauty and preserve the historical inheritance of downtown Aiken. During the year ended June 30, 2001, Aiken Corporation incorporated a wholly-owned subsidiary corporation (LED, Inc.), in order to construct, own, and maintain a portion of a building. This portion of the building is leased to another party; the remaining portion of the building, which is owned by another party, operates as a playhouse.

Consolidation policy - The accompanying consolidated financial statements include the accounts of Aiken Corporation and its wholly-owned subsidiary, LED, Inc., after elimination of all material intercompany accounts and transactions.

Use of estimates - The preparation of financial statements 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 - Cash consists of cash held in checking and money market accounts. Deposits may at times exceed federally insured limits.

Inventory - Inventory consists of medallions held for sale by the Aiken Downtown Development Association. Inventory is carried at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Notes receivable - Notes receivable consist of mortgages recorded in connection with residential conversion projects and the sale of the Parker property. Notes have stated interest rates of 0% and mature at various times over the next five years.

Fixed assets - Fixed assets are recorded at cost. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. At June 30, 2002, fixed assets include a building, office equipment, construction in progress relating to a building, land, and land improvements. The building and office equipment are being depreciated using the straight-line method.

Support and expenses - Aiken Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Aiken Corporation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to

AIKEN CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements - Continued

Years Ended June 30, 2002 and 2001

Note 1 - Nature of organization and significant accounting policies (Continued)

acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Aiken Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Advertising costs - Advertising costs are expensed as incurred.

Fundraising costs - Fundraising costs totaled approximately \$13,000 and \$11,000 for the years ended June 30, 2002 and 2001, respectively.

Income tax status - Aiken Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. LED, Inc., a wholly-owned subsidiary corporation, with the consent of its shareholder, has elected to be taxed under subchapter S of the Internal Revenue Code. Under these provisions, LED, Inc. does not pay federal or state income taxes on its income; therefore the taxable income is passed through to the shareholder as unrelated business income.

Note 2 - Note payable - City of Aiken

During the year ended June 30, 2001, in connection with the construction of a building, LED, Inc. entered into a construction loan agreement with the City of Aiken for \$3.5 million. As of June 30, 2001, the balance on the short-term construction loan was \$1,981,056. During the year ended June 30, 2002, the note was converted to a permanent loan, collateralized by the constructed building.

Maturities of long-term debt are as follows:

<u>Year Ended</u> <u>June 30,</u>	
2003	\$ 179,099
2004	188,786
2005	198,445
2006	208,597
2007	<u>2,662,755</u>
	<u>\$ 3,437,682</u>

As of June 30, 2002, LED, Inc. carried a long-term note with the City of Aiken with a remaining balance of \$3,437,682. The loan carries a variable interest rate between 5.0 - 7.5%. Payments for principle and interest are \$28,951 per month, with any unpaid principle and accrued interest due at maturity on March 15, 2007.

Note 3 - Subsequent events

On July 1, 2002, Aiken Corporation entered into an agreement to purchase a parcel of land at a total cost of \$36,277. The Corporation purchased the property with current available resources.



Report of Independent Certified Public Accountants on Accompanying Information

To the Board of Directors
Aiken Corporation and Subsidiary
Aiken, South Carolina

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of Aiken Corporation and Subsidiary, taken as a whole. The accompanying schedules of Cash Receipts and Disbursements of Aiken Corporation and Subsidiary on pages 9 - 13 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we express no opinion on it.

Cherry, Bekaert & Holland, C.C.P.A.

Augusta, Georgia
October 23, 2002

AIKEN CORPORATION AND SUBSIDIARY

Summary of Cash Receipts and Disbursements - Executive Committee

For the Years Ended June 30, 2002 and 2001

	2002	2001
Cash receipts		
Washington project		
Transfer from LED	\$ 5,000	\$ 150,000
City of Aiken reimbursement	-	27,453
Interest	17,081	5,804
Sale of Spec Building	396,447	-
Insurance reimbursement	418	3,723
Total cash receipts	418,946	186,980
Cash disbursements		
Westinghouse project		
Transfer to LED	-	155,000
Construction	-	57,595
Professional fees	-	525
Land purchases	142,286	-
Architect and engineering	7,435	-
Transfer to discretionary fund	-	4,795
Taxes	-	948
Legal fees	-	1,988
Insurance	-	2,109
Accounting and organizational fees	-	306
Bank charges/office expenses	-	161
Spec Building selling costs	10,000	-
Total cash disbursements	159,721	223,427
Net increase (decrease) in cash	259,225	(36,447)
Cash balance		
Beginning of year	229,688	266,135
End of year	\$ 488,913	\$ 229,688

AIKEN CORPORATION AND SUBSIDIARY

Summary of Cash Receipts and Disbursements - Housing Committee

For the Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash receipts		
Collection of notes receivable		
Parker sale	\$ 48,500	\$ 38,000
Other	5,000	12,000
Interest	4,485	1,143
Transfers in		1,448
Total cash receipts	<u>57,985</u>	<u>52,591</u>
Cash disbursements		
Transfer to discretionary fund	-	1,659
Aiken Prep project	338	108
Architectural fees – Conversion program	-	500
Attorney fees	14	-
Total cash disbursements	<u>352</u>	<u>2,267</u>
Net increase in cash	57,633	50,324
Cash balance		
Beginning of year	<u>96,182</u>	<u>45,858</u>
End of year	<u>\$ 153,815</u>	<u>\$ 96,182</u>

AIKEN CORPORATION AND SUBSIDIARY

Summary of Cash Receipts and Disbursements - Discretionary Fund

For the Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash receipts		
Interest	\$ 382	\$ 602
Transfers from Housing Committee and Executive Committee	-	6,453
Total cash receipts	<u>382</u>	<u>7,055</u>
Cash disbursements		
Bank charges/office expenses	-	20
Crosland Park donation	-	1,000
Aiken Preparatory School project	12	2,000
Accounting and organizational fees	2,192	550
Legal fees	5,173	695
Appraisal fees	-	250
General liability policy	1,831	253
Parker costs	-	10
Office supplies	212	-
Special events	383	197
Taxes	507	-
Growth forum	150	-
Miscellaneous contributions	4	50
Total cash disbursements	<u>10,464</u>	<u>5,025</u>
Net increase (decrease) in cash	(10,082)	2,030
Cash balance		
Beginning of year	<u>16,615</u>	<u>14,585</u>
End of year	\$ <u>6,533</u>	\$ <u>16,615</u>

AIKEN CORPORATION AND SUBSIDIARY

**Summary of Cash Receipts and Disbursements -
Downtown Development Authority**

For the Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash receipts		
Annual membership meeting	\$ 921	\$ 30
City investment	40,000	40,000
Special events	16,332	14,814
Medallion sales	14,889	7,016
Collection of grants receivable	2,000	1,840
Note cards	-	51
Interest	514	613
Member investment	17,786	14,295
Downtown dollars	-	150
Bench sales	300	-
Miscellaneous income	475	1,550
Total cash receipts	<u>93,217</u>	<u>80,359</u>
Cash disbursements		
Bank charges/office expenses	41	5
Accountant	332	319
Advertising	1,642	1,853
Downtown benches	-	2,100
Special events expense	11,962	11,325
In kind expense	-	100
Insurance expense	2,718	2,955
Member dues	1,414	1,408
Membership meeting	1,440	1,232
Miscellaneous	1,147	1,025
Printing	175	-
Office supplies	699	1,340
Postage	579	822
Professional development	262	265
Rent	3,600	3,600
Subscription	273	283
Taxes	3,065	3,008
Telephone	1,974	2,137
Travel	263	779
Utilities	786	960
Wages	40,869	41,408
Cost of goods sold	5,392	3,693
Total cash disbursements	<u>78,633</u>	<u>80,617</u>
Net increase (decrease) in cash	14,584	(258)
Cash balance		
Beginning of year	<u>18,304</u>	<u>18,562</u>
End of year	<u>\$ 32,888</u>	<u>\$ 18,304</u>

AIKEN CORPORATION AND SUBSIDIARY

Summary of Cash Receipts and Disbursements - LED, Inc.

For the Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash receipts		
Transfer from Aiken Corporation	\$ -	\$ 155,000
Rental income	236,998	-
City of Aiken loan draws	1,719,419	1,747,257
City of Aiken reimbursement	392,000	996,203
Interest earned	5,085	301
Total cash receipts	<u>2,353,502</u>	<u>2,898,761</u>
Cash disbursements		
Westinghouse project	1,805,794	2,701,872
Land purchase – parking lot	110,000	-
Land improvement – pave lot	13,014	-
Transfer to Aiken Corporation	5,000	150,000
Loan repayment	28,994	-
Lease payments	9,027	-
Insurance	-	60
Attorney fees	1,022	110
Interest	65,472	-
Check charges	-	52
Service charges	508	27
Total cash disbursements	<u>2,038,831</u>	<u>2,852,121</u>
Net increase in cash	314,671	46,640
Cash balance		
Beginning of year	<u>46,640</u>	<u>-</u>
End of year	<u>\$ 361,311</u>	<u>\$ 46,640</u>