

THE ATLANTA BELTLINE, INC.
(A Component Unit of the
Atlanta Development Authority)

Basic Financial Statements

June 30, 2008

(With Independent Auditor's Report Thereon)

THE ATLANTA BELTLINE, INC.
(A Component Unit of the Atlanta Development Authority)

June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Atlanta BeltLine, Inc.
Atlanta, Georgia

We have audited the accompanying basic financial statements of the **Atlanta BeltLine, Inc.** (the "ABI"), a component unit of the Atlanta Development Authority, as of and for the year ended June 30, 2008. These financial statements are the responsibility of the ABI's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Atlanta BeltLine, Inc. as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2009 on our consideration of the ABI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (on pages 3 through 5) is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 15, 2009

THE ATLANTA BELTLINE, INC.
(A Component Unit of the Atlanta Development Authority)
Management's Discussion and Analysis (Unaudited)
June 30, 2008

As management of the Atlanta BeltLine, Inc. (the "ABI"), we offer readers of the ABI's financial statements this narrative overview and analysis of the financial activities of the ABI for the year ended June 30, 2008. The ABI is a component unit of the Atlanta Development Authority and was created on September 1, 2006. The ABI is considered as one of the most comprehensive economic development efforts ever undertaken in the City of Atlanta and the largest, most wide-ranging urban redevelopment currently underway in the United States. The ABI will combine greenspace, trails, transit, and new development along 22 miles of historic rail segments that encircle the urban core. The financial analysis represented in management's discussion and analysis represents the period from inception of September 1, 2006 through June 30, 2007, a ten (10) month period as compared to fiscal year ended June 30, 2008 (12 month period).

Financial Highlights

- The assets of the ABI exceeded its liabilities at June 30, 2008 by \$1,689,545 (*net assets*).
- The ABI's total net assets increased by \$1,821,264. ABI for fiscal year ended June 30, 2008, in its second year of operations, will present twelve (12) months of operations as compared to the prior period of ten (10) months.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the ABI's basic financial statements. The ABI's basic financial statements are comprised of two components: 1) financial statements and 2) notes to the financial statements.

Financial statements. The *statement of net assets* presents information on all of the ABI's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the ABI is improving or deteriorating.

The *statement of revenues, expenses, and changes in fund net assets* presents information showing how the ABI's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The basic financial statements can be found on pages 6-8 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9 through 13 of this report.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the ABI, assets exceeded liabilities by \$1,689,545 at June 30, 2008. A summary of the net assets is presented below.

THE ATLANTA BELTLINE, INC.
(A Component Unit of the Atlanta Development Authority)
Management's Discussion and Analysis (Unaudited)
June 30, 2008

Atlanta BeltLine Inc.'s Net Assets

	<u>2008</u>	<u>2007</u>
Assets:		
Current assets	\$ 34,108,022	\$ 513,206
Capital assets	4,114,190	-
Other noncurrent assets	25,430,665	-
Total assets	<u>63,652,877</u>	<u>513,206</u>
Liabilities:		
Current liabilities	1,733,432	644,925
Noncurrent liabilities	60,229,900	-
Total liabilities	<u>61,963,332</u>	<u>644,925</u>
Net assets (deficit):		
Invested in capital assets, net of related debt	4,114,190	-
Unrestricted	(2,424,645)	(131,719)
Total net assets (deficit)	<u>\$ 1,689,545</u>	<u>\$ (131,719)</u>

The ABI's total assets equal \$63,652,877. The current assets primarily consist of cash and cash equivalents (53.6005%), noncurrent assets primarily consists of investments projects (46.4%). ABI's total liabilities equal \$61,963,332. The liabilities primarily consist of a loan from Atlanta Development Authority, Atlanta Beltline Partnership, City of Atlanta (48.4%), and notes payable (47.5%).

For the period from June 30, 2007 through June 30, 2008, the ABI's total net assets increased by \$1,821,264. The ABI deficit of \$2,424,645 in unrestricted net assets will be funded through intergovernmental funding from the City of Atlanta and private organizations.

THE ATLANTA BELTLINE, INC.
(A Component Unit of the Atlanta Development Authority)
Management's Discussion and Analysis (Unaudited)
June 30, 2008

Atlanta BeltLine, Inc.'s Changes in Net Assets

	<u>2008</u>	<u>2007</u>
Revenues:		
City of Atlanta funding (administrative)	\$ -	\$ 620,370
City of Atlanta funding (special projects, grants, and restricted programs)	-	1,028,395
Intergovernmental funding	4,482,252	-
Private grants and contributions	2,480,893	130,488
Interest income (non-operating)	617,703	9,605
Other income	6,000	-
Total revenues	<u>7,586,848</u>	<u>1,788,858</u>
Expenses:		
General and administrative	4,625,871	1,920,577
Interest expense	1,139,713	-
Total expenses	<u>5,765,584</u>	<u>1,920,577</u>
Increase (decrease) in net assets	1,821,264	(131,719)
Net assets (deficit), beginning of year or period	<u>(131,719)</u>	<u>-</u>
Net assets (deficit), end of year	<u>\$ 1,689,545</u>	<u>\$ (131,719)</u>

Revenues consist primarily of intergovernmental funding from special tax allocation districts (59%) and private grants and contributions (32.7%). Expenses consist primarily of general and administrative costs (80%) and interest expense (20%).

Debt

The Atlanta Development Authority provided ABI with \$800,000 in an interest free loan in order to help cash flow. The Atlanta Development Authority board resolution authorized this loan not to exceed 1,000,000. It is expected that ABI will repay the Atlanta Development Authority with proceeds from a planned bond issuance for the BeltLine Tax Allocation District. The City of Atlanta contributed approximately \$30,000,000 to ABI for the estimated cost to complete the Clear Creek project which will result in the construction of a storm water retention pond and infrastructure improvements for sewer basin relief. The liability will be repaid by ABI giving the City the completed asset and any funds which may remain.

Requests for Information

This financial report is designed to provide a general overview of the ABI's finances for all those with an interest in them. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, 86 Pryor Street, SW, Suite 300, Atlanta, GA 30303.

THE ATLANTA BELTLINE, INC.
(A Component Unit of the Atlanta Development Authority)
Statement of Net Assets
June 30, 2008

Assets

Current assets:	
Cash and cash equivalents	\$ 3,379,074
Restricted cash	29,499,803
Prepaid expenses	10,322
Due from NE Corridor joint venture	1,218,823
Total current assets	34,108,022
Noncurrent assets:	
Investment in joint venture	23,000,000
Investment in development projects	2,430,665
Capital assets, nondepreciable	4,114,190
Total noncurrent assets	29,544,855
Total assets	63,652,877

Liabilities

Current liabilities:	
Accrued expenses	1,233,432
Due to the Atlanta BeltLine Partnership	500,000
Total current liabilities	1,733,432
Noncurrent liabilities:	
Due to the City of Atlanta	30,000,000
Notes payable	29,429,900
Advances from the Atlanta Development Authority	800,000
Total noncurrent liabilities	60,229,900
Total liabilities	61,963,332

Net Assets

Invested in capital assets, net of related debt	4,114,190
Unrestricted	(2,424,645)
Total net assets	\$ 1,689,545

See accompanying notes to financial statements.

THE ATLANTA BELTLINE, INC.
(A Component Unit of the Atlanta Development Authority)
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Year ended June 30, 2008

Operating revenues:	
Intergovernmental funding	\$ 4,482,252
Private grants and contributions	2,480,893
Other income	6,000
Total operating revenues	6,969,145
Operating expenses:	
General and administrative	4,625,871
Interest expense	1,139,713
Total operating expenses	5,765,584
Operating income	1,203,561
Non-operating revenues:	
Interest income	617,703
Change in net assets	1,821,264
Net assets (deficit) at beginning of year	(131,719)
Net assets at end of year	\$ 1,689,545

See accompanying notes to financial statements.

THE ATLANTA BELTLINE, INC.
(A Component Unit of the Atlanta Development Authority)
Statement of Cash Flows
Year ended June 30, 2008

Cash flows from operating activities:	
Receipts from grantors	\$ 6,963,145
Payments to suppliers and vendors	(2,650,405)
Payments to employees	<u>(1,301,128)</u>
Net cash provided by operating activities	<u>3,011,612</u>
Cash flows from capital financing activities:	
Proceeds from commercial loan	29,429,900
Funding received from the City of Atlanta	30,000,000
Payments for joint venture and development projects	(25,430,665)
Acquisition and construction of capital assets	(4,114,190)
Payments for interest	<u>(1,139,713)</u>
Net cash provided by capital financing activities	<u>28,745,332</u>
Cash flows from investing activities:	
Interest on investments	<u>617,703</u>
Net cash provided by investing activities	<u>617,703</u>
Net increase in cash and cash equivalents	32,374,647
Cash and cash equivalents at beginning of year	<u>504,230</u>
Cash and cash equivalents at end of year	<u><u>\$ 32,878,877</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating income	\$ 1,203,561
Adjustment to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in:	
Prepaid	(10,322)
Due from the Atlanta Development Authority	(13,093)
Increase (decrease) in:	
Accrued expenses	1,038,232
Due to the Atlanta Development Authority	<u>793,234</u>
Net cash provided by operating activities	<u><u>\$ 3,011,612</u></u>

See accompanying notes to financial statements.

THE ATLANTA BELTLINE, INC.
(A Component Unit of the Atlanta Development Authority)
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies

(a) *The Financial Reporting Entity*

On September 1, 2006, the Atlanta Beltline, Inc. (the “ABI”) was incorporated as a public corporation for the benefit of, to perform the functions of, and to carry out the purposes of the Atlanta Development Authority (the “ADA”) as it relates to Beltline development activities. The Beltline development activities will enrich Atlanta’s quality of life with parks, trails, transit, and economic development and set a national standard for transformative investment, sustainable growth, and equitable development. The ABI was created to act solely in the capacity as “implementation government” for the Atlanta Development Authority, with respect to the City of Atlanta Tax Allocation District Number Six – Beltline (the “Beltline TAD”) including the administrative, development and/or redevelopment activities as, and to the extent contemplated, in the Atlanta Beltline TAD Redevelopment Plan adopted by the City Council of the City of Atlanta on November 7, 2005 pursuant to Ordinance 05-O-1733.

As a public corporation, the ABI meets the definition of a governmental entity and follows accounting principles generally accepted in the United States of America (“GAAP”) for government entities. The Governmental Accounting Standards Board (“GASB”) is the standard setting body for governmental GAAP.

Management has considered the criteria set forth in GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, *Defining the Financial Reporting Entity*. Based upon the application of the above criteria, the Atlanta Development Authority (the “Authority”) has determined ABI to be a component unit of the Authority.

(b) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance subject to this same limitation. The ABI has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund’s principal ongoing operations. The principal operating revenue of the ABI is development, contributions to support the development of the Beltline, and other related activity. Operating expenses for the fund include development, program, and direct general and administrative expenses of the ABI. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the ABI’s policy to use restricted resources first, then unrestricted resources as they are needed.

THE ATLANTA BELTLINE, INC.
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Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies (Continued)

(c) *Cash and Cash Equivalents*

For the purposes of the statement of cash flows, the ABI considers all short-term investment securities with original maturities of three months or less, local government investment pools, repurchase agreements, money market accounts, and investment agreements under which funds can be withdrawn at any time without penalty to be cash equivalents. Certain resources set aside for Beltline projects are classified as restricted assets on the balance sheet because their use is limited by the purpose of certain agreements with the City of Atlanta or financial institutions.

(d) *Investment in Development Projects*

Investments in development projects represent ABI's acquisition and improvement of properties in anticipation of either private or public development of the property. Investments and improvements are recorded at cost.

(e) *Investment in Joint Venture*

Investments in joint venture consist of ABI's investment in NE Corridor Partner's, LLC (NECP). NECP was formed as a joint venture by ABI, Inc. and NE Beltline, LLC. ABI has a 93.88% ownership of the joint venture while NE Beltline, LLC owns the remaining 6.12%. ABI's investments in joint ventures are accounted for using the equity method of accounting.

(f) *Capital Assets*

Capital assets are stated at cost. The Beltline capital assets consist of non-depreciable land and construction in process related to the Clear Creek Project.

(g) *Advances from the Primary Government*

Amounts are reported in the statement of net assets for amounts due to and from the Atlanta Development Authority (ADA) which are the result from ADA loaning ABI money to cover certain operating costs in which these advances will not be reimbursed within one year of the fiscal year-end.

(h) *Use of Estimates*

Management of the ABI has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

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Notes to Financial Statements
June 30, 2008

(2) Deposits and Investments

- (a) **Credit Risk.** The ABI is authorized to invest in obligations or investments as determined by the Board of ABI, subject to any agreement with bondholders and with applicable law. As of June 30, 2008, the ABI did not have any investments other than deposits with financial institutions.
- (b) **Custodial Credit Risk-Deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2008, the ABI had \$931,739 in bank balances that were exposed to custodial credit risk as uncollateralized.

(3) Due from NE Corridor Joint Venture

During the current fiscal year, ABI loaned \$1,218,823 to NE Corridor LLC to cover debt service requirements of the joint-venture until Beltline TAD Bonds were issued subsequent to year-end from which proceeds were used to pay off the joint-venture's debt and \$1,000,000 of the ABI loan was paid off.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 consists of the following:

Atlanta Beltline, Inc.	June 30, 2007	Additions	Deletions	June 30, 2008
Capital assets, not being depreciated:				
Land	\$ -	\$ 3,485,000	\$ -	\$ 3,485,000
Construction in process - Clear Creek	-	629,190	-	629,190
Total capital assets	<u>\$ -</u>	<u>\$ 4,114,190</u>	<u>\$ -</u>	<u>\$ 4,114,190</u>

THE ATLANTA BELTLINE, INC.
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Notes to Financial Statements
June 30, 2008

(5) Long-term Liabilities

Activity for loans payable for the year ended June 30, 2008 consists of the following:

	<u>June 30,</u> <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2008</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Commerical loan payable	\$ -	\$ 29,429,900.00	\$ -	\$ 29,429,900.00	\$ -
Total Long-term debt	<u>\$ -</u>	<u>\$ 29,429,900.00</u>	<u>\$ -</u>	<u>\$ 29,429,900.00</u>	<u>\$ -</u>

On September 17, 2007, Atlanta BeltLine, Inc. entered into an agreement with three (3) financial institutions to receive \$29,429,900 of interim funding for the implementation of the 2007 BeltLine Projects. Interest only will be payable semi-annually (on April 17 and October 17) at a daily rate of LIBOR + .55% for a period of 24 months commencing April 17, 2008. Thereafter, interest will be due semi-annually on each April 17 and October 17 commencing on April 17, 2010 at a daily rate of LIBOR .75% until the note matures on September 17, 2022. Principal will be due annually on each October 17 commencing on October 17, 2010 and matures on September 17, 2022. As of June 30, 2008, the outstanding balance on the commercial loan payable is \$29,429,900.

Debt Service Requirements

Annual principal and interest requirements for the note payable are set forth below (dollar amounts in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2009	\$ -	\$ 929	\$ 929
2010	-	929	929
2011	2,264	857	3,121
2012	2,264	786	3,050
2013	2,264	714	2,978
2014 - 2018	11,319	2,500	13,819
2019 - 2023	11,319	714	12,033
Totals	<u>\$ 29,430</u>	<u>\$ 7,429</u>	<u>\$ 36,859</u>

THE ATLANTA BELTLINE, INC.
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Notes to Financial Statements
June 30, 2008

(6) Due to City of Atlanta - Clear Creek project

On October 24, 2007, Atlanta Beltline, Inc. and the City of Atlanta entered into an intergovernmental agreement for the Clear Creek construction project. The Clear Creek project will result in the construction of a storm water retention pond and infrastructure improvements for sewer basin relief. The City of Atlanta contributed approximately \$30,000,000 to ABI for the estimated cost to complete the project. Upon completion, both the project, and any portion of the \$30,000,000 not expended by ABI, will revert back to the City of Atlanta. This amount has no maturity date, nor is interest charged. All cost associated with the Clear Creek Project are being accounted for on the balance sheet as construction in process. Any overages on the Clerk Creek Project shall be funded by the City of Atlanta.

(7) Due to Atlanta BeltLine Partnership

On May 28, 2007, the Atlanta BeltLine Partnership advanced \$500,000 to ABI to provide ABI with cash flow for specific consulting services. This amount has no maturity date, nor is interest charged and is expected to be repaid with a future bond issuance by the BeltLine Tax Allocation District.

(8) Pension Plan

ABI participates in an individual Simplified Employee Pension Plan (SEP), a defined contribution plan, which is administered by Ameriprise, which requires employer contributions based on 15% of based salary, for all of its full time employees over 21 years of age. The benefit provisions and contribution requirements are provided for, and may be amended, by the board members of the ABI. It is an employee self-directed plan in which monies belonged to the employees upon contribution. Employees can withdraw funds at their discretion or termination. ABI contributed 15% of all participants' base compensation for 2008 which belongs to the employee upon contribution. In 1986, the City of Atlanta made the election not to deduct/pay social security on their employees. As a component unit of the City of Atlanta, this election extends to the Atlanta Development Authority (in which ABI is a component unit of). Employer contributions required and made totaled \$139,089 for the year ended June 30, 2008.

(9) Subsequent Event

On September 22, 2008, the Atlanta Beltline, Inc. and NE BeltLine LLC. entered into a Settlement and Mutual Release Agreement which resulted in Atlanta Beltline, Inc. being a 100% owner of the existing joint venture and terminated the existing Listing and Development agreements. The settlement date of the transaction occurred on October 31, 2008.

On October 31, 2008, Atlanta BeltLine, Inc. received proceeds from the City's issuance of \$49,500,000 in 2008 BeltLine Series TAD bonds in which \$45,000,000 was used to pay off NE Corridor Partners, LLC's (ABI's joint-venture) promissory note on October 31, 2008. This settlement agreement required the Atlanta Development Authority to hold title to the underlying real estate.