

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.,  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2013 AND 2012**

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OF CENTRAL FLORIDA, INC.  
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FOR THE YEARS ENDED  
SEPTEMBER 30, 2013 AND 2012**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Black Business Investment Fund  
of Central Florida, Inc.  
Orlando, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the Black Business Investment Fund of Central Florida, Inc. ("the Fund") (a Florida nonprofit organization), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities 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, 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 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in note K to the financial statements, the Organization is involved in litigation with the State of Florida's Department of Economic Opportunity over the amount of servicing fees earned by the Organization under the Economic Gardening Business Loan Pilot Program agreement. The Organization believes it has a strong case. Consequently, no provision for any resulting liability has been reflected in the financial statements. However, it is at least reasonably possible that the Organization's estimate of its liability may change in the near term. Our opinion is not modified with respect to this matter.

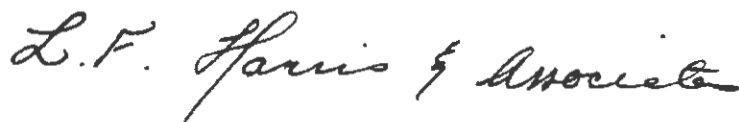
## Other Matters

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Florida Single Audit Act*, Chapter 10.650, Rules of the State Auditor General, is presented for purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014 on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Fund's internal control over financial reporting and compliance.



L.F. Harris and Associates, CPA, P.A.  
Orlando, Florida  
January 22, 2014

**BLACK BUSINESS INVESTMENT FUND OF CENTRAL FLORIDA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2013 and 2012**

	2013	2012
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 849,492	\$ 805,461
Restricted Cash	1,431,519	1,105,973
Accounts Receivable	73,293	99,320
Prepaid and Other	9,315	20,229
Due from Affiliates	124,062	117,707
Current Portion of Notes Receivable, Net	1,964,568	3,065,870
<b>Total Current Assets</b>	<b>4,452,249</b>	<b>5,214,560</b>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and Equipment	146,607	134,803
Less: Accumulated Depreciation	(69,269)	(50,335)
<b>Net Property and Equipment</b>	<b>77,338</b>	<b>84,468</b>
<b>OTHER ASSETS</b>		
Deposits	5,310	5,780
Notes Receivable, Net	642,019	2,270,198
Long Term Notes Receivable, Affiliates, Net	2,770,130	2,738,810
<b>Total Other Assets</b>	<b>3,417,459</b>	<b>5,014,788</b>
<b>TOTAL ASSETS</b>	<b>\$ 7,947,046</b>	<b>\$ 10,313,816</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 47,781	\$ 6,507
Accrued Liabilities	63,274	99,070
Line of Credit and Current Portion - Long Term Debt and Leases	992,008	3,157,113
<b>Total Current Liabilities</b>	<b>1,103,063</b>	<b>3,262,690</b>
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt and Capital Leases	3,197,544	3,444,428
<b>Total Liabilities</b>	<b>4,300,607</b>	<b>6,707,118</b>
<b>NET ASSETS</b>		
Temporarily Restricted Net Assets	140,359	115,000
Investment Contributions - Unrestricted	2,340,833	2,340,833
Unrestricted Net Assets	1,165,247	1,150,865
<b>Total Net Assets</b>	<b>3,646,439</b>	<b>3,606,698</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,947,046</b>	<b>\$ 10,313,816</b>

*See accompanying notes to financial statements*

**BLACK BUSINESS INVESTMENT FUND OF CENTRAL FLORIDA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**September 30, 2013 and 2012**

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Other Support</b>						
Contributions	\$ 439,459	\$ 317,457	\$ 756,916	\$ 484,231	\$ 115,000	\$ 599,231
Consulting and Service Income	69,985		69,985	100,005		100,005
Loan Interest Income	53,422		53,422	67,657		67,657
Interest and Dividend Income	916		916	724		724
Loan Participation Interest Sales, net	62,322		62,322	-		-
Loan Origination and Servicing Fees	209,374		209,374	454,381		454,381
Other	-		-	6,219		6,219
<b>Total Revenues and Other Support</b>	<b>835,478</b>	<b>317,457</b>	<b>1,152,935</b>	<b>1,113,217</b>	<b>115,000</b>	<b>1,228,217</b>
<b>Expenses</b>						
Salaries and Fringe Benefits	648,205		648,205	476,592		476,592
Rental Expense	65,797		65,797	67,347		67,347
Contracted Professional/Technical Services	208,869		208,869	122,555		122,555
Bad Debt Expense	-		-	19,349		19,349
Insurance	6,731		6,731	2,662		2,662
Seminars and Conferences	22,150		22,150	13,995		13,995
Office Expense	76,895		76,895	36,335		36,335
Depreciation	20,633		20,633	21,249		21,249
Telephone	13,128		13,128	11,588		11,588
Travel	3,584		3,584	5,696		5,696
Sponsorships	680		680	140		140
Advertising and Marketing	5,506		5,506	1,868		1,868
Interest Expense	27,359		27,359	45,428		45,428
Taxes, Licenses, and Fees	1,672		1,672	306		306
Dues/Subscriptions	9,052		9,052	6,441		6,441
Bank Charges (Credit)	2,726		2,726	(1,388)		(1,388)
Repairs and Maintenance	-		-	3,676		3,676
<b>Total Expenses</b>	<b>1,112,987</b>	<b>-</b>	<b>1,112,987</b>	<b>833,839</b>	<b>-</b>	<b>833,839</b>
<b>Change in Net Assets From Operations</b>	<b>(277,509)</b>	<b>317,457</b>	<b>39,948</b>	<b>279,378</b>	<b>115,000</b>	<b>394,378</b>
<b>Disposition of Fixed Assets Gain (Loss)</b>						
Loss on Disposition of Fixed Assets	(207)		(207)	(12,926)		(12,926)
<b>Net Assets Released from Restrictions</b>						
Satisfaction of Program Restrictions	292,098	(292,098)	-	-	-	-
<b>Net Increase (Decrease) in Net Assets</b>	<b>14,382</b>	<b>25,359</b>	<b>39,741</b>	<b>266,452</b>	<b>115,000</b>	<b>381,452</b>
<b>Net Assets, Beginning of Year</b>	<b>3,491,698</b>	<b>115,000</b>	<b>3,606,698</b>	<b>3,225,246</b>	<b>-</b>	<b>3,225,246</b>
<b>Net Assets, End of Year</b>	<b>\$ 3,506,080</b>	<b>\$ 140,359</b>	<b>\$ 3,646,439</b>	<b>\$ 3,491,698</b>	<b>\$ 115,000</b>	<b>\$ 3,606,698</b>

See accompanying notes to financial statements

**BLACK BUSINESS INVESTMENT FUND OF CENTRAL FLORIDA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30, 2013 and 2012**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 39,741	\$ 381,452
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (used in) operating activities:		
Depreciation	20,633	21,249
Bad Debt Expense	-	19,349
Additions to Restricted Cash	(35,297)	(112,510)
Loss on Disposition of Assets	207	12,926
Changes in Operating Assets and Liabilities:		
Accounts Receivable	26,027	(89,315)
Prepaid and Other	10,914	(4,390)
Due from Affiliates	(6,355)	(74,667)
Deposits	470	1,396
Accounts Payable	41,274	(294)
Accrued Liabilities	(35,796)	8,606
Total Adjustments	22,077	(217,650)
<b>Net Cash Provided By Operating Activities</b>	<b>61,818</b>	<b>163,802</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in Affiliate Notes Receivable	(31,320)	-
Investments in Notes Receivable	(3,473,716)	(1,649,554)
Principal Collected on Notes Receivable	2,970,648	1,871,061
Sale of Investments	-	3,534
Purchases of Property & Equipment	(13,340)	(6,317)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(547,728)</b>	<b>218,724</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown on Line of Credit, Net	72,500	-
Principal payments on Furniture Loan	(40,663)	(41,619)
Long term bank borrowing	500,000	-
Principal and Interest Paid on behalf of Affiliate	-	(49,262)
Capital Lease Principal Repayments	(1,896)	(1,402)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>529,941</b>	<b>(92,283)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>44,031</b>	<b>290,243</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>805,461</b>	<b>515,218</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 849,492</b>	<b>\$ 805,461</b>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Interest Paid	<b>\$ 36,261</b>	<b>\$ 45,428</b>

See accompanying notes to financial statements

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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**NOTE A – DESCRIPTION OF THE ORGANIZATION**

The Black Business Investment Fund of Central Florida, Inc. (“the Fund”) is a non-profit corporation organized on May 12, 1987 under the laws of the State of Florida pursuant to Chapter 617, Florida Statutes. The Fund’s original and primary purpose is to develop and promote black businesses in Central Florida through education, training, loans, investments and other activities; and aggressively promote an atmosphere conducive to their development. In recent years, the Fund has broadened its scope to serve all small businesses within the State of Florida. The Fund is one of eight such entities in the State of Florida. The Fund is exempt from income taxation under Code Section 501(c)(4) of the Internal Revenue Code.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Fund have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). Under FASB guidelines, the Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Recognition of Revenues

Revenues from the provision of loans and other services are recognized when earned, which is usually at the time the services are provided, and represent unrestricted support.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statements of activities as net assets released from restrictions. It is the Fund’s policy to record revenues as unrestricted support when the restrictions have been satisfied in the same fiscal year that the revenues were recognized.

During the years ended September 30, 2013 and 2012, contributions received that remained subject to unsatisfied restrictions amounted to \$140,359 and \$115,000, respectively.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property and Equipment

The Fund capitalizes expenditures for property and equipment expected to have a useful life in excess of a year and cost in excess of \$500. Contributed property and equipment is recorded at fair value at the date of donation. In the absence of specific stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis over periods ranging from 3 to 7 years. Routine repairs and maintenance are expensed as incurred.

Donated Services

Members of the Board of Directors and Loan Committee serve without compensation. These services are not recorded in the financial statements since they do not meet the criteria for recognition.

Use of 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Fund considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Included in cash and cash equivalents at September 30, 2013 and 2012, respectively, are approximately \$454,600 and \$212,500 relating to the Black Business Loan Program (Note N), which, per the agreement, must be held in a separate bank account.

Notes Receivable

In situations where the Fund bears credit risk, notes receivable are carried at unpaid principal balance, less an allowance for loan losses, net of deferred loan fees and unearned discounts. The allowance for loan losses is increased by charges to the statement of activities and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Fund's past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Fund's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating financial condition, or significant depreciation of the underlying collateral. Loans are placed on non-accrual status when management believes, after considering business conditions and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on non-accrual loans is recognized only to the extent cash is received.

Loan origination and commitment fees that are charged on non-affiliate loans, as well as certain direct origination costs are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method, when material. However, in situations where the Fund does not bear the risk of loss, such fees are recognized at the time the loans are made. Amortization of deferred loan fees is discontinued when a loan is placed on non-accrual status. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. A loan is restored to accrual status when all interest and principal payments are current and the borrower has demonstrated the ability to make payments as scheduled.

Under the Community Advantage Pilot Loan Program described more fully in Note E, the Fund sells participating interests in the guaranteed portion of loans receivable to institutional investors. At the time the participating interest in the loans are sold, they are removed from the statement of financial position and are recognized in the statement of activities as the only recourse to the Fund is the loan loss reserve against the guaranteed portion that the Fund is required to maintain.

**Restricted Cash**

Restricted cash at September 30, 2013 and 2012 amounting to \$1,431,519 and \$1,105,973, respectively, relates to the following programs: the Economic Gardening Business Loan Pilot Program Agreement, the Small Business Administration (SBA) Micro Loan Program and the SBA Community Advantage Loan Guarantee Pilot Program (Notes E, F and N). At September 30, 2013 and 2012, respectively, \$769,810 and \$486,831 of the total consisted of principal and interest collected on notes receivable that were payable to the State of Florida under the Economic Gardening Business Loan Pilot Program. The remaining \$661,701 and \$619,142, at September 30, 2013 and 2012, respectively, represents cash relating to the SBA Micro Loan and Community Advantage Programs including required loan loss reserves under each program. Each of these agreements require the cash to be held in specified, separate bank accounts.

**NOTE C – PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Depreciation expense for the years ended September 30, 2013 and 2012 amounted to \$20,633 and \$21,249 respectively.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**NOTE C – PROPERTY AND EQUIPMENT (continued)**

At September 30, property and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Furniture and Equipment	\$ 146,607	\$ 134,803
Less accumulated depreciation	(69,269)	(50,335)
Net Furniture and Equipment	<u>\$ 77,338</u>	<u>\$ 84,468</u>

**NOTE D - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK**

The Fund places its cash with high credit quality financial institutions where the funds are currently guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At September 30, 2013 and 2012, respectively, the Fund had cash and cash equivalents at financial institutions exceeding the federally insured limits by \$1,052,295 and \$834,865, respectively.

Notes receivable are principally with Florida based, small businesses and related parties (see Notes F and N). Realization of these notes is dependent on overall economic conditions, as well as the economic health of the borrowers. The Fund performs ongoing credit evaluations of the financial condition of the businesses and individuals and, generally, requires collateral from them.

**NOTE E – SMALL BUSINESS ADMINISTRATION COMMUNITY ADVANTAGE PILOT LOAN PROGRAM**

During the course of fiscal year 2012, the Fund entered into a Community Advantage Pilot Program Loan Guaranty Agreement (CA Program) with the SBA which currently extends through March 15, 2017. Under the terms of the CA Program, the SBA provides a guaranty under its 7(a) loan program covering risk of loss against approved loans meeting program requirements. The guaranty covers 85% of loans of \$150,000 or less and 75% of loans greater than that amount. Loan amounts cannot exceed \$250,000 and must mature in twenty five years or less for those made for real estate and ten years for other categories. The maximum interest rate allowable under these loans is prime plus 6%. The Fund pays the SBA an upfront loan guaranty fee for each loan approved and an annual service fee on the outstanding unsold guarantied portion. The SBA has granted the Fund permission to sell participating interests in the guarantied portion of these loans in the secondary market provided the Fund complies with SBA regulations governing secondary market transactions. Activity under this program first commenced during the course of the fiscal year ended September 30, 2013. During the year ended September 30, 2013, loans with an original principal balance of \$1,051,800 were made under this program and participating interests not exceeding the guarantied portion in these loans of \$579,638 were sold to institutional investors in the secondary market. The Fund recognized a gain of \$62,322 in its statement of activities on these sales during the year ended September 30, 2013. The Fund continues to service the sold participating interests on behalf of the acquirers.

Among other things, the CA Program requires the establishment of loan loss reserves equal to at least 5% and 3%, respectively, of the unguarantied and guarantied portion of the CA loan portfolio. At September 30, 2013, the Fund was in compliance with these loan loss reserve requirements.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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**NOTE F – NOTES RECEIVABLE (see Note N)**

General

The Fund holds various notes receivable for direct loans to both small minority owned businesses and small to midsized businesses meeting certain predetermined revenue and employment criteria under several loan programs described in greater detail below. These notes are issued for periods up to six years, with interest rates ranging from 2% to 12%, and are secured by the business and personal assets of the borrowers.

The balances due on all the notes receivable from non-affiliated third parties for the years ended September 30, 2013 and 2012 totaled \$2,705,486 and \$5,434,968 respectively. The related allowance for doubtful accounts for the years ended September 30, 2013 and 2012 totaled \$98,900 each year.

Black Business Loans

Since fiscal year 2009, black business loans have been funded with the proceeds received under a grant program with the Department of Economic Opportunity (“DEO”), formerly the Office of Tourism, Trade and Economic Development of the State of Florida (“OTTED”) for a Black Business Loan Program Grant (“BBLPG”). Prior to 2009, black business loans were granted out of the Fund’s capital. The Fund bears direct risk of loss on BBLPG loans as the grant proceeds do not revert to DEO. A majority of these loans are in the form of lines of credit. Hence, they are shown as current assets since there is continuous turnover. To qualify for loans under this program, the applicant’s business must be majority black owned and managed. Due to an unresolved, ongoing dispute with DEO over servicing fees earned by the Fund under the Economic Gardening Business Loan Pilot Program (Note K), DEO withheld certification of the Fund as a Black Business Investment Corporation for the state fiscal years 2011/12 and 2012/13. The Fund filed an appeal against DEO for withholding the BBLPG funds. DEO settled in March 2013 before an administrative hearing which recertified the Fund for both state fiscal years. However, funding was restored only for state fiscal year 2012/13 in an aggregate amount of \$317,457, of which \$278,125 was received at September 30, 2013.

Economic Gardening Business Loan Pilot Program

These loans provided funding for qualified small businesses that committed to creating jobs in the state of Florida. They were funded with the proceeds of a grant in the form of a loan provided by DEO’s predecessor OTTED. As described more fully in Note N, the Fund serves as an intermediary between DEO and borrowers. The Fund advertised the program, qualified borrowers, closed the loans and currently collects principal and interest on behalf of DEO. Provided borrowers met the terms of the loan agreement with respect to job creation, interest on these loans is at 2% per annum. The Fund charged a 1% commitment fee under the terms of the agreement that was payable at closing. In addition, the Fund charges DEO a .625% servicing fee, currently the subject of dispute (Note K), which was deducted from the funds collected prior to remittance to DEO. Provided the Fund followed the underwriting standards in the agreement, DEO bears the risk of loss. As such, no allowance for doubtful accounts has been provided on these loans.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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**NOTE F - NOTES RECEIVABLE (continued)**

Small Business Administration Loan Program

During fiscal year 2010, the Fund executed a microloan agreement with the U.S. Small Business Administration ("the SBA"). The SBA agreement is in the form of a \$750,000 loan from the SBA to the Fund. The purpose of this loan is to provide microloans to qualified applicants under the Small Business Act. The loan required a cash match of 15 percent of the amount disbursed by the SBA to the Fund to create a loan loss reserve for the microloan program. The Fund bears the risk of loan loss under this program and earns its fees on the difference between the rate charged by the SBA and the rate the Fund charges borrowers.

Small Business Administration Community Advantage Pilot Loan Program (Note E)

As described in Note E, the Fund began lending under the CA Program during fiscal year 2013. The Fund endeavors to sell participating interests in the SBA guaranteed portion of loans underwritten under the CA Program in the secondary market and retains the unguaranteed portion, for which it bears the full risk of loan loss, until maturity.

Evangelical Lutheran Church Loans

The Fund also provides microloans to small businesses utilizing the proceeds of a loan (Note O) obtained from the Evangelical Lutheran Church in America ("the Church"). The Fund bears the risk of loan loss under this program and earns its fees on the difference between the rate charged by the Church and the rate it charges borrowers.

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**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**NOTE F - NOTES RECEIVABLE (continued)**

Loan Maturity Schedule

Maturities of loans receivable are as follows:

Year Ending September 30,	Economic Gardening Business Loans	Black Business Loans	SBA Loan and Guaranty Programs	Other Loan Programs	Total
2014	\$ 1,086,890	\$ 472,576	\$ 245,332	\$ 159,770	\$ 1,964,568
2015	379,749	-	60,442	22,489	462,680
2016	-	-	44,258	13,829	58,087
2017	-	-	27,418	5,133	32,551
2018	-	-	28,956	235	29,191
<b>Thereafter</b>	-	-	158,410	-	158,410
Total Loans Receivable	1,466,639	472,576	564,816	201,456	2,705,087
Less: Allowance for Doubtful Accounts	-	55,361	21,194	22,345	98,900
Net Notes Receivable	<u>\$ 1,466,639</u>	<u>\$ 417,215</u>	<u>\$ 543,622</u>	<u>\$ 179,111</u>	<u>\$ 2,606,587</u>

**NOTE G – CAPITAL LEASE OBLIGATION**

The Fund leases a copier under a capital lease obligation. The copier is included in furniture and equipment at a net book value of \$3,688 and \$6,045 at September 30, 2013 and 2012, respectively.

The following is a schedule by year of future minimum payments required under the capital lease agreement as of September 30, 2013:

Year ending September 30,	Payments
2014	\$ 2,686
2015	1,568
Less: Interest	(535)
	<u>\$ 3,719</u>

Amortization of assets held under capital leases is included with depreciation expense.

**NOTE H – RETIREMENT PLAN**

The Fund maintains a 403B plan covering all of its full time employees that have met the years of service requirements. Employees may make contributions up to the maximum amount allowed by the Internal Revenue Code. The Fund provides a 3% match at the discretion of its board. Contributions were \$ - and \$9,473 for the fiscal years ended September 30, 2013 and 2012, respectively.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**NOTE I – INVESTMENT CONTRIBUTIONS**

At inception, the Fund obtained investment funds from financial institutions and corporate sponsors in the Central Florida area. The State of Florida Black Business Investment Board provided matching funds as stated in an investment agreement between the two funds.

	<u>2013</u>	<u>2012</u>
<b><u>Preferred Investment</u></b>		
Black Business Investment Board (Non-voting Preference in Liquidation)	\$ 1,380,833	\$ 1,380,833
<b><u>Class A Investment</u></b>		
Bank of America	445,000	445,000
SunTrust Bank, N.A	210,000	210,000
Wells Fargo Bank	190,000	190,000
The First, F.A	50,000	50,000
<b><u>Class B Investment</u></b>		
SunTrust Bank, N.A	22,500	22,500
SouthTrust Bank	20,000	20,000
Southern Commerce Bank	7,500	7,500
Urban Trust Bank	5,000	5,000
Cardinal Industries, Inc.	5,000	5,000
AmSouth Bank	5,000	5,000
<b>TOTAL INVESTMENT</b>	<b>\$ 2,340,833</b>	<b>\$ 2,340,833</b>

In the event of dissolution of the Fund, any remaining capital, after satisfaction of lawful debts, will be distributed to the members in proportion to the amount of their investment in the Fund.

**NOTE J – COMPENSATED ABSENCES**

Employees of the Fund are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. The Fund policy is that all leave must be used before the end of the fiscal year; therefore no liability was recorded at September 30, 2013 and 2012.

**NOTE K – COMMITMENTS AND CONTINGENT LIABILITIES**

Loan Guarantees

In the normal course of its business, the Fund may have outstanding various commitments and contingent liabilities, such as guarantees, commitments to extend credit, etc. which are not reflected as liabilities in the accompanying financial statements. There were no outstanding loan guarantees at September 30, 2013 and 2012.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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**NOTE K – COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

Employment Agreement

An officer of the Fund has an employment agreement which dictates the terms of employment, compensation and benefits. The agreement extends through September 30, 2019. The employment agreement also provides for severance amounting to three months compensation plus earned benefits should the officer be terminated for other than gross misconduct involving dishonesty.

Operating Leases

Under the terms of an operating lease arrangement, the total base rent, net of two months of contingent free rent, is \$380,822 over six years. This lease took effect May 13, 2011 and expires in May 2017.

Future minimum rental commitments required under operating leases having remaining non-cancelable lease terms in excess of one year as of September 30, 2013 are as follows:

Fiscal Year Ending September 30,	
2014	\$ 64,843
2015	66,792
2016	68,784
2017	55,109
	<u>\$ 255,528</u>

Rental expense was \$66,559 and \$67,347 for the years ended September 30, 2013 and 2012, respectively.

Servicing Fee Contingency

The Fund had an agreement with the State of Florida's DEO (Notes N and O). Under this agreement, the Fund was granted \$8,500,000 to establish a loan fund, a majority of which it then lent to qualified small businesses. The Fund continues to service these loans and believes it is entitled to a servicing fee payable monthly.

Due to ambiguity in the language in the loan administrator agreement relating to the servicing fee, the Fund interpreted the servicing fee to be .625% per month of the outstanding loan balance and withheld amounts based on this interpretation. DEO contends that the servicing fee should be .625% per year, but allowed for the Fund to withhold monthly payments based on that rate. The difference in the fee between the Fund and DEO for the years ended September 30, 2013 and 2012 amounted to approximately \$139,300 and \$383,500, respectively. At September 30, 2013 and 2012, respectively, the cumulative difference amounted to \$1,089,700 and \$950,400. As described in Note F, due to the dispute, DEO withheld further grant funding under the Black Business Loan Program until a settlement agreement was reached and executed in March 2013.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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**NOTE K – COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

Effective February 15, 2013, the Fund entered into a settlement agreement with DEO. Under the terms of this agreement, DEO recertified the Fund under the Black Business Loan Program (Note F). Additionally, DEO agreed not to oppose resolution of issues relating to payments to the Fund under the Economic Gardening Loan Pilot Program through legislative proviso language. The Fund, in turn, agreed that for a period of ninety days, it would bill its monthly servicing fees under the Economic Gardening Loan Pilot Program in a manner consistent with DEO's interpretation of the service fee calculation.

In June 2013, prior to the Fund obtaining legislative proviso language, DEO notified the Fund that it was immediately terminating the Economic Gardening Loan Pilot Program agreement. Additionally, it demanded that the Fund transfer all files and documentation relating to the outstanding loans. DEO further stated that the Fund owed DEO approximately \$1,033,000, consisting of fees amounting to approximately \$457,200 in excess of the statutorily authorized amount, and program funds of approximately \$575,800, which the Fund had not lent by June 30, 2011, the last date on which loans were authorized under the program. DEO's differences were due solely to the servicing fee dispute between DEO and the Fund. In July 2013, DEO filed suit in the Second Judicial Circuit Court, Leon County, Florida seeking damages of the aforementioned amounts plus interest and court costs. The Fund answered the complaint and filed a counter-suit against DEO for breach of contract and is seeking damages of \$1,500,000, plus court costs and attorney's fees.

The Fund is evaluating all its options including mediation, as well as going to court, and is vigorously defending its position in this matter as it believes it has as strong case in support of its position. As such, the financial statements do not reflect a provision for any potential liability to the DEO. However, it is at least reasonably possible that the Fund's estimate of its liability may change in the near term.

**Restricted Grant Funding**

In January and July 2012, the Fund executed agreements with the Opportunity Finance Network ("OFN") whereby, OFN awarded it a total of \$115,000 through the Create Jobs for USA initiative. The proceeds from this award were restricted solely to making loans to community businesses to assist in job creation and retention. During the year ended September 30, 2013, loans were made under this agreement thereby satisfying its terms.

**NOTE L – ECONOMIC DEPENDENCY**

The Fund is currently working diligently to broaden its revenue sources. However, currently the Fund still receives a majority of its support from local and State governmental entities, including local contributions from the City of Orlando ("the City"), Orange County ("the County"), as well as services provided to the Orlando Orange County Expressway Authority. State support has come from the State of Florida, DEO under two separate agreements (Note N).

The Fund's other main source of revenue is from lending activities to minority and other small businesses within the State of Florida funded with Federal financial assistance and borrowings from various financial institutions. These businesses are particularly sensitive to changes in local, state and national economic conditions.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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**NOTE M – RELATED PARTY TRANSACTIONS**

Related Party Loan

The Fund entered into transactions with an affiliated entity, the Black Business Capital Financing Corporation (BBCFC), wherein the Fund has provided financing for a mixed use residential and commercial development project owned by BBCFC's wholly owned subsidiary Carver Theatre Development, LLC (Carver).

For several years, as loans came due from BBCFC they were rolled over into new loans due to the fact that the commercial development project was delayed. The loans were consolidated and refinanced on February 10, 2011 and were again refinanced on March 21, 2012. The consolidated loan at March 21, 2012, including accrued unpaid, past due, interest and fees, amounted to \$2,569,650, and is due on March 21, 2015. The consolidated loan bears interest at 5%. It has a two year renewal option extending it through March 21, 2017, and is collateralized by the land related to the development. The aggregate amount of the loan to BBCFC reflected on the books of the Fund at September 30, 2013 and 2012 was \$2,325,259 for each year. There was a related allowance of \$246,481 at September 30, 2013 and 2012. During fiscal years 2013 and 2012, no new loan disbursements were made to BBCFC under this agreement. Interest is charged on these loans at a rate of 5%, but is not reflected in the statement of activities for the years ended September 30, 2013 and 2012 as in accordance with generally accepted accounting principles, it is not recognizable.

On October 16, 2008, Carver, signed an agreement with the City, whereby the City would provide grant funds of up to \$17,500,000 to partially finance the construction of BBCFC's commercial development project. The City's commitment was extended through December 31, 2011. Despite expiring, management has been informed that it will be renewed provided Carver is able to secure the additional funding for commercial development project, the total cost of which is estimated to be in the \$31 to \$32 million range. Carver is currently exploring various options with respect to the property. These include developing the project, selling the property to the City or selling the property to a third party. During the course of fiscal 2013, the Fund received a letter of interest from a major regional bank, whereby development could be funded with New Market Tax Credits.

Relationship with BBCFC

The Fund and BBCFC have separate, independent Boards of Directors, but share the services of certain employees. These employees are all on the payroll of the Fund. These employees may have the ability to influence the Fund's operations for the benefit of the BBCFC.

Other Financing Obligations

The Fund is a cosigner on an obligation of BBCFC (see Note O) which is reflected as a liability in the statement of financial position. Since the latter part of fiscal year 2010, the Fund has made payments on this obligation on behalf of BBCFC. The Fund has recorded a related receivable for amounts due from BBCFC to offset the liability and cover payments made on behalf of BBCFC under the obligation.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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**NOTE M – RELATED PARTY TRANSACTIONS (continued)**

At September 30, 2013 and 2012, the amount recorded as a receivable from BBCFC, under this arrangement, amounted to \$616,352 and \$585,032, respectively, including principal and interest payments made by the Fund on BBCFC's behalf.

In July 2011, the Fund lent BBCFC \$75,000 from the Church's loan proceeds (Note O). The loan is for 7 years at an interest rate of 5%. Payments of principal and interest are deferred until maturity. Due to the terms of this loan, no interest has been accrued at September 30, 2012 for financial statement purposes.

During the year ended September 30, 2011, in the normal course of business, the Fund lent a BBCFC's Board Member's company \$25,000 each from the BBLPG and the Evangelical Lutheran Loan proceeds. BBCFC's Board is separate and independent of the Fund's Board and loan committee which approved the loans. The BBLPG loan balance was rolled over into a new loan of like terms in December 2011. At September 30, 2013 and 2012, \$43,162 and \$44,766 under these loans, respectively, were still outstanding. The loans mature over one year and six years, respectively, and bear interest within the range paid by unaffiliated borrowers.

From time to time, the Fund pays bills on behalf of BBCFC. BBCFC periodically reimburses the Fund for these expenditures. A majority of these expenses are due to BBCFC hosting community outreach events on behalf of the Fund. At September 30, 2013 and 2012, respectively, amounts due the Fund from BBCFC were \$124,062 and \$46,784, respectively.

**Grants Passed Through BBCFC**

During the years ended September 30, 2013 and 2012, BBCFC received grants from certain financial institutions amounting to \$75,000 and \$100,685, respectively, which it passed through to the Fund, minus a fee ranging from 10% to 20% of the original grant proceeds. At September 30, 2012, BBCFC owed the Fund \$70,923 in connection with these grants. The \$70,923 was disbursed to the Fund during the course of fiscal year 2013.

**NOTE N – STATE FINANCIAL ASSISTANCE**

**Grant**

The Fund is a recipient of funding from DEO under grants received under the Black Business Loan Program (BBLPG) provided for under Section 288.7102, Florida Statutes and requires the Fund to meet specific criteria under the Florida Black Business Investment Act, Florida Statutes Sections 288.7065 to 288.714. The primary purpose of this grant program is to allow the Fund and other Black Business Investment Corporations to lend or invest directly in qualified black businesses. Up to 12% of the grant's proceeds may be used for administrative expenditures and 9% for the provision of technical assistance.

The grant program is subject to the Florida Single Audit Act, which requires non-State entities to have a State Single Audit or, if applicable, program specific audit, if total State expenditures equal or exceed \$500,000 during the fiscal year. Total funds committed to the Fund for the fiscal year ended September 30, 2013 were \$317,457. Amounts disbursed to the Fund from DEO under this program during the years ended September 30, 2013 and 2012, amounted to \$278,125 and \$ -, respectively (Notes F and K).

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**NOTE N – STATE FINANCIAL ASSISTANCE (Continued)**

Expenditures related to the grant during the years ended September 30, 2013 and 2012, consisted of committed new loans to qualified black business and administrative and technical assistance. In aggregate, such expenditures amounted to \$177,098 and \$ -, for the years ended September 30, 2013 and 2012, respectively, of which \$118,692 and \$ -, respectively, were committed to new loans. At September 30, 2013 and 2012, there were, respectively, approximately \$472,600 and \$553,500 of program notes receivable owed the Fund.

**Loan**

On September 4, 2009, the Fund entered into an Economic Gardening Business Loan Pilot Program Agreement with DFO. This agreement is subject to Florida Statutes 288.1081, the purpose of which is to provide funding for qualified small businesses that commit to creating jobs in the State of Florida. The Fund provided loans to qualified small businesses in the State of Florida. The Fund services these loans and monitors compliance with the provisions of the agreement and Florida Statutes. The total amount of the agreement was \$8,500,000 which was fully disbursed by July 2011, after verification that the Fund had successfully used the initial amount. The term of the agreement is four years.

Collections of amounts lent, including interest at 2%, net of applicable fees due the Fund (Note K) are to be remitted to DFO over the term of the agreement. For purposes of financial statement presentation, this state financial assistance is reflected in the statement of financial position as a loan (Note O). The agreement is subject to the Florida Single Audit Act, which requires non-State entities to have a State Single Audit or, if applicable, program specific audit, if total State expenditures equal or exceed \$500,000 during the fiscal year.

**NOTE O – LONG TERM DEBT AND LINES OF CREDIT**

At September 30, long term debt consists of the following:

	2013	2012
Note payable to State of Florida initially due September 4, 2013, interest at 2% (see Notes F and N)	\$ 2,210,317	\$ 5,050,306
Florida Community Loan Fund, Inc. (FCLF) - \$580,000 note payable, as amended, to lender, interest at 6%, with monthly payments, of principal and interest, matures on June 1, 2023.	474,713	490,002
Note payable to the US Small Business Administration, due November 2020, interest at a base rate of 2.375%	622,816	710,265
Note payable to Wells Fargo Community Investment Holdings, interest at 2%, due March 15, 2023	250,000	-
Interest only line of credit with a bank at 1%	250,000	-
Note payable to a bank, collateralized by furniture, interest at 4.8%, due April 2014	4,691	45,352
Note payable, Evangelical Lutheran Church in America, interest at 2%, due June 30, 2014	300,000	300,000
Total Long Term Debt	\$ 4,112,537	\$ 6,595,925

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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**NOTE O – LONG TERM DEBT (continued)**

A description of the major categories of debt follows.

Note Payable Florida Community Loan Fund

Florida Community Loan Fund, Inc. ("FCLF") - \$580,000 note payable, as amended multiple times, bearing interest at 6%, subject to monthly payments of \$4,075, consisting of principal and interest; with the remaining unamortized principal balance plus accrued, unpaid interest being due June 1, 2023.

The note is offset by a corresponding note receivable from BBCFC, the primary borrower under the agreement. The note related receivable is at the same terms as the note payable. The note is secured by real estate, owned by BBCFC, an affiliated entity.

Since the latter half of fiscal year 2010 and for both of the fiscal years ended September 30, 2013 and 2012, the Fund has made the principal and interest payments on behalf of the BBCFC (Note M). As such, the related receivable exceeded the note payable by \$142,639 at September 30, 2013.

Note Payable US Small Business Administration

The Fund has a microloan agreement with the U.S. Small Business Administration ("the SBA"). The SBA agreement is in the form of a \$750,000 loan from the SBA to the Fund. The purpose of this loan is to provide microloans to qualified applicants under the Small Business Act. The loan is subject to a cash match of 15 percent of the amount disbursed by the SBA to the Fund. The cash match is to be used to fund the loan loss reserve account, and cannot be from other Federal funds or from borrowed funds. At September 30, 2013 and 2012, respectively, the Fund has set aside \$112,510 in a restricted, segregated account to fulfil the cash match. The loan is repayable in ten years with a base interest rate of 2.375%, subject to adjustment based on annual performance reviews. The rate was set at 1.125% for the years ended September 30, 2013 and 2012. Subsequent performance reviews at the end of each twelve month period may lead to interest rate adjustments.

There was no payment of interest or principal in the first year of the loan. The interest on the note during that year was divided into 108 equal monthly installments and added to calculated payments of principal and interest during this period, which, based on a rate of .375%, amounted to \$7,089. With the increase in the interest rate effective August 2012, monthly payments were adjusted to \$7,919. At the end of year ten, any remaining principal and interest due becomes payable in full. In connection with the microloan note, the Fund was allocated \$38,335 and \$24,553 for the federal fiscal years ended June 30, 2012 and 2013, respectively, in the form of grant assistance under the microloan program. The proceeds are to be used for the provision of technical assistance and operating expenses. The \$38,335 was received by the Fund in the fiscal year ended September 30, 2013.

The Fund established a separate bank account for the funds received under this agreement, as well as the loan loss reserve account. The loan is collateralized by the funds remaining in the separate bank account, the loan loss reserve fund, and a security interest in all microloans made under the program.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**NOTE O – LONG TERM DEBT (continued)**

Equity Equivalent Investment

On December 20, 2012, the Fund executed an agreement with Wells Fargo Community Investment Holdings (Wells Fargo). Under the terms of the agreement, Wells Fargo provided an extended loan of \$250,000 to the Fund. The loan bears interest at a fixed rate of 2% per annum payable quarterly in arrears. The proceeds from the loan are to be used to help finance the Community Advantage small business loan program in various Florida communities. Provided the Fund exercises its right under the extended maturity period, principal on the loan is repayable in eight quarterly installments beginning March 15, 2023.

Line of Credit Agreement

On January 15, 2013, the Fund entered into an agreement with a bank whereby the bank extended a line of credit of \$300,000 at 1% interest per annum to be used for minority and other underserved small businesses. Required payments on this obligation are interest only on June and December 1, of each year. Final maturity on the line of credit is January 15, 2020. At September 30, 2013, \$250,000 was outstanding under this line of credit, which, based on its terms, is classified as long term debt.

SBA CA Guaranteed Loans Credit Line

On December 10, 2012, the Fund entered into a credit facility agreement with a money center bank whereby the bank extends financing of up to \$500,000 at a variable rate of prime minus .25%. The facility is used to fund SBA guaranteed portions of loans under the CA Program (Note K) pending secondary market sale at which time it is repaid. It is secured by collateral assignment of the loans funded by this loan. The outstanding balance is repayable in full, principal and unpaid interest on March 10, 2014. At September 30, 2013, \$72,500 was outstanding under this note with an additional \$794 due Colson Investment Services, the intermediary between the lender, the Fund, and investors under this agreement, which is also included in debt.

Current Maturities

Current maturities of long term debt at September 30, 2013 amounted to:

Year ending September 30,	Payments
2014	\$ 2,626,798
2015	112,173
2016	114,568
2017	117,061
2018	119,654
<b>Thereafter</b>	1,022,283
	<u>\$ 4,112,537</u>

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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**NOTE P – SUBSEQUENT EVENTS**

In accordance with generally accepted accounting principles, subsequent events are covered through January 22, 2014, which is the date the financial statements were available to be issued.

Grant Agreements with Local Governments

In October 2013, the Fund executed an agreement with the City whereby the City will provide \$125,400 in support of the Fund's operations for fiscal year 2013. In October 2013, the Fund executed an agreement with the County whereby the County will provide \$135,724 to help finance the Fund's operations.

Private Equity Fund

In November 2013, a private equity fund, Blackstar Private Equity Fund, Inc. ("Blackstar"), was incorporated as a for profit corporation. The Fund is the principal stockholder in Blackstar which was set up to seek Federal grant funding for the purpose of making investments in minority companies throughout the state of Florida that create jobs and intend to do business in international markets. To date, Blackstar has not commenced operating activities. However, the Fund has committed to fund Blackstar up to \$100,000.

As the majority stockholder in Blackstar, the Fund will be required to consolidate Blackstar in its financial statements in subsequent years.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2013**

<u>Grantor / Program Title</u>	<u>Federal/State CFDA/CSFA Number</u>	<u>Federal/State Expenditures</u>
<b><u>Federal:</u></b>		
<b><u>Small Business Administration</u></b>		
Community Advantage Pilot Loan Guaranty Program	59.012	\$ 745,254
<b><u>Small Business Administration</u></b>		
American Recovery and Reinvestment Act (ARRA) Microloan Program, \$750,000 Loan	59.046	622,816
American Recovery and Reinvestment Act (ARRA) Microloan Program, Grant	59.046	<u>38,335</u>
<b>Total Federal</b>		<u>\$ 1,406,405</u>
 <b><u>State of Florida:</u></b>		
<b><u>Department of Economic Opportunity:</u></b>		
Florida Black Business Assistance/Program	40.001	\$ 177,098
Economic Gardening Business Loan Pilot Program, \$8,500,000 Loan	31.058	<u>2,210,317</u>
<b>Total State</b>		<u>\$ 2,387,415</u>

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Black Business Investment Fund of Central Florida, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Single Audit Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2013**

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**NOTE A - BASIS OF PRESENTATION (Continued)**

The amounts expended under the ARRA Microloan Program and Economic Gardening Business Loan Pilot Program represents the loan proceeds disbursed to Black Business Investment Fund of Central Florida, Inc. by the Small Business Administration and the Office of Tourism, Trade and Economic Development (now Department of Economic Opportunity), respectively, net of repayments of principal on these loans, at September 30, 2013. In addition, under the ARRA Microloan Program, an additional \$38,335 was received in the form of a grant that was expended on the provision of technical assistance to borrowers.

As more fully described in Note F to the financial statements, the Community Advantage Pilot Loan Program is an SBA 7(a) loan guarantee program whereby the SBA, for specified fees, guarantees a percentage of the original value of loans underwritten under this program. Expenditures reflected above represent the gross value of the guaranteed percentage of loans underwritten under the program during the fiscal year ended September 30, 2013.

The Florida Black Business Assistance/Black Business Loan Program is a grant program that provides funding to Black Business Investment Corporations in the state of Florida under the provisions of the Black Business Investment Act. The purpose of the funding is to enable Black Business Investment Corporations to provide eligible black businesses with access to capital via loans, loan guarantees or investments. During the fiscal year ended September 30, 2013, the State provided the Fund a grant totaling \$317,457, of which \$278,125 was received. Expenditures reflected above, represent the value of new loans made by the Fund with the proceeds of the grant plus technical and administrative fees earned by the Fund.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Black Business Investment Fund of Central Florida, Inc.  
Orlando, Florida

We have audited, 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, the financial statements of Black Business Investment Fund of Central Florida, Inc. (a not-for-profit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Black Business Investment Fund of Central Florida, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Black Business Investment Fund of Central Florida, Inc.'s internal control. Accordingly, we do not express an opinion of the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we

did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Black Business Investment Fund of Central Florida, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 13-1 and 13-2.

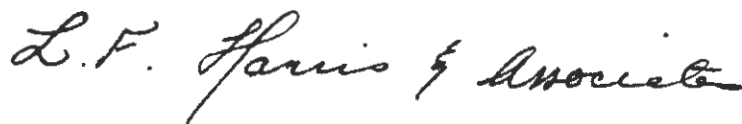
### **Black Business Investment Fund of Central Florida, Inc.'s Response to Findings**

Black Business Investment Fund of Central Florida, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Black Business Investment Fund of Central Florida, Inc.'s response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of Black Business Investment Fund of Central Florida, Inc. in a separate letter dated January 22, 2014.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



L F. Harris & Associates, CPA, P.A.  
Orlando, Florida  
January 22, 2014

 L.F. Harris & Associates, CPA, P.A.  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
STATE FINANCIAL ASSISTANCE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

The Board of Directors  
Black Business Investment Fund of Central Florida, Inc.  
Orlando, Florida

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

We have audited Black Business Investment Fund of Central Florida, Inc. (a not-for-profit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of its major federal programs or state projects for the year ended September 30, 2013. Black Business Investment Fund of Central Florida, Inc.'s major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Black Business Investment Fund of Central Florida, Inc.'s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about Black Business Investment Fund of Central Florida, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Black Business Investment Fund of Central Florida, Inc.'s compliance.

#### Opinion on Each Major Federal Program and State Project

In our opinion, Black Business Investment Fund of Central Florida, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs or state financial assistance projects for the year ended September 30, 2013.

#### Other Matters

The results of our auditing procedures disclosed an instance of potential non-compliance and one of non-compliance with those requirements, which are required to be reported in accordance with Chapter 10.650 and OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 13-01 and 13-2, respectively. Our opinion on each major federal program and state project is not modified with respect to these matters.

Black Business Investment Fund of Central Florida, Inc.'s response to the non-compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Black Business Investment Fund of Central Florida, Inc.'s response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### Report on Internal Control over Compliance

Management of Black Business Investment Fund of Central Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fund's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and state project, and to test and report on internal control over compliance in accordance with OMB A-133 and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Black Business Investment Fund of Central Florida, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a

type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control compliance with a type of compliance requirement of a federal program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 13-01 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB A-133 and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

*L.F. Harris & Associates*

L.F. Harris & Associates, CPA, P.A.  
Orlando, Florida  
January 22, 2014

 L.F. Harris & Associates, CPA, P.A.  
Certified Public Accountants

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
YEAR ENDED SEPTEMBER 30, 2013**

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**PART I - SUMMARY OF AUDITORS' RESULTS**

1. The Independent Auditors' Report expresses an unqualified opinion on the financial statements of Black Business Investment Fund of Central Florida, Inc.
2. No material weaknesses, or significant deficiencies not considered material weaknesses, were disclosed during the audit of the financial statements; hence, none are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. One instance of potential non-compliance and one of non-compliance material to the financial statements of Black Business Investment Fund of Central Florida, Inc. were disclosed during the audit. These relate, respectively, to the major state financial assistance project and the Community Advantage Pilot Loan Guaranty Program, and are included in the Schedule of Findings and Questioned Costs.
4. One significant deficiency was identified during the audit of the major state financial assistance project. This significant deficiency was not deemed to be a material weakness.
5. There was one federal audit finding that was required to be reported in accordance with Section 510(a) of OMB Circular A-133, which was reported as item 13-2.
6. The Independent Auditors' Report on compliance for each major federal program and state financial assistance project for Black Business Investment Fund of Central Florida, Inc. expresses an unqualified opinion.
7. Audit findings that are required to be reported in accordance with state statute are reported in this Schedule as Item 13-01.
8. The programs tested as a major program were: Federal – SBA American Recovery and Reinvestment Act Microloan Program, CFDA 59.046; SBA Community Advantage Pilot Loan Guaranty Program, CFDA 59.012; and for State – Economic Gardening Business Loan Pilot Program, CSFA 31.058.
9. The threshold for distinguishing Types A and B major programs was \$300,000 for both federal and state programs.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
YEAR ENDED SEPTEMBER 30, 2012**

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**PART II - FINDINGS — FINANCIAL STATEMENTS**

This section identifies the material weaknesses, significant deficiencies, and instances of non-compliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

Financial Statement Findings: – None were identified

**PART III – FINDINGS and QUESTIONED COSTS — STATE FINANCIAL ASSISTANCE PROJECTS and FEDERAL PROGRAMS**

Finding: - 13-01\*

State Project Information: - CSFA 31.058 Economic Gardening Business Loan Pilot Program (“EGLPP”)

Condition: - From inception through January 31, 2013, and for the month of June 2013, the Fund took a monthly fee of .625% of the outstanding loan balances approved under the EGLPP. The State of Florida DEO, successor to OTTED, disputed this amount and maintained that the fee was a monthly payment based on a rate of .625% per annum. This disagreement resulted from a variance of interpretation of the language of Section 2, second to last paragraph of the agreement with the State of Florida, Department of Economic Opportunity (“DEO”). As disclosed in Note K to the financial statements, in June 2013, DEO notified the Fund it was terminating the agreement and, in July 2013, DEO filed suit against the Fund over this matter.

Cause: - The Fund rushed into signing its agreement due to the state rushing to get the EGLPP rolled out and the Fund’s longstanding relationship with OTTED. When the Fund later realized the ambiguity in the agreement, the Fund’s staff immediately sought counsel with its CPA, board of directors, and OTTED’s EGLPP project manager and attorney. The Fund did attempt to clarify the language in the agreement subsequent to its execution and prior to billing and taking the fees out of OTTED’s grant funds in its possession. However, no formal amendment to the agreement was obtained, only OTTED’s written direction to proceed.

Effect: - As a result, since inception, the Fund took approximately \$1,089,700 more for loan servicing fees than what it would have taken under OTTED’s interpretation. Of this amount, \$139,300 relates to the fiscal year ended September 30, 2013.

Questioned Costs: - Approximately \$1,089,700, of which \$139,300, \$383,500, \$411,700 and \$155,200 relates to the years ended September 30, 2013, 2012, 2011 and 2010, respectively.

Recommendation: - More upfront care should be taken when interpreting requirements of State Financial Assistance Projects agreements. Also, ambiguous language should be clarified when executing agreements. Amendments should be obtained if required to clarify executed agreements.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
YEAR ENDED SEPTEMBER 30, 2012**

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\* Finding is a repeat of the fiscal 2011 and 2012 finding with appropriate modification.

Management's Response: - The Fund and the DEO came to an agreement. However, as a result of DEO having six different directors in the past year and an half, the current DEO director opted not to honor the proposed settlement, but to instead put the matter before a judge for resolution.

Corrective Action Plan: - The Fund's management will seek the earliest possible resolution to this dispute.

Finding: - 13-02

Federal Program Information: - CFDA 59.012 Community Advantage Pilot Loan Guaranty Program ("CA program")

Condition: - The Fund failed to comply with the quarterly reporting requirements of the CA program described in the SBA Community Advantage Participant Guide on a timely basis.

Cause: - The CA program had just ramped up in late spring and early summer of 2013. As such, the Fund was not fully conversant with the quarterly reporting requirements.

Effect: - The Fund was not in compliance with the quarterly reporting requirements at September 30, 2013. The Fund's participation may be impacted if the quarterly reporting requirements are not met.

Questioned Costs: -None.

Recommendation: - The Fund's management should take greater care to ensure that reporting requirements are met on all its programs.

Management Response: - The SBA CA program was new to the Fund and to the SBA. During the start-up time, the Fund worked closely with the SBA to provide all the required monthly reports but was unaware of the quarterly reporting requirement.

Corrective Action Plan: - The Fund's Controller will now be responsible for all contract and reporting compliance.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS  
YEAR ENDED SEPTEMBER 30, 2012**

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**PART IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS STATE  
FINANCIAL ASSISTANCE PROJECTS**

Prior Year Audit Findings: -

Finding: - 12-01

State Project Information: - CSFA 31.058 Economic Gardening Business Loan Pilot Program (“EGLPP”), State of Florida, Office of Tourism Trade and Economic Development, now the Department of Economic Opportunity.

Condition: - The Fund took a monthly fee of .625% of the outstanding loans approved for the EGLPP. This error seems to have resulted from ambiguity within the language of Section 2, second to last paragraph of the agreement with the State of Florida, Office of Tourism Trade and Economic Development (“OTTED”).

Recommendation: - More upfront care should be taken when interpreting requirements of State Financial Assistance Projects agreements prior to execution. The Fund attempted to clarify the ambiguity prior to billing fees for the contract; however, the Fund should have followed through immediately and got its contract modified or amended with OTTED.

Current Status: - The Fund has been sued by DEO regarding its dispute over the ambiguous language relating to the servicing fee in the EGLPP agreement.

The Board of Directors  
Black Business Investment Fund  
of Central Florida, Inc.  
Orlando, Florida

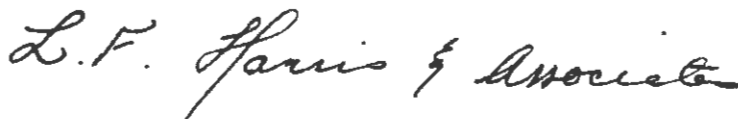
We have audited the financial statements of the Black Business Investment Fund of Central Florida, Inc. as of and for the fiscal year ended September 30, 2013 and have issued our report thereon dated January 22, 2014.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, Rules of the Florida Auditor General. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance with Requirements that Could have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Florida Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 22, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of non-compliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants attention of those charged with governance. In connection with our audit, the following matter is required to be disclosed:

The Fund had one finding related to a State project reported in the Schedule of Findings and Questioned Costs, as 13-01 which should be referred to in connection with this management letter.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Department of Economic Opportunity, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.



L.F. Harris & Associates, CPA,  
Orlando, Florida 32803  
January 22, 2014