

**Florida Community Loan Fund, Inc.**  
**Independent Auditor's Report**  
**Related to the Florida Single Audit Act**  
**December 31, 2013**

# Florida Community Loan Fund, Inc.

## Index

	<u>Page</u>
Independent Auditor's Report on the Schedule of Expenditures of State Awards Issued in a Program-Specific Audit	2
Independent Auditor's Report on Compliance for a State Program and on Internal Control over Compliance Required by the Florida Single Audit Act	4
Schedule of Expenditures of State Awards	6
Note to Schedule of Expenditures of State Awards	7
Schedule of Findings and Questioned Costs	8

Independent Auditor's on the Schedule of Expenditures of  
State Awards Issued in a Program-Specific Audit

To the Board of Directors  
Florida Community Loan Fund, Inc.

Report on the Schedule of Expenditures of State Awards

We have audited the accompanying schedule of expenditures of state awards ("schedule") for the State of Florida New Markets Development Program ("state program") of Florida Community Loan Fund, Inc. for the year ended December 31, 2013, and the related notes.

*Management's Responsibility for the Schedule of Expenditures of State Awards*

Management is responsible for the preparation and fair presentation of this schedule 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 the schedule that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit 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; and the Rules of the Auditor General, Florida Single Audit Act. Those standards and the Rules of the Auditor General, Chapter 10.650, Florida Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, 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 schedule 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 schedule.

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

*Opinion*

In our opinion, the schedule referred to above presents fairly, in all material respects, the expenditures of state awards for the state program of Florida Community Loan Fund, Inc. for the year ended December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

*CohnReznick LLP*

Baltimore, Maryland  
October 2, 2014

Independent Auditor's Report on Compliance for a State Program  
and on Internal Control over Compliance Required by the Florida Single Audit Act

To the Board of Directors  
Florida Community Loan Fund, Inc.

Report on Compliance for the Florida Single Audit Act

We have audited Florida Community Loan Fund, Inc.'s compliance with the types of compliance requirements described in the Rules of the Auditor General, Florida Single Audit Act that could have a direct and material effect on its State of Florida New Markets Development Program ("state program") for the year ended December 31, 2013.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to the state program.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for Florida Community Loan Fund, Inc.'s state program 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, and the Rules of the Auditor General, Chapter 10.650, Florida Single Audit Act. Those standards and the Rules of the Auditor General, Chapter 10.650, Florida Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state program occurred. An audit includes examining, on a test basis, evidence about Florida Community New Markets Fund XIII, LLC'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 Florida Community Loan Fund, Inc.'s state program. However, our audit does not provide a legal determination of Florida Community Loan Fund, Inc.'s compliance.

*Opinion on Compliance for the State of Florida New Markets Development Program*

In our opinion, Florida Community Loan Fund, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its state program for the year ended December 31, 2013.

## Report on Internal Control over Compliance

Management of Florida Community Loan Fund, 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 Florida Community Loan Fund, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its state program and to test and report on internal control over compliance in accordance with the Rules of the Auditor General, Chapter 10.650, Florida Single Audit Act, 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 Florida Community Loan Fund, 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, noncompliance with a type of compliance requirement of a state program 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 noncompliance with a type of compliance requirement of a state program 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 over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 our testing based on the requirements of the Rules of the Auditor General, Chapter 10.650, Florida Single Audit Act. Accordingly, this report is not suitable for any other purpose.



Baltimore, Maryland  
October 2, 2014

**Florida Community Loan Fund, Inc.**  
**Schedule of Expenditures of State Awards**  
**December 31, 2013**

State Agency	State CSFA Number	Qualified Investment Date	Qualified Investment Amount
<u>Office of Tourism, Trade and Economic Development</u>			
New Markets Development Program	40.020		
Florida Community New Markets Fund XIII, LLC		9/26/2013	<u>\$ 4,807,692</u>

See Note to Schedule of Expenditures of State Awards.

**Florida Community Loan Fund, Inc.**

**Note to Schedule of Expenditures of State Awards  
December 31, 2013**

**Note 1 - Basis of presentation**

The accompanying schedule of expenditures of state awards includes the activity of Florida Community New Markets Fund XIII, LLC that participates in the Florida New Markets Development Program and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Rules of the Auditor General, Chapter 10.650, Florida Single Audit Act. Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

**Florida Community Loan Fund, Inc.**

**Schedule of Findings and Questioned Costs  
December 31, 2013**

**A. Summary of Independent Auditor's Results**

*State Awards*

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiency(ies) identified that is not considered to be a material weakness. \_\_\_\_\_ Yes  X  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Rules of the Auditor General, Chapter 10.650, Florida Single Audit Act? \_\_\_\_\_ Yes  X  No

**B. State Award Findings and Questioned Costs**

None

**Florida Community New Markets Fund XIII, LLC**

**Financial Statements  
and Independent Auditor's Report**

**December 31, 2013**

# Florida Community New Markets Fund XIII, LLC

## Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Balance Sheet	4
Statement of Members' Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7

## Independent Auditors' Report

To the Members  
Florida Community New Markets Fund XIII, LLC

We have audited the accompanying financial statements of Florida Community New Markets Fund XIII, LLC, which comprise the balance sheet as of December 31, 2013, and the related statements of members' equity and cash flows for the period May 20, 2013 (inception) through December 31, 2013, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Community New Markets Fund XIII, LLC as of December 31, 2013, and the results of its cash flows for the period May 20, 2013 (inception) through December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

*CohnReznick LLP*

Baltimore, Maryland  
June 5, 2014

**Florida Community New Markets Fund XIII, LLC**

**Balance Sheet  
December 31, 2013**

Assets

Cash	\$ 4,808,173
Total assets	<u>\$ 4,808,173</u>

Liabilities and Members' Equity

Liabilities	\$ -
Contingency	-
Members' equity	<u>4,808,173</u>
Total liabilities and members' equity	<u>\$ 4,808,173</u>

**Florida Community New Markets Fund XIII, LLC**

**Statement of Members' Equity  
Period May 20, 2013 (Inception) through December 31, 2013**

	<u>Managing member</u>	<u>Investor member</u>	
	Florida Community Loan Fund, Inc.	FCLF Florida NMTC Investment Fund, LLC	<u>Total</u>
Contributions	<u>\$ 481</u>	<u>\$ 4,807,692</u>	<u>\$ 4,808,173</u>
Balance, December 31, 2013	<u>\$ 481</u>	<u>\$ 4,807,692</u>	<u>\$ 4,808,173</u>

**Florida Community New Markets Fund XIII, LLC**

**Statement of Cash Flows**  
**Period May 20, 2013 (Inception) through December 31, 2013**

Cash flows from financing activities	
Contributions from members	<u>\$ 4,808,173</u>
Net cash provided by financing activities	<u>4,808,173</u>
Net increase in cash	4,808,173
Cash, beginning	<u>-</u>
Cash, end	<u><u>\$ 4,808,173</u></u>

# Florida Community New Markets Fund XIII, LLC

## Notes to Financial Statements December 31, 2013

### **Note 1 - Organization and summary of significant accounting policies**

Florida Community New Markets Fund XIII, LLC (the "Company") was formed on May 20, 2013 under the laws of the State of Florida. The operating agreement was last amended on September 27, 2013 to admit the investor member and commence operations. The Company was formed to obtain Qualified Investments ("QI") from investors and make qualified investments in Qualified Active Low-Income Community Businesses ("QALICBs") in accordance with the terms under the Florida New Markets Development Program ("FLNMDP") pursuant to Section 288.9913 of the New Markets Development Program Act ("NMDPA"). The managing member of the Company is Florida Community Loan Fund, Inc. and the investor member is FCLF Florida NMTC Investment Fund, LLC.

The Company's principal business objective is to provide nontraditional investment capital to underserved markets and enhance the return on such investments by providing its investor member with Florida New Markets Tax Credits ("FL NMTCs"). Therefore, the Company's principal business consists of investing as lender in QALICBs. In general, under the NMDPA, a qualified investor in a Community Development Entity ("CDE") can receive the FL NMTCs to be used to reduce Florida state income taxes otherwise due. The credit may be claimed over a five-year period that begins two years after the date of the last QI received by the Company.

The Company has been certified by the U.S. Treasury's Community Development Financial Institutions Fund ("CDFI Fund") as a CDE. As a CDE, the Company's primary mission is to provide loans to qualified businesses in low-income communities of the Company's service area. The Company has entered into an allocation agreement with the CDFI Fund as a Subsidiary Allocatee of the managing member. An allocation agreement places restrictions on a CDE's operations, including, but not limited to, the specific geographic area of the low-income communities the CDE must serve. As a CDE, the Company's primary mission is to provide loans to qualified businesses in low-income communities of the State of Florida. The Company was sub-allocated \$4,807,692 of the managing member's FL NMTC allocation.

As a CDE, the Company is continually required to demonstrate to the Florida Office of Tourism, Trade and Economic Development ("OTTED") that its primary mission is serving, or providing investment capital for low-income communities or low-income persons and that it is accountable to residents of the low-income communities it serves. As a CDE and Subsidiary Allocatee of FL NMTCs, the Company is required to comply with various rules and regulations of the CDFI Fund and OTTED. Failure to comply with these or other requirements could result in the recapture of FL NMTCs already taken by the Company's investor member and the loss of future FL NMTCs.

As a CDE, substantially all of the capital contributions from the Company's investor member must be invested in a QALICB within 365 days of each QI. The QI was made in the amount of \$4,807,692 on September 27, 2013. Therefore, the Company was required to invest substantially all (85%) of the proceeds in a QALICB no later than September 26, 2014, with a 6-month cure period extension if necessary. This investment level must be

## Florida Community New Markets Fund XIII, LLC

### Notes to Financial Statements December 31, 2013

satisfied annually and loan principal repayments, to the extent the CDE does not meet the substantially all investment criteria, must be reinvested in a QALICB during the seven-year tax credit compliance period.

In accordance with the operating agreement of the Company, profits, losses and cash flows (subject to certain special allocations) are allocated 99.99% to the investor member and 0.01% to the managing member.

The Company shall continue to be in full force unless terminated pursuant to the operating agreement or law.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could materially differ from those estimates.

#### **Income taxes**

The Company has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Company's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service ("IRS") and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure. Income tax returns filed by the Company are subject to examination by the IRS for a period of three years, beginning with the 2013 tax return. For income tax purposes, the Company reports on a calendar year basis.

#### **Note 2 - Concentration of credit risk**

The company maintains its cash balance in one account in one bank. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2013. Effective January 1, 2013, these cash balances will no longer be fully insured by the Federal Deposit Insurance Corporation ("FDIC") and will be subject to an insurance limit of \$250,000 per insured bank.

## Florida Community New Markets Fund XIII, LLC

### Notes to Financial Statements December 31, 2013

#### **Note 3 - Contingency**

The Company's FL NMTCs are contingent on the Company maintaining compliance with applicable sections of 45D of the Internal Revenue Code ("IRC") and Section 288.9913 of the NMDPA. Failure to maintain compliance or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus penalties and interest.

The Company must also make a Qualified Low-Income Community Investment in a QALICB in its approved service area within 365 days from the date of the QI made by investor member. The QI, in the amount of \$4,807,692, was made on September 27, 2013. Therefore, the Company must invest substantially all (85%) of the proceeds in a QALICB no later than September 26, 2014. Failure to make such an investment within the definer period would potentially result in a recapture of previously claimed tax credits, plus penalties and interest.

#### **Note 4 - Subsequent events**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through June 5, 2014 (the date the financial statements were available to be issued) and concluded that the following subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements:

On May 29, 2014, the Company executed a note receivable with Twain Investment Fund 13, LLC in the amount of \$4,807,692.