

USBCDE SUB-CDE 89, LLC

DECEMBER 31, 2013

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MEMBERS
USBCDE SUB-CDE 89, LLC

Independent Auditors' Report on Compliance for the Major State Project and
Report on Internal Control Over Compliance Required by
Chapter 10.650, Rules of the Auditor General

Report on Compliance for the Major State Project

We have audited USBCDE Sub-CDE 89, LLC's compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on USBCDE Sub-CDE 89, LLC's major state project for the year ended December 31, 2013. USBCDE Sub-CDE 89, LLC's major state project is identified in the summary of auditor's 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 state project.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for USBCDE Sub-CDE 89, LLC's major state project 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 Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, 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 major state project occurred. An audit includes examining, on a test basis, evidence about USBCDE Sub-CDE 89, 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 the major state project. However, our audit does not provide a legal determination of USBCDE Sub-CDE 89, LLC's compliance.

Opinion on the Major State Project

In our opinion, the USBCDE Sub-CDE 89, LLC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of USBCDE Sub-CDE 89, LLC 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 USBCDE Sub-CDE 89, LLC's internal control over compliance with the types of requirements that could have a direct and material effect on the major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the state project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, 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 USBCDE Sub-CDE 89, LLC'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 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 noncompliance with a type of compliance requirement of a state 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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.

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 Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Cohen & Company

September 29, 2014
Cleveland, Ohio

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECT
 YEAR ENDED DECEMBER 31, 2013

A. SUMMARY OF AUDITORS’ RESULTS

1. The independent auditors’ report, dated April 29, 2014, expressed an unmodified opinion on USBCDE Sub-CDE 89, LLC’s (the Company) basic financial statements.
2. No significant deficiencies in internal control were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Company were disclosed during the audit.
4. No significant deficiencies in internal control over the major state project were reported in the Independent Auditors’ Report on Compliance with Requirements Applicable to Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General.
5. The Independent Auditors’ Report on Compliance with Requirements Applicable to Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General expresses an unmodified opinion.
6. Our audit disclosed no findings required to be reported related to the major state project required to be disclosed under Chapter 10.656, Rules of the Auditor General.

The projects tested as major projects included the following:

<u>State Project</u>	<u>State CSFA No.</u>	<u>Year</u>
Department of Economic Opportunity	40.020	2013

7. The threshold for distinguishing Type A and Type B projects was \$500,000 for major state projects.

B. FINDINGS – FINANCIAL STATEMENTS

There are no findings on the Company’s financial statements as of and for the year ended December 31, 2013.

C. FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS

There are no findings or questioned costs relating to the Florida Department of Economic Opportunity and their regulations over the state New Markets Development Program and the Department of Financial Services’ State Projects Compliance Supplement.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECT (CONTINUED)

YEAR ENDED DECEMBER 31, 2013

D. OTHER ISSUES

The Supplemental Reports do not include the Summary Schedule of Prior Audit Findings because there were no prior audit findings related to the state project and no Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act. The Auditors' Report does not include a management letter as there were no findings required to be reported in the management letter pursuant to Section 10.654(1)(e), Rules of the Auditor General.

SCHEDULE OF EXPENDITURES AND STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2013

<u>State Agency</u>	<u>State CSFA No.</u>	<u>Grant Number</u>	<u>Project Expenditures</u>
Department of Economic Opportunity			
<u>Direct Project</u>			
Florida New Markets Development Program -			
Qualified Low-Income Community Investment	40.020	N/A	\$0

Pursuant to the State of Florida New Market Tax Credits statute (the Florida Statute), USBCDE Sub-CDE LXV, LLC (the Transferor) applied for and received the authority to issue up to \$5,958,148.64 in Florida qualified equity investments (Florida QEIs) on October 15, 2012. On December 5, 2012, the Transferor requested to reallocate its qualified investment authority. On December 6, 2012, the Department of Economic Opportunity approved the transfer of qualified investment authority to USBCDE Sub-CDE 89, LLC (the Company) in the amount of \$5,958,148.64. Under the Florida Statute, the Company's Members will be allowed to claim Florida new markets tax credits (Florida NMTCs) over seven periods spanning six years and one day for any equity investment made by such Member that is designated as a Florida QEI within the meaning of the Florida Statute and has at least 85% of its cash purchase price used by the issuer to make qualified low-income community investments (Florida QLICI). As of December 31, 2013, no Florida QLICI had been made by the Company and no Florida NMTCs had been claimed.

The Company's Florida NMTCs are contingent on the Company maintaining compliance with applicable sections of 45D of the Internal Revenue Code and Section 288.991-288.9922 of the Florida New Markets Development Program Act. Under these provisions, qualified investments must be made within one year of the Florida QEI or risk receiving a notice of proposed recapture of previously taken tax credits, plus penalties and interest. Once notice is received, the Company has six months to cure the deficiency and avoid recapture.

Subsequent to December 31, 2013, the Company issued two Florida QLICI for a total amount of \$5,898,568. Management of the Company has not received notice of a proposed recapture and the investments described above were fully executed within the applicable timeframe so as to avoid a recapture event.