

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2014 AND 2013**

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2014 AND 2013**

---

**TABLE OF CONTENTS**

	<b><u>Page: #s</u></b>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-22
Supplementary Information:	
Schedule of Expenditures of Federal Awards and State Financial Assistance	23
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	23-24
Compliance Reports:	
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 <i>Government Auditing Standards</i>	25-26
Independent Auditors' Report on Compliance for Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.650 Rules of the Auditor General	27-29
Schedule of Findings and Questioned Costs – Federal Programs and State Financial Assistance Projects	30-33
Management Letter	34



## 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, 2014 and 2013, 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, 2014 and 2013, 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 has recorded a provision for any resulting liability 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.

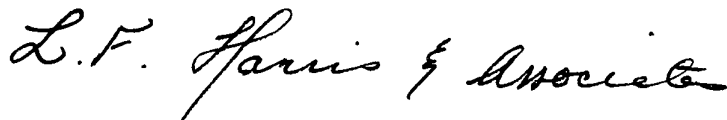
## Other Matters

### *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 March 31, 2015 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  
March 31, 2015

**BLACK BUSINESS INVESTMENT FUND OF CENTRAL FLORIDA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2014 and 2013**

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,925,167	\$ 849,492
Restricted Cash	2,356,794	1,431,519
Accounts Receivable	67,306	73,293
Prepaid and Other	10,599	9,315
Due from Affiliates	149,985	124,062
Current Portion of Notes Receivable, Net	1,184,551	1,964,568
<b>Total Current Assets</b>	<b>5,694,402</b>	<b>4,452,249</b>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and Equipment	152,641	146,607
Less: Accumulated Depreciation	(89,281)	(69,269)
<b>Net Property and Equipment</b>	<b>63,360</b>	<b>77,338</b>
<b>OTHER ASSETS</b>		
Deposits	5,036	5,310
Notes Receivable, Net	2,296,294	642,019
Long Term Notes Receivable, Affiliates, Net	614,600	2,770,130
<b>Total Other Assets</b>	<b>2,915,930</b>	<b>3,417,459</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,673,692</b>	<b>\$ 7,947,046</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 13,062	\$ 47,781
Accrued Liabilities	1,169,146	63,274
Line of Credit and Current Portion - Long Term Debt and Leases	3,205,063	492,008
<b>Total Current Liabilities</b>	<b>4,387,271</b>	<b>603,063</b>
<b>LONG-TERM LIABILITES</b>		
Long-Term Debt and Capital Leases	3,046,297	3,697,544
<b>Total Liabilities</b>	<b>7,433,568</b>	<b>4,300,607</b>
<b>NET ASSETS</b>		
Temporarily Restricted Net Assets	354,013	140,359
Investment Contributions - Unrestricted	2,340,833	2,340,833
Unrestricted Net Assets	(1,454,722)	1,165,247
<b>Total Net Assets</b>	<b>1,240,124</b>	<b>3,646,439</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,673,692</b>	<b>\$ 7,947,046</b>

*See accompanying notes to financial statements*

**BLACK BUSINESS INVESTMENT FUND OF CENTRAL FLORIDA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**September 30, 2014 and 2013**

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Other Support</b>						
Contributions	\$ 469,239	\$ 370,833	\$ 840,072	\$ 439,459	\$ 317,457	\$ 756,916
Consulting and Service Income	74,525		74,525	69,985		69,985
Loan Interest Income	89,143		89,143	53,422		53,422
Interest and Dividend Income	358		358	916		916
Loan Participation Interest Sales, net	95,515		95,515	62,322		62,322
Loan Origination and Servicing Fees	116,945		116,945	209,374		209,374
Other	-		-	-		-
<b>Total Revenues and Other Support</b>	<b>845,725</b>	<b>370,833</b>	<b>1,216,558</b>	<b>835,478</b>	<b>317,457</b>	<b>1,152,935</b>
<b>Expenses</b>						
Salaries and Fringe Benefits	686,201		686,201	648,205		648,205
Rental Expense	69,923		69,923	65,797		65,797
Contracted Professional/Technical Services	215,630		215,630	208,869		208,869
Bad Debt Expense	1,352,409		1,352,409	-		-
Insurance	3,593		3,593	6,731		6,731
Seminars and Conferences	29,706		29,706	22,150		22,150
Office Expense	34,404		34,404	76,895		76,895
Depreciation	20,286		20,286	20,633		20,633
Telephone	12,104		12,104	13,128		13,128
Travel	5,139		5,139	3,584		3,584
Sponsorships	550		550	680		680
Advertising and Marketing	6,972		6,972	5,506		5,506
Interest Expense	21,545		21,545	27,359		27,359
Taxes, Licenses, and Fees	1,351		1,351	1,672		1,672
Dues/Subscriptions	175		175	9,052		9,052
Bank Charges (Credit)	5,775		5,775	2,726		2,726
Repairs and Maintenance	1,623		1,623	-		-
Impairment of Investment	87,658		87,658	-		-
Provision for Contingency	1,067,829		1,067,829	-		-
<b>Total Expenses</b>	<b>3,622,873</b>	<b>-</b>	<b>3,622,873</b>	<b>1,112,987</b>	<b>-</b>	<b>1,112,987</b>
<b>Change in Net Assets From Operations</b>	<b>(2,777,148)</b>	<b>370,833</b>	<b>(2,406,315)</b>	<b>(277,509)</b>	<b>317,457</b>	<b>39,948</b>
<b>Disposition of Fixed Assets Gain (Loss)</b>						
Loss on Disposition of Fixed Assets	-		-	(207)		(207)
<b>Net Assets Released from Restrictions</b>						
Satisfaction of Program Restrictions	157,179	(157,179)	-	292,098	(292,098)	-
<b>Net Increase (Decrease) in Net Assets</b>	<b>(2,619,969)</b>	<b>213,654</b>	<b>(2,406,315)</b>	<b>14,382</b>	<b>25,359</b>	<b>39,741</b>
<b>Net Assets, Beginning 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>
<b>Net Assets, End of Year</b>	<b>\$ 886,111</b>	<b>\$ 354,013</b>	<b>\$ 1,240,124</b>	<b>\$ 3,506,080</b>	<b>\$ 140,359</b>	<b>\$ 3,646,439</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, 2014 and 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (2,406,315)	\$ 39,741
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (used in) operating activities:		
Depreciation	20,286	20,633
Impairment of Investment	87,658	-
Bad Debt Expense	1,352,409	-
Transfers to Restricted Cash	-	(35,297)
Loss on Disposition of Assets	-	207
Changes in Operating Assets and Liabilities:		
Accounts Receivable	5,987	26,027
Prepaid and Other	(1,284)	10,914
Due from Affiliates	(25,923)	(6,355)
Deposits	274	470
Accounts Payable	(34,719)	41,274
Accrued Liabilities	1,105,872	(35,796)
Total Adjustments	<u>2,510,560</u>	<u>22,077</u>
<b>Net Cash Provided by Operating Activities</b>	<b>104,245</b>	<b>61,818</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in Affiliate Notes Receivable	-	(31,320)
Principal Collected on Affiliate Notes Receivable	1,475,345	-
Investments in Notes Receivable	(3,593,473)	(3,473,716)
Investment in Blackstar	(87,658)	-
NMTC Loan to Finance Project Atlantic	(1,700,827)	-
Principal Collected on Notes Receivable	3,225,480	2,970,648
Purchases of Property & Equipment	(6,034)	(13,340)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(687,167)</b>	<b>(547,728)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown/Repayment on Lines of Credit, Net	(22,804)	72,500
Principal payments on Furniture Loan	(4,691)	(40,663)
Long term bank borrowing	50,000	500,000
Proceeds from NMTC Transaction	1,700,827	-
Repayment of Lutheran Note	(300,000)	-
Enterprise Florida Loan Participations	237,500	-
Capital Lease Principal Repayments	(2,235)	(1,896)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>1,658,597</b>	<b>529,941</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,075,675</b>	<b>44,031</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>849,492</b>	<b>805,461</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 1,925,167</b>	<b>\$ 849,492</b>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Interest Paid	<u>\$ 23,645</u>	<u>\$ 36,261</u>
<b>Noncash Financing and Investing Activity:</b>		
Asset and Liability Recorded to Reflect the Guarantee of BBCFC's Note Payable to the City of Orlando	<u>\$ 878,000</u>	<u>\$ -</u>
Satisfaction of Loan Guarantee to Florida Community Loan Fund	<u>\$ 474,713</u>	<u>\$ -</u>

See accompanying notes to financial statements

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

---

**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, 2014 and 2013, contributions received that remained subject to unsatisfied restrictions amounted to \$354,013 and \$140,359, respectively.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

---

**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, 2014 and 2013, respectively, are approximately \$429,330 and \$454,600 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, 2014 AND 2013**

---

**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, 2014 and 2013 amounting to \$2,356,794 and \$1,431,519, 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, 2014 and 2013, respectively, \$1,851,737 and \$769,810 of the total consisted of principal and interest collected on notes receivable that were payable to the State of Florida, net of fees, under the Economic Gardening Business Loan Pilot Program. The remaining \$505,057 and \$661,701, at September 30, 2014 and 2013, 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, 2014 and 2013 amounted to \$20,286 and \$20,633 respectively.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

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

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

	<u>2014</u>	<u>2013</u>
Furniture and Equipment	\$ 152,641	\$ 146,607
Less accumulated depreciation	<u>(89,281)</u>	<u>(69,269)</u>
Net Furniture and Equipment	<u>\$ 63,360</u>	<u>\$ 77,338</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, 2014 and 2013, respectively, the Fund had cash and cash equivalents and restricted cash at financial institutions exceeding the federally insured limits by \$3,038,143 and \$1,052,295, 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 GUARANTEE PROGRAM**

The Fund has 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 or less 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 greater than \$150,000 approved and an annual service fee on the outstanding unsold guaranteed portion. The SBA has granted the Fund permission to sell participating interests in the guaranteed 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 years ended September 30, 2014 and 2013, respectively, loans with an original principal balance of \$1,011,600 and \$1,071,800 were made under this program and participating interests not exceeding the guaranteed portion in these loans of \$956,690 and \$579,638 were sold to institutional investors in the secondary market. The Fund recognized gains of \$95,515 and \$62,322 in its statement of activities on these sales during the years ended September 30, 2014 and 2013, respectively. 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 unguaranteed and guaranteed portion of the CA loan portfolio. At September 30, 2014, 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, 2014 AND 2013**

---

**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 mid-sized 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 1% to 12%, and are generally 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, 2014 and 2013 totaled \$3,543,992 and \$2,705,486 respectively. The related allowance for doubtful accounts for the years ended September 30, 2014 and 2013, totaled \$62,147 and \$98,900, respectively.

Black Business Loans

Since fiscal year 2009, the primary source of capital for new black business loans has been proceeds received under a grant program, funded annually on a state fiscal year basis, 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 existing capital. The Fund bears direct risk of loss on BBLPG loans as the grant proceeds do not revert to the 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. Loan applicant’s businesses must be majority black owned and managed. Due to an unresolved, ongoing dispute with the DEO over servicing fees earned by the Fund under the Economic Gardening Business Loan Pilot Program (Note K), the DEO withheld certification of the Fund as a Black Business Investment Corporation for the state’s two fiscal years ended June 30, 2013. The Fund filed an appeal that resulted in a settlement in March 2013, where the Fund was recertified for state’s two fiscal years. However, funding was restored only for the state’s fiscal year 2012/13 in an aggregate amount of \$317,457. In June 2014, the DEO granted funding for the state fiscal year ended June 30, 2014, in the amount of \$370,833 to the Fund under this program.

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 the DEO’s predecessor OTTED. As described more fully in Note N, the Fund serves as an intermediary between the DEO and borrowers. The Fund marketed and advertised the program, created loan policies and procedures, qualified borrowers, approved and closed the loans, and collects principal and interest on behalf of the 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 charged the DEO a .625% servicing fee, which used to be deducted from collections prior to remittance to the DEO, and which is currently the subject of litigation (Note K). Provided the Fund followed the underwriting standards in the agreement, the 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, 2014 AND 2013**

---

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

Small Business Administration Loan Program

During fiscal year 2010, the Fund executed a microloan agreement with 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 under this loan program.

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.

New Market Tax Credit Loan (NMTC Loan or Transaction)

The granting of NMTC's is administered by the CDFI Fund within the US Department of the Treasury (CDFI Fund). NMTC's provide federal tax benefits to entities that make qualified investments. These investments may be either loans to or equity investments in qualified entities. Benefits are in the form of federal tax credits of 39% spread over seven years that investors in NMTC transactions may use to reduce their Federal income taxes.

During the course of the Fund's fiscal year 2014, Valued Advisor Fund (VAF) received an allocation of \$51,392,113 of NMTCs from the CDFI Fund. VAF proceeded to put mechanisms in place to ensure that investors were able to make qualified investments, thereby enabling the NMTC allocation to be utilized. Toward this end, the Fund was used as a party to a specific NMTC transaction that occurred on September 23, 2014. The Fund's role in this transaction was twofold. In its first role, it simultaneously borrowed \$1,700,827 from VAF Sub-CDE XIII, LLC (VAF XIII), whose managing member is VAF and lent the \$1,700,827 to Atlantic Healthy Foods, LLC (Atlantic), which is the qualified investment in this transaction. In its second role, the Fund monitors Atlantic to ensure that the NMTC loan continues to qualify for Federal tax credits. The Fund earned a fee for its role in the transaction.

Both the note receivable and note payable relating to the NMTC transaction bear interest at 3.019%, which is due and payable monthly commencing October 20, 2014. Principal payments on the notes commence on October 20, 2021 and are amortized over the twenty eight year remaining life of the notes which mature on September 30, 2049. The Fund neither bears the risk of loan loss on the Atlantic loan nor is it liable to VAF XII beyond the principal and interest collected from Atlantic on the note receivable. Prepayment of the notes is not allowed during the NMTC seven year, recapture period.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**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
2015	491,810	-	194,512	498,229	1,184,551
2016	-	129,409	79,245	8,767	217,421
2017	-	-	69,428	-	69,428
2018	-	-	74,255	-	74,255
2019	-	-	70,040	-	70,040
<b>Thereafter</b>	-	-	226,469	1,700,827	1,927,296
Total Loans Receivable	491,810	129,409	713,949	2,207,823	3,542,991
Less: Allowance for Doubtful Accounts	-	10,805	35,697	15,644	62,146
Net Notes Receivable	<u>\$ 491,810</u>	<u>\$118,604</u>	<u>\$ 678,252</u>	<u>\$ 2,192,179</u>	<u>\$ 3,480,845</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 \$1,229 and \$3,688 at September 30, 2014 and 2013, respectively.

The following is a schedule by year of future minimum payments required under the capital lease agreement as of September 30, 2014:

Year ending September 30,	<b>2015</b>	<b>Payments</b>
		1,568
Less: Interest		(84)
		<u>\$ 1,484</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 minimum of a 3% match at the discretion of its board. Contributions were \$34,988 and \$0 for the fiscal years ended September 30, 2014 and 2013, respectively.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**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 a membership agreement among the parties.

	<u>2014</u>	<u>2013</u>
<b><u>Preferred Investment</u></b>		
Black Business Investment Board	\$ 1,380,833	\$ 1,380,833
<b><u>Class A Investment</u></b>		
Bank of America	445,000	445,000
SunTrust Bank, NA	210,000	210,000
Wells Fargo Bank	190,000	190,000
The First, FA	50,000	50,000
<b><u>Class B Investment</u></b>		
SunTrust Bank, NA	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><u>\$ 2,340,833</u></b>	<b><u>\$ 2,340,833</u></b>

In the event of dissolution or liquidation of the Fund, any net assets shall be distributed to not for profit corporations, as may be designated by a majority of the members of the board of directors as best suited to continue the exempt purpose and objectives of the Fund. Any remaining capital of the Fund 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, 2014 and 2013.

**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, 2014 and 2013.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

---

**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, 2014 are as follows:

Fiscal Year Ending September 30,	
2015	66,792
2016	68,784
2017	55,109
	<u>\$ 190,685</u>

Rental expense was \$69,923 and \$65,797 for the years ended September 30, 2014 and 2013, respectively.

Servicing Fee Contingency

The Fund had an agreement with the State of Florida's the DEO (Notes N and O). Under this agreement, the Fund was granted \$8,500,000 to establish a loan fund under the Economic Gardening Loan Pilot Program, a majority of which it then lent to qualified small businesses. Through September 30, 2014, the Fund continued to service these loans and believes it is entitled to a servicing fee payable monthly.

Due to 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. The DEO contends that the servicing fee should be .625% per year, but allowed for the Fund to withhold monthly payments based on the monthly rate. In the final fiscal quarter of 2013, the Fund ceased withholding any servicing fees. The difference in the amounts between the Fund and the DEO for the years ended September 30, 2014 and 2013 amounted to approximately \$57,800 and \$139,300, respectively. At September 30, 2014 the cumulative difference amounted to greater than \$1,000,000.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

---

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

Under the terms of the settlement agreement, the DEO recertified the Fund under the Black Business Loan Program (Note F). The DEO also 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 the DEO's interpretation of the service fee calculation.

In June 2013, one month prior to the contract expiration date, the DEO notified the Fund that it was immediately terminating the Economic Gardening Loan Pilot Program agreement. The DEO further stated that the Fund owed the 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, it claimed, the Fund had not lent by June 30, 2011, the last date on which loans were authorized under the program. The DEO's differences were due solely to its calculation of the disputed servicing fee between the DEO and the Fund. In July 2013, the DEO filed suit in the Second Judicial Circuit Court, Leon County, Florida seeking damages of the aforementioned amount plus interest and court costs. The Fund answered the complaint and filed a counter-suit against the DEO for breach of contract and is seeking damages of \$1,500,000, plus court costs and attorney's fees.

On August 6, 2014, the DEO was awarded summary judgment by the Second Judicial Circuit, Leon County Florida in an amount of \$1,067,829 in damages plus interest. The Fund filed notice of appeal on September 2, 2014. The Fund has recorded a provision for this contingency in its statement of activities which it believes to be adequate. However, it is at least reasonably possible that the Fund's estimate of its liability may change in the near term.

**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 grant support from local and State governmental entities, including local contributions from the City of Orlando ("the City") and Orange County ("the County"). State support has come from the State of Florida, the 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, 2014 AND 2013**

---

**NOTE M – RELATED PARTY TRANSACTIONS**

Relationship with Black Business Capital Financing Corporation (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.

Related Party Loan

Historically, the Fund entered into several loan transactions with BBCFC, wherein the Fund provided financing for a mixed use residential and commercial development project that was to be developed by BBCFC's wholly owned subsidiary Carver Theatre Development, LLC (Carver or subsidiary).

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 was due on March 21, 2015. The loan bore interest at 5% and had a two year renewal option extending it through March 21, 2017. It was collateralized by the land related to the development. The aggregate amount of the BBCFC loan reflected on the books of the Fund at September 30, 2013 was \$2,325,259. There was a related allowance of \$246,481 at September 30, 2013. Interest on these loans was not reflected in the statement of activities for the years ended September 30, 2014 and 2013 as in accordance with generally accepted accounting principles, it was not recognizable.

The Carver property was purchased by BBCFC's subsidiary in 2006 in partnership with the City of Orlando as part of the plan to redevelop the underserved Parramore District. Due to the economic downturn in 2008, the Carver property was not developed, and on July 29, 2014, the property was sold to the City's Community Redevelopment Agency for \$2,000,000. As part of the agreement, BBCFC agreed to repay \$878,000 that the City had advanced BBCFC for the development of the mixed use residential project in equal annual installments of \$43,900 over 20 years beginning in September 2015 at zero interest. In order to induce the City to extend this credit, the Fund guaranteed this loan which is presented as an affiliate note receivable net of an allowance of \$263,400 and as offsetting long term debt.

In connection with the sale of the Carver property which served as collateral for the Fund's loan to BBCFC of \$2,325,259, BBCFC repaid the Fund \$1,400,345. The remaining balance net of the allowance amounting to \$678,433 was written off and is reflected in bad debt expense in the 2014 statement of activities.

Other Financing Obligations

The Fund was a cosigner on an obligation of BBCFC (see Note O) which is reflected as a liability in the fiscal year 2013 statement of financial position. Beginning in the latter part of fiscal year 2010, the Fund made scheduled payments on this obligation on behalf of BBCFC. The Fund recorded a related receivable for amounts due from BBCFC which offset the liability and also reflected the payments it made on behalf of BBCFC under the obligation. The obligation was satisfied by BBCFC

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

---

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

from the proceeds of the sale of the Carver property. The Fund wrote off \$164,699 of the related receivable which is reflected in bad debt expense in the fiscal 2014 statement of activities.

At September 30, 2014 and 2013, the amount recorded as a receivable from BBCFC, under this arrangement, amounted to \$0 and \$616,352, respectively, including principal and interest payments made by the Fund on BBCFC's behalf.

In July 2011, the Fund lent BBCFC \$75,000. The loan was for 7 years at an interest rate of 5%. Payments of principal and interest were deferred until maturity. The loan, together with accrued interest, was repaid in full in August 2014 by BBCFC from the proceeds of the Carver property sale.

During the year ended September 30, 2011, in the normal course of business, the Fund lent a BBCFC's Board Member's company two loans totaling \$50,000. BBCFC's Board is separate and independent of the Fund's Board and loan committee which approved the loans. During the fiscal year ended September 30, 2014, both loans were refinanced and consolidated into a five year, SBA Microloan bearing interest at 8.5% which is within the range paid by unaffiliated borrowers. At September 30, 2014 and 2013, \$42,510 and \$43,162 under these loans, respectively, were still outstanding.

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, 2014 and 2013, respectively, amounts due the Fund from BBCFC were \$149,985 and \$124,062, respectively.

**Grants Passed Through BBCFC**

During the years ended September 30, 2014 and 2013, BBCFC received grants from certain financial institutions amounting to \$50,000 and \$75,000, respectively, which it passed through to the Fund. In fiscal 2013 BBCFC charged fees ranging from 10% to 20% of the original grant proceeds. Additionally, during fiscal 2013, BBCFC paid the Fund \$70,923 owed on fiscal 2012 grants.

**Investment in Private Equity Fund**

In November 2013, a private equity fund, Blackstar Private Equity Fund, Inc. (Blackstar), was incorporated as a Florida corporation which was intended to be a joint venture between the Fund and another Florida based not-for-profit, People Helping Each Other, Incorporated. Blackstar was set up to seek Federal grant funding from OPIC and other sources, and private funding from institutional investors, for the purpose of making investments in minority companies throughout the state of Florida that create jobs and intend to expand business in international markets, particularly, Africa. The Fund committed to fund Blackstar up to \$100,000 to facilitate start-up activities. During the course of the year ended September 30, 2014, \$87,658 of the \$100,000 committed was disbursed to consultants for all the upfront activities necessary to present proposals to OPIC. Blackstar was not successful in its OPIC proposals and the Fund decided to liquidate it. The \$87,658 was written off and is shown as an expense in the September 30, 2014 statement of activities.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

---

**NOTE N – STATE FINANCIAL ASSISTANCE**

Grant

The Fund is a recipient of funding from the 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 years ended September 30, 2014 and 2013 were \$370,833 and \$317,457, respectively. Amounts expended by the Fund under this program during the years ended September 30, 2014 and 2013 amounted to \$157,179 and \$177,098, respectively (Note F).

These expenditures related to the grant during the years ended September 30, 2014 and 2013, consisted of committed and disbursed new loans to qualified black business and administrative and technical assistance. In aggregate, for the years ended September 30, 2014 and 2013, respectively, \$79,304 and \$118,692, respectively, were committed to new loan disbursements. At September 30, 2014 and 2013, the Fund had, respectively, approximately \$297,137 and \$472,600 of BBLPG notes receivable.

Loan

On September 4, 2009, the Fund entered into an Economic Gardening Business Loan Pilot Program Agreement with the DEO. This agreement is subject to Florida Statutes 288.1081, the purpose of which was 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; serviced these loans; and, monitored 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. The term of each loan agreement under this program is four years.

Collections of amounts lent, including interest at 2%, net of applicable fees due the Fund (Note K) were to be remitted to the DEO 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.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

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

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

	<u>2014</u>	<u>2013</u>
Note payable to State of Florida initially due September 4, 2014, interest at 2% (see Notes F and N)	\$ 2,299,536	\$ 2,210,317
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
Non-interest bearing note payable, City of Orlando, annual principal payments of \$43,900, maturing on September 25, 2039	878,000	-
Note payable to the US Small Business Administration, due November 2020, interest at a base rate of 2.375%	534,317	622,816
Note payable to Wells Fargo Community Investment Holdings, interest at 2%, due March 15, 2023	250,000	250,000
Interest only line of credit with a bank at 1%	300,000	250,000
Note payable to VAF Sub-CDE XIII, LLC, interest at 3.019%, matures September 30, 2049 (Note F)	1,700,827	-
Note payable to a bank, collateralized by furniture, interest at 4.8%, due April 2014	-	4,691
Note payable, Evangelical Lutheran Church in America, interest at 2%, due June 30, 2014	-	300,000
Total Long Term Debt	<u>\$ 5,962,680</u>	<u>\$ 4,112,537</u>

A description of the major categories of debt and credit lines follows.

Note Payable Florida Community Loan Fund

Florida Community Loan Fund, Inc. (FCLF) - \$580,000 original principal, note payable, as amended, was offset by a corresponding note receivable from BBCFC, the primary borrower under the agreement. The related note receivable was on the same terms as the note payable. The note was 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, 2014 and 2013, the Fund made the scheduled 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. In August 2014, the note was satisfied out of the proceeds from the sale of the collateral.

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

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

---

**NOTE O – LONG TERM DEBT AND LINES OF CREDIT (continued)**

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. The cash match is used to fund the loan loss reserve account, and cannot be from other Federal funds or from borrowed funds. At September 30, 2014 and 2013, respectively, the Fund has set aside \$81,535 and \$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, 2014 and 2013. 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 \$24,553 and \$38,335 for the federal fiscal years ended June 30, 2014 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 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.

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. 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.

Long Term 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, 2014, \$300,000 was outstanding under this line of credit, which, based on its terms, is classified as long term debt.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

---

**NOTE O – LONG TERM DEBT AND LINES OF CREDIT (continued)**

Non-interest Bearing Note City of Orlando

On July 28, 2014, the Fund guaranteed payment of an unsecured, obligation of its affiliate BBCFC (Note M). This obligation arose from advances made by the City to BBCFC for the development of a mixed use residential property, which must be returned to the City since the property was not developed. Principal payments on this obligation amounting to \$43,900 per year are scheduled to commence on September 25, 2015.

Line of Credit for Operating Activities

The Fund has a \$100,000 revolving line of credit with a financial institution which bears interest at 5%. At September 30, 2014, and 2013, respectively, the outstanding balance was \$49,696 and \$-.

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 was 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 was repayable in full, principal and unpaid interest on March 10, 2014 and was not renewed. At September 30, 2013, \$72,500 was outstanding under this line of credit.

Loan Participation

Beginning in the fiscal year ended September 30, 2014, from time to time, a not-for-profit affiliated with the State of Florida, Enterprise Florida (EF) has chosen to participate in the funding of some of the short term, revolving loans made by the Fund to its clients under various loan programs. At September 30, 2014, amounts due EF under this program were \$237,500. The interest rate paid EF on these loan participations varies with the loan made by the Fund. The full amount of the loan is carried in the notes receivable balance on the Fund's financial statements.

Current Maturities

Current maturities of long term debt at September 30, 2014 amounted to:

Year ending September 30,	Payments
2015	\$ 2,433,201
2016	134,678
2017	135,703
2018	136,738
2019	137,786
Thereafter	2,984,574
	<u>\$ 5,962,680</u>

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

---

**NOTE P – SUBSEQUENT EVENTS**

In accordance with generally accepted accounting principles, subsequent events are covered through March 31, 2015, which is the date the financial statements were available to be issued.

**Grant Agreements with Local Governments**

In October 2014, and January 2015, respectively, the Fund executed agreements with the City and the County whereby both the City and County will continue to provide support of the Fund's operations for fiscal year 2015. Total support under these agreements exceeded \$200,000.

**CDFI Award**

In August 2014, the Fund received an award notice from the US Department of the Treasury's, Community Development Financial Institutions Fund for \$1,000,000. An agreement was executed subsequent to year end for this amount. The Fund received the entire amount over two installments made in December 2014 and March 2015. The purpose of this award is to provide loans to qualified entities which subsequently commenced. It also provides for an administrative fee of 15% of the award amount.

**Repayment of Economic Gardening Loan**

On January 21, 2015, the Fund transferred \$1,969,567 in cash and title in the remaining Economic Gardening Business Loans which had an outstanding balance of \$375,977 to the DEO.

**Loan**

In February 2015, the Fund executed an unsecured loan of \$500,000 due March 31, 2020 with the Opportunity Finance Network, the purpose of which was to provide loans to qualified black, minority and underserved small businesses in the state of Florida.

**BLACK BUSINESS INVESTMENT FUND  
OF CENTRAL FLORIDA, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2014**

<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	\$ 1,277,956
<b><u>Small Business Administration</u></b>		
American Recovery and Reinvestment Act (ARRA) Microloan Program, \$750,000 Loan	59.046	534,317
American Recovery and Reinvestment Act (ARRA) Microloan Program, Grant	59.046	<u>24,553</u>
<b>Total Federal</b>		<b><u>\$ 1,836,826</u></b>
 <b><u>State of Florida:</u></b>		
<b><u>Department of Economic Opportunity:</u></b>		
Florida Black Business Assistance/Program	40.001	\$ 157,179
Economic Gardening Business Loan Pilot Program, \$8,500,000 Loan	40.019	<u>2,366,850</u>
<b>Total State</b>		<b><u>\$ 2,524,029</u></b>

**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, 2014**

---

**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, 2014. In addition, under the ARRA Microloan Program, an additional \$24,533 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 E to the financial statements, the Community Advantage Pilot Loan Program is an SBA 7(a) loan guarantee program whereby the SBA, for specified fees, guaranties 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, 2014.

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, 2014, the State provided the Fund a grant totaling \$370,833, of which \$337,458 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, 2014, 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 March 31, 2015.

**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 14-1.

### **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 March 31, 2015.

### **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*

L F. Harris & Associates, CPA, P.A.  
Orlando, Florida  
March 31, 2015

**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. 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, 2014. 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, 2014.

#### Other Matters

The results of our auditing procedures disclosed an instance of potential 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 14-01. 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 14-01 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  
March 31, 2015

**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, 2014**

---

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

1. The Independent Auditors' Report expresses an unmodified 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 material to the financial statements of Black Business Investment Fund of Central Florida, Inc. was disclosed during the audit. It relates to the major state financial assistance project and is 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 no federal audit finding that was required to be reported in accordance with Section 510(a) of OMB Circular A-133,.
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 14-01.
8. The programs tested as a major program were: Federal – SBA Community Advantage Pilot Loan Guaranty Program, CFDA 59.012; and for State – Economic Gardening Business Loan Pilot Program, CSFA 40.019.
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, 2014**

---

**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: - 14-01\*

State Project Information: - CSFA 40.019 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’s Department of Economic Opportunity, 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 (“the DEO”). As disclosed in Note K to the financial statements, in June 2013, the DEO notified the Fund it was terminating the agreement and, in July 2013, the DEO filed suit against the Fund over this matter. Since the notice of termination through September 30, 2014, the Fund has neither taken any fees for servicing these loan nor disbursed any amounts collected from servicing the loans to DEO. Rather, it maintained the cash collected from July 2013 through September 30, 2014 in a separate bank account with a money center bank. On January 21, 2015, a total of \$1,969,567 in cash and title in the remaining Economic Gardening Business Loans which had an outstanding balance of \$375,977 was transferred to the DEO. This represented the cumulative collections from July 2013 through the date of the transfer.

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 there was a variance in the agreement language, 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. Although, no formal amendment to the agreement was obtained, the Fund did receive written direction from OTTED to proceed.

Effect: - As a result, since inception through the end of June 2013, the Fund took approximately \$1,067,800 more for loan servicing fees than what it would have taken under OTTED’s interpretation. This resulted in DEO obtaining a summary judgment against the Fund in August 2014 for \$1,067,829.19 plus prejudgment interest.

**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, 2014**

---

Questioned Costs: - Approximately \$1,067,800 in total all relating to periods prior to July 1, 2014.

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

\* Finding is a repeat of the fiscal 2011, 2012 and 2013 finding with appropriate modification.

Management's Response: - The Fund and the DEO came to an agreement. However, as a result of the DEO having six different directors in the past year and an half, the current the 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 has appealed the summary judgment and will seek the earliest possible resolution to this dispute should it prevail. In addition, the Fund has secured a bond equal to the disputed amount.

THIS SECTION INTENTIONALLY LEFT BLANK

**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, 2014**

---

**PART IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS — STATE  
FINANCIAL ASSISTANCE PROJECTS and FEDERAL PROGRAMS**

Prior Year Audit Findings: -

Finding: - 13-01

State Project Information: - CSFA 31.058 now 40.019 Economic Gardening Business Loan Pilot Program (“EGLPP”), State of Florida, Office of Tourism Trade and Economic Development, now the Department of Economic Opportunity.

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 the 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 (“the DEO”). As disclosed in Note K to the financial statements, in June 2014, the DEO notified the Fund it was terminating the agreement and, in July 2013, the DEO filed suit against the Fund over this matter.

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

Current Status: - DEO obtained summary judgment on August 6, 2014 against the Fund in an amount of \$1,067,829 plus prejudgment interest. The Fund filed an appeal on September 2, 2014 and obtained a civil supersedeas bond in an amount \$1,329,894 in connection with its dispute over the variance in the agreement language relating to the servicing fee in the EGLPP agreement.

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.

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

Current Status: - The Fund has complied with reporting requirements for this program in fiscal year 2014.



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

### **Report on the Financial Statements**

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, 2014 and have issued our report thereon dated March 31, 2015.

### **Auditor's Responsibility**

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, Rules of the Florida Auditor General.

### **Other Reports and Schedule**

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 Auditor's Report on Compliance for Each Major Federal Program and State Project and Report 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 March 31, 2015, should be considered in conjunction with this management letter.

### **Other Matter**

Section 10.654(1)(e), Rules of the Auditor General, requires that we address noncompliance 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 the attention of those charged with governance. In connection to our audit, the Fund had one finding related to a State project reported in the Schedule of Findings and Questioned Costs, as 14-01 which should be referred to in connection with this management letter.

### **Purpose of this 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, the Board of Directors, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "L.F. Harris &amp; Associates". The signature is written in black ink and is positioned above the printed name and address.

L.F. Harris & Associates, CPA,  
Orlando, Florida 32803  
March 31, 2015