

**GRAND AVENUE ECONOMIC
COMMUNITY DEVELOPMENT CORP.
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
Years Ended December 31, 2017 and 2016**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Grand Avenue Economic Community Development Corp.
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Grand Avenue Economic Community Development Corp. ("Grand Avenue") and its wholly owned subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Grand Avenue Economic Community Development Corp. and its wholly owned subsidiaries as of December 31, 2017 and 2016, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and the *Florida Single Audit Act*, Chapter 10.650, Rules of the State Auditor General, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2018 on our consideration of Grand Avenue Economic Community Development Corp.'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 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 Grand Avenue Economic Community Development Corp.'s internal control over financial reporting and compliance.



L. F. Harris & Associates, CPA, P.A.
Orlando, Florida
May 22, 2018

GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	\$ 535,074	\$ 448,387
Tenant accounts receivable - Net	15,726	64,651
Grants receivable	87,003	63,163
Prepaid and other assets	104,723	79,281
Utility deposits	44,681	44,681
Notes receivable	20,128	21,687
Total Current Assets	<u>807,335</u>	<u>721,850</u>
Reserved Cash		
Tenant security deposits	39,721	36,668
Replacement reserves	394,214	271,763
Total Reserved Cash	<u>433,935</u>	<u>308,431</u>
Property and Equipment		
Land	3,639,007	3,639,007
Building	16,234,180	15,957,239
Furniture, fixtures and equipment	1,087,299	1,004,409
Accumulated depreciation	(7,915,146)	(7,311,594)
Total Property and Equipment	<u>13,045,340</u>	<u>13,289,061</u>
TOTAL ASSETS	<u>\$ 14,286,610</u>	<u>\$ 14,319,342</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Trade accounts payable	\$ 108,975	\$ 128,975
Tenants prepaid rent	13,699	29,520
Accrued expenses	145,657	112,896
Current portion of deferred revenue	6,413	6,413
Current portion of mortgage payable	151,008	158,290
Total Current Liabilities	<u>425,752</u>	<u>436,094</u>
Long Term Liabilities		
Tenant security deposits	31,108	36,819
Deferred revenue, less current portion	16,169	22,582
Mortgage payable, less current portion	4,261,629	4,264,144
Refundable advances	1,700,417	2,127,917
Total Long-Term Liabilities	<u>6,009,323</u>	<u>6,451,462</u>
Net Assets		
Unrestricted net assets	7,851,535	7,431,786
Total Net Assets	<u>7,851,535</u>	<u>7,431,786</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,286,610</u>	<u>\$ 14,319,342</u>

See accompanying notes to financial statements

GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2017 and 2016

UNRESTRICTED NET ASSETS	2017	2016
REVENUES, GAINS, AND OTHER SUPPORT		
Rent	\$ 3,235,155	\$ 3,257,010
Concessionaire income	20,482	20,931
Social enterprise income	49,975	36,280
Other income	56,943	646,109
Grant revenues	1,803,965	1,026,933
Contributions	13,769	14,900
Investment income	1,499	982
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	5,181,788	5,003,145
EXPENSES		
General and Administrative:		
Property management expense	44,328	46,412
Office and administrative expense	397,616	593,393
Professional services	36,218	38,601
Total General and Administrative Expenses	478,162	678,406
Project Services:		
Utilities	616,439	663,280
Interest expense	285,452	224,724
Cost of social enterprise income	42,227	6,239
Taxes and insurance	204,472	180,832
Repairs and maintenance	269,039	246,377
Bad debt expense	105,688	99,679
Program operating expense	1,546,925	1,538,292
Contracted services	477,078	396,374
Depreciation	736,557	586,905
Total Project Services Expenses	4,283,877	3,942,702
TOTAL EXPENSES	4,762,039	4,621,108
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS FROM OPERATIONS	419,749	382,037
NET ASSETS AT BEGINNING OF YEAR	7,431,786	7,049,749
NET ASSETS AT END OF YEAR	\$ 7,851,535	\$ 7,431,786

See accompanying notes to financial statements

GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2017 and 2016

CASH FLOWS FROM OPERATING ACTIVITIES	2017	2016
Rental receipts	\$ 3,275,317	\$ 3,216,502
Grant proceeds	1,352,625	985,370
Contributions	13,769	14,900
Miscellaneous property income receipts	52,029	641,282
Other operating receipts	70,457	57,211
Interest paid	(299,662)	(229,243)
Cash paid to suppliers and employees	(3,754,322)	(3,885,652)
NET CASH PROVIDED BY OPERATING ACTIVITIES	710,213	800,370
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(492,838)	(207,550)
Withdrawals from reserve for operating and escrows	(122,451)	(125,404)
NET CASH USED IN INVESTING ACTIVITIES	(615,289)	(332,954)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from principal payments on notes receivable	1,559	963
Cash received from mortgage acquisition	3,350,000	-
Proceeds from refundable advance	385,000	-
Mortgage principal payments	(3,744,796)	(165,094)
NET CASH USED IN FINANCING ACTIVITIES	(8,237)	(164,131)
 NET (DECREASE) INCREASE IN CASH	86,687	303,285
 CASH AT BEGINNING OF YEAR	448,387	145,102
 CASH AT END OF YEAR	\$ 535,074	\$ 448,387

See accompanying notes to financial statements

GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 419,749	\$ 382,037
Adjustments to reconcile changes in net assets provided by operating activities:		
Depreciation	736,557	586,905
Amortization of refundable advances	(42,500)	(42,500)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts and grants receivable	25,085	(38,091)
(Increase) decrease in prepaid and other assets	(25,442)	9,457
Increase (decrease) in accounts payable	(5,790)	(23,829)
Increase (decrease) in accrued liabilities	32,761	834
Increase (decrease) in interest payable	(14,210)	(4,519)
Increase (decrease) in deferred revenues	(6,413)	(7,341)
(Increase) decrease in net difference between tenant security deposit asset and liability	(8,763)	52
Increase (decrease) in refundable advances	(385,000)	-
Increase (decrease) in tenants prepaid rent	(15,821)	(62,635)
Total adjustments	290,464	418,333
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 710,213	\$ 800,370

See accompanying notes to financial statements

GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 AND 2016

NOTE A – NATURE OF ORGANIZATION AND BASIS OF PRESENTATION

Nature of Organization

These financial statements represent the financial position of Grand Avenue Economic Community Development Corp. (“Grand Avenue”), a not-for-profit corporation, and its wholly owned subsidiaries Maxwell Place, LLC (“Maxwell Place”), Grand Avenue Housing, LLC, and Pathlight Enterprises, LLC, which are single member Florida Limited Liability Corporations (collectively the “Corporation”). Grand Avenue owns three of the four phases of Maxwell Terrace Apartments (“Maxwell Terrace”). These three phases consist of two hundred and seventy-four (274) apartment units for very low-income individuals which are financed by various governmental entities. One hundred (100) of the units are financed under the United States Housing Act and are administered by the City of Orlando Housing Authority and the U.S. Department of Housing and Urban Development (“HUD”). Under this program, Maxwell Terrace provides rental assistance for homeless individuals with disabilities in rehabilitated Single Room Occupancy (“SRO”) housing subject to regulation by HUD as to rental charges and operating methods. Lower rental charges to tenants are recovered by Maxwell Terrace through rent subsidies provided by HUD. Maxwell Terrace receives Section 8 Housing Assistance Subsidy from HUD which is passed through the Orlando Housing Authority.

Maxwell Place owns a fourth phase of Maxwell Terrace consisting of fifty-nine (59) units, all of which were rented at December 31, 2017.

Grand Avenue also owns Maxwell Garden Apartments, a two hundred and five (205) unit apartment complex, which offers affordable housing for low or very low-income persons. Maxwell Garden Apartments (“Maxwell Gardens”) is financed by various private and governmental agencies. The Orlando Area Trust for the Homeless financed one hundred (100) of the units for the homeless. Under the agreement, these units were required to remain occupied and affordable at levels established by the Orlando Area Trust for the Homeless (“OATH”) for a fifteen (15) year period. In December 2010, OATH released Grand Avenue from this obligation. Maxwell Gardens is also funded by a small grant from the United States Department of Housing and Urban Development (“HUD”) for acquisition and a Supportive Housing Program (“SHP”) grant for supportive services and operating expenses, which is subject to regulation by HUD. Under the acquisition grant, a total of fifty (50) units must be operated for the provision of housing and supportive services for homeless persons for a term of twenty (20) years through fiscal year 2023.

A Safe Haven program is also run at Maxwell Gardens with the proceeds from a SHP grant received from HUD. This program funds services, including free housing, for twenty-five (25) chronically homeless individuals. Its primary goal is to help these individuals obtain permanent housing, attain an income and provide them with life and employment skills.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). Under those provisions, net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 AND 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ◆ Unrestricted Net Assets — Net assets that are not subject to donor-imposed stipulations;
- ◆ Temporarily Restricted Net Assets — Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Corporation pursuant to those stipulations or that expire with the passage of time; and
- ◆ Permanently Restricted Net Assets — Net assets subject to donor-imposed stipulations that must be maintained permanently by the Corporation. Generally, donors of such assets permit the Corporation to use all or part of the income earned on the assets. The Corporation had no permanently restricted net assets as of December 31, 2017 and 2016.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Grand Avenue and its wholly owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Method of Accounting

The Corporation, (Grand Avenue and its subsidiaries), uses the accrual method of accounting for financial statement purposes.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or at fair value at the date of the gift, if donated, less accumulated depreciation. The Corporation's threshold for capitalization is \$500. Land and building acquisitions are capitalized at cost. Depreciation is computed for financial statement purposes using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings – Thirty (30) years
Equipment – Three (3) to seven (7) years

Income Taxes

The Corporation is a not-for-profit organization exempt from federal income taxes under the Internal Revenue Code, Section 501(c)(3).

Cash Equivalents

For the statement of cash flows, the Corporation considers all highly liquid, unrestricted investments with original maturities of three months or less to be cash equivalents.

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GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 AND 2016

NOTE C – RELATED PARTY NOTES RECEIVABLE

Contributed Property

In August 2009, a financial institution contributed real property to the Corporation with a fair market value at that date of approximately \$21,000. The Corporation immediately arranged to sell the property to a then employee for \$21,000.

The sale was financed via a 20 year note at 5% interest amounting to \$21,800, reflecting the sales price and outstanding property taxes. The five year maturity schedule on this note at December 31, 2017, is as follows:

<u>December 31,</u>	<u>Amount</u>
2018	\$ 1,132
2019	1,190
2020	1,251
2021	1,315
2022	1,382
Thereafter	<u>7,608</u>
Total Due	<u>\$ 13,878</u>

Loan to Affiliate

Grand Avenue is the project sponsor of Grand Avenue ECDC Housing, Inc. (“Housing”), which operates a HUD residential apartment complex for low income, disabled individuals. Housing obtained its initial funding via a forgivable capital advance with final maturity at May 1, 2046. In its capacity as project sponsor, Grand Avenue manages Housing’s activities and shares its President. On October 2, 2012, Grand Avenue provided a non-interest bearing loan in the amount of \$6,250 to Housing. The loan matures after the HUD forgivable capital advance matures on May 1, 2046.

NOTE D – LAND, BUILDINGS, FURNISHINGS

Property and equipment consists of the following at December 31, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
Land	\$ 3,639,007	\$ 3,639,007
Buildings and improvements	16,234,180	15,957,239
Furniture, fixtures and equipment	<u>1,087,299</u>	<u>1,004,409</u>
	20,960,486	20,600,655
Less accumulated depreciation	<u>(7,915,146)</u>	<u>(7,311,594)</u>
	<u>\$ 13,045,340</u>	<u>\$ 13,289,061</u>

Depreciation expense amounted to \$736,557 and \$586,905 during the years ended December 31, 2017 and 2016, respectively.

GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 AND 2016

NOTE E – CONCENTRATION OF CREDIT RISK AND FAIR VALUE MEASUREMENTS

Concentration of Credit Risk - The Corporation maintains bank accounts at several financial institutions. Amounts at each financial institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to \$250,000. Throughout the year, cash balances may occasionally exceed the insured limit. At December 31, 2017 and 2016 the Corporation exceeded the FDIC limit by \$675,608 and \$532,632, respectively.

Fair Value Measurements - Fair values of assets and liabilities measured on a recurring basis would normally apply to the Corporation’s Notes Receivable and its debt obligations. Such assets and liabilities do not readily trade in an active market. Moreover, there is no active market for substantially similar assets, nor are there significant other observable inputs that can readily be used to establish changes in fair value. As such, the Corporation believes that historical cost best represents current fair value in the absence of impairment and has presented them that way in the financial statements. There were no assets or liabilities that met the criteria for fair value measurement on a non-recurring basis.

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GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 AND 2016

NOTE F – MORTGAGES, NOTES PAYABLE AND LINE OF CREDIT

Long term debt at December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Maxwell Terrace I & II		
Refinanced mortgage payable, Florida Community Capital Corporation, in monthly payments of \$391.23, including principal and interest at 1%, due July 2038. Secured by real estate.	\$ 86,989	\$ 90,793
Refinanced mortgage payable, Florida Community Capital Corporation, in monthly payments of \$646.56, including principal and interest at 1%, due July 2038. Secured by real estate.	143,778	150,065
Mortgage payable, Chase Bank, monthly payments of \$7,252, including principal and interest at 6.91%, due October 1, 2034. Secured by real estate. Loan was paid in full on March 24, 2017.	-	889,126
Refinanced mortgage payable, Orange County Housing Finance Authority, in monthly payments of \$254, including principal and interest at 1%, due September 2038. Secured by real estate.	58,708	59,322
Mortgage payable, Chase Bank, in monthly payments of \$4,518.68, including principal and interest at 6.88%, due October 1, 2034. Secured by real estate. Loan was paid in full on March 24, 2017.	-	555,197
Maxwell Terrace III		
Refinanced mortgage payable, Florida Community Capital Corporation, in monthly payments of \$1,466.76, including principal and interest at 1%, due July 2038. Secured by real estate.	316,495	330,336
Refinanced mortgage payable, Florida Community Capital Corporation, in monthly payments of \$2,086.14, including principal and interest at 1%, due July 2038. Secured by real estate.	463,840	484,126
Maxwell Terrace IV (Maxwell Place)		
Seller-financed mortgages payable, of \$1,700,000, as follows. One note for \$1,315,239, bears interest at 6.5%, amortized on a thirty year schedule with monthly payments of \$8,313. This note matures on December 31, 2018. The other note, \$460,086, is non-interest bearing and is repayable in full at December 31, 2018. Both secured by real estate in Orange County, Florida. Loans were paid in full on March 24, 2017.	-	1,767,385
Maxwell Terrace IV (Maxwell Place) and Maxwell Terrace I & II		
Loan payable, TD Bank N.A., which bears interest at 5.15% on a twenty five year schedule with monthly payments of \$19,877.65. This loan matures on March 24, 2027. Secured by real estate.	3,306,939	-
Maxwell Gardens		
Mortgage payable, Florida Housing Finance Corporation, monthly payments of \$1,445.09 includes interest at 0.00% commencing April 30, 2003, due September 30, 2017. Secured by real estate.	-	13,005
Mortgage payable, Florida Community Capital Corporation, monthly payments of \$4,009, including principal and interest at 1.5%, due November 2018. Secured by real estate.	35,888	83,079
Total Mortgages and Notes Payable	\$ 4,412,637	\$ 4,422,434
Less Current Portion	(151,008)	(158,290)
Total Long-Term Debt	\$ 4,261,629	\$ 4,264,144)

GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 AND 2016

NOTE F – MORTGAGES, NOTES PAYABLE AND LINE OF CREDIT (Continued)

The following schedule outlines principal amounts outstanding on mortgages and notes payable at December 31, 2017:

<u>December 31,</u>	<u>Amount</u>
2018	\$ 151,008
2019	119,263
2020	123,603
2021	128,153
2022	135,371
Thereafter	<u>3,755,239</u>
Total Due	<u>\$ 4,412,637</u>

For the years ended December 31, 2017 and 2016, interest expense incurred on the notes payable and long-term debt amounted to \$285,452 and \$224,724, respectively, and is included in the Statements of Activities.

Line of Credit – The Corporation has a revolving line of credit agreement with a bank. The line of credit is for a maximum of \$100,000 and bears interest at a variable rate of prime plus 2.25%. At December 31, 2017 and 2016, respectively, there was no balance outstanding under this line of credit agreement.

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GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 AND 2016

NOTE G – REFUNDABLE ADVANCES

Refundable advances at December 31, 2017 and 2016, none of which bear interest, consist of the following:

Maxwell Terrace	<u>2017</u>	<u>2016</u>
Refundable Advance, City of Orlando, State of Florida Hurricane Housing Assistance program – total amount of the award was \$475,000. The award was made to repair hurricane damage at Maxwell Terrace. The note is due December 31, 2023. However, if the Corporation complies with its terms, it is forgiven in full at that date.	\$ 475,000	\$ 475,000
Refundable Advance, City of Orlando, SHIP Program – the note is forgiven in its entirety on May 30, 2018 if, throughout the agreement period, the Corporation is not in default of occupancy and use requirements.	250,000	250,000
Refundable Advance, Orange County State Housing Initiative Partnership Grant, dated October 29, 2010 – this note is forgiven in its entirety on October 29, 2030 if, throughout the period of the agreement, units are rented to tenants meeting income requirements, as specified. The note is reduced by \$42,500 each year the Organization remains in compliance.	545,417	587,917
Maxwell Gardens		
Refundable Advance, Federal Trust Bank - the note is forgiven in its entirety on June 30, 2018 if, throughout the agreement period, the Corporation is not in default of occupancy and use requirements.	430,000	430,000
Refundable Advance, City of Orlando, HOME Program - the note is forgiven in its entirety on September 30, 2017, provided that the Corporation remains compliant with the terms of the Agreement, specifically including the provision of specified housing units to low income individuals.	-	385,000
Total Refundable Advances	<u>\$ 1,700,417</u>	<u>\$ 2,127,917</u>

Recognition of Refundable Advances - During the years ended December 31, 2017 and 2016, respectively; \$427,500 and \$42,500 of refundable advances were recognized as revenues, as the Corporation had met the required time duration and performance criteria or was exempted from further obligation, as described immediately below.

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GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 AND 2016

NOTE H – COMMITMENTS AND CONTINGENCIES

Governmental Financial Assistance - Financial awards in the form of grants and loans from federal, state, and local governmental entities are subject to special audits, including, but not limited to, single audits. Such audits could result in claims against the Corporation for disallowed costs or non-compliance with grantor restrictions and other requirements. The amounts, if any, of expenditures which may be disallowed by the grantor are recorded at the time that such amounts can be reasonably determined, which is normally upon notification by the government agency. During the years ended December 31, 2017 and 2016, no such adjustments were made.

NOTE I – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Corporation's primary assets are apartment complexes: Maxwell Terrace Apartments I & II, Maxwell Terrace Apartments III, Maxwell Place, and Maxwell Garden Apartments ("Maxwell Gardens"). The Corporation's operations are concentrated in the low income, multifamily real estate market in Central Florida.

The Corporation's revenues are primarily derived from the rental of its apartment units to low and very low income individuals and from various grants (see Note L). The Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including the Department of Housing and Urban Development ("HUD"). Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or funding to pay for the related cost, including the additional administrative burden to comply.

NOTE J – RESERVED CASH

The Corporation has mortgages on certain properties. These mortgage agreements require that cash reserves be kept in separate bank accounts. These cash accounts are designated for operating expenditures and property repair and replacement.

Reserved Cash at December 31, 2017 and 2016 were:

	<u>2017</u>	<u>2016</u>
Repairs and Replacement Reserves	<u>\$ 394,214</u>	<u>\$ 271,763</u>
	<u>\$ 394,214</u>	<u>\$ 271,763</u>

NOTE K – TENANT ACCOUNTS RECEIVABLE

Tenant accounts receivable consists of tenant rents for lease payments and is reported net of an allowance for doubtful accounts, as the amount management expects to collect on balances outstanding at year-end. Management closely monitors tenant accounts receivable and reviews the collectability of the outstanding balances. Gross tenant accounts receivable at December 31, 2017 and 2016 amounted to \$23,055 and \$79,951, respectively. At December 31, 2017 and 2016 the allowance for doubtful accounts was \$7,329 and \$15,300 respectively.

GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 AND 2016

NOTE L – GRANT AGREEMENTS

During the years ended December 31, 2017 and 2016, the Organization had a number of active Federal and State grant agreements. A majority of these agreements were passed through Orange County or the Homeless Services Network (“HSN”). The agreements covered a variety of the Organization’s activities and needs, including: the rehabilitation of apartments, the provision of mental health and substance abuse counseling, and the provision of housing and related assistance to the chronically homeless. At December 31, 2017 and 2016, respectively, grants receivable consisted of the following:

	2017	2016
HSN, HUD Continuum of Care Programs	\$ 79,533	\$ 55,779
Community Development Block Grant Program	7,470	7,384
	\$ 87,003	\$ 63,163

A provision for uncollectible grants has not been recorded as, in the opinion of management, the entire amounts are collectible.

During the years ended December 31, 2017 and 2016, significant grants in effect included:

- On April 1, 2015, the Corporation entered into an agreement with Orange County, Florida amounting to a maximum of \$500,002. This agreement is renewable upon mutual consent of both parties for a maximum of three years. Under the terms of the agreement the Corporation is to provide a number of services to the chronically homeless including, but not limited to, housing, furniture and supplies, and case management. In April 2017, this agreement was extended for a third year. The contract provides for monthly billing for these services and for the years ended December 31, 2017 and 2016, the Corporation earned \$500,000 and \$375,001 respectively under this agreement.
- HUD’s Continuum of Care Safe Haven grant, passed through HSN, which provides for services, including free or substantially subsidized housing, for twenty-five (25) chronically homeless individuals. Its primary goal is to help these individuals obtain permanent housing, attain an income and provide them with life and employment skills. During the years ended December 31, 2017 and 2016, respectively, \$285,276 and \$162,653 were recognized under this grant program in the Statements of Activities. The Corporation is currently required to match the Continuum of Care funding based on an approved budget incorporated in the grant agreement.
- HUD’s Continuum of Care Pathlight Home Permanent Supportive Housing grant, is passed through HSN, and provides free or substantially subsidized rent at Maxwell Terrace I and Maxwell Terrace II. The grant, effective December 2015, in the amount of \$175,396 was renewed for the years 2016 and 2017 in the amount of \$214,205. During the years ended December 31, 2017 and 2016, respectively, \$186,371 and \$183,324 were recognized under this grant program in the Statements of Activities.
- On January 17, 2017, the Corporation signed an agreement between Orange County and Grand Avenue for renewing the facilities of Maxwell Gardens. The Corporation was assigned the amount of \$ 296,675 under the Community Development Block Grant funds. During the year ended December 31, 2017, \$296,675 was recognized under this grant program in the Statements of Activities.

GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 AND 2016

NOTE M – SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 22, 2018, the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to or disclosure in the financial statements.

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**GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2017**

Grantor / Program Title	Federal/State CFDA/CSFA Number	Federal Expenditures
<u>Federal:</u>		
<u>U.S. Department of Housing and Urban Development:</u>		
Passed Through:		
Orlando Housing Authority:		
Section 8		
Moderate Rehabilitation Single Room Occupancy	14.249	\$ 574,523
Homeless Services Network of Central Florida, Inc:		
FL0563L4H071500 Continuum of Care Program	14.267	\$ 241,792
FL0563L4H071601 Continuum of Care Program	14.267	43,484
FL0093L4H071508 Continuum of Care Program	14.267	25,205
FL0093L4H071609 Continuum of Care Program	14.267	34,321
FL0561L4H071500 Continuum of Care Program	14.267	165,810
FL0561L4H071601 Continuum of Care Program	14.267	20,561
Total Continuum of Care		\$ 531,173
Orange County, Florida:		
Community Development Block Grants	14.248	\$ 326,761
Total Federal		\$ 1,432,457
<u>State:</u>		
<u>Florida Housing Finance Corporation:</u>		
<u>Hurricane Housing Recovery Program</u>		
Passed Through:		
City of Orlando	52.902	\$ 475,000
<u>State Housing Initiative Partnership</u>		
Passed Through:		
City of Orlando	52.901	250,000
Orange County, Florida	52.901	545,417
Total State		\$ 1,270,417

**GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the federal and state grant activity of Grand Avenue Economic Development Corp, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; 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. The Federal and State Awards reflected in the Schedule include indirect cost charges allowed by the pass through entity in their respective agreements with Grand Avenue Economic Development Corp. In all instances, indirect administrative costs are equal to or less than ten percent (10%) of the total allowable costs.

NOTE B – INSURANCE

There were no Federal or State awards expended in the form of non-cash assistance. The Corporation had commercial and general liability insurance in effect during the year with limits of \$2,000,000 for general aggregate and \$1,000,000 for each occurrence.

NOTE C – FORGIVABLE LOANS

Included in the Schedule are forgivable State Loans amounting to \$1,270,417. These amounts have been included in the Schedule as the programs are subject to on-going compliance requirements.



**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
Grand Avenue Economic Community Development Corp.
Orlando, Florida

We have audited, in accordance with the 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 consolidated financial statements of Grand Avenue Economic Community Development Corp. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2017, 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 May 22, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Grand Avenue Economic Community Development Corp.'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 Grand Avenue Economic Community Development Corp.'s internal control. Accordingly, we do not express an opinion of the effectiveness of the Corporation'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 internal control 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. 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.

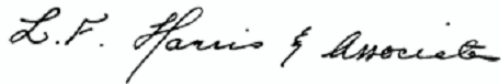
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grand Avenue Economic Community Development Corp.'s consolidated financial statements are free from 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



L F. Harris & Associates, CPA, P.A.
Orlando, Florida
May 22, 2018



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

The Board of Directors
Grand Avenue Economic Community Development Corp.
Orlando, Florida

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

We have audited Grand Avenue Economic Community Development Corp.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of Grand Avenue Economic Community Development Corp.'s major federal programs and state projects for the year ended December 31, 2017. Grand Avenue Economic Community Development Corp.'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 Grand Avenue Economic Community Development Corp.'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; the audit requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General. Those standards, the Uniform Guidance, 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 project occurred. An audit includes examining, on a test basis, evidence about Grand Avenue Economic Community Development Corp.'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 Grand Avenue Economic Community Development Corp.'s compliance.

Opinion on Each Major Federal Program and State Financial Assistance Project

In our opinion, Grand Avenue Economic Community Development Corp. 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 and state projects for the year ended December 31, 2017.

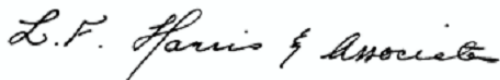
Report on Internal Control over Compliance

Management of Grand Avenue Economic Community Development Corp. 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 Grand Avenue Economic Community Development Corp.'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 project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and 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 Grand Avenue Economic Community Development Corp.'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 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 federal program or 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 federal program or 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 the Uniform Guidance and the Department of Financial Services' State Projects Compliance Supplement. Accordingly, this report is not suitable for any other purpose.



L.F. Harris & Associates, CPA, P.A.
Orlando, Florida
May 22, 2018

**GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
Year ended December 31, 2017**

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of Grand Avenue Economic Community Development Corp.
2. No material weaknesses, or significant deficiencies not considered material weaknesses, were detected during the audit of Grand Avenue Economic Community Development Corp.'s financial statements.
3. No instances of non-compliance material to the financial statements of Grand Avenue Economic Community Development Corp. were identified during the audit.

Federal Programs and State Financial Assistance Projects

4. No material weaknesses, or significant deficiencies not considered material weaknesses, were identified during the audit of the major Federal and State Programs.
5. The Independent Auditors' Report on compliance for each major Federal Program and State Financial Assistance Project for Grand Avenue Economic Community Development Corp. expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516 or 10.654(1)(h)(1)(f), Rules of the Florida Auditor General.
7. The programs tested as major programs include the following:
 - a) Federal – Section 8, Moderate Rehabilitation Single Room Occupancy Program, CDFA 14.249.
 - b) State – State Housing Initiative Partnership Program, CSFA 52.901.
8. The threshold for distinguishing Types A and B major programs was \$750,000 and \$300,000, respectively, for Federal and State programs.
9. Grand Avenue Economic Community Development Corp. was determined to be a low-risk auditee.

**GRAND AVENUE ECONOMIC COMMUNITY DEVELOPMENT CORP.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
Year ended December 31, 2017**

PART II - FINDINGS — FINANCIAL STATEMENTS

This section identifies 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, 2 CFR Section 200.515(d)(2) and GSA/SA Audit Guide, Paragraphs, 23.36-37.*

None.

PART III - FINDINGS AND QUESTIONED COSTS — FEDERAL PROGRAMS

None.

PART IV - FINDINGS AND QUESTIONED COSTS — STATE FINANCIAL ASSISTANCE PROJECTS

None.

MANAGEMENT LETTER

No management letter is required because there were no findings that are required to be reported under Chapter 10.656(3)(e), Rules of the Auditor General, State of Florida.

**Summary Schedule of Prior Audit Findings and Corrective Action Plan
Federal Programs and State Financial Assistance Projects**

PRIOR YEAR AUDIT FINDINGS

There were no prior year audit findings.

CORRECTIVE ACTION PLAN

There were no findings requiring a corrective action plan in 2017.