

**HOUSING AND
NEIGHBORHOOD
DEVELOPMENT SERVICES
OF CENTRAL FLORIDA, INC.**

Financial Statements

September 30, 2019

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 20
SUPPLEMENTAL INFORMATION	
Combining Schedule of Financial Position	21
Combining Schedule of Activities and Functional Expenses	22
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	23 - 24
Independent Auditors' Report on Compliance for Each Major Program and State Project and Report on Internal Control Over Compliance Required by the Uniform Guidance and State of Florida Chapter 10.650, Rules of the Auditor General	25 - 26
Schedule of Findings and Questioned Costs - Federal Awards and State Financial Assistance	27 - 28
Schedule of Expenditures of Federal Awards	29
Schedule of Expenditures of State Financial Assistance	30
Note to Schedules of Expenditures of Federal Awards and State Financial Assistance	31



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INDEPENDENT AUDITORS' REPORT

To Board of Directors
Housing and Neighborhood Development Services of Central Florida, Inc.
Orlando, Florida

We have audited the accompanying financial statements of Housing and Neighborhood Development Services of Central Florida, Inc. ("HANDS"), a nonprofit HANDS, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HANDS as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Combining Schedules of Financial Position and of Activities and Functional Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Also, the accompanying Schedules of Expenditures of Federal Awards and of 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 State of Florida Chapter 10.650, *Rules of the Auditor General*, are presented for purposes of additional analysis and are 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2020, on our consideration of HANDS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 HANDS' internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 10, 2020

Housing and Neighborhood Development Services of Central Florida, Inc.

STATEMENT OF FINANCIAL POSITION

September 30, 2019

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 4,207,666
Restricted cash	44,454
Accounts receivable	61,280
Grants receivable	88,618
Deposits with fiduciary (Note B)	2,541,350
Prepaid expenses	301,060
Total current assets	<u>7,244,428</u>
PROPERTY AND EQUIPMENT	
Furniture and equipment	3,404,550
Building and improvements	24,197,263
Land and improvements	<u>2,674,856</u>
	30,276,669
Less accumulated depreciation	<u>(18,696,464)</u>
Net property and equipment	<u>11,580,205</u>
OTHER ASSETS	
Deposits with fiduciary (Note B)	1,516,085
Other assets	<u>38,599</u>
Total assets	<u><u>\$ 20,379,317</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Current portion of long-term debt (Note H)	\$ 1,659,701
Accounts payable and accrued expenses	278,445
Accrued interest payable	610,916
Deferred revenue	<u>24,760</u>
Total current liabilities	2,573,822
LONG-TERM LIABILITIES	
Long-term debt (Note H)	15,615,721
Security deposits	<u>300,954</u>
Total liabilities	<u>18,490,497</u>
NET ASSETS	
Without donor restrictions	1,799,597
With donor restrictions	<u>89,223</u>
Total net assets	<u>1,888,820</u>
Total liabilities and net assets	<u><u>\$ 20,379,317</u></u>

The accompanying notes are an integral part of this financial statement.

Housing and Neighborhood Development Services of Central Florida, Inc.

STATEMENT OF ACTIVITIES

Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Housing assistance grants	\$ -	\$ 376,771	\$ 376,771
Total public support	-	376,771	376,771
REVENUES			
Rental income	5,227,733	-	5,227,733
Other income	42,993	-	42,993
Net assets released from restrictions	376,771	(376,771)	-
Total revenues	5,647,497	(376,771)	5,270,726
Total public support and revenues	5,647,497	-	5,647,497
EXPENSES			
Program services	3,267,880	-	3,267,880
Support services	52,256	-	52,256
Total expenses	3,320,136	-	3,320,136
Net operating income	2,327,361	-	2,327,361
OTHER (INCOME) EXPENSE			
Interest income	(103,960)	-	(103,960)
Interest expense	698,479	-	698,479
Depreciation	942,048	-	942,048
Total other (income) expense	1,536,567	-	1,536,567
Increase in net assets	790,794	-	790,794
Net assets, beginning of year	1,008,803	89,223	1,098,026
Net assets, end of year	\$ 1,799,597	\$ 89,223	\$ 1,888,820

The accompanying notes are an integral part of this financial statement.

Housing and Neighborhood Development Services of Central Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2019

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Salaries and benefits	\$ 1,001,052	\$ 4,758	\$ 1,005,810
Insurance	583,599	-	583,599
Maintenance	461,422	-	461,422
Administrative	386,984	34,269	421,253
Utilities	319,723	-	319,723
Management fees	264,031	-	264,031
Legal and professional	121,273	13,229	134,502
Bond administrative fees	52,861	-	52,861
Resource center	52,141	-	52,141
Taxes and fees	24,794	-	24,794
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 3,267,880</u>	<u>\$ 52,256</u>	<u>\$ 3,320,136</u>

The accompanying notes are an integral part of this financial statement.

Housing and Neighborhood Development Services of Central Florida, Inc.

STATEMENT OF CASH FLOWS

Year Ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 790,794
Adjustments to reconcile increase in net assets to net cash provided by operations	
Depreciation	942,048
Non cash interest expense	39,643
Changes in assets and liabilities:	
Increase in security deposits	19,013
Decrease in prepaid expenses	1,636
Decrease in accounts and grants receivable	83,430
Decrease in deferred revenue	(4,409)
Decrease in accrued interest payable	(9,526)
Decrease in accounts payable and accrued expenses	<u>(7,942)</u>
Cash provided by operating activities	<u>1,854,687</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(292,951)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on mortgage note payable	(770,567)
Increase in deposits with fiduciary	<u>(187,281)</u>
Cash used in financing activities	<u>(957,848)</u>
Increase in cash and cash equivalents	603,888
Cash and cash equivalents, beginning of year	<u>3,648,232</u>
Cash and cash equivalents, end of year	<u>\$ 4,252,120</u>
Supplemental information	
Interest paid	<u>\$ 668,362</u>

The accompanying notes are an integral part of this financial statement.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A – NATURE OF HANDS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. HANDS and Nature of Activities

Housing and Neighborhood Development Services of Central Florida, Inc. (“HANDS”) was created as a nonprofit corporation in April 1989 to provide housing and housing-related services to targeted persons or families in need of housing, build affordable residential housing for lower to moderate income persons and provide technical assistance to other nonprofit HANDSs in building affordable shelter in the Central Florida area. HANDS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. Basis of Accounting and Financial Statement Presentation

The accompanying financial statements and accompanying schedules have been prepared on the accrual basis of accounting. The HANDS reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion. For example, the Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for the purpose of securing the HANDS’s long-term financial viability.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions.

The HANDS reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A – NATURE OF HANDS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of Accounting and Financial Statement Presentation (continued)

Some net assets with donor restrictions include a stipulation that assets provided may be maintained permanently (perpetual in nature) while permitting the HANDS to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

See Note M for more information on the composition of net assets with donor restrictions.

3. Accounts Receivable

Management periodically reviews accounts receivable balances outstanding longer than 90 days and establishes an allowance for doubtful accounts. As of September 30, 2019, no such allowance was deemed necessary.

4. Deposits with Fiduciary

The deposits with fiduciary represent funds held in trust to be used for specified purposes as required by loan covenants (see Note H). Deposits are maintained in investments with financial institutions. Such deposits are invested in money market mutual funds and guaranteed interest contracts. Due to the short-term nature and liquidity of these financial instruments, their carrying amounts are considered to be a reasonable estimate of fair value. All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the grantors or donor. Certain funds held in trust are classified as non-current assets due to the restrictions on their availability as provided for in the loan documents. All other funds are available for use in satisfying current obligations and are classified as current assets.

5. Property and Equipment

Property and equipment is recorded at cost or estimated value at the date of purchase or contribution. Expenditures for repairs and maintenance are expensed as incurred. Assets are being depreciated using the straight-line method over various estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	30 - 40
Land improvements	15
Furniture and equipment	5 - 10

Equipment purchased with grant proceeds has been charged to expense when it remains the property of the grantor in accordance with terms of the grants.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A – NATURE OF HANDS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Debt Issuance Costs

Debt issuance costs relating to bonds and loans payable are amortized over the life of the related debts. Amortization expense for the years ended September 30, 2019 was \$39,643.

7. Cash and Cash Equivalents

HANDS considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

HANDS follows ASC 2016-18, Statement of Cash Flows, which requires that restricted cash be included in total cash in the statement of cash flows. The cash and cash equivalents line item on the statement of cash flows includes both the cash and cash equivalents and the restricted cash line items on the statement of financial position.

8. Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

9. Fair Value Measurement

HANDS has implemented accounting guidance relating to fair value measurements. This guidance establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 -- quoted prices (unadjusted) in active markets for identical assets or liabilities that HANDS has the ability to access as of the measurement date.

Level 2 -- inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 -- unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of the unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A – NATURE OF HANDS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Fair Value Measurement (continued)

Level 1 Fair Value Measurement

Money Market Mutual Fund: Investments in short-term U.S. Treasury obligations, FDIC guaranteed debt obligations, and repurchase agreements secured by U.S. Treasury obligations or FDIC guaranteed obligations. Valued based on quoted market prices.

Level 3 Fair Value Measurement

Guaranteed Interest Contract: Valued at contract value provided by the bank, which approximates the fair value based on the underlying investments.

10. Income Taxes

Management has analyzed HANDS' various federal and state filing positions and believes that its income tax filing positions and deductions are well-documented and supported. Additionally, management believes that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded.

11. Revenue Recognition

Grants and contributions received are recorded at their estimated fair values on the date of receipt or upon satisfaction of any grantor or donor conditions, and are reflected as grants and contributions in the accompanying financial statements. All grants and contributions are considered available for unrestricted use unless specifically restricted by the grantors or donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. Contributed services are recognized only to the extent they create or enhance non-financial assets or require specialized skills, and are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donations. No contributed services met these criteria during the year ended September 30, 2019.

12. Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A – NATURE OF HANDS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Concentration of Credit Risks

Financial instruments, which potentially expose HANDS to concentrations of credit risk, consist principally of cash in bank deposits and money market funds, and deposits with fiduciaries. HANDS' policy is to place these investments with high quality financial institutions which are insured by the FDIC. As of September 30, 2019, HANDS deposits exceeded FDIC insured limits by \$1,715,325. HANDS has never experienced any loss from such excess holdings.

14. Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit HANDSs and enhances its required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The new guidance was effective beginning in 2018 and the HANDS changed its presentation of net assets classes, included a statement of functional expenses, and expanded the footnote disclosures in these financial statements as required by ASU 2016-14.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when contract performance obligations are met. The standard is effective for fiscal years beginning after December 15, 2018. The HANDS is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The HANDS is evaluating the potential effects ASU 2016-02 will have on its financial statements.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A – NATURE OF HANDS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements through the date these statements were issued or available to be issued on January 10, 2020.

NOTE B – FAIR VALUE MEASUREMENTS

Regarding cash and equivalents and interest-bearing long-term debt, management believes that carrying value is a reasonable estimate of fair value. For the non-interest-bearing long-term debt instruments, with a combined carrying value of approximately \$6,300,000, it is not practicable to estimate fair value due to the unique nature of the obligations.

The following table sets forth by level, within the fair value hierarchy, HANDS' assets at fair value as of September 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Money market mutual funds	\$ 2,175,705	\$ -	\$ -	\$ 2,175,705
Guaranteed interest contracts	<u>-</u>	<u>-</u>	<u>1,881,730</u>	<u>1,881,730</u>
Total assets at fair value	<u>\$ 2,175,705</u>	<u>\$ -</u>	<u>\$ 1,881,730</u>	<u>\$ 4,057,435</u>

The following table presents changes in HANDS' Level 3 assets measured at fair value for the year ended September 30, 2019:

	<u>Guaranteed Interest Contracts</u>
Balance, beginning of year	\$ 1,818,976
Interest income	86,580
Contributions	960,501
Distributions and repayment of loans, net	<u>(984,327)</u>
Balance, end of year	<u>\$ 1,881,730</u>

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE C – DESCRIPTION OF PROJECTS

The various projects of HANDS are as follows:

Delaney Apartments - purchased by HANDS in March 1990, is an 8-unit apartment building near the downtown area of City of Orlando, Florida. Substantial remodeling was performed in August 1990. Additional renovations were completed in May 2009.

Anderson Oaks - purchased by HANDS in June 1990, is a 12-unit apartment building near the downtown area of City of Orlando, Florida. HANDS obtained financing with a SHIP rehab grant from City of Orlando and replaced the roof, windows, and interior piping during the fiscal year ended September 30, 2013.

Lancaster Villas - purchased by HANDS in June 1995, is a 145-unit apartment complex in southwest Orange County, Florida. Phases one and two of a substantial renovation of the projects were completed during the years ended September 30, 1998 and 1999. Additional renovations were completed in July 2005.

Green Gables - purchased by HANDS in December 1995, is a 95-unit apartment complex in Orange County, Florida. Substantial renovation was completed during the fiscal year ended September 30, 1999, and another renovation project began and was completed during the fiscal year ended September 30, 2007. On September 30, 2015, a new renovation project was started and completed in fiscal year 2016.

Lake Davis - purchased by HANDS in May 1997, is a 36-unit apartment building in Orange County, Florida. Substantial renovation was completed during the fiscal year ended September 30, 1998 and minor rehab was completed during the fiscal year ended September 30, 2002, with full roof replacement in November 2007.

Governors Manor - is a 120-unit condominium located in Orlando, Florida. HANDS owns 120 units of which 100 units were acquired in December 1998, 12 units were acquired in April 1999, and an additional 8 units were acquired from June to September 2001. Substantial rehab was completed on 33 units during the fiscal year September 30, 2000 and on a separate 96 units for the fiscal year ended September 30, 2002. In addition, the roofs were replaced on all 9 buildings during July 2006.

Mendel Villas - purchased by HANDS in February 1995, is a multi-family complex of 32 townhouses located in east Orange County, Florida. Substantial renovations were performed during 1996. Mendel Villas was awarded federal HOME rehab funds in 2013 to maintain 27 of the 32 units as affordable "floating" HOME units with resident incomes of 50% of median income (6 units) and 60% of median income (21 units).

Lake Jennie - purchased by HANDS in October 1995, is a 25-unit apartment building in Sanford, Florida. Substantial renovation of the project was undertaken and completed in 1996 and again in 2002.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE C – DESCRIPTION OF PROJECTS (continued)

Kensington Oaks - purchased by HANDS in April 1998, is a 20-unit apartment building in Sanford, Florida. Substantial renovation of the project was undertaken and completed in 2000 and again in 2002 to remove and gable the original flat roof system.

Lake Jennie II - a 40-unit apartment building constructed by HANDS in Sanford, Florida. Construction was completed in October 1998.

Pebble Creek - purchased by HANDS in April 1990, is a 72-unit apartment complex in Kissimmee, Florida. Substantial renovation of the project was undertaken and completed in 1995. The roof was replaced during the year ended September 30, 2004 due to hurricane damage. Substantial renovations were completed in fiscal year 2009.

NOTE D – RESTRICTED CASH

Restricted cash consists of unspent City CRA grant funds and security deposit escrow accounts held by HANDS. Total restricted cash was \$44,454 at September 30, 2019.

NOTE E – HOUSING ACQUISITION AND REHABILITATION PROGRAM

On April 6, 1992, HANDS was awarded a Housing Acquisition and Rehabilitation Grant (the "Grant") through the City of Orlando Community Redevelopment Agency ("City CRA"). The grant was for \$570,000 and to be used to acquire, rehabilitate, and sell homes in an Orlando target neighborhood. HANDS has expended \$570,000 as required under the term of the agreement. The proceeds from the sale of rehabilitated houses and interest income revert back to the Housing Rehabilitation Program to extend the program and are restricted for that purpose. The program was intended to operate over a five-year period or until the funds were exhausted. During fiscal 1997, the five-year period expired. However, the proceeds had not been exhausted. The current balance of proceeds in the CRA/HANDS account is \$44,454.

NOTE F – OTHER CONTRACTS

HANDS is currently subject to an annual management contract, which requires HANDS to pay a percentage of its gross rental income as management fees. For the year ended September 30, 2019, management fee expense totaled \$264,031.

NOTE G – ADVERTISING COST

Advertising costs related to the various projects are expensed as incurred. Total advertising expense for the year ended September 30, 2019 was \$4,390.

NOTE H - LONG TERM DEBT

SECURITY / NET BOOK VALUE	LENDER	PAYMENT TERMS	COVENANTS
Delaney, Anderson, Lancaster, Mendel, Pebble Creek	Orange County Housing Finance Authority ("Authority") - A Bonds	Principal and interest at 7.0% is payable October 1 and April 1 through October 2025 and is secured by a first mortgage.	Maintain the following reserves: (1) Debt Service Reserve Account in an amount sufficient to pay principal and interest during the next fiscal year; (2) Various other reserves as defined in the debt agreement. Subject to certain minimum ratios and other restrictive covenants. Internal allocation to specific properties
Lake Davis, Governors, Kensington Oaks, Lake Jennie I & II	Authority - F Bonds	Principal and interest at 7.25% is payable October 1 and April 1 through October 1, 2031 and is secured by a first mortgage.	Maintain the following reserves: (1) Debt Service Reserve Account in an amount sufficient to pay principal and interest during the next fiscal year; (2) Various other reserves as defined in the debt agreement. Subject to certain minimum ratios and other restrictive covenants. Allocation to specific properties
Delaney \$217,048	Authority - A Bonds Allocated City of Orlando, FL Unamortized debt issuance cost	See Above Grant will be forgiven May 31, 2024 if affordability requirements are met as defined in the agreement.	See Above The grant and loan are subordinate to the Series A Bonds and are subject to certain reserves as defined in the agreement.
Anderson Oaks \$260,214	Authority - A Bonds Allocated Florida Housing Finance Authority City of Orlando, FL Unamortized debt issuance cost	See Above Principal is due December 1, 2025; Note is non-interest-bearing. \$125,000 grant, principal is due December 15, 2027; Note is non-interest-bearing.	See Above Grant will be forgiven if affordability requirements are met as defined in the agreement.
Lancaster Villas \$3,029,841	Authority - A Bonds Allocated Florida Housing Finance Authority Orange County, FL Florida Community Capital Corporation Unamortized debt issuance cost	See Above Principal is due July 1 and January 1, through 2031; Note is non-interest-bearing and subordinate to the Series A & F Bonds. Principal is due April 13, 2029; Note is non-interest-bearing. Interest only at 1.5% through date of conversion. Principal and interest payments due monthly for 15 years after conversion.	See Above Fund a Sinking Fund Reserve Account for approximately \$32,000 per year. The loan is subordinate to the Series A Bonds and is subject to certain reserves as defined in the agreement.

FISCAL YEAR FIVE YEAR PAYOUT

BALANCE SEPTEMBER 30, 2019	2020	2021	2022	2023	2024	THEREAFTER	TOTAL
\$ 2,970,000	\$ 365,000	\$ 395,000	\$ 425,000	\$ 460,000	\$ 500,000	\$ 825,000	\$ 2,970,000
(2,970,000)	(365,000)	(395,000)	(425,000)	(460,000)	(500,000)	(825,000)	(2,970,000)
-	-	-	-	-	-	-	-
4,545,000	235,000	250,000	265,000	285,000	310,000	3,200,000	4,545,000
(4,545,000)	(235,000)	(250,000)	(265,000)	(285,000)	(310,000)	(3,200,000)	(4,545,000)
-	-	-	-	-	-	-	-
87,912	10,804	11,692	12,580	13,616	14,800	24,420	87,912
108,502	-	-	-	-	-	108,502	108,502
(2,490)	-	-	-	-	-	(2,490)	(2,490)
193,924	10,804	11,692	12,580	13,616	14,800	130,432	193,924
111,375	13,688	14,813	15,938	17,250	18,750	30,936	111,375
160,400	-	-	-	-	-	160,400	160,400
125,000	-	-	-	-	-	125,000	125,000
(3,154)	-	-	-	-	-	(3,154)	(3,154)
393,621	13,688	14,813	15,938	17,250	18,750	313,182	393,621
1,344,816	165,272	178,856	192,440	208,288	226,400	373,560	1,344,816
347,938	32,148	32,148	32,148	32,148	32,148	187,198	347,938
1,200,790	-	-	-	-	-	1,200,790	1,200,790
47,170	35,289	11,705	-	-	-	176	47,170
(55,413)	-	-	-	-	-	(55,413)	(55,413)
2,885,301	232,709	222,709	224,588	240,436	258,548	1,706,311	2,885,301

NOTE H - LONG TERM DEBT

SECURITY / NET BOOK VALUE	LENDER	PAYMENT TERMS	COVENANTS
Green Gables \$2,421,177	Authority - C Bonds	Principal and interest at 7.0% is payable October 1 and April 1 through April 1, 2028 .	Maintain the following reserves: (1) Debt Service Reserve Account in an amount sufficient to pay principal and interest during the next fiscal year; (2) Various other reserves as defined in the debt agreement.
	Florida Community Capital Corporation	Principal and interest at 1.5% is payable monthly for 20 years after conversion.	Subject to certain minimum ratios and other restrictive covenants.
	Orange County, Florida	Note will be forgiven February 29, 2028 if affordability requirements are met. Note is non-interest-bearing and subordinate to the Series C Bonds. Maxium amount is \$633,540	
	Florida Housing Authority	Principal is due February 24, 2028; Note is non-interest-bearing and subordinate to the Series C Bonds.	
Unamortized debt issuance cost			
Lake Davis \$647,947	Authority - F Bonds Allocated	See Above	See Above
	City of Orlando, FL	Principal and interest at 2% is due June 1, 2027; and is subordinate to the Series F Bonds.	
	City of Orlando, FL	Principal and interest at 2% is due July 1, 2028; and is subordinate to the Series F Bonds.	
	Unamortized debt issuance cost		
Governors Manor \$2,360,403	Authority - F Bonds Allocated	See Above	See Above
	City of Orlando, FL	Principal was due March 1, 2011; Note is non-interest-bearing and subordinate to the Series F Bonds.	The City of Orlando notes were to be forgiven on their due dates if no other defaults exist. The City of Orlando is in the final stages of approval. HANDS anticipates having the debt forgiven within the next fiscal year.
	City of Orlando, FL	Principal is due December 31, 2022; Note is non-interest-bearing and subordinate to the Series F Bonds.	
	Unamortized debt issuance cost		
Mendel Villas \$1,021,483	Authority - A Bonds Allocated	See Above	See Above
	Orange County, FL	Grant will be forgiven September 2023 if affordability requirements are met as defined in the agreement.	
	Unamortized debt issuance cost		

FISCAL YEAR FIVE YEAR PAYOUT

BALANCE SEPTEMBER 30, 2019	2020	2021	2022	2023	2024	THEREAFTER	TOTAL
1,290,000	105,000	110,000	120,000	130,000	140,000	685,000	1,290,000
434,927	53,265	54,098	54,927	55,768	56,614	160,255	434,927
636,185	-	-	-	-	-	636,185	636,185
1,162,983	-	-	-	-	-	1,162,983	1,162,983
(41,377)	-	-	-	-	-	(41,377)	(41,377)
3,482,718	158,265	164,098	174,927	185,768	196,614	2,603,046	3,482,718
605,000	30,000	30,000	35,000	40,000	40,000	430,000	605,000
400,000	-	-	-	-	-	400,000	400,000
278,912	-	-	-	-	-	278,912	278,912
(37,054)	-	-	-	-	-	(37,054)	(37,054)
1,246,858	30,000	30,000	35,000	40,000	40,000	1,071,858	1,246,858
2,950,000	155,000	175,000	170,000	180,000	200,000	2,070,000	2,950,000
284,000	284,000	-	-	-	-	-	284,000
300,400	-	-	-	-	-	300,400	300,400
(178,121)	-	-	-	-	-	(178,121)	(178,121)
3,356,279	439,000	175,000	170,000	180,000	200,000	2,192,279	3,356,279
502,227	61,720	66,795	71,868	77,786	84,550	139,508	502,227
458,151	-	-	-	-	-	458,151	458,151
(14,224)	-	-	-	-	-	(14,224)	(14,224)
946,154	61,720	66,795	71,868	77,786	84,550	583,435	946,154

NOTE H - LONG TERM DEBT

SECURITY / NET BOOK VALUE	LENDER	PAYMENT TERMS	COVENANTS
Lake Jennie I \$310,530	Authority - F Bonds Allocated Florida Community Capital Corporation	See Above Grant will be forgiven October 24, 2016 if affordability requirements are met as defined in the agreement.	See Above The grant and loan are subordinate to the Series F Bonds and are subject to certain reserves as defined in the agreement.
	Unamortized debt issuance cost		
Kensington Oaks \$543,298	Authority - F Bonds Allocated Seminole County, FL Florida Community Capital Corporation	See Above Grant will be forgiven October 24, 2016 if affordability requirements are met as defined in the agreement. Grant will be forgiven October 24, 2016 if affordability requirements are met as defined in the agreement.	See Above The grant and loan are subordinate to the Series F Bonds and are subject to certain reserves as defined in the agreement.
	Unamortized debt issuance cost		
Lake Jennie II \$993,855	Authority - F Bonds Allocated Florida Housing Finance Authority	See Above Entire principal is due April 1, 2038; Note is non-interest-bearing and subordinate to the Series F Bonds.	See Above
	Unamortized debt issuance cost		
Pebble Creek \$890,083	Authority - A Bonds Allocated Florida Housing Finance Authority Osceola County, FL	See Above Entire principal is due December 1, 2025; Note is non-interest bearing. Grant will be forgiven July 2, 2023, if affordability requirements are met as defined in the agreement.	See Above
	Unamortized debt issuance cost		

TOTAL ALL DEBT

FISCAL YEAR FIVE YEAR PAYOUT

BALANCE SEPTEMBER 30, 2019	2020	2021	2022	2023	2024	THEREAFTER	TOTAL
150,000	10,000	10,000	10,000	10,000	10,000	100,000	150,000
177,500	177,500	-	-	-	-	-	177,500
(23,571)	-	-	-	-	-	(23,571)	(23,571)
303,929	187,500	10,000	10,000	10,000	10,000	76,429	303,929
235,000	10,000	10,000	10,000	15,000	20,000	170,000	235,000
150,000	150,000	-	-	-	-	-	150,000
222,500	222,500	-	-	-	-	-	222,500
(15,297)	-	-	-	-	-	(15,297)	(15,297)
592,203	382,500	10,000	10,000	15,000	20,000	154,703	592,203
605,000	30,000	25,000	40,000	40,000	40,000	430,000	605,000
1,428,265	-	-	-	-	-	1,428,265	1,428,265
(34,840)	-	-	-	-	-	(34,840)	(34,840)
1,998,425	30,000	25,000	40,000	40,000	40,000	1,823,425	1,998,425
923,670 #	113,515	122,845	132,175	143,060	155,500	256,575	923,670
678,500	-	-	-	-	-	678,500	678,500
300,000	-	-	-	-	-	300,000	300,000
(26,160)	-	-	-	-	-	(26,160)	(26,160)
1,876,010	113,515	122,845	132,175	143,060	155,500	1,208,915	1,876,010
\$ 17,275,422	\$ 1,659,701	\$ 852,952	\$ 897,076	\$ 962,916	\$ 1,038,762	\$ 11,864,015	\$ 17,275,422

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE I – COMMITMENTS AND CONTINGENCIES

1. Contingent Liability

The Mendel Villas project was awarded a grant on May 27, 1994 from Orange County, Florida for \$1,117,700. HANDS is required to operate the property subject to rent controls defined in the grant. The affordability period for these funds is 15 years from the origination of the grant. Therefore, this obligation has been satisfied. In addition, if the property is sold, the entire grant proceeds must be repaid to Orange County from the sale proceeds.

2. Operating Leases

Due to an increase in Housing Counseling services, requiring office space for two additional Counselors and a classroom for Homebuyer Education Courses, HANDS entered into a non-cancelable operating lease with Kaufman Realty Group, on June 23, 2008, for the main office expiring in October 2017. On October 24, 2017 the lease was amended and extended until October 2020. Rent expense was \$128,585 for the year ended September 30, 2019. Future minimum lease payments under the operating lease are as follows for the fiscal years ending September 30:

2020	\$	93,730
2021		<u>7,811</u>
	\$	<u>101,541</u>

NOTE J – IMPAIRMENT OF LONG-LIVED ASSETS AND HOUSE AND LOT INVENTORY

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment charges or asset write downs during the year ended September 30, 2019.

NOTE K – RETIREMENT PLAN

Employees who are at least 21 years old and have satisfied minimum eligibility requirements may participate in HANDS' 401(k) plan. HANDS may make matching contributions to the plan. Matching contributions of \$16,476 were made for the year ended September 30, 2019.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE L – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE M – NET ASSETS WITH DONOR RESTRICTION

Various donors have contributed funds for a capital campaign to assist in the purchase of new facilities. The restrictions are released as funds are used to acquire, renovate, and transition to new facilities. The following table represents the activity during the year ended September 30, 2019, for net assets with donor restriction for the following purposes or periods as follows:

	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning balance	\$ 89,223	\$ 89,223
Grant revenue	376,771	376,771
Restrictions released	<u>(376,771)</u>	<u>(376,771)</u>
Ending balance	<u>\$ 89,223</u>	<u>\$ 89,223</u>

Net assets with donor restriction in the statement of financial position at September 30, 2019 consists of restricted cash of \$44,454 and cash and cash equivalents of \$44,769.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE N – LIQUIDITY AND AVAILABILITY OF RESOURCES

HANDS' financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 4,207,666
Deposits with fiduciary - current	2,541,350
Grants and accounts receivable	<u>149,898</u>
Total financial assets available within one year – gross	<u>6,898,914</u>
Amounts unavailable for general expenditure:	
Current portion of long-term debt	(1,659,701)
Accounts payable and accrued expenses	(278,445)
Accrued interest payable	(610,916)
Deferred revenue	<u>(24,760)</u>
Total amounts of expenditures due within	
One year	<u>(2,573,822)</u>
Donor restricted net assets	<u>(89,223)</u>
Total financial assets available within one year – net	<u>\$ 4,235,869</u>

As part of HANDS' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

SUPPLEMENTAL INFORMATION

HOUSING AND NEIGHBORHOOD DEVELOPMENT SERVICES
OF CENTRAL FLORIDA, INC.

COMBINING SCHEDULE OF FINANCIAL POSITION

SEPTEMBER 30, 2019

	Project Funds							
	Delaney Apartments	Anderson Oaks	Lancaster Villas	Green Gables	Lake Davis	Governors Manor	Mendel Villas	Lake Jennie I
ASSETS								
CURRENT ASSETS:								
Cash and equivalents	\$ 98,532	\$ 120,332	\$ 210,026	\$ 92,802	\$ 157,205	\$ 433,228	\$ 159,055	\$ 64,351
Restricted cash	-	-	-	-	-	-	-	-
Accounts receivable	1,500	56	4,771	1,499	552	3,014	122	711
Grants receivable	-	-	-	-	-	-	-	-
Deposits with fiduciary	(3,204)	(9,409)	1,720,181	169,337	70,582	275,879	(156,400)	38,510
Prepaid expenses	1,730	3,484	34,321	70,576	6,278	89,503	7,439	5,769
Total current assets	98,558	114,463	1,969,299	334,214	234,617	801,624	10,216	109,341
PROPERTY AND EQUIPMENT:								
Furniture and equipment	10,966	37,313	774,304	667,622	97,276	675,094	119,784	106,769
Buildings and improvements	332,433	572,877	4,475,541	4,258,192	1,199,586	3,966,689	2,019,042	780,501
Land and improvements	50,000	69,600	956,481	215,042	180,000	512,764	165,000	57,833
	393,399	679,790	6,206,326	5,140,856	1,476,862	5,154,547	2,303,826	945,103
Less accumulated depreciation	(197,607)	(457,969)	(3,427,253)	(2,924,275)	(908,167)	(2,908,786)	(1,406,348)	(611,077)
Net property and equipment	195,792	221,821	2,779,073	2,216,581	568,695	2,245,761	897,478	334,026
Deposits with fiduciary	-	-	-	486,816	145,417	524,171	-	38,224
Other assets	-	-	9,788	-	700	-	-	650
TOTAL	\$ 294,350	\$ 336,284	\$ 4,758,160	\$ 3,037,611	\$ 949,429	\$ 3,571,556	\$ 907,694	\$ 482,241
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Current portion of long-term debt	\$ 10,804	\$ 13,688	\$ 232,709	\$ 158,265	\$ 30,000	\$ 439,000	\$ 61,720	\$ 187,500
Accounts payable and accrued expenses	7,735	11,931	42,850	29,093	7,937	37,318	18,679	10,206
Accrued interest payable	3,059	3,875	46,792	45,150	319,600	106,938	17,476	5,438
Deferred revenue	-	-	-	-	-	-	-	-
Total current liabilities	21,598	29,494	322,351	232,508	357,537	583,256	97,875	203,144
Due to (from) other funds	(254,934)	(319,121)	(5,772,742)	(1,138,575)	(484,064)	(298,792)	(1,800,058)	(28,874)
Long-term debt	183,120	379,933	2,652,592	3,324,453	1,216,858	2,917,279	884,434	116,429
Security deposits	3,850	5,300	64,485	44,502	15,840	61,247	18,928	12,956
Total liabilities	(46,366)	95,606	(2,733,314)	2,462,888	1,106,171	3,262,990	(798,821)	303,655
NET ASSETS (DEFICIT)	340,716	240,678	7,491,474	574,723	(156,742)	308,566	1,706,515	178,586
TOTAL	\$ 294,350	\$ 336,284	\$ 4,758,160	\$ 3,037,611	\$ 949,429	\$ 3,571,556	\$ 907,694	\$ 482,241

Project Funds					Total	Operating Fund	Housing Counseling Fund	Total
Kensington Oaks	Lake Jennie II	Pebble Creek	Single Family Homes					
\$ 77,290	\$ 135,838	\$ 457,073	\$ (4,262)	\$ 2,001,470	\$ 2,206,196	\$ -	\$ 4,207,666	
-	-	-	-	-	44,454	-	44,454	
905	3,696	600	1,519	18,945	42,235	100	61,280	
-	-	-	-	-	4,418	84,200	88,618	
37,979	79,448	296,880	-	2,519,783	21,567	-	2,541,350	
4,243	31,456	11,417	1,778	267,994	33,066	-	301,060	
120,417	250,438	765,970	(965)	4,808,192	2,351,936	84,300	7,244,428	
111,403	303,515	324,808	-	3,228,854	175,367	329	3,404,550	
1,012,399	2,262,702	3,284,410	-	24,164,372	32,891	-	24,197,263	
100,000	143,136	225,000	-	2,674,856	-	-	2,674,856	
1,223,802	2,709,353	3,834,218	-	30,068,082	208,258	329	30,276,669	
(734,783)	(1,773,039)	(3,165,377)	-	(18,514,681)	(181,454)	(329)	(18,696,464)	
489,019	936,314	668,841	-	11,553,401	26,804	-	11,580,205	
34,825	92,337	-	-	1,321,790	194,295	-	1,516,085	
102	-	-	-	11,240	27,359	-	38,599	
\$ 644,363	\$ 1,279,089	\$ 1,434,811	\$ (965)	\$ 17,694,623	\$ 2,600,394	\$ 84,300	\$ 20,379,317	
\$ 382,500	\$ 30,000	\$ 113,515	\$ -	\$ 1,659,701	\$ -	\$ -	\$ 1,659,701	
6,347	19,800	49,690	807	242,393	36,052	-	278,445	
8,519	21,931	32,138	-	610,916	-	-	610,916	
-	-	-	24,760	24,760	-	-	24,760	
397,366	71,731	195,343	25,567	2,537,770	36,052	-	2,573,822	
286,271	(218,138)	(3,469,112)	(101,063)	(13,599,202)	14,243,280	(644,078)	-	
209,703	1,968,425	1,762,495	-	15,615,721	-	-	15,615,721	
12,782	34,607	26,457	-	300,954	-	-	300,954	
906,122	1,856,625	(1,484,817)	(75,496)	4,855,243	14,279,332	(644,078)	18,490,497	
(261,759)	(577,536)	2,919,628	74,531	12,839,380	(11,678,938)	728,378	1,888,820	
\$ 644,363	\$ 1,279,089	\$ 1,434,811	\$ (965)	\$ 17,694,623	\$ 2,600,394	\$ 84,300	\$ 20,379,317	

See independent auditors' report

HOUSING AND NEIGHBORHOOD DEVELOPMENT SERVICES
OF CENTRAL FLORIDA, INC.

COMBINING SCHEDULE OF ACTIVITIES AND FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019

	Project Funds						
	Delaney Apartments	Anderson Oaks	Lancaster Villas	Green Gables	Lake Davis	Governors Manor	Mendel Villas
PUBLIC SUPPORT AND REVENUES:							
Public support:							
Housing assistance grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Donations	-	-	-	-	-	-	-
Total public support	-	-	-	-	-	-	-
Revenues:							
Rental income	70,869	89,369	1,284,335	777,750	265,940	1,069,506	269,615
Other income	-	-	-	-	500	-	-
Total revenues	70,869	89,369	1,284,335	777,750	266,440	1,069,506	269,615
Total public support and revenues	70,869	89,369	1,284,335	777,750	266,440	1,069,506	269,615
EXPENSES:							
Program services:							
Salaries and benefits	7,511	11,266	136,155	91,080	33,801	124,452	28,608
Maintenance	3,894	7,887	112,711	53,803	21,152	112,979	16,208
Utilities	2,611	4,374	86,604	41,437	5,130	41,074	944
Insurance	3,276	4,517	68,853	115,617	14,481	173,503	14,777
Administrative	149	835	12,225	34,296	9,569	37,820	4,294
Management fees	3,544	4,379	64,126	38,827	12,974	53,797	13,479
Legal and professional	3,000	3,000	2,228	1,645	5,413	4,511	5,774
Resource center	-	-	-	-	-	-	-
Bond administrative fees	339	429	7,402	12,753	3,255	8,105	1,935
Taxes and fees	215	484	-	960	1,321	8,804	7,354
Total program expenses	24,539	37,171	490,304	390,418	107,096	565,045	93,373
Support services:							
Salaries and benefits	-	-	-	-	-	-	-
Administrative	-	-	-	-	-	-	-
Legal and professional	-	-	-	-	-	-	-
Total support expenses	-	-	-	-	-	-	-
Total expenses	24,539	37,171	490,304	390,418	107,096	565,045	93,373
NET OPERATING INCOME (LOSS)	46,330	52,198	794,031	387,332	159,344	504,461	176,242
OTHER (INCOME) / EXPENSE:							
Interest income	(1,079)	(1,367)	(16,517)	(29,035)	(3,733)	(14,056)	(6,162)
Interest expense	6,564	8,316	103,410	97,299	61,091	231,475	37,502
Depreciation	11,213	20,187	168,981	177,224	42,414	180,370	70,705
Total other (income) / expense	16,698	27,136	255,874	245,488	99,772	397,789	102,045
CHANGE IN NET ASSETS (DEFICIT)	29,632	25,062	538,157	141,844	59,572	106,672	74,197
NET ASSETS (DEFICIT), BEGINNING OF YEAR	311,084	215,616	6,953,317	432,879	(216,314)	201,894	1,632,318
NET ASSETS (DEFICIT), END OF YEAR	\$ 340,716	\$ 240,678	\$ 7,491,474	\$ 574,723	\$ (156,742)	\$ 308,566	\$ 1,706,515

Lake Jennie I	Kensington Oaks	Project Funds			Single Family Homes	Total	Operating Fund	Housing Counseling Fund	Total
		Lake Jennie II	Pebble Creek						
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,275	\$ 363,496	\$ 376,771	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	13,275	363,496	376,771	
199,188	168,445	382,676	650,040	-	5,227,733	-	-	5,227,733	
-	-	-	-	-	500	28,951	13,542	42,993	
199,188	168,445	382,676	650,040	-	5,228,233	28,951	13,542	5,270,726	
199,188	168,445	382,676	650,040	-	5,228,233	42,226	377,038	5,647,497	
22,621	17,876	35,764	78,828	-	587,962	243,693	169,397	1,001,052	
23,527	18,203	38,025	51,126	-	459,515	1,907	-	461,422	
27,265	21,292	45,401	24,060	-	300,192	19,235	296	319,723	
12,723	9,586	55,012	30,305	1	502,651	80,948	-	583,599	
3,826	2,822	5,354	11,118	-	122,308	150,025	114,651	386,984	
10,461	8,462	18,722	32,460	-	261,231	2,800	-	264,031	
4,377	4,441	8,958	1,200	-	44,547	52,917	23,809	121,273	
-	-	-	-	-	-	7,285	44,856	52,141	
3,000	3,000	3,265	3,990	-	47,473	5,388	-	52,861	
-	-	-	4,631	1,025	24,794	-	-	24,794	
107,800	85,682	210,501	237,718	1,026	2,350,673	564,198	353,009	3,267,880	
-	-	-	-	-	-	4,758	-	4,758	
-	-	-	-	-	-	34,269	-	34,269	
-	-	-	-	-	-	13,229	-	13,229	
-	-	-	-	-	-	52,256	-	52,256	
107,800	85,682	210,501	237,718	1,026	2,350,673	616,454	353,009	3,320,136	
91,388	82,763	172,175	412,322	(1,026)	2,877,560	(574,228)	24,029	2,327,361	
(1,431)	(1,237)	(2,974)	(11,333)	-	(88,924)	(15,034)	(2)	(103,960)	
13,020	18,494	47,337	68,971	-	693,479	5,000	-	698,479	
28,930	38,425	84,164	117,373	-	939,986	2,062	-	942,048	
40,519	55,682	128,527	175,011	-	1,544,541	(7,972)	(2)	1,536,567	
50,869	27,081	43,648	237,311	(1,026)	1,333,019	(566,256)	24,031	790,794	
127,717	(288,840)	(621,184)	2,682,317	75,557	11,506,361	(11,112,682)	704,347	1,098,026	
\$ 178,586	\$ (261,759)	\$ (577,536)	\$ 2,919,628	\$ 74,531	\$ 12,839,380	\$ (11,678,938)	\$ 728,378	\$ 1,888,820	

See independent auditors' report



**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**

To Board of Directors
Housing and Neighborhood Development Services of Central Florida, Inc.
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 financial statements of Housing and Neighborhood Development Services of Central Florida, Inc. ("HANDS"), a nonprofit HANDS, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HANDS'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 HANDS' internal control. Accordingly, we do not express an opinion on the effectiveness of HANDS' 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.

Partners

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Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
James R. Dexter
Thomas F. Regan
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Accountants

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether HANDS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance 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 HANDS'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 HANDS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 10, 2020



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INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND STATE OF FLORIDA CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To Board of Directors
Housing and Neighborhood Development Services of Central Florida, Inc.
Orlando, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Housing and Neighborhood Development Services of Central Florida, Inc.’s (“HANDS”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the Florida Department of Financial Services’ *State Projects Compliance Supplement*, that could have a direct and material effect on each of HANDS’ major federal programs and state projects for the year ended September 30, 2019. HANDS’ major federal programs and state projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal and state statues, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal programs and state projects.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of HANDS’ 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; and 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 State of Florida Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and State of Florida Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state project occurred. An audit includes examining, on a test basis, evidence about HANDS’ 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 HANDS’ compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, HANDS 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 September 30, 2019.

Report on Internal Control Over Compliance

Management of HANDS 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 HANDS' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and 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 State of Florida 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 HANDS' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State of Florida Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 10, 2020

Housing and Neighborhood Development Services of Central Florida, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

September 30, 2019

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
- Material weakness identified?	No
- Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
- Material weaknesses identified?	No
- Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Types of auditors’ reports issued on noncompliance for major programs:	Unmodified
Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of major program:

CFDA Number – 14.239
Name of Federal Program – HOME Investment Partnership Program

Dollar threshold used to distinguish between Type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

Housing and Neighborhood Development Services of Central Florida, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

September 30, 2019

Section I – Summary of Auditors’ Results (Continued)

State Financial Assistance

Internal control over major projects:	
- Material weaknesses identified?	No
- Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Types of auditors’ reports issued on noncompliance for major projects:	Unmodified
Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.656, Rules of the Auditor General	No

Identification of major project:

CSFA Number – 52.901	
Name of State Project – State Housing Initiatives Partnership (SHIP) Program	
CSFA Number – 52.902	
Name of State Project – Hurricane Housing Recovery Program	

Dollar threshold used to distinguish between Type A and Type B projects:	\$300,000
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Section II – Financial Statement Findings

None (there are no items required to be reported in the management letter; therefore, no management letter issued, or corrective action plan required)

Section III – Findings and Questioned Costs for Federal Awards and State Financial Assistance

None (there are no items required to be reported in the management letter; therefore, no management letter issued, or corrective action plan required)

Section IV – Status of Prior Year Audit Findings

There were no prior year audit findings to be reported

Housing and Neighborhood Development Services of Central Florida, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2019

Federal Grantor /Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Award or Loan Amount	Federal Expenditures
Department of Housing and Urban Development: Pass-through programs from:			
City of Orlando Community Development Block Grant - Citywide Housing Counseling	14.218	\$ 53,850	\$ 53,850
HomeFree - USA Comprehensive Housing Counseling Program	14.169	115,000	115,000
Orange County, FL HOME Partnership Agreement			
Lancaster Villas	14.239	1,200,790 *	1,200,790
Mendel Villas	14.239	458,151 *	458,151
Green Gables	14.239	636,185 *	636,185
Florida Housing Finance Agency HOME Investment Partnership Program			
Pebble Creek	14.239	678,500 *	678,500
Anderson Oaks	14.239	160,400 *	160,400
Lake Jennie II	14.239	1,428,265 *	1,428,265
Lancaster Villas	14.239	347,938 *	347,938
Green Gables	14.239	1,162,983 *	1,162,983
City of Orlando, FL HOME Investment Partnership Program			
Lake Davis	14.239	678,912 *	678,912
Governors Manor	14.239	284,000 *	284,000
Department of Justice: Pass-through programs from:			
NeighborWorks America Settlement with Bank of America	21.000	450	450
Total awards and expenditures of federal awards		<u>\$ 7,205,424</u>	<u>\$ 7,205,424</u>

* Represents loan balances outstanding at year end.

See independent auditors' report and note to schedules.

Housing and Neighborhood Development Services of Central Florida, Inc.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the Year Ended September 30, 2019

<u>State Grantor /Pass-Through Grantor/Program or Cluster Title</u>	<u>State CSFA Number</u>	<u>Award or Loan Amount</u>	<u>State Expenditures</u>
State of Florida: Pass through Orange County, FL			
Florida Housing FCP Program	40.901	\$ 29,075	\$ 29,075
State Housing Initiatives Partnership Contract No. Y14-147B Orange County	40.901	58,800	58,800
State Housing Initiatives Partnership RFP 603348-18/PJC Seminole County	40.901	78,000	22,044
State Housing Initiatives Partnership (Loan) Green Gables	40.901	96,170 *	-
Hurricane Housing Recovery Program (Loan) Green Gables	52.902	338,757 *	-
Pass through Osceola County, FL Pebble Creek	40.901	300,000 *	-
Pass through City of Orlando, Florida	40.901	2,609	2,609
State Housing Initiatives Partnership (Loan) Anderson Oaks	40.901	125,000 *	-
Hurricane Housing Recovery Program (Loan) Delaney	52.902	108,502 *	-
Governors Manor	52.902	300,400 *	-
Total awards and expenditures of state awards		<u>\$ 1,408,238</u>	<u>\$ 112,528</u>

* Represents loan balances outstanding at year end.

See independent auditors' report and note to schedules.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL

AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2019

1. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented on the accrual basis of accounting. The information in the schedules 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 State of Florida Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Indirect cost rates

HANDS has elected to not use the 10% de minimis indirect cost rate for its federal programs and state projects for the year ended September 30, 2019.