

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

Financial Statements

September 30, 2022

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 21
SUPPLEMENTAL INFORMATION	
Combining Schedule of Financial Position	22
Combining Schedule of Activities and Functional Expenses	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 - 25
Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and State of Florida Chapter 10.650, <i>Rules of the Auditor General</i>	26 - 28
Schedule of Findings and Questioned Costs - Federal Awards and State Financial Assistance	29 - 30
Schedule of Expenditures of Federal Awards	31
Schedule of Expenditures of State Financial Assistance	32
Note to Schedules of Expenditures of Federal Awards and State Financial Assistance	33



Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Renee C. Varga
Richard F. Hayes
Frank J. Guida
John J. Rody, Jr.
Shawn M. Marshall

Winter Park, FL 32789
501 S. New York Ave.
Suite 100
Phone: 407-644-5811
www.mosskrusick.com

N. Palm Beach, FL 33408
631 US Highway One
Suite 405
Phone: 561-848-9300

Miami Lakes, FL 33016
7900 NW 155th Street
Suite 201
Phone: 305-445-7956

American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Housing and Neighborhood Development Services of Central Florida, Inc. ("HANDS"), a nonprofit organization, which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of HANDS as of September 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HANDS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HANDS' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HANDS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HANDS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures

Supplementary Information (continued)

in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 19, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HANDS' 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 19, 2023

Housing and Neighborhood Development Services of Central Florida, Inc.

STATEMENT OF FINANCIAL POSITION

September 30, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 7,941,979
Restricted cash	28,468
Accounts receivable	97,956
Grants receivable	88,413
Deposits with fiduciary (Note B)	3,074,445
Prepaid expenses	387,080
Total current assets	<u>11,618,341</u>

PROPERTY AND EQUIPMENT

Furniture and equipment	3,849,111
Building and improvements	25,055,995
Land and improvements	2,674,856
	<u>31,579,962</u>
Less accumulated depreciation	<u>(21,380,058)</u>
Net property and equipment	<u>10,199,904</u>

OTHER ASSETS

Deposits with fiduciary (Note B)	1,529,121
Other assets	41,461
	<u>1,570,582</u>
Total assets	<u>\$ 23,388,827</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of long-term debt (Note E)	\$ 1,191,148
Accounts payable and accrued expenses	461,004
Accrued interest payable	583,649
Deferred revenue	2,631
Total current liabilities	<u>2,238,432</u>

LONG-TERM LIABILITIES

Long-term debt (Note E)	13,198,667
Security deposits	326,390
Total liabilities	<u>13,525,057</u>

NET ASSETS

Without donor restrictions	7,536,115
With donor restrictions	89,223
Total net assets	<u>7,625,338</u>
Total liabilities and net assets	<u>\$ 23,388,827</u>

The accompanying notes are an integral part of these financial statements.

Housing and Neighborhood Development Services of Central Florida, Inc.

STATEMENT OF ACTIVITIES

Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Housing assistance grants	\$ -	\$ 1,454,474	\$ 1,454,474
Total public support	-	1,454,474	1,454,474
REVENUES			
Rental income	6,401,266	-	6,401,266
Other income	2,963	-	2,963
Contributions of non-financial assets	16,500	-	16,500
Net assets released from restrictions	1,454,474	(1,454,474)	-
Total revenues	7,875,203	(1,454,474)	6,420,729
Total public support and revenues	7,875,203	-	7,875,203
EXPENSES			
Program services	4,958,766	-	4,958,766
Support services	130,640	-	130,640
Total expenses	5,089,406	-	5,089,406
Net operating income	2,785,797	-	2,785,797
OTHER (INCOME) EXPENSE			
Interest income	(160,364)	-	(160,364)
Interest expense	546,413	-	546,413
Depreciation	911,316	-	911,316
Unrealized loss on investment	207,446	-	207,446
Total other (income) expense	1,504,811	-	1,504,811
Increase in net assets before forgiveness	1,280,986	-	1,280,986
PPP loan forgiveness	76,195	-	76,195
Debt forgiveness	822,775	-	822,775
Increase in net assets	2,179,956	-	2,179,956
Net assets, beginning of year	5,356,159	89,223	5,445,382
Net assets, end of year	\$ 7,536,115	\$ 89,223	\$ 7,625,338

The accompanying notes are an integral part of these financial statements.

Housing and Neighborhood Development Services of Central Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2022

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Mortgage assistance	\$ 1,175,098	\$ -	\$ 1,175,098
Salaries and benefits	1,070,254	76,578	1,146,832
Insurance	718,422	-	718,422
Maintenance	596,668	-	596,668
Administrative	427,205	39,039	466,244
Utilities	359,009	-	359,009
Management fees	320,279	-	320,279
Legal and professional	106,663	15,023	121,686
Resource center	106,676	-	106,676
Bond administrative fees	51,856	-	51,856
Taxes and fees	26,636	-	26,636
	<u>\$ 4,958,766</u>	<u>\$ 130,640</u>	<u>\$ 5,089,406</u>
Total expenses			

The accompanying notes are an integral part of these financial statements.

Housing and Neighborhood Development Services of Central Florida, Inc.

STATEMENT OF CASH FLOWS

Year Ended September 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 2,179,956
Adjustments to reconcile increase in net assets to net cash provided by operations	
PPP loan forgiveness	(76,195)
Debt forgiveness	(822,775)
Depreciation	911,316
Non cash interest expense	38,990
Changes in assets and liabilities:	
Decrease in security deposits	(3,683)
Increase in prepaid expenses	(56,598)
Increase in accounts and grants receivable	(18,998)
Increase in other assets	(2,500)
Decrease in deferred revenue	(8,276)
Decrease in accrued interest payable	(2,366)
Increase in accounts payable and accrued expenses	102,377

Cash provided by operating activities 2,241,248

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment (623,266)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds on notes payable 395,961
Payments on notes payable (892,004)
Increase in deposits with fiduciary (208,915)

Cash used in financing activities (704,958)

Net increase in cash 913,024

Cash, cash equivalents and restricted cash at beginning of year 7,057,423

Cash, cash equivalents and restricted cash at end of year \$ 7,970,447

Supplemental information

Interest paid \$ 509,789

RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH BALANCES

Cash and cash equivalents \$ 7,941,979
Restricted cash 28,468
Total cash, cash equivalents and restricted cash \$ 7,970,447

The accompanying notes are an integral part of these financial statements.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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

1. Organization 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 organizations 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.

In fiscal year 2022, HANDS assumed a new entity, Polk County Lenders. The purpose of this entity is to provide financial assistance to very low, low or moderate income households purchasing homes to be occupied as their primary residence.

2. Basis of Accounting and Financial Statement Presentation

The accompanying financial statements and accompanying schedules have been prepared on the accrual basis of accounting. 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 may designate a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion. For example, the Board may designate 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’ 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. 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. However, gifts of cash and other assets that are restricted by a donor are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal year as received.

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.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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

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

See Note O 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, 2022, 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 E). 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.

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 year ended September 30, 2022 was \$38,990.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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

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 statement of activities. The statement 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.

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.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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

9. Fair Value Measurement

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. Contributions

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, 2022.

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.

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, 2022, HANDS deposits exceeded FDIC insured limits by \$4,509,275. HANDS has never experienced any loss from such excess holdings.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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

14. Revenue and Support Recognition

The Organization follows the Financial Accounting Standards Board (FASB) Account Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606), which outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

The Organization also follows ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC 958-605), which clarifies how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

HANDS recognizes federal and state grants on the accrual basis when it is earned in accordance with the grant agreement. Support and Revenues from grants and contracts are generally recognized as eligible costs are incurred and/or as required services are performed.

15. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 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, 2022. HANDS is evaluating the potential effects ASU 2016-02 will have on its financial statements.

16. Accounting Pronouncements Implemented

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets*, which requires the monitoring and tracking of gifts in kind by asset category, while also noting any donor-imposed restrictions. The Organization adopted ASU No. 2020-07 effective July 1, 2021. The adoption has no significant impact on the Organization's financial statements.

17. Subsequent Events

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on January 19, 2023.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Money market mutual funds	\$ 2,437,029	\$ -	\$ -	\$ 2,437,029
Guaranteed interest contracts	<u>-</u>	<u>-</u>	<u>2,166,537</u>	<u>2,166,537</u>
 Total assets at fair value	 <u>\$ 2,437,029</u>	 <u>\$ -</u>	 <u>\$ 2,166,537</u>	 <u>\$ 4,603,566</u>

The following table presents changes in HANDS' Level 3 assets measured at fair value the year ended September 30, 2022:

	<u>Guaranteed Interest Contracts</u>
Balance, beginning of year	\$ 1,976,997
Interest income	194,792
Contributions	1,279,338
Distributions and repayment of loans, net	<u>(1,284,590)</u>
 Balance, end of year	 <u>\$ 2,166,537</u>

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.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE C – DESCRIPTION OF PROJECTS (continued)

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 and again in September 2021.

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.

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 \$28,468 at September 30, 2022.

NOTE E - 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 \$170,548	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 \$184,934	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 \$2,624,331	Authority - A Bonds Allocated Florida Housing Finance Authority Orange County, FL 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.	See Above Fund a Sinking Fund Reserve Account for approximately \$32,000 per year.

FISCAL YEAR FIVE YEAR PAYOUT

BALANCE SEPTEMBER 30, 2022	2023	2024	2025	2026	2027	THEREAFTER	TOTAL
\$ 1,785,000	\$ 460,000	\$ 500,000	\$ 540,000	\$ 285,000	\$ -	\$ -	\$ 1,785,000
<u>(1,785,000)</u>	<u>(460,000)</u>	<u>(500,000)</u>	<u>(540,000)</u>	<u>(285,000)</u>	<u>-</u>	<u>-</u>	<u>(1,785,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,800,000	285,000	310,000	335,000	360,000	385,000	2,125,000	3,800,000
<u>(3,800,000)</u>	<u>(285,000)</u>	<u>(310,000)</u>	<u>(335,000)</u>	<u>(360,000)</u>	<u>(385,000)</u>	<u>(2,125,000)</u>	<u>(3,800,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
52,836	13,616	14,800	15,984	8,436	-	-	52,836
108,502	-	-	-	-	-	108,502	108,502
<u>(1,778)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,778)</u>	<u>(1,778)</u>
<u>159,560</u>	<u>13,616</u>	<u>14,800</u>	<u>15,984</u>	<u>8,436</u>	<u>-</u>	<u>106,724</u>	<u>159,560</u>
66,938	17,250	18,750	20,250	10,688	-	-	66,938
160,400	-	-	-	-	-	160,400	160,400
125,000	-	-	-	-	-	125,000	125,000
<u>(2,253)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,253)</u>	<u>(2,253)</u>
<u>350,085</u>	<u>17,250</u>	<u>18,750</u>	<u>20,250</u>	<u>10,688</u>	<u>-</u>	<u>283,147</u>	<u>350,085</u>
808,248	208,288	226,400	244,512	129,048	-	-	808,248
251,496	32,148	32,148	32,148	32,148	32,148	90,756	251,496
1,200,790	-	-	-	-	-	1,200,790	1,200,790
<u>(40,357)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,357)</u>	<u>(40,357)</u>
<u>2,220,177</u>	<u>240,436</u>	<u>258,548</u>	<u>276,660</u>	<u>161,196</u>	<u>32,148</u>	<u>1,251,189</u>	<u>2,220,177</u>

NOTE E - LONG TERM DEBT

SECURITY / NET BOOK VALUE	LENDER	PAYMENT TERMS	COVENANTS
Green Gables \$1,782,529	Authority - C Bonds	Principal and interest at 7.0% is payable October 1 and April 1 through April 1,	Maintain the following reserves: (1) Debt Service Reserve Account in an amount sufficient to pay
	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	Subject to certain minimum ratios and other restrictive covenants.
	Florida Housing Finance 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 \$453,870	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 \$2,303,326	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 September 30, 2026; Note is non-interest bearing.	
	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 \$699,156	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, 2022	2023	2024	2025	2026	2027	THEREAFTER	TOTAL
950,000	130,000	140,000	150,000	165,000	175,000	190,000	950,000
636,185	-	-	-	-	-	636,185	636,185
1,162,983	-	-	-	-	-	1,162,983	1,162,983
(25,630)	-	-	-	-	-	(25,630)	(25,630)
2,723,538	130,000	140,000	150,000	165,000	175,000	1,963,538	2,723,538
515,000	40,000	40,000	45,000	50,000	50,000	290,000	515,000
400,000	-	-	-	-	400,000	-	400,000
278,912	-	-	-	-	-	278,912	278,912
(27,734)	-	-	-	-	-	(27,734)	(27,734)
1,166,178	40,000	40,000	45,000	50,000	450,000	541,178	1,166,178
2,450,000	180,000	200,000	215,000	230,000	255,000	1,370,000	2,450,000
284,000	284,000	-	-	-	-	-	284,000
395,961	-	-	-	395,961	-	-	395,961
300,400	-	-	-	-	-	300,400	300,400
(132,934)	-	-	-	-	-	(132,934)	(132,934)
3,297,427	464,000	200,000	215,000	625,961	255,000	1,537,466	3,297,427
301,844	77,786	84,550	91,314	48,194	-	-	301,844
458,151	-	-	-	-	-	458,151	458,151
(10,160)	-	-	-	-	-	(10,160)	(10,160)
749,835	77,786	84,550	91,314	48,194	-	447,991	749,835

NOTE E - LONG TERM DEBT

SECURITY / NET BOOK VALUE	LENDER	PAYMENT TERMS	COVENANTS
Lake Jennie I \$264,331	Authority - F Bonds Allocated Unamortized debt issuance cost	See Above	See Above
Kensington Oaks \$389,068	Authority - F Bonds Allocated Unamortized debt issuance cost	See Above	See Above
Lake Jennie II \$715,546	Authority - F Bonds Allocated Florida Housing Finance Authority Unamortized debt issuance cost	See Above Entire principal is due April 1, 2038; Note is non-interest-bearing and subordinate to the Series F Bonds.	See Above
Pebble Creek \$590,071	Authority - A Bonds Allocated Florida Housing Finance Authority Osceola County, FL Unamortized debt issuance cost	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

TOTAL ALL DEBT

FISCAL YEAR FIVE YEAR PAYOUT

BALANCE SEPTEMBER 30, 2022	2023	2024	2025	2026	2027	THEREAFTER	TOTAL
120,000	10,000	10,000	10,000	10,000	10,000	70,000	120,000
(17,678)	-	-	-	-	-	(17,678)	(17,678)
<u>102,322</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>52,322</u>	<u>102,322</u>
205,000	15,000	20,000	20,000	20,000	20,000	110,000	205,000
(11,473)	-	-	-	-	-	(11,473)	(11,473)
<u>193,527</u>	<u>15,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>98,527</u>	<u>193,527</u>
510,000	40,000	40,000	45,000	50,000	50,000	285,000	510,000
1,428,265	-	-	-	-	-	1,428,265	1,428,265
(26,048)	-	-	-	-	-	(26,048)	(26,048)
<u>1,912,217</u>	<u>40,000</u>	<u>40,000</u>	<u>45,000</u>	<u>50,000</u>	<u>50,000</u>	<u>1,687,217</u>	<u>1,912,217</u>
555,135	143,060	155,500	167,940	88,635	-	-	555,135
678,500	-	-	-	-	-	678,500	678,500
300,000	-	-	-	-	-	300,000	300,000
(18,686)	-	-	-	-	-	(18,686)	(18,686)
<u>1,514,949</u>	<u>143,060</u>	<u>155,500</u>	<u>167,940</u>	<u>88,635</u>	<u>-</u>	<u>959,814</u>	<u>1,514,949</u>
<u>\$ 14,389,815</u>	<u>\$ 1,191,148</u>	<u>\$ 982,148</u>	<u>\$ 1,057,148</u>	<u>\$ 1,238,110</u>	<u>\$ 992,148</u>	<u>\$ 8,929,113</u>	<u>\$ 14,389,815</u>

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE F – 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 reverts 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 \$28,468.

NOTE G – 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, 2022, management fee expense totaled \$320,279.

NOTE H – ADVERTISING COST

Advertising costs related to the various projects are expensed as incurred. Total advertising expense for the year ended September 30, 2022 was \$543.

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

The Organization has entered into various non-cancelable operating lease agreements for the rental of office space. Rent expense was \$101,801 for the year ended September 30, 2022. Future minimum lease payment under these operating leases are follows:

2023	\$	153,531
2024		36,937
2025		<u>4,400</u>
	\$	<u>194,868</u>

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE J – RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on HANDS’ financial condition, liquidity, and future results of operations. Management actively monitoring the global pandemic situation.

NOTE K – 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, 2022.

NOTE L – 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 \$16,076 were made for the year ended September 30, 2022.

NOTE M – 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 salaries and benefits, Insurance, maintenance, administrative, utilities, management fees, legal and professional services, bond administrative services, resource center, and taxes and fees, which are allocated on the basis of estimates of time and effort.

NOTE N – PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, the Coronavirus Aid Relief, and Economic Security Act (“CARES Act”) was enacted in response to the COVID-19 pandemic. Under the CARES Act, the Paycheck Protection Program (“PPP”) was established to provide assistance to small businesses with resources needed to maintain payroll and cover applicable overhead.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE N – PAYCHECK PROTECTION PROGRAM LOAN (continued)

In April 2020, HANDS was approved for and received a PPP loan in the amount of \$76,195. The proceeds of the loans were used primarily for payroll. The loan was forgiven in November 2021 and reported as debt forgiveness in the statement of activities.

NOTE O – 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, 2022, for net assets with donor restriction for the following purposes or periods as follows:

Beginning balance	\$	89,223
Grant revenue		1,454,474
Restrictions released		<u>(1,454,474)</u>
Ending balance	\$	<u>89,223</u>

Net assets with donor restriction in the statement of financial position at September 30, 2022 consists of restricted cash of \$28,468 and cash and cash equivalents of \$60,755.

NOTE P – CONTRIBUTIONS OF NONFINANCIAL ASSETS

Donated facilities that are measurable are recorded at fair market value on the date of the receipt by HANDS. For the year ended September 30, 2022, contributed non-financial assets recognized within the statements of activities included office rent of \$16,500.

NOTE Q – DEBT FORGIVENESS

During fiscal year 2022, debt forgiveness was recognized on the statement of activities for the Florida Community Capital Corporation and Seminole County grants as all requirements were met and repayment will not be required. Debt forgiveness for the year ended September 30, 2022 consists of the following:

Florida Community Capital Corporation		
Kensington Oaks	\$	672,775
Lake Jennie I		222,500
Green Gables		<u>177,500</u>
		<u>672,775</u>
Seminole County		
Kensington Oaks		<u>150,000</u>
Total	\$	<u>822,775</u>

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE R – 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	\$ 7,941,979
Deposits with fiduciary-current	3,074,445
Grants and accounts receivable	<u>186,369</u>
Total financial assets available within one year	11,202,793
Amounts unavailable for general expenditures:	
Current portion of long-term debt	1,191,148
Accounts payable and accrued expenses	461,004
Accrued interest payable	583,649
Deferred revenue	<u>2,631</u>
Total amounts of expenditures due within one year	2,238,432
Donor restricted net assets	<u>89,223</u>
Total financial assets available within one year- net	<u>\$ 8,875,138</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.