

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

Financial Statements

September 30, 2024

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INDEPENDENT AUDITOR'S REPORT

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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, 2024, 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, 2024, 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 and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* 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*, and combining schedules 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

Supplementary Information (continued)

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 schedule of expenditures of federal awards and state financial assistance 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 29, 2025, 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 29, 2025

Housing and Neighborhood Development Services of Central Florida, Inc.

STATEMENT OF FINANCIAL POSITION

September 30, 2024

ASSETS

CURRENT ASSETS

| | |
|----------------------------------|---------------|
| Cash and cash equivalents | \$ 10,796,707 |
| Restricted cash | 1,531 |
| Accounts receivable | 105,301 |
| Grants receivable | 659,327 |
| Deposits with fiduciary (Note B) | 2,912,147 |
| Prepaid expenses | 714,796 |
| Total current assets | 15,189,809 |

PROPERTY AND EQUIPMENT

| | |
|-------------------------------|--------------|
| Furniture and equipment | 4,356,016 |
| Building and improvements | 25,597,369 |
| Land and improvements | 2,674,856 |
| | 32,628,241 |
| Less accumulated depreciation | (23,235,212) |
| Net property and equipment | 9,393,029 |

OTHER ASSETS

| | |
|------------------------------------|---------------|
| Deposits with fiduciary (Note B) | 1,575,407 |
| Operating lease right-of-use asset | 129,521 |
| Other assets | 40,026 |
| | 1,744,954 |
| Total assets | \$ 26,327,792 |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|--|--------------|
| Current portion of long-term debt (Note E) | \$ 1,223,139 |
| Accounts payable and accrued expenses | 559,947 |
| Accrued interest payable | 544,044 |
| Operating lease liability | 117,232 |
| Total current liabilities | 2,444,362 |

LONG-TERM LIABILITIES

| | |
|---------------------------------------|------------|
| Long-term debt (Note E) | 9,438,353 |
| Security deposits | 341,640 |
| Non-current operating lease liability | 10,040 |
| Total liabilities | 12,234,395 |

NET ASSETS

| | |
|----------------------------------|---------------|
| Without donor restrictions | 14,004,174 |
| With donor restrictions | 89,223 |
| Total net assets | 14,093,397 |
| Total liabilities and net assets | \$ 26,327,792 |

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, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------|
| PUBLIC SUPPORT | | | |
| Housing assistance grants | \$ - | \$ 440,703 | \$ 440,703 |
| Down payment assistance grants | - | 1,850,800 | 1,850,800 |
| Mortgage payment assistance grants | - | 163,409 | 163,409 |
| | - | 2,454,912 | 2,454,912 |
| REVENUES | | | |
| Rental income | 7,505,052 | - | 7,505,052 |
| Processing fees | 134,000 | - | 134,000 |
| Other income | 2,742 | - | 2,742 |
| Contributions of non-financial assets | 1,300 | - | 1,300 |
| Net assets released from restrictions | 2,454,912 | (2,454,912) | - |
| | 10,098,006 | (2,454,912) | 7,643,094 |
| Total revenues | 10,098,006 | (2,454,912) | 7,643,094 |
| Total public support and revenues | 10,098,006 | - | 10,098,006 |
| EXPENSES | | | |
| Program services | 7,197,652 | - | 7,197,652 |
| Support services | 161,339 | - | 161,339 |
| | 7,358,991 | - | 7,358,991 |
| Total expenses | 7,358,991 | - | 7,358,991 |
| Net operating income | 2,739,015 | - | 2,739,015 |
| OTHER (INCOME) EXPENSE | | | |
| Interest income | (237,110) | - | (237,110) |
| Interest expense | 422,421 | - | 422,421 |
| Depreciation | 931,677 | - | 931,677 |
| Unrealized gain on investment | (155,570) | - | (155,570) |
| | 961,418 | - | 961,418 |
| Total other expense | 961,418 | - | 961,418 |
| Increase in net assets before forgiveness | 1,777,597 | - | 1,777,597 |
| Debt forgiveness | 1,121,698 | - | 1,121,698 |
| | 2,899,295 | - | 2,899,295 |
| Increase in net assets | 2,899,295 | - | 2,899,295 |
| Net assets, beginning of year | 11,104,879 | 89,223 | 11,194,102 |
| Net assets, end of year | \$ 14,004,174 | \$ 89,223 | \$ 14,093,397 |

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, 2024

| | <u>Program Services</u> | <u>Support Services</u> | <u>Total</u> |
|--------------------------|-----------------------------|-----------------------------|-----------------------------|
| Down payment assistance | \$ 1,850,815 | \$ - | \$ 1,850,815 |
| Salaries and benefits | 1,427,628 | 86,435 | 1,514,063 |
| Insurance | 1,241,737 | - | 1,241,737 |
| Maintenance | 875,310 | - | 875,310 |
| Administrative | 537,468 | 53,889 | 591,357 |
| Utilities | 378,553 | - | 378,553 |
| Management fees | 370,905 | - | 370,905 |
| Mortgage assistance | 188,178 | - | 188,178 |
| Legal and professional | 149,396 | 21,015 | 170,411 |
| Resource center | 105,964 | - | 105,964 |
| Bond administrative fees | 41,145 | - | 41,145 |
| Taxes and fees | 30,553 | - | 30,553 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total expenses | <u>\$ 7,197,652</u> | <u>\$ 161,339</u> | <u>\$ 7,358,991</u> |

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, 2024

| | |
|--|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Increase in net assets | \$ 2,899,295 |
| Adjustments to reconcile increase in net assets to net cash provided by operations | |
| Non cash rent expense | 3,542 |
| Debt forgiveness | (1,121,698) |
| Depreciation | 931,677 |
| Non cash interest expense | 38,990 |
| Changes in assets and liabilities: | |
| Increase in security deposits | 8,064 |
| Increase in prepaid expenses | (124,002) |
| Increase in accounts and grants receivable | (355,145) |
| Decrease in other assets | 873 |
| Decrease in accrued interest payable | (13,068) |
| Increase in accounts payable and accrued expenses | 105,898 |
| | <hr/> |
| Cash provided by operating activities | 2,374,426 |
| | <hr/> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchases of property and equipment | (711,880) |
| | <hr/> |
| Cash used in investing activities | (711,880) |
| | <hr/> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Proceeds on notes payable | 297,433 |
| Payments on notes payable | (1,038,762) |
| Decrease in deposits with fiduciary | 217,864 |
| | <hr/> |
| Cash used in financing activities | (523,465) |
| | <hr/> |
| Net increase in cash | 1,139,081 |
| Cash, cash equivalents and restricted cash at beginning of year | 9,659,157 |
| | <hr/> |
| Cash, cash equivalents and restricted cash at end of year | \$ 10,798,238 |
| | <hr/> <hr/> |
| SUPPLEMENTAL CASH FLOW INFORMATION | |
| Interest paid | \$ 435,489 |
| | <hr/> <hr/> |
| Reconciliation of cash, cash equivalents and restricted cash balances at year end: | |
| Cash and cash equivalents | \$ 10,796,707 |
| Restricted cash | 1,531 |
| Total cash, cash equivalents and restricted cash | \$ 10,798,238 |
| | <hr/> <hr/> |

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, 2024

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 an 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, 2024

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

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

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

3. Accounts Receivable

No allowance is provided since all receivables are deemed fully collectible based on HANDS' evaluation of historical experience, current conditions, and reasonable forecasts.

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. 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 are 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, 2024 was \$38,990, which is included in interest expense on the statement of activities.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

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 presents 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. The 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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

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

9. Fair Value Measurement (continued)

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. Grants

Grants received are recorded at their estimated fair values on the date of receipt or upon satisfaction of any grantor conditions and are reflected as grants in the accompanying financial statements. All grants are considered available for unrestricted use unless specifically restricted by the grantors. Amounts received that are designated for future periods or restricted by the grantor for specific purposes are reported as net assets with donor restrictions.

12. Contributions of Non-financial Assets

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. Donated facilities that are measurable are recorded at fair market value on the date of the receipt by HANDS.

13. 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.

14. 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, 2024, HANDS deposits exceeded FDIC insured limits by \$7,096,217. HANDS has never experienced any loss from such excess holdings.

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

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

15. Revenue and Support Recognition

HANDS 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.

HANDS 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. Deferred revenue represents grant funds received in advance of grant expenditures.

HANDS recognizes rental income as rentals become due.

16. Leases

HANDS follows ASC 842, *Leases*, which requires lessees to put most leases on its statement of financial position and recognize expenses on its statement of activities.

HANDS has elected to apply the short-term lease exception to all leases with a term of one year or less. As of September 30, 2024, HANDS does not have any short-term leases.

17. Accounting Pronouncements Implemented

Effective January 1, 2023, HANDS adopted FASB ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. HANDS adopted this new guidance for fiscal 2024, however, the adoption had no impact on the financial statements.

18. 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 29, 2025.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

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 \$5,500,000, 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, 2024:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------|---------------------|----------------|---------------------|---------------------|
| Assets: | | | | |
| Money market mutual funds | \$ 2,303,945 | \$ - | \$ - | \$ 2,303,945 |
| Guaranteed interest contracts | - | - | 2,183,609 | 2,183,609 |
| | | | | |
| Total assets at fair value | <u>\$ 2,303,945</u> | <u>\$ -</u> | <u>\$ 2,183,609</u> | <u>\$ 4,487,554</u> |

The following table presents changes in HANDS' Level 3 assets measured at fair value the year ended September 30, 2024:

| <u>Guaranteed Interest Contracts</u> | |
|---|---------------------|
| Balance, beginning of year | \$ 2,133,986 |
| Interest income | 105,352 |
| Contributions | (84,786) |
| Transfers | 1,260,021 |
| Distributions and repayment of loans, net | <u>(1,230,964)</u> |
| | |
| Balance, end of year | <u>\$ 2,183,609</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, 2024

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. Substantial interior rehab was completed in September 2024.

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). These restrictions were released by Orange County, and the units are no longer subject to them.

Lake Jennie I - 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 \$1,531 at September 30, 2024.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

NOTE E - LONG TERM DEBT

| SECURITY / NET BOOK VALUE | LENDER | PAYMENT TERMS | BALANCE SEPTEMBER 30, 2024 | FISCAL YEAR FIVE YEAR PAYOUT | | | | | | TOTAL |
|--|---|---|----------------------------------|------------------------------|------------|--------|---------|-----------|------------|------------|
| | | | | 2025 | 2026 | 2027 | 2028 | 2029 | THEREAFTER | |
| Delaney, Anderson, Lancaster, Mendel, Pebble Creek | Orange County Finance Authority ("Authority") - A Bonds | Housing Principal and interest at 7.0% is payable October 1 and April 1 through October 2025 and is secured by a first mortgage. | \$ 825,000 | \$ 540,000 | \$ 285,000 | \$ - | \$ - | \$ - | \$ - | \$ 825,000 |
| | | Allocation to specific properties | (825,000) | (540,000) | (285,000) | - | - | - | - | (825,000) |
| | | | - | - | - | - | - | - | - | - |
| Delaney \$155,194 | Authority - A Bonds Allocated | See Above | 24,420 | 15,984 | 8,436 | - | - | - | - | 24,420 |
| | City of Orlando | Grant will be forgiven in fiscal year 2025 if affordability requirements are met as defined in the agreement. | 108,502 | 108,502 | - | - | - | - | - | 108,502 |
| | Unamortized debt issuance cost | | (1,304) | - | - | - | - | - | (1,304) | (1,304) |
| | | | 131,618 | 124,486 | 8,436 | - | - | - | (1,304) | 131,618 |
| Anderson Oaks \$179,702 | Authority - A Bonds Allocated | See Above | 30,938 | 20,250 | 10,688 | - | - | - | - | 30,938 |
| | Florida Housing Authority | Finance Principal is due December 1, 2025; Note is non-interest- bearing. | 160,400 | - | 160,400 | - | - | - | - | 160,400 |
| | City of Orlando, FL | \$125,000 grant, principal is due December 15, 2027; Note is non- interest-bearing. | 125,000 | - | - | - | 125,000 | - | - | 125,000 |
| | Unamortized debt issuance cost | | (1,653) | - | - | - | - | - | (1,653) | (1,653) |
| | | | 314,685 | 20,250 | 171,088 | - | 125,000 | - | (1,653) | 314,685 |
| Lancaster Villas \$2,378,378 | Authority - A Bonds Allocated | See Above | 373,560 | 244,512 | 129,048 | - | - | - | - | 373,560 |
| | Florida Housing Authority | Finance Principal is due July 1 and January 1, through 2031; Note is non-interest-bearing and subordinate to the Series A & F Bonds. | 187,202 | 32,148 | 32,148 | 32,148 | 32,148 | 32,148 | 26,462 | 187,202 |
| | Orange County, FL | Principal is due April 13, 2029; Note is non-interest-bearing. | 1,200,790 | - | - | - | - | 1,200,790 | - | 1,200,790 |
| | Unamortized debt issuance cost | | (30,320) | - | - | - | - | - | (30,320) | (30,320) |
| | | | 1,731,232 | 276,660 | 161,196 | 32,148 | 32,148 | 1,232,938 | (3,858) | 1,731,232 |
| Pebble Creek \$576,026 | Authority - A Bonds Allocated | See Above | 256,575 | 167,940 | 88,635 | - | - | - | - | 256,575 |
| | Florida Housing Authority | Finance Entire principal is due December 1, 2025; Note is non-interest bearing. | 678,500 | - | 678,500 | - | - | - | - | 678,500 |
| | Unamortized debt issuance cost | | (13,703) | - | - | - | - | - | (13,703) | (13,703) |
| | | | 921,372 | 167,940 | 767,135 | - | - | - | (13,703) | 921,372 |
| Mendel Villas \$585,426 | Authority - A Bonds Allocated | See Above | 139,508 | 91,314 | 48,194 | - | - | - | - | 139,508 |
| | Unamortized debt issuance cost | | (7,451) | - | - | - | - | - | (7,451) | (7,451) |
| | | | 132,057 | 91,314 | 48,194 | - | - | - | (7,451) | 132,057 |

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

NOTE E - LONG TERM DEBT

| SECURITY / NET BOOK VALUE | LENDER | PAYMENT TERMS | BALANCE SEPTEMBER 30, 2024 | FISCAL YEAR FIVE YEAR PAYOUT | | | | | | | TOTAL |
|---|--------------------------------|--|----------------------------------|------------------------------|-----------|-----------|-----------|-----------|-------------|-------------|-------|
| | | | | 2025 | 2026 | 2027 | 2028 | 2029 | THEREAFTER | | |
| 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. | 3,205,000 | 335,000 | 360,000 | 385,000 | 415,000 | 445,000 | 1,265,000 | 3,205,000 | |
| | | Allocation to specific properties | (3,205,000) | (335,000) | (360,000) | (385,000) | (415,000) | (445,000) | (1,265,000) | (3,205,000) | |
| | | | - | - | - | - | - | - | - | - | |
| Lake Davis \$382,659 | Authority - F Bonds Allocated | See Above | 435,000 | 45,000 | 50,000 | 50,000 | 55,000 | 60,000 | 175,000 | 435,000 | |
| | City of Orlando, FL | Principal and interest at 2% is due June 1, 2027; and is subordinate to the Series F Bonds. | 400,000 | - | - | 400,000 | - | - | - | 400,000 | |
| | City of Orlando, FL | Principal and interest at 2% is due July 1, 2028; and is subordinate to the Series F Bonds. | 278,912 | - | - | - | 278,912 | - | - | 278,912 | |
| | Unamortized debt issuance cost | | (21,521) | - | - | - | - | - | (21,521) | (21,521) | |
| | | | 1,092,391 | 45,000 | 50,000 | 450,000 | 333,912 | 60,000 | 153,479 | 1,092,391 | |
| Governors Manor \$2,455,173 | Authority - F Bonds Allocated | See Above | 2,070,000 | 215,000 | 230,000 | 255,000 | 270,000 | 290,000 | 810,000 | 2,070,000 | |
| | City of Orlando | Principal is due to be forgiven on September 30, 2029; Note is non-interest-bearing. | 297,433 | - | - | - | - | 297,433 | - | 297,433 | |
| | Unamortized debt issuance cost | | (102,809) | - | - | - | - | - | (102,809) | (102,809) | |
| | | | 2,264,624 | 215,000 | 230,000 | 255,000 | 270,000 | 587,433 | 707,191 | 2,264,624 | |
| Lake Jennie I \$231,742 | Authority - F Bonds Allocated | See Above | 100,000 | 10,000 | 10,000 | 10,000 | 10,000 | 15,000 | 45,000 | 100,000 | |
| | Unamortized debt issuance cost | | (13,750) | - | - | - | - | - | (13,750) | (13,750) | |
| | | | 86,250 | 10,000 | 10,000 | 10,000 | 10,000 | 15,000 | 31,250 | 86,250 | |
| Kensington Oaks \$332,794 | Authority - F Bonds Allocated | See Above | 170,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 70,000 | 170,000 | |
| | Unamortized debt issuance cost | | (8,924) | - | - | - | - | - | (8,924) | (8,924) | |
| | | | 161,076 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 61,076 | 161,076 | |
| Lake Jennie II \$608,744 | Authority - F Bonds Allocated | See Above | 430,000 | 45,000 | 50,000 | 50,000 | 60,000 | 60,000 | 165,000 | 430,000 | |
| | Florida Housing Authority | Entire principal is due April 1, 2038; Note is non-interest-bearing and subordinate to the Series F Bonds. | 1,428,265 | - | - | - | - | - | 1,428,265 | 1,428,265 | |
| | Unamortized debt issuance cost | | (20,187) | - | - | - | - | - | (20,187) | (20,187) | |
| | | | 1,838,078 | 45,000 | 50,000 | 50,000 | 60,000 | 60,000 | 1,573,078 | 1,838,078 | |

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

NOTE E - LONG TERM DEBT

| SECURITY / NET BOOK VALUE | LENDER | PAYMENT TERMS | BALANCE SEPTEMBER 30, 2024 | FISCAL YEAR FIVE YEAR PAYOUT | | | | | | TOTAL |
|------------------------------|-----------------------------------|---|----------------------------------|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| | | | | 2025 | 2026 | 2027 | 2028 | 2029 | THEREAFTER | |
| Green Gables \$1,484,020 | Authority - C Bonds | Principal and interest at 7.0% is payable October 1 and April 1 through April 1, 2028 . | 680,000 | 150,000 | 165,000 | 175,000 | 190,000 | - | - | 680,000 |
| | Orange County, Florida | Principal is due May 2027. Note is non-interest-bearing and subordinate to the Mortgage. | 160,256 | 57,489 | 58,369 | 44,398 | - | - | - | 160,256 |
| | Florida Housing Finance Authority | Principal is due February 24, 2028; Note is non-interest-bearing and subordinate to the Series C Bonds. | 1,162,983 | - | - | - | 1,162,983 | - | - | 1,162,983 |
| | Unamortized debt issuance cost | | (15,130) | - | - | - | - | - | (15,130) | (15,130) |
| | | | <u>1,988,109</u> | <u>207,489</u> | <u>223,369</u> | <u>219,398</u> | <u>1,352,983</u> | <u>-</u> | <u>(15,130)</u> | <u>1,988,109</u> |
| Total | | | \$ 10,661,492 | \$ 1,223,139 | \$ 1,739,418 | \$ 1,036,546 | \$ 2,204,043 | \$ 1,975,371 | \$ 2,482,975 | \$ 10,661,492 |

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

NOTE E – LONG TERM DEBT (continued)

As of the date the financial statements were available to be issued, HANDS was in the process of refinancing Authority A, F, and C Bonds. HANDS has requested the subordination of the Florida Housing Finance Authority loans, which could impact the payment terms of those loans.

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 \$1,531.

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, 2024, management fee expense totaled \$370,905.

NOTE H – ADVERTISING COST

Advertising costs related to the various projects are expensed as incurred. Total advertising expense for the year ended September 30, 2024 was \$4,624, which is included in administrative expense on the statement of functional expenses.

NOTE I – COMMITMENTS AND CONTINGENCIES

Operating Leases

HANDS is a lessee on one operating lease for office space for approximately \$10,228 per month, commencing on November 1, 2020 and expiring on October 31, 2025. The rate per month varies throughout the term of the lease.

As of September 30, 2024, the right-of-use (ROU) asset had a balance of \$129,521 as shown in non-current assets on the balance sheet; the lease liability is included in current liabilities (\$117,232) and long-term liabilities (\$10,040). The lease asset and liability were calculated utilizing the risk-free discount rate (4.6%), according to the Board's elected policy.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

NOTE I – COMMITMENTS AND CONTINGENCIES (continued)

Additional information about HANDS' leases are as follows:

Lease cost (included in administrative expense):

| | |
|----------------------|--------------------------|
| Operating lease cost | <u>\$ 122,740</u> |
| Total lease cost | <u><u>\$ 122,740</u></u> |

Other information:

Cash paid for amounts included in measuring operating lease liability:

| | |
|---|--------------------------|
| Operating cash flows from operating lease | <u>\$ 118,336</u> |
| Total cash paid for amounts included in measuring operating lease liability | <u><u>\$ 118,336</u></u> |

Maturities of operating lease liabilities as of September 30, 2024:

| | <u>Lease Payments</u> |
|---------------------------------|--------------------------|
| 2025 | \$ 120,642 |
| 2026 | <u>10,078</u> |
| Total Lease Payments | 130,720 |
| Less: Interest | <u>(3,448)</u> |
| Present Value of Lease Payments | <u><u>\$ 127,272</u></u> |

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

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, 2024.

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 \$14,725 were made for the year ended September 30, 2024, which is included in salaries and benefits on the statement of functional expenses.

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 salaries and benefits, administrative, and legal and professional services, 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, 2024, for net assets with donor restriction for the following purposes or periods as follows:

| | |
|-----------------------|--------------------|
| Beginning balance | \$ 89,223 |
| Grant revenue | 2,454,912 |
| Restrictions released | <u>(2,454,912)</u> |
| Ending balance | <u>\$ 89,223</u> |

Net assets with donor restriction in the statement of financial position at September 30, 2024 consists of restricted cash of \$1,531 and cash and cash equivalents of \$87,692.

Housing and Neighborhood Development Services of Central Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2024

NOTE N – DEBT FORGIVENESS

During fiscal year 2024, debt forgiveness was recognized on the statement of activities for the Orange County and Osceola County grants as all requirements were met and repayment will not be required. Debt forgiveness for the year ended September 30, 2024 consists of the following:

| | |
|--|---------------------|
| Orange County: | |
| Mendel Villas | \$ 458,151 |
| Osceola County: | |
| Pebble Creek | 300,000 |
| Florida Community Capital Corporation: | |
| Green Gables | <u>363,547</u> |
| Total | <u>\$ 1,121,698</u> |

NOTE O – 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 | \$ 10,796,707 |
| Deposits with fiduciary-current | 2,912,147 |
| Accounts receivable | 105,301 |
| Grants receivable | <u>659,327</u> |
| Total financial assets available within one year | 14,473,482 |
| Less donor restricted net assets | <u>(89,223)</u> |
| Total financial assets available within one year- net | <u>\$ 14,384,259</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.