

**COMMUNITY HOUSING AND  
RESOURCES, INC.**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
REPORT OF INDEPENDENT AUDITOR**

**YEARS ENDED  
SEPTEMBER 30, 2017 AND 2016**

## TABLE OF CONTENTS

	<u>Page(s)</u>
<b>Independent Auditor's Report</b> .....	1-2
<b><u>Financial Statements</u></b>	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7-20



**TUSCAN**  
& Company, PA

**Certified Public Accountants & Consultants**

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Community Housing and Resources, Inc.  
2401 Library Way  
Sanibel, Florida 33957

**Report on the Financial Statements**

We have audited the accompanying statements of financial position of Community Housing and Resources, Inc. (a not-for-profit organization) as of September 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

INTEGRITY ..... SERVICE ..... EXPERIENCE

12621 World Plaza Lane, Building 55 • Fort Myers, FL 33907 • Phone: (239) 333-2090 • Fax: (239) 333-2097

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

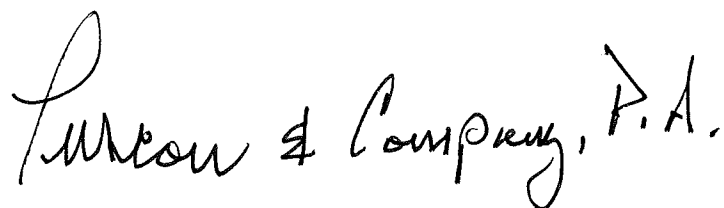
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Housing and Resources, Inc. as of September 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As more fully described in NOTE A to the financial statements, financial accounting standards require entities with common managerial, operational and financial control to be combined and reported as a single economic and financial entity. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810-50-1 (formerly SOP 94-3, "Reporting of Related Entities by Not-for-Profit Organizations") for financial reporting purposes, Community Housing and Resources, Inc. and Coast and Island Community Land Trust, Inc. are considered to be such a single economic and financial entity. Coast and Island Community Land Trust simply acts as a land trust and holds legal title and/or land leases to certain land on which Community Housing and Resources, Inc. carries out its mission. As such, Coast and Island Community Land Trust records no assets, liabilities, net assets revenues or expenses. Within these financial statements the entities are collectively referred to as Community Housing Resources, Inc. These financial statements include the assets, liabilities, net assets and changes in net assets of both entities.

A handwritten signature in black ink that reads "Tuscán & Company, P.A." The signature is written in a cursive, flowing style.

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
October 27, 2017

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2017 and 2016**

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (including restricted cash of \$138,874 and \$52,175, respectively)	\$ 541,892	\$ 464,403
Accounts receivable	464	3,266
Prepays	41,180	40,683
Deposit	<u>-</u>	<u>4,250</u>
<b>TOTAL CURRENT ASSETS</b>	<u>583,536</u>	<u>512,602</u>
<b>PROPERTY AND EQUIPMENT, NET</b> (Accumulated depreciation of \$3,574,425 and \$3,316,884 respectively)	<u>4,520,792</u>	<u>4,555,703</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,104,328</u>	<u>\$ 5,068,305</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 47,131	\$ 13,917
Accrued payroll and taxes	8,796	11,784
Unearned revenue - fundraising	7,000	6,300
Unearned revenue - City of Sanibel	-	75,070
Security deposits	37,800	38,700
Current portion of long-term debt	60,404	39,635
Current portion of LEO appreciation liability	<u>-</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>161,131</u>	<u>185,406</u>
<b>OTHER LIABILITIES</b>		
Accrued compensated absences	10,782	11,943
Long-term debt, net of current portion	1,549,482	1,628,534
LEO appreciation liability, net of current portion	<u>295,571</u>	<u>266,046</u>
<b>TOTAL OTHER LIABILITIES</b>	<u>1,855,835</u>	<u>1,906,523</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>2,016,966</u>	<u>2,091,929</u>
<b>NET ASSETS</b>		
Unrestricted	2,765,301	2,791,737
Unrestricted, designated	220,987	171,164
Temporarily restricted	<u>101,074</u>	<u>13,475</u>
<b>TOTAL NET ASSETS</b>	<u>3,087,362</u>	<u>2,976,376</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,104,328</u>	<u>\$ 5,068,305</u>

The accompanying notes are an integral part of this statement.

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years ended September 30, 2017 and 2016**

	2017		
	Unrestricted	Temporarily Restricted	Total
<b>CHANGES IN NET ASSETS</b>			
<b>SUPPORT AND REVENUE</b>			
Unit sales	\$ -	\$ -	\$ -
City of Sanibel support	-	309,289	309,289
Rent and utility contribution	600,655	-	600,655
Public support	124,636	-	124,636
Grants	-	102,467	102,467
Gross proceeds from special events and fundraising	109,701	-	109,701
Less direct costs	<u>(30,285)</u>	<u>-</u>	<u>(30,285)</u>
Net proceeds from special events and fundraising	79,416	-	79,416
Interest income	882	-	882
Other income	<u>64,856</u>	<u>-</u>	<u>64,856</u>
<b>TOTAL SUPPORT AND REVENUE</b>	870,445	411,756	1,282,201
Net Assets Released from Restrictions	<u>324,157</u>	<u>(324,157)</u>	<u>-</u>
<b>TOTAL</b>	<u>1,194,602</u>	<u>87,599</u>	<u>1,282,201</u>
<b>EXPENSES</b>			
Program services	1,019,275	-	1,019,275
Supporting services	<u>151,940</u>	<u>-</u>	<u>151,940</u>
<b>TOTAL EXPENSES</b>	<u>1,171,215</u>	<u>-</u>	<u>1,171,215</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	23,387	87,599	110,986
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,962,901</u>	<u>13,475</u>	<u>2,976,376</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,986,288</u>	<u>\$ 101,074</u>	<u>\$ 3,087,362</u>

The accompanying notes are an integral part of this statement.

2016		
Unrestricted	Temporarily Restricted	Total
\$ 248,000	\$ -	\$ 248,000
-	300,281	300,281
636,999	-	636,999
93,941	-	93,941
-	97,749	97,749
75,547	-	75,547
<u>(27,494)</u>	<u>-</u>	<u>(27,494)</u>
48,053	-	48,053
521	-	521
<u>8,772</u>	<u>-</u>	<u>8,772</u>
1,036,286	398,030	1,434,316
<u>412,264</u>	<u>(412,264)</u>	<u>-</u>
<u>1,448,550</u>	<u>(14,234)</u>	<u>1,434,316</u>
1,360,005	-	1,360,005
<u>117,395</u>	<u>-</u>	<u>117,395</u>
<u>1,477,400</u>	<u>-</u>	<u>1,477,400</u>
(28,850)	(14,234)	(43,084)
<u>2,991,751</u>	<u>27,709</u>	<u>3,019,460</u>
<u>\$ 2,962,901</u>	<u>\$ 13,475</u>	<u>\$ 2,976,376</u>

The accompanying notes are an integral part of this statement.

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years ended September 30, 2017 and 2016**

FUNCTIONAL EXPENSES	2017				
	Program Services	SUPPORTING SERVICES			Total Expenses
		Admin.	Fund Raising	Total Supporting Services	
Compensation and related expenses					
Salaries	\$ 176,887	\$ 52,620	\$ 44,108	\$ 96,728	\$ 273,615
Fringe benefits	39,126	11,639	9,756	21,395	60,521
Payroll taxes	14,978	4,456	3,735	8,191	23,169
	<u>230,991</u>	<u>68,715</u>	<u>57,599</u>	<u>126,314</u>	<u>357,305</u>
Accounting	10,500	4,690	-	4,690	15,190
Advertising and promotion	2,809	-	702	702	3,511
Bad debt	2,158	-	-	-	2,158
Bank charges	115	461	-	461	576
Board & staff development	420	629	-	629	1,049
CICLT expense (HOA)	7,200	-	-	-	7,200
Communication and web page	322	40	40	80	402
Cost of units sold	-	-	-	-	-
Credit verification	956	-	-	-	956
Grants to individuals	-	-	-	-	-
Homeowners association fees	10,976	-	-	-	10,976
HR admin fees	2,133	635	533	1,168	3,301
Insurance	132,163	4,333	-	4,333	136,496
Interest	73,411	-	-	-	73,411
LEO appreciation	29,526	-	-	-	29,526
Licenses and fees	-	348	-	348	348
Loss on disposition of assets	20,041	-	-	-	20,041
Miscellaneous	1	385	-	385	386
Office expense	6,056	4,296	922	5,218	11,274
Printing	3,256	1,775	888	2,663	5,919
Professional fees	22,145	-	-	-	22,145
Repairs and maintenance	98,416	-	-	-	98,416
Tenant assistance activities	8,406	-	-	-	8,406
Transportation and Travel	4,935	-	-	-	4,935
Volunteer expense	-	-	1,385	1,385	1,385
Utilities	78,784	3,564	-	3,564	82,348
<b>TOTAL EXPENSES</b>					
<b>BEFORE DEPRECIATION</b>	<u>745,720</u>	<u>89,871</u>	<u>62,069</u>	<u>151,940</u>	<u>897,660</u>
Depreciation and amortization	<u>273,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,555</u>
<b>TOTAL EXPENSES</b>	<u>\$ 1,019,275</u>	<u>\$ 89,871</u>	<u>\$ 62,069</u>	<u>\$ 151,940</u>	<u>\$ 1,171,215</u>

The accompanying notes are an integral part of this statement.



2016				
SUPPORTING SERVICES				
Program Services	Admin.	Fund Raising	Total Supporting Services	Total Expenses
\$ 183,390	\$ 38,128	\$ 35,183	\$ 73,311	\$ 256,701
38,206	7,943	7,329	15,272	53,478
15,495	3,222	2,973	6,195	21,690
237,091	49,293	45,485	94,778	331,869
10,500	4,680	-	4,680	15,180
7,354	-	817	817	8,171
6,195	-	-	-	6,195
74	328	-	328	402
1,152	1,728	-	1,728	2,880
8,475	-	-	-	8,475
374	47	47	94	468
198,752	-	-	-	198,752
823	-	-	-	823
25,000	-	-	-	25,000
12,216	-	-	-	12,216
-	-	-	-	-
129,761	3,927	-	3,927	133,688
95,587	-	-	-	95,587
76,741	-	-	-	76,741
-	322	-	322	322
2,071	-	-	-	2,071
1	385	-	385	386
6,216	3,892	921	4,813	11,029
1,832	916	305	1,221	3,053
50,216	-	-	-	50,216
125,476	-	-	-	125,476
11,982	-	-	-	11,982
5,190	-	-	-	5,190
-	-	655	655	655
79,918	3,647	-	3,647	83,565
1,092,997	69,165	48,230	117,395	1,210,392
267,008	-	-	-	267,008
<u>\$ 1,360,005</u>	<u>\$ 69,165</u>	<u>\$ 48,230</u>	<u>\$ 117,395</u>	<u>\$ 1,477,400</u>

The accompanying notes are an integral part of this statement.

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from donors, tenants, homebuyers, and other operating activities	\$ 1,174,280	\$ 1,532,132
Cash paid to suppliers, cost of sales and employees	(772,150)	(1,057,306)
Interest paid	(73,411)	(95,587)
Interest received	882	521
Other income	<u>64,856</u>	<u>8,772</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>394,457</u>	<u>388,532</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(258,685)	(158,615)
LEO appreciation paid to unit holder	<u>-</u>	<u>(28,949)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(258,685)</u>	<u>(187,564)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of principal	<u>(58,283)</u>	<u>(47,240)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(58,283)</u>	<u>(47,240)</u>
NET INCREASE IN CASH	77,489	153,728
CASH, BEGINNING OF YEAR	<u>464,403</u>	<u>310,675</u>
CASH, END OF YEAR	<u>\$ 541,892</u>	<u>\$ 464,403</u>

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF INCREASE (DECREASE)  
IN NET ASSETS TO NET CASH PROVIDED  
BY (USED IN) OPERATING ACTIVITIES**

	<u>2017</u>	<u>2016</u>
Increase (decrease) in net assets	\$ 110,986	\$ (43,084)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	273,555	267,008
Loss on disposal of assets	20,041	2,071
Non-cash establishment of loan from the City of Sanibel	-	-
Non-cash increase in LEO appreciation liability	29,525	76,741
(Increase) decrease in accounts receivables, net	2,802	(130)
(Increase) decrease in inventory/cost of sales	-	-
(Increase) decrease in prepaids/deposit	3,753	1,993
Increase (decrease) in accounts payable	33,214	2,411
Increase (decrease) in accrued liabilities	(2,988)	4,143
Increase (decrease) in unearned revenue - fundraising	700	6,300
Increase (decrease) in unearned revenue - City of Sanibel	(75,070)	75,070
Increase (decrease) in security deposits	(900)	(1,625)
Increase (decrease) in accrued compensated absences	<u>(1,161)</u>	<u>(2,366)</u>
	<u>283,471</u>	<u>431,616</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 394,457</u>	<u>\$ 388,532</u>

**NON-CASH TRANSACTIONS**

The Organization wrote off bad debt in the amount of \$2,158 and \$6,195 for the years ended September 30, 2017 and 2016, respectively.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Operations**

Community Housing and Resources, Inc. ("Community Housing and Resources or CHR ") is a nonprofit Florida corporation located on Sanibel Island, Florida ("Island"). Community Housing and Resources' objective is to promote and assist in the provision of affordable below market-rate workforce housing for individuals working on Sanibel Island, and certain other residents who would otherwise be unable to live on the Island. Specifically, Community Housing and Resources operates two (2) programs to meet its mission. As such, CHR provides below market-rate rental opportunities (74 units) for the Island workforce as well as a partially subsidized home ownership program (14 units). CHR owns, operates and manages housing units on the Island of Sanibel.

During fiscal year ended September 30, 2017, five (5) of the seventy-four (74) rental units received extensive damage due to flooding and have been temporarily removed from the rental assistance program. Such units are in the process of being renovated and are expected to be available for rent during the next fiscal year. The costs incurred for renovation during the fiscal year ended September 20, 2017 in the amount of \$184,186 are included in Property and Equipment as Construction in Progress. In addition, one (1) unit was damaged during Hurricane Irma and was taken out of service during fiscal year ended September 30, 2017.

As part of these programs CHR leases land on a long-term basis from the City of Sanibel for \$1 per year, and initially built housing units on the land to rent and/or sell. As part of this effort, CHR formed a separate not-for-profit organization - Coast and Island Community Land Trust "CICLT". Although CICLT is a separate not-for-profit Florida corporation, it has no independent financial activity from that of CHR except to act as a land trust and hold legal title and/or land leases to certain land on which CHR carries out its mission.

CHR and CICLT meet the criteria for consolidation in accordance with the auditing and accounting standards issued by the Financial Accounting Standards Board ("FASB") in the Accounting Standard Codification ("ASC") FASB ASC 958-810-50-1. Accordingly, these financial statements include the financial activity, financial results of operations, assets, liabilities and net assets of both CHR and CICLT, hereafter, collectively known as Community Housing Resources or CHR.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Organization and Nature of Operations, continued**

These financial statements, however, do not include (and are not required to include) the assets, liabilities, net assets or results of operations of Sanibel Land Trust Homeowners Associations, Inc., an HOA established to operate as a Homeowner Association for the CHR run locations where housing units were sold and/or rented. The HOA operations began in calendar year 2011. The HOA has a calendar year fiscal year. Specifically, CHR's Centre Place, Beach Road and Whitehall housing units, both rental and sale units, are included in the HOA.

The following is a summary of the significant accounting policies used in the preparation of these financial statements:

**Basis of Accounting**

Community Housing and Resources prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The accounting and reporting policies of Community Housing and Resources are in accordance with the auditing and accounting standards issued by the Financial Accounting Standards Board ("FASB") in the Accounting Standard Codification (ASC).

**Financial Statement Presentation**

The financial statement presentation adheres to of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-225-45-1 (formerly Statement of Financial Accounting Standards (SFAS) No. 117), "Financial Statements of Not-for-Profit Organizations". Under FASB ASC 958-225-45-1, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Community Housing and Resources had no permanently restricted net assets as of September 30, 2017 or 2016.

As noted previously, these financial statements also include the financial activity, assets, liabilities and net assets of CICLT of which there was none for September 30, 2017 or 2016.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Reclassifications**

Certain reclassifications have been made in the 2017 financial statements to conform with the classifications used in 2016. These reclassifications had no impact on the financial position or changes in net assets as previously reported.

**Cash**

Cash is stated at the book balance. Cash is comprised of depository accounts. Community Housing and Resources maintains cash balances at various financial institutions. The cash accounts held at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution.

For purposes of the statements of cash flows, Community Housing and Resources considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents. At September 30, 2017 and 2016, CHR held no such cash equivalents.

**Investments**

Community Housing and Resources has approved the investment in certificates of deposits (CD's). Investments are generally carried at market value. Community Housing and Resources has the ability to and intends to hold these investments to maturity. Gains and losses are determined using the specific identification method when securities are sold or matured. Due to the type and nature of investments held, any gain or loss is reflected as interest income. Related investment fees are considered insignificant. At September 30, 2017 and 2016, CHR held no such investments.

**Property and Equipment**

Property and equipment (fixed assets) is recorded at cost, or if donated, at fair market value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations, Community Housing and Resources report expirations of donor restrictions when the donated or acquired assets are placed in

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Property and Equipment, continued**

service as instructed by the donor. Community Housing and Resources reclassifies temporarily restricted net assets to unrestricted net assets at that time. Community Housing and Resources capitalizes assets with a cost or donated fair value of \$1,000 or more and a useful life of one year or more.

Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets which range from 3 years to 27.5 years. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss on disposition is credited or charged to earnings.

The Federal government, as well as the State of Florida, have rights and/or security interests over certain property acquired, partially, with grant funds.

**Impairment of Property and Equipment**

Community Housing and Resources adheres to FASB ASC 360-10-50-2 (formerly FASB Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"). FASB ASC 360-10-50-2 requires, among other things, that entities identify events or changes in circumstances which indicate that the carrying amount of an asset may not be recoverable.

There was no effect on Community Housing and Resources financial statements resulting from FASB ASC 360-10-50-2 for the years ended September 30, 2017 or 2016.

**Recognition of Donor Restrictions**

Community Housing and Resources reports its contributions in accordance with the Not-For-Profit Entities Topic of the FASB ASC. In accordance with this topic, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Recognition of Donor Restrictions, continued**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, or when the purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets.

**Functional Expenses**

Community Housing and Resources allocates and classifies its expenses on a functional basis by program and supporting services. The expenses that are directly attributable to Community Housing and Resources' programs have been charged directly to the program. Substantially all the supporting services' expenses incurred by Community Housing and Resources directly benefit the programs. Other expenses that are common to several functions are allocated by various statistical bases.

**Income Taxes**

Community Housing and Resources and Coast and Island Community Land Trust are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Neither entity is classified as a private foundation within the meaning of Section 509(a) of the Code.

The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. Management believes the Organizations have met the requirements to maintain their tax-exempt status and have no income subject to unrelated business income tax. The Organizations' income tax returns for the past three years are open and subject to examination by tax authorities, and may change upon examination.

Both Community Housing and Resources and Coast and Island Community Land Trust report no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.



**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Accounting for Uncertainty in Income Tax Items**

The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes and Community Housing and Resources has adopted this guidance. CHR has evaluated its tax provision and any estimates utilized in its tax returns, and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expenses, if required.

**Advertising Costs**

It is the policy of Community Housing and Resources to expense advertising costs when incurred.

**Financial Instruments**

Community Housing and Resources financial instruments consist of cash, accounts receivable, prepaid expenses, accounts payable and accrued expenses. The carrying amounts of these items is cost, however, due to their short term nature, approximate fair value. Long term debt is reported as the actual amounts due at the respective year ends.

**Leases**

Rental units owned by Community Housing and Resources were approximately 91% occupied at September 30, 2017 and 93% occupied at September 30, 2016. These units are rented to individuals on one-year cancelable leases subject to the provisions of the below market rate housing program guidelines. Therefore, no future rental income disclosures are required.

**Donated Materials and Services**

Community Housing and Resources receives donated office space (rent), utilities and certain maintenance services. Also a number of volunteers, including the Board of Directors, donate significant amounts of their time and expertise to Community Housing and Resources and its programs. No amounts have been recorded for donated goods or services inasmuch as no objective basis is available to measure the value of such services.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Community Housing and Resources to make estimates and assumptions that affect the reported amounts of assets, liabilities and net assets and disclosure of contingent assets and liabilities at September 30, 2017 and 2016, and revenues and expenses during the years ended September 30, 2017 and 2016. Actual results could differ from those estimates.

**Subsequent Events**

Subsequent events have been evaluated through October 27, 2017, which is the date the financial statements were available to be issued.

**NOTE B - CASH AND INVESTMENTS**

Cash and cash equivalents consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Depository and money market accounts:		
Unrestricted	\$ 40,282	\$ 149,589
Board designated	362,736	262,639
Restricted	<u>138,874</u>	<u>52,175</u>
	<u>\$ 541,892</u>	<u>\$ 464,403</u>

Board designated cash consists of the following at September 30:

	<u>2017</u>	<u>2016</u>
Replacement reserves*	\$ 220,987	\$ 171,164
LEO appreciation	<u>141,749</u>	<u>91,475</u>
	<u>\$ 362,736</u>	<u>\$ 262,639</u>

\* Reflected as unrestricted - designated net assets.

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2017 and 2016**

**NOTE B - CASH AND INVESTMENTS, CONTINUED**

Restricted cash is comprised of the following at September 30:

	2017	2016
Tenant assistance fund*	\$ 89,127	\$ (254)
Charitable foundation*	11,947	12,903
Tenant security deposits	37,800	38,700
Other*	-	826
	<u>\$ 138,874</u>	<u>\$ 52,175</u>

\* Reflected as temporarily restricted net assets.

Florida Statutes Chapter 83.49 requires that the tenant security deposits be held in a separate bank account. At September 30, 2017 and 2016, such deposits were properly held in a separate bank account. At September 30, 2017 and 2016, security deposits were properly funded.

**Concentration of Credit Risk**

Community Housing and Resources maintains its cash in financial institutions. These assets are federally insured up to \$250,000 per financial institution. The uninsured bank balances at September 30, 2017 and 2016 were \$301,160 and \$226,629, respectively. Community Housing and Resources has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE C - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30:

	2017	2016
Land	\$ 768,913	\$ 768,913
Construction in progress	184,186	-
Buildings and improvements, rentals	7,121,442	7,078,598
Furniture and equipment	11,951	11,951
Equipment under capital lease	-	4,400
Vehicle	8,725	8,725
	<u>8,095,217</u>	<u>7,872,587</u>
Accumulated depreciation	<u>(3,574,425)</u>	<u>(3,316,884)</u>
	<u>\$ 4,520,792</u>	<u>\$ 4,555,703</u>

Depreciation expense for the years ended September 30, 2017 and 2016, was \$273,555 and \$267,008, respectively.

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2017 and 2016**

**NOTE D - LONG-TERM DEBT**

Long-term debt consists of the following obligations at September 30:

	<u>2017</u>	<u>2016</u>
Mortgage payable (\$733,351), to a financial institution, dated October 24, 2013. Effective July 25, 2016, the outstanding loan (\$692,176) was modified to adjust interest to 5.25%, continuing to adjust annually on the note anniversary based upon prime rate and floor rate adjusted from 6.5% to 5.25%. Loan is payable in 243 monthly payments of \$4,661. Final payment is due October 24, 2036. The obligation is collateralized by real property located at 1500 Centre Street. It is also cross-collateralized by the \$714,357 mortgage payable. The State of Florida Housing Finance Corporation has a secondary lien on a portion of this real estate for a period of fifteen (15) years beginning in 2010. Interest rate at September 30, 2017 was 5.25%.	\$ 669,109	\$ 688,940
Mortgage payable (\$714,357 after July 25, 2016 modification, original amount was \$815,000) to a financial institution. The obligation is collateralized by various real property 1517 Periwinkle Way and 2320 Wooster Way and all future rents. It is also cross-collateralized by the \$733,351 mortgage payable and the 4 units at Lake Palms. Effective July 25, 2016, the loan was modified to adjust the interest rate to 5.25%. Loan is payable in 138 payments of \$4,648 including principal and interest. Final payment of \$436,384 due on February 25, 2028.	693,062	711,515
Note payable to City of Sanibel, dated December 1, 2015, in the amount of \$282,714. Note is non-interest bearing and is payable in 54 quarterly payments of \$5,000. First payment is due October 1, 2016. Final payment of \$2,714 is due October 1, 2030.	<u>247,715</u>	<u>267,714</u>
Current Portion	<u>1,609,886</u> <u>(60,404)</u>	<u>1,668,169</u> <u>(39,635)</u>
Long-Term Portion	<u>\$ 1,549,482</u>	<u>\$ 1,628,534</u>

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2017 and 2016**

**NOTE D - LONG-TERM DEBT, CONTINUED**

Certain of the debt agreements noted above contain restrictive covenants and conditions.

Interest expense related to long-term debt was \$73,411 and \$95,587 for the years ended September 30, 2017 and 2016, respectively.

Principal maturities of long-term debt are as follows:

Years Ending September 30	Amount
2018	\$ 60,404
2019	62,595
2020	64,811
2021	67,335
2022	69,902
2023-2027	393,074
2028-2032	680,470
2033-2037	211,295
	<u>\$1,609,886</u>

**NOTE E - SCHEDULE OF NET ASSETS**

Net assets consist of the following at September 30:

	2017	2016
Unrestricted - general operations	\$2,765,301	\$2,791,737
Unrestricted - designated, replacement reserves*	<u>220,987</u>	<u>171,164</u>
Total unrestricted	<u>2,986,288</u>	<u>2,962,901</u>
Temporarily restricted:		
Tenant Assistance Fund	89,127	(254)
Charitable foundation	11,947	12,903
Other	-	<u>826</u>
Total temporarily restricted	<u>101,074</u>	<u>13,475</u>
	<u>\$3,087,362</u>	<u>\$2,976,376</u>

\* Board designated a separate cash account to record building and equipment replacement reserve.

**NOTE F - FAIR VALUE MEASUREMENTS**

Community Housing and Resources adheres to the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10-50-1 through 820-10-50-8 (formerly Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements"). FASB ASC 820-10 established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level (1) inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level (3) inputs have the lowest priority. Community Housing and Resources uses appropriate valuation techniques based on the available inputs to measure fair value of its investments. When available, Community Housing and Resources measures fair value using Level (1) inputs because they generally provide the most reliable evidence of fair value. No Level (1), (2) or (3) inputs were used by Community Housing and Resources.

Other assets and liabilities such as cash, receivables, other assets, payables and accrued liabilities are recorded at cost which approximate fair value due to the short term nature of the assets and liabilities.

**NOTE G - COMMITMENTS AND CONTINGENCIES**

Community Housing and Resources has received in the past, grant funds which are subject to special compliance audits by the grantor agencies. These audits may result in disallowed expense amounts.

Disallowed amounts, if any, constitute a contingent liability of Community Housing and Resources. Community Housing and Resources does not believe contingent liabilities, if any, to be material. Accordingly, no such liabilities are reflected within the financial statements.

The Organization is in the process of renovating five (5) units due to flood damage. The cost to complete this project is anticipated to be \$35,781 and is included in accounts payable at September 30, 2017. In addition, one (1) unit was damaged during Hurricane Irma and was taken out of service during fiscal year ended September 30, 2017.

**NOTE H - ECONOMIC DEPENDENCE**

The operations of Community Housing and Resources is dependent on the receipt of program revenue from individual rental unit tenants and the City of Sanibel. Loss of these funds and/or large decreases in these types of funding would have a material effect on Community Housing and Resources and a negative impact on overall operations. For the years ended September 30, 2017 and 2016, approximately 71% and 65% of total support and revenue, respectively, was attributable to amounts received for the account classifications listed above.

**NOTE I - RELATED PARTY TRANSACTIONS**

The 1999 CHR/City of Sanibel Casa Mariposa Construction Funding Agreement requires CHR to pay the City of Sanibel 80% of the fiscal year net rental proceeds for Casa Mariposa based on the income and expenses as of the fiscal year end of September 30, 2017 and 2016. These amounts were paid as noted below by CHR to the City of Sanibel under this agreement for the years ended September 30, 2017 or 2016.

On December 1, 2015, the Casa Mariposa agreement was modified to create a non-interest bearing note payable in the amount of \$282,714 including previously uncollected rental proceeds of \$17,027. The \$282,714 note payable reflects amounts remaining on the original 1999 agreement which provided \$650,000 by the City of Sanibel for the Casa Mariposa project. This note is payable in 54 quarterly payments of \$5,000, final payment of \$2,714 is due October 1, 2030. Therefore, during the year ended September 30, 2016, CHR recorded a prior period entry of a note payable liability and expense of \$282,714 as it relates to this agreement.

Under the December 1, 2015 revised "Casa Mariposa" agreement, CHR paid the City \$15,000 against the \$17,027 previous rental proceeds (noted above) during the year ended September 30, 2016.

An agreement between CHR and the City of Sanibel Agreement provides that the City has designated CHR as its affordable housing agency.

The City of Sanibel also provided CHR operating revenue of \$309,289 and \$300,281 the years ended September 30, 2017 and 2016, respectively.

At September 30, 2017 and 2016, no amounts were due to or from the City of Sanibel under this agreement.

**NOTE J - RETIREMENT PLAN**

CHR maintains a salary continuation plan (individual IRA plans) covering all full-time employees meeting certain eligibility requirements. The plan provides for monthly employer contributions to the plan at a (3% of fulltime employee gross wages) fixed amount. Employees are immediately vested. The plan also provides for voluntary contributions by participants. During the years ended September 30, 2017 and 2016, CHR contributed \$4,966 and \$5,714, respectively, to employees' individual IRA plans.

**NOTE K - LITIGATION**

Community Housing and Resources is involved from time to time in routine litigation, the substance of which would not materially affect its financial position, due to third party insurance coverage and/or federal tort limits. Community Housing and Resources is not in a position at either September 30, 2017 or 2016 to predict a final outcome of such lawsuits or claims, or the related costs involved. Community Housing and Resources intends to vigorously contest all claims unless first settled. Management is not aware of any asserted claims at either September 30, 2017 or September 30, 2016.

**NOTE L - TENANT'S INDEXED APPRECIATION PERCENTAGE**

As part of the sales contracts for units sold by Community Housing and Resources under the Limited Equity Ownership (LEO) Program, CHR is required to repurchase the unit when the owner elects to sell it. As such, CHR is required to accrue and pay owners a guaranteed appreciation on their units when the unit is sold because the unit must be reacquired by CHR. Since the owner buys and sells the housing unit only, not the underlying land, the guarantee amount is used by CHR as an incentive to potential buyers. The guarantee (indexed appreciation percentage) is limited to a 25% appreciation of the purchase price, as defined, over a maximum of ten (10) year period beginning after one (1) year from the date of sale. The guarantee is based on a predetermined graduated scale at time of initial purchase and accrues annually at the anniversary date of the owners purchase of the unit. The owner also is entitled to a graduated conditional guaranteed appreciation amount up to 5% of the purchase price, as defined. These amounts are collectively reflected as "LEO appreciation liability" of \$295,571 and \$266,046 on the Statements of Financial Position at September 30, 2017 and 2016 respectively.



**NOTE L - TENANT'S INDEXED APPRECIATION PERCENTAGE, CONTINUED**

During the year ended September 30, 2016, CHR reacquired one of the units previously sold under the Limited Equity Ownership (LEO) program. As described above, CHR is required to pay the former owner guaranteed appreciation on the housing unit. The guaranteed appreciation amount paid to the unit holder was \$28,949 for the year ended September 30, 2016. No such amounts were paid during the year ended September 30, 2017 as no units were repurchased.

**NOTE M - SUBSEQUENT EVENT**

Subsequent to September 30, 2017, CHR renewed its agreement with the City of Sanibel. Effective October 1, 2017, the City of Sanibel shall pay CHR \$324,753 annually with 5% increases each year thereafter, plus free use of at least 800 square feet of suitable office space including the related utilities and phone services. The agreement terminates September 30, 2022.