

Consolidated Financial Statements
and Other Financial Information

Tallahassee Lenders' Consortium, Inc.

*Years ended September 30, 2014 and 2013
with Report of Independent Auditors*

Tallahassee Lenders' Consortium, Inc.

Consolidated Financial Statements
and Other Financial Information

Years ended September 30, 2014 and 2013

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Report of Independent Auditors

The Board of Directors
Tallahassee Lenders' Consortium, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tallahassee Lenders' Consortium, Inc. (the Consortium) which comprise the consolidated statements of financial position as of September 30, 2014 and 2013, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of Tallahassee Lenders' Consortium, Inc., as of September 30, 2014 and 2013, and the respective changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The other financial information, the schedule of expenditures of federal awards, and the schedule of findings and questioned costs relating to federal awards are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The other financial information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2015 on our consideration of the Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Tallahassee Lenders' Consortium, Inc.'s 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 5, 2014. In our opinion, the summarized comparative information presented in the consolidated statement of activities and changes in net assets as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Tallahassee, Florida
January 21, 2015

Tallahassee Lenders' Consortium, Inc.

Consolidated Statements of Financial Position

	September 30,	
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 535,044	\$ 512,734
Restricted cash	313,290	282,285
Accounts receivable	97,176	154,782
Prepaid expenses and other assets	<u>6,572</u>	<u>5,765</u>
Total current assets	952,082	955,566
Property and equipment, net	<u>367,537</u>	<u>245,248</u>
Total assets	<u>\$ 1,319,619</u>	<u>\$ 1,200,814</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 86,742	\$ 30,904
Current maturities of debt	300,000	300,000
Deferred revenue	<u>65,490</u>	<u>201,615</u>
Total current liabilities	452,232	532,519
Net assets:		
Unrestricted	728,387	579,295
Permanently restricted capital asset funds	<u>139,000</u>	<u>89,000</u>
Total net assets	867,387	668,295
Total liabilities and net assets	<u>\$ 1,319,619</u>	<u>\$ 1,200,814</u>

See accompanying notes.

Tallahassee Lenders' Consortium, Inc.

Consolidated Statements of Activities and Changes in Net Assets

	Years ended September 30,			
	2014		2013	
	Unrestricted	Permanently Restricted	Total	Total
Changes in net assets:				
Revenues and other support:				
NeighborWorks® America grants	\$ 265,059	\$ 50,000	\$ 315,059	\$ 227,566
Down payment assistance	120,075	-	120,075	162,162
City of Tallahassee grants	110,000	-	110,000	110,000
Direct federal grants	53,132	-	53,132	19,208
Counseling services	48,434	-	48,434	43,050
Banking contributions	27,500	-	27,500	22,375
Other contributions	26,846	-	26,846	27,455
Origination fees	14,850	-	14,850	18,875
Credit bureau	7,958	-	7,958	8,214
Donated Property	145,067	-	145,067	33,701
Gain on sale of property	63,000	-	63,000	6,846
Fundraising revenues	8,961	-	8,961	9,852
Interest income	876	-	876	1,312
Miscellaneous	-	-	-	897
Total revenues and other support	891,758	50,000	941,758	691,513
Expenses:				
Down payment assistance	120,075	-	120,075	162,162
Housing assistance and counseling	369,017	-	369,017	342,232
General and administrative expenses	247,808	-	247,808	108,257
Fundraising expenses	5,766	-	5,766	2,255
Total expenses	742,666	-	742,666	614,906
Change in net assets	149,092	50,000	199,092	76,607
Net assets at beginning of year	579,295	39,000	618,295	591,688
Prior period adjustment	-	50,000	50,000	-
Net assets at beginning of year, as restated	579,295	89,000	668,295	591,688
Net assets at end of year	\$ 728,387	\$ 139,000	\$ 867,387	\$ 668,295

See accompanying notes.

Tallahassee Lenders' Consortium, Inc.

Consolidated Statements of Cash Flows

	Years ended September 30,	
	<u>2014</u>	<u>2013</u>
Operating activities		
Change in net assets	\$ 199,092	\$ 76,607
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,594	8,513
Changes in operating assets and liabilities:		
Accounts receivable	57,606	(17,774)
Prepaid expenses and other assets	(807)	(1,649)
Accounts payable and accrued expenses	55,838	(674)
Unearned revenue	(136,125)	10,962
Donated property	(65,067)	-
Net cash provided by operating activities	<u>119,131</u>	<u>75,985</u>
Investing activities		
Purchases of property and equipment	(65,816)	(6,277)
Net cash used in investing activities	<u>(65,816)</u>	<u>(6,277)</u>
Net increase in cash and cash equivalents	53,315	69,708
Cash and cash equivalents at beginning of year	<u>795,019</u>	<u>725,311</u>
Cash and cash equivalents at end of year	<u>\$ 848,334</u>	<u>\$ 795,019</u>
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 535,044	\$ 512,734
Restricted cash	<u>313,290</u>	<u>282,285</u>
	<u>\$ 848,334</u>	<u>\$ 795,019</u>

See accompanying notes.

Tallahassee Lenders' Consortium, Inc.

Notes to Consolidated Financial Statements

Years ended September 30, 2014 and 2013

1. Nature of Operations and Significant Accounting Policies

The Tallahassee Lenders' Consortium, Inc. is a non-profit corporation. Its primary purpose is to operate for the advancement of affordable housing by distribution of its funds for such purposes, and for development of financing resources to support affordable housing. The Consortium owns and operates TLC Housing Services, LLC, whose purpose is to acquire (through donations or purchases) homes, rehab them and resell them to low-to-moderate income buyers.

Principles of Consolidation

The consolidated financial statements include the accounts of the Tallahassee Lenders' Consortium, Inc. and TLC Housing Services, LLC (collectively the Consortium). Significant intercompany accounts and transactions have been eliminated.

Basis of Presentation

The Consortium uses the accrual basis of accounting. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies are described below.

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash consist of deposits with a financial institution and deposits in highly liquid money market funds. The financial instruments exposed to concentrations of credit risk consist primarily of its cash and cash equivalents. Restricted cash represents cash available and designated for the use of the Down Payment Assistance Program. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Bank deposits at times may exceed federally insured limits. The Consortium has not experienced any losses in such accounts.

Funds received from NeighborWorks® America are maintained in a non-interest deposit account which has unlimited coverage by the FDIC until December 31, 2014.

For purposes of the statements of cash flows, the Consortium considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable balances consist of contract and grant receivables from various sources. The Consortium provides an allowance for doubtful accounts based upon the anticipated collectibility of each specific account. At September 30, 2014 and 2013, the Consortium had established an allowance for uncollectible amount of \$7,000.

Tallahassee Lenders' Consortium, Inc.

Notes to Consolidated Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

	<u>Useful Lives</u>
Buildings	40
Furniture and equipment	5-7

The Consortium's policy is to capitalize asset acquisitions greater than \$100.

At September 30, 2014, \$39,000 of the Consortium's building was financed by NeighborWorks® America capital grant funds (see Note 5).

Revenue Recognition

Revenues are recognized when earned. Amounts received are recognized as income to the extent they apply to the current fiscal year; amounts received that apply to subsequent periods are deferred and recognized in the appropriate future period.

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted when received, depending on the existence and/or nature of any donor restrictions. Contributions of donated noncash assets are recorded at their fair values in the period received.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use and duration of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Consortium has been awarded federal grants from the City of Tallahassee (City) and the U.S. Department of Housing and Urban Development (HUD) to provide down payment assistance, other housing assistance, counseling and to support the operations of the Consortium. Additionally, NeighborWorks® America provided several grants during the current year totaling \$315,059 to support program activities. The grants are considered to be exchange transactions. Accordingly, unrestricted support revenue is recognized when earned and expenses are recognized as incurred.

Tallahassee Lenders' Consortium, Inc.

Notes to Consolidated Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

Revenue Recognition (continued)

Property acquired through donations for the purposes of rehabilitation and resale is recorded at fair value at the time of donation. Fair value is based on property appraisals performed at the time of donation. Costs incurred for rehabilitation are recorded as construction in progress and transferred to property held for resale upon completion of the rehabilitation. Revenue is recognized as a gain on sale of property at the time such rehabilitated property is sold.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among programs and the supporting services benefited.

Income Taxes

Pursuant to a determination letter received from the Internal Revenue Service, the Consortium is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and as such, is liable for tax only on business income unrelated to the purpose for which it is exempt. With few exceptions, the Consortium is no longer subject to examinations by major tax jurisdictions for years ended September 30, 2010 and prior.

Real Estate Project Costs

Project costs clearly associated with the acquisition, development, and construction of a real estate project are capitalized as a cost of that project.

In-Kind Support

The Consortium records in-kind contributions at the fair value of services provided by volunteers. Such in-kind services provided consist primarily of volunteer hours and meeting space to hold homebuyer classes. The in-kind contributions are recorded as income and expense at the time they are received, which is normally the time they are used. Such in-kind contributions amounted to \$7,900 for the year ended September 30, 2014.

Subsequent Events

The Consortium has evaluated subsequent events through January 21, 2015, the date the financial statements were available to be issued. During the period from September 30, 2014 to January 21, 2015, the Consortium did not have any material recognizable subsequent events.

Tallahassee Lenders' Consortium, Inc.

Notes to Consolidated Financial Statements

1. Nature of Operations and Significant Accounting Policies (continued)

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Accounts Receivable

Accounts receivable, net of allowance for uncollectible amounts, consists of the following:

	September 30, 2014	2013
Grant receivables	\$ 96,676	\$ 150,332
Other trade receivables	<u>500</u>	<u>4,450</u>
	<u>\$ 97,176</u>	<u>\$ 154,782</u>

3. Property and Equipment

Property and equipment consists of the following:

	September 30, 2014	2013
Land	\$ 56,000	\$ 56,000
Building	193,348	193,348
Furniture and fixtures	41,038	41,038
Construction in progress	65,816	-
Property held for sale	<u>65,067</u>	<u>-</u>
	421,269	290,386
Less accumulated depreciation	<u>53,732</u>	<u>45,138</u>
	<u>\$ 367,537</u>	<u>\$ 245,248</u>

Depreciation expense for the years ended September 30, 2014 and 2013, was \$8,594 and \$8,513, respectively.

Tallahassee Lenders' Consortium, Inc.

Notes to Consolidated Financial Statements

4. Debt

Debt at September 30, 2014 and 2013, consists of the following:

	<u>2014</u>	<u>2013</u>
City of Tallahassee, \$300,000 interest-free line of credit, loan proceeds used for down payment assistance until reimbursed by grant funds, unsecured, due on demand.	\$ <u>300,000</u>	\$ <u>300,000</u>

5. Permanently Restricted Net Assets and Support Revenue

NeighborWorks® America provided a \$39,000 capital grant during the 2011 fiscal year to be used in the purchase of the Consortium's building. Additionally in 2013 and 2014 NeighborWorks® provided \$50,000 per year for a total of \$100,000 to be used for capital projects. These amount are permanently restricted although proceeds on capital projects, or interest earned, over and above the corpus may be transferred to unrestricted net assets for furthering the Consortium's mission. However, should the Consortium become defunct, all remaining grant funds, interest earnings, capital project proceeds, and the loan and capital projects portfolios representing the use of these funds will revert to NeighborWorks® America.

6. Employees Benefit Plan

The Consortium maintains a tax-sheltered annuity plan under Internal Revenue Code Section 403(b). Only voluntary employee contributions have been made during 2014 and 2013.

7. Commitments and Contingencies

In the normal course of operations, the Consortium participates in a number of federal and state assisted grant programs. These programs are subject to audit by the grantors or their representatives. Such audits could lead to request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant.

8. Prior Period Adjustment

Grants received for the NeighborWorks®America grant during the fiscal year ended September 30, 2013 were mistakenly reported as deferred revenue rather than permanently restricted net assets as required by the grant agreement. The effect of the prior period adjustment on the October 1, 2013 financial statements was to increase beginning permanently restricted net assets by \$50,000 and to increase permanently restricted revenue by \$50,000. There was no income tax effect associated with the prior period adjustment.

Other Financial Information

Tallahassee Lenders' Consortium, Inc.

Consolidating Schedule of Financial Position

September 30, 2014

	Tallahassee Lenders' Consortium, Inc.	TLC Housing Services, LLC	Eliminating Entries	Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ 456,135	\$ 78,909	\$ -	\$ 535,044
Restricted cash	313,290	-	-	313,290
Accounts receivable	97,176	-	-	97,176
Due from subsidiary	6,410	-	(6,410)	-
Prepaid expenses and other assets	6,572	-	-	6,572
Total current assets	<u>879,583</u>	<u>78,909</u>	<u>(6,410)</u>	<u>952,082</u>
Note receivable from subsidiary	50,000	-	(50,000)	-
Property and equipment, net	236,654	130,883	-	367,537
Investment in subsidiary	96,447	-	(96,447)	-
Total assets	<u>\$ 1,262,684</u>	<u>\$ 209,792</u>	<u>\$ (152,857)</u>	<u>\$ 1,319,619</u>
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 29,807	\$ 56,935	\$ -	\$ 86,742
Current maturities of debt	300,000	-	-	300,000
Due to parent	-	6,410	(6,410)	-
Deferred revenue	65,490	-	-	65,490
Total current liabilities	<u>395,297</u>	<u>63,345</u>	<u>(6,410)</u>	<u>452,232</u>
Note payable to parent	-	50,000	(50,000)	-
Net assets:				
Unrestricted	728,387	96,447	(96,447)	728,387
Permanently restricted capital asset funds	139,000	-	-	139,000
Total net assets	<u>867,387</u>	<u>96,447</u>	<u>(96,447)</u>	<u>867,387</u>
Total liabilities and net assets	<u>\$ 1,262,684</u>	<u>\$ 209,792</u>	<u>\$ (152,857)</u>	<u>\$ 1,319,619</u>

See report of independent auditors.

Tallahassee Lenders' Consortium, Inc.

Consolidating Schedule of Activities and Changes in Net Assets

Year ended September 30, 2014

	Tallahassee Lenders' Consortium, Inc.	TLC Housing Services, LLC	Eliminating Entries	Consolidated Totals
Changes in unrestricted net assets:				
Revenues and other support:				
NeighborWorks® America grants	\$ 315,059	\$ -	\$ -	\$ 315,059
Down payment assistance	120,075	-	-	120,075
City of Tallahassee grants	110,000	-	-	110,000
Direct federal grants	53,132	-	-	53,132
Counseling services	48,434	-	-	48,434
Banking contributions	27,500	-	-	27,500
Other contributions	26,846	-	-	26,846
Origination fees	14,850	-	-	14,850
Credit bureau	7,958	-	-	7,958
Donated property	-	145,067	-	145,067
Gain on sale of property	-	63,000	-	63,000
Fundraising revenues	8,961	-	-	8,961
Interest income	67,490	-	-	876
Miscellaneous	25,000	-	(25,000)	-
Total revenues and other support	825,305	208,067	(91,614)	941,758
Expenses:				
Down payment assistance	120,075	-	-	120,075
Housing assistance and counseling	369,017	-	-	369,017
General and administrative expenses	131,355	141,453	(25,000)	247,808
Fundraising expenses	5,766	-	-	5,766
Total expenses	626,213	141,453	(25,000)	742,666
Change in net assets	199,092	66,614	(66,614)	199,092
Net assets at beginning of year	618,295	29,833	(29,833)	618,295
Prior period adjustment	50,000	-	-	50,000
Net assets at beginning of year, as restated	668,295	29,833	(29,833)	668,295
Net assets at end of year	\$ 867,387	\$ 96,447	\$ (96,447)	\$ 867,387

See report of independent auditors.

Tallahassee Lenders' Consortium, Inc.

Consolidated Schedule of Functional Expenses

Year ended September 30, 2014

	Program Services			Supporting Service		Fundraising	Total
	Down payment Assistance	Housing Assistance and Counseling	Total Program Services	Management and General			
Down payment assistance	\$ 120,075	\$ -	\$ 120,075	\$ -	\$ -	\$ 120,075	
Advertising	-	6,712	6,712	1,446	-	8,158	
Accounting	-	10,262	10,262	1,788	-	12,050	
Bank fees	-	-	-	187	-	187	
Board expenses	-	128	128	1,286	-	1,414	
Building rehabilitation	-	-	-	81,942	-	81,942	
Commissions paid	-	-	-	13,713	-	13,713	
Computer expense	-	792	792	-	-	792	
Credit Bureau expense	-	-	-	6,438	-	6,438	
Depreciation	-	-	-	8,594	-	8,594	
Dues and membership	-	2,574	2,574	171	-	2,745	
Fundraising events	-	-	-	-	5,766	5,766	
Hardest hit	-	1,600	1,600	-	-	1,600	
Homebuyer classes	-	5,100	5,100	8,834	-	13,934	
Insurance	-	47,917	47,917	17,021	-	64,938	
Interest expense	-	-	-	427	-	427	
Licenses, fees and permits	-	2,299	2,299	113	-	2,412	
New homeownership	-	6,650	6,650	-	-	6,650	
Office expense	-	19,583	19,583	6,096	-	25,679	
Payroll taxes	-	17,531	17,531	4,804	-	22,335	
Printing	-	624	624	11	-	635	
Professional development	-	6,411	6,411	474	-	6,885	
Professional services	-	588	588	19,387	-	19,975	
Rent	-	3,600	3,600	600	-	4,200	
Repairs and maintenance	-	3,761	3,761	429	-	4,190	
Salary	-	221,416	221,416	66,131	-	287,547	
Telephone	-	4,233	4,233	279	-	4,512	
Travel and entertainment	-	4,317	4,317	374	-	4,691	
Utilities	-	2,919	2,919	7,263	-	10,182	
	<u>\$ 120,075</u>	<u>\$ 369,017</u>	<u>\$ 489,092</u>	<u>\$ 247,808</u>	<u>\$ 5,766</u>	<u>\$ 742,666</u>	

See report of independent auditors.

Other Reports and Schedules

**Report of Independent Auditors on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Tallahassee Lenders' Consortium, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tallahassee Lenders' Consortium, Inc. (the Consortium), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Consortium's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Tallahassee, Florida
January 21, 2015

Report of Independent Auditors on Compliance for Each Major Federal Program and on Internal Control Over Compliance

Board of Directors
Tallahassee Lender's Consortium, Inc. and Subsidiary

Report on Compliance for Each Major Federal Program

We have audited Tallahassee Lender's Consortium's (the Consortium) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Consortium's major federal programs for the year ended September 30, 2014. The Consortium's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Consortium's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Consortium's compliance.

Opinion on Each Major Federal Program

In our opinion, the Consortium complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the Consortium is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Consortium's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
January 21, 2015

Tallahassee Lender's Consortium, Inc.

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

<u>Grantor and Program Title</u>	<u>CFDA/ CSFA</u>	<u>Pass-through Number</u>	<u>Expenditures</u>
Federal Grantor			
NeighborWorks® America	21.000	2011-8504-0090	\$ 278,166
Florida Housing Finance Corporation	21.000	2010-07-02-018	70,525
Neighborhood Housing Development Corporation	21.000	PL113-76X1350	17,934
Passed through the City of Tallahassee			
Community Development Block Grant (CDBG)	14.218	2753	110,000
HOME Down payment assistance (DPA)	14.239	2351, 2352, 2930	120,075
Total Federal Awards			<u>\$ 596,700</u>

Note 1 - This schedule of expenditures of state financial assistance and federal awards includes the grant activity of the Tallahassee Lender's Consortium, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB's Circular A-133, Audits of State, Local Governments, and Non-Profit Organization*. Because this schedule presents only a selected portion of the operations of the Consortium, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Consortium.

Note 2 - Amounts included on this schedule include only the expenditures of federal awards received directly from an awarding agency. Because the schedule presents only a selected portion of the operations of the Consortium, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Consortium. The amounts on the statements of activities and changes in net assets include additional expenditures associated with in-kind contributions and other resources committed by the Consortium for purposes of fulfilling the grant program.

See report of independent auditors.

Tallahassee Lender's Consortium, Inc.

Schedule of Findings and Questioned Costs
Relating to Federal Awards

Year ended September 30, 2014

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

No

Significant deficiency(ies) identified not considered to be material weaknesses?

None reported

Noncompliance material to financial statements noted?

No

Federal Projects

Internal control over major federal projects:

Material weakness(es) identified?

No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

None reported

Type of auditor's report issued on compliance for major federal projects?

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?

No

Identification of major programs:

No programs were considered major; therefore, Type B programs were tested to obtain adequate coverage.

<u>CFDA Number</u>	<u>Name of Federal or State Program</u>
21.000	NeighborWorks® America
14.218	Community Development Block Grant (CDBG)
14.239	HOME Down payment assistance (DPA)

Dollar threshold used to distinguish between Type A and Type B programs:

Federal \$300,000

Auditee qualified as low-risk auditee?

No

Section II -- Financial Statement Findings

No matters were reported in the current or prior year.

Section III -- Federal Project Findings and Questioned Costs

No matters were reported (a single audit was not performed in the prior year).

Section IV -- Other Matters

A separate management letter was issued dated January 21, 2015.

See report of independent auditors.