Financial Statements
and Other Financial Information

Tallahassee Lenders' Consortium, Inc.

Year ended September 30, 2019
with Report of Independent Auditors

Thomas Howell
Ferguson P.A.
Certified Public Accountants

Tallahassee Lenders' Consortium, Inc.

Financial Statements
and Other Financial Information

Year ended September 30, 2019

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Certified Public Accountants

Report of Independent Auditors

The Board of Directors
Tallahassee Lenders' Consortium, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Tallahassee Lenders' Consortium, Inc. (the Consortium) which comprise the statement of financial position as of September 30, 2019, the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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.

Thomas Howell Ferguson P.A.
Certified Public Accountants

Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Consortium adopted new accounting guidance, ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2020 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 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 the Consortium's 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.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
March 10, 2020

Tallahassee Lenders' Consortium, Inc.

Statement of Financial Position

September 30, 2019

Assets	
Current assets:	
Cash and cash equivalents	$ 1,024,739
Restricted cash	67,800
Accounts receivable	104,293
Prepaid expenses and other assets	7,722
Total current assets	1,204,554
Property and equipment, net	204,505
Property held for sale	341,080
Total assets	$ 1,750,139
Liabilities and net assets	
Current liabilities:	
Accounts payable and accrued expenses	$ 43,723
Current maturities of debt	300,000
Deferred revenue	163,486
Total current liabilities	507,209
Net assets:	
Without donor restrictions:	
Undesignated	873,043
With donor restrictions:	
Restricted for time or purpose	285,919
Perpetual in nature	83,968
	369,887
Total net assets	1,242,930
Total liabilities and net assets	$ 1,750,139

See accompanying notes.

Tallahassee Lenders' Consortium, Inc.

Statement of Activities and Changes in Net Assets

Year ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Change in net assets:			
Revenues and other support:			
NeighborWorks® America grants	$ 211,770	$ 75,000	$ 286,770
Community Housing Development Organization grants	-	157,977	157,977
Down payment assistance	216,600	-	216,600
City of Tallahassee grants	203,250	-	203,250
Leon County grants	18,899	-	18,899
Lender contributions	22,709	-	22,709
Other contributions	38,602	-	38,602
Origination fees	18,000	-	18,000
Credit bureau	10,853	-	10,853
Counseling services	8,476	-	8,476
Miscellaneous	400	-	400
Interest income	135	-	135
Loss on sale of properties	(133,607)	-	(133,607)
Net assets released from restrictions	370,375	(370,375)	-
Total revenues and other support	986,462	(137,398)	849,064
Expenses:			
Program services	639,235	-	639,235
General and administrative expenses	207,366	-	207,366
Total expenses	846,601	-	846,601
Change in net assets	139,861	(137,398)	2,463
Net assets at beginning of year	733,182	507,285	1,240,467
Net assets at end of year	$ 873,043	$ 369,887	$ 1,242,930

See accompanying notes.

Tallahassee Lenders' Consortium, Inc.

Consolidated Statement of Functional Expenses

Year ended September 30, 2019

	Program Services				
	Down Payment Assistance	Housing Assistance and Counseling	Total Program Services	General and Administrative	Total
Down payment assistance	$ 216,600	$ -	$ 216,600	$ -	$ 216,600
Advertising	-	1,553	1,553	736	2,289
Accounting	-	10,247	10,247	4,153	14,400
Background checks	-	-	-	31	31
Bank fees	-	75	75	113	188
Board expenses	-	-	-	1,769	1,769
CLI project expense	-	3,016	3,016	-	3,016
Class instructors	-	4,505	4,505	1,813	6,318
Contract/casual labor	-	36,678	36,678	76	36,754
Credit Bureau expense	-	-	-	8,795	8,795
Depreciation	-	-	-	5,925	5,925
Dues and membership	-	2,722	2,722	1,886	4,608
Equipment lease (copier)	-	2,134	2,134	863	2,997
Homebuyer classes	-	-	-	12,504	12,504
Insurance	-	38,434	38,434	18,109	56,543
Interest expense	-	1,030	1,030	-	1,030
Licenses, fees and permits	-	694	694	2,447	3,141
Loan fees	-	352	352	-	352
Merchant account fees	-	-	-	902	902
NWA Week expense	-	-	-	477	477
Owner occupied rehab	-	77,655	77,655	-	77,655
Office expense	-	14,659	14,659	5,673	20,332
Payroll taxes	-	13,952	13,952	7,962	21,914
Printing	-	-	-	427	427
Professional services	-	4,845	4,845	14,500	19,345
Real estate expenses	-	5,443	5,443	-	5,443
Red Cross	-	316	316	159	475
Rent	-	1,536	1,536	1,387	2,923
Repairs and maintenance	-	5,337	5,337	2,191	7,528
Salary	-	183,792	183,792	106,772	290,564
Telephone	-	2,433	2,433	2,104	4,537
Travel and entertainment	-	8,696	8,696	4,550	13,246
Utilities	-	2,531	2,531	1,042	3,573
	$ 216,600	$ 422,635	$ 639,235	$ 207,366	$ 846,601

See accompanying notes.

Tallahassee Lenders' Consortium, Inc.

Statement of Cash Flows

Year ended September 30, 2019

Operating activities	
Change in net assets	$ 2,463
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,925
Seller's credit received on acquired property	20,000
Loss on sale of property	133,607
Changes in operating assets and liabilities:	
Accounts receivable	(42,668)
Prepaid expenses and other assets	790
Accounts payable and accrued expenses	(14,783)
Deferred revenue	97,714
Net cash provided by operating activities	203,048
Investing activities	
Proceeds from sale of property and equipment	532,073
Purchase of property and improvements to property	(554,548)
Net cash used in investing activities	(22,475)
Financing activities	
Principal payments on notes payable	(74,614)
Net cash used in financing activities	(74,614)
Net increase in cash and cash equivalents	105,959
Cash and cash equivalents at beginning of year	986,580
Cash and cash equivalents at end of year	$ 1,092,539

Reconciliation of cash and cash equivalents:	
Cash and cash equivalents	$ 1,024,739
Restricted cash	67,800
	$ 1,092,539

See accompanying notes.

1. Summary of Significant Accounting Policies

Nature of Business

The Tallahassee Lenders' Consortium, Inc. is a not-for-profit corporation. Its primary purpose is 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 additionally operates with the purpose of acquiring (through donations or purchases) homes to rehab and resell to low-to-moderate income buyers.

Basis of Presentation

Effective October 1, 2018, the Consortium has adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The major changes include: a) requiring organizations to present on the statement of financial position amounts for two classes of net assets at the end of the period, with and without donor restrictions, b) requiring enhanced disclosures on board designations of net assets and the donor restricted net assets, c) requiring additional disclosures regarding how the Consortium manages its liquid resources available to meet cash needs for within one year of the statement of financial position, and d) requiring reporting of expenses by both their natural classification and their functional classification. The adoption of the standard had no effect on previously reported financial statements. The ASU is effective for fiscal years beginning after December 15, 2017.

Basis of Accounting

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 and Cash Equivalents

Cash and cash equivalents 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. 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.

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

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.

Restricted Cash

Restricted cash represents cash available and designated for the use of the HOME Community Housing Development Organization (CHDO) program. Under CHDO, the Consortium is authorized to retain CHDO proceeds remaining, as of the end of the fiscal year, for future use under the terms of the agreement. Any CHDO proceeds resulting from the sale of a subsequently qualified CHDO rehabilitation project in which initial CHDO proceeds were reinvested may be used as unrestricted funds by the Consortium. Restricted cash at September 30, 2019 was comprised of $67,800 for CHDO proceeds.

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, 2019, the Consortium had no allowance for uncollectible amounts.

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:

	Useful Lives
Buildings	40 years
Leasehold improvements	15 years
Furniture and equipment	5-7 years

The Consortium's policy is to capitalize asset acquisitions greater than $1,000. Costs incurred for rehabilitation under federal programs are recorded as rehabilitation costs and transferred to property held for sale upon completion of the rehabilitation.

At September 30, 2019, $39,000 of the Consortium's building was financed by NeighborWorks® America capital grant funds (see Note 7). This amount is considered to be a permanently restricted contribution, which is to be returned to NeighborWorks® America upon the sale of the Consortium's building.

1. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

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

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 with donor restrictions or without donor restrictions 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 with donor restrictions, restricted for time or purpose, 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, with donor restrictions net assets are reclassified to without donor restrictions 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 has provided several grants during the current year to support program activities. The grants are considered to be exchange transactions. Accordingly, without donor restrictions support revenue is recognized when earned and expenses are recognized as incurred, unless otherwise stipulated by the grant agreement.

Property acquired through donations for the purpose of rehabilitation and resale under the CHDO program is recorded at fair value at the time of donation as property held for sale. Fair value is based on property appraisals performed at the time of donation. A certain portion of the cash proceeds received from the sale of rehabilitated property are considered to be CHDO proceeds and are recorded as with donor restrictions until used for subsequent renovations under the CHDO program. Net proceeds is recognized as a gain or loss on sale of property at the time such rehabilitated property is sold.

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function and contains certain categories of expenses that are attributable to programs of the Consortium. Accordingly, certain costs have been allocated among the programs benefited on the basis of estimates made by management. These expenses, such as personnel, are allocated based on estimates of time and effort by individual. Other expenses, such as professional fees and office supplies, are allocated on a direct method for expenses directly related to the program.

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, 2015 and prior.

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 professional fees, office supplies, seller's credits on purchased homes, 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. In-kind contributions of services of $4,845 and a seller's in-kind credit on a purchased home of $20,000 was received for the year ended September 30, 2019.

Subsequent Events

The Consortium has evaluated subsequent events through March 10, 2020, the date the financial statements were available to be issued. During the period from September 30, 2019 to March 10, 2020, the Consortium did not have any material recognizable subsequent events.

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.

2. Available Resources and Liquidity

The Consortium receives contributions, grants, and other income and considers these revenue streams to be without donor restrictions (if unspecified) and available to meet cash needs for general expenditures. All net assets with donor restrictions are held in non-financial assets.

The table below presents financial assets available for general expenditures, that is, without donor or other restriction limiting their use, within one year at September 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	$ 1,024,739
Accounts receivable	104,293
Prepaid expenses and other assets	6,116
Total financial assets	$ 1,135,148

3. Accounts Receivable

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

Grant receivables	$ 104,293
	$ 104,293

4. Property and Equipment

Property and equipment consists of the following:

Land	$ 56,000
Building	193,348
Leasehold improvement	6,014
Furniture and fixtures	38,107
	293,469
Less accumulated depreciation	88,964
	$ 204,505

Depreciation expense for the year ended September 30, 2019, was $5,925.

5. Property Held for Sale

Property held for sale consists of the following:

Cost basis/contributed value of property	$	212,284
Rehabilitation costs incurred		128,796
	$	341,080

During the year ended September 30, 2019, the Consortium received an in-kind contribution in the form of a seller's credit of $20,000 on the purchase of property to be rehabbed and sold to a qualifying buyer. This amount was capitalized as contributed value of property and reported in other contributions for the year ended September 30, 2019.

6. Notes Payable

The Consortium executed an interest-free line of credit with the City of Tallahassee in the amount of $300,000 on October 16, 2006. Loan proceeds are used for down payment assistance until reimbursed by grant funds. This line of credit is renewable annually and is unsecured, due on demand. As of September 30, 2019, the balance of $300,000 was reported as current maturities.

The Consortium executed a line of credit in the amount of $275,000, on April 4, 2017 with the City of Tallahassee, which is secured by the rehabilitated properties described under the loan agreement. The balance of principal and interest was due the earlier of April 6, 2019, on demand, or the closing date of the sale of the properties securing the payment under this note, with interest calculated at 1.5%. This credit agreement was paid in full as of September 30, 2019.

The Consortium executed a line of credit with Synovus Bank, which expired April 12, 2019. The balance at September 30, 2019, was $0.

7. Net Assets

Net assets with donor restrictions, restricted for time or purpose, represent funds received from NeighborWorks® America to be used for capitalizable real estate or lending activities and funds received from Rainbow Rehab for housing rehabilitation projects. Additionally, CHDO proceeds resulting from the rehabilitation and sale of properties funded by the CHDO program are restricted for time or purpose for future use under the terms of the grant agreement. Balances for these purposes at September 30, 2019 were as follows:

Restricted for time or purpose	
Home Community Housing Development:	
CHDO proceeds	$ 67,800
Active Rehabilitations	218,119
	$ 285,919

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 years subsequent to 2011, NeighborWorks® America provided a total of $125,000 to be used for capital projects. The Consortium was notified by NeighborWorks® America in prior years that $59,040 was released from restrictions and during the fiscal year ended September 30, 2019, $20,992 was released from restrictions. These amounts are permanently restricted although proceeds on capital projects over and above the corpus may be transferred to net assets without donor restrictions for furthering the Consortium's mission. However, should the Consortium become defunct, all remaining grant funds, capital project proceeds, and any loans or capital project portfolios representing the use of these funds will revert to NeighborWorks® America. Net assets with donor restrictions perpetual in nature balances at September 30, 2019 were as follows:

Perpetual in nature	
NeighborWorks®	$ 83,968

8. Employees Pension Plan

The Consortium maintains a tax-sheltered annuity plan under Internal Revenue Code Section 403(b). Only voluntary employee contributions have been made during 2019.

9. 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.

10. Concentrations

As of September 30, 2019, the Consortium recognized $286,770 from the NeighborWorks® America grants and $327,850 from the City of Tallahassee grants and down payment assistance. Revenues from those grantors comprise approximately 73% of total revenues and other support.

11. State and Federal Single Audits

For the fiscal year ended September 30, 2019, the Consortium did not meet the threshold of $750,000 in expenditures for either state or federal awards that would require a state or federal single audit.

Other Reports

Thomas Howell Ferguson P.A.
Certified Public Accountants

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*

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, 2019, and the related statements of activities and changes in net assets and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2020.

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.

Thomas Howell Ferguson P.A.
Certified Public Accountants

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.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
March 10, 2020