MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC.
AND SUBSIDIARIES
(a nonprofit organization)
CONSOLIDATED FINANCIAL STATEMENTS
(With Supplementary Information)
September 30, 2018 and 2017

GLSC & COMPANY, PLLC
certified public accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Miami Beach Community Development Corporation, Inc.
and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Miami Beach Community Development Corporation, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated 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 controls 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 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 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.

To the Board of Directors
Miami Beach Community Development Corporation, Inc. and Subsidiaries

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 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 February 7, 2020, on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.

Miami, Florida
February 7, 2020

MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC.
AND SUBSIDIARIES
(a nonprofit organization)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30,

ASSETS

	2018	2017
Cash	$ 84,689	$ 90,529
Restricted cash	713,687	612,882
Accounts receivable	82,601	71,446
Prepaid and other assets	229,915	244,099
Assets held for sale	-	39,070
Rental property, net	40,358,784	42,360,317
TOTAL ASSETS	$ 41,469,676	$ 43,418,343

LIABILITIES AND NET ASSETS

	2018	2017
Accounts payable	$ 272,293	$ 304,573
Accrued expenses	161,042	229,616
Tenants' security deposits	132,777	130,973
Lines of credit	452,114	488,966
Loans payable	10,137,526	10,184,261
Total liabilities	11,155,752	11,338,389
NET ASSETS		
Unrestricted	(3,608,276)	(2,956,803)
Temporarily restricted	33,922,200	35,036,757
Total net assets	30,313,924	32,079,954
TOTAL LIABILITIES AND NET ASSETS	$ 41,469,676	$ 43,418,343

The accompanying notes are an integral part of the consolidated financial statements.

MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC.
AND SUBSIDIARIES
(a nonprofit organization)
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30,

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES		
Rental revenue	$ 2,910,016	$ 2,722,437
Grant revenue	142,803	107,432
Other income	67,099	57,323
Total unrestricted revenues	3,119,918	2,887,192
Net assets released from restrictions	1,114,557	-
Total unrestricted revenues	4,234,475	2,887,192
EXPENSES		
Administrative	25,241	34,739
Repairs and maintenance	438,398	435,432
Utilities	497,006	439,617
Payroll	869,762	858,224
Taxes and insurance	437,861	474,597
Interest expense	497,541	302,601
Depreciation	1,824,767	1,824,145
Professional services	214,532	189,785
Bad debt	8,602	-
Loss on impairment of rental property, net	233,168	-
Gain on sale of rental property, net	(120,930)	(84,123)
Total Expenses	4,925,948	4,475,017
GAINS AND LOSSES		
Gain (loss) on settlement of HUD penalty	40,000	(42,500)
DECREASE IN UNRESTRICTED NET ASSETS	(651,473)	(1,630,325)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Net assets released from restrictions	(1,114,557)	-
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(1,114,557)	-
DECREASE IN NET ASSETS	$ (1,766,030)	$ (1,630,325)

The accompanying notes are an integral part of the consolidated financial statements.

**MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC.
AND SUBSIDIARIES
(a nonprofit organization)
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30,**

	Unrestricted Net Assets (Deficit)	Temporarily Restricted Net Assets	Total Net Assets
Net assets, September 30, 2016 (as restated)	$ (1,326,478)	$ 35,036,757	$ 33,710,279
Decrease in net assets	(1,630,325)	-	(1,630,325)
Net assets, September 30, 2017	(2,956,803)	35,036,757	32,079,954
Changes in net assets	(651,473)	(1,114,557)	(1,766,030)
Net assets, September 30, 2018	$ (3,608,276)	$ 33,922,200	$ 30,313,924

The accompanying notes are an integral part of the consolidated financial statements.

MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC.
AND SUBSIDIARIES
(a nonprofit organization)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (1,766,030)	$ (1,630,325)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Provisions for bad debt	8,602	-
Depreciation	1,824,767	1,824,145
Loss on impairment of rental property, net	233,168	-
Gain on sale of rental property, net	(120,930)	(84,123)
(Increase) Decrease in operating assets:		
Accounts receivable	(19,757)	3,932
Prepaid and other assets	14,184	14,388
Increase (Decrease) in operating liabilities:		
Accounts payable	(32,280)	(14,507)
Accrued expenses	(68,574)	45,326
Accrued interest on loan payable	251,611	55,031
Security deposits payable	1,804	(16,629)
Total adjustments	2,092,595	1,827,563
Net Cash Provided by Operating Activities	326,565	197,238
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(56,402)	-
Change in restricted cash	(100,805)	36,858
Proceeds from sale of condominium units	160,000	114,899
Net Cash Provided By Investing Activities	2,793	151,757
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of line of credit	(84,301)	(33,471)
Borrowings on line of credit	47,449	-
Payment of long-term debt	(298,346)	(278,953)
Net Cash Used In Financing Activities	(335,198)	(312,424)
NET (DECREASE) INCREASE IN CASH	(5,840)	36,571
CASH AT BEGINNING OF YEAR	90,529	53,958
CASH AT END OF YEAR	$ 84,689	$ 90,529
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 219,619	$ 234,834

The accompanying notes are an integral part of the consolidated financial statements.

1. NATURE OF ORGANIZATION

Miami Beach Community Development Corporation, Inc. and Subsidiaries ("MBCDC" or the "Organization") is a nonprofit organization founded in 1981. The purpose of MBCDC is to manage or direct entities which are organized for the purpose of creating stable, vibrant and healthy communities by developing, financing and operating affordable, program-enriched housing for families, seniors and people with special needs who lack the economic resources to access quality, safe housing opportunities. These activities are considered to comprise the major programs of the Organization.

MBCDC and its subsidiaries receive significant funding from federal, state, and local government subsidies in various forms, including low-interest rate loans, grants, and rent subsidies for qualifying very-low, low and moderate-income tenants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying consolidated financial statements include the accounts of MBCDC and the accounts of other affiliated nonprofit entities and limited liability companies in which MBCDC has a controlling interest. These entities are included in the consolidation according to generally accepted accounting principles (GAAP) which require that accounts be consolidated for all nonprofit entities, limited partnerships or limited liability companies which are deemed to be controlled by the Organization. All intercompany transactions have been eliminated in consolidation.

The following entities are included in the consolidated financial statements of MBCDC:

The Shelbourne Apartment Building, Inc. ("Shelbourne"), is a non-profit corporation under IRC 501 [c] [3], organized in 1993 by MBCDC and People With AIDS Coalition of Dade County, Inc. for the purpose of providing disabled persons living with AIDS, with housing facilities and services designed to meet their needs.

MBCDC: Crespi Park Apartments, Inc. ("Crespi") is a non-profit corporation under IRC 501 [c] [3], incorporated in 1999, for the purpose of providing low-income housing in the Miami Beach area.

MBCDC: Fernwood Apartments, Inc. ("Fernwood") is a non-profit corporation under IRC 501 [c] [3], incorporated in 1998, for the purpose of providing disabled persons living with AIDS, with housing facilities and services designed to meet their needs.

MBCDC: Jefferson Inc. ("Jefferson") is a non-profit corporation under IRC 501 [c] [3], incorporated in 1997, for the purpose of providing low-income housing to elderly persons in the Miami Beach area.

MBCDC: Seymour Hotel, Inc. ("Seymour") is a non-profit corporation under IRC 501 [c] [3], incorporated in 1998 for the purpose of operating a preservation and revitalization community center in the Miami Beach area. Subsequent to September 30, 2018, MBCDC sold the Seymour building. See Note 2, Subsequent Events.

MBCDC: 1551 Pennsylvania Apartments, LLC. ("Pennsylvania") is a limited liability company incorporated in 2000 to provide low-income housing to low-income persons of Miami Beach area.

MBCDC: Scattered Sites Apartments, LLC ("Scattered Sites") is a limited liability company incorporated in 2000 to provide low-income housing to low income Miami Beach workers so they can live in the area in which they work.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of consolidation (continued)

MBCDC: 532 Michigan Avenue, LLC. ("532 Michigan") is a limited liability company incorporated in 2001 to provide housing for low income elderly persons 62 years and older residing in the Miami Beach area.

MBCDC: Westchester Apartments, LLC ("Westchester") is a limited liability company, incorporated in 2003 for providing low-income housing in the Miami Beach area.

MBCDC Meridian Place, LLC ("Meridian") is a limited liability company incorporated in 2006 to provide low-income housing in the Miami Beach area.

MBCDC: The Allen, LLC ("Allen") is a limited liability company incorporated in 2007 to provide low-income housing in the Miami Beach area.

MBCDC: Villa Maria, LLC ("Villa Maria") is a limited liability company incorporated in 2005 to provide housing for low-income persons residing in the Miami Beach area.

MBCDC Villa Matti, Inc. ("Villa Matti") is a non-profit corporation under IRC 501 [c] [3], incorporated in 2007 to provide housing for low-income persons residing in the Miami Beach area.

RUDG – MBCDC I, LLC. ("Edificio Camacho") is a limited liability company incorporated in 2010 for the acquisition and rehabilitation of 24 low income multifamily rental units.

M.B. Apartments, Ltd., formerly known as The Madison, LLC ("Madison") was formed in the State of Florida on July 25, 1996, as a limited partnership to develop, construct, renovate, and operate 17 multifamily apartment units for rental to low income families. Effective October 1, 2018, Miami-Dade County took over the management of the Madison property as part of a loan settlement agreement. See Note 2, Subsequent Events.

Basis of presentation

MBCDC conforms to generally accepted accounting principles which require the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on existence and/or nature of any donor restrictions.

Unrestricted net assets

Unrestricted net assets are net assets which are free of donor-imposed restrictions such as all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily restricted net assets

Temporarily restricted net assets are net assets whose use is limited by donor-imposed stipulations which can be fulfilled or removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets

Permanently restricted net assets are net assets required to be permanently maintained and whose use by the Organizations is limited by donor-imposed restrictions. The Organization has no permanently restricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Rental income from short-term leases on apartment units is recognized as the rentals become due. MBCDC recognizes gifts of cash and other assets as unrestricted revenue unless they are received with donor restrictions. Gifts with restrictions are reported as temporarily or permanent restricted revenue. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Unconditional promises to give are recorded as revenue at estimated net realizable value. Conditional promises to give are not included as revenue until the conditions are substantially met or unless the possibility that the condition will not be met is remote. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue in the period of receipt. Unconditional promises to give with payments due in future periods are discounted to present value and reported as temporarily restricted revenue.

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. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits. All highly liquid instruments with maturities of three months or less when purchased are considered to be cash equivalents. The Organization had no cash equivalents at September 30, 2018 or 2017. All significant balances are insured by the Federal Deposit Insurance Corporation (FDIC).

Restricted cash

The Organization is subject to restrictions on certain funds received by MBCDC and its subsidiaries. These funds are included in the restricted cash balance.

Many of the MBCDC subsidiaries are required to make monthly deposits for replacement of project assets, which are controlled by the Department of Housing and Urban Development (HUD) or other financing authorities. These subsidiaries are also required to make yearly deposits of surplus cash, if any, to residual receipts accounts. Use of residual receipt funds is contingent upon the prior written approval of HUD. In addition, many of the MBCDC subsidiaries are required to make monthly escrow deposits for taxes and insurance in a separate account held by the project. The mortgagor for the subsidiary controls these escrow deposits. These funds are included in the restricted cash balance.

Accounts receivable and bad debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Non-tenant receivables are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts was $6,516 and $9,932 as of September 30, 2018 and 2017, respectively.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Rental Property, net

Rental Property consists of building, building improvements, appliances, equipment, furniture and fixtures and is recorded at cost. Purchased or donated items in excess of $5,000 are capitalized. Renewal and betterments that materially extend the asset lives are capitalized. The provision for depreciation is computed using the straight-line method based on estimated useful lives of the related assets. Buildings and improvements are depreciated over 30 years. Equipment, appliances, furniture and fixtures are depreciated over 5 to 7 years. Repairs and maintenance expenditures are currently expensed.

Impairment of long-lived assets

In accordance with GAAP, management continually monitors events and changes in circumstances, which could indicate that the carrying value of real estate may not be recoverable. If events or changes in circumstances are present, management assesses the recoverability of real estate by determining whether the carrying value will be recovered through the undiscounted future cash flows expected to be generated from its uses and eventual disposition. If the carrying amount of the real estate exceeds its estimated undiscounted cash flows, the impairment to be recognized is measured by the amount that the carrying value of the real estate exceeds its fair value. MBCDC recognized an impairment loss of $233,168 and $0 for the years ended September 30, 2018 and 2017. See Note 2, Subsequent Events.

Tenant subsidy payments

A portion of the rental revenue is in the form of subsidy payments from HUD under Section 8 of the National Housing Act. Tenants are subsidized based upon their level of income. Rent increases require HUD approval.

Income taxes

MBCDC and its subsidiaries are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state statutes. Accordingly, these financial statements do not reflect a provision for income taxes. MBCDC did not have any unrelated business income for the years ended September 30, 2018 and 2017. All nonprofit corporations are required to file tax returns with the IRS and other taxing authorities. For the years ended September 30, 2018 and 2017, the Organization did not identify any uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The limited liability companies in which MBCDC has a partnership interest have elected to be treated as a pass-through entity for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The partnerships' federal tax statutes are based on their legal status as a partnership. Accordingly, the partnerships are not required to take any tax positions in order to qualify as a pass-through entity. The partnerships are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the partnerships have no other tax positions which must be considered for disclosure. Management believes that MBCDC is no longer subject to income tax examination by federal and state tax authorities for fiscal years before September 30, 2015.

Fair value

The carrying amounts of the Organization's receivables, payables and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of the Organization's long-term debt is impracticable to estimate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Reclassifications have been made to the prior year balances to conform to the current year presentation.

Subsequent events

The Organization evaluated subsequent events through February 7, 2020 which is the date the financial statements were available to be issued. Subsequent to September 30, 2018, the Organization underwent several changes including termination of MBCDC as the management company for the rental properties, ,who was replaced by a third-party management company. The new property management agreements are generally in effect from January 2019 for a period of one year and may be automatically renewed at the end of the term. In exchange for property management and accounting services, the rental properties are required to pay a management fee which ranges from 4.35% to 7.00% of gross collections received during the preceding month or $50 per unit per month, whichever is greater. The agreements may be terminated by either party provided written notice is given to the other party.

In 2019, the Organization entered into a settlement agreement with Miami-Dade County whereby the County agreed to release the Madison property from all indebtedness and liability pertaining to the loans held with the County in exchange for the conveyance of title of the Madison property to Miami-Dade County. The settlement was reached after the Organization defaulted under the terms of its loan agreement. In response to the default, Miami-Dade County charged additional interest on the loan at the default rate of 18%. The outstanding value of the loans to be exchanged for the conveyance of title is $768,593. As of September 30, 2018, the net book value of the Madison property, excluding any working capital balances, was $1,001,761. Accordingly, the Organization recorded an impairment loss in the amount of $233,168 for the year ended September 30, 2018 in order to state the value of the property at the stipulated loan value, which represents the fair value of the property. The impairment loss is recorded on the accompanying statement of activities as loss on impairment of rental property, net. Effective October 1, 2018, Miami-Dade County took over the management of the property.

On October 31, 2018, the Organization entered into a new loan with Raza Development Group, Inc. with a principal amount of $480,000 for the purpose of refinancing and rehabilitating the Crespi property. The Organization used a portion of the new loan proceeds to pay off the existing Crespi loans payable to Miami-Dade County and Florida Department of Economic Affairs for $146,382 and 122,928, respectively, and incurred settlement charges of $21,557 in connection with this transaction. The Crespi Raza loan matures on October 31, 2028 and bears interest at a rate of 6.58% for the first twelve-month period. At the first anniversary of the loan, the interest rate will be recalculated, based on the formula of 350 basis points over the 10-year U.S. Treasury yield for the remaining nine-year term. The loan requires an interest reserve of $23,000. For the first full twelve months, interest-only payments will be due and advanced from the Interest Reserve. On November 1, 2019, the loan converted to an amortizing loan of level principal and interest payments with the first amortizing payment due on December 1, 2019. The loan contains certain financial covenants, including maintenance of a debt service coverage ratio of 1.25x, as defined, and other non-financial covenants. The loan is secured by the Crespi property and MBCDC is a guarantor of the loan.

On March 6, 2019, the Organization sold the Seymour building for a sale price of $2,210,000 less settlement costs of $134,100. A portion of the sale proceeds was used to payoff the existing loans on the Seymour building, the Raza Development loan and the loan from the Florida Department of Financial Services for $733,394 and $103,750, respectively. At September 30, 2018, the net book value of the Seymour rental property was $900,669.

3. RENTAL PROPERTY, NET

Rental property, net consists of building and improvements with an estimated useful life of 30 years, and of appliances, equipment, furniture and fixtures with an estimated useful life of 5-7 years. The rental property, net balances at September 30, 2018 and 2017 consisted of the following:

	2018	**2017**
Land	4,405,274	4,405,274
Building and improvements	54,008,056	54,184,823
Furniture and equipment	236,394	236,394
	58,649,724	58,826,491
Less: Accumulated depreciation	(18,290,940)	(16,466,174)
Total rental property, net	$ 40,358,784	$ 42,360,317

Depreciation expense for the years ended September 30, 2018 and 2017 was $1,824,767 and $1,824,145, respectively.

4. LINES OF CREDIT

	2018	**2017**
MBCDC		
The Organization entered into a line of credit agreement with HSBC Bank which provides for borrowings up to $500,000. The line of credit required monthly payments of $1,400 plus interest at a rate of 2.75% per annum with final payment due on June 30, 2016. On July 6, 2016, the Organization amended the payment terms to monthly payments of $1,600 plus interest with one final payment equal to the then outstanding principal balance plus all unpaid interest and charges due on December 30, 2017. On December 30, 2017, the Organization renewed the line of credit for an additional three years extending the maturity date to December 30, 2020. The amended terms require 35 monthly installments each in the amount of $1,700 commencing January 30, 2018 and one final installment on December 30, 2020 in an amount equal to the then unpaid principal and interest balance. The note bears interest equal to the lender's prime rate. However, the lender has not charged the Organization interest since May 2018. The loan is secured by the Organization's deposits and cash held by the bank and all rental properties.	$419,906	$441,671
The Organization entered into two line of credit agreements with Sabadell United Bank, N.A. with an aggregate borrowing up to $100,000. The lines of credit require combined monthly payments of $1,442 with an interest rate of 5.50% per annum and a final payment due one on December 5, 2019 and one on July 15, 2021. The loan is secured by the Organization's rental properties. Upon maturity of the loan, the Organization paid the remaining balance.	32,208	47,295
	$452,114	$488,966

5. LOANS PAYABLE

	2018	2017
The Allen: Non-interest bearing surtax loan in the amount of $500,000 from Miami-Dade County, Florida. The term of the note is 30 (thirty) years commencing August 1, 2011. During the first 24 months, and ending August 1, 2013, no payment of principal was due and payable. Commencing on August 1, 2013, the Allen is required to make annual payments of principal in the amount of $16,667 until August 31, 2041 (the "maturity date"). Any remaining principal will become due and payable on the maturity date. The loan is collateralized by the Allen's building. The Allen is out of compliance with non-monetary financial reporting covenants set forth in the loan agreement. Such noncompliance may constitute an event of default, if, upon written notice from the lender, the Allen fails to cure the condition within 30 days. An event of default may cause the loan to become immediately due and payable and award further remedies to the lender including foreclosure of the property. The Allen has not received written notice from the lender that the Allen is in default.	$480,555	$497,222
The Allen has a loan payable to Florida Community Bank with interest at a rate of 6.125% per annum, payable in monthly installments of principal and interest of $1,905. The Principal and accrued interest are due and payable October 15, 2021 (the "maturity date"). The loan is collateralized by the Allen building.	210,038	220,085
The Allen entered into a construction loan with Florida Housing Finance Corporation ("FHFC") for $750,000 to provide safety features to its apartments. The loan is non-amortized and bears interest at a rate of 1% per annum and is secured by the Allen building. Payments of principal and interest will be deferred until November 10, 2039 (the "maturity date") at which point 25% of the loan, or $187,500, will be forgiven provided the units for which the loan was awarded are targeted to low-income persons, as defined in the loan agreement. A sinking fund requirement has been implemented for the life of the loan in order to assure that the debt service coverage ratio (the "DSCR") of the Loan does not exceed 1.50 to 1.00. In the event that the DSCR for the Loan exceeds 1.50 to 1.00, the Allen will be required to deposit the excess cash flow into the sinking fund commencing upon completion of rehabilitation and ending with the maturity or earlier repayment of loan. Amounts deposited to the sinking fund shall be applied to amounts due under the Loan at the maturity date thereof. The Allen's cash flows are being evaluated annually for sinking deposit requirements. The Allen is out of compliance with non-monetary financial reporting covenants set forth in the loan agreement, which constitutes an event of default under the terms of the loan agreement. The Allen has not received written notice from the lender that it is in default.	750,000	750,000
	$1,440,593	$1,467,307

5. **LOANS PAYABLE** (CONTINUED)

	2018	2017
Meridian:		
The Organization entered into a construction loan payable to the National Housing Trust Community Development Fund (NHTCDF) in the amount of $335,012 with interest at a rate of 6.5% per annum with a 10-year amortization schedule. An additional loan in the amount of $300,000 with interest at a rate of 6.0% per annum and a 30-year amortization schedule was secured. The loans require combined monthly payments of principal and interest of approximately $5,600, are secured by the Meridian building, and are due April 1, 2020.	$527,555	$560,758
Non-interest bearing loan through the Florida Housing Financing Corporation, secured by Meridian building, due and payable on April 4, 2020.	1,000,000	1,000,000
	$1,527,555	$1,560,758
The Jefferson:		
The Organization has a first mortgage loan payable to SunTrust Bank secured by the Jefferson Apartment building with monthly payments of interest and principal in the amount of $2,703 with interest at a rate of 4.23% per annum and a 30-year amortization schedule with a balloon payment of principal in the amount of $198,871 due on November 3, 2017. On June 5, 2018, the Organization entered into a fourth renewal on the loan, which changed the interest rate to 6.38% and extended the maturity date of the loan to June 3, 2023. Commencing July 3, 2018, the Organization is required to make equal monthly payments in the amount of $2,107 for principal and interest and all remaining principal is due at maturity. MBCDC is a guarantor of the loan.	$179,655	$199,850
On December 9, 2003, the Organization entered into a Miami-Dade County Surtax Loan secured by the Jefferson Apartments building. For years 1 through 9, the loan will bear zero interest and monthly payments of approximately $695. For years 10 through 30, interest shall be calculated at an annual interest rate of 1% per annum with monthly payments of principal and interest of approximately $805 maturing on December 1, 2033.	129,865	138,199
	$309,520	$338,049
Michigan:		
Florida Community Loan Fund secured by the Michigan building with monthly payments of principal and interest in the amount of $1,362 with interest at a rate of 5.5% based on a 20-year amortization schedule and maturing on September 1, 2020.	$180,739	$187,114
Miami-Dade County Surtax Loan secured by the Michigan building with monthly payments of principal and interest in the amount of $1,608 with interest at a rate of 1% per annum and maturing on April 12, 2035.	348,359	364,114
	$529,098	$551,228

5. LOANS PAYABLE (CONTINUED)

	2018	2017
1551 Pennsylvania:		
Loan payable to JP Morgan Chase Bank secured by the Pennsylvania building with monthly payments of principal and interest in the amount of $1,934 at a variable interest rate ranging from 3.82% to 4.17% per annum. Unpaid principal and accrued interest are due and payable November 1, 2019. Upon maturity of the loan, the Organization paid the remaining balance.	$27,290	$49,102
Miami-Dade County Surtax Loan secured by the Pennsylvania building with monthly payments of principal and interest in the amount of $2,203 with interest at a rate of 2% per annum and maturing on August 31, 2032.	376,275	395,375
	$403,565	$444,477
Seymour:		
Non-interest bearing note payable to State of Florida Department of Community Affairs with monthly principal payments of $2,208 matured on November 2018. The loan was paid in full upon the sale of the Seymour property on March 6, 2019.	$103,751	$103,751
The Organization entered into a loan with Raza Development Fund, Inc. secured by the Seymour Hotel with monthly payments of interest and principal in the amount of $4,639 with interest at a rate of 5.75% per annum and maturing on June 19, 2020. The loan was paid in full upon the sale of the Seymour property on March 6, 2019.	731,438	744,505
	$835,189	$848,256
Villa Maria:		
Villa Maria and MBCDC entered into a joint and several loan with International Finance Bank which bears interest at a rate of 6.25% per annum with principal and interest payments in the amount of $5,595 for the first five years, after which the interest rate shall be adjusted to the prevailing five year U.S. Treasury Note rate plus three and one-half (3.50%). The interest rate, however, shall never be less than 6.25%. Monthly principal and interest payments shall be adjusted based on the then outstanding principal balance and adjusted interest rate at the time the adjustment is made on a 25-year amortization schedule with a final payment sufficient to discharge any remaining interest and principal outstanding at the maturity date (June 22, 2022). The loan is collateralized by the Organization's deposit account and all real and personal property. Villa Maria is out of compliance with non-monetary financial reporting covenants set forth in the loan agreement. Such noncompliance may constitute an event of default, if, upon written notice from the lender, Villa Maria fails to cure the condition within 30 days. An event of default may cause the loan to become immediately due and payable and award further remedies to the lender including foreclosure of the property. Villa Maria has not received written notice from the lender that Villa Maria is in default.	$822,946	$837,398

5. LOANS PAYABLE (CONTINUED)

	2018	2017
Villa Maria (continued): Villa Maria received HOME Loan funds from Miami Dade County to finance a portion of the construction costs of the Villa Maria project. The loan shall accrue interest at 3.67% per annum. However, interest will not be collected unless the project fails to comply with the affordability requirements and restrictions set forth in the rental regulatory agreement through December 31, 2059, the maturity date. Upon maturity of the loan, the entire principal together with all unpaid interest will be due and payable. The deferred interest is included in the outstanding loan balance and the deferred interest balance was $396,567 and $339,516 as of September 30, 2018 and 2017, respectively. The loan is collateralized by the building and all revenue and other benefits derived from the Villa Maria project.	1,611,567	1,554,516
Villa Maria entered into a non-interest bearing loan with Miami-Dade County (Surtax Loan) with payments of principal only in the amount of $2,778 due monthly beginning February 28, 2011 until February 1, 2039, at which point any unpaid remaining principal shall be due and payable. The loan is collateralized by the building and all revenue and other benefits derived from the Villa Maria project. Villa Maria is out of compliance with non-monetary financial reporting covenants set forth in the loan agreement. Such noncompliance may constitute an event of default, if, upon written notice from the lender, Villa Maria fails to cure the condition within 30 days. An event of default may cause the loan to become immediately due and payable and award further remedies to the lender including foreclosure of the property. Villa Maria has not received written notice from the lender that Villa Maria is in default.	813,889	847,222
	$3,248,402	$3,239,136

	2018	2017
Crespi:		
The Organization entered into a Surtax loan with Miami-Dade County Housing Agency payable in monthly installments of $807 with an interest rate of 1% per annum maturing on July 31, 2032. The loan is secured by the Crespi Apartments building and assignment of leases contracts. On April 27, 2018, the Organization received a notice of default from Miami-Dade County for violating certain terms of the Rental Regulatory Agreement. As a result, Miami-Dade County declared the whole indebtedness under the loan immediately due and payable with the intent to proceed with foreclosure of the property. On October 31, 2018, the Organization paid off this loan with the proceeds of the new Crespi Raza loan.	$135,290	$143,680
Non-interest bearing note payable to the State of Florida Department of Community Affairs with monthly payments of $992, matured on July 2014. On October 31, 2018, the Organization paid off this loan with the proceeds of the new Crespi Raza loan.	122,928	122,928
	$258,218	$266,608

5. LOANS PAYABLE (CONTINUED)

	2018	2017
Scattered Sites:		
Miami-Dade County Surtax Loan secured by the Scattered Sites Apartments with monthly payments of principal and interest in the amount of $555 with interest at a rate of 3$ per annum. The outstanding balance of the Scattered Sites loan was paid in full upon the sale of the remaining condominium unit, which occurred on May 11, 2018.	$ -	$12,122
	$ -	$12,122
Westchester:		
Miami-Dade County Surtax Loan secured by the Westchester building. During the construction period, only interest at a rate of 1% per annum accrued on the outstanding principal disbursed. Commencing January 30, 2008, monthly principal payments in the amount of $3,333 are due with the loan maturing on December 31, 2036.	$803,000	$843,000
SunTrust Bank loan secured by the Westchester building with monthly payments of principal and interest in the amount of $1,505 with interest at a rate of 7.85% per annum and maturing on December 1, 2017. On June 5, 2018, the Organization entered into a third renewal of the loan, which changed the interest rate to 6.38% and extended the maturity date of the loan to June 1, 2023. Commencing July 1, 2018, the Organization is required to make equal monthly payments in the amount of $1,217 for principal and interest and remaining principal is due at maturity. MBCDC is a guarantor of the loan.	105,372	113,474
	$908,372	$956,474
Madison:		
Miami-Dade County (the "County") Home Investment Partnership Program loan (HOME) from HUD secured by the Madison building. Principal and accrued unpaid interest at a rate of 2.14% per annum which matured on December 27, 2017.		
By letter dated March 27, 2018, the County alleged that the maturity date of the loan had occurred on December 28, 2017 and that $519,662 was due for principal and interest at the default rate from December 28, 2017. The letter afforded the Organization 30 days to cure the default and if not cured, the County would foreclose on the property. See Note 2, Subsequent Events.	$558,729	$364,169
Non-interest bearing Miami-Dade County Surtax loan secured by Madison building with monthly principal payments in the amount of $1,042 and maturing on December 1, 2030. See Note 2, Subsequent Events.	210,314	222,814
	$769,043	$586,983
Total	10,229,555	$10,271,398
Less: Deferred financing costs, net	(92,029)	(87,137)
Loans Payable	$10,137,526	$10,184,261

5. LOANS PAYABLE (CONTINUED)

Maturities of long-term debt are as follows:

Year ending September 30,	Amount
2019	$ 2,150,131
2020	2,261,078
2021	195,804
2021	1,111,170
2023	322,884
Thereafter	4,640,602
Total:	10,681,669
Less: Deferred financing costs, net	(92,029)
Lines of Credit and Loans Payable	$ 10,589,640

6. TEMPORARILY RESTRICTED NET ASSETS

	2018	2017
Fernwood: Fernwood was partially financed by a loan with the City of Miami dated August 16, 1999. The loan was used for the acquisition and rehabilitation of the Project and is not required to be repaid so long as the housing remains available to low-income persons living with HIV/AIDS for a period of 20 years. Failure to comply with the terms of the loan is considered an event of default and the entire principal amount of the loan plus accrued interest, as calculated from the original date of the loan at a rate of 6% per annum, will become due and payable.	$500,000	$500,000
Fernwood received a capital advance from the Secretary of Housing and Urban Development under Section 811 of the National Affordable Housing Act, as amended, dated November 14, 2000. The capital advance agreement is secured by a mortgage on the land, buildings and improvements. The mortgage is non-interest bearing and is not required to be repaid so long as the housing remains available to eligible very low-income elderly or disabled persons for a period of not less than 40 years, in accordance with Section 811 of the Housing Act, the Regulatory Agreements and Regulations. Failure to keep the housing available for disabled persons would result in HUD's billing the Organization for the entire capital advance outstanding plus interest since the date of the first advance. The Organization cannot transfer, dispose or encumber any of the mortgaged property without the approval of the U.S. Department of Housing and Urban Development. Failure to comply with the terms of the note, mortgage, regulatory agreement or the regulations is considered an event of default, at which point HUD may take possession of the Project, and operate it in accordance with the terms of the Regulatory agreement. At HUD's discretion, it may return the property back to the Organization if it is in a position to operate the Project in accordance with the Regulatory Agreement.	1,278,200	1,278,200

	$1,778,200	$1,778,200

6. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

	2018	2017
Westchester: Non-interest bearing HOME loan through the City of Miami Beach, Florida, secured by the Westchester building in Miami Beach, Florida. MBCDC is not required to make payments on the mortgage unless it fails to adhere to the provisions of the agreement during the 15 year affordability period which expires starting July 2, 2018 until August 23, 2021. On July 2, 2018, Westchester met the affordability period requirement on one of the loans and released that loan balance, $1,007,473, from restriction during the year ended September 30, 2018.	$1,288,324	$2,295,797
Villa Maria: The Organization received HOME Loan funds from City of Miami Beach (the "City") to finance a portion of the construction costs of the Project. The loan is non-interest bearing and is not required to be repaid so long as the housing remains available to eligible low income, elderly person households for a period of 20 years from the date of initial occupancy, in accordance with the HOME contract with the City of Miami Beach. Failure to keep the housing available for low-income persons would result in the whole indebtedness due and payable upon default.	$3,385,273	$3,385,273
The Organization received a non-interest bearing construction loan under the Special Housing Assistance and Development Program. The principal balance matured on July 27, 2019. Upon maturity of the loan, the lender may renegotiate and extend the loan in order to extend the availability of housing to the target population. Management is in the process of renegotiating the loan with Florida Housing Finance Corporation to either extend the loan or have the loan released. Management believes they can successfully extend or release the loan. Under the terms of the loan, the Organization may not sell or assign interest in the property without Florida Housing's prior written approval.	2,000,000	2,000,000
The Organization received a SHIP grant through the City. The loan has the same terms and conditions of the HOME loan from the City of Miami Beach as described above. The funds shall be repaid in their entirety to the City, in accordance of the provision of the HOME Program in the event the housing is transferred or sold for any purpose other than settling the estate of one of the owners.	333,179	333,179
	$5,718,452	$5,718,452

6. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

	2018	**2017**
Shelbourne:		
The Shelbourne was financed by a note (capital advance) with the Secretary of Housing and Urban Development under Section 811 of the National Affordable Housing Act.		
The capital advance agreement is secured by a mortgage on the land, buildings and improvements. The mortgage is non-interest bearing and is not required to be repaid so long as the housing remains available to eligible low income, disabled persons for a period of 40 years (April 1, 2036) in accordance with Section 811 of the Housing Act, the Regulatory Agreements and Regulations. Failure to keep the housing available for disabled persons would result in HUD billing the Organization for the entire capital advance outstanding plus interest since the date of the first advance. The Organization cannot transfer, dispose or encumber any of the mortgaged property without the approval of the U.S. Department of Housing and Urban Development.		
Failure to comply with the terms of the note, mortgage, regulatory agreement or the regulations is considered an event of default and the entire principal amount of the note (capital advance) will become due and payable and HUD will have the right to immediately foreclose the mortgage	$1,564,702	$1,564,702
Michigan:		
The Organization received two non-interest bearing HOME loans from HUD through the City of Miami Beach in the amount of $1,517,008 on September 10, 2003 and $709,470 on July 7, 2004. The Organization is not required to make payments on the loan unless it fails to adhere to the provisions of the agreement during the twenty (20) year affordability period which expires starting August 23, 2021 until July 7, 2024.	$2,226,478	$2,226,478
Miami-Dade County Housing Agency Surtax Loan secured by the Michigan building with interest at a rate of 2% per annum until May 12, 2008 and zero percent (0%) thereafter. The loan requires annual payments of interest only in the amount of $10,000 until May 12, 2008 and no interest payments thereafter. The outstanding balance will be forgiven in 20% increments starting May 20, 2018 until May 12, 2022 if the Organization complies with the terms of the loan. During the year ended September 30, 2018, the Organization released $107,084 from restriction.	428,335	535,419
	$2,654,813	$2,761,897
Meridian:		
Non-interest bearing Redevelopment Agency (RDA) loan through the City of Miami Beach, Florida that is secured by the Meridian apartment building. The Organization is not required to make payments on the mortgage unless it fails to adhere to the provisions of the agreement during the 30 year affordability period which expires December 21, 2041.	$1,500,000	$1,500,000

6. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

	2018	2017
Meridian: (Continued) Non-interest bearing HOME loans from HUD through the City of Miami Beach, Florida. Meridian is not required to make payments on the mortgage unless it fails to adhere to the provisions of the agreement during the affordability period ranging from 15 to 30 years starting June 8, 2023 until December 31, 2041.	2,131,791	2,131,791
Pursuant to resolution No. R51-10, the Board of County Commissioners for Miami-Dade County approved a District 5 grant allocation of $434,431 “County Grant” from project No. 249 “Preservation of Affordable Housing Units and Expansion of Home Ownership” Building Better Communities General Obligation Bond Program “BBC GOB Program” to Meridian. There is no payment on the mortgage unless Meridian fails to adhere to the provisions of the agreement during the 30 year affordability period, which expires January 29, 2043.	434,431	434,431
Non-interest bearing Miami-Dade County Surtax Loan secured by the Meridian in Miami Beach, Florida. Meridian is not required to make payments on the mortgage unless it fails to adhere to the provisions of the agreement during the 30 year affordability period. Loan will be forgivable at maturity on August 2, 2037.	1,379,370	1,379,370
Non-interest bearing Miami-Dade County HOME Loan secured by Meridian Apartments building in Miami Beach, Florida. Meridian is not required to make payments on the mortgage unless it fails to adhere to the provisions of the agreement during the 20 year affordability period. If the provisions of the agreement are met, the loan will be forgivable at maturity on June 8, 2023.	115,088	115,088
	$5,560,680	$5,560,680
The Allen: The Organization has a non-interest bearing note payable to the City of Miami Beach secured by a mortgage on the property. The note is due 30 (thirty) years from July 5, 2011 (the “Affordability Period”) and contains restrictive covenants requiring the property to be used as affordable housing for a period of 30 years under the rules and regulations of the United States Department of Housing (HUD). At the conclusion of the Affordability Period, the mortgagee has the option to extend the Mortgage Security Agreement and Affordability Period for additional terms, or require the Mortgagor on written demand to execute and deliver a Special Warranty Deed conveying title in the Premises to the Mortgagee.	$1,024,708	$1,024,708

6. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

	2018	2017
The Allen: (Continued) The Organization has a non-interest bearing loan from the Miami Beach Redevelopment Agency ("RDA") to restore and preserve its premises and with the purpose of providing affordable rental housing for low to moderate income individuals and families. No principal or interest payments are required as long as the premises are used as an affordable rental property for 30 (thirty) years commencing on April 30, 2007, the date of issuance of a Final Certificate of Completion for the renovation (the "affordability period"). At the conclusion of the Affordability Period, the mortgagee has the option to extend the Mortgage Security Agreement and Affordability Period for additional terms, or require the Mortgagor on written demand to execute and deliver a Special Warranty Deed conveying title in the Premises to the Mortgagee. The loan is collateralized by the Organization's building.	3,469,348	3,469,348
	$4,494,056	$4,494,056
Camacho: On August 10, 2010, the Organization obtained financing of $930,850 and an additional $21,249 in 2012 from the City of Miami for the acquisition and rehabilitation of the Camacho project. The note is secured by a mortgage on the property. No interest is accrued before the Project completion date, as defined. Subsequent to the Project completion date, interest on the outstanding principal balance is accrued at 3% per annum for a period of 30 years. No payments of principal and interest are due during the 30-year period. If, at the end of the 30 years (February 28, 2043), the Organization has complied with all of the terms of the agreement, the loan will be forgiven.	$952,099	$952,099
On February 7, 2012, the Organization obtained a noninterest-bearing loan in the amount of $3,704,147 from Miami-Dade County under the General Obligation Bond Program. The loan proceeds were used for the payment of construction costs and the developer fee on the Camacho project. The loan is subordinated to the City of Miami loan, matures in 30 years and will be forgiven if the Organization complies with the terms of the loan agreement during the 30 year compliance period ending on January 21, 2040.	3,155,422	3,155,422
	$4,107,521	$4,107,521

6. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

	2018	2017
Villa Matti:		
The Project was financed by a mortgage note (capital advance) with the Secretary of Housing and Urban Development under Section 202 of the Housing Act of 1959, as amended. The capital advance agreement is secured by a mortgage on the land, building and improvements. The mortgage is non-interest bearing and is not required to be repaid so long as the housing remains available to eligible low-income, elderly person households for a period of 40 years, in accordance with Section 202 of the Housing Act, the Regulatory Agreements and Regulations. The Organization cannot transfer, dispose or encumber any of the mortgaged property without the approval of the U.S. Department of Housing and Urban Development. Failure to comply with the terms of the note, mortgage, Regulatory Agreement or the Regulations is considered an event of default and the entire principal amount of the note (capital advance) may become due and payable.	$5,255,452	$5,255,452
The Organization received Home Loan funds from Miami Dade County to finance a portion of the construction costs of the Project. The loan is non-interest bearing and is not required to be repaid as long as the housing remains available to eligible low-income, elderly person households for a period of 40 years from the date of initial occupancy, in accordance with Home contract with Miami Dade County.	1,500,000	1,500,000
	$6,755,452	$6,755,452
	$33,922,200	$35,036,757

7. SALE OF RENTAL PROPERTY, NET

During the year ended September 30, 2015, MBCDC entered into a Release of Rental Regulatory Restrictions and Affordability Period Agreement (the "Agreement") with Miami-Dade County to sell the nine condominium units owned by Scattered Sites. Under the terms of the Agreement, a portion of the net proceeds received from the sale of the units is applied to the outstanding balance of the Scattered Sites Miami Dade County Surtax loan and to the Jefferson Miami Dade County Surtax Loan arrearage. In addition, Miami Dade County will charge MBCDC a penalty equal to 10% of the sale price of each unit. In exchange, Miami-Dade County will release its interest in the Scattered Sites building from the affordability period of the building.

MBCDC consummated the sale of one unit in each of the years ended September 30, 2018 and 2017, respectively, for a sale price of approximately $150,000 each. The difference between the selling price and the net book value of the condominium units at the sale date is reported as gain on sale of assets on the accompanying statement of activities. Upon completion of the sale of the unit in 2018, there were no remaining units to be sold in the Scattered Sites building and MBCDC no longer has an ownership interest in the building as of September 30, 2018.

8. GUARANTEES

MBCDC provides guarantees to certain lenders who provide financing for the acquisition and construction of low-income housing projects developed by its controlled limited liability companies. Under these guarantees, MBCDC provides assurance of project completion and provides repayment guarantees for the associated loans.

9. RETIREMENT PLAN

MBCDC has a 401(k) plan, which allows employees to defer salary up to 15% of pay annually. MBCDC matches 100% on the first 2% of pay deferred by employees. For the years ended September 30, 2018 and 2017, the expense was approximately $0 and $530, respectively.

10. COMPENSATED ABSENCES

Vacation is earned at varied rates depending upon employee classification and length of service. According to the personnel policy employees may carry over up to 240 hours (30 days) of accrued, unused vacation leave from one calendar year to the next. Any excess is forfeited and not paid (unless otherwise required by law). Sick leave is earned at the rate of one day per month. According to the personnel policy, unused leave benefits will be allowed to accumulate until the employee has accrued a total of 30-calendar days' worth of sick leave benefits. If the employee's benefits reach this maximum, further accrual of sick leave benefits will be suspended until the employee has reduced the balance below the limit. Upon employee termination only accrued vacation days are paid.

11. COMMITMENTS AND CONTINGENCIES

Property management agreements

During the years ended September 30, 2018 and 2017, MBCDC served under contract as the management agent for its subsidiaries and affiliates. Property management fees and janitorial services earned under the terms of the contract have been eliminated in consolidation.

Grant and property use restrictions

The properties owned and operated by MBCDC were developed using monies provided by grants and restrictive, low interest rate loans. The terms of these loans restrict the use of the property and generally require it be rented to low-income qualified tenants for the period of the grant or related loan term. MBCDC and its subsidiaries also receive grants with restrictions other than property use. Failure to comply with the terms of the grant or the loans could result in a requirement to repay a portion or all of the proceeds received or deed the title of the property to the grantor or creditor.

Rental assistance contracts

Many of the properties affiliated with the Organization have entered into rental assistance contracts with HUD. These contracts have various terms and require the affiliate projects to operate as low-income housing properties and to obtain HUD approval for all rent increases.

Surplus cash and residual receipts

Certain properties owned by MBCDC and its subsidiaries are subject to HUD regulatory agreements, which restrict the use of the property and limit the use of project cash. Under these regulatory agreements, the subsidiaries are precluded from receiving any distributions of operating cash. A surplus cash calculation is required to be prepared annually and any surplus cash, as defined, is required to be deposited in a residual receipts account controlled by HUD.

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Legal Proceedings

The Organization may be subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material effect on the financial condition or results of operations of the Organization.

Other

Expenses reflected in the accompanying financial statements relating to government-funded programs are subject to audit by the respective grantor. The possible disallowance by the related agency of an item charged to the program, if any, cannot be determined at this time. No provision for any liability that may result has been made in the financial statements.

During the year ended September 30, 2017, the Organization was assessed a Civil Money Penalty by HUD in the amount of $42,500 for late filing of the 2015 Audited Financial Reports. During the year ended September 30, 2018, the Organization reached a final settlement with HUD for $2,500, which was paid by MBCDC. The gain resulting from the settlement is recorded as gain on settlement of HUD penalty on the accompanying statement of activities.

12. RISKS AND UNCERTAINTIES

MBCDC obtains and employs substantial capital from various federal, state and local governmental agencies, including HUD. In addition, MBCDC obtains funding from private equity groups including national, state and local banks and financial institutions. Failure to comply with covenants and conditions imposed by the agreements governing the Organization's indebtedness could restrict future borrowing or cause debt to become immediately due and payable.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Miami Beach Community Development Corporation, Inc. and Subsidiaries

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 consolidated financial statements of Miami Beach Community Development Corporation, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2018, and the related consolidated statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-004, 2017-001, 2017-002 and 2016-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-002 to be a significant deficiency.

To the Board of Directors
Miami Beach Community Development Corporation, Inc. and Subsidiaries

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2016-001.

Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Miami, Florida
February 7, 2020

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Miami Beach Community Development Corporation, Inc.

Report on Compliance for Each Major Federal Program

We have audited Miami Beach Community Development Corporation, Inc.'s, a nonprofit organization, ("MBCDC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MBCDC's major federal programs for the year ended September 30, 2018. MBCDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MBCDC's consolidated financial statements include the operations of MBCDC: Fernwood Apartments, Inc., The Shelbourne Apartment Building, Inc., MBCDC: Villa Maria, LLC and MBCDC Villa Matti, Inc., collectively, the "HUD Projects", whose federal awards totaled $16,108,370 and are not included in Miami Beach Community Development Corporation, Inc.'s schedule of expenditures of federal awards for the year ended September 30, 2018. Our audit, described below, did not include the federal awards of the HUD Projects because a Single Audit was performed individually for each HUD Project and the federal awards were reported by each entity in its respective schedule of expenditures of federal awards.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MBCDC'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 MBCDC'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 MBCDC's compliance.

To the Board of Directors
Miami Beach Community Development Corporation, Inc.

Basis for Qualified Opinion on Community Development Block Grants/Entitlement Grants CFDA 14.218 and Home Investment Partnership Program 14.239

As described in the accompanying schedule of findings and questioned costs, MBCDC did not comply with requirements regarding CFDA 14.218 Community Development Block Grants/Entitlement Grants and CFDA 14.239 Home Investment Partnership Program, as described in finding number 2018-003 for Activities Allowed/Unallowed and Eligibility. Compliance with such requirements is necessary, in our opinion, for MBCDC to comply with the requirements applicable to that program.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, MBCDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Community Development Block Grants/Entitlement Grants CFDA 14.157 and Home Investment Partnership Program CFDA 14.239 for the year ended September 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

MBCDC's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. MBCDC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of MBCDC 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 MBCDC'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 the Uniform Guidance, 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 MBCDC's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

To the Board of Directors
Miami Beach Community Development Corporation, Inc.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018 -003 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-005, 2015-003 and 2017-003 to be significant deficiencies.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose

Miami, Florida
February 7, 2020

MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC.
AND SUBSIDIARIES
(a nonprofit organization)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30,

FEDERAL GRANTOR	CFDA	EXPENDITURES
U.S. Department of Housing and Urban Development		
Pass-Through City of Miami		
Community Development Block Grants/Entitlement Grants	14.218	$ 952,099
Pass-Through Miami-Dade County		
Home Investment Partnerships Program	14.239	479,257
Pass-Through City of Miami Beach		
Home Investment Partnerships Program	14.239	7,879,444
Total Home Investment Partnerships Program		8,358,701
Pass-Through City of Miami Beach		
Housing Opportunities for Persons with AIDS	14.241	296,491
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 9,607,291

See Notes to Schedule of Expenditures of Federal Awards.

**MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Miami Beach Community Development Corporation, Inc., a nonprofit organization, (“MBCDC”), under programs of the federal government for the year ended September 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MBCDC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of MBCDC. The Schedule includes only the awards of MBCDC that are required to be audited under Uniform Guidance. The federal awards of the consolidated subsidiaries MBCDC: Fernwood Apartments, Inc., The Shelbourne Apartment Building, Inc., MBCDC: Villa Maria, LLC and MBCDC Villa Matti, Inc. were reported by the subsidiaries on each entity’s respective schedule of expenditures of federal awards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in OMB Circular A-122, "Cost Principles for Non-Profit Organizations" and the cost principles contained in the Uniform Guidance. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

MBCDC has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. SCOPE OF THE AUDIT

The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (Revised April 2018, the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted on the Schedule. MBCDC does not qualify as a low risk auditee, based on the guidelines listed in the Uniform Guidance. Accordingly, the programs listed on the Schedule represent all Federal award programs tested to ensure coverage of at least forty percent of federally granted funds. Actual coverage is approximately 97% of total federal award program expenditures.

4. CAPITAL ADVANCE PROGRAM

MBCDC has received direct capital grant advances under multiple federal programs as listed below. The loan balances outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. MBCDC did not receive additional capital grant advances during the year. The balance of the capital grant advances outstanding at September 30, 2017 consists of:

PROGRAM NAME	CFDA NUMBER	OUTSTANDING BALANCE
U.S. Department of Housing and Urban Development		
Community Development Block Grants/Entitlement Grants	14.218	952,099
Home Investment Partnerships Program	14.239	8,358,701
Housing Opportunities for Persons with AIDS	14.241	296,491

MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC. AND SUBSIDIARIES
(a nonprofit organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2018

SECTION I - SUMMARY OF AUDIT RESULTS

1. The auditor's report expressed an unmodified opinion on the financial statements of Miami Beach Community Development Corporation, Inc. and Subsidiaries, a nonprofit organization (the "Organization").

2. Material weaknesses and a significant deficiency related to the audit of the financial statements were reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements prepared in accordance with *Government Auditing Standards*.

3. There were instances of noncompliance or other matters that were disclosed in the audit.

4. There were instances of noncompliance relating to the audit of major federal awards program reported in the report on compliance for each major program and on internal control over compliance in accordance with the Uniform Guidance.

5. The auditor's report on compliance for the major federal awards programs of MBCDC expressed an unmodified opinion.

6. The audit disclosed a material weakness and significant deficiencies in internal control over compliance.

7. Audit findings related to the major federal awards programs for MBCDC are reported in Section II Part B and Section III of this schedule.

8. The programs tested as major programs include:

Home Investment Partnerships Program	CFDA # 14.239
Community Development Block Grants/ Entitlement Grants	CFDA # 14.218

9. The threshold for distinguishing Type A and Type B programs was $750,000.

10. The Organization was not determined to be a low-risk auditee.

MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC. AND SUBSIDIARIES
(a nonprofit organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2018

SECTION II – CURRENT YEAR FINDINGS AND RECOMMENDATIONS

A. FINDINGS - FINANCIAL STATEMENT AUDIT

See Section II 2018-001, 2018-002, 2018-004 and Section III 2017-001, 2017-002, 2016-001, 2016-002

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

See Section II 2018-002, 2018-003 and 2018-005, and Section III 2015-003, 2017-003

SECTION II – CURRENT YEAR FINDINGS AND QUESTIONED COSTS

2018 - 001 Financial Statement Year-End Closing Process and Review of Journal Entries

Condition: During our audit, we identified that management did not perform a proper financial statement close as certain year-end adjustments, including adjustments for insurance and depreciation expense, had not been recorded in the property's general ledger. In addition, during our audit, there was no evidence of review of journal entries recorded during the year.

Criteria: The financial statements must be in conformity with accounting principles generally accepted in the United States of America (GAAP).

Cause: Change in management personnel and staff at and near the Organization's fiscal year-end resulted in failure to record year-end closing adjustments for the GAAP financial statements. Further, a lack of segregation of duties resulted in recording of journal entries without secondary review or approval.

Effect: Failure to record the year-end closing adjustments and/or potentially inaccurate or unauthorized journal entries recorded during the year may result in a material misstatement of the financial statements.

Recommendation: The Organization should implement internal controls over financial reporting to ensure all year-end adjustments are recorded in a timely manner, including, but not limited to, implementation of a financial close checklist and management review of financial statements. In addition, the Organization should have a clearly defined review and approval process for journal entries recorded during the year.

View of Responsible Officials and Planned Corrective Actions: In response to the condition identified, management hired a third-party accounting firm to review and reconcile certain balance sheet accounts and make the necessary year-end closing entries to ensure the financial statements are fairly stated in accordance with GAAP as of and for the year ended September 30, 2018.

Effective for the year ending September 30, 2019, the third-party accounting firm will be responsible for performing the month-end and year-end close procedures for MBCDC and will have enhanced internal controls over financial reporting, including proper review of journal entries. In addition, management has hired a third-party property management company, which has a robust and separate compliance and accounting department solely responsible for accounting and contractual compliance that will help ensure that adequate internal controls over financial reporting are in place for each property.

MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC. AND SUBSIDIARIES
(a nonprofit organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2018

SECTION II – CURRENT YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)

2018 - 002 Missing Records

Condition: In connection with audit procedures performed to test accounts payable and cash disbursements, management was unable to provide copies of invoices for selections chosen for examination.

Criteria: The Organization should maintain adequate records to support the transactions recorded during the year.

Cause: It appears that turnover in management and staff near the end of the fiscal year resulted in misplacement of records.

Effect: Validity of transactions may be questioned without proper supporting documentation.

Recommendation: The Organization should implement an effective system of internal controls over financial reporting that includes proper oversight and organization of the Organization's records.

View of Responsible Officials and Planned Corrective Actions: Management has implemented internal controls over financial reporting to ensure the proper storage of transaction records primarily through hiring a third-party property management company, which has a robust and separate compliance and accounting department solely responsible for accounting and contractual compliance that will help remediate this deficiency.

SECTION II – CURRENT YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)

2018 - 003 Tenant Eligibility Records

Condition: In testing compliance with program eligibility requirements, we identified the following discrepancies in the tenant files inspected:

1) The annual reexamination for three tenants selected for testing was not performed.
2) The tenant eligibility records for three tenants selected could not be located.
3) The annual reexamination for four tenants selected for testing was not performed on a timely basis.

Criteria: Eligibility criteria is set forth in the April 2018 Compliance Supplement.

Cause: Management failed to exercise effective oversight over the processing and maintenance of records related to tenant information.

Effect: Failure to perform the required re-certification may result in an event of default under the terms of the corresponding loan.

Recommendation: Management should employ sufficiently competent personnel to remediate conditions existing in the tenant files and exercise more effective oversight over the tenant eligibility process for both new tenants and for re-examination of existing tenants.

View of Responsible Officials and Planned Corrective Actions: Effective during fiscal year ending September 30, 2019, management has replaced its former management team and most of its staff and has undergone several file audits by Miami-Dade County and the City of Miami Beach. Prior to these audits, management hired a property management consultant to conduct a pre-file review audit to gain a more accurate understanding of the condition of the files and potential findings. Management was able to identify the type and quantity of any non-compliance issues. The current management company has a robust system of internal controls over financial reporting and over compliance in place to prevent or detect such deficiencies.

SECTION II – CURRENT YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)

2018 - 004 Error in HUD Subsidy Billing and Revenue Recognition

Condition: During our audit, we identified that the Organization used the incorrect contract rental rate in the Housing Assistance Payment (HAP) vouchers that were submitted to HUD on a monthly basis at one of its rental properties. The error in the HAP vouchers resulted in errors in the HUD subsidy payments. This error resulted in HUD being under billed by approximately $10,000 for the year ended September 30, 2018, which also impacts the financial statements as revenue is misstated as a result of the error. The tenants' portion of the rent was not impacted by this error.

Criteria: HUD assistance payments should match the terms of the corresponding contract and the financial statements shall reflect the contractual revenue earned under the terms of the contract in accordance with U.S. GAAP.

Cause: The Organization's internal controls over monitoring of HUD monthly billings did not operate effectively during the year.

Effect: Rental subsidy payments and potentially tenant rental payments may be materially incorrect, and the financial statements may be materially misstated as a result of the error.

Recommendation: The Organization should implement effective controls to ensure rent adjustments are captured in a timely manner and amounts billed to HUD are accurate.

View of Responsible Officials and Planned Corrective Actions: Management has implemented internal controls over financial reporting to ensure accurate billing and reporting of housing assistance payments primarily through hiring a third-party property management company, which has a robust and separate compliance and accounting department responsible for accounting and contractual compliance that will help remediate this deficiency.

SECTION II – CURRENT YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)

2018 - 005 Tenant Rent Overcharge

Condition: One HOME-assisted unit was found to have been charged a rental that exceeded the allowed rent limit.

Criteria: In accordance with the compliance supplement, HOME-assisted units in a rental housing project must be occupied only by households that are eligible as low-income families and must meet certain limits on the rents that can be charged.

Cause: Management's controls over ensuring tenants are being charged the correct rent amount did not operate effectively during the period.

Effect: Failure to charge tenants within the appropriate guidelines could result in an event of default under the terms of the corresponding loan.

Recommendation: Management should perform in-depth reviews of the rent rolls and corresponding guidelines to ensure rents charged to tenants do not exceed the allowed rent limit.

MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC. AND SUBSIDIARIES
(a nonprofit organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2018

SECTION III – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2017 - 001 Prior Period Adjustment

Condition:	The Organization did not accrue interest on one of its loans resulting in a material misstatement of the prior year financial statements.
Criteria:	In accordance with the provisions of the Miami-Dade County HOME loan agreement, interest on the loan shall be due and payable upon maturity of the loan.
Cause:	Management treated the loan as a non-interest bearing loan as the loan does not require interest payments during the term of the loan as long as the Organization remains in compliance with the rental regulatory requirements of the loan. However, although there is a deferment period on the loan in which interest is not required to be paid, the interest is due at maturity, and therefore should have been accrued.
Effect:	The prior year financial statements (September 30, 2016) were misstated.
Recommendation:	Management should engage the appropriate personnel, including legal counsel, to review the terms of significant agreements in order to ascertain the amounts due in connection with such agreements and implement a financial close checklist that includes accrual of interest on applicable loans.
Current Year Status:	Management did not accrue interest on the loan for the year ended September 30, 2018. Comment will be repeated.
View of Responsible Officials and Planned Corrective Actions:	Effective for the year ending September 30, 2019, the third-party accounting firm will be responsible for performing the month-end and year-end close procedures for MBCDC and will have enhanced internal controls over financial reporting, including proper review of accrued interest balances.

MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC. AND SUBSIDIARIES
(a nonprofit organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2018

SECTION III – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

2017 - 002 Financial Reporting

Condition: The Organization has not complied with the financial reporting covenant set forth in certain of its loan agreements.

Criteria: The Organization is required to submit audited financial statements within 90 days of its balance sheet date, as specified, under the terms of the Miami-Dade County surtax loan.

Cause: Management has taken measures to remediate deficiencies in internal control over financial reporting that existed under the former management team, including a recent implementation of a new accounting system. However, due to limited resources, management has not been able to fulfill its financial reporting requirements on a timely basis.

Effect: Violation of loan covenants may result in an event of default under the terms of the loans, which if not cured within a specified time period after written notice from the lender, may cause the principal and unpaid interest balance of the loan to become immediately due and payable as well as provide other remedies to the lender, including, but not limited to, taking possession of the building.

Recommendation: The Organization should leverage the new third-party accounting services provider to develop and adhere to a financial closing and reporting calendar that will enable management to meet its financial reporting requirements on a timely basis.

Current Year Status: The Organization was not able to meet its reporting deadline for the year ended September 30, 2018. Comment will be repeated.

View of Responsible Officials and Planned Corrective Actions: Effective for the year ending September 30, 2019, a third-party accounting firm will be responsible for performing the month-end and year-end close procedures for MBCDC and will have enhanced internal controls over financial reporting, including review of financial reporting deadlines. In addition, management has hired a third-party property management company, which has a robust and separate compliance and accounting department responsible for accounting and contractual compliance that will help ensure that adequate internal controls over financial reporting are in place for the property.

SECTION III – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

2017 – 003 Annual Re-Certification

Condition: A selected tenant file submitted for review was missing evidence of a current annual recertification.

Criteria: Per the Rental Regulatory Agreement, tenant income for NSP-assisted units shall be certified by the Owner annually on the anniversary of each tenant's lease and maintained in the tenant file.

Cause: Management's controls over ensuring annual re-certifications are completed and kept in the tenant file did not operate effectively during the period.

Effect: Failure to perform the required re-certification may result in an event of default under the terms of the corresponding loan.

Recommendation: Management should perform monthly reviews of the rent rolls, which include verifying that an annual re-certification has been performed for any tenant who has reached the anniversary date of their lease during that month.

Current Year status: The Organization was missing recertification for six tenants. Refer to current year finding 2018-006. Comment will be repeated.

View of Responsible Officials and Planned Corrective Actions: Management will review the list of annual re-certifications each month to ensure property managers have completed the required re-certifications in a timely manner.

MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC. AND SUBSIDIARIES
(a nonprofit organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2018

SECTION III – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

2016 - 001 Replacement Reserves

Condition: During debt compliance testing, GLSC identified that the required replacement reserves deposits were not met.

Criteria: Per the loan agreement, replacement reserves deposits should be made consistently and at the required amount per loan agreement.

Cause: Procedures are not in place to ensure that the Organization deposits the required minimum amount per year.

Effect: Failure to comply with the requirement may trigger a default on the loan.

Recommendation: The Organization should implement controls to ensure the required amount for the replacement reserve is funded in accordance with the loan Agreement.

Current year status: The Organization did not make the required monthly reserve deposits for certain of its loans during the year ended September 30, 2018. Comment will be repeated.

View of Responsible Officials and Planned Corrective Actions: GLSC communicated with management the finding and although they are aware of the minimum reserve requirement, they are currently in a cash flow deficit which restricts the Organization's ability to make the required deposits per year.

MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC. AND SUBSIDIARIES
(a nonprofit organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2018

SECTION III – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

2016 - 002 Due to / Due From account reconciliation

Condition: Due to/from affiliate accounts are not reconciled on a regular basis.

Criteria: Management is responsible for maintaining accurate accounting records for Due to/from affiliate accounts to ensure maintenance of proper books and records.

Cause: Due to limited resources, the Organization has not been able to consistently prepare and review the reconciliation of the due to/due from accounts on a regular basis.

Effect: Transactions between affiliate entities may not be captured completely and accurately in the books and records of the Organization resulting in a material misstatement of the financial statements.

Recommendation: The Organization should implement effective financial reporting policies and procedures and internal controls to oversee the implementation of such policies and procedures that will enable management to prepare and review account reconciliations on a monthly basis.

Current year status: During fiscal year 2019, management hired an independent consulting/CPA firm to review and reconcile all due to/due from accounts. In addition, management has outsourced its Accounts Payable and Accounts receivable function to this very reputable firm who will be responsible for ensuring the due to/due form accounts are reconciled on a monthly basis. We obtained the current year adjustments for the due to/due from accounts and observed the balances were adjusted and reconciled as of September 30, 2018.

However, the account reconciliations and adjustments were completed in response to the audit process and were not part of the financial statement close procedures. Therefore, comment will be repeated.

View of Responsible Officials and Planned Corrective Actions: During fiscal year 2019, management hired a third-party consulting/CPA firm to review and reconcile all due to/due from accounts. In addition, management has outsourced its accounts payable and accounts receivable function to this reputable firm who will help ensure the due to/due from accounts are reconciled on a monthly basis.

SECTION III – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

2015 – 003 Data Collection

Condition: The Organization did not submit the data collection form or reporting package to the Federal Audit Clearinghouse within the required timeline.

Criteria: In accordance with the Uniform Guidance, the audit package and the data collection form shall be submitted 30 days after receipt of the auditor's report(s), or 9 months after the end of the fiscal year —whichever comes first, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Consistent with this requirement, the Organization must also file audited financial statement data with HUD no later than 9 months after the Organization's fiscal year end.

Cause: Due to change in personnel at the end of the Organization's fiscal year end, there were delays in the financial close and reporting process that prevented the Organization from complying with the financial reporting requirements.

Effect: The Organization is out of compliance with the requirements of the Uniform Guidance.

Recommendation: The Organization should implement a sound financial close and reporting process to ensure compliance with its various reporting requirements.

View of Responsible Officials and Planned Corrective Actions: The late submission of the data collection form was due to a change in administration on October 2018. The new administration faced the task of discovering, recreating, and completing the information and documents that were lost in the transition process. The new administration has hired a third-party company to manage the property management and accounting for all MBCDC properties and has also hired an independent CPA firm to perform the accounting function for MBCDC. Both the management company and the third-party accounting firm have a robust system of internal controls in place, to ensure timely completion of the financial statement close and reporting process.

Building and Sustaining Community – Unique, Vibrant, Diverse

CORRECTIVE ACTION PLAN

February 7, 2020

Federal Audit Clearinghouse

Miami Beach Community Development Corporation, Inc. (a nonprofit organization) respectfully submits the following corrective action plan for the year ended September 30, 2018.

Auditor: GLSC & Company, PLLC
6303 Blue Lagoon Drive, Suite 200
Miami, Florida 33126

The findings from the September 30, 2018 schedule of findings and questioned costs related to federal award programs are discussed below.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

2018 – 001 *Financial Statements Year-End Closing Process and Review of Journal Entries*

Recommendation: The Organization should implement internal controls over financial reporting to ensure all year-end adjustments are recorded in a timely manner, including, but not limited to, implementation of a financial close checklist and management review of financial statements. In addition, the Organization should have a clearly defined review and approval process for journal entries recorded during the year.

Action Taken: We concur with the recommendation, and it will be effective for year ending September 30, 2019.

2018 – 004 *Error in HUD Subsidy Billing and Revenue Recognition*

Recommendation: The Organization should implement effective controls to ensure rent adjustments are captured in a timely manner and amounts billed to HUD are accurate.

Action Taken: We concur with the recommendation, and it will be effective for year ending September 30, 2019.

2017 – 001 *Prior Period Adjustment*

Recommendation: Management should engage the appropriate personnel, including legal counsel, to review the terms of significant agreements in order to ascertain the amounts due in connection with such agreements and implement a financial close checklist that includes accrual of interest on applicable loans.

Action Taken: We concur with the recommendation, and it will be effective for year ending September 30, 2019.

FINDINGS—FINANCIAL STATEMENT AUDIT (CONTINUED)

MATERIAL WEAKNESSES

2017-002 *Financial Reporting*
Recommendation: The Organization should leverage the new third-party accounting services provider to develop and adhere to a financial closing and reporting calendar that will enable management to meet its financial reporting requirements on a timely basis.
Action Taken: We concur with the recommendation, and it will be effective for year ending September 30, 2019.

2016-002 *Due to/ Due from Account Reconciliation*
Recommendation: The Organization should implement effective financial reporting policies and procedures and internal controls to oversee the implementation of such policies and procedures that will enable management to prepare and review account reconciliations on a monthly basis.
Action Taken: We concur with the recommendation, and it will be effective for year ending September 30, 2019.

SIGNIFICANT DEFICIENCIES

2018-002 *Missing Records*
Recommendation: The Organization should implement an effective system of internal controls over financial reporting that includes proper oversight and organization of the Organization's records.
Action Taken: We concur with the recommendation, and it will be effective for year ending September 30, 2019.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

MATERIAL WEAKNESS

2018 - 003 *Tenant Files*
Recommendation: Management should employ sufficiently competent personnel to remediate conditions existing in the tenant files and exercise more effective oversight over the tenant eligibility process for both new tenants and for re-examination of existing tenants.
Action Taken: We concur with the recommendation, and it will be effective for year ending September 30, 2019.

Building and Sustaining Community – Unique, Vibrant, Diverse

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

SIGNIFICANT DEFICIENCIES

2018 - 002 *Missing Records* - See finding above.

2018 - 005 *Tenant Rent Overcharge*
Recommendation: Management should perform monthly reviews of the rent rolls, which include verifying that an annual re-certification has been performed for any tenant who has reached the anniversary date of their lease during that month.
Action Taken: We concur with the recommendation, and it will be effective for year ending September 30, 2019.

2015 - 003 *Data Collection Form and Reporting Package*
Recommendation: The Organization should implement a sound financial close and reporting process to ensure compliance with its various reporting requirements.
Action Taken: We concur with the recommendation, and it will be effective for year ending September 30, 2019.

2017 - 003 *Annual Re-certification*
Management should perform monthly reviews of the rent rolls, which include verifying that an annual re-certification has been performed for any tenant who has reached the anniversary date of their lease during that month.
Action Taken: We concur with the recommendation, and it will be effective for year ending September 30, 2019.

If the Federal Audit Clearinghouse has questions regarding this plan, please call Ahmed Martin at (305) 538-0090.

Sincerely yours,

Ahmed Martin
Executive Director

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