MIAMI BEACH COMMUNITY DEVELOPMENT CORPORATION, INC. AND SUBSIDIARIES

(a nonprofit organization)

CONSOLIDATED FINANCIAL STATEMENTS

(With Supplementary Information)

September 30, 2020 and 2019

GLSC & COMPANY, PLLC
certified public accountants

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

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INDEPENDENT AUDITORS' 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, 2020 and 2019, 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.

Auditors' 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, 2020 and 2019, 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 September XX, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
September XX, 2021

GLSC & COMPANY, PLLC
certified public accountants

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

ASSETS

	2020	2019
Cash	$ 403,211	$ 851,503
Restricted cash	815,351	885,052
Accounts receivable	142,197	74,904
Prepaid and other assets	321,281	212,152
Rental property, net	35,569,715	37,226,024
TOTAL ASSETS	$ 37,251,755	$ 39,249,635

LIABILITIES AND NET ASSETS

	2020	2019
LIABILITIES		
Accounts payable	$ 421,872	$ 422,602
Accrued expenses	143,104	134,806
Tenants' security deposits	109,667	128,155
Lines of credit	-	399,506
Loans payable	8,572,905	8,511,484
Total liabilities	9,247,548	9,596,553
NET ASSETS		
Net deficiency in assets without donor restrictions	(3,465,574)	(2,183,451)
Net assets with donor restrictions	31,469,781	31,836,533
Total net assets	28,004,207	29,653,082
TOTAL LIABILITIES AND NET ASSETS	$ 37,251,755	$ 39,249,635

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,

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES		
Rental revenue	$ 2,628,240	$ 2,741,636
Grant revenue	572	1,112
Other revenue	32,566	30,909
Total unrestricted revenues	2,661,378	2,773,657
Net assets released from restrictions	366,752	2,085,667
Total revenues without donor restrictions	3,028,130	4,859,324
EXPENSES		
Administrative	482,926	752,869
Repairs and maintenance	761,870	426,990
Utilities	373,232	400,468
Personnel services	301,874	316,732
Taxes and insurance	448,369	499,331
Depreciation	1,683,948	1,676,912
Professional services	365,219	237,798
Bad debt	52,229	6,405
Loss on disposal of fixed asset	8,516	-
Total Operating Expenses	4,478,183	4,317,505
OTHER INCOME (EXPENSES)		
Gain on sale of rental property, net	-	1,134,282
Interest expense	(221,376)	(251,276)
Gain on forgiveness of loan	389,306	-
Total other income	167,930	883,006
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,282,123)	1,424,825
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Net assets released from restrictions	(366,752)	(2,085,667)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(366,752)	(2,085,667)
DECREASE IN NET ASSETS	$ (1,648,875)	$ (660,842)

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,

	Net assets (deficiency in assets) without donor restrictions	Net assets with donor restrictions	Total Net Assets
Net assets (deficiency in assets), September 30, 2018 (as restated)	$ (3,608,276)	$ 33,922,200	$ 30,313,924
Decrease in net assets	1,424,825	(2,085,667)	(660,842)
Net assets (deficiency in assets), September 30, 2019	(2,183,451)	31,836,533	29,653,082
Increase (decrease) in net assets	(1,282,123)	(366,752)	(1,648,875)
Net assets (deficiency in assets), September 30, 2020	$ (3,465,574)	$ 31,469,781	$ 28,004,207

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,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Rental revenue	$ 2,490,230	$ 2,738,306
Grant Revenue	572	1,112
Other Income	32,566	30,909
	2,523,368	2,770,327
Administrative	(475,358)	(628,796)
Repairs and maintenance	(761,870)	(426,990)
Utilities	(373,232)	(400,468)
Payroll	(301,874)	(316,732)
Taxes and insurance	(557,498)	(481,568)
Professional services	(365,219)	(237,798)
Interest expense	(162,231)	(192,131)
	(2,997,282)	(2,684,483)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(473,914)	85,844
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(45,095)	(213,863)
Proceeds from sale of rental property, net	-	2,034,950
Proceeds from sale of fixed assets	8,940	-
Net Cash (Used In) Provided By Investing Activities	(36,155)	1,821,087
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(10,200)	(52,760)
Borrowings on line of credit	-	152
Borrowings on loans payable	229,429	429,268
Payment of loans payable	(227,153)	(1,345,412)
Net Cash Used In Financing Activities	(7,924)	(968,752)
NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH	(517,993)	938,179
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	1,736,555	798,376
CASH AND RESTRICTED CASH AT END OF YEAR	$ 1,218,562	$ 1,736,555

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (1,648,875)	$ (660,842)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Provisions for bad debt	52,229	6,405
Depreciation	1,683,948	1,676,912
Gain on sale of rental property, net	-	(1,134,282)
Gain on debt forgiveness	(389,306)	-
Loss on disposal of fixed assets	8,516	-
(Increase) Decrease in operating assets:		
Accounts receivable	(119,522)	1,292
Prepaid and other assets	(109,129)	17,763
Increase (Decrease) in operating liabilities:		
Accounts payable	(730)	150,309
Accrued expenses	8,298	(26,236)
Accrued interest on loan payable	59,145	59,145
Security deposits payable	(18,488)	(4,622)
Total adjustments	1,174,961	746,686
Net Cash (Used In) Provided by Operating Activities	(473,914)	85,844

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 Organization's purpose is to 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 a significant portion of their 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 affordable 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 affordable 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 affordable 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. During 2019, MBCDC sold the Seymour building. See Note 7, Sale of Rental Property, Net.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<u>Principles of consolidation</u> <u>(continued)</u>

MBCDC: 532 Michigan Avenue, LLC. ("532 Michigan") is a limited liability company incorporated in 2001 to provide affordable 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 affordable housing in the Miami Beach area.

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

MBCDC: The Allen, LLC ("Allen") is a limited liability company incorporated in 2007 that provides affordable housing in the Miami Beach area.

MBCDC: Villa Maria, LLC ("Villa Maria") is a limited liability company incorporated in 2005 to provide affordable 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 affordable 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.

<u>Financial Statement Presentation</u>

Accounting principles generally accepted in the United States of America (US GAAP) require the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

<u>Net assets without donor restrictions</u>

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

<u>Net assets with donor restrictions</u>

Net assets with donor restrictions subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature. Those restrictions are met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of the Organization's rental operation of affordable housing projects for the elderly, disabled and low-income persons. Rent revenues are recognized when rent is due. Nonoperating activities are activities considered to be of a more unusual or nonrecurring nature.

Tenant subsidy payments

A portion of the organization's 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.

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.

New Accounting Standards

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18 *Statement of Cash Flows (Topic 230) – Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted during the year ended September 30, 2020.

As a result of the adoption of ASU 2016-18, the following changes were made to the statement of cash flows for the year ended September 30, 2019:

	As previously reported	As revised
Net cash provided by operating activities	$ 85,844	$ 85,844
Net cash provided by investing activities	1,649,722	1,821,087
Net change in cash	766,814	938,179
Cash and restricted cash at the beginning of the year	84,689	798,376
Cash and restricted cash at the end of the year	851,503	1,736,555

Functional Allocations of Expenses

The costs of providing the programs and supporting services have been directly charged. The Organization's only program service is its rental operations HUD project, which provides affordable housing to its tenants. Management and general expenses primarily consist of management fees and accounting costs. Expenses are presented on a functional basis in the statements of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For purposes of the statements of cash flows, all unrestricted investment instruments with original maturities of three months or less are considered cash equivalents. The Organization had no cash equivalents as of September 30, 2020 or 2019. The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total in the statement of cash flows as of September 30,:

	2020	2019
Cash	$ 403,211	$ 851,503
Restricted cash	851,351	885,052
	$ 1,218,562	$1,736,555

Restricted cash

Certain of the subsidiaries are required to make monthly deposits to replacement reserve accounts by the Department of Housing and Urban Development (HUD) or other financing authorities. Certain of these subsidiaries are also required to make yearly deposits of surplus cash, if any, to residual receipts accounts. Use of residual receipts funds is contingent upon the prior written approval of HUD. In addition, certain of the MBCDC subsidiaries are required to make monthly escrow deposits for insurance held in escrow. The mortgagor for the subsidiary controls these escrow accounts. Escrow funds are included in the restricted cash balance. The balance held in trust for replacement reserves and residual receipts was $700,550 and $1,566 as of September 30, 2020, respectively, and $704,653 and 10,091 as of September 30, 2019, respectively.

In addition, the MBCDC subsidiaries hold tenant security deposits as security under the terms of the tenants' leases, which are held in a separate bank account whose use is restricted. Therefore, balances held for tenants' security deposits are included in restricted cash on the accompanying statements of position. The balance held in trust for security deposits was $113,235 and $120,266 as of September 30, 2020 and 2019, respectively.

Accounts receivable and bad debts

Accounts receivable consist primarily of amounts due from tenants for apartment rental and other charges. Accounts receivable are stated at cost, net of any allowance for doubtful accounts. The Organization records an allowance for doubtful accounts for estimated losses resulting from failure of tenants to make required payments. Management reviews the accounts receivable balance on a periodic basis and makes allowances where there is a doubt as to collectability of individual balances. In evaluating the collectability of individual receivable balances, management considers many factors, including the age of the balance, tenant payment history, and information on subsequent collection of the accounts. There was no allowance for doubtful accounts as of December 31, 2020 or 2019.

Property and Equipment

Rental Property consists of building, building improvements, appliances, equipment, furniture and fixtures and are recorded at cost.. The Organization follows the practice of capitalizing, at cost, all expenditures or donated items for property and equipment in excess of $5,000 that have an expected useful life greater than one year. Renewal and betterments that materially extend the asset lives are capitalized. Maintenance and repairs are charged to expense as incurred. Upon sale or retirement of fixed assets, the cost and the related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in operations.

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 4 years.

Impairment of long-lived assets

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. The Organization did not recognize an impairment loss for the years ended September 30, 2020 and 2019, respectively.

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, 2020 and 2019. All nonprofit corporations are required to file required tax returns with the IRS and other taxing authorities. For the years ended September 30, 2020 and 2019, 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 file required tax returns with the IRS and other taxing authorities.

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)

Date of Management Review

The Organization has evaluated subsequent events through September XX, 2021, which is the date that the financial statements were available to be issued.

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 4 years. The rental property, net balances at September 30, consisted of the following:

	2020	2019
Land	$ 4,055,274	$ 4,055,274
Building and improvements	49,907,131	49,904,250
Furniture and equipment	194,952	170,191
	54,137,357	54,129,715
Less: Accumulated depreciation	(18,587,642)	(16,903,691)
Total rental property, net	$ 35,569,715	$ 37,226,024

Depreciation expense for the years ended September 30, 2020 and 2019 was $1,683,948 and $1,676,912, respectively.

4. LINES OF CREDIT

	2020	2019
MBCDC		
The Organization had a line of credit agreement with HSBC Bank which provided for borrowings up to $500,000. The line of credit required monthly installments of $1,700 with the last final installment due on December 30, 2020 in an amount equal to the then unpaid principal and interest balance. The note bore interest equal to the lender's prime rate. In May 2018, interest on the loan was suspended. On April 10, 2020, the lender forgave the entire outstanding principal balance of the loan. The forgiveness of the loan resulted in a gain on loan forgiveness of $389,306, which is recognized in the accompanying statements of activities as gain on forgiveness of loan.	$ -	$ 399,506
On August 7, 2020, MBCDC was authorized a loan from the Small Business Administration ("SBA") for $150,000. The loan requires monthly principal and interest installments of $641 commencing August 7, 2021 and bears interest at a rate of 2.75% The loan is payable in thirty years.	150,000	-
	$ 150,000	$ 399,506

5. LOANS PAYABLE

The Allen:	2020	2019
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.	$447,221	$463,888
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. The Allen has requested a five-year extension of the loan from the lender and expects to secure an extension.	182,660	196,896
The Allen has a construction loan payable to Florida Housing Finance Corporation ("FHFC") in the amount of $750,000. The loan bears interest at a rate of 1% per annum on the outstanding principal balance and is secured by the Allen's building. Under the terms of the loan, payments of principal and interest are 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. The loan has a sinking fund requirement whereby excess cash flow, as calculated by the lender, may be required to be deposited into a sinking fund if the Company exceeds a debt service coverage ratio of 1.50 to 1.00. Amounts deposited to the sinking fund shall be applied to amounts due under the Loan at the maturity date thereof. As of September 30, 2020 and 2019, there was no sinking fund required.	750,000	750,000
	$ 1,379,881	$ 1,410,784

5. **LOANS PAYABLE** (CONTINUED)

	2020	2019
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 were due June 29, 2020. The maturity date was extended to October 22, 2021 while management works with the lender to secure a 2-year extension of the maturity date. During the months of March 2020 – May 2020 and September 2020 to November 2020 there were no required payments of principal and only the interest portion was due.	$479,627	$498,101
Non-interest bearing loan through the Florida Housing Financing Corporation, secured by Meridian building, due and payable on April 4, 2021. Management is working with lender to secure a 5-year extension of the maturity date.	1,000,000	1,000,000
	$ 1,479,627	$ 1,498,101
The Jefferson:		
The Organization had a first mortgage loan payable to SunTrust Bank secured by the Jefferson Apartment building. On June 5, 2018, the Organization entered into a fourth renewal on the loan, which changed the interest rate from 4.23% to 6.38% and extended the maturity date of the loan to June 3, 2023. Commencing July 3, 2018, the Organization was 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. Payments were deferred from the period from May 2020 to July 2020 with the expectation that the amounts will be paid at the maturity date.	$ 154,290	$165,529
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 bore zero interest and required monthly payments of approximately $695. For years 10 through 30, interest is calculated at an annual interest rate of 1% per annum with monthly payments of principal and interest of approximately $695 maturing on December 1, 2033.	113,197	121,530
	$ 267,487	$ 287,059

5. **LOANS PAYABLE** (CONTINUED)

	2020	2019
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, 2025. The May 2020 payment was deferred and will be due at the maturity date.	$165,544	$171,781
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.	316,483	335,782
	$ 482,027	$ 507,563
1551 Pennsylvania:		
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.	336,951	350,742
	$ 336,951	$ 350,742
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.	$792,175	$806,369

5. LOANS PAYABLE (CONTINUED)

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 accrues 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 $455,712 and $396,567 as of September 30, 2020 and 2019, respectively. The loan is collateralized by the building and all revenue and other benefits derived from the Villa Maria project.	$ 1,732,027	$ 1,670,712
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.	747,222	780,555
	$ 3,271,424	$ 3,257,636

5. LOANS PAYABLE (CONTINUED)

	2020	2019
Crespi:		
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 is secured by the Crespi property and MBCDC is a guarantor of the loan. The interest rate on the loan was 5.19% as of September 30, 2020.	$ 475,843	$ 423,597
	$ 475,843	$ 423,597
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.	$ 726,334	$766,334
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.	91,652	97,989
	$ 817,986	$ 864,323

5. **LOANS PAYABLE** (CONTINUED)

	2020	2019
Total	$ 8,661,226	$8,999,311
Less: Deferred financing costs, net	(88,321)	(88,321)
Loans Payable	$ 8,572,905	$8,910,990

Maturities of long-term debt are as follows:

Year ending September 30,	Amount
2021	$ 1,690,168
2022	1,132,951
2023	357,434
2024	164,620
2025	293,333
Thereafter	5,022,720
Total	8,661,226
Less: Deferred financing costs, net	(88,321)
Lines of Credit and Loans Payable	$ 8,572,905

6. NET ASSETS WITH DONOR RESTRICTIONS

	2020	2019
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 from the date of full occupancy (approximately October 1, 2000). 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. The loan reached the expiration of its time-restriction in March 2021.	$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 HUD. Failure to comply with the terms of the 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
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. Westchester met the affordability period requirement for another one of the loans on April 2, 2020 and the amount of $298,218 was released during the year ended September 30, 2020.	$990,106	$1,288,324

6. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	2020	2019
Villa Maria:		
The Organization received HOME Loan funds from City of Miami Beach 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. The loan is secured by a mortgage on the property.	$3,385,273	$3,385,273
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 with the provisions 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
	$3,718,452	$3,718,452

6. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	2020	2019
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 (ends 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 years ended September 30, 2020and 2019, the Organization released $68,534 and $85,667, respectively, of this net asset balance from restriction.	274,134	342,668
	$2,500,612	$2,569,146

6. **NET ASSETS WITH RESTRICTIONS** (CONTINUED)

Meridian:	**2020**	**2019**
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
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. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	2020	2019
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. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	2020	2019
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
	$31,469,781	$31,836,532

7. SALE OF RENTAL PROPERTY, NET

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. The Organization recognized a gain on sale of property of $1,134,282 during the year ended September 30, 2019.

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. PROPERTY MANAGEMENT

During the year ended September 30, 2019, 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. During 2019, management contracts with MBCDC were terminated and MBCDC was replaced by a third-party management company.

During the fiscal year ended September 30, 2019, the Organization hired a new management company for its property management and accounting services. The property management agreement is in effect for a period of one year and was automatically renewed at the end of the term. The rental properties are required to pay a management fee which ranges from 4.35% to 7% of gross collections received in the preceding month or a fixed amount per unit, whichever is greater. The agreement may be terminated by either party when written notice is given to the other party. Management fees incurred under this agreement totaled $184,954 and $122,750 for all the rental properties for the years ended September 30, 2020 and 2019, respectively.

10. COMPENSATED ABSENCES

Prior to the termination of its employees during fiscal year 2019, MBCDC employees earned vacation at varied rates depending upon employee classification and length of service. As of March 31, 2019, MBCDC no longer had employees. The liability for compensated absences was $0 as of September 30, 2020 and 2019, respectively.

11. COMMITMENTS AND CONTINGENCIES

<u>**Grant and property use restrictions**</u>

The properties owned 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.

<u>**Rental assistance contracts**</u>

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.

<u>**Surplus cash and residual receipts**</u>

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.

<u>**Legal Proceedings**</u>

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.

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.

The COVID-19 coronavirus outbreak in the United States has resulted in economic disruptions and uncertainties which have negatively impacted the operations of the Organization. The Organization continues to evaluate and monitor the potential adverse effect COVID-19 may have on its financial position, operations, and cash flows. The full impact of COVID-19 is unknown, and therefore, management is not able to estimate the extent of the impact that COVID-19 will have on the Organization at this time.

13. AVAILABILITY AND LIQUIDITY

The Organization has $630,925 of financial assets available within one year of the balance sheet date consisting of $329,425 of cash and $238,500 of accounts receivable to meet cash needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures.

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the next year, the Organization anticipates collecting sufficient revenue to cover general expenditures.

14. SUBSEQUENT EVENTS

1551 Pennsylvania entered into a loan and security agreement with Raza Development Fund, Inc. during October 2020 for $65,000 for the purpose of financing roof repairs for the property. The loan contains an interest rate of six percent fixed per annum and is due in 60 months after the closing date.

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INDEPENDENT AUDITORS' 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, 2020, 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 September XX, 2021.

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.

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

r consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item 2020-001 that we consider to be significant deficiencies.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
September XX, 2021

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INDEPENDENT AUDITORS' 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, 2020. MBCDC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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.

Auditors' 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.

Opinion on Each Major Federal Program

In our opinion, MBCDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

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

Emphasis-of-Matter

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 $16,026,240, including amounts for capital advances from prior periods, and are not included in Miami Beach Community Development Corporation, Inc.'s schedule of expenditures of federal awards for the year ended September 30, 2020. 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.

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.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Miami, Florida
September XX, 2021

**MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC.
AND SUBSIDIARIES
(a nonprofit organization)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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	115,088
Pass-Through City of Miami Beach		
Home Investment Partnerships Program	14.239	8,005,015
Total Home Investment Partnerships Program		8,120,103
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 9,072,202

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, 2020

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, 2020. 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 August 2019 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 100% of total federal award program expenditures.

4. FEDERAL GRANT PROGRAMS

MBCDC has received grant advances under multiple federal programs as listed below. The loan balances outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. MBCDC did not receive additional grant advances during the year. The balance of the grant advances outstanding at September 30, 2020 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	8,120,103

MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC. AND SUBSIDIARIES
(a nonprofit organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020

SECTION I - SUMMARY OF AUDIT RESULTS

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

2. There were no material weaknesses identified in the audit. There was a significant deficiency reported in 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. The audit disclosed no instances of noncompliance or other matters.

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. There were no significant deficiencies relating to the audit of major federal awards program reported in the report on compliance with requirements that could have a direct and material effect on each major program and internal control over compliance in accordance with the Uniform Guidance.

6. The auditors' report on compliance for the major federal awards programs of MBCDC expressed an unmodified opinion.

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

SECTION II – CURRENT YEAR FINDINGS AND RECOMMENDATIONS

A. FINDINGS - FINANCIAL STATEMENT AUDIT

SD 2020-001 *Accounting Records*

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

None.

SECTION III – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

A. FINDINGS - FINANCIAL STATEMENT AUDIT

SD 2019-003 (previously 2018-006) *Financial Reporting* was not repeated in the current year.

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

SD 2019-001 *Tenant Eligibility Records* (previously 2018-003) was not repeated in the current year.

SD 2019-002 *Tenant Rent Overcharge* (previously 2018-005) was not repeated in the current year.

2019-004 *Annual Re-certification* (previously 2018-007) was not repeated in the current year.

MIAMI BEACH COMMUNITY
DEVELOPMENT CORPORATION, INC. AND SUBSIDIARIES
(a nonprofit organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2020-001 Accounting Records

Condition: The preliminary trial balance provided by management included an unreconciled variance in the properties' balance sheets. The unreconciled variance was ultimately resolved through investigation performed by management personnel and corrections proposed by the auditor. The adjustments primarily related to corrections of historical account balances for due to and due from affiliate balances.

Criteria: The financial statements should be free from material misstatement and reported in accordance with U.S. GAAP.

Cause: The Organization maintains the books and records of its affiliated entities in an accounting system that consolidates the information provided by the property management company for purpose of monitoring and reporting information on a consolidated basis. There have been discrepancies between the two systems that have resulted in the aforementioned variance because of the following reasons:

1) When the properties' accounting records were transitioned to the new property management company during fiscal year 2019, the full trial balance was not converted leaving a difference in balance sheet positions, namely in the due to and due from affiliate accounts that had older balances; and
2) The property management company is not able to do back-date journal entries and thus any adjustments recorded as part of the audit are not incorporated into the property management accounting system until the following fiscal year, which leads to discrepancies between the two accounting systems.

Effect: If the variance between the accounting systems is not corrected, the financial statements may be misstated.

Recommendation: The Organization should perform a detailed reconciliation of the accounting systems on a monthly basis and investigate and resolve any discrepancies that arise during each period and make the necessary corrections on a timely basis.

View of Responsible Officials and Planned Corrective Actions: The Owner will work with the property management team to address these reconciling issues and ensure that the accounting records held at the property management company reflect the correct balance sheet positions of all accounts.

Building and Sustaining Community – Unique, Vibrant, Diverse

CORRECTIVE ACTION PLAN

September XX, 2021

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, 2020.

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

The findings from the September 30, 2020 schedule of findings and questioned costs related to the financial statement audit are discussed below.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2020-001 *Accounting Records*

Recommendation: The Organization should perform a detailed reconciliation of the accounting systems on a monthly basis and investigate and resolve any discrepancies that arise during each period.

Action Taken: We concur with the recommendation.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

None.

If the Federal Audit Clearinghouse has questions regarding this plan, please call Ahmed Martin at (754) 216-5853.

Sincerely yours,

Ahmed Martin
Executive Director