

**COMMUNITY HOUSING AND  
RESOURCES, INC.**

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

**YEARS ENDED  
SEPTEMBER 30, 2022 AND 2021**

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Affiliations

Florida Institute of Certified Public Accountants  
American Institute of Certified Public Accountants  
Private Companies Practice Section  
Tax Division

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Community Housing and Resources, Inc.  
P.O. Box 62014  
Fort Myers, FL 33906

**Opinion**

We have audited the accompanying financial statements of Community Housing and Resources, Inc. (a Florida not-for-profit corporation) (the "Organization"), which comprise the statements of financial position as of September 30, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Housing and Resources, Inc. as of September 30, 2022 and 2021, 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.

**Basis for Opinion**

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Housing and Resources, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Housing and Resources, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Housing and Resources, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Housing and Resources, Inc.'s ability to continue as a going concern for a reasonable period of time.

Board of Directors  
Community Housing and Resources, Inc.  
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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Tuscan & Company, P.A.*

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
March 6, 2023

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2022 and 2021**

<b>ASSETS</b>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (including restricted cash of \$365,283 and \$302,592, at September 30, 2022 and 2021, respectively)	\$ 2,320,245	\$ 1,749,311
Accounts receivable, net	307,018	9,831
Prepaid expenses	<u>96,874</u>	<u>96,874</u>
TOTAL CURRENT ASSETS	2,724,137	1,856,016
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>3,582,188</u>	<u>3,942,637</u>
TOTAL ASSETS	<u>\$ 6,306,325</u>	<u>\$ 5,798,653</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 79,148	\$ 7,123
Accrued liabilities	63	122
Tenant security deposits	40,100	37,600
Current portion of long-term debt	102,701	99,069
Current portion of LEO appreciation liability	<u>64,650</u>	<u>54,850</u>
TOTAL CURRENT LIABILITIES	<u>286,662</u>	<u>198,764</u>
<b>OTHER LIABILITIES</b>		
Accrued compensated absences	3,845	3,845
Long-term debt, net of current portion	541,803	644,341
LEO appreciation liability, net of current portion	<u>329,096</u>	<u>382,995</u>
TOTAL OTHER LIABILITIES	<u>874,744</u>	<u>1,031,181</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,161,406</u>	<u>1,229,945</u>
<b>NET ASSETS</b>		
Without donor restrictions	4,819,736	4,303,716
With donor restrictions	<u>325,183</u>	<u>264,992</u>
TOTAL NET ASSETS	<u>5,144,919</u>	<u>4,568,708</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,306,325</u>	<u>\$ 5,798,653</u>

The accompanying notes are an integral part of this statement.

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years ended September 30, 2022 and 2021**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>CHANGES IN NET ASSETS</b>			
<b>SUPPORT AND REVENUE</b>			
Unit sales	\$ -	\$ -	\$ -
City of Sanibel support	-	394,740	394,740
Rent and utility contribution	730,859	-	730,859
Public support	187,300	-	187,300
Grant income	-	173,400	173,400
Gross proceeds from special events and fundraising	280,845	-	280,845
Less: cost of direct benefits to donors	<u>(31,180)</u>	<u>-</u>	<u>(31,180)</u>
Net proceeds from special events and fundraising	249,665	-	249,665
Interest income	5,867	-	5,867
Other income	<u>310,212</u>	<u>-</u>	<u>310,212</u>
TOTAL SUPPORT AND REVENUE	1,483,903	568,140	2,052,043
Net Assets Released from Restrictions	<u>507,949</u>	<u>(507,949)</u>	<u>-</u>
TOTAL	<u>1,991,852</u>	<u>60,191</u>	<u>2,052,043</u>
<b>EXPENSES</b>			
Program services	1,352,247	-	1,352,247
General and administrative	46,165	-	46,165
Fundraising	<u>77,420</u>	<u>-</u>	<u>77,420</u>
TOTAL EXPENSES	<u>1,475,832</u>	<u>-</u>	<u>1,475,832</u>
INCREASE (DECREASE) IN NET ASSETS	516,020	60,191	576,211
NET ASSETS, BEGINNING OF YEAR	<u>4,303,716</u>	<u>264,992</u>	<u>4,568,708</u>
NET ASSETS, END OF YEAR	<u>\$ 4,819,736</u>	<u>\$ 325,183</u>	<u>\$ 5,144,919</u>

The accompanying notes are an integral part of this statement.

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ -	\$ -	\$ -
-	375,943	375,943
593,687	-	593,687
206,222	-	206,222
-	145,535	145,535
239,530	-	239,530
<u>-</u>	<u>-</u>	<u>-</u>
239,530	-	239,530
6,711	-	6,711
<u>26,302</u>	<u>-</u>	<u>26,302</u>
1,072,452	521,478	1,593,930
<u>502,536</u>	<u>(502,536)</u>	<u>-</u>
<u>1,574,988</u>	<u>18,942</u>	<u>1,593,930</u>
920,810	-	920,810
46,682	-	46,682
<u>45,990</u>	<u>-</u>	<u>45,990</u>
<u>1,013,482</u>	<u>-</u>	<u>1,013,482</u>
561,506	18,942	580,448
<u>3,742,210</u>	<u>246,050</u>	<u>3,988,260</u>
<u>\$ 4,303,716</u>	<u>\$ 264,992</u>	<u>\$ 4,568,708</u>

The accompanying notes are an integral part of this statement.



**COMMUNITY HOUSING AND RESOURCES, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years ended September 30, 2022 and 2021**

FUNCTIONAL EXPENSES	2022				
	Program Services	SUPPORTING SERVICES			Total Expenses
		General & Administrative	Fund Raising	Total Supporting Services	
Compensation and related expenses					
Salaries	\$ 92,509	\$ 28,758	\$ 26,067	\$ 54,825	\$ 147,334
Fringe benefits	27,581	8,575	7,775	16,350	43,931
Payroll taxes	6,925	2,153	1,951	4,104	11,029
	<u>127,015</u>	<u>39,486</u>	<u>35,793</u>	<u>75,279</u>	<u>202,294</u>
Advertising and promotion	3,013	-	753	753	3,766
Bad debt	-	-	-	-	-
Bank charges	424	1,698	-	1,698	2,122
Board & staff development	-	-	-	-	-
CICLT expense (HOA)	8,640	-	-	-	8,640
Communication and web page	2,579	323	322	645	3,224
Cost of units sold	-	-	-	-	-
Credit verification	1,287	-	-	-	1,287
Fundraising	-	-	39,703	39,703	39,703
Homeowners association fees	21,500	-	-	-	21,500
HR admin fees	2,490	774	701	1,475	3,965
Insurance	208,144	-	-	-	208,144
Interest	24,351	-	-	-	24,351
LEO appreciation	8,620	-	-	-	8,620
LEO refund to grantor	30,000	-	-	-	30,000
Licenses and fees	224	224	-	224	448
Loss on disposal of assets -					
Hurricane Ian	422,288	-	-	-	422,288
Office expense	6,562	2,811	-	2,811	9,373
Printing	542	296	148	444	986
Professional fees	5,253	-	-	-	5,253
Repairs and maintenance	125,013	-	-	-	125,013
Tenant assistance activities	10,937	-	-	-	10,937
Transportation and travel	2,567	-	-	-	2,567
Volunteer expense	829	553	-	553	1,382
Utilities	93,679	-	-	-	93,679
<b>TOTAL EXPENSES</b>					
<b>BEFORE DEPRECIATION</b>	<u>1,105,957</u>	<u>46,165</u>	<u>77,420</u>	<u>123,585</u>	<u>1,229,542</u>
Depreciation and amortization	246,290	-	-	-	246,290
<b>TOTAL EXPENSES</b>	<u>\$ 1,352,247</u>	<u>\$ 46,165</u>	<u>\$ 77,420</u>	<u>\$ 123,585</u>	<u>\$ 1,475,832</u>

The accompanying notes are an integral part of this statement.

2021				
SUPPORTING SERVICES				
Program Services	General & Administrative	Fund Raising	Total Supporting Services	Total Expenses
\$ 126,141	\$ 30,340	\$ 25,872	\$ 56,212	\$ 182,353
32,226	7,751	6,610	14,361	46,587
9,805	2,358	2,011	4,369	14,174
168,172	40,449	34,493	74,942	243,114
4,982	-	1,246	1,246	6,228
-	-	-	-	-
146	582	-	582	728
70	106	-	106	176
8,640	-	-	-	8,640
3,042	380	380	760	3,802
-	-	-	-	-
990	-	-	-	990
-	-	8,931	8,931	8,931
14,172	-	-	-	14,172
3,488	839	715	1,554	5,042
148,621	-	-	-	148,621
47,770	-	-	-	47,770
16,470	-	-	-	16,470
-	-	-	-	-
237	237	-	237	474
-	-	-	-	-
8,497	3,641	-	3,641	12,138
819	448	225	673	1,492
1,700	-	-	-	1,700
152,065	-	-	-	152,065
4,324	-	-	-	4,324
2,452	-	-	-	2,452
-	-	-	-	-
94,095	-	-	-	94,095
680,752	46,682	45,990	92,672	773,424
240,058	-	-	-	240,058
<u>\$ 920,810</u>	<u>\$ 46,682</u>	<u>\$ 45,990</u>	<u>\$ 92,672</u>	<u>\$ 1,013,482</u>

The accompanying notes are an integral part of this statement.

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years ended September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM</b>		
<b>OPERATING ACTIVITIES</b>		
Cash received from donors, tenants, homebuyers, and other operating activities	\$ 1,478,243	\$ 1,553,459
Cash paid to suppliers, cost of sales and employees	(792,002)	(701,939)
Interest paid	(24,351)	(47,770)
Interest received	5,867	6,711
Other income	<u>310,212</u>	<u>4,252</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>977,969</u>	<u>814,713</u>
<b>CASH FLOWS FROM</b>		
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(308,129)	(130,721)
LEO appreciation paid to unit holder	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(308,129)</u>	<u>(130,721)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from debt issuance	-	-
Repayments of principal - mortgages	<u>(98,906)</u>	<u>(702,234)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(98,906)</u>	<u>(702,234)</u>
NET INCREASE (DECREASE) IN CASH	570,934	(18,242)
CASH, BEGINNING OF YEAR	<u>1,749,311</u>	<u>1,767,553</u>
CASH, END OF YEAR	<u>\$ 2,320,245</u>	<u>\$ 1,749,311</u>

The accompanying notes are an integral part of this statement.

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

	<u>2022</u>	<u>2021</u>
Increase (decrease) in net assets	\$ 576,211	\$ 580,448
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	246,290	240,058
Loss on disposal of assets - Hurricane Ian	422,288	-
Non-cash increase (decrease) in LEO appreciation liability, net	(44,099)	16,470
Non-cash forgiveness of PPP loan	-	(22,050)
(Increase) decrease in accounts receivables, net	(297,187)	(7,658)
(Increase) decrease in inventory/cost of sales	-	-
(Increase) decrease in prepaid expenses	-	-
Increase (decrease) in accounts payable	72,025	7,123
Increase (decrease) in accrued liabilities	(59)	122
Increase (decrease) in security deposits	2,500	200
Increase (decrease) in accrued compensated absences	<u>-</u>	<u>-</u>
	<u>401,758</u>	<u>234,265</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 977,969</u>	<u>\$ 814,713</u>

**NON-CASH TRANSACTIONS**

The Organization wrote off bad debt in the amount of \$0 and \$0 for the years ended September 30, 2021 and 2020, respectively.

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

**Organization and Nature of Operations**

Community Housing and Resources, Inc. ("Community Housing and Resources or CHR") is a nonprofit Florida corporation located on Sanibel Island, Florida ("Island"). Community Housing and Resources' objective is to promote and assist in the provision of affordable below market-rate workforce housing for individuals working on Sanibel Island, and certain other residents who would otherwise be unable to live on the Island. Specifically, Community Housing and Resources' mission is to provide affordable homes to individuals and families who work and who serve the Sanibel Island Community. As such, it operates two (2) programs to meet its mission. As such, CHR provides below market-rate rental opportunities (75 units) as well as a partially subsidized home (LEO) ownership program (12 units). Due to Hurricane Ian, at September 30, 2022, 48 rental units are livable as of March 1, 2023. CHR owns, operates and manages housing units on Sanibel Island.

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

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

These financial statements, however, do not include (and are not required to include) the assets, liabilities, net assets or results of operations of Sanibel Land Trust Homeowners Associations, Inc., an HOA established to operate as a Homeowner Association for the CHR run locations where housing units were sold and/or rented. The HOA operations began in calendar year 2011. The HOA is considered an independent third-party corporation. The HOA has a calendar year fiscal year.

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

**Organization and Nature of Operations, continued**

Specifically, CHR's Centre Place, Beach Road and Whitehall housing units, both rental and sale units, are included in the HOA.

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

**Basis of Accounting**

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

**Financial Statement Presentation**

The financial statement presentation adheres to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-225-45-1 (formerly Statement of Financial Accounting Standards (SFAS) No. 117), "Financial Statements of Not-for-Profit Organizations". Under FASB ASC 958-225-45-1, CHR is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions (including temporarily restricted net assets and permanently restricted net assets) and net assets without donor restrictions (unrestricted). Net assets without donor restrictions are defined as net assets that are free of donor-imposed restrictions, and include all investment income and appreciation not subject to donor-imposed restrictions.

As noted previously, these financial statements also include the financial activity, assets, liabilities and net assets of CICLT of which there was none for the years ended September 30, 2022 or 2021.

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

**Cash**

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

For purposes of the statements of cash flows, Community Housing and Resources considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents. At September 30, 2022 and 2021, CHR held no such cash equivalents.

**Investments**

Community Housing and Resources has approved an investment policy which allows investment in certificates of deposits (CD's). Investments are generally carried at market value. Community Housing and Resources has the ability to and intends to hold these investments to maturity. Gains and losses are determined using the specific identification method when securities are sold or matured. Due to the type and nature of investments held, any gain or loss is reflected as interest income. Related investment fees are considered insignificant. At September 30, 2022 and 2021, CHR held no such investments.

**Property and Equipment**

Property and equipment (fixed assets) is recorded at cost, or if donated, at fair market value on the date of donation. Such donations are reported as an increase in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as an increase in net assets with donor restrictions. Absent donor stipulations, Community Housing and Resources reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Community Housing and Resources reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Community Housing and Resources capitalizes assets with a cost or donated fair value of \$1,000 or more and a useful life of one year or more.

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

**Property and Equipment, continued**

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

The Federal government, as well as the State of Florida, have rights and/or security interests over certain property acquired, partially, with grant funds from these entities through November 9, 2024.

**Impairment of Property and Equipment**

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

There was no effect on Community Housing and Resources financial statements resulting from FASB ASC 360-10-50-2 for the years ended September 30, 2022 or 2021, except as noted in Note P.

**Recognition of Donor Restrictions**

Community Housing and Resources reports its contributions in accordance with the Not-For-Profit Entities Topic of the FASB ASC. In accordance with this topic, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Support with donor restriction is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, or when the purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions.



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

**Functional Expenses**

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

**Income Taxes**

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

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

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

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

**Accounting for Uncertainty in Income Tax Items**

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

**Advertising Costs**

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

**Financial Instruments**

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

**Leases**

Rental units owned by Community Housing and Resources were approximately 98% occupied at September 30, 2022 and 93% occupied at September 30, 2021. These units are rented to individuals on one-year cancelable leases subject to the provisions of the below market rate housing program guidelines including annual tenant requalification and approval. Therefore, no future rental income disclosures are required.

**Donated Materials and Services**

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

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

**Compensated absences**

CHR's policy allows for the accumulation of employee leave time based on the employee's years of service. This policy does allow the payment of this amount when the employee terminates employment. Therefore, such amounts are reflected on the statements of financial position.

**Reclassification**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Such reclassification had no effect on previously reported net assets.

**Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Community Housing and Resources to make estimates and assumptions that affect the reported amounts of assets, liabilities and net assets and disclosure of contingent assets and liabilities at September 30, 2022 and 2021, and revenues and expenses during the years ended September 30, 2022 and 2021. Actual results could differ from those estimates.

**Subsequent Events**

Subsequent events have been evaluated through March 6, 2023, which is the date the financial statements were available to be issued.

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2022 and 2021**

**NOTE B - CASH AND INVESTMENTS**

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

	<u>2022</u>	<u>2021</u>
Depository and money market accounts:		
Unrestricted, undesignated	\$ 631,040	\$ 338,560
Board designated	1,323,922	1,108,159
Restricted	<u>365,283</u>	<u>302,592</u>
	<u>\$ 2,320,245</u>	<u>\$ 1,749,311</u>

Board designated cash consists of the following at September 30:

	<u>2022</u>	<u>2021</u>
Replacement reserves*	\$ 1,135,398	\$ 930,882
LEO appreciation*	<u>188,524</u>	<u>177,277</u>
	<u>\$ 1,323,922</u>	<u>\$ 1,108,159</u>

\* Reflected as unrestricted - designated net assets.

Restricted cash is comprised of the following at September 30:

	<u>2022</u>	<u>2021</u>
Tenant assistance fund*	\$ 325,183	\$ 264,992
Tenant security deposits*	<u>40,100</u>	<u>37,600</u>
	<u>\$ 365,283</u>	<u>\$ 302,592</u>

\* Reflected as temporarily restricted net assets.

Florida Statutes Chapter 83.49 requires that the tenant security deposits be held in a separate bank account. At September 30, 2022 and 2021, such deposits were properly held in a separate bank account. At September 30, 2022 and 2021, security deposits were properly funded.

**Concentration of Credit Risk**

Community Housing and Resources maintains its cash in financial institutions. These assets are federally insured up to \$250,000 per financial institution. The uninsured bank balances at September 30, 2022 and 2021 were \$2,070,981 and \$1,545,532 respectively. Community Housing and Resources has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE C - ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net consists of the following at September 30:

	<u>2022</u>	<u>2021</u>
Accounts receivable from tenants	\$ 6,721	\$ 15,617
Accounts receivable from insurance - Hurricane Ian	303,573	-
Less: allowance for doubtful accounts	<u>(3,276)</u>	<u>(5,786)</u>
Net accounts receivable	<u>\$ 307,018</u>	<u>\$ 9,831</u>

CHR recorded bad debt expense for the year ended September 30, 2022 and 2021 in the amount of \$0 and \$0, respectively.

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 768,913	\$ 768,913
Buildings and improvements, rentals	7,368,480	7,773,422
Furniture and equipment	2,500	6,129
Vehicle	<u>-</u>	<u>8,725</u>
	8,139,893	8,557,189
Accumulated depreciation	<u>(4,557,705)</u>	<u>(4,614,552)</u>
	<u>\$ 3,582,188</u>	<u>\$ 3,942,637</u>

Depreciation expense for the years ended September 30, 2022 and 2021, was \$246,290 and \$240,058, respectively.

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE E - LONG-TERM DEBT**

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

	2022	2021
Mortgage payable (\$733,351), to a financial institution, dated October 24, 2013. Effective July 25, 2016, the outstanding loan (\$692,176) was modified to adjust interest to 5.25%, continuing to adjust annually on the note anniversary based upon prime rate and floor rate adjusted from 6.5% to 5.25%. Loan was payable in 243 monthly payments of \$4,661. Final payment was due October 24, 2036. The obligation was collateralized by real property located at 1500 Centre Street. It was cross-collateralized by the \$714,557 mortgage payable. The State of Florida Housing Finance Corporation has a secondary lien on a portion of this real estate through November 9, 2024. Loan was paid in full February 19, 2021.	\$ -	\$ -
Mortgage payable (\$714,557 after July 25, 2016 modification, original amount was \$815,000) to a financial institution. The obligation is collateralized by various real property 1517 Periwinkle Way and 2320 Wooster Way and all future rents. It was cross-collateralized by the \$733,351 mortgage payable and the 4 units at Lake Palms. Effective July 25, 2016, the loan was modified to adjust the interest rate to 5.25%. Loan was payable in 138 payments of \$4,648 including principal and interest. Final payment of \$436,384 was due on February 25, 2028. Effective November 10, 2020, the loan was modified to adjust the interest rate to 4.5%. Loan is payable in 88 payments of \$8,605, final balance due on February 28, 2028.	496,789	575,695
\$22,500 loan payable to financial institution dated April 17, 2020 for the Small Business Administration's (SBA) Payroll Protection Program (PPP). The note was financed at 1% interest. Payments were deferred, including principal and interest. Final payment was due July, 2026. CHR did apply for full forgiveness of the loan in accordance with the requirements of the Payroll Protection Plan (PPP) and provisions of Section 1106 of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). CHR was granted full forgiveness of the loan on March 31, 2021.	-	-
Note payable to City of Sanibel, dated December 1, 2015, in the amount of \$282,714. Note is uncollateralized and non-interest bearing and is payable in 54 quarterly payments of \$5,000. First payment was due October 1, 2016. Final payment of \$2,714 is due October 1, 2030.	147,715	167,715
	644,504	743,410
Current Portion	(102,701)	(99,069)
Long-Term Portion	\$ 541,803	\$ 644,341

Certain debt agreements noted above contain restrictive covenants and conditions.

At September 30, 2022 and 2021, CHR was in compliance with the respective debt covenants.

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE E - LONG-TERM DEBT, CONTINUED**

Interest expense related to long-term debt was \$24,351 and \$47,770 for the years ended September 30, 2022 and 2021, respectively.

Principal maturities of long-term debt are as follows:

Years Ending September 30	Amount
2023	\$ 102,701
2024	106,500
2025	110,474
2026	114,630
2027	118,978
2028-2030	91,221
	<u>\$ 644,504</u>

**NOTE F - SCHEDULE OF NET ASSETS**

Net assets consist of the following at September 30:

	2022	2021
Without donor restriction - general operations	\$3,495,814	\$3,195,557
Without donor restriction - replacement reserves*	1,135,398	930,882
Without donor restriction - LEO appreciation	188,524	177,277
Total without donor restriction	<u>4,819,736</u>	<u>4,303,716</u>
With donor restriction:		
Tenant Assistance Fund	325,183	264,992
Charitable foundation	-	-
Other	-	-
Total with donor restriction	<u>325,183</u>	<u>264,992</u>
	<u>\$5,144,919</u>	<u>\$4,568,708</u>

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

**NOTE G - FAIR VALUE MEASUREMENTS**

Community Housing and Resources adheres to the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10-50-1 through 820-10-50-8 (formerly Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements"). FASB ASC 820-10 established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level (1) inputs consist of quoted prices in active markets for identical assets and have the highest priority. Level (2) inputs are from quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly. Level (3) inputs are unobservable and allowed in situations where there is little, if any market activity for the asset and have the lowest priority. Community Housing and Resources uses appropriate valuation techniques based on the available inputs to measure fair value of its investments. When available, Community Housing and Resources measures fair value using Level (1) inputs because they generally provide the most reliable evidence of fair value. No Level (1), (2) or (3) inputs were used by Community Housing and Resources, Inc. at September 30, 2022 or 2021.

Other assets and liabilities such as cash, receivables, other assets, payables and accrued liabilities are recorded at cost which approximate fair value due to the short term nature of the assets and liabilities. Property and equipment is reflected at NBV and long term is reflected at actual outstanding balances.

**NOTE H - COMMITMENTS AND CONTINGENCIES**

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

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



**NOTE I - ECONOMIC DEPENDENCE**

The operations of Community Housing and Resources is dependent on the receipt of program revenue from individual rental unit tenants and the City of Sanibel. Loss of these funds and/or large decreases in these types of funding would have a material effect on Community Housing and Resources and a negative impact on overall operations. For the years ended September 30, 2022 and 2021, approximately 55% and 61% of total support and revenue, respectively, was attributable to amounts received for the account classifications listed above.

**NOTE J - RELATED PARTY TRANSACTIONS**

The 1999 CHR/City of Sanibel (the "City") Casa Mariposa Construction Funding Agreement required CHR to pay the City of Sanibel 80% of the fiscal year net rental proceeds for Casa Mariposa based on the income and expenses as of the Organization's fiscal year end.

On December 1, 2015, the Casa Mariposa agreement was modified to create a non-interest bearing note payable in the amount of \$282,714 including previously uncollected rental proceeds of \$17,027. The \$282,714 note payable reflects amounts remaining on the original 1999 agreement which provided \$650,000 by the City of Sanibel for the Casa Mariposa project. This note is payable in 54 quarterly payments of \$5,000, final payment of \$2,714 is due October 1, 2030. For the years ended September 30, 2022 and 2021, CHR did pay the City the 4 quarterly \$5,000 payments.

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

During the fiscal year ended September 30, 2022, CHR renewed its agreement with the City of Sanibel. Effective October 1, 2022, the City of Sanibel shall pay CHR \$414,477 annually with increases of the lesser of CPI or 5% each year thereafter, plus free use of at least 800 square feet of suitable office space including the related utilities and phone services. The agreement terminates September 30, 2027. As such, the City of Sanibel provided CHR operating revenue of \$394,740 and \$375,943 for the years ended September 30, 2022 and 2021, respectively.

At September 30, 2022 and 2021, no amounts were due to or from the City of Sanibel under this agreement. CHR does pay the City for routine utility usage.

**NOTE K - RETIREMENT PLAN**

CHR maintains a salary continuation plan (401(k) plan) covering all full-time employees meeting certain eligibility requirements. The Plan provides for monthly matching employer contribution up to a maximum of 3% of fulltime employees gross wages. Employees are immediately vested. During the years ended September 30, 2022 and 2021, CHR contributed \$4,420 and \$4,605, respectively, to employees' individual IRA plans.

**NOTE L - LITIGATION**

Community Housing and Resources is involved from time to time in routine litigation, the substance of which would not materially affect its financial position, due to third party insurance coverage and/or federal tort limits. Community Housing and Resources is not in a position at either September 30, 2022 or 2021 to predict a final outcome of such lawsuits or claims, or the related costs involved. Community Housing and Resources intends to vigorously contest all claims unless first settled. Management is not aware of any asserted claims at either September 30, 2022 or September 30, 2021.

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

As part of the sales contracts for units sold by Community Housing and Resources under the Limited Equity Ownership (LEO) Program, CHR is required to repurchase the unit when the owner elects to sell it. As such, CHR is required to accrue and pay owners a guaranteed appreciation on their units when the unit is sold because the unit must be reacquired by CHR. Since the owner buys and sells the housing unit only, not the underlying land, the guarantee amount is used by CHR as an incentive to potential buyers. The guarantee (indexed appreciation percentage) is limited to a 25% appreciation of the purchase price, as defined, over a maximum of ten (10) year period beginning after one (1) year from the date of sale. The guarantee is based on a predetermined graduated scale at time of initial purchase and accrues annually at the anniversary date of the owners purchase of the unit. The owner also is entitled to a graduated conditional guaranteed appreciation amount up to 5% of the purchase price, as defined. These amounts are collectively reflected as "LEO appreciation liability" of \$393,746 and \$437,845 on the Statements of Financial Position at September 30, 2022 and 2021, respectively.

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2022 and 2021**

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

During fiscal year ended September 30, 2022, CHR reacquired two (2) LEO units. The guaranteed and conditional appreciation on these units was \$52,719. These units will not be resold and will be added to CHR's rental program.

**NOTE N - LIQUIDITY**

Financial assets available within one year of September 30, 2022 consisted of the following:

	<u>Amount</u>
Cash and cash equivalents	\$2,320,245
Accounts receivable	<u>307,018</u>
	2,627,263
Less amounts due within one year:	
Current liabilities	(286,662)
Restricted cash	<u>(365,283)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$1,975,318</u>

CHR's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$250,000 for the year ended September 30, 2022 and \$250,000 for the year ended September 30, 2021).

**NOTE O - HURRICANE CONTINGENCIES**

On September 28, 2022, Hurricane Ian made landfall in Southwest Florida as a dangerous, high-end Category 4 storm. The eye of the hurricane passed over Sanibel Island, causing widespread destruction to property and foliage, and destroyed several sections of the island.

CHR's 75 rental units sustained varying degrees of damage. Ten (10) will require extensive repairs, currently estimated to total \$500,000. Eleven (11) units will be demolished, including one unit that is leased from the City of Sanibel. The CHR complex housing ten (10) of eleven (11) units to be demolished had a mortgage balance at September 30, 2022 of \$496,789 and a current mortgage balance of \$472,000. The mortgage holder has provided CHR with options to pay off the loan, enter into an interest only arrangement, or keep the loan as is. CHR is still considering which option is optimal considering financial impact and cash flow. CHR's wind insurance policy includes deductibles of \$850,000 which is likely to be incurred. For fiscal year ended September 30, 2022, CHR determined the net book value (NBV) of the impaired buildings and removed damaged units and related improvements with a NBV of \$422,288, this loss on disposal is reflected in the Statements of Functional Expenses, Activities and cash flows.

CHR has retained a public adjuster who estimates insurance reimbursement of \$1.2 million from flood damage and \$3.8 million from wind damage which is estimated to cover the cost of repairs. In addition, CHR maintains a business interruption policy which is expected to cover the loss of rent revenue during the repair and rebuild period.

CHR has received insurance proceeds of \$303,573 and recorded these proceeds as a receivable at September 30, 2022.

Of CHR's 75 rental units, 48 units are currently approved for occupancy. CHR has gotten 35 tenants back in their units. As such, 35 units are rented. CHR has received contributions of \$415,125 since year-end to help with financial assistance for residents, lost rental income, repairs and rebuilding. CHR is anticipating collection of approximately \$275,000 to date from its business interruption insurance. Management is confident it will be financially able to rebuild and is striving to be fully operational again,

**COMMUNITY HOUSING AND RESOURCES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2022 and 2021**

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**NOTE P - SUBSEQUENT EVENT**

During fiscal year ended September 30, 2022, CHR received notice that they will be reacquiring two units, in addition to the two (2) units purchased in fiscal year 2022, previously sold under the Limited Equity Ownership (LEO) program. One unit closed on January 31, 2023 and the other unit is expected to be reacquired in the spring of 2023. The guaranteed and conditional appreciation amount of this unit is \$64,650, and is included in the current portion of LEO appreciation at September 30, 2022. Subsequent to year end and the damages sustained by Hurricane Ian, the Board decided to place these units in the rental program rather than sell as Limited Equity Ownership (LEO) units.