

**COMMUNITY HOUSING AND
RESOURCES, INC.**

**FINANCIAL STATEMENTS
TOGETHER WITH
REPORT OF INDEPENDENT AUDITOR

YEARS ENDED
SEPTEMBER 30, 2024 AND 2023**

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HSC/Tuscan & Company, PA

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Housing and Resources, Inc.
2340 Periwinkle Way, Suite K2
Fort Myers, FL 33957

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, 2024 and 2023, 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, 2024 and 2023, 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 audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibilities 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.

INTEGRITYSERVICE.....EXPERIENCE

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.

HSC/Tuscan & Company, P.A.

HSC/TUSCAN & COMPANY, P.A.
Fort Myers, Florida
February 6, 2025

COMMUNITY HOUSING AND RESOURCES, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2024 and 2023

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ASSETS	2024	2023
CURRENT ASSETS		
Cash and cash equivalents (including restricted cash of \$370,220 and \$351,965, at September 30, 2024 and 2023, respectively)	\$ 3,545,628	\$ 2,387,549
Accounts receivable, net	2,361	1,737,972
Prepaid expenses	160,202	85,613
ROU operating lease asset, current portion	30,026	-
TOTAL CURRENT ASSETS	3,738,217	4,211,134
ROU OPERATING LEASE, NET	16,343	-
PROPERTY AND EQUIPMENT, NET	5,292,278	5,067,876
TOTAL ASSETS	\$ 9,046,838	\$ 9,279,010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 17,522	\$ 516,338
Accrued liabilities	11,602	12,478
Tenant security deposits	34,850	28,850
Current portion of long-term debt	90,474	86,500
Current portion of LEO appreciation liability	48,250	-
Current portion of ROU operating lease liability	30,026	-
TOTAL CURRENT LIABILITIES	232,724	644,166
OTHER LIABILITIES		
Accrued compensated absences	26,771	10,094
Long-term debt, net of current portion	330,727	420,677
LEO appreciation liability, net of current portion	255,426	296,536
ROU operating lease liability, net of current portion	16,343	-
TOTAL OTHER LIABILITIES	629,267	727,307
COMMITMENTS AND CONTINGENCIES	-	-
TOTAL LIABILITIES	861,991	1,371,473
NET ASSETS		
Without donor restrictions	7,856,718	7,584,422
With donor restrictions		
Temporarily restricted	328,129	323,115
Permanently restricted	-	-
TOTAL NET ASSETS	8,184,847	7,907,537
TOTAL LIABILITIES AND NET ASSETS	\$ 9,046,838	\$ 9,279,010

The accompanying notes are an integral part of this statement.

COMMUNITY HOUSING AND RESOURCES, INC.
STATEMENTS OF ACTIVITIES
Years ended September 30, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS			
SUPPORT AND REVENUE			
Unit sales, net	\$ 219,201	\$ -	\$ 219,201
City of Sanibel support	-	331,582	331,582
Rent and utility contribution	677,870	-	677,870
Public support	277,637	5,000	282,637
Grant income	-	130,259	130,259
Gross proceeds from special events	515,103	-	515,103
Less: cost of direct benefits to donors	(28,650)	-	(28,650)
Net proceeds from special events	486,453	-	486,453
Interest income	138,497	-	138,497
Hurricane Ian reimbursements	400	-	400
Other income	113,832	-	113,832
TOTAL SUPPORT AND REVENUE	1,913,890	466,841	2,380,731
Net Assets Released from Restrictions	461,827	(461,827)	-
TOTAL	2,375,717	5,014	2,380,731
EXPENSES			
Program services	1,851,624	-	1,851,624
General and administrative	131,748	-	131,748
Fundraising	120,049	-	120,049
TOTAL EXPENSES	2,103,421	-	2,103,421
INCREASE (DECREASE) IN NET ASSETS	272,296	5,014	277,310
NET ASSETS, BEGINNING OF YEAR	7,584,422	323,115	7,907,537
NET ASSETS, END OF YEAR	\$ 7,856,718	\$ 328,129	\$ 8,184,847

The accompanying notes are an integral part of this statement.

2023		
Without Donor Restrictions	With Donor Restrictions	Total
\$ -	\$ -	\$ -
-	414,477	414,477
264,365	-	264,365
1,098,446	-	1,098,446
-	41,600	41,600
56,350	-	56,350
(15,750)	-	(15,750)
40,600	-	40,600
25,673	-	25,673
2,768,827	-	2,768,827
38,782	-	38,782
4,236,693	456,077	4,692,770
458,145	(458,145)	-
4,694,838	(2,068)	4,692,770
1,773,494	-	1,773,494
88,501	-	88,501
68,157	-	68,157
1,930,152	-	1,930,152
2,764,686	(2,068)	2,762,618
4,819,736	325,183	5,144,919
<u>\$ 7,584,422</u>	<u>\$ 323,115</u>	<u>\$ 7,907,537</u>

The accompanying notes are an integral part of this statement.

COMMUNITY HOUSING AND RESOURCES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended September 30, 2024 and 2023

FUNCTIONAL EXPENSES	2024				
	SUPPORTING SERVICES				Total Expenses
	Program Services	General & Administrative	Fund Raising	Total Supporting Services	
Compensation and related expenses					
Wages / Salaries	\$ 258,228	\$ 76,035	\$ 66,854	\$ 142,889	\$ 401,117
Fringe benefits	42,078	7,722	2,588	10,310	52,388
Payroll taxes	26,388	4,843	1,623	6,466	32,854
	326,694	88,600	71,065	159,665	486,359
Advertising and promotion	66,221	-	16,555	16,555	82,776
Bad debt	46,958	-	-	-	46,958
Bank charges	1,600	6,401	-	6,401	8,001
Board & staff development	13,211	5,662	-	5,662	18,873
CICLT expense (HOA)	14,260	-	-	-	14,260
Communication and web page	1,102	138	138	276	1,378
Cost of units sold	140,644	-	-	-	140,644
Credit verification	1,653	-	-	-	1,653
Fundraising	-	-	27,530	27,530	27,530
Homeowners association fees	41,100	-	-	-	41,100
HR admin fees	9,868	1,850	617	2,467	12,335
Insurance	263,816	-	-	-	263,816
Interest	17,282	-	-	-	17,282
LEO appreciation (reduction)	7,193	-	-	-	7,193
LEO refund to grantor	-	-	-	-	-
Licenses, taxes and fees	5,471	5,470	-	5,470	10,941
Loss on disposal of assets -					
Hurricane Ian	-	-	-	-	-
Miscellaneous	3,005	-	-	-	3,005
Office expense	41,599	17,827	-	17,827	59,426
Printing	2,077	1,133	566	1,699	3,776
Professional fees	13,896	3,578	3,578	7,156	21,052
Repairs and maintenance	385,575	-	-	-	385,575
Riverview expenses	4,625	-	-	-	4,625
Tenant assistance activities	13,328	-	-	-	13,328
Transportation and travel	543	-	-	-	543
Volunteer expense	1,633	1,089	-	1,089	2,722
Utilities	107,067	-	-	-	107,067
TOTAL EXPENSES					
BEFORE DEPRECIATION	1,530,421	131,748	120,049	251,797	1,782,218
Depreciation and amortization	321,203	-	-	-	321,203
TOTAL EXPENSES	\$ 1,851,624	\$ 131,748	\$ 120,049	\$ 251,797	\$ 2,103,421

The accompanying notes are an integral part of this statement.

2023				
SUPPORTING SERVICES				
Program Services	General & Administrative	Fund Raising	Total Supporting Services	Total Expenses
\$ 156,776	\$ 43,691	\$ 38,621	\$ 82,312	\$ 239,088
34,621	6,354	2,129	8,483	43,104
14,595	2,679	898	3,577	18,172
205,992	52,724	41,648	94,372	300,364
27,350	-	6,837	6,837	34,187
-	-	-	-	-
1,210	4,838	-	4,838	6,048
422	634	-	634	1,056
12,584	-	-	-	12,584
209	26	26	52	261
-	-	-	-	-
569	-	-	-	569
-	-	4,125	4,125	4,125
29,600	-	-	-	29,600
4,156	761	259	1,020	5,176
204,318	-	-	-	204,318
20,930	-	-	-	20,930
(5,710)	-	-	-	(5,710)
16,877	-	-	-	16,877
1,992	1,992	-	1,992	3,984
15,700	-	-	-	15,700
29,393	-	-	-	29,393
26,546	11,377	-	11,377	37,923
2,795	1,525	762	2,287	5,082
30,120	14,500	14,500	29,000	59,120
709,816	-	-	-	709,816
-	-	-	-	-
97,440	-	-	-	97,440
1,741	-	-	-	1,741
185	124	-	124	309
95,916	-	-	-	95,916
1,530,151	88,501	68,157	156,658	1,686,809
243,343	-	-	-	243,343
<u>\$ 1,773,494</u>	<u>\$ 88,501</u>	<u>\$ 68,157</u>	<u>\$ 156,658</u>	<u>\$ 1,930,152</u>

The accompanying notes are an integral part of this statement.

COMMUNITY HOUSING AND RESOURCES, INC.
STATEMENTS OF CASH FLOWS
Years ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Cash received from donors, tenants, homebuyers, and other operating activities	\$ 3,638,466	\$ 3,201,861
Cash paid to suppliers, cost of sales and employees	(2,162,410)	(1,244,524)
Interest paid	(17,282)	(20,930)
Interest received	138,497	25,673
Other income	<u>333,033</u>	<u>38,782</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u>1,930,304</u>	 <u>2,000,862</u>
 CASH FLOWS FROM		
INVESTING ACTIVITIES		
Purchase of property and equipment	(686,249)	(1,744,731)
LEO appreciation paid to unit holder	<u>-</u>	<u>(91,500)</u>
 NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	 <u>(686,249)</u>	 <u>(1,836,231)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt issuance	-	-
Repayments of principal - mortgages	<u>(85,976)</u>	<u>(97,327)</u>
 NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	 <u>(85,976)</u>	 <u>(97,327)</u>
 NET INCREASE (DECREASE) IN CASH	 1,158,079	 67,304
 CASH, BEGINNING OF YEAR	 <u>2,387,549</u>	 <u>2,320,245</u>
 CASH, END OF YEAR	 <u><u>\$ 3,545,628</u></u>	 <u><u>\$ 2,387,549</u></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>2024</u>	<u>2023</u>
Increase (decrease) in net assets	\$ 277,310	\$ 2,762,618
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	321,203	243,343
Loss (gain) on disposal of assets - Hurricane Ian	-	15,700
Cost of LEO unit sold	140,644	-
Non-cash increase (decrease) in LEO appreciation liability, net	7,140	(5,710)
Non-cash forgiveness of City of Sanibel loan	-	(40,000)
(Increase) decrease in accounts receivables, net	1,735,611	(1,430,954)
(Increase) decrease in inventory/cost of sales	-	-
(Increase) decrease in prepaid expenses	(74,589)	11,261
Increase (decrease) in accounts payable	(498,816)	437,190
Increase (decrease) in accrued liabilities	(876)	12,415
Increase (decrease) in security deposits	6,000	(11,250)
Increase (decrease) in accrued compensated absences	<u>16,677</u>	<u>6,249</u>
	<u>1,652,994</u>	<u>(761,756)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 1,930,304</u>	<u>\$ 2,000,862</u>

NON-CASH TRANSACTIONS

The Organization wrote off bad debt in the amount of \$46,958 and \$0 for the years ended September 30, 2024 and 2023, 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 (65 units) as well as a partially subsidized home (LEO) ownership program (10 units). At September 30, 2024, all units were livable. 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, "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.

**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, 2024 and 2023, 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, 2024 and 2023, 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.

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, 2024 or 2023.

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

Revenue from Exchange Transactions: CHR recognizes revenue from these types of transactions in accordance with FASB Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

CHR records the following exchange transaction revenue in its statement of activities:

Special Event Revenue - CHR conducts special events in which a portion of the proceeds paid by a donor represents payment for the direct cost of the benefits received by the donor at the event - the exchange component, and a portion represents a contribution to CHR. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of the benefit is measured at cost to CHR. The contribution component is the excess of the gross proceeds over the fair value of the benefit received by the donor. The direct costs of the special event are recorded as direct donor benefits in the statement of activities. The performance obligation is the delivery of the event. The event fee is set by CHR. FASB ASU 2014-09 requires CHR allocate the transaction price to the performance obligations. As such, CHR presents the exchange and contribution components of the gross proceeds from special events. For special event fees received before year-end for an event that will occur after year-end, CHR follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as unearned revenue along with the exchange component.

Revenue from Non-Exchange Transactions: CHR recognizes revenue from these types of transactions in accordance with FASB ASU 2018-08, clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. FASB ASU 2018-08 applies to non-exchange transactions. CHR records the following non-exchange transaction revenue in its statement of activities:

Contributions and other grants - Revenue from contributions is recognized at the time the contribution is made. Revenue from grants is recognized as reimbursements are requested and barriers are met.

**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.

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.

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

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.

Occupancy

Rental units owned by Community Housing and Resources were approximately 95% occupied at September 30, 2024 and 76% occupied at September 30, 2023. 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.

CHR leases office space on an annual basis which is recorded in accordance with ASU 2016-2.

Donated Materials and Services

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.

Compensated absences

CHR's policy allows for the accumulation of employee leave time including PTO, vacation and sick time based on the employee's years of service and certain other criteria. 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.

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

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, 2024 and 2023, and revenues and expenses during the years ended September 30, 2024 and 2023. Actual results could differ from those estimates.

Leases

During the year ended September 30, 2023, CHR adopted ASU 2016-02 Topic 842 - Leases. This Standard required the recognition of certain lease assets and liabilities in the statements of financial position for leases that previously were classified as operating leases. CHR, however, determined its current lease receivable agreements did not meet the recording criteria of ASU 2016-02 at September 30, 2024 or 2023.

CHR evaluated its operating lease payable and determined the office space lease it entered during the year ended September 30, 2024, did meet the ASU 2016-2 recording criteria.

Subsequent Events

Subsequent events have been evaluated through February 6, 2025, which is the date the financial statements were available to be issued.

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NOTE B - CASH AND INVESTMENTS

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

	2024	2023
Depository and money market accounts:		
Unrestricted, undesignated	\$ 225,920	\$ 531,472
Board designated	2,949,488	1,504,112
Restricted	370,220	351,965
	<u>\$ 3,545,628</u>	<u>\$ 2,387,549</u>

Board designated cash consists of the following at September 30:

	2024	2023
Replacement reserves* (1)	\$ 2,751,777	\$ 1,314,066
LEO appreciation*	197,711	190,046
	<u>\$ 2,949,488</u>	<u>\$ 1,504,112</u>

* Reflected as unrestricted - designated net assets.

Restricted cash is comprised of the following at September 30:

	2024	2023
Tenant assistance fund*	\$ 328,129	\$ 323,115
Tenant security deposits*	42,091	28,850
	<u>\$ 370,220</u>	<u>\$ 351,965</u>

* Reflected as temporarily restricted net assets.

(1) Includes mold reserve

Florida Statutes Chapter 83.49 requires that the tenant security deposits be held in a separate bank account. At September 30, 2024 and 2023, such deposits were properly held in a separate bank account. At September 30, 2024 and 2023, 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, 2024 and 2023, were \$2,995,175 and \$926,456 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.

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NOTE C - ACCOUNTS RECEIVABLE, NET

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

	2024	2023
Accounts receivable from tenants	\$ 2,361	\$ 60,733
Accounts receivable from insurance - Hurricane Ian	-	1,725,205
Less: allowance for doubtful accounts	-	(47,966)
Net accounts receivable	<u>\$ 2,361</u>	<u>\$ 1,737,972</u>

It is the Organization's policy to establish an allowance for doubtful accounts based on known circumstances and historical collection history.

CHR recorded bad debt expense for the year ended September 30, 2024 and 2023, in the amount of \$46,958 and \$0, respectively.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	2024	2023
Land	\$ 768,913	\$ 768,913
Construction in progress	260,806	-
Buildings and improvements, rentals	9,282,120	9,025,068
Furniture and equipment	11,821	2,500
Vehicle	47,859	47,859
	10,371,519	9,844,340
Accumulated depreciation	(5,079,241)	(4,776,464)
	<u>\$ 5,292,278</u>	<u>\$ 5,067,876</u>

Depreciation expense for the years ended September 30, 2024 and 2023, was \$321,203 and \$243,343, respectively.

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NOTE E - LONG-TERM DEBT

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

	2024	2023
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. 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.	\$ 328,487	\$ 414,462
Note payable to City of Sanibel for Mariposa complex, 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. CHR was granted \$40,000 forgiveness of the loan on October 3, 2023.	92,714	92,715
	421,201	507,177
Current Portion	(90,474)	(86,500)
Long-Term Portion	<u>\$ 330,727</u>	<u>\$ 420,677</u>

Interest expense related to long-term debt was \$17,282 and \$20,930 for the years ended September 30, 2024 and 2023, respectively.

Principal maturities of long-term debt are as follows:

Years Ending September 30	Amount
2025	\$ 90,474
2026	114,630
2027	118,978
2028	63,880
2029	33,239
	<u>\$ 421,201</u>

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NOTE F - SCHEDULE OF NET ASSETS

Net assets consist of the following at September 30:

	2024	2023
Without donor restriction - general operations	\$ 4,907,230	\$ 6,080,310
Without donor restriction - replacement reserves* (1)(2)	2,751,777	1,314,066
Without donor restriction - LEO appreciation (1)	197,711	190,046
Total without donor restriction	<u>7,856,718</u>	<u>7,584,422</u>
With donor restriction:		
Tenant Assistance Fund*	328,129	323,115
Total with donor restriction	<u>328,129</u>	<u>323,115</u>
	<u>\$ 8,184,847</u>	<u>\$ 7,907,537</u>

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

- (1) Board designated
(2) Includes mold 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

NOTE G - FAIR VALUE MEASUREMENTS, CONTINUED

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, 2024 or 2023.

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, 2024 and 2023, approximately 42% and 23% 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 year ended September 30, 2023, the City of Sanibel loan was forgiven for \$40,000 due to Hurricane Ian and three payments were made for a total of \$15,000 totaling \$55,000 for the year ended September 30, 2023. For the year ended 2024, CHR was not required to pay the City of Sanibel anything as the City forgave the FY 24 \$20,000 required payment due to Hurricane Ian.

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. The agreement terminates September 30, 2027. As such, the City of Sanibel provided CHR operating revenue of \$331,582 and \$414,477 for the years ended September 30, 2024 and 2023, respectively. The City temporarily decreased its payments to CHR as a result of Hurricane Ian, but intends to annually increase its funding back to the contracted \$414,477 annual funding.

At September 30, 2024 and 2023, no amounts were due to or from the City of Sanibel under this agreement.

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, 2024 and 2023, CHR contributed \$5,446 and \$4,829, 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, 2024 or 2023, 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, 2024 or September 30, 2023.

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 \$303,676 and \$296,536 on the statements of financial position at September 30, 2024 and 2023, respectively.

NOTE M - TENANT'S INDEXED APPRECIATION PERCENTAGE, CONTINUED

During the fiscal year ended September 30, 2024, CHR sold one (1) Limited Equity Ownership (LEO) unit and it closed on February 6, 2024.

During fiscal year ended September 30, 2023, CHR reacquired three (3) LEO units. The guaranteed and conditional appreciation on these units was \$91,500. 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, 2024, consisted of the following:

	<u>Amount</u>
Cash and cash equivalents	\$3,545,628
Accounts receivable	<u>2,361</u>
	3,547,989
Less amounts due within one year:	
Current liabilities	(232,724)
Temporarily restricted net assets	<u>(328,129)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$2,987,136</u>

CHR's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$500,000 for the year ended September 30, 2024, and \$500,000 for the year ended September 30, 2023).

NOTE O - HURRICANE CONTINGENCIES AND STATUS

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.

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NOTE O - HURRICANE CONTINGENCIES AND STATUS, CONTINUED

CHR has recorded insurance receivables of \$0 and \$1,725,205 as a receivable at September 30, 2024 and 2023, respectively.

Of CHR's 75 units, (65 rental units and 10 LEO units) all units are currently approved for occupancy. CHR had 5 vacant units at September 30, 2024.

CHR spent \$422,737 in 2023/24 completing Hurricane Ian repairs. \$1,725,205 was received from wind insurance in December 2023. At September 30, 2024, all repairs resulting from Hurricane Ian had been substantially completed, except for the Riverview complex. The Riverview complex was destroyed in Hurricane Ian. CHR continued to make the monthly payments on the Riverview loan with Sanibel Captiva Community Bank. Construction has not started on the Riverview rebuild during FY 24.

Business interruption insurance was received October 15, 2024, in the amount of \$172,350. It is estimated CHR lost \$467,222 in rent during FY 2022/2023.

CHR accepted a grant agreement dated September 5, 2023, in the amount of \$1,250,000 with Lee County through the State of Florida State Housing Initiatives Partnership (SHIP). The agreement is for new construction of 5 very low and 5 low income rental units in the Riverview complex that were destroyed by Hurricane Ian for \$125,000 per unit for a total of \$1,250,000. As of September 30, 2024 and 2023, no funds were either drawn or paid. Funds are anticipated to be drawn once construction commences.

CHR has started a capital campaign to raise funds to build a 15 one bedroom unit building on the same site as the 10 unit building noted above.

NOTE P - SUBSEQUENT EVENT

Subsequent to the year ended September 30, 2024, CHR purchased a LEO unit for \$243,750 and sold one LEO unit for \$120,000.

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NOTE Q - COMMITMENTS

CHR contracted the engineering/design of the Riverview rebuild for \$571,290. Through September 30, 2024, CHR had paid \$227,811.

NOTE R - LEASE COMMITMENT

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This Standard requires lessees to recognize the assets and liabilities that arise from operating leases in the Statement of Financial Position. Additionally, in July 2018, the FASB issued ASU 2018-11, Leases (Topic 842) - Targeted Improvements, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. CHR adopted ASU 2016-02 and its related amendments as of October 1, 2022 which resulted in the recognition of operating lease right-of-use assets (ROU assets) of \$59,428 and \$0 as well as operating lease liability totaling \$59,428 and \$0 for the years ended September 30, 2024 and 2023, respectively. CHR elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of October 1, 2022, without restating prior-year net asset amounts or disclosures.

Total discounted future minimum lease payments on the Village Shops office space lease is as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2025	\$ 30,026
2026	<u>18,229</u>
	48,255
Impact of present value discount	<u>(1,886)</u>
Present value	<u><u>\$ 46,369</u></u>

CHR used a discount rate of 8.50%. CHR had no incremental borrowing rate available, therefore the Prime rate as of May 1, 2024 (date of lease inception), was used to determine the future minimum lease payments.

Lease expense was \$11,173 and \$0 at September 30, 2024 and 2023, respectively, and is included in office expense in the Statements of Functional Expenses.