

Florida Community Loan Fund, Inc.

Financial and Compliance Report
June 30, 2017

Contents

Independent auditor's report	1-2
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Financial statements	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements	8-30
Supplementary information	
Schedule of expenditures of federal awards	31
Notes to schedule of expenditure of federal awards	32

Independent auditor's report on:	
Internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	33-34
Compliance for major federal program; report on internal control over compliance	35-36

Schedule of findings and questioned costs	37-38
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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Florida Community Loan Fund, Inc.
Orlando, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Community Loan Fund, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Community Loan Fund, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30 2017, on our consideration of the Florida Community Loan Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida Community Loan Fund's internal control over financial reporting and compliance.

RSM US LLP

Orlando, Florida
October 30, 2017

Florida Community Loan Fund, Inc.

Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,662,870	\$ 22,189,449
Investments	1,017,438	1,100,796
Loans receivable, net of allowance for loan losses in 2017 – \$502,675; 2016 – \$185,484	10,286,601	4,085,909
Other current assets	579,754	468,382
Total current assets	31,546,663	27,844,536
Investments, net of current portion	2,125,491	2,111,172
Federal Home Loan Bank stock, at cost	54,700	47,700
Loans receivable, net of allowance for loan losses in 2017 – \$1,572,966; 2016 – \$1,478,253	31,240,874	29,276,415
Furniture and equipment, net of accumulated depreciation in 2017 – \$178,826; 2016 – \$167,794	24,479	26,361
Total assets	\$ 64,992,207	\$ 59,306,184
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 473,287	\$ 528,448
Deferred revenue	500,000	-
Notes payable, bonds payable and lines of credit, current portion	6,707,500	3,523,000
Other liabilities – equity equivalent investments, current portion	1,000,000	1,000,000
Total current liabilities	8,680,787	5,051,448
Notes payable, bonds payable and lines of credit, net of current portion	19,393,404	20,852,904
Other liabilities – equity equivalent investments, net of current portion	8,000,000	8,000,000
Total liabilities	36,074,191	33,904,352
Commitments and contingencies (Notes 5, 10 and 11)		
Net assets:		
Unrestricted:		
Designated by the Board for loans	23,324,211	19,718,676
Undesignated	5,277,340	3,871,156
Temporarily restricted	316,465	1,812,000
Total net assets	28,918,016	25,401,832
Total liabilities and net assets	\$ 64,992,207	\$ 59,306,184

See notes to financial statements.

Florida Community Loan Fund, Inc.

Statements of Activities
Years Ended June 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Grants and contributions	\$ 2,569,161	\$ 110,000	\$ 2,679,161	\$ 2,590,188	\$ 1,800,000	\$ 4,390,188
Investment income	24,309	-	24,309	109,954	-	109,954
Interest on loans receivable	1,939,614	-	1,939,614	1,641,672	-	1,641,672
Fees and other	3,165,654	-	3,165,654	1,938,910	-	1,938,910
Net assets released from restrictions	1,605,535	(1,605,535)	-	18,000	(18,000)	-
Total revenues	9,304,273	(1,495,535)	7,808,738	6,298,724	1,782,000	8,080,724
Expenses:						
Program services	3,526,846	-	3,526,846	3,056,778	-	3,056,778
Supporting services:						
Management and general	604,069	-	604,069	584,808	-	584,808
Fundraising	161,639	-	161,639	141,003	-	141,003
Total supporting services	765,708	-	765,708	725,811	-	725,811
Total expenses	4,292,554	-	4,292,554	3,782,589	-	3,782,589
Change in net assets	5,011,719	(1,495,535)	3,516,184	2,516,135	1,782,000	4,298,135
Net assets:						
Beginning	23,589,832	1,812,000	25,401,832	21,073,697	30,000	21,103,697
Ending	\$ 28,601,551	\$ 316,465	\$ 28,918,016	\$ 23,589,832	\$ 1,812,000	\$ 25,401,832

See notes to financial statements.

Florida Community Loan Fund, Inc.

Statement of Functional Expenses
Year Ended June 30, 2017

	Supporting Services			Total Supporting Services	2017 Total Expenses
	Program Services	Management and General	Fundraising		
Payroll and related costs	\$ 1,738,178	\$ 417,998	\$ 125,767	\$ 543,765	\$ 2,281,943
Interest expense	788,880	-	-	-	788,880
Office and administrative	147,406	47,659	10,423	58,082	205,488
Professional fees	136,507	118,021	5,291	123,312	259,819
Provision for loan losses	452,739	-	-	-	452,739
Occupancy	77,980	18,399	5,514	23,913	101,893
Marketing	126,421	-	14,047	14,047	140,468
Other	1,662	-	-	-	1,662
Membership and training	48,630	-	-	-	48,630
Depreciation	8,443	1,992	597	2,589	11,032
Total expenses	\$ 3,526,846	\$ 604,069	\$ 161,639	\$ 765,708	\$ 4,292,554

See notes to financial statements.

Florida Community Loan Fund, Inc.

Statement of Functional Expenses
Year Ended June 30, 2016

	Supporting Services			Total Supporting Services	2016 Total Expenses
	Program Services	Management and General	Fundraising		
Payroll and related costs	\$ 1,560,510	\$ 378,742	\$ 113,763	\$ 492,505	\$ 2,053,015
Interest expense	735,948	-	-	-	735,948
Office and administrative	143,631	59,796	10,471	70,267	213,898
Professional fees	143,498	125,358	2,137	127,495	270,993
Provision for loan losses	200,537	-	-	-	200,537
Occupancy	77,499	18,809	5,650	24,459	101,958
Marketing	75,146	-	8,351	8,351	83,497
Other	59,011	-	-	-	59,011
Membership and training	34,335	-	-	-	34,335
Awards and grants	18,000	-	-	-	18,000
Depreciation	8,663	2,103	631	2,734	11,397
Total expenses	\$ 3,056,778	\$ 584,808	\$ 141,003	\$ 725,811	\$ 3,782,589

See notes to financial statements.

Florida Community Loan Fund, Inc.

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 3,516,184	\$ 4,298,135
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,032	11,397
Provision for loan losses	452,739	200,537
Gain on sale of real estate	-	104,670
Net unrealized and realized losses (gains) on investments	72,761	(77,082)
Changes in operating assets and liabilities:		
Other current assets	(111,372)	(100,099)
Accounts payable and accrued liabilities	(55,161)	73,452
Deferred revenue	500,000	-
Net cash provided by operating activities	4,386,183	4,511,010
Cash flows from investing activities:		
Purchase of investments	(545,551)	(1,127,604)
Sales of investments	534,829	981,118
Net change in loans receivable	(8,617,890)	(2,575,181)
Purchase of furniture and equipment	(9,150)	(3,065)
Net cash used in investing activities	(8,637,762)	(2,724,732)
Cash flows from financing activities:		
Proceeds from notes payable, bonds payable and lines of credit	3,610,000	2,998,500
Principal payments on notes payable, bonds payable and lines of credit	(1,885,000)	(3,805,000)
Proceeds from other liabilities – equity equivalent investments	-	5,000,000
Net cash provided by financing activities	1,725,000	4,193,500
Net (decrease) increase in cash and cash equivalents	(2,526,579)	5,979,778
Cash and cash equivalents:		
Beginning	22,189,449	16,209,671
Ending	\$ 19,662,870	\$ 22,189,449
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 791,195	\$ 700,357
Supplemental disclosure of noncash investing and financing activities:		
Proceeds from sale of other real estate owned satisfied by the disbursement of a note receivable	\$ -	\$ 327,000
Transfer from loans to other real estate owned	\$ -	\$ 464,843

See notes to financial statements.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: The Florida Community Loan Fund, Inc. (the Loan Fund or Organization) was incorporated in 1994 as a not-for-profit Florida corporation and is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code. The Loan Fund provides loans primarily to qualifying not-for-profit organizations that provide social services, affordable housing and economic development programs for low-income communities and their residents throughout Florida. Also, the Loan Fund provides on-site technical assistance to its not-for-profit borrowers and prospective borrowers through partnerships with leading technical assistance providers in the state. The United States Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) certified the Loan Fund as a Community Development Financial Institution (CDFI) in 1996. The Loan Fund is also certified as a Community Development Entity (CDE) under the New Markets Tax Credits (NMTC) Program of the United States Department of the Treasury.

The Loan Fund receives support from financial institutions, foundations, religious and non-profit organizations, individuals and Federal and State agencies through low-interest loans, permanent loan capital grants and operating grants. Internal sources of revenue includes interest and fees from its loan programs, upfront and ongoing fees from its NMTC program and interest income on idle capital.

A summary of the Loan Fund's significant accounting policies follows:

Basis of financial statement presentation: A not-for-profit organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may, or will be met, either by actions of the Loan Fund and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that will be maintained permanently by the Loan Fund. The Loan Fund has no permanently restricted net assets.

The Loan Fund's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates: The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates that are particularly susceptible to change in the near term include the allowance for loan losses. Actual results could differ from those estimates.

Grants and contributions: The Loan Fund reports gifts of cash and other assets received as restricted support if they are received with donor stipulations that limit the use of the donated assets and the restrictions are not met in the period that the contribution is received. When a donor restriction expires by either actions of the Loan Fund or the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions receivable, which represent unconditional written promises to give, are revenues in the period when the written promise is received. Conditional promises to give are recognized when the conditions upon which they depend are substantially met.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Grant revenue is recognized upon receipt of the funds and as requirements are met. The Loan Fund received \$2,000,000 and \$3,500,000 in federal funds from the CDFI Fund in the form of grants during fiscal year 2017 and 2016, respectively, of which, \$3,500,000 and \$2,000,000 was expended as of June 30, 2017 and 2016, respectively.

Fees: The Loan Fund receives fees in connection with the New Markets Tax Credit Program (Program). Allocation fees from the Program are recognized upon the closing of the transaction, receipt of the funds and once any other terms of the allocation fee agreement are satisfied. Management fees under the Program are recognized annually based upon the terms in the management agreement.

Cash and cash equivalents: The Loan Fund considers cash equivalents to include any investment in money market funds, certificates of deposit, commercial paper, treasury bills and investment securities with maturities at the time of purchase of three months or less. The Loan Fund maintains cash and cash equivalents with various major financial institutions. They are insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, balances may exceed amounts insured by the FDIC.

Investments: Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recognized when securities are sold. Unrealized gains and losses are recognized as the change in fair value of securities between reporting periods. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Loans receivable: Loans are stated at the principal amount outstanding. The allowance for loan losses is netted with loans receivable. Interest income on loans is accrued at the loan's stated interest rate on the principal balance outstanding.

It is the policy of the Loan Fund to discontinue the accrual of interest when loan payments are delinquent for 90 days based on contractual terms and, in management's opinion, the timely collection of interest or principal becomes uncertain, unless the loan principal and interest are determined by management to be fully collateralized and in the process of collection. Any unpaid amounts of interest previously accrued on these delinquent loans are then reversed from income. Interest on these loans is recognized when paid by the borrower only if collection of principal is likely to occur. A nonaccrual loan may be reinstated to an accrual status when contractual principal and interest payments are current and collection is reasonably assured.

Allowance for loan losses: The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged-off against the allowance when management determines that the loan is uncollectible. Subsequent recoveries of amounts previously charged-off are credited to the allowance. The allowance for loan losses consists of specific and general components and is maintained at a level believed adequate by management to absorb estimated losses inherent in the portfolio after considering various factors, including prevailing economic conditions, diversification and size of the loan portfolio, current financial status and credit standing of the borrowers, the status and level of non-performing assets, past loan loss experience and adequacy of collateral and specific impaired loans. The specific component relates to loans that are individually classified as impaired.

The allowance for loan losses is allocated between current and long-term on the accompanying statements of financial position based on a specific identification method to be consistent with the classification of the associated loan receivable balance.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

The Loan Fund finances a diverse group of borrowers, including nonprofit community-based organizations, nonprofit and for-profit developers, and special needs housing providers throughout Florida through term, construction, acquisition/rehab and predevelopment lending.

Management has categorized loans into risk categories generally based on the nature of the project. These risk categories and the relevant risk characteristics are as follows:

Rental housing: Rental housing loans and lines of credit support the development and preservation of affordable rental housing, predominantly to multi-family housing projects. Rental housing loans generally have terms of up to 20 years with amortizations of up to 30 years and interest rates that generally range from 4.5%-5.8%. Loans for land acquisition and/or construction also run the risk that projects will not be completed on time or in accordance with specifications and projected costs. All of such loans are secured by real estate.

Supportive housing: Supportive housing combines housing, either permanent rental or transitional housing, with social services provided by nonprofit organizations. Supportive housing loans generally have terms of up to 15 years with amortizations of up to 30 years and interest rates that generally range from 4.5%-7.0%. Loans for land acquisition and/or construction also run the risk that projects will not be completed on time or in accordance with specifications and projected costs. All of such loans are secured by real estate.

For sale housing: For sale housing loans and lines of credit support the development of affordable single-family home ownership. For sale housing loans generally have terms of up to 10 years with amortizations of up to ten years and interest rates that generally range from 3.0%-6.0%. Loans for land acquisition and/or construction also run the risk that projects will not be completed on time or in accordance with specifications and projected costs. All of such loans are secured by real estate or liquid collateral.

Community facilities: Community facilities loans are construction or acquisition/rehab loans provided to nonprofit organizations focused on social services or educational services, including family health care centers, educational facilities and social services facilities. Community facilities loans generally have terms of up to 10 years with amortizations of up to 30 years and interest rates that generally range from 5.0%-6.125%. Loans for land acquisition and/or construction also run the risk that projects will not be completed on time or in accordance with specifications and projected costs. All of such loans are secured by real estate.

Commercial real estate: Commercial real estate loans are construction or acquisition/rehab loans for non-residential real estate, with an emphasis on borrowers that provide amenities to or stimulate economic development in low income communities. Commercial real estate loans generally have terms of up to 10 years with amortizations of up to 30 years and interest rates that generally range from 4.75%-5.75%. Loans for land acquisition and/or construction also run the risk that projects will not be completed on time or in accordance with specifications and projected costs. All of such loans are secured by real estate.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

A loan is considered impaired when, based on current information and events, it is probable that the Loan Fund will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. The Loan Fund monitors all loans in the portfolio on an ongoing basis and reviews loan classifications for all loans in the portfolio in accordance with its lending policies. The amount of impairment, if any, is measured on a loan-by-loan basis as either the present value of expected future cash flows discounted at the loan's effective interest rate or the loan's observable market price, or the fair value of the collateral less estimated selling costs if the loan is collateral dependent, and is included in the allowance for loan losses.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported at the fair value of the collateral less estimated selling costs. For troubled debt restructurings that subsequently default, the Loan Fund determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

Furniture and equipment: Furniture and equipment is carried at cost less accumulated depreciation. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions 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 temporarily restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is calculated on the straight-line method over estimated useful lives ranging from five to seven years. Major renewals, betterments and replacements are capitalized. Maintenance and repairs are charged to expense as incurred.

Impairment of long-lived assets: Long-lived assets are evaluated for impairment whenever events or changes in circumstances have indicated that an asset may not be recoverable and are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest charges) is less than the carrying value of the assets, the assets will be written down to the estimated fair value and such loss is recognized in income from continuing operations in the period in which the determination is made. Management determined that no impairment of long-lived assets existed as of June 30, 2017 and 2016.

Other liabilities – equity equivalent investments: Other liabilities are subordinated promissory notes with a rolling term (maturity) feature that lenders are classifying as Equity Equivalent Investments (EQ2). EQ2s are unique to the CDFI industry. They were created as a mechanism for not-for-profit CDFIs to acquire equity-like capital.

Below market interest rate loans: Accounting principles generally accepted in the United States of America (GAAP) require not-for-profit organizations to record interest expense (income) and contribution revenue (expense) in connection with loans that are interest free or that have below market interest rates. The Loan Fund believes there is no material difference between prevailing community development finance market rates and the stated rates of loans receivable in its portfolios, notes payable or other liabilities. Consequently, no adjustments have been made to the financial statements to reflect rate differentials.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Income taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and from state income taxes under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements. In addition, management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying financial statements. The Organization files income tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before June 30, 2014.

Fair value measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Loan Fund uses various methods including market and income approaches. Based on these approaches, the Loan Fund often uses certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Loan Fund uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Subsequent events: Management has assessed subsequent events through October 30, 2017, the date the financial statements were available to be issued.

New accounting pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends guidance on the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 replaces the currently required three net asset classes with two net asset classes, *net assets with donor restrictions* and *net assets without donor restrictions*. Other amendments within ASU 2016-14 will improve the usefulness of information provided to donors, grantors, creditors, and other users of an NFP's financial statements, reduce complexities or costs for preparers or users of financial statements, or both improve usefulness and reduce complexities or costs. The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of ASU 2016-14 is permitted. The Organization is currently evaluating the impact this ASU will have on its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, ASU 2016-13 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in ASU 2016-13 are effective for not-for-profit entities for fiscal years beginning after December 15, 2020 (January 1, 2021, for a calendar year entity) and interim periods within fiscal years beginning after December 15, 2021. Early application of the amendments in ASU 2016-13 is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Organization is currently evaluating the impact this ASU will have on its financial statements.

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes Topic 840, *Leases*. ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less for which there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities and should recognize lease expense for such leases generally on a straight-line basis over the lease term. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP with key aspects of the guidance being aligned with the revenue recognition guidance in Topic 606, *Revenue from Contracts with Customers*. Certain qualitative disclosures along with specific quantitative disclosures will be required, so that users are able to understand more about the nature of an entity's leasing activities. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, with early adoption permitted. At transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients related to the identification and classification of leases that commenced before the effective date of ASU 2016-02. An entity that elects to use the practical expedients will, in effect, continue to account for leases that commenced before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. The Organization is currently evaluating the impact this ASU will have on its financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Organization for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact this ASU will have on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provided guidance for recognizing revenue. ASU No. 2014-09 updates the guidance on revenue recognition by improving the comparability of revenue practices across entities, industries, jurisdictions, and capital markets. This ASU is effective for annual reporting periods beginning after December 15, 2018, and early application is permitted. The Organization is currently evaluating the impact this ASU will have on its financial statements.

The FASB issued new or modifications to, or interpretations of, existing accounting guidance during 2017. The Loan Fund has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in these notes to the financial statements, does not believe that any other new or modified principles will have a material impact on the Loan Fund's reported financial position or activities.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 2. New Markets Tax Credit Program

The United States Department of Treasury has certified the Loan Fund as a Community Development Entity (CDE), under the NMTC program administered by the CDFI Fund. During fiscal years 2004 through 2017, the Loan Fund received allocations totaling \$271 million for this program. During fiscal years 2017 and 2016, the Loan Fund received \$4.8 million and \$0, respectively, in state of Florida allocation from the Florida New Markets Development Program. The Loan Fund has formed thirty CDEs (collectively the CDE LLCs), nineteen of which are active as of June 30, 2017: The Florida Community New Markets Fund IV, LLC; Florida Community New Markets Fund V, LLC; Florida Community New Markets Fund VI, LLC; Florida Community New Markets Fund VII, LLC; Florida Community New Markets Fund VIII, LLC; Florida Community New Markets Fund IX, LLC; Florida Community New Markets Fund X, LLC; Florida Community New Markets Fund XI, LLC; Florida Community New Markets Fund XII, LLC; Florida Community New Markets Fund XIII, LLC; Florida Community New Markets Fund XIV, LLC; Florida Community New Markets Fund XV, LLC, Florida Community New Markets Fund XVI, LLC; FCNMF 17, LLC; FCNMF 18, LLC; FCNMF 19, LLC, FCNMF 20, LLC, FCNMF 21, LLC, and FCNMF 23, LLC. The other eleven CDE LLCs have been formed for the NMTC allocations but have no financial activity as of June 30, 2017.

The CDE LLCs were formed as Florida limited liability companies in which the Loan Fund serves as the managing member with a 0.01% interest and unrelated investor members serve as regular members with a 99.99% interest. The Loan Fund does not consolidate these entities due to the rights granted to the investor members as defined in the respective operating agreements. The investor members' rights overcome the presumption of control of the managing member.

The Loan Fund has a .01% interest in each of the above entities. Additionally, the Loan Fund has a .01% interest in NL-Camillus NMTC Fund, LLC, which is the investment fund for Florida Community New Markets Fund IX, LLC. The Loan Fund does not consolidate this entity due to the rights granted to the investor member as defined in the operating agreement. The investor members' rights overcome the presumption of control of the managing member.

As of June 30, 2017 and 2016, the total investment amount is \$20,529 and \$16,746, respectively, and is included in other current assets in the accompanying statements of financial position.

The fiscal year end for these companies is December 31, and each company has an annual audit performed by a different independent auditor after its first complete year of operations. Below is a summary of the unaudited interim financial information for these companies for the interim six-month periods ended June 30, 2017 and 2016:

	2017	2016
Total assets	\$ 221,862,836	\$ 183,386,406
Total liabilities	14,726,459	14,620,107
Members' equity	206,926,450	168,581,069
Total revenue	1,461,712	1,244,970
Total expenses	1,251,785	1,068,740
Total other income	-	9,000
Net income	209,927	185,230

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 2. New Markets Tax Credit Program (Continued)

The active CDE LLCs have made qualified low-income community investments (QLICs) within the meaning of the NMTC program and IRC Section 45D. The Loan Fund entered into agreements with the investor members who provided approximately \$203,000,000 in cumulative qualified equity investments (QEIs) as of June 30, 2017, to make QLICs from the active CDE LLCs. By making QLICs, the CDE LLCs enable investor members to claim approximately \$79,000,000 of NMTC over seven-year credit period. In connection for obtaining allocation, establishing the CDE LLCs, and making sub-allocation to the CDE LLCs, the Loan Fund earned upfront fees of \$2,175,000 and \$1,042,927 as of June 30, 2017 and 2016, respectively, which are included as a component of fees and other in the accompanying statements of activities.

Terms of the agreements with the investor members require the Loan Fund to maintain certain covenants to avoid recapture of NMTC and possible reimbursement of a portion of upfront fees it has received. At June 30, 2017, the Loan Fund is in compliance with all covenants that would cause a recapture of NMTC and management expects to maintain compliance throughout the seven-year life of each NMTC.

Note 3. Investments

A summary of the Loan Fund's investments at fair value as of June 30, 2017 and 2016, is as follows:

	2017	2016
Current:		
Mutual funds:		
Short-term bonds	\$ 722,923	\$ 686,882
Debt securities:		
Domestic corporate debt securities	294,515	325,222
Foreign corporate debt securities	-	88,692
Total current securities	<u>1,017,438</u>	<u>1,100,796</u>
Noncurrent:		
Debt securities:		
Domestic corporate debt securities	2,071,651	2,056,628
Foreign corporate debt securities	53,840	54,544
Total noncurrent securities	<u>2,125,491</u>	<u>2,111,172</u>
	<u>\$ 3,142,929</u>	<u>\$ 3,211,968</u>

The Loan Fund invests in various investment securities in accordance with its investment policy. These investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the uncertainty related to changes in their values, it is reasonable to expect that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the investment balance.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 3. Investments (Continued)

Investment expenses are netted against investment income. Investment returns consist of interest and dividends and realized and unrealized gains and losses. Investment return is summarized for the years ended June 30, 2017 and 2016, as follows:

	2017	2016
Interest and dividends, net of investment expenses	\$ 97,070	\$ 96,041
Net realized/unrealized (losses) gains	(72,761)	13,913
	<u>\$ 24,309</u>	<u>\$ 109,954</u>

Note 4. Participated Loans and Loan Servicing

The transfer of loan participations by the Loan Fund meet the requirements to be recognized as sale transactions, and as such, these loans serviced for others in which the Loan Fund serves as lead lender as defined in the participation agreements are excluded from loans receivable and liabilities in the accompanying statements of financial position.

The unpaid principal balances of loans serviced for others at June 30, 2017 and 2016, are as follows:

	2017	2016
Loan portfolio serviced for:		
Miami Coalition for the Homeless	\$ 287,517	\$ 330,657
Mercy Loan Fund	2,012,316	2,041,524
Partners for Common Good	-	1,127,373
	<u>\$ 2,299,833</u>	<u>\$ 3,499,554</u>

Note 5. Loans Receivable

Loans receivable at June 30, 2017 and 2016, are classified as follows:

	2017	2016
Loans by collateral:		
3.0% – 7.0%, secured by real estate (mortgage)	\$ 43,603,116	\$ 34,716,061
4.75%, secured by assignment of notes	-	310,000
	43,603,116	35,026,061
Less allowance for loan losses	(2,075,641)	(1,663,737)
	<u>\$ 41,527,475</u>	<u>\$ 33,362,324</u>

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 5. Loans Receivable (Continued)

Scheduled principal payments on loans receivable subsequent to June 30, 2017, are as follows:

Years ending June 30:	
2018	\$ 10,789,276
2019	7,732,205
2020	1,377,540
2021	2,100,040
2022	4,426,617
Thereafter	17,177,438
	<u>\$ 43,603,116</u>

	June 30, 2017	
	Outstanding	Undisbursed
Loans by type:		
Rental housing	\$ 22,886,075	\$ 4,988,939
Supportive housing	7,012,866	183,853
For sale housing	4,107,342	7,046,100
Community facility	7,132,909	192,449
Commercial real estate	2,463,924	294,465
	<u>\$ 43,603,116</u>	<u>\$ 12,705,806</u>

	June 30, 2016	
	Outstanding	Undisbursed
Loans by type:		
Rental housing	\$ 20,080,004	\$ 7,341,380
Supportive housing	6,445,773	1,132,902
For sale housing	1,945,521	2,825,727
Community facility	6,037,452	88,359
Commercial real estate	517,311	1,600,000
	<u>\$ 35,026,061</u>	<u>\$ 12,988,368</u>

The undisbursed portion of loans shown above are loans closed but not fully disbursed and are available to be drawn upon by the borrowers, such as construction loans and lines of credit.

As part of the on-going monitoring of the credit quality of the Loan Fund's loan portfolio, management categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt and comply with various terms of their loan agreements. The Loan Fund considers current financial information, historical payment experience, credit documentation, public information and current economic trends. Generally, all loans receive a financial review no less than twice per year to monitor and adjust, if necessary, the credit's risk profile.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 5. Loans Receivable (Continued)

The Loan Fund categorizes loans into the following risk categories based on relevant information about the ability of borrowers to service their debt:

Excellent/acceptable: The loan is well protected by the current worth and paying capacity of the borrower (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any collateral in a timely manner.

Weak: A loan with a risk rating of five has potential weaknesses and deserves closer attention by management. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Loan Fund's credit position at some future date. Weak loans are not adversely classified and do not expose the Loan Fund to sufficient risk to warrant adverse classification.

Inadequate/substandard: An inadequate/substandard loan, or risk rating of six through eight, is a loan with well-defined weaknesses that puts repayment at risk. These loans are often inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged. These loans are characterized by the possibility that the Loan Fund will sustain some loss of principal and/or interest if the risks are not addressed.

Doubtful: A loan that has weaknesses, or a risk rating of nine, inherent in the inadequate/substandard category, with the added risk that the weaknesses make collection in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. The possibility of loss is extremely likely, but it is not identified at this point due to pending factors.

Loss: A loan classified as loss, or risk rated ten, is considered uncollectible and of such little value that its continuance on the Loan Fund's books as an asset is not warranted. This classification does not necessarily mean that an asset has no recovery value; but rather, there is much doubt about whether, how much, or when the recovery would occur. As such, it is not practical or desirable to defer the write-off. Therefore, there is no balance to report.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 5. Loans Receivable (Continued)

The following tables present the risk category of loans evaluated by internal asset classification based on the most recent analysis performed at June 30, 2017 and 2016:

	2017			
	Excellent/ Acceptable	Weak	Inadequate/ Substandard	Total
Rental housing	\$ 22,330,312	\$ 323,748	\$ 232,016	\$ 22,886,076
Supportive housing	6,633,150	379,715	-	7,012,865
For sale housing	4,107,342	-	-	4,107,342
Community facility	6,431,203	-	701,706	7,132,909
Commercial real estate	2,463,924	-	-	2,463,924
	<u>\$ 41,965,931</u>	<u>\$ 703,463</u>	<u>\$ 933,722</u>	<u>\$ 43,603,116</u>

	2016			
	Excellent/ Acceptable	Weak	Inadequate/ Substandard	Total
Rental housing	\$ 18,959,558	\$ 565,924	\$ 554,522	\$ 20,080,004
Supportive housing	6,060,151	385,622	-	6,445,773
For sale housing	1,723,364	28,342	193,815	1,945,521
Community facility	5,155,178	-	882,274	6,037,452
Commercial real estate	517,311	-	-	517,311
	<u>\$ 32,415,562</u>	<u>\$ 979,888</u>	<u>\$ 1,630,611</u>	<u>\$ 35,026,061</u>

As of June 30, 2017 or 2016, there were no loans classified as doubtful or loss.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 5. Loans Receivable (Continued)

Allowance for Loan Losses	2017					
	Rental Housing	Supportive Housing	For Sale Housing	Community Facilities	Commercial Real Estate	Total
Beginning balance	\$ 953,845	\$ 325,138	\$ 93,267	\$ 262,541	\$ 28,946	\$ 1,663,737
Provision for loan losses (recoveries)	116,878	28,533	81,118	109,194	117,016	452,739
Recoveries of amounts previously charged off	-	-	7,500	-	-	7,500
Write-off of uncollectible loans	-	-	-	(48,335)	-	(48,335)
Ending balance	<u>\$ 1,070,723</u>	<u>\$ 353,671</u>	<u>\$ 181,885</u>	<u>\$ 323,400</u>	<u>\$ 145,962</u>	<u>\$ 2,075,641</u>
End of year allowance amount allocated:						
Loans individually evaluated for impairment	\$ 26,406	\$ -	\$ -	\$ 30,505	\$ -	\$ 56,911
Loans collectively evaluated for impairment	1,044,317	353,671	181,885	292,895	145,962	2,018,730
	<u>\$ 1,070,723</u>	<u>\$ 353,671</u>	<u>\$ 181,885</u>	<u>\$ 323,400</u>	<u>\$ 145,962</u>	<u>\$ 2,075,641</u>
Loans:						
Individually evaluated for impairment	\$ 232,015	\$ -	\$ -	\$ 701,706	\$ -	\$ 933,721
Collectively evaluated for impairment	22,654,060	7,012,866	4,107,342	6,431,203	2,463,924	42,669,395
	<u>\$ 22,886,075</u>	<u>\$ 7,012,866</u>	<u>\$ 4,107,342</u>	<u>\$ 7,132,909</u>	<u>\$ 2,463,924</u>	<u>\$ 43,603,116</u>
Allowance for Loan Losses	2016					
	Rental Housing	Supportive Housing	For Sale Housing	Community Facilities	Commercial Real Estate	Total
Beginning balance	\$ 923,683	\$ 178,977	\$ 143,535	\$ 355,616	\$ 33,435	\$ 1,635,246
Provision for loan losses (recoveries)	25,162	146,161	(29,561)	63,264	(4,489)	200,537
Recoveries of amounts previously charged off	5,000	-	7,500	-	-	12,500
Write-off of uncollectible loans	-	-	(28,207)	(156,339)	-	(184,546)
Ending balance	<u>\$ 953,845</u>	<u>\$ 325,138</u>	<u>\$ 93,267</u>	<u>\$ 262,541</u>	<u>\$ 28,946</u>	<u>\$ 1,663,737</u>
End of year allowance amount allocated:						
Loans individually evaluated for impairment	\$ 28,463	\$ -	\$ -	\$ 47,466	\$ -	\$ 75,929
Loans collectively evaluated for impairment	925,382	325,138	93,267	215,075	28,946	1,587,808
	<u>\$ 953,845</u>	<u>\$ 325,138</u>	<u>\$ 93,267</u>	<u>\$ 262,541</u>	<u>\$ 28,946</u>	<u>\$ 1,663,737</u>
Loans:						
Individually evaluated for impairment	\$ 554,522	\$ -	\$ -	\$ 1,076,089	\$ -	\$ 1,630,611
Collectively evaluated for impairment	19,525,482	6,445,773	1,945,521	4,961,363	517,311	33,395,450
	<u>\$ 20,080,004</u>	<u>\$ 6,445,773</u>	<u>\$ 1,945,521</u>	<u>\$ 6,037,452</u>	<u>\$ 517,311</u>	<u>\$ 35,026,061</u>

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 5. Loans Receivable (Continued)

	2017						
	Non-Accrual Loans				Total Past Due and Non- Accrual Loans	Current Loans	Total Loans
	Current Loans and 1 -30 Days Past Due	Loans 31-90 Days Past Due	Loans 91+ Days Past Due				
Rental housing	\$ 11,967	\$ -	\$ -	\$ 11,967	\$ 22,874,108	\$ 22,886,075	
Supportive housing	-	-	-	-	7,012,866	7,012,866	
For sale housing	-	-	-	-	4,107,342	4,107,342	
Community facility	-	193,283	-	193,283	6,939,626	7,132,909	
Commercial real estate	-	-	-	-	2,463,924	2,463,924	
Total loans	\$ 11,967	\$ 193,283	\$ -	\$ 205,250	\$ 43,397,866	\$ 43,603,116	

	2016						
	Non-Accrual Loans				Total Past Due and Non- Accrual Loans	Current Loans	Total Loans
	Current Loans and 1 -30 Days Past Due	Loans 31-90 Days Past Due	Loans 91+ Days Past Due				
Rental housing	\$ 14,774	\$ 302,557	\$ -	\$ 317,331	\$ 19,762,673	\$ 20,080,004	
Supportive housing	-	-	-	-	6,445,773	6,445,773	
For sale housing	193,815	-	-	193,815	1,751,706	1,945,521	
Community facility	360,000	-	-	360,000	5,677,452	6,037,452	
Commercial real estate	-	-	-	-	517,311	517,311	
Total loans	\$ 568,589	\$ 302,557	\$ -	\$ 871,146	\$ 34,154,915	\$ 35,026,061	

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 5. Loans Receivable (Continued)

Information about nonaccrual and impaired loans as of and for the years ended June 30, 2017 and 2016, is summarized as follows:

	2017				Total
	Rental Housing	Supportive Housing	For Sale Housing	Community Facilities	
Impaired loans with a valuation allowance	\$ 220,049	\$ -	\$ -	\$ 508,423	\$ 728,472
Impaired loans without a valuation allowance	11,967	-	-	193,283	205,250
Allowance related to impaired loans	26,406	-	-	30,505	56,911
Average investment in impaired loans during 2017	393,269	-	-	888,897	1,282,166
Loans on non-accrual status	11,967	-	-	193,283	205,250
Interest income recognized on impaired loans during the year	12,333	-	-	38,032	50,365
Interest income foregone on loans on non-accrual status	-	-	-	-	-

	2016				Total
	Rental Housing	Supportive Housing	For Sale Housing	Community Facilities	
Impaired loans with a valuation allowance	\$ 237,191	\$ -	\$ -	\$ 716,089	\$ 953,280
Impaired loans without a valuation allowance	317,331	-	-	360,000	677,331
Allowance related to impaired loans	28,463	-	-	47,466	75,929
Average investment in impaired loans during 2016	565,889	294,250	167,709	1,182,372	2,210,220
Loans on non-accrual status	317,331	-	-	553,815	871,146
Interest income recognized on impaired loans during the year	31,237	-	-	36,943	68,180
Interest income foregone on loans on non-accrual status	-	-	-	18,263	18,263

No interest income was recognized on a cash basis during 2017 and 2016.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 5. Loans Receivable (Continued)

Impaired loans include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction of interest rate on the loan, payment extensions, forbearance or other actions intended to maximize collection. The following table presents impaired loans classified as troubled debt restructurings and the financial effects of troubled debt restructurings for the years ended June 30, 2017 and 2016:

	2017				
	Number of Loans	Pre-Modification Outstanding Loan Balance	Post-Modification Outstanding Loan Balance	Forgiven Principal	Lost Interest Income
Community facilities	1	\$ 360,000	\$ -	\$ 48,335	\$ -
	2016				
	Number of Loans	Pre-Modification Outstanding Loan Balance	Post-Modification Outstanding Loan Balance	Forgiven Principal	Lost Interest Income
Community facilities	2	\$ 553,815	\$ 553,815	\$ -	\$ (18,263)

During the fiscal year ended June 30, 2017, one community facilities loan with an outstanding balance of \$360,000 was modified to provide a forgiveness of principal totaling \$48,335, and the remaining principal balance was paid by the borrower. This loan was a 2016 troubled debt restructuring that was restructured again during 2017 to grant additional concessions.

As of June 30, 2016, one community facilities loan with an outstanding balance of \$193,815 was modified to provide a payment forbearance, and one community facilities loan with an outstanding balance of \$360,000 was modified to extend the maturity date. Both loans were 2015 troubled debt restructurings that were restructured again during 2016 to grant additional concessions.

In its estimate of the specific allowance for loan losses, management considers the probability of troubled debt restructurings and its impact on expected cash flows in accordance with the loan policies and impaired loans guidance for troubled debt restructurings.

Note 6. Concentration of Credit Risk

As of June 30, 2017, all of the Loan Fund's loans receivable was due from borrowers located throughout Florida. Therefore, the Loan Fund's exposure to credit risk is significantly affected by changes in the economy and real estate markets in Florida.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 7. Notes Payable, Bonds Payable and Lines of Credit

Notes payable, bonds payable and lines of credit are unsecured and include amounts due to foundations, individuals, financial institutions, corporations, religious organizations, the federal CDFI Fund and trade associations. The Loan Fund's obligations under notes payable, bonds payable and lines of credit at June 30, 2017 and 2016, consist of the following amounts:

	2017	2016
Unsecured:		
2.0%: Three (3) investment bonds payable, interest only, payable annually, maturities through 2020.	\$ 2,000,000	\$ 2,000,000
2.0%: Three (3) and Two (2), respectively, investment bonds payable, interest only, payable annually, maturities 2024 through 2026.	1,500,000	1,000,000
2.5%: One (1) note payable, interest only, payable quarterly, matures April 2020.	2,000,000	2,000,000
2.25%: One (1) line of credit, interest only, payable quarterly, with \$750,000 annual principal payments beginning December 2019, matures December 2023.	3,000,000	1,500,000
2.75%: One (1) line of credit, interest only, payable quarterly, with \$250,000 annual principal payments beginning July 2017, payable annually, matures July 2019.	1,000,000	1,000,000
2.25%: Two (2) convertible lines of credit, interest only, payable quarterly, matures November 2017.	5,000,000	5,000,000
2.50%: One (1) note payable, interest only, payable quarterly, with four consecutive \$375,000 biennial principal payments beginning May 2017, final \$500,000 principal payment in May 2025 at maturity.	1,625,000	2,000,000
3.0%: One (1) note payable, interest only, payable quarterly, with four \$909,091 annual principal payments beginning Sept 2021, matures September 2024.	3,636,364	3,636,364
2.25%: One (1) line of credit, interest only, payable quarterly, matures December 2023.	1,000,000	-
3.0%: One (1) note payable, interest only, payable quarterly, matured April 2017.	-	1,000,000
0%-1.9%: Six (6) and seven (7) notes payable; various maturities through January 2022.	274,040	204,040
2.0%-2.9%: Nineteen (19) and seventeen (17) notes payable and lines of credit, interest only, maturities through November 2020.	3,703,000	3,663,000
3.0%: Eight (8) and nine (9) notes payable and lines of credit, principal and interest or interest only, payable periodically, various maturities through March 2026.	1,362,500	1,372,500
	<u>26,100,904</u>	<u>24,375,904</u>
Less current portion	<u>(6,707,500)</u>	<u>(3,523,000)</u>
	<u>\$ 19,393,404</u>	<u>\$ 20,852,904</u>

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 7. Notes Payable, Bonds Payable and Lines of Credit (Continued)

Principal maturity requirements on notes payable subsequent to June 30, 2017, are as follows:

Years ending June 30:	
2018	\$ 6,707,500
2019	2,855,000
2020	5,572,040
2021	1,215,000
2022	2,429,091
Thereafter	7,322,273
	<u>\$ 26,100,904</u>

Undisbursed commitments to borrow: In the ordinary course of business, the Loan Fund has entered into lines of credit, which includes undisbursed commitments to borrow. Undisbursed commitments to borrow and the outstanding balances at June 30, 2017, are as follows:

	<u>Total Line of Credit</u>	<u>June 30, 2017 Outstanding</u>
Unsecured revolving line of credit with HSBC Bank USA at a 2.25% interest rate with a maturity date of December 31, 2021, and a draw period through December 31, 2017.	\$ 4,000,000	\$ 1,000,000
Unsecured revolving line of credit with TD Bank at a 2.25% interest rate with a maturity date of December 18, 2023, and a draw period through December 18, 2018.	6,000,000	3,000,000
Unsecured revolving line of credit with Bank United at a floating interest rate of the prime rate less 1.25% with a floor of 2% and ceiling of 3%. The line of credit's draw period ended July 25, 2016 and matures on July 25, 2019.	2,000,000	1,000,000
Unsecured line of credit with Comerica at a floating interest rate of 1-Month LIBOR plus 1.75% and matures on January 1, 2020.	1,000,000	250,000
Unsecured line of credit with Mercantil at a 2% interest rate with a maturity date of May 21, 2021.	250,000	-
Unsecured line of credit with Mercantil at a 2% interest rate with a maturity date of March 20, 2024.	250,000	250,000
Unsecured line of credit with Sabadell United Bank at a 3% interest rate with a maturity date of January 26, 2021.	250,000	-
	<u>\$ 13,750,000</u>	<u>\$ 5,500,000</u>

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 8. Other Liabilities – Equity Equivalent Investments

The Organization has outstanding amounts due under equity equivalent subordinated promissory note agreements at June 30, 2017 and 2016, as follows:

	<u>2017</u>	<u>2016</u>
BBVA Compass, 2% interest only, payable quarterly. Initial ten year term; unsecured; subordinated, and initially matures December 2025, with annual maturity terms thereafter.	\$ 5,000,000	\$ 5,000,000
Wells Fargo, 2% interest only, payable quarterly. Initial ten year term; unsecured; subordinated, and initially matures June 2023, with annual maturity terms thereafter.	2,500,000	2,500,000
Regions Bank, 2% interest only, payable quarterly. Initial ten year term; unsecured; subordinated and matures in January 2018.	500,000	500,000
Regions Bank, 2% interest only, payable annually. Initial ten year term; unsecured; subordinated and matures in July 2018.	500,000	500,000
Raymond James Bank, 2% interest only, payable quarterly. Initial ten year term, unsecured; subordinated and initially matures in December 2023, with five year extended maturity thereafter.	500,000	500,000
	<u>9,000,000</u>	<u>9,000,000</u>
Less current portion	<u>(1,000,000)</u>	<u>(1,000,000)</u>
	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>

These notes are subordinated to all other debt of the Loan Fund.

Principal maturity requirements on equity equivalent investments subsequent to June 30, 2017, are as follows:

Years ending June 30:	
2018	\$ 1,000,000
2019	-
2020	-
2021	-
2022	-
Thereafter	<u>8,000,000</u>
	<u>\$ 9,000,000</u>

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016, are as follows:

	2017	2016
Healthy food access initiative:		
Loan capital grants	\$ 194,465	\$ 1,800,000
Program expense grants	122,000	12,000
	<u>\$ 316,465</u>	<u>\$ 1,812,000</u>

The Reinvestment Fund, through the JPMorgan Chase Foundation CDFI Cluster Demonstration Program, and the CDFI Fund provided loan capital grants for the healthy food access initiative as of June 30, 2017 and 2016.

Florida Partnership for Healthy People and Healthy Places, ReFresh and Allegany Ministries provided grants for program expenses related to healthy food access initiative as of June 30, 2017 and 2016.

Note 10. Commitments

Commitments to extend credit: In the normal course of business to meet the financing needs of its borrowers the Loan Fund is a party to commitments to extend credit. Those instruments involve, to varying degrees, elements of credit, liquidity and interest rate risk in excess of the amount recognized in the statement of financial position. The Loan Fund uses the same credit policies in making commitments to extend credit as it does for extension of credits recorded in the statements of financial position. The Loan Fund's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amount of those instruments.

Commitments to extend credit include new loan commitments and line of credit agreements to lend to a borrower as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. There were twelve new loan commitments at June 30, 2017, for \$10,978,000 and six new loan commitments at June 30, 2016, for \$4,616,000. In addition, undisbursed borrowers' lines of credit approximated \$12,706,000 and \$12,988,000 (see Note 5) at June 30, 2017 and 2016, respectively.

The Loan Fund evaluates each borrower's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the borrower.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 11. Lease Commitments

The Loan Fund leases its office site and other office equipment. These leases have remaining terms of one to five years and are accounted for as operating leases. Rent expense under the said leases was approximately \$104,000 for the years ended June 30, 2017 and 2016, respectively, and is included in occupancy and office and administrative in the accompanying statements of functional expenses. Commitments for future rentals, by year and in the aggregate, to be paid as of June 30, 2017, are as follows:

Years ending June 30:		
2018	\$	28,565
2019		14,972
2020		15,422
2021		15,884
2022		14,960
	\$	<u>89,803</u>

Note 12. Employee Retirement Plan

The Loan Fund has a defined contribution retirement plan for employees, which permits pre-tax contributions to the plan by participants pursuant to Section 403(b) of the Internal Revenue Code up to the legal maximums, as defined. The Loan Fund makes contributions based on a formula set forth in its personnel policies. Participants are immediately vested in their contributions and the Loan Fund's contributions. The Loan Fund made contributions to the plan for the fiscal years ending June 30, 2017 and 2016, of approximately \$164,000 and \$137,000, respectively, which are included in payroll and related costs in the accompanying statements of activities.

Note 13. Fair Value Measurements

The fair value measurement accounting literature provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels are defined as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement on a recurring or nonrecurring basis.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 13. Fair Value Measurements (Continued)

The fair values of assets measured at fair value on a recurring basis during the years ended June 30, 2017 and 2016, are as follows:

	2017			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Short-term bonds	\$ 722,923	\$ -	\$ -	\$ 722,923
Debt securities:				
Domestic corporate debt securities	-	2,366,166	-	2,366,166
Foreign corporate debt securities	-	53,840	-	53,840
	-	2,420,006	-	2,420,006
	\$ 722,923	\$ 2,420,006	\$ -	\$ 3,142,929
	2016			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Short-term bonds	\$ 686,882	\$ -	\$ -	\$ 686,882
Debt securities:				
Domestic corporate debt securities	-	2,381,850	-	2,381,850
Foreign corporate debt securities	-	143,236	-	143,236
	-	2,525,086	-	2,525,086
	\$ 686,882	\$ 2,525,086	\$ -	\$ 3,211,968

The fair value of actively traded investment securities are based on quoted market prices. Fair value of inactively traded investment securities are based on quoted market prices of similar securities or based on observable inputs like interest rates using either a market or income valuation approach and are generally classified as Level 2.

Florida Community Loan Fund, Inc.

Notes to Financial Statements

Note 13. Fair Value Measurements (Continued)

The fair values of assets measured at fair value on a nonrecurring basis during the years ended June 30, 2017 and 2016, are as follows:

	2017			Provision for Loan Losses (Recoveries)
	Level 1	Level 2	Level 3	
Impaired loans	\$ -	\$ -	\$ 424,800	\$ 83,623

	2016			Provision for Loan Losses (Recoveries)
	Level 1	Level 2	Level 3	
Impaired loans	\$ -	\$ -	\$ 1,237,352	\$ 64,096

Impaired loans include certain loans for which an allowance for loan losses has been calculated based upon the fair value of underlying real estate collateral. The allowance for loan losses was calculated by reference to real estate appraisals that used a combination of cost, market and income approaches to valuation and/or reported tax assessed values, adjusted to reflect management's estimate of selling costs. In some cases, appraised values were adjusted based on management's assessment of changes in market conditions since the appraisal date.

Non-accrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Impaired loans include commercial loans that are individual evaluated for impairment and deemed impaired (i.e., individually classified impaired loans) as well as troubled debt restructurings for all loan portfolio segments. The sum of non-accrual loans and loans past due 90 days still on accrual will differ from the total impaired loan amount.

Note 14. Subsequent Event

In September 2017, the Loan Fund was awarded a \$776,500 Core Financial Assistance award and a \$1,000,000 Healthy Foods Financing Initiative Financial Assistance award from the United States Department of Treasury's CDFI Fund towards its lending programs.

In September 2017, the Loan Fund closed a \$30,000,000 long-term secured bond loan from Opportunity Finance Network through the United States Department of Treasury's CDFI Fund Bond Guarantee program towards its lending program. As of October 30, 2017, \$0 is outstanding on this bond agreement.

In September 2017, the Loan Fund was awarded a three-year \$5,000,000 grant from JPMorgan Chase Foundation in support of PRO Neighborhoods: Rental Housing Innovations.

Florida Community Loan Fund, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

Grantor/Pass-Through/Program Title	Contract or Grant Number	Federal CFDA #	Grant Period	Federal Expenditures
Federal awards:				
U.S. Department of the Treasury passed through the Community Development Financial Institutions Fund -				
Community Development Financial Institutions Program	161FA020535	21.020	09/27/2016 – 06/30/2020	\$ 2,000,000
Community Development Financial Institutions Program	151FAD13704	21.020	09/10/2015 – 06/30/2019	1,500,000
Total expenditures of federal awards				<u>\$ 3,500,000</u>

See notes to schedule of expenditures of federal awards.

Florida Community Loan Fund, Inc.

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Florida Community Loan Fund, Inc. (the Organization) under a program of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers (contract or grant number) are presented where available.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Florida Community Loan Fund, Inc.
Orlando, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Community Loan Fund, Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Florida Community Loan Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Florida Community Loan Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Florida Community Loan Fund's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Florida Community Loan Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Orlando, Florida
October 30, 2017

**Independent Auditor's Report on Compliance for Major Federal Program;
Report on Internal Control Over Compliance**

To the Board of Directors
Florida Community Loan Fund, Inc.
Orlando, Florida

Report on Compliance for Each Major Federal Program

We have audited Florida Community Loan Fund, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Florida Community Loan Fund, Inc.'s major federal program for the year ended June 30, 2017. Florida Community Loan Fund, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Florida Community Loan Fund, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Florida Community Loan Fund, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Florida Community Loan Fund, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Florida Community Loan Fund, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Florida Community Loan Fund, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Florida Community Loan Fund, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Florida Community Loan Fund, Inc.'s internal control over compliance.

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

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

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

RSM US LLP

Orlando, Florida
October 30, 2017

Florida Community Loan Fund, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

Section I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes X No

(Continued)

Florida Community Loan Fund, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

Section I. Summary of Auditor's Results (Continued)

Identification of major programs:

Federal Awards

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.020	Community Development Financial Institutions Program

Dollar threshold used to distinguish between Type A and Type B Federal Programs \$750,000

Auditee qualified as low-risk auditee? Yes X No

Section II. Financial Statement Findings

No matters were reported.

Section III. Findings and Questioned Costs for Federal Awards

No matters were reported

Section IV. Other Reporting

1. No Corrective Action Plan is presented because there were no findings required to be reported under the Federal Single Audit Act.
2. No Summary Schedule of Prior Audit Findings is presented because there were no prior audit findings related to federal awards.
3. There was no management letter or control deficiency letter issued for the year ended June 30, 2017, and there were no matters required to be reported in these letters.