

Judson B. Baggett, CPA, PA

Certified Public Accountants

Judson B. Baggett, MBA, CPA, CVA, Partner
Marci Reutimann, CPA, Partner

6815 Dairy Road
Zephyrhills, FL 33542
Phone: (813) 788-2155
Fax: (813) 782-8606

System Review Report

To the Owner
Tuscan & Company, PA
and the Peer Review Committee of the Florida Institute of Certified Public Accountants

September 1, 2009

We have reviewed the system of quality control for the accounting and auditing practice of Tuscan & Company, PA (the firm), in effect for the year ended March 31, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control, and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by standards, engagements selected for review included engagements performed under the *Government Auditing Standards*, and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Tuscan & Company, PA in effect for the year ended March 31, 2009, has been suitable designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiencies*, or *fail*. Tuscan & Company, PA has received a peer review rating of *pass*.


JUDSON B. BAGGETT, MBA, CPA, CVA
Reviewer

(TUSCAN_REPORT)

**COMMUNITY HOUSING AND
RESOURCES, INC.**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION TOGETHER WITH
REPORT OF INDEPENDENT AUDITOR**

**YEARS ENDED
SEPTEMBER 30, 2012 AND 2011**

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1-2
<u>Financial Statements</u>	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7-20
<u>Supplementary Information</u>	
Schedule of Activities by CHR - Year Ended September 30, 2012.....	21-22
Schedule of Activities by CHR - Year Ended September 30, 2011.....	23-24



TUSCAN
& Company, PA

Certified Public Accountants & Consultants

Affiliations

Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Housing and Resources, Inc.
2401 Library Way
Sanibel, Florida 33957

We have audited the accompanying statements of financial position of Community Housing and Resources, Inc. (a not-for-profit organization) as of September 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Community Housing and Resources, Inc.'s management. 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. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in NOTE A to the financial statements, financial accounting standards require entities with common managerial, operational and financial control to be combined and reported as a single economic and financial entity. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810-50-1 (formerly SOP 94-3, "Reporting of Related Entities by Not-for-Profit Organizations") for financial reporting purposes, Community Housing and Resources, Inc. and Coast and Island Community Land Trust, Inc. are considered to be such a single economic and financial entity. Coast and Island Community Land Trust simply acts as a land trust and holds title and/or land leases to certain land on which Community Housing and Resources, Inc. carries out its mission. Within these financial statements the entities will be collectively referred to as Community Housing Resources, Inc. These financial statements do include the assets, liabilities, net assets and changes in net assets of both entities.

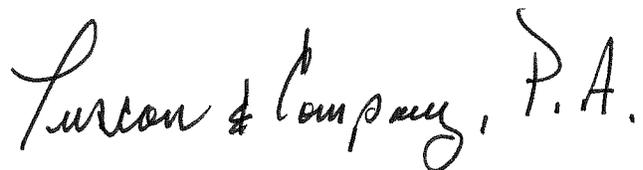
INTEGRITY SERVICE EXPERIENCE

12621 World Plaza Lane, Building 55 • Fort Myers, FL 33907 • Phone: (239) 333-2090 • Fax: (239) 333-2097

Board of Directors
Community Housing and Resources, Inc.
Page 2

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, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements of Community Housing and Resources, Inc. taken as a whole. The accompanying Schedule of Activities by CHR - Year Ended September 30, 2012 and Schedule of Activities by CHR - Year Ended September 30, 2011 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is required by the City of Sanibel and is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Activities by CHR - Year Ended September 30, 2012 and Schedule of Activities by CHR - Year Ended September 30, 2011 are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Tuscan & Company, P.A.".

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
November 9, 2012

COMMUNITY HOUSING AND RESOURCES, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents (including restricted cash of \$45,236 and \$38,359, respectively)	\$ 48,480	\$ 43,651
Accounts receivable	-	6,349
Inventory	218,000	872,000
Prepays and deposits	<u>14,260</u>	<u>20,877</u>
TOTAL CURRENT ASSETS	<u>280,740</u>	<u>942,877</u>
PROPERTY AND EQUIPMENT, NET (Accumulated depreciation of \$2,326,954 and \$2,178,330 respectively)	<u>5,225,524</u>	<u>5,569,298</u>
TOTAL OTHER ASSETS	<u>5,225,524</u>	<u>5,569,298</u>
TOTAL ASSETS	<u>\$ 5,506,264</u>	<u>\$ 6,512,175</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 33,440	\$ 104,433
Accounts payable	42,798	261,585
Accrued payroll and taxes	-	1,847
Loan payable	30,000	-
Deferred rent	636	3,812
Security deposits	<u>36,775</u>	<u>35,900</u>
TOTAL CURRENT LIABILITIES	<u>143,649</u>	<u>407,577</u>
OTHER LIABILITIES		
Accrued compensated absences	12,955	11,866
Long-term debt, net of current portion	1,619,552	2,140,231
LEO appreciation liability	<u>77,866</u>	<u>38,933</u>
TOTAL OTHER LIABILITIES	<u>1,710,373</u>	<u>2,191,030</u>
COMMITMENTS AND CONTINGENCIES		
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,854,022</u>	<u>2,598,607</u>
NET ASSETS		
Unrestricted	3,652,242	3,911,109
Temporarily restricted	<u>-</u>	<u>2,459</u>
TOTAL NET ASSETS	<u>3,652,242</u>	<u>3,913,568</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,506,264</u>	<u>\$ 6,512,175</u>

The accompanying notes are an integral part of this statement.

COMMUNITY HOUSING AND RESOURCES, INC.
STATEMENTS OF ACTIVITIES
Years ended September 30, 2012 and 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
CHANGES IN NET ASSETS			
SUPPORT AND REVENUE			
State grants - SHIP	\$ -	\$ -	\$ -
Unit sales	889,000	-	889,000
City of Sanibel support	-	262,696	262,696
Rent and utility contribution	506,132	-	506,132
Public support	72,003	-	72,003
Interest income	21	-	21
Other income	7,214	-	7,214
	<u>1,474,370</u>	<u>262,696</u>	<u>1,737,066</u>
TOTAL SUPPORT AND REVENUE	1,474,370	262,696	1,737,066
Net Assets Released from Restrictions	<u>265,155</u>	<u>(265,155)</u>	<u>-</u>
TOTAL	<u>1,739,525</u>	<u>(2,459)</u>	<u>1,737,066</u>
EXPENSES			
Program services	1,930,878	-	1,930,878
Supporting services	67,514	-	67,514
	<u>1,998,392</u>	<u>-</u>	<u>1,998,392</u>
TOTAL EXPENSES	1,998,392	-	1,998,392
INCREASE (DECREASE) IN NET ASSETS	(258,867)	(2,459)	(261,326)
NET ASSETS, BEGINNING OF YEAR	<u>3,911,109</u>	<u>2,459</u>	<u>3,913,568</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,652,242</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,652,242</u></u>

The accompanying notes are an integral part of this statement.

2011		
Unrestricted	Temporarily Restricted	Total
\$ -	\$ 17,784	\$ 17,784
256,000	-	256,000
-	255,044	255,044
552,295	-	552,295
33,075	-	33,075
24	-	24
<u>9,742</u>	<u>-</u>	<u>9,742</u>
851,136	272,828	1,123,964
<u>238,152</u>	<u>(238,152)</u>	<u>-</u>
<u>1,089,288</u>	<u>34,676</u>	<u>1,123,964</u>
1,196,566	-	1,196,566
<u>70,256</u>	<u>-</u>	<u>70,256</u>
<u>1,266,822</u>	<u>-</u>	<u>1,266,822</u>
(177,534)	34,676	(142,858)
<u>4,088,643</u>	<u>(32,217)</u>	<u>4,056,426</u>
<u>\$ 3,911,109</u>	<u>\$ 2,459</u>	<u>\$ 3,913,568</u>

The accompanying notes are an integral part of this statement.

COMMUNITY HOUSING AND RESOURCES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended September 30, 2012 and 2011

FUNCTIONAL EXPENSES	2012			
	SUPPORTING SERVICES			
	Program Services	Admin.	Fund Raising	Total Supporting Services
Compensation and related expenses				
Salaries	\$ 150,072	\$ 37,750	\$ -	\$ 37,750
Fringe benefits	13,156	3,289	-	3,289
Payroll taxes	18,041	4,510	-	4,510
	181,269	45,549	-	45,549
Accounting	16,551	1,839	-	1,839
Advertising and promotion	1,156	-	-	-
Bad debt	4,959	-	-	-
Bank charges	771	86	-	86
CICLT expense (HOA)	9,175	-	-	-
City of Sanibel rental payment	50,000	-	-	-
Communication and web page	1,960	218	-	218
Contract labor	762	762	-	762
Cost of units sold	826,891	-	-	-
Credit verification	1,165	-	-	-
Grants to individuals	165,000	-	-	-
Homeowners association fees	8,568	-	-	-
Insurance	96,790	10,231	-	10,231
Interest	120,992	-	-	-
LEO appreciation	38,933	-	-	-
Licenses and fees	305	-	-	-
Loss on disposal of assets	-	-	-	-
Miscellaneous	1	326	-	326
Office expense	1,600	178	-	178
Printing	1,270	1,270	-	1,270
Professional fees	4,643	-	-	-
Property taxes	-	-	-	-
Rent	7,602	-	-	-
Repairs and maintenance	59,624	2,107	-	2,107
Tenant assistance activities	9,434	-	-	-
Travel	2,616	-	-	-
Utilities	80,353	3,907	-	3,907
TOTAL EXPENSES				
BEFORE DEPRECIATION	1,692,390	66,473	-	66,473
Depreciation and amortization	238,488	1,041	-	1,041
TOTAL EXPENSES	\$ 1,930,878	\$ 67,514	\$ -	\$ 67,514

The accompanying notes are an integral part of this statement.

2011					
Total Expenses	SUPPORTING SERVICES				Total Expenses
	Program Services	Admin.	Fund Raising	Total Supporting Services	
\$ 187,822	\$ 141,894	\$ 31,595	\$ -	\$ 31,595	\$ 173,489
16,445	25,761	5,736	-	5,736	31,497
<u>22,551</u>	<u>12,716</u>	<u>2,831</u>	<u>-</u>	<u>2,831</u>	<u>15,547</u>
226,818	180,371	40,162	-	40,162	220,533
18,390	60,966	6,774	-	6,774	67,740
1,156	1,474	-	-	-	1,474
4,959	-	-	-	-	-
857	1,507	167	-	167	1,674
9,175	13,749	-	-	-	13,749
50,000	50,000	-	-	-	50,000
2,178	1,831	204	-	204	2,035
1,524	1,913	1,912	-	1,912	3,825
826,891	69,109	-	-	-	69,109
1,165	835	-	-	-	835
165,000	51,583	-	-	-	51,583
8,568	11,435	-	-	-	11,435
107,021	89,898	9,705	-	9,705	99,603
120,992	151,611	-	-	-	151,611
38,933	38,933	-	-	-	38,933
305	770	-	-	-	770
-	-	122	-	122	122
327	1	175	-	175	176
1,778	1,149	128	-	128	1,277
2,540	707	707	-	707	1,414
4,643	14,733	-	-	-	14,733
-	5,689	-	-	-	5,689
7,602	36,163	-	-	-	36,163
61,731	74,267	4,079	-	4,079	78,346
9,434	6,036	-	-	-	6,036
2,616	4,180	-	-	-	4,180
<u>84,260</u>	<u>83,136</u>	<u>4,376</u>	<u>-</u>	<u>4,376</u>	<u>87,512</u>
1,758,863	952,046	68,511	-	68,511	1,020,557
<u>239,529</u>	<u>244,520</u>	<u>1,745</u>	<u>-</u>	<u>1,745</u>	<u>246,265</u>
<u>\$ 1,998,392</u>	<u>\$ 1,196,566</u>	<u>\$ 70,256</u>	<u>\$ -</u>	<u>\$ 70,256</u>	<u>\$ 1,266,822</u>

The accompanying notes are an integral part of this statement.

COMMUNITY HOUSING AND RESOURCES, INC.
STATEMENTS OF CASH FLOWS
Years ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Cash received from grants - State	\$ -	\$ 15,284
Cash received from grants - Federal	-	-
Cash received from donors, tenants, homebuyers, and other operating activities	1,698,606	1,096,966
Cash paid to suppliers, cost of sales and employees	(993,215)	(707,962)
Interest paid	(120,992)	(151,611)
Interest received	21	24
Other income	<u>7,214</u>	<u>9,742</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>591,634</u>	<u>262,443</u>
CASH FLOWS FROM		
INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(25,133)</u>	<u>(29,737)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(25,133)</u>	<u>(29,737)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of principal on long-term debt	(591,672)	(206,280)
Proceeds from issuance of debt	<u>30,000</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(561,672)</u>	<u>(206,280)</u>
NET INCREASE IN CASH	4,829	26,426
CASH, BEGINNING OF YEAR	<u>43,651</u>	<u>17,225</u>
CASH, END OF YEAR	<u>\$ 48,480</u>	<u>\$ 43,651</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>2012</u>	<u>2011</u>
Increase (decrease) in net assets	\$ (261,326)	\$ (142,858)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	239,529	246,265
Non-cash increase in LEO appreciation liability	38,933	38,933
(Increase) decrease in accounts receivables, net	6,349	(867)
(Increase) decrease in due from Lee County - SIFR	-	5,112
(Increase) decrease in inventory/cost of sales	783,378	46,621
(Increase) decrease in prepaids and deposits	6,617	27,164
Increase (decrease) in accounts payable	(218,787)	65,439
Increase (decrease) in accrued liabilities	(1,847)	(16,810)
Increase (decrease) in deferred revenue - grant	-	(2,500)
Increase (decrease) in deferred revenue - rent	(3,176)	2,032
Increase (decrease) in security deposits	875	(5,725)
Increase (decrease) in accrued compensated absences	1,089	(363)
	<u>852,960</u>	<u>405,301</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 591,634</u>	<u>\$ 262,443</u>

NON-CASH TRANSACTIONS

The Organization was forgiven an accounts payable liability in the amount of \$30,314 for the fiscal year ended September 30, 2012.

The Organization wrote off bad debt in the amount of \$4,959 for the fiscal year ended September 30, 2012.

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"). The Organization's objective is to promote and assist in the provision of affordable below market-rate work force 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 operates two (2) programs to meet its mission. As such, CHR provides below market-rate rental opportunities for the Island workforce as well as a partially subsidized home ownership program. CHR owns and operates housing units on the Island of Sanibel in which it operates and manages these programs. To a much lesser degree it acts as rental agent to place the targeted client population in third-party homes, although this program is being eliminated.

CHR, generally, leases land on a long-term basis from the City of Sanibel for \$1 per year, then builds housing units on the land to rent and/or sell. CHR did buy one land parcel (Centre Place) and built housing units it intends to sell and rent. 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 act as a land trust and hold 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 Resources or CHR.

These financial statements, however, do not include (and are not required to) 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. The HOA operations did commence in calendar year 2011. The HOA has a calendar year fiscal year. CHR's Centre Place, Beach Road and Whitehall housing units, both rental and sale units, are included in the HOA.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 accounting and reporting policies of Community Housing and Resources are in accordance with the auditing and accounting standards issued by the American Institute of Certified Public Accountants in its audit guide, "Not-for-Profit Organizations," under the provisions for Voluntary Health and Welfare Organizations. As noted previously, these financial statements also include the financial activity, assets, liabilities and net assets of CICLT.

Community Housing and Resources reports its financial statements in accordance with the Not-For-Profit Entities Topic of the FASB ASC. This topic requires Community Housing Resources 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. In addition, Community Housing and Resources is required to present a statement of cash flows. Community Housing and Resources had no permanently restricted net assets as of September 30, 2012 or 2011.

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 up to \$250,000 per institution.

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

Cash, continued

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, 2012 and 2011, CHR held no such cash equivalents.

Investments

Investments include 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, 2012 and 2011, CHR held no such investments.

Inventory

Inventory, at September 30, 2012, consists of one (1) unsold unit at the Centre Place complex and is stated at the lower of cost or market using the first-in first-out inventory method.

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 unrestricted support 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 restricted support. Absent donor stipulations, Community Housing and Resources report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Community Housing and Resources reclassifies temporarily restricted net assets to unrestricted net assets 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. Debt related interest costs were capitalized as part of property and equipment during the year ended September 30, 2010. No debt related interest costs were capitalized during the year ended September 30, 2012 and 2011.

Property and equipment held under capital leases is recorded at cost which approximates the present value of minimum lease payments over the term of the lease and is amortized using the straight-line method over their estimated useful lives. At September 30, 2012 and 2011, Community Housing and Resources held assets in the amount of \$4,400 and \$4,400, respectively, under a capital lease.

The Federal government, as well as the State of Florida, have rights and/or security interests over certain property acquired, partially, with grant funds.

Impairment of Fixed Assets

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, 2012 or 2011.

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

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 unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, or when the purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. For the years ended September 30, 2012 and 2011, Community Housing and Resources had no permanently restricted net assets.

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. However, no allocation of these supporting services costs has been made by Community Housing and Resources, as no objective allocation basis is available.

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

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 Coalition's income tax returns for the past three years are 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.

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, accrued expenses, and long term debt. The carrying amounts of these items approximate their fair value.

Leases

Rental units owned by Community Housing and Resources were approximately 92 % occupied September 30, 2012 and 89% occupied at September 30, 2011. These units are rented to individuals on one-year cancelable leases subject to the provisions of the below market rate housing program guidelines. Therefore, no future rental income disclosures are required.

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

Donated Materials and Services

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

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, 2012 and 2011, and revenues and expenses during the years ended September 30, 2012 and 2011. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through November 9, 2012, which is the date the financial statements were available to be issued.

NOTE B - CASH AND INVESTMENTS

Cash consists of the following at September 30:

	<u>2012</u>	<u>2011</u>
Depository account - unrestricted	\$ 3,244	\$ 5,292
Depository accounts - restricted	<u>45,236</u>	<u>38,359</u>
	<u>\$ 48,480</u>	<u>\$ 43,651</u>

COMMUNITY HOUSING AND RESOURCES, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE B - CASH AND INVESTMENTS, CONTINUED

Restricted cash is comprised of the following at September 30:

	<u>2012</u>	<u>2011</u>
Tenant assistance fund	\$ 8,461	\$ 2,459
Tenant security deposits	<u>36,775</u>	<u>35,900</u>
	<u>\$ 45,236</u>	<u>\$ 38,359</u>

Florida Statutes Chapter 83.49 requires that the tenant security deposits be held in a separate bank account. At September 30, 2012 and 2011, such deposits were properly held in a separate bank account. At September 30, 2012 and 2011, 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. Community Housing and Resources' cash accounts and certificate of deposit were fully covered by Federal Depository Insurance at both September 30, 2012 and 2011.

NOTE C - INVENTORY

Inventory consists of the following at September 30:

	<u>2012</u>	<u>2011</u>
Centre Place - 3 bedroom unit(s)	<u>\$ 218,000</u>	<u>\$ 872,000</u>

One (1) unit was held at September 30, 2012 and four (4) units at September 30, 2011.

COMMUNITY HOUSING AND RESOURCES, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	<u>2012</u>	<u>2011</u>
Land	\$ 768,913	\$ 823,913
Buildings and improvements, rentals	6,764,235	6,904,385
Furniture and equipment	14,930	14,930
Equipment under capital lease	<u>4,400</u>	<u>4,400</u>
	7,552,478	7,747,628
Accumulated depreciation	<u>(2,326,954)</u>	<u>(2,178,330)</u>
	<u>\$ 5,225,524</u>	<u>\$ 5,569,298</u>

Accumulated depreciation on assets held under capital lease totaled \$1,760 and \$880 at September 30, 2012 and 2011, respectively.

Depreciation expense for the years ended September 30, 2012 and 2011, was \$239,529 and \$246,265, respectively, including assets held under capital lease.

NOTE E - LOAN PAYABLE

CHR has a short-term demand loan payable from a related party which acts as a line of credit for the Organization. The loan is unsecured and non-interest bearing. At September 30, 2012, the loan balance was \$30,000. The loan balance was \$0 at September 30, 2011.

COMMUNITY HOUSING AND RESOURCES, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE F - LONG-TERM DEBT

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

	2012	2011
Mortgage payable (\$2,400,000), to a financial institution, payable in monthly installments of principal and interest of \$9,474. Interest accrues at 6.5% for 60 monthly payments beginning November 24, 2011, then 239 monthly payments including interest at Prime plus 1%. Interest rate floor is 6.5%. Final payment is due October 24, 2036. The obligation is collateralized by various real property. It is also cross collateralized by the \$815,000 mortgage payable. The State of Florida, Department of Community Affairs, has a secondary lien on this real estate until the respective units are sold. Interest rate at September 30, 2012 was 6.50%	\$ 885,543	\$1,390,822
Mortgage payable (\$815,000), to a financial institution, payable in 240 monthly installments of \$5,201 including principal and interest at a fixed rate of 6.5%. The obligation is collateralized by various real property and all future rents. It is also cross collateralized by the \$2,400,000 mortgage payable and the \$70,788 note payable plus 4 units at Lake Palms. Final principal payment of approximately \$461,412 is due February 25, 2028.	766,245	780,326
Note payable (\$70,788) to a financial institution, in monthly installments of interest at a rate of 5.5%. Principal due in full September 2, 2012. The obligation is cross collateralized with the \$815,000 and the \$2,400,000 mortgages plus 4 units at Lake Palms.	-	70,788
Capital lease payable to a corporation, in (36) monthly installments of \$127 including principal and interest. The obligation is collateralized by the respective equipment. Interest accrues at 2.5%. Final payment due 2013.	1,204	2,728
	1,652,992	2,244,664
Current Portion	(33,440)	(104,433)
Long-Term Portion	\$1,619,552	\$2,140,231

COMMUNITY HOUSING AND RESOURCES, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE F - LONG-TERM DEBT, CONTINUED

Certain of the debt agreements noted above contain restrictive covenants and conditions.

Interest expense related to long-term debt was \$118,608 and \$149,342 for the years ended September 30, 2012 and 2011, respectively.

Principal maturities of long-term debt are as follows:

Year Ending September 30	Amount
2013	\$ 33,440
2014	34,365
2015	36,686
2016	38,974
2017	41,796
2018-2022	255,142
2023-2027	353,776
2028-2032	735,254
2033-2037	123,559
	<u>\$1,652,992</u>

NOTE G - SCHEDULE OF NET ASSETS

Net assets are available for the following purposes at September 30:

	2012	2011
Unrestricted - general operations	\$3,652,242	\$3,911,109
Temporarily restricted	<u>-</u>	<u>2,459</u>
	<u>\$3,652,242</u>	<u>\$3,913,568</u>

Restricted net assets are intended to reflect the difference between restricted cash and liabilities payable from restricted cash (security deposits). At September 30, 2012 and 2011, security deposits were properly funded.

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.

The remaining unit in inventory was partially funded with a \$40,000 State Housing Initiative Program (SHIP) grant and a \$30,000 HUD - Home grant for a total of \$70,000. Under the terms of the grant, the unit must be sold to a qualified low-income individual or family. If this requirement cannot be satisfied within the period established by the grant, the grant funds may have to be returned to the grantor organization.

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, 2012 and 2011, approximately 44% and 72% 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 Casa Mariposa Construction Funding Agreement requires 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 fiscal year end of September 30, 2012 and 2011. These amounts were paid as noted below by CHR to the City of Sanibel under this agreement for the years ended September 30, 2012 or 2011.

NOTE J - RELATED PARTY TRANSACTIONS, CONTINUED

The 2003 CHR/City of Sanibel Woodhaven Construction Funding Agreement requires CHR to pay the City of Sanibel \$50,000 each fiscal year. A credit against this payment is given for the amount paid by CHR each December for the Casa Mariposa net rental proceeds. Under this agreement and in light of the above noted agreement, CHR paid the City \$50,000 and \$50,000 for the years ended September 30, 2012 and 2011, respectively.

The CHR/City of Sanibel Agreement provides that the City has designated CHR as its affordable housing agency. As such, the City provides office space, utilities, certain office supplies (limited to \$4,500 annually) and maintenance services to CHR free of charge. No amounts for these services have been provided for in these financial statements as no objective method has been determined to do so.

The City of Sanibel also provided CHR operating revenue of \$262,696 and \$255,044 for the years ended September 30, 2012 and 2011, respectively.

At September 30, 2012 and 2011, CHR recorded amounts due to the City of Sanibel of \$0 and \$25,012 respectively.

As described in Note E, CHR has an unsecured, non-interest bearing demand loan payable to a related party in the amount of \$30,000 at September 30, 2012. The note acts as a form of a line of credit for CHR and was repaid subsequent to year end.

NOTE K - PENSION PLAN

CHR maintains a salary continuation plan (individual IRA plans) covering all fulltime employees meeting certain eligibility requirements. The plan provides for semiannual employer contributions to the plan at a (3% of fulltime employee gross wages) fixed amount. The plan also provides for voluntary contributions by participants. During the years ended September 30, 2012 and 2011, CHR contributed \$1,650 and \$2,773, 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, 2012 or 2011 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, 2012 or September 30, 2011.

NOTE M - TENANT'S INDEXED APPRECIATION PERCENTAGE

As part of the sales contracts for units sold by Community Housing and Resources, 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. This guaranteed amount can be reduced by CHR for repairs required to resell the unit. Since the eight (8) units sold by CHR during the year ended September 30, 2010 were sold on September 30, 2010, no accrual was required at September 30, 2010. For the years ended September 30, 2012 and 2011, the indexed appreciation percentage liability was \$25,956 and \$12,978 respectively and the conditional guaranteed appreciation liability was \$51,910 and \$25,955 respectively. These amounts are collectively reflected as "LEO appreciation liability" of \$77,866 and \$38,933 on the Statement of Net Assets at September 30, 2012 and 2011 respectively.

SUPPLEMENTARY INFORMATION

COMMUNITY HOUSING AND RESOURCES, INC.
SCHEDULE OF ACTIVITIES BY CHR
Year Ended September 30, 2012

	CHR Direct Cost			
SUPPORT AND REVENUE	Airport	Algiers	Beach	Belding
State grants - SHIP	\$ -	\$ -	\$ -	\$ -
Federal grants - CDBG/Home	-	-	-	-
Unit sales	-	-	-	235,000
City of Sanibel Support	50,727	1,813	3,625	-
Rent and utility contribution	83,600	5,008	7,213	4,116
Public support	-	-	-	-
Interest income	-	-	-	-
Other income	505	100	-	40
TOTAL SUPPORT AND REVENUE	<u>134,832</u>	<u>6,921</u>	<u>10,838</u>	<u>239,156</u>
FUNCTIONAL EXPENSES				
Compensation and related expenses	43,799	1,565	3,130	-
Accounting	-	-	-	-
Advertising and promotion	-	-	-	-
Bad debt	2,994	-	-	-
Bank charges	-	-	-	-
CICLT expense (HOA)	-	-	900	-
City of Sanibel rental payment	-	-	-	-
Communication and web page	-	-	-	-
Contract labor	-	-	-	-
Cost of units sold	-	-	-	163,185
Credit verification	-	-	-	-
Depreciation and amortization	27,671	1,038	-	2,035
Grants to individuals	-	-	-	-
Homeowners association fees	-	-	-	-
Insurance	11,437	-	2,545	(381)
Interest	-	-	-	-
LEO appreciation	-	-	-	-
Licenses and fees	-	-	-	-
Loss on disposal of assets	-	-	-	-
Miscellaneous	-	-	-	-
Office expense	-	-	-	-
Printing	-	-	-	-
Professional fees	-	-	125	-
Rent	-	-	-	-
Repairs and maintenance	8,049	2,013	2,646	128
Tenant assistance activities	3,867	-	-	-
Travel	-	-	-	-
Utilities	13,211	503	934	161
TOTAL EXPENSES	<u>111,028</u>	<u>5,119</u>	<u>10,280</u>	<u>165,128</u>
NET INCOME /LOSS	<u>\$ 23,804</u>	<u>\$ 1,802</u>	<u>\$ 558</u>	<u>\$ 74,028</u>

The accompanying notes are an integral part of this statement.

 CHR Direct Cost

Casa Mariposa	Centre Place	Mahogany	Riverview	Sanibel Highlands	Woodhaven	Wooster
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	654,000	-	-	-	-	-
43,476	30,814	50,727	18,126	5,438	47,075	7,250
97,255	57,170	98,517	30,327	14,718	88,595	15,027
-	-	-	-	-	-	-
-	-	-	-	-	-	-
300	738	1,025	961	40	80	180
<u>141,031</u>	<u>742,722</u>	<u>150,269</u>	<u>49,414</u>	<u>20,196</u>	<u>135,750</u>	<u>22,457</u>
37,538	26,606	43,799	15,650	4,695	40,646	6,260
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,205	760	-	-	-	-
-	20	10	-	-	-	-
-	7,375	-	-	900	-	-
4,284	-	-	-	-	45,716	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	667,230	-	-	-	-	-
-	-	-	-	-	-	-
32,365	51,455	27,785	13,212	5,876	70,669	6,384
-	165,000	-	-	-	-	-
-	-	-	-	-	-	8,568
27,375	18,479	13,729	9,495	2,384	15,556	1,055
21	68,812	-	49,117	-	-	-
-	-	-	-	-	-	-
75	-	-	-	-	75	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10	6	-	-	-	-	6
-	-	-	-	-	-	-
-	-	2,200	-	1,175	-	-
-	-	-	-	-	-	-
9,819	11,281	4,586	2,544	1,115	9,736	1,469
-	2,229	879	380	625	474	980
-	-	-	-	-	-	-
14,362	9,631	14,060	14,993	934	14,501	99
<u>125,849</u>	<u>1,029,329</u>	<u>107,808</u>	<u>105,391</u>	<u>17,704</u>	<u>197,373</u>	<u>24,821</u>
\$ 15,182	\$ (286,607)	\$ 42,461	\$ (55,977)	\$ 2,492	\$ (61,623)	\$ (2,364)

The accompanying notes are an integral part of this statement.

COMMUNITY HOUSING AND RESOURCES, INC.
SCHEDULE OF ACTIVITIES BY CHR, CONTINUED
Year Ended September 30, 2012

SUPPORT AND REVENUE	<u>Total CHR Properties</u>	<u>Clam Bayou</u>	<u>Lakeview</u>
State grants - SHIP	\$ -	\$ -	\$ -
Federal grants - CDBG/Home	-	-	-
Unit sales	889,000	-	-
City of Sanibel Support	259,071	-	-
Rent and utility contribution	501,546	-	-
Public support	-	-	-
Interest income	-	-	-
Other income	3,969	-	-
TOTAL SUPPORT AND REVENUE	<u>1,653,586</u>	<u>-</u>	<u>-</u>
FUNCTIONAL EXPENSES			
Compensation and related expenses	223,688	-	-
Accounting	-	-	-
Advertising and promotion	-	-	-
Bad debt	4,959	-	-
Bank charges	30	-	-
CICLT expense (HOA)	9,175	-	-
City of Sanibel rental payment	50,000	-	-
Communication and web page	-	-	-
Contract labor	-	-	-
Cost of units sold	830,415	-	-
Credit verification	-	-	-
Depreciation and amortization	238,490	-	-
Grants to individuals	165,000	-	-
Homeowners association fees	8,568	-	-
Insurance	101,674	-	-
Interest	117,950	-	-
LEO appreciation	-	-	-
Licenses and fees	150	-	-
Loss on disposal of assets	-	-	-
Miscellaneous	-	-	-
Office expense	22	-	-
Printing	-	-	-
Professional fees	3,500	-	-
Rent	-	-	-
Repairs and maintenance	53,386	-	-
Tenant assistance activities	9,434	-	-
Travel	-	-	-
Utilities	83,389	-	-
TOTAL EXPENSES	<u>1,899,830</u>	<u>-</u>	<u>-</u>
NET INCOME /LOSS	<u>\$ (246,244)</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Private Market - Direct Cost

Rabbit Road	Siesta Pines Ct	Tennis Place	Tropicana	Total Private Mkt Properties	Unallocated Indirect Expenses	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	889,000
3,625	-	-	-	3,625	-	262,696
4,586	-	-	-	4,586	-	506,132
-	-	-	-	-	72,003	72,003
-	-	-	-	-	21	21
-	-	-	-	-	3,245	7,214
<u>8,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,211</u>	<u>75,269</u>	<u>1,737,066</u>
3,130	-	-	-	3,130	-	226,818
-	-	-	-	-	18,390	18,390
-	-	-	-	-	1,156	1,156
-	-	-	-	-	-	4,959
-	-	-	-	-	827	857
-	-	-	-	-	-	9,175
-	-	-	-	-	-	50,000
-	-	-	-	-	2,178	2,178
-	-	-	-	-	1,524	1,524
-	-	-	-	-	(3,524)	826,891
-	-	-	-	-	1,165	1,165
-	-	-	-	-	1,039	239,529
-	-	-	-	-	-	165,000
-	-	-	-	-	-	8,568
-	-	-	-	-	5,347	107,021
-	-	-	-	-	3,042	120,992
-	-	-	-	-	38,933	38,933
-	-	-	-	-	155	305
-	-	-	-	-	-	-
-	-	-	-	-	327	327
-	-	-	-	-	1,756	1,778
-	-	-	-	-	2,540	2,540
-	-	-	-	-	1,143	4,643
7,602	-	-	-	7,602	-	7,602
178	-	-	-	178	8,167	61,731
-	-	-	-	-	-	9,434
-	-	-	-	-	2,616	2,616
<u>321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>321</u>	<u>550</u>	<u>84,260</u>
<u>11,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,231</u>	<u>87,331</u>	<u>1,998,392</u>
<u>\$ (3,020)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,020)</u>	<u>\$ (12,062)</u>	<u>\$ (261,326)</u>

The accompanying notes are an integral part of this statement.

COMMUNITY HOUSING AND RESOURCES, INC.
SCHEDULE OF ACTIVITIES BY CHR (AS REVISED)
Year Ended September 30, 2011

	CHR Direct Cost			
SUPPORT AND REVENUE	Airport	Algiers	Beach	Belding
State grants - SHIP	\$ -	\$ -	\$ -	\$ -
Federal grants - CDBG/Home	-	-	-	-
Unit sales	-	-	-	-
City of Sanibel Support	41,358	3,447	3,447	3,447
Rent and utility contribution	81,820	6,140	8,145	12,298
Public support	4,106	342	342	342
Interest income	4	0	0	0
Other income	2,188	276	412	196
TOTAL SUPPORT AND REVENUE	<u>129,476</u>	<u>10,205</u>	<u>12,346</u>	<u>16,283</u>
FUNCTIONAL EXPENSES				
Compensation and related expenses	27,898	2,325	2,325	2,325
Accounting	-	-	-	-
Advertising and promotion	-	-	-	-
Bad debt	-	-	-	-
Bank charges	20	-	-	-
CICLT expense (HOA)	(61)	(5)	746	(5)
City of Sanibel rental payment	-	-	-	-
Communication and web page	-	-	-	-
Contract labor	-	-	-	-
Cost of units sold	-	-	-	-
Credit verification	28	2	2	2
Depreciation and amortization	27,624	1,076	54	6,064
Grants to individuals	-	-	-	-
Homeowners association fees	-	-	-	235
Insurance	5,698	320	694	1,636
Interest	993	83	83	83
LEO appreciation	-	-	-	-
Licenses and fees	42	4	4	4
Loss on disposal of assets	-	-	-	-
Miscellaneous	-	-	-	-
Office expense	11	1	1	1
Printing	-	-	-	-
Professional fees	2,321	143	143	143
Property Taxes	396	33	33	1,006
Rent	-	-	-	-
Repairs and maintenance	11,506	937	1,469	1,960
Tenant assistance activities	583	49	49	49
Travel	-	-	-	-
Utilities	10,404	212	843	778
TOTAL EXPENSES	<u>87,462</u>	<u>5,179</u>	<u>6,445</u>	<u>14,280</u>
NET INCOME /LOSS	<u>\$ 42,014</u>	<u>\$ 5,026</u>	<u>\$ 5,901</u>	<u>\$ 2,003</u>

The accompanying notes are an integral part of this statement.

 CHR Direct Cost

Casa Mariposa	Centre Place	Mahogany	Riverview	Sanibel Highlands	Woodhaven	Wooster
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,784
-	-	-	-	-	-	-
-	-	-	-	256,000	-	-
41,358	20,679	48,252	34,465	3,447	41,358	13,786
90,529	73,197	102,859	38,743	12,589	83,597	18,775
4,106	2,053	4,790	3,422	342	4,106	1,369
4	2	5	3	0	4	1
<u>627</u>	<u>1,834</u>	<u>934</u>	<u>1,366</u>	<u>453</u>	<u>612</u>	<u>306</u>
<u>136,624</u>	<u>97,766</u>	<u>156,840</u>	<u>77,999</u>	<u>272,831</u>	<u>129,677</u>	<u>52,021</u>
27,898	13,949	32,548	23,248	2,325	27,898	9,299
-	-	-	-	-	-	-
-	1,233	-	-	-	-	-
-	-	-	-	-	-	-
-	20	-	-	-	30	-
(61)	4,602	(71)	(51)	726	(61)	(20)
5,355	-	-	-	-	44,645	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	59,726	-	-
28	14	33	24	2	28	9
32,508	50,973	26,798	13,680	9,584	69,904	6,255
-	-	-	-	51,583	-	-
-	-	-	-	-	-	11,200
8,614	4,968	9,369	6,252	1,018	5,490	1,686
1,023	91,313	1,188	55,298	83	993	473
-	38,933	-	-	-	-	-
117	21	49	35	4	117	14
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11	5	12	9	1	11	4
-	-	-	-	-	-	-
2,321	861	2,708	1,434	1,463	2,321	874
396	2,247	462	484	33	396	202
-	-	-	-	-	-	-
14,959	5,953	11,887	5,505	2,192	14,944	4,335
583	422	1,125	486	89	1,033	194
-	-	-	-	-	-	-
<u>17,258</u>	<u>9,312</u>	<u>12,553</u>	<u>16,784</u>	<u>2,276</u>	<u>16,314</u>	<u>621</u>
<u>111,009</u>	<u>224,826</u>	<u>98,662</u>	<u>123,189</u>	<u>131,104</u>	<u>184,062</u>	<u>35,145</u>
<u>\$ 25,615</u>	<u>(127,060)</u>	<u>\$ 58,178</u>	<u>\$ (45,189)</u>	<u>\$ 141,727</u>	<u>\$ (54,385)</u>	<u>\$ 16,875</u>

The accompanying notes are an integral part of this statement.

COMMUNITY HOUSING AND RESOURCES, INC.
SCHEDULE OF ACTIVITIES BY CHR (AS REVISED), CONTINUED
Year Ended September 30, 2011

SUPPORT AND REVENUE	<u>Total CHR Properties</u>	<u>Clam Bayou</u>	<u>Lakeview</u>
State grants - SHIP	\$ 17,784	\$ -	\$ -
Federal grants - CDBG/Home	-	-	-
Unit sales	256,000	-	-
City of Sanibel Support	255,044	-	-
Rent and utility contribution	528,692	4,650	3,195
Public support	25,320	-	-
Interest income	24	-	-
Other income	9,205	60	-
TOTAL SUPPORT AND REVENUE	<u>1,092,069</u>	<u>4,710</u>	<u>3,195</u>
FUNCTIONAL EXPENSES			
Compensation and related expenses	172,037	-	-
Accounting	-	-	-
Advertising and promotion	1,233	-	-
Bad debt	-	-	-
Bank charges	70	-	-
CICLT expense (HOA)	5,740	-	-
City of Sanibel rental payment	50,000	-	-
Communication and web page	-	-	-
Contract labor	-	-	-
Cost of units sold	59,726	-	-
Credit verification	175	-	-
Depreciation and amortization	244,520	-	-
Grants to individuals	51,583	-	-
Homeowners association fees	11,435	-	-
Insurance	45,744	-	-
Interest	151,611	-	-
LEO appreciation	38,933	-	-
Licenses and fees	409	-	-
Loss on disposal of assets	-	-	-
Miscellaneous	-	176	-
Office expense	65	-	-
Printing	-	-	-
Professional fees	14,733	-	-
Property Taxes	5,689	-	-
Rent	-	5,446	7,137
Repairs and maintenance	75,645	2,701	-
Tenant assistance activities	4,661	1,375	-
Travel	-	-	-
Utilities	87,356	-	-
TOTAL EXPENSES	<u>1,021,365</u>	<u>9,698</u>	<u>7,137</u>
NET INCOME /LOSS	<u>\$ 70,704</u>	<u>\$ (4,988)</u>	<u>\$ (3,942)</u>

The accompanying notes are an integral part of this statement.

Private Market - Direct Cost

Rabbit Road	Siesta Pines Ct	Tennis Place	Tropicana	Total Private Mkt Properties	Unallocated Indirect Expenses	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,784
-	-	-	-	-	-	-
-	-	-	-	-	-	256,000
-	-	-	-	-	-	255,044
5,908	730	5,805	3,315	23,603	-	552,295
-	-	-	-	-	7,755	33,075
-	-	-	-	-	-	24
135	-	-	40	235	302	9,742
<u>6,043</u>	<u>730</u>	<u>5,805</u>	<u>3,355</u>	<u>23,838</u>	<u>8,057</u>	<u>1,123,964</u>
-	-	-	-	-	48,496	220,533
-	-	-	-	-	67,740	67,740
-	-	-	-	-	241	1,474
-	-	-	-	-	-	-
-	-	-	-	-	1,604	1,674
-	-	-	-	-	8,009	13,749
-	-	-	-	-	-	50,000
-	-	-	-	-	2,035	2,035
-	-	-	-	-	3,825	3,825
-	-	-	-	-	9,383	69,109
-	-	-	-	-	660	835
-	-	-	-	-	1,745	246,265
-	-	-	-	-	-	51,583
-	-	-	-	-	-	11,435
-	-	-	-	-	53,859	99,603
-	-	-	-	-	-	151,611
-	-	-	-	-	-	38,933
-	-	-	-	-	361	770
-	-	-	-	-	122	122
-	-	-	-	176	-	176
-	-	-	-	-	1,212	1,277
-	-	-	-	-	1,414	1,414
-	-	-	-	-	-	14,733
-	-	-	-	-	-	5,689
9,336	2,370	6,624	5,250	36,163	-	36,163
-	-	-	-	2,701	-	78,346
-	-	-	-	1,375	-	6,036
-	-	-	-	-	4,180	4,180
156	-	-	-	156	-	87,512
<u>9,492</u>	<u>2,370</u>	<u>6,624</u>	<u>5,250</u>	<u>40,571</u>	<u>204,886</u>	<u>1,266,822</u>
<u>\$ (3,449)</u>	<u>\$ (1,640)</u>	<u>\$ (819)</u>	<u>\$ (1,895)</u>	<u>\$ (16,733)</u>	<u>\$ (196,829)</u>	<u>\$ (142,858)</u>

The accompanying notes are an integral part of this statement.



TUSCAN
& Company, PA

Certified Public Accountants & Consultants

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Florida Institute of Certified Public Accountants

American Institute of Certified Public Accountants

Private Companies Practice Section

Tax Division

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Directors
Community Housing and Resources, Inc.
2401 Library Way
Sanibel, Florida 33957

In planning and performing our audit of the financial statements of Community Housing and Resources, Inc. (a not-for-profit organization), for the years ended September 30, 2012 and 2011 we considered Community Housing and Resources, Inc.'s internal controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. In connection with our audit, we are submitting the following comments and recommendations. Although our audit was not designed to provide assurance on the internal controls, we noted certain matters involving the internal controls and their operations and are submitting for your consideration, related recommendations designed to help Community Housing and Resources, Inc. make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to Community Housing and Resources, Inc.

PRIOR YEAR COMMENTS:

2010-5 The Board Should Approve Indirect Cost Allocation Policy

We recommend that management determine and the Board approve reasonable, prudent and consistent allocation percentages for all indirect costs to be allocated to the program, administrative and fundraising categories. The allocation methods and percentages should be reviewed regularly (at least annually) to ensure that they remain appropriate.

2011 Addendum:

We continue to recommend that the allocation methods and percentages used be approved by the Board and reviewed on a routine and periodic basis such as annually.

2012 Current Year Addendum:

We continue to recommend that the allocation methods and percentages used be approved by the Board and reviewed on a routine and periodic basis such as annually.

INTEGRITY SERVICE EXPERIENCE

2010-7 The Board Should Increase Unrestricted Revenue

During the audit, we noted the significant reliance on government funding. While we understand the accomplishment of CHR's mission is dependent upon receipt of this revenue, we recommend and encourage the Board to enhance its fundraising efforts. We also recommend the Board consider adopting a policy that requires/suggests that donors of restricted support provide a portion of the donation for unrestricted purposes. This then provides stability to CHR's operations, provides a means to reduce debt, fund guaranteed appreciation amounts, and provides dollars to explore other revenue opportunities.

2011 Addendum:

We noted the Board has successfully worked to reduce outstanding payables as well as to sell real estate to improve cash flow. We, however, continue to recommend that management and the Board explore additional means of increasing unrestricted revenue. A written plan should be approved by the Board.

2012 Current Year Addendum:

During fiscal year 2012, we noted the Board successfully sold four (4) units and accordingly reduced the CHR debt by approximately \$600,000 and paid all but one past due payable. The Board is also working on several fundraising projects to further improve its financial condition. CHR's financial records are current, orderly and well kept.

For the fiscal year 2012 CHR still, however, incurred an operating loss, This was a result of paying \$220,000 of past due payables. Revenue, of course, was higher than routine due to sales of four (4) units. Additionally, the Organization routinely borrows funds from a related party to meet its operating expenses.

We recommend the Board project routine operating income and expenses and work to ensure the entity can be self sustaining on its current operations. Based upon this analysis the Board can establish fundraising goals to build CHR's reserves or expand its operations.

2010-9 Non-Compliance Noted

We reviewed certain agreements and documents effective during the year ended September 30, 2010 and noted the following non-compliance:

2010-9 Non-Compliance Noted, continued

A) City of Sanibel Agreement dated September 5, 2007:

Requires CHR to submit to the City a quarterly balance sheet, an audited income statement by rental unit complex within 20 days of the respective quarter end, an annual audited financial statement no later than March 1 and adoption of the City of Sanibel purchasing policy for amounts over \$25,000.

CHR did not timely file such reports during fiscal year 2010 or adopt the City's purchasing policy. As such, CHR can not document the required bidding for the construction of Centre Place.

2011 Addendum:

CHR did timely file the audited annual financial statement and internal quarterly financial statements to the City, however such quarterly statements were not audited as required by contract. We recommend that CHR either obtain a waiver from the City so that the quarterly financial statements are not required to be audited or the contract be modified to exclude the quarterly audit requirement.

2012 Current Year Addendum:

CHR did timely file the audited annual financial statement and internal quarterly financial statements with the City, however such quarterly statements were not audited as required by contract. CHR and the City did renegotiate the contract effective October 1, 2012. The requirement for audited quarterly financial statements was deleted.

2010-17 Tenant Indexed Appreciation Should be Tracked and Funded

As part of the sales contracts for units sold by Community Housing and Resources, CHR is required to re-buy 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 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. The owner also is entitled to a graduated conditional guaranteed appreciation amount up to 5% of the purchase price, as defined. This guaranteed amount can be reduced by CHR for repairs required to resell the unit. Since the eight (8) units sold by CHR during

2010-17 Tenant Indexed Appreciation Should be Tracked and Funded, continued
the year ended September 30, 2010 were sold on September 30, 2010, no accrual was required at September 30, 2010 or 2009.

We recommend a worksheet be developed for each unit sold. The accrual should be made on the anniversary of each sale date. The amount should be timely funded and the cash properly restricted for such purpose.

2011 Addendum:

During the current year audit, we noted a schedule was developed to track the contracted appreciation amounts.

During the audit, we, however, noted that the LEO ground lease in section 10.6 noted the "tenant personal investment" amount as the unit sales price amount. This amount is greater than the amount as described in the verbiage of the contract. Therefore, the "tenant personal investment" amount written in the ground lease appears to conflict with the written definition of the amount in the ground lease. The discrepancy is significant because this amount serves as the basis to calculate the tenant appreciation, both the guaranteed and conditional amount.

We recommend that the Board analyze this issue, seek legal counsel and amend the agreements, if appropriate.

2012 Current Year Addendum:

We continue to recommend the Board review the "tenant personal investment" issue to clarify the accrual amount required.

For fiscal year 2012 the accrual was recorded based on current LEO contract wording as required. No amounts have been set aside to fund such liability nor has been feasible given the Board's effort to reduce debt and payables.

The Board should consider funding this liability as part of its fundraising efforts.

CURRENT YEAR COMMENTS:

2012-1 Compensated Absence Policy Should be Reviewed

During the year the Board considered amending the employee compensated absence policy. The policy although written has not been implemented. The policy does not appear to address employees who previously earned time in excess of amounts noted in the policy, specifically, the policy does not address employees "grandfathered" in under the policy.

2012-1 Compensated Absence Policy Should be Reviewed, continued

We recommend the Board analyze this issue and properly address those affected employees' situations. Also we recommend the Board formally approve this or another policy with a stated effective date.

We would like to express our appreciation for the opportunity to serve and assist Community Housing Resources, Inc. Your staff and management were very helpful and assisted us well. We would be pleased to further discuss and assist in the implementation of these recommendations.

This report is intended solely for the information and use of the Board, the Finance Committee, management, Federal and State awarding agencies, pass-through entities, the Auditor General for the State of Florida and other Federal and State audit agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Tuscán & Company, P.A." The signature is written in black ink and is positioned above the typed name of the company.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
November 9, 2012