Community Housing and Resources, Inc.

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SanibelCHR.org

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January 21, 2014
Community Housing and Resources, Inc. Fiscal Year 2013 report

We are pleased to submit the annual report for Community Housing and Resources, Inc. (CHR) fiscal year ended on September 30, 2013. Included is a copy of CHR's most recent audit approved on January 20, 2014 by the CHR Board of Directors. Also included is a demographic and vacancy loss report for your review. CHR maintained a 96.83% rent and utilities collection rate and a 4% vacancy rate in FY 2013, both which greatly contributed to the agencies fiscal improvement.

CHR addressed all previous year's notes from the Auditor's Report to Management letter. The letter this year stated, "No financially significant comments noted" for current year. This is excellent improvement in CHR's audit.

Noteworthy in the audit are several items to which I would like to call your attention:

- CHR operated in the black since January of 2013, having paid all outstanding debts and eliminated a $30,000 deficit.
- The CHR/CICLT Board of directors designated $60,000 to establish two reserve accounts: $30,000 to establish a rental replacement reserve fund for maintenance and/or replacement of roofs, staircases and other capital projects for CHR rentals buildings. **The agency intends to continue to add to this reserve to ensure adequate funding for future capital needs.** And another $30,000 to establish an LEO appreciation reserve fund to ensure that funding is available to pay for the appreciation owed to LEO owners upon selling their home back to CHR/CICLT. **The agency intends to increase this account to ensure adequate funding is available to pay for LEO appreciation liability.**
- The CHR/CICLT board created a schedule to track LEO appreciation liability and obtained 13 amended ground lease agreements to reflect the appropriate "tenant personal investment" for each LEO owner. (We expect the last owner to sign soon.)
- The agency sold the last available LEO unit thus reducing long term debt by $160,000.
- The CHR Board is raising more unrestricted revenue for the agency through two fundraising events and increased direct mail and is in the process of discussing a development plan for the board.
- The agency approved an indirect cost allocation policy to categorize expenditures.

In addition to a much improved financial picture, the agency achieved several other milestones this past year including:

- With generous support from the City of Sanibel, a new website was established at Sanibelchr.org.
- A new database for tracking donors and gifts and assisting us with more targeted/sophisticated fundraising was made possible with a gift from a CHR donor.
- Volunteers, with staff support, have written a series of CHR Spotlight articles which were published in both local newspapers. Other stories and press releases have been regularly written and published as well.
- Playground refurbished at Mahogany Way
- All maintenance up to date and current including projects such as power washing of all buildings.
- Larger maintenance projects were undertaken this year including refurbishing 414 Airport Way and Woodhaven #8 and new flooring at 420 Airport Way and 708 Mahogany Way.
- Landscape maintenance has been brought up to date and is being maintained.
- CHR has enlisted the assistance of a volunteer coordinator and is utilizing volunteer labor when possible.
- The Board of Directors continues to provide governance, development and overall direction at the appropriate level for a not for profit organization such as CHR.

Respectfully submitted 1/28/14

Kelly A. Collini
CHR Executive Director

Signed Kelly A. Collini Date 1/28/14

Richard Johnson
CHR Board Chair

Signed Richard Johnson Date 1-27-14

Community Housing & Resources, Inc.

Vacancy Loss Report

Affordable Housing

Date Range: 10/01/2012 - 09/30/2013

Prj-Unit	Bdrms	Vacancy Start	Vacancy End	# Days Vacant	# Days Exempt	$ Loss	Unit Address		
001-0011	1	03/01/2013	03/06/2013	6	0	71	2320 Wooster Lane	11	Sanibel, FL 33957
001-0011	1	07/01/2013	08/21/2013	52	0	1,378	2320 Wooster Lane	11	Sanibel, FL 33957
001-0014	1	06/01/2013	09/15/2013	107	0	1,463	2320 Wooster Lane	14	Sanibel, FL 33957
005-0414	3	07/01/2013	09/30/2013	92	0	2,330	414 Airport Way		Sanibel, FL 33957
005-0418	3	10/01/2012	11/04/2012	35	0	1,418	418 Airport Way		Sanibel, FL 33957
005-0418	3	08/01/2013	09/15/2013	46	0	859	418 Airport Way		Sanibel, FL 33957
006-0700	2	02/01/2013	02/28/2013	28	0	327	700 Mahogany Way		Sanibel, FL 33957
006-0702	2	11/01/2012	12/12/2012	42	0	959	702 Mahogany Way		Sanibel, FL 33957
006-0708	2	11/01/2012	11/29/2012	29	0	382	708 Mahogany Way		Sanibel, FL 33957
006-0716	2	05/01/2013	06/04/2013	35	0	1,114	716 Mahogany Way		Sanibel, FL 33957
006-0724	2	12/01/2012	12/13/2012	13	0	347	724 Mahogany Way		Sanibel, FL 33957
006-0742	2	09/01/2013	09/30/2013	30	0	745	742 Mahogany Way		Sanibel, FL 33957
008-0010	2	05/01/2013	05/31/2013	31	0	522	2301 Periwinkle Way	10	Sanibel, FL 33957
009-0008	2	02/02/2013	09/16/2013	227	0	4,654	800 Casa Ybel Road	8	Sanibel, FL 33957
010-0004	0	10/01/2012	03/31/2013	182	0	2,548	1517 Periwinkle Way	4	Sanibel, FL 33957
010-0005	0	10/01/2012	12/17/2012	78	0	507	1517 Periwinkle Way	5	Sanibel, FL 33957
010-0005	0	02/01/2013	02/28/2013	28	0	560	1517 Periwinkle Way	5	Sanibel, FL 33957
010-0009	0	07/01/2013	09/30/2013	92	0	1,764	1517 Periwinkle Way	9	Sanibel, FL 33957
017-0003	2	09/01/2013	09/30/2013	30	0	520	1496 Center Street		Sanibel, FL 33957

Occupancy Analysis

a) # of Units:	74	f) Vacant Days:	1,183	i) Calculated Occupied Days (e - h):	25,827
b) Days in Reporting Period:	365	g) Exempt Days:	0	j) Percent Occupied (i / e):	96%
c) Available Rental Days (a x b):	27,010	h) Net Vacant Days (f - g):	1,183		
d) Exempt Days:	0				
e) Net Available Days (c - d):	27,010	**Total Estimated Loss:**	$ 22,468		

CHR Demographic Report 10/01/12 – 09/30/13

Extremely Low $11,850.00 or below	8
Very Low $19,750.00 or below	10
Low $31,550.00 or below	49
Moderate $47,400.00 or below	20
Earnings of $0 - $5,000.00	1
Earnings of $5,001.00 - $10,000.00	5
Earnings of $10,001.00 - $15,000.00	4
Earnings of $15,001.00 - $20,000.00	10
Earnings of $20,001.00 - $25,000.00	19
Earnings over $25,001.00	48
Married households	8
Households with other adult	4
Single Women households	48
Single Men households	27
Total Households	87
Total Residents	145
Average Household Income	$ 26,302.70
Average rent studio	$ 435.00
Average rent 1 bedroom	$ 514.33
Average rent 2 bedroom	$ 686.17
Average rent 3 bedroom	$ 972.50
Average overall rent	$ 671.32
Lowest rent paid	$ 350.00
Highest rent paid	$ 1,505.00
APPLICATIONS	
Received	93
Approved (moved-in)	27
Removed: information not returned	23
Removed: ineligible (evictions, criminal record, pet)	11
Removed: declined unit (rent to high, moved)	8
Removed: ineligible--applicant works on Captiva	24
Occupied Days	25,827 or 96%
Vacant Days	1,183
Estimated Loss	$22,468.00
Rent generated fiscal year 2012/2013	$550,371.00

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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, 2013 and 2012 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 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.

2013 Current Year Addendum:
The Board approved an indirect cost allocation policy subsequent to the year ended September 30, 2013, at their monthly Board meeting on October 21, 2013.

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 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.

2013 Current Year Addendum:

During the year ended September 30, 2013, CHR successfully sold their remaining housing unit and reduced long term loans by approximately $160,000. CHR also completed several fundraising events which specifically produced approximately $26,000 in additional revenue. CHR achieved approximately $80,000 in total public support revenue. Additionally, CHR increased its fiscal year ended cash balance by approximately $78,000. Operations produced cash from operations of approximately $315,000.

For the year ended September 30, 2013, CHR still, however, incurred a non-cash operating loss of approximately $122,000 including non-cash depreciation expense of $243,000. This operating loss was approximately one half of the prior year loss. Although CHR has achieved many positive financial benchmarks and goals, we encourage the Board and management to continue to explore additional means of increasing unrestricted revenue and building its operating reserves.

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 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 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.

2013 Current Year Addendum:
The Board obtained amended ground lease agreements to reflect the appropriate "tenant personal investment". These agreements were obtained for all but one of the tenants. The Board is continuing their efforts to obtain an amended ground lease agreement for this tenant. Additionally, the Board funded the LEO appreciation liability by establishing a cash reserve in the amount of $30,000.

CURRENT YEAR COMMENTS:
No financially significant comments noted.

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.

Tuscan & Company, P.A

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
November 5, 2013