



LIFT Orlando, Inc. and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2017 and 2016

LIFT Orlando, Inc. and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2017 and 2016

LIFT Orlando, Inc. and Subsidiaries

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Independent Auditor's Report

Board of Directors
LIFT Orlando, Inc. and Subsidiaries
Orlando, Florida

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of LIFT Orlando, Inc. and its subsidiaries (the "Organization") which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of LIFT Orlando, Inc. and its subsidiaries as of December 31, 2017 and 2016, and changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

BDO USA, LLP
Certified Public Accountants
April 24, 2018

Consolidated Financial Statements

LIFT Orlando, Inc. and Subsidiaries
Consolidated Statements of Financial Position

<i>December 31,</i>	2017	2016
Assets		
Current:		
Cash	\$ 470,906	\$ 869,517
Contributions receivable, current	25,000	25,000
Other current assets	12,544	16,230
Total current assets	508,450	910,747
Property held for development (Notes 3, 4 and 5)	4,016,004	3,811,282
Contributions receivable, long-term	25,000	50,000
Note receivable from related party (Note 3)	250,000	250,000
Related party receivables, long-term (Notes 3 and 5)	1,697,199	1,669,205
Investment in West Lakes Phase I (Note 2)	500,000	—
Deposits and other long-term assets	8,865	46,750
Total Assets	\$ 7,005,518	\$ 6,737,984
Liabilities and Net Assets		
Current:		
Accounts payable and other accrued expenses	\$ 87,184	\$ 95,256
Accrued interest	42,153	15,250
Accrued legal fees	14,822	67,594
Deferred lease revenue, current (Note 3)	27,273	27,276
Related party payable (Note 3)	11,420	—
Total current liabilities	182,852	205,376
Commitment (Note 8)		
Notes payable, net (Note 4)	2,539,159	2,204,860
Note payable to City of Orlando (Note 5)	1,250,000	1,250,000
Deferred lease revenue, long-term (Note 3)	1,427,272	1,454,542
Total liabilities	5,399,283	5,114,778
Net assets:		
Unrestricted	989,176	1,515,305
Temporarily restricted (Note 6)	617,059	107,901
Total net assets	1,606,235	1,623,206
Total Liabilities and Net Assets	\$ 7,005,518	\$ 6,737,984

See accompanying notes to consolidated financial statements.

LIFT Orlando, Inc. and Subsidiaries
Consolidated Statements of Activities

<i>Year Ended December 31,</i>	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and support:						
Contributions	\$ 274,531	\$ 693,250	\$ 967,781	\$ 1,559,835	\$ 530,000	\$ 2,089,835
Development fee revenue (Note 3)	42,534	—	42,534	385,237	—	385,237
Lease revenue (Note 3)	27,273	—	27,273	18,182	—	18,182
In-kind contributions (Notes 2 and 4)	30,169	244,716	274,885	109,661	—	109,661
Other income	13,497	—	13,497	8,221	—	8,221
Net assets released from restrictions (Note 6)	428,808	(428,808)	—	589,833	(589,833)	—
Total revenues and support	816,812	509,158	1,325,970	2,670,969	(59,833)	2,611,136
Expenses:						
Program	784,811	—	784,811	831,095	—	831,095
Management and general	439,802	—	439,802	309,579	—	309,579
Fundraising	118,328	—	118,328	143,213	—	143,213
Total expenses	1,342,941	—	1,342,941	1,283,887	—	1,283,887
Change in net assets	(526,129)	509,158	(16,971)	1,387,082	(59,833)	1,327,249
Net assets, beginning of year	1,515,305	107,901	1,623,206	128,223	167,734	295,957
Net assets, end of year	\$ 989,176	\$ 617,059	\$ 1,606,235	\$ 1,515,305	\$ 107,901	\$ 1,623,206

See accompanying notes to consolidated financial statements.

LIFT Orlando, Inc. and Subsidiaries
Consolidated Statements of Functional Expenses

<i>Year Ended December 31,</i>	2017				2016			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 233,332	\$ 244,404	\$ 92,856	\$ 570,592	\$ 74,029	\$ 130,956	\$ 32,304	\$ 237,289
Professional fees	204,866	67,879	6,500	279,245	147,052	107,215	81,000	335,267
Education grants	123,000	—	—	123,000	401,000	—	—	401,000
Other program costs	122,948	—	—	122,948	61,097	—	—	61,097
Office administration	5,359	40,410	5,627	51,396	1,347	51,553	3,974	56,874
Meetings	46,446	22,871	5,560	74,877	26,506	2,020	4,869	33,395
Communications	9,667	34,532	2,170	46,369	1,150	2,725	14,110	17,985
Occupancy costs	13,306	20,910	3,802	38,018	6,764	13,527	2,255	22,546
Insurance	10,435	6,956	—	17,391	1,561	1,040	—	2,601
Other program grants	7,750	—	—	7,750	104,200	—	—	104,200
Amortization	6,250	—	—	6,250	6,250	—	—	6,250
Miscellaneous	1,452	1,840	1,813	5,105	139	543	4,701	5,383
	\$ 784,811	\$ 439,802	\$ 118,328	\$1,342,941	\$ 831,095	\$ 309,579	\$ 143,213	\$ 1,283,887

See accompanying notes to consolidated financial statements.

LIFT Orlando, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

<i>Year Ended December 31,</i>	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (16,971)	\$ 1,327,249
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Amortization	6,250	6,250
Contributed interest	(244,716)	(32,500)
(Increase) decrease in:		
Grant receivable	—	198,500
Contributions receivable	25,000	(75,000)
Related party receivables	(27,994)	(1,567,795)
Other current assets	3,686	(16,230)
Deposits and other long-term assets	37,885	(51,846)
Increase (decrease) in:		
Accounts payable and accrued expenses	(60,844)	(145,131)
Related party payable	11,420	(46,688)
Deferred lease revenue	(27,273)	1,231,818
Net cash (used for) provided by operating activities	(293,557)	828,627
Cash flows from investing activities:		
Payments for property held for development	(105,054)	(442,991)
Investment in West Lake Phase I	(500,000)	—
Net cash used for investing activities	(605,054)	(442,991)
Cash flows from financing activities:		
Proceeds from notes payable	500,000	1,250,000
Payment on notes payable	—	(1,250,000)
Net cash provided by financing activities	500,000	—
Net (decrease) increase in cash	(398,611)	385,636
Cash, beginning of year	869,517	483,881
Cash, end of year	\$ 470,906	\$ 869,517
Non-cash investing and financing activities:		
Note receivable for one-time lease payment	\$ —	\$ 250,000
Capitalized interest	171,951	98,677

See accompanying notes to consolidated financial statements.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Nature of Organization

LIFT Orlando, Inc. ("LIFT Orlando") is a non-profit, tax exempt organization founded in 2013 to serve as this "lead organization" or "community quarterback" for the acceleration of holistic community transformation. LIFT Orlando's mission is to break the cycle of poverty through holistic neighborhood revitalization, as represented by shared goals and areas of investment, which include mixed-income housing, cradle to career education, community health and wellness and long-term economic viability. LIFT Orlando is bringing together residents, local businesses, best-in-class-non-profit organizations and other community-minded partners to transform the neighborhoods in the communities of West Lakes, surrounding Camping World Stadium, into thriving communities of hope and opportunity for our most vulnerable families.

LIFT Orlando is committed to applying a collective impact approach to its mission of neighborhood revitalization. Traditionally, organizations work separately and compete to fund and scale isolated programs while corporate and government sectors are disconnected from foundations and nonprofits. This can be described as isolated impact. In a collective impact initiative, a broad cross-sector representation of multiple organizations works together under a common agenda, shared measurements, mutually reinforcing activities, continuous communication and the backbone support of a lead organization.

LIFT Orlando is the sole member and manager of the following wholly owned subsidiaries (collectively, the "Organization"):

- LIFT Orlando Community Land, LLC ("LOCL") - a Florida limited liability company formed in February 2015 for the purpose of acquiring, financing and operating real property that will be used to foster low income housing.
- LIFT Orlando GP, LLC ("LOGP") - a Florida limited liability company formed in February 2015 for the purpose of owning a .051% general partnership interest and serving as the charitable general partner of West Lakes Phase I, LP, which was formed for the purpose of leasing certain land to develop and construct Phase I of a mixed income multifamily apartment complex named Pendana at West Lakes (f/k/a The Villages at West Lakes) (the "Project"). See Note 3 for further discussion.
- LIFT Orlando Community Development, LLC ("LOCD") - a Florida limited liability company formed in February 2015 for the purpose of development activity that fosters low income housing.
- West Lakes Phase II, LP ("WLP II") - a Florida limited liability company formed in June 2015 for the purpose of holding the contract right to purchase fee interest in land from LOCL for Phase II of the Project, which is intended to be an affordable housing project for senior citizens. WLP II had no activity until 2017, when predevelopment costs for Phase II were incurred.
- LIFT Orlando Phase II SLP, LLC ("LOSLP") - a Florida limited liability company formed in December 2015 as a special limited partner for Phase II. LOSLP has had no activity since its formation.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

- LIFT Orlando Impact Investment Fund Manager, LLC (“LOIIFM”) - a Florida limited liability company formed in September 2016 for the purpose of serving as the manager of Lift Orlando Impact Investment Fund, LLC (“LOIIF”).
- Guinyard & Graham, LLC (“G&G”) - a Delaware limited liability company formed in April 2017 for the purpose of entering into contracts for land acquisitions and other pre-development activities.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of LIFT Orlando and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues, gains, and other support and expenses during the reporting period. Actual results could differ from those estimates.

Contributions Receivable

Contributions receivable represent unconditional promises to give and are recorded on the date the contribution is promised. Unconditional promises to give that are expected to be collected beyond one year are recorded at the present value of their future cash flows using risk-adjusted interest rates applicable to the years in which the promises are to be received. Amortization of discounts is included in contribution revenue. Long-term contributions receivable at December 31, 2017 were not recorded at present value of future cash flows as the amount of the discount was not material to the consolidated financial statements. Contributions of assets other than cash are recorded at their estimated fair value on the date received.

Investment in West Lakes Phase I, LP

During 2016, LOGP had a 0.051% investment in West Lakes Phase I, LP (“WLP I”), which it was determined should be recorded at acquisition cost. The acquisition cost was determined to be immaterial to the consolidated financial statements and is therefore not reflected in the accompanying consolidated statements of financial position. On March 7, 2017, LOGP made a capital contribution to WLP I in the amount of \$500,000, which is shown as investment in West Lakes Phase I on the accompanying consolidated statement of financial position at December 31, 2017. Also during 2017, additional investors were admitted into the WLP I partnership. As a result of these transactions, LOGP’s ownership changed from 0.051% to 0.0051%.

LIFT Orlando, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Investment in LIFT Orlando Impact Investment Fund, LLC (“LOIF”)

LOIF is a Florida limited liability company formed in September 2016 for the purpose of acquiring, developing, constructing, financing, holding for investment and eventually selling, exchanging, disposing and otherwise dealing with the investments or any other assets. As of and during the year ended December 31, 2016, LOIFM was the sole member and manager. During 2017, additional investors were admitted into LOIF and, as a result, LOIFM's ownership became 1%. It was determined that this ownership should be recorded using the equity method of accounting due to LOIFM's significant influence over the operating and financial policies of LOIF. LOIFM's share of the equity in LOIF at December 31, 2017 was determined to be immaterial to the consolidated financial statements and is therefore not recorded.

Property Held for Development

Property held for development is recorded at cost and represents the land acquired for Phase I and Phase II of the Project, including costs to acquire the land of \$3,723,398 and \$3,618,344, and interest of \$292,606 and \$192,938 on the borrowings used to purchase the land at December 31, 2017 and 2016, respectively.

Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that long-lived assets or other assets, including intangibles, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down is required. If a write-down is required, the Organization would prepare a discounted cash flow analysis to determine the amount of the write-down. There was no impairment of long-lived assets during 2017 and 2016.

Net Assets

Unrestricted net assets consist of amounts that are available for use in carrying out the activities of the Organization. Temporarily restricted net assets represent those amounts which are not available until future periods or are donor restricted for specific purposes. Permanently restricted net assets result from gifts and bequests from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity. The Organization did not have any permanently restricted net assets at December 31, 2017 and 2016.

Contributions and Donor Restrictions

Contributions, including unconditional promises to give, are recorded at fair value when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions receivable are reduced to the amount estimated to be realized by an allowance for uncollectible contributions. Contributions to be received in future periods greater than one year are generally discounted to their present value in the year the contribution is made. Conditional promises to give are not recognized until they become unconditional, that is, when the condition on which they depend are substantially met.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Contributions received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of activities as net assets released from restriction.

Contributions of assets other than cash are recorded at fair market value at the date of donation. Contributed services are recognized as contributions if the services create or enhance nonfinancial assets, require specialized skills and are performed by individuals with those skills, and would otherwise be purchased by the Organization. During 2017 and 2016, the Organization received contributed legal services in the amount of \$27,919 and \$77,161, respectively, which is recorded as in-kind contribution revenue and professional fees on the accompanying consolidated financial statements.

Debt Issuance Costs

Debt issuance costs related to the Organization's long-term debt are amortized using the straight-line method, which approximates the effective interest method, over the term of the agreement. Debt issuance costs are recorded net of long-term debt on the accompanying consolidated statements of financial position.

Development Fee Revenue

Development fee revenue is recognized as earned by LOCD in accordance with the Development Services Agreement (see Note 3).

Lease Revenue and Deferred Lease Revenue

During 2016, LOCL received a one-time lease payment, which will be recognized over the term of the related lease (see Note 3). The unrecognized amount is shown as deferred lease revenue on the accompanying consolidated statements of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

LIFT Orlando is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under similar provisions in the Florida Income Tax Code. LIFT Orlando's wholly owned subsidiaries were incorporated under the Florida Revised Limited Liability Company Act and are considered disregarded entities for federal and state income tax purposes. Therefore, no provision for income taxes has been included in the accompanying consolidated financial statements.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The Organization identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the consolidated statements of financial position. The Organization has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Organization's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Fair Value Measurements

The Organization reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to adjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying values of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include contributions receivable, related party receivables, accounts payable and accrued expenses and related party payable. The fair value of the Company's notes receivable and payable are estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

At December 31, 2017, the Organization does not have any financial assets or liabilities that are required to be fair valued on a recurring basis that would need to be disclosed as Level 1, 2 or 3 financial instruments in the fair value hierarchy.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Accounting Pronouncements Issued but Not Yet Adopted

Financial Statement Presentation of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statements of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. The Organization is currently evaluating the impact of this ASU on its consolidated financial statements.

Revenue

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The new standard allows for early adoption for annual periods beginning after December 15, 2016. The Organization is currently evaluating the impact of its pending adoption of ASU 2014-09 on its consolidated financial statements and has not yet determined the method by which it will adopt the standard.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

LIFT Orlando, Inc. and Subsidiaries

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This new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

Reclassifications

Certain items have been reclassified in the 2016 consolidated financial statements to conform to the 2017 presentation.

3. Investment in West Lakes Phase I, LP

West Lakes Phase I, LP ("WLP I") was formed on February 24, 2015 for the purpose of leasing certain land to develop and construct Phase I of the Project to consist of 200 mixed income housing units ("Phase I"). WLP I is responsible for obtaining financing for Phase I in the form of tax incentive credits and equity financing and entering into a ground lease as discussed below for the underlying property owned by LOCL. The Project is expected to constitute a "qualified low-income housing project" as defined by Section 42(g)(1) of the Internal Revenue Code. LOGP is the charitable general partner of WLP I and participates materially in the charitable activities of WLP I in accordance with the Amended and Restated Agreement of Limited Partnership of WLP I dated March 7, 2017. In order to fund the development project, WLP I has entered into various funding agreements which require that all buildings be placed in service on or before December 31, 2018.

Effective May 4, 2015, WLP I entered into a Ground Lease with LOCL for the real property owned by LOCL upon which Phase I will be developed. The Ground lease is for a period of 55 years from the date WLP I takes possession of the real property. The possession date is defined as the date of closing of the equity financing from a low income housing tax credit investor for Phase I and the one-time rent payment of \$1,500,000 is made. On April 28, 2016, WLP I paid LOCL \$1,250,000 and entered into a promissory note with LOCL for the remaining amount due of \$250,000, with interest accruing at a rate of 3% per annum, which is shown as note receivable from related party as of December 31, 2017 and 2016 on the accompanying consolidated statements of financial position. The entire unpaid principal amount, together with accrued interest, shall be due and payable on April 28, 2048. This note is subordinated to other debt of WLP I. As of December 31, 2017 and 2016, accrued interest receivable of \$12,596 and \$5,096, respectively, is included in related party receivables, long-term on the accompanying consolidated statements of financial position. The amount of lease revenue to be recognized on an annual basis is approximately \$27,000, with revenues recorded of \$27,273 for the year ended December 31, 2017, and \$18,182 for the period from the possession date of April 28, 2016 to December 31, 2016. The remainder of the one-time payment of \$1,454,545 and \$1,481,818 was recorded as deferred lease revenue at December 31, 2017 and 2016, respectively, on the accompanying consolidated statements of financial position.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Effective April 15, 2016, WLP I entered into a Development Services Agreement (“DSA”) with LOCD and New Affordable Housing Partners, LLC (“NAHP”) (collectively, the “Developers”), an affiliate of the general and limited partner of WLP I, in connection with the Organization’s Development Agreement with the City of Orlando (see Note 5). NAHP and LOCD will earn a development fee for supervising and coordinating the development and construction of Phase I. NAHP will have the primary responsibility for performing such services and LOCD will work with local governments and organizations when requested by NAHP to assist in obtaining the necessary permits and approvals and to obtain local support as well as provide meaningful input on the plans and renderings. As of the date of the DSA, the Developers earned \$856,082, which is to be split between NAHP and LOCD as follows: 1) the first 25% paid to NAHP; 2) the next 15% paid to LOCD in accordance with the DSA; and 3) the remaining 60% be split equally between NAHP and LOCD. On March 7, 2017, the DSA was amended to state that \$950,601 of the total developer fee was earned prior to this amendment date and the remainder will be earned pro rata as the buildings in the project are placed in service. Based on this agreement and the subsequent amendment, the development fee revenue earned by LOCD during the years ended December 31, 2017 and 2016 amounted to \$42,534 and \$385,237 respectively, which will be payable by WLP I as stipulated in the agreement, but no later than the fifteenth anniversary date of the completion of the Project and \$427,771 and \$385,237 is included in the related party receivables, long-term balance on the accompanying consolidated statements of financial position at December 31, 2017 and 2016, respectively.

The Organization paid \$28,872 of expenses on behalf of WLP I during the year ended December 31, 2016 related to carrying and abatement costs related to the land, which was recorded as a related party receivable on the accompanying consolidated statements of financial position and repaid during 2017.

4. Notes Payable

On May 1, 2015, LOCL entered into a \$4,000,000 loan agreement with a local foundation (the “Foundation”) in connection with the issuance of two notes payable for 1) \$3,100,000 to acquire the land for the Project and 2) \$900,000 made available for the demolition (including environmental remediation) of the vacant apartment complex for Phase I and Phase II of the Project (collectively, the “Notes”).

LIFT Orlando, Inc. and Subsidiaries
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Annual interest under the Notes is 1%, which is considered a below market interest rate. Accordingly, during the year ended December 31, 2015, a temporarily restricted in-kind contribution from the Foundation was recorded in the amount of \$169,495 on the accompanying consolidated statements of activities which represented the difference between the fair value of the Notes at their stated rate and the fair value of the loans at a market interest rate of 4.25%. This amount reduced the notes payable balance and was fully amortized to property held for development as of May 1, 2017, the expected repayment of the Notes. During the years ended December 31, 2017 and 2016, \$24,307 and \$83,427, respectively, were amortized and released from restriction. During 2017, the Notes were not repaid and an additional \$500,000 was borrowed. As a result, an additional temporarily restricted in-kind contribution from the Foundation is recorded in the amount of \$244,716 on the accompanying consolidated statements of activities which represents the difference between the fair value of the Notes at their stated rate and the fair value of the loans at a market interest rate of 4.25%. This amount reduced the notes payable balance and will be amortized to property held for development over the remaining life of the loans to the maturity date. During the year ended December 31, 2017, \$48,458 was amortized and released from restriction on the additional in-kind contribution. The Notes state that accrued interest will be forgiven as timely principal payments are made. During 2016, the Organization made its first required payment of \$1,250,000 (see below) and as such, accrued interest in the amount of \$32,500 was forgiven and is included in in-kind contributions and property held for development on the accompanying consolidated financial statements. Principal payments are due as follows:

- \$1,250,000 (Phase I Payment) was due upon the closing of the equity financing from a low income housing tax credit investor for Phase I (see Note 3). This amount was paid to the Foundation in April 2016.
- \$2,150,000 is due from developer fees received by LOCD for Phase I in connection with the DSA (see Note 3).
- \$600,000 is due at the time equity financing is received from a low income housing tax credit investor to commence construction of Phase II of the Project.

<i>December 31,</i>	2017	2016
\$3,100,000 note payable; interest at 1%; matures on May 1, 2020, at which time any unpaid principal and accrued interest will be due. Collateralized by the land and all developer fees payable to LOCL under the DSA.	\$ 1,850,000	\$ 1,850,000
\$900,000 note payable; interest at 1%; matures on May 1, 2020, at which time any unpaid principal and accrued interest will be due. Collateralized by the land and all developer fees payable to LOCL under the DSA.	900,000	400,000
Total	2,750,000	2,250,000
Less unamortized below market interest rate contribution	(196,258)	(24,307)
Less unamortized debt issuance costs	(14,583)	(20,833)
Total notes payable, net	\$ 2,539,159	\$ 2,204,860

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5. City of Orlando Agreements

Contract of Sale for Real Property and Development Agreement

On March 9, 2015, the City of Orlando entered into a Contract of Sale with LIFT Orlando for approximately \$3,226,000 for the sale of certain land and three vacant apartment complexes to be used for the Project. On April 9, 2015, this Contract was amended to eliminate one of the apartment complexes and reduce the purchase price to approximately \$2,826,000, which is included in property held for development on the accompanying consolidated statements of financial position. Effective May 1, 2015, the City of Orlando entered into a Development Agreement with LIFT Orlando and LOCL (as required by the Contract of Sale) to redevelop two of the apartment complexes, one of which is designated as Phase I of the Project (see Note 3). The Development Agreement requires the demolition of two of the vacant apartment complexes and construction of Phase I of the Project be completed by October 31, 2018.

Community Development Block Grant

On October 26, 2015, LIFT Orlando and LOCL entered into a Community Development Block Grant Program Agreement ("CDBG Agreement") with the City of Orlando, whereby the City will provide \$1,250,000 in the form of a loan (see discussion below) for the removal of asbestos and environmental contamination from the apartment complex for Phase I (the "Property") which was completed by September 30, 2016 in accordance with the CDBG Agreement. The CDBG Agreement requires the Property be restricted to use as affordable housing for low and moderate-income households for five years and 51% of the units be occupied by such households by December 31, 2018, the expiration date of the CDBG Agreement.

On November 3, 2016, LOCL entered into a Promissory Note ("CDBG Note") for \$1,250,000 in connection with the CDBG Agreement which is due on December 31, 2023; however, if LOCL is not in default under the terms of the CDBG Agreement or Note, the amount will be forgiven in its entirety. The CDBG Note is secured by a mortgage on the Property held by WLP I, which is subordinate to the notes payable to the Foundation (see Note 4), and other mortgages held for the construction of Phase I.

Amounts received in connection with the CDBG Agreement and Note will be recorded as a loan payable to the City of Orlando until the CDBG Note is forgiven, at which time it will be recognized as a contribution. At December 31, 2017 and 2016, \$1,250,000 is recorded as a note payable to the City of Orlando on the accompanying consolidated statements of financial position.

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6. Temporarily Restricted Net Assets and Releases from Restrictions

Temporarily restricted net assets are available for the following purposes:

<i>December 31,</i>	2017	2016
In-kind contribution of interest on notes payable	\$ 196,258	\$ 24,307
Community health and wellness	162,305	—
Lake Lorna Doone Park	75,000	—
Education	55,000	—
Economic viability	53,495	—
Time restricted contribution receivable	75,000	75,000
Other programs	—	8,594
	\$ 617,058	\$ 107,901

Net assets were released from donor restrictions as follows:

<i>Year Ended December 31,</i>	2017	2016
In-kind contribution of interest on notes payable	\$ 72,765	\$ 83,427
Economic viability	146,505	—
Community health and wellness	87,694	—
Time restricted contribution receivable	25,000	25,000
Other programs	8,594	47,406
Education	50,000	399,000
Community partnerships	38,250	35,000
	\$ 428,808	\$ 589,833

The in-kind contribution of interest on the notes payable as discussed in Note 4 will be released over the remaining term of the related Notes.

7. Concentrations

Concentration of Credit Risk

Financial instruments which potentially expose the Organization to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, include bank accounts in excess of federally insured balances at December 31, 2017. In management's opinion, the capitalization and operating history of the financial institution which holds its accounts is such that the likelihood of loss is remote.

Concentration of Revenue

A substantial portion of the Organization's revenues are derived from contributions from donors in the Orlando area. If a significant reduction in the level of contributions occurred, this may have an adverse effect on the Organization's programs and activities.

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8. Commitment

Operating Lease

During September 2017, the Organization entered into a lease agreement with an unrelated third party to rent office space. The initial term is for two years and ends on August 31, 2019, with an option to extend an additional three years. Future maturities under this non-cancelable operating lease as of December 31, 2017 are \$22,422 for 2018 and \$15,244 for 2019. Total rent expense was approximately \$38,000 and \$23,000 for the years ended December 31, 2017 and 2016, respectively.

9. Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to December 31, 2017 as of April 24, 2018, which is the date the consolidated financial statements were available to be issued. Subsequent events occurring after April 24, 2018 have not been evaluated by management. No material events have occurred since December 31, 2017 that require recognition or disclosure in the consolidated financial statements.