



LIFT Orlando, Inc. and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

LIFT Orlando, Inc. and Subsidiaries

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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 which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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, 2018 and 2017, 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
Certified Public Accountants
April 22, 2019

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Consolidated Financial Statements

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

<i>December 31,</i>	2018	2017
Assets		
Current:		
Cash and cash equivalents	\$ 2,805,728	\$ 470,906
Contributions receivable, current	55,000	25,000
Related party receivables, current (Note 3)	402,274	—
Prepays and other current assets	69,273	12,544
Total current assets	3,332,275	508,450
Rental property (Notes 3, 5 and 6)	4,039,121	—
Land held for development (Notes 3, 5 and 6)	—	5,266,004
Contributions receivable, long-term	50,000	25,000
Note receivable from related party (Note 3)	250,000	250,000
Related party receivables, long-term (Notes 3 and 4)	2,040,008	447,199
Investment in West Lakes Phase I (Note 3)	500,000	500,000
Investment in West Lakes Phase II (Note 4)	150,000	—
Deposits and other long-term assets	—	8,865
Total Assets	\$10,361,404	\$ 7,005,518
Liabilities and Net Assets		
Current:		
Accounts payable and other accrued expenses	\$ 309,273	\$ 144,158
Deferred lease revenue, current (Note 3)	27,273	27,273
Related party payable	—	11,420
Total current liabilities	336,546	182,851
Commitments and contingencies (Note 10)		
Notes payable, net (Note 5)	1,629,882	2,539,159
Note payable to City of Orlando (Note 6)	1,250,000	1,250,000
Deferred lease revenue, long-term (Note 3)	1,400,000	1,427,273
Total liabilities	4,616,428	5,399,283
Net assets:		
Without donor restrictions	3,713,253	989,176
With donor restrictions (Note 7)	2,031,723	617,059
Total net assets	5,744,976	1,606,235
Total Liabilities and Net Assets	\$10,361,404	\$ 7,005,518

See accompanying notes to consolidated financial statements.

LIFT Orlando, Inc. and Subsidiaries
Consolidated Statements of Activities

<i>Year Ended December 31,</i>	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Contributions	\$ 1,652,871	\$ 2,405,378	\$ 4,058,249	\$ 274,531	\$ 693,250	\$ 967,781
Development fee revenue (Notes 3 and 4)	1,961,373	—	1,961,373	42,534	—	42,534
Lease revenue (Note 3)	27,273	—	27,273	27,273	—	27,273
In-kind contributions (Notes 2 and 5)	150,387	—	150,387	30,169	244,716	274,885
Other income	117,545	7,033	124,578	13,497	—	13,497
Net assets released from restrictions (Note 7)	997,747	(997,747)	—	428,808	(428,808)	—
Total revenues and support	4,907,196	1,414,664	6,321,860	816,812	509,158	1,325,970
Expenses:						
Program	1,682,610	—	1,682,610	784,811	—	784,811
Management and general	330,079	—	330,079	439,802	—	439,802
Fundraising	170,430	—	170,430	118,328	—	118,328
Total expenses	2,183,119	—	2,183,119	1,342,941	—	1,342,941
Change in net assets	2,724,077	1,414,664	4,138,741	(526,129)	509,158	(16,971)
Net assets, beginning of year	989,176	617,059	1,606,235	1,515,305	107,901	1,623,206
Net assets, end of year	\$ 3,713,253	\$ 2,031,723	\$ 5,744,976	\$ 989,176	\$ 617,059	\$ 1,606,235

See accompanying notes to consolidated financial statements.

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

<i>Year Ended December 31,</i>	2018				2017			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 382,180	\$ 203,996	\$ 151,230	\$ 737,406	\$ 233,332	\$ 244,404	\$ 92,856	\$ 570,592
Professional fees	437,628	24,260	1,657	463,545	295,608	53,463	6,500	355,571
Legal fees	332,750	1,461	—	334,211	32,206	14,416	—	46,622
Economic viability grants	226,370	—	—	226,370	—	—	—	—
Education grants	141,750	—	—	141,750	123,000	—	—	123,000
Office administration	19,313	67,569	6,026	92,908	5,359	40,410	5,627	51,396
Communications	64,457	5,122	609	70,188	9,667	34,532	2,170	46,369
Meetings	30,836	6,525	4,754	42,115	46,446	22,871	5,560	74,877
Miscellaneous	9,729	9,828	3,934	23,491	1,452	1,840	1,813	5,105
Occupancy costs	13,320	6,660	2,220	22,200	13,306	20,910	3,802	38,018
Insurance	11,394	4,658	—	16,052	10,435	6,956	—	17,391
Amortization	6,250	—	—	6,250	6,250	—	—	6,250
Other program costs	5,433	—	—	5,433	—	—	—	—
Miscellaneous grants	1,200	—	—	1,200	7,750	—	—	7,750
	\$1,682,610	\$ 330,079	\$ 170,430	\$2,183,119	\$ 784,811	\$ 439,802	\$ 118,328	\$ 1,342,941

See accompanying notes to consolidated financial statements.

LIFT Orlando, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

<i>Year Ended December 31,</i>	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 4,138,741	\$ (16,971)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Amortization	6,250	6,250
Gain on sale of land held for development	(46,821)	—
Contributed interest	—	(244,716)
(Increase) decrease in:		
Contributions receivable	(55,000)	25,000
Related party receivables	(1,910,669)	(27,994)
Prepaid and other current assets	(56,729)	3,686
Deposits and other long-term assets	8,865	37,885
Increase (decrease) in:		
Accounts payable and accrued expenses	138,878	(60,844)
Related party payable	(11,420)	11,420
Deferred lease revenue	(27,273)	(27,273)
Net cash provided by (used for) operating activities	2,184,822	(293,557)
Cash flows from investing activities:		
Payments for land held for development	—	(105,054)
Investment in West Lake Phase I	—	(500,000)
Reimbursement of rental property costs	250,000	—
Proceeds on sale of land held for development	900,000	—
Net cash provided by (used for) investing activities	1,150,000	(605,054)
Cash flows from financing activities:		
Proceeds from notes payable	—	500,000
Payment on notes payable	(1,000,000)	—
Net cash (used for) provided by financing activities	(1,000,000)	500,000
Net increase (decrease) in cash and cash equivalents	2,334,822	(398,611)
Cash and cash equivalents, beginning of year	470,906	869,517
Cash and cash equivalents, end of year	\$ 2,805,728	\$ 470,906
Non-cash investing and financing activities:		
Capitalized interest	\$ 84,473	\$ 171,951
Reimbursement of rental property costs in exchange for Investment in West Lakes Phase II	\$ 150,000	\$ —

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” or the “Organization”) is a non-profit, tax exempt organization founded in 2013 to serve as the “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 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 (“Phase I” or “Pendana”). 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.
- LIFT Orlando Phase II SLP, LLC (“LOSLP”) - a Florida limited liability company formed in December 2015 for the purpose of serving as the special limited partner in West Lakes Phase II, LP, which was formed for the purpose of owning and constructing an affordable senior housing community (Phase II). See Note 4 for further discussion.
- LIFT Orlando Impact Investment Fund Manager, LLC (“LOIFM”) - a Florida limited liability company formed in September 2016 for the purpose of serving as the manager of Lift Orlando Impact Investment Fund, LLC (“LOIFF”). See Note 2, *Investment in LOIFF*, for further discussion.
- 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.

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

2. Summary of Significant Accounting Policies

Basis for Accounting

The consolidated financial statements of the Organization are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 in consolidation.

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.

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less at the date of purchase and consist of money market accounts.

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, 2018 and 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 receivable are reduced to the amount estimated to be realized by an allowance for uncollectible contributions. All contributions receivable were considered fully collectible and no allowance for uncollectible contributions was recorded at December 31, 2018 and 2017.

Investment in West Lakes Phase I, LP

Investment in West Lakes Phase I, LP ("WLP I") is accounted for under the cost method of accounting at acquisition cost. On March 7, 2017, LOGP made a capital contribution to WLP I in the amount of \$500,000 for a 0.051% ownership interest, which is shown as investment in West Lakes Phase I on the accompanying consolidated statements of financial position at December 31, 2018 and 2017. Also, during 2017, additional investors were admitted into the WLP I partnership and LOGP's ownership changed from 0.051% to 0.0051%. See Note 3 for further discussion of WLP I.

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. LOIFM was the sole member and manager of LOIF until additional investors were admitted into LOIF in 2017 and, as a result, LOIFM's ownership became 1%. Investment in LOIF is accounted for under 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, 2018 and 2017 and the years then ended was determined to be immaterial to the consolidated financial statements and is therefore not recorded.

Investment in West Lakes Phase II, LP ("WLP II")

Investment in West Lakes Phase II, LP ("WLP II") is accounted for under the cost method of accounting at acquisition cost at December 31, 2018. As further discussed in Note 4, prior to September 24, 2018, LIFT Orlando was the sole general partner and there were no limited partners, therefore, WLP II was included in the accompanying consolidated financial statements as of and for the year ended December 31, 2017 as WLP II was a wholly-owned subsidiary of LIFT Orlando.

Land Held for Development and Rental Property

Land held for development was recorded at cost and includes the cost of land acquired for Phases I and II of Pendana, demolition costs to prepare the land for development and interest costs on the borrowings used to purchase the land at December 31, 2017. During 2018, Phase I of Pendana was completed and the related costs previously recorded as land held for development were reclassified to rental property. In addition, during 2018, the remaining parcels of land held for development were sold to WLP II for \$900,000, which resulted in a gain of \$40,882 which is included in other income on the accompanying consolidated statements of activities (see Note 4).

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 2018 and 2017.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the consolidated statements of activities as net assets released from restrictions.

See Note 7 for more information on the composition of net assets with donor restrictions and the release of restrictions.

Contributions Revenue

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 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.

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 2018 and 2017, the Organization received contributed legal services in the amount of \$87,179 and \$27,919, 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 notes payable are amortized using the straight-line method, which approximates the effective interest method, over the term of the related agreement. Debt issuance costs are recorded net of notes payable 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.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Functional Allocation of Expenses

The accompanying statements of functional expenses present expenses by function and natural classification. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. The majority of the remaining expenses are directly attributable to a specific functional area of the Organization and are reported as expenses of those functional areas.

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.

During 2018, LOGP elected to be treated as a taxable corporation under provisions of the Internal Revenue Code and the Florida Income Tax Code. LOGP did not have any activity during 2018. Therefore, no provision for income taxes has been included in the accompanying 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).

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Notes to Consolidated Financial Statements

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 cash and cash equivalents, contributions receivable, related party receivables, accounts payable and accrued expenses and related party payable. The fair value of the Company's notes receivable and notes 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, 2018, 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.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 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.

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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.

Contributions Received and Contributions Made

In June 2018 the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard clarifies and improves guidance about whether a transfer of assets is a contribution or an exchange transaction, as well as clarifying how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The new standard is effective for fiscal periods beginning after December 15, 2018, using either of the following transition methods: (i) a modified prospective in the first set of financial statements following the effective date to agreements that are either not completed as of the effective date or entered into after the effective date, or (ii) a full retrospective approach reflecting the application of the standard in each prior reporting period in the consolidated financial statements. Early adoption is permitted. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11, *Leases, Targeted Improvements (Topic 842)*, was issued in June 2018 that also permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Management is currently evaluating the impact of these ASUs on its consolidated financial statements.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Accounting Pronouncement Adopted

Effective January 1, 2018, the Organization adopted 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 statement 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.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The Organization’s net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Organization’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Organization did not have any permanently restricted net assets.

Reclassifications

Certain items have been reclassified in the 2017 consolidated financial statements to conform to the 2018 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 Pendana to consist of 200 mixed income housing units (“Phase I”). WLP I obtained financing for Phase I in the form of tax incentive credits and equity financing and entered into a ground lease as discussed below for the underlying property owned by LOCL. Phase I constitutes 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 entered into various funding agreements which required that all buildings be placed in service on or before December 31, 2018 and this requirement was met when Phase I was completed on June 21, 2018.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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, 2018 and 2017 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, 2018 and 2017, accrued interest receivable of \$20,096 and \$12,596, 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 both years ended December 31, 2018 and 2017. The unrecognized portion of the one-time rent payment of \$1,500,000 was recorded as deferred revenue and was \$1,427,273 and \$1,454,546 at December 31, 2018 and 2017, respectively, on the accompanying consolidated statements of financial position.

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”). NAHP is an affiliate of the general and limited partner of WLP I. 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. The amount that the developers shall be entitled to receive 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 20% of the total developer fee was earned prior to this amendment date and the remainder will be earned pro rata as the buildings in Phase I 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, 2018 and 2017 amounted to \$1,711,083 and \$42,534, respectively, and are included in the accompanying consolidated statements of activities as development fee revenue. Total developer fees due from WLP I as of December 31, 2018 and 2017 are \$2,138,854 and \$427,771, respectively, and are payable as stipulated in the agreement, but no later than the fifteenth anniversary date of the completion of Phase I, and are included in related party receivables, current of \$402,274 and \$0 and related party receivables, long-term of \$1,736,580 and \$427,771, respectively.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

4. Investment in West Lakes Phase II, LP

WLP II is 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 Pendana, 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 was the sole general partner and there were no limited partners until September 24, 2018, at which time LIFT Orlando made a \$150,000 capital contribution (which is shown as investment in WLP II on the accompanying consolidated statements of financial position at December 31, 2018) and LOSLP and several third parties were admitted as special classes of limited partners. LIFT Orlando has a 0.007% investment in WLP II following the admissions of the limited partners.

WLP II obtained financing for Phase II in the form of tax incentive credits and equity financing and HOME project funds from the City of Orlando. Phase II will constitute a “qualified low-income housing project” as defined by Section 42(g)(1) of the Internal Revenue Code. In order to fund the development project, WLP II entered into various funding agreements which required that all buildings be placed in service by December 31, 2020.

Effective June 14, 2018, WLP II entered into a purchase and sale agreement to acquire the real property owned by LOCL upon which Phase II will be developed for \$900,000. The proceeds were used to pay down the notes payable (see Note 5).

Effective September 24, 2018, WLP II entered into a DSA with LOCD and NAHP (collectively, the “Developers”). NAHP is an affiliate of the general and limited partner of WLP II. NAHP and LOCD will earn a development fee for supervising and coordinating the development and construction of Phase II. 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. The amount that the Developers shall be entitled to receive is to be split between NAHP and LOCD as follows: 1) the first 25% paid to NAHP; 2) the next 15% paid to LIFT in accordance with the DSA; and 3) the remaining 60% be split equally between NAHP and LOCD. On January 30, 2019, the DSA was amended to state that 20% of the developer fee shall be deemed earned upon closing of the construction financing and the remainder shall be deemed earned on a pro rata basis as buildings in Phase II are placed in service. Based on this agreement and the subsequent amendment, the development fee revenue earned by LOCD during the year ended December 31, 2018 amounted to \$250,290, which will be payable by WLP II as stipulated in the agreement, but no later than the fifteenth anniversary date of the completion of Phase II and \$250,290 is included in related party receivables, long-term on the accompanying consolidated statements of financial position at December 31, 2018.

5. Notes Payable

On May 1, 2015, LOCL entered into a \$4,000,000 loan agreement with a local foundation (the “Foundation”) which included two notes payable for 1) \$3,100,000 to acquire the land for Pendana and 2) \$900,000 made available for the demolition (including environmental remediation) of the vacant apartment complex for Phase I and Phase II of Pendana (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. Lift Orlando records contributions with donor restrictions at the time the proceeds are drawn under the notes payable for the difference in the stated interest rate and market interest rate which is recorded as a reduction of notes payable as “unamortized interest rate contribution” and is amortized to real property (since the proceeds of the notes payable were used to purchase real property) over the term of the notes payable. Net assets with donor restrictions are released from restriction as amounts are amortized. The notes payable state that upon timely principle payments, all outstanding accrued interest will be forgiven and will be recorded as in-kind contributions. During 2017, Lift Orlando recorded an in-kind contribution with donor restrictions which was capitalized to land held for development related to the interest rate contribution of \$244,716 for additional draws and changes in timing of expected remaining payments under the \$900,000 note payable. During 2018 and 2017, \$84,473 and \$72,765, respectively, were released from net assets with donor restrictions for amortization of the interest rate contribution. In addition, during 2018, \$63,208 was recorded as an in-kind contribution for the forgiveness of the 1% interest for payments made on the notes payable as discussed further below. At December 31, 2018 and 2017, interest of \$403,375 and \$292,606, respectively, has been capitalized and included in rental property and land held for development, respectively.

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 and reduced the \$3,100,000 note payable.
- \$2,150,000 is due from developer fees received by LOCD for Phase I in connection with the DSA (see Note 3). A partial payment on this amount of \$400,000 was paid to the Foundation during 2018 of which \$100,000 and \$300,000 reduced the \$3,100,000 and \$900,000 notes payable, respectively.
- \$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 Pendana. This amount was paid to the Foundation in September 2018 and paid off the remaining balance due under the \$900,000 note payable.

<i>December 31,</i>	2018	2017
\$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.	\$ 1,750,000	\$ 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
Total	1,750,000	2,750,000
Less unamortized interest rate contribution	(111,785)	(196,258)
Less unamortized debt issuance costs	(8,333)	(14,583)
Total notes payable, net	\$ 1,629,882	\$ 2,539,159

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

6. 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 Pendana. 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 rental property 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 Pendana (see Note 3). The Development Agreement requires the demolition of two of the vacant apartment complexes and construction of Phase I of Pendana be completed by October 31, 2018. Phase I was 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. All units were occupied as of December 31, 2018.

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 5), and other mortgages held for the construction of Phase I.

At December 31, 2018 and 2017, \$1,250,000 is recorded as a note payable to the City of Orlando on the accompanying consolidated statements of financial position until the CDBG Note is forgiven, at which time it will be recognized as a contribution.

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

7. Net Assets With Donor Restrictions and Releases from Restrictions

Net assets with donor restrictions are available for the following purposes:

<i>December 31,</i>	2018	2017
Construction of Health & Wellness Center	\$ 1,507,032	\$ —
JPMorgan Chase economic viability	131,564	53,495
SunTrust Financial Wellbeing Center	126,342	—
In-kind contribution of interest on notes payable	111,785	196,258
Time restricted contribution receivable	105,000	75,000
Legends Academy	50,000	55,000
Community health and wellness	—	162,306
Lake Lorna Doone Park	—	75,000
	\$ 2,031,723	\$ 617,059

Net assets were released from donor restrictions as follows:

<i>Year Ended December 31,</i>	2018	2017
SunTrust Financial Wellbeing Center	\$ 173,658	\$ —
Community health and wellness	162,306	87,694
JPMorgan Chase economic viability	121,931	146,505
Housing grants	100,000	—
In-kind contribution of interest on notes payable	84,473	72,765
Lake Lorna Doone Park	75,000	—
Legends Academy	60,000	50,000
Education grants	51,001	—
Time restricted contribution receivable	50,000	25,000
Economic viability	50,000	—
MVP Families	42,500	38,250
Other programs	26,878	8,594
	\$ 997,747	\$ 428,808

The in-kind contribution of interest on the notes payable as discussed in Note 5 will be released over the remaining term of the related Notes.

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

8. Financial Assets and Liquidity Resources

As of December 31, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and scheduled principal payments on debt, were as follows:

<i>December 31,</i>	2018
Cash and cash equivalents	\$ 2,805,728
Contributions receivable, current	55,000
Related party receivable, current	402,274
Other current asset	60,960
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Total financial assets available within one year	3,323,962
Less expected repayment on notes payable	(402,274)
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Total financial assets available to management for general expenditure within one year	\$ 2,921,688

Liquidity Management

Cash and cash equivalents and current receivables as reported on the consolidated statement of financial position at December 31, 2018, are the primary liquid resources used by the Organization to meet its general expenditure needs within the next year. As part of liquidity management, the Organization's policy is to manage its financial assets and budget to meet its general expenditure needs. To help manage unanticipated liquidity needs, the Organization seeks financial support of the Board of Directors, community partners and other donors.

9. 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, 2018. 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 Revenues and Support

A substantial portion of the Organization's revenues and support 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.

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

10. Commitment and Contingencies

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. Future maturities under this non-cancelable operating lease as of December 31, 2018 are \$14,800 for 2019. Total rent expense was approximately \$22,200 and \$38,000 for the years ended December 31, 2018 and 2017, respectively.

Legal

The Organization may be involved in lawsuits in the normal course of business. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result has been made in the consolidated financial statements. Management believes that losses resulting from these matters, if any, would not have a material adverse effect on the financial position or results of operations of the Organization.

11. Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to December 31, 2018 as of April 22, 2019, which is the date the consolidated financial statements were available to be issued. Subsequent events occurring after April 22, 2019 have not been evaluated by management. No material events have occurred since December 31, 2018 that require recognition or disclosure in the consolidated financial statements.