



LIFT Orlando, Inc. and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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
March 31, 2020

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Consolidated Financial Statements

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

<i>December 31,</i>	2019	2018
Assets		
Current:		
Cash and cash equivalents	\$ 6,462,032	\$ 2,805,728
Contributions receivable, net, current (Note 3)	148,599	55,000
Related party receivables, current (Notes 4, 5 and 12)	610,893	402,274
Prepays and other current assets	6,657	69,273
Total current assets	7,228,181	3,332,275
Rental property (Notes 4, 6 and 7)	4,140,286	4,039,121
Construction in progress	310,080	—
Contributions receivable, net, long-term (Note 3)	189,012	50,000
Note receivable from related party (Note 4)	250,000	250,000
Related party receivables, long-term (Notes 4, 5 and 12)	2,024,157	2,040,008
Investment in West Lakes Phase I (Note 4)	500,000	500,000
Investment in West Lakes Phase II (Note 5)	150,000	150,000
Total Assets	\$14,791,716	\$ 10,361,404
Liabilities and Net Assets		
Current:		
Accounts payable and other accrued expenses	\$ 83,280	\$ 309,273
Loan payable, current portion net (Note 6)	956,934	—
Deferred lease revenue, current (Note 4)	27,273	27,273
Total current liabilities	1,067,487	336,546
Contingencies (Note 11)		
Loan payable, long-term, net (Note 6)	—	1,629,882
Note payable to City of Orlando (Note 7)	1,250,000	1,250,000
Deferred lease revenue, long-term (Note 4)	1,372,727	1,400,000
Total liabilities	3,690,214	4,616,428
Net assets:		
Without donor restrictions	4,580,266	3,713,253
With donor restrictions (Note 8)	6,521,236	2,031,723
Total net assets	11,101,502	5,744,976
Total Liabilities and Net Assets	\$14,791,716	\$ 10,361,404

See accompanying notes to consolidated financial statements.

LIFT Orlando, Inc. and Subsidiaries

Consolidated Statements of Activities

<i>Year Ended December 31,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Contributions	\$ 1,263,656	\$ 5,432,279	\$ 6,695,935	\$ 1,652,871	\$ 2,405,378	\$ 4,058,249
Development fee revenue (Notes 4 and 5)	880,156	—	880,156	1,961,373	—	1,961,373
Lease revenue (Note 4)	27,273	—	27,273	27,273	—	27,273
In-kind contributions (Notes 2 and 6)	112,141	—	112,141	150,387	—	150,387
Other income	14,243	46,636	60,879	117,545	7,033	124,578
Net assets released from restrictions (Note 8)	989,402	(989,402)	—	997,747	(997,747)	—
Total revenues and support	3,286,871	4,489,513	7,776,384	4,907,196	1,414,664	6,321,860
Expenses:						
Program	1,787,760	—	1,787,760	1,682,610	—	1,682,610
Management and general	415,982	—	415,982	330,079	—	330,079
Fundraising	216,116	—	216,116	170,430	—	170,430
Total expenses	2,419,858	—	2,419,858	2,183,119	—	2,183,119
Change in net assets	867,013	4,489,513	5,356,526	2,724,077	1,414,664	4,138,741
Net assets, beginning of year	3,713,253	2,031,723	5,744,976	989,176	617,059	1,606,235
Net assets, end of year	\$ 4,580,266	\$ 6,521,236	\$11,101,502	\$ 3,713,253	\$ 2,031,723	\$ 5,744,976

See accompanying notes to consolidated financial statements.

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

<i>Year Ended December 31,</i>	2019				2018			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 554,216	\$ 286,816	\$ 134,073	\$ 975,105	\$ 382,180	\$ 203,996	\$ 151,230	\$ 737,406
Education grants	437,280	—	—	437,280	141,750	—	—	141,750
Professional fees	244,163	1,601	44,700	290,464	437,628	24,260	1,657	463,545
Economic viability grants	255,450	—	—	255,450	226,370	—	—	226,370
Communications	96,623	10,509	2,791	109,923	64,457	5,122	609	70,188
Office administration	30,701	50,671	10,529	91,901	19,313	67,569	6,026	92,908
Meetings	52,800	2,364	19,615	74,779	30,836	6,525	4,754	42,115
Legal fees	22,313	24,457	—	46,770	332,750	1,461	—	334,211
Community engagement grants	46,000	—	—	46,000	—	—	—	—
Miscellaneous	2,903	32,051	887	35,841	9,729	9,828	3,934	23,491
Occupancy costs	19,215	3,189	3,521	25,925	13,320	6,660	2,220	22,200
Insurance	17,796	4,324	—	22,120	11,394	4,658	—	16,052
Amortization	6,250	—	—	6,250	6,250	—	—	6,250
Miscellaneous grants	2,050	—	—	2,050	1,200	—	—	1,200
Other program costs	—	—	—	—	5,433	—	—	5,433
	\$1,787,760	\$ 415,982	\$ 216,116	\$2,419,858	\$ 1,682,610	\$ 330,079	\$ 170,430	\$ 2,183,119

See accompanying notes to consolidated financial statements.

LIFT Orlando, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Year Ended December 31,	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 5,356,526	\$ 4,138,741
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	6,250	6,250
Contributions restricted for capital projects	(4,380,000)	(1,507,032)
Contributed interest	(10,308)	(63,208)
Donated services capitalized to construction in progress	(98,000)	—
Gain on sale of land held for development	—	(46,821)
(Increase) decrease in:		
Contributions receivable	(232,611)	(55,000)
Related party receivables	(192,768)	(1,910,669)
Prepaid and other current assets	62,616	(56,729)
Deposits and other long-term assets	—	8,865
Increase (decrease) in:		
Accounts payable and accrued expenses	(227,370)	202,086
Related party payable	—	(11,420)
Deferred lease revenue	(27,273)	(27,273)
Net cash provided by operating activities	257,062	677,790
Cash flows from investing activities:		
Additions to construction in progress	(212,080)	—
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	(212,080)	1,150,000
Cash flows from financing activities:		
Payment on loan payable	(768,678)	(1,000,000)
Contributions restricted for capital projects	4,380,000	1,507,032
Net cash provided by investing activities	3,611,322	507,032
Net increase in cash and cash equivalents	3,656,304	2,334,822
Cash and cash equivalents, beginning of year	2,805,728	470,906
Cash and cash equivalents, end of year	\$ 6,462,032	\$ 2,805,728
Non-cash investing and financing activities:		
Capitalized interest	\$ 103,379	\$ 99,668
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 working 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 (“Phase I”) named Pendana at West Lakes (“Pendana”) which was completed in June 2018. See Note 4 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) expected to be completed in 2020. See Note 5 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 (“LOIIF”). See Note 2, *Investment in LOIIF*, 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

Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The ASU also requires additional disclosure to enable readers of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASU 2014-09, along with all subsequent amendments (collectively, “ASC 606”) as of January 1, 2019 under the modified retrospective method. The effect of the Organization’s adoption of ASC 606 is outlined below.

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 (“ASU 2018-08”)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e. ASC 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Organization adopted this update on a prospective basis as of January 1, 2019 and the effects of the adoption are outlined below.

The effect of the adoption of ASC 606 and ASU 2018-08 on the Organization’s consolidated financial statements were examined in conjunction with one another.

Contribution and in-kind contribution revenue were accounted for under ASC Topic 958-605, *Not-for-Profit Entities, Revenue Recognition*, before the implementation of the new standards. With the clarifications outlined in ASU 2018-08, the Organization’s management reviewed existing agreements as of the effective date, as well as new agreements for 2019, and concluded that there are no material changes in revenue related to contributions.

Development fee revenue falls under ASC 606. There were no material changes in the Organization’s pattern of recognition for these arrangements as further discussed in *Development Fee Revenue*.

Lease revenue is accounted for under Accounting Standards Codification 842 (“ASC 842”), *Lease Accounting*, and is outside the scope of ASC 606. There were no changes to ASC 842 and therefore no changes in lease revenue recognition during 2019.

Basis of 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.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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 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. The Organization provides an allowance for uncollectible contributions receivable based on historical collection experience.

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. See Note 4 for further discussion of WLP I.

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. See Note 5 for further discussion of WLP II.

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, 2019 and 2018 and the years then ended was determined to be immaterial to the consolidated financial statements and is therefore not recorded.

Rental Property

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 \$46,821 which was included in other income on the accompanying consolidated statements of activities (see Note 5).

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Construction in Progress

Construction in progress at December 31, 2019 represents predevelopment costs incurred primarily relating to the architecture and design of the Community Health & Wellness Center (the “Center”). The Center is expected to be completed during 2021, at which time the costs will be depreciated over the estimated useful life of the building.

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 2019 and 2018.

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.

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 8 for more information on the composition of net assets with donor restrictions and the release of restrictions.

Contributions Revenue

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. At December 31, 2019, a conditional promise to give in the amount of \$300,000, has not been recognized in the accompanying consolidated statement of activities because the conditions on which it depends have not yet been met. These conditions include providing a certain number of individuals with access to wealth building information and financial literacy workshops which are expected to be delivered in 2020.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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 2019 and 2018, the Organization received contributed legal services in the amount of \$14,141 and \$87,179, respectively, which is recorded as in-kind contribution revenue and professional fees on the accompanying consolidated financial statements. In addition, during 2019, the Organization received contributed architectural services in the amount of \$98,000, which is recorded as in-kind contribution revenue and capitalized to construction in progress 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 fees are recognized as revenue when control of the promised services, which represent the Company's performance obligations and are defined in the related Development Services Agreements (see Notes 4 and 5), is transferred to the property owner in an amount that reflects the consideration the Organization expects to be entitled to in exchange for these services.

The Organization has considered several factors in determining that control of these services is transferred to the property owner over time, and therefore, satisfies its performance obligation and recognizes revenue over time. These factors include that the Organization is performing services that enhances an asset that is controlled by the property owner and has a right to payment as these services are performed. Management has determined that revenue will be recognized using the input method, which recognizes revenue on the basis of efforts or inputs expended relative to the total expected inputs to be expended, and represent construction costs incurred. As a result, accounts receivable has been recorded in the amount that has not yet been received for the services that have been performed and is included in related party receivables on the accompanying consolidated statements of financial position.

Lease Revenue and Deferred Lease Revenue

During 2016, the Organization received a one-time lease payment, which will be recognized over the term of the related lease (see Note 4). The unrecognized amount is shown as deferred lease revenue on the accompanying consolidated statements of financial position.

Functional Allocation of Expenses

The accompanying consolidated statements of functional expenses present expenses by function and natural classification. Salaries and related payroll expenses and certain office administration expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. Occupancy and certain office administration expenses are allocated among functional categories based on the estimated square footage used by employees in the various functional categories.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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, except for LOGP. 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 revenues during 2019. 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).

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.

LIFT Orlando, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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 Organization'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.

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 Pronouncement Issued but Not Yet Adopted

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, 2020. 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.

Reclassifications

Certain items have been reclassified in the 2018 consolidated financial statements to conform to the 2019 presentation.

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

3. Contributions Receivable

Contributions receivable are due as follows:

<i>June 30,</i>	2019	2018
Less than one year	\$ 155,000	\$ 55,000
One to five years	200,750	50,000
	355,750	105,000
Less: allowance for uncollectible contributions receivables	(8,517)	—
Less: present value discount on contributions receivable ranging from 1.58% to 1.62%	(9,622)	—
	\$ 337,611	\$ 105,000
Contributions receivable, current portion, net	\$ 148,599	\$ 55,000
Contributions receivable, long term, net	189,012	50,000
	\$ 337,611	\$ 105,000

4. 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. LOGP made a capital contribution to WLP I in the amount of \$500,000 in 2017 and has a 0.0051% interest in WLP1, which is shown as investment in West Lakes Phase I on the accompanying consolidated statements of financial position at December 31, 2019 and 2018. 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, 2019 and 2018 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, 2019 and 2018, accrued interest receivable of \$27,596 and \$20,096, 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 both years ended December 31, 2019 and 2018. The unrecognized portion of the one-time rent payment of \$1,500,000 was recorded as deferred revenue and was \$1,400,000 and \$1,427,273 at December 31, 2019 and 2018, 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”), as amended on March 3, 2017. NAHP is an affiliate of the general and limited partner of WLP I. NAHP and LOCD earned a development fee for supervising and coordinating the development and construction of Phase I completed in June 2018. The development fee revenue earned by LOCD during the year ended December 31, 2018 amounted to \$1,711,083, which is included in the accompanying consolidated statements of activities as development fee revenue. The entirety of the development fee was earned through December 31, 2018. Total developer fees due from WLP I as of December 31, 2019 and 2018 are \$1,370,176 and \$2,138,854, 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 \$41,967 and \$402,274 and related party receivables, long-term of \$1,328,209 and \$1,736,580, respectively.

5. 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) and LOSLP and several third parties were admitted as special classes of limited partners. LIFT Orlando has a 0.007% interest 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.

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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 is being developed for \$900,000. The proceeds were used to pay down the notes payable (see Note 6).

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 years ended December 31, 2019 and 2018 amounted to \$880,156 and \$250,290, respectively, 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 are included in related party receivables, current of \$543,926 and \$0 and related party receivables, long-term of \$586,520 and \$250,290, respectively.

6. Loan Payable

On May 1, 2015, LOCL entered into a \$4,000,000 loan agreement (the “Loan”) with a local foundation (the “Foundation”) to acquire the land for Pendana and cover the costs of the demolition (including environmental remediation) of the vacant apartment complex for Phase I and Phase II of Pendana.

Annual interest under the Loan is 1%, which is considered a below market interest rate. Lift Orlando recorded contributions with donor restrictions at the time the proceeds were drawn under the Loan for the difference in the stated interest rate and market interest rate which was recorded as a reduction of Loan payable as “unamortized interest rate contribution” and is amortized to real property (since the proceeds of the Loan were used to purchase real property) over the term of the Loan. Net assets with donor restrictions are released from restriction as amounts are amortized. The Loan states that upon timely principle payments, all outstanding accrued interest will be forgiven and will be recorded as in-kind contributions. During 2019 and 2018, \$89,480 and \$84,473, respectively, were released from net assets with donor restrictions for amortization of the interest rate contribution. In addition, during 2019 and 2018, \$10,308 and \$63,208, respectively, was recorded as an in-kind contribution for the forgiveness of the 1% interest for payments made on the Loan. At December 31, 2019 and 2018, interest of \$504,481 and \$401,102, respectively, has been capitalized and included in rental property.

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Loan payable is summarized as follows:

<i>December 31,</i>	2019	2018
Loan payable; interest at 1%; matures on December 31, 2020, at which time any unpaid principal and accrued interest will be due. Collateralized by all developer fees payable to LOCD under the WLP I and WLP II DSAs.	\$ 981,322	\$ 1,750,000
Less unamortized interest rate contribution	(22,305)	(111,785)
Less unamortized debt issuance costs	(2,083)	(8,333)
Total notes payable, net	\$ 956,934	\$ 1,629,882

7. 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 4). The Development Agreement requires the demolition of two of the vacant apartment complexes and construction of Phase I and II of Pendana. Phase I was completed in June 2018 and Phase II remains in progress as of December 31, 2019.

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 CDBG 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 Loan payable to the Foundation (see Note 6), and other mortgages held for the construction of Phase I.

At December 31, 2019 and 2018, \$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.

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8. Net Assets With Donor Restrictions and Releases from Restrictions

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

<i>December 31,</i>	2019	2018
Construction of Health & Wellness Center	\$ 5,933,668	\$ 1,507,032
Time restricted contribution receivable	355,750	105,000
SunTrust Financial Wellbeing Center	132,891	126,342
Community health and wellness	67,213	—
In-kind contribution of interest on notes payable	22,305	111,785
Boys & Girls Clubs of Central Florida, Inc. project leadership	7,409	—
Jones High School Choir	2,000	—
JPMorgan Chase economic viability	—	131,564
Legends Academy	—	50,000
	\$ 6,521,236	\$ 2,031,723

Net assets were released from donor restrictions as follows:

<i>Year Ended December 31,</i>	2019	2018
SunTrust Financial Wellbeing Center	\$ 293,451	\$ 173,658
Legends Academy	200,000	60,000
Community health and wellness	132,787	162,306
JPMorgan Chase economic viability	131,564	121,931
In-kind contribution of interest on notes payable	89,480	84,473
Time restricted contribution receivable	55,000	50,000
Education grants	40,000	51,001
Collective impact	40,000	—
Other programs	7,120	26,878
Housing grants	—	100,000
Lake Lorna Doone Park	—	75,000
Economic viability	—	50,000
MVP Families	—	42,500
	\$ 989,402	\$ 997,747

The in-kind contribution of interest on the notes payable as discussed in Note 6 will be released over the remaining term of the related Notes.

LIFT Orlando, Inc. and Subsidiaries
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9. 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>	2019	2018
Cash and cash equivalents	\$ 6,462,032	\$ 2,805,728
Contributions receivable, current	148,599	55,000
Related party receivable, current	585,893	402,274
Other current assets	969	60,960
Total financial assets available within one year	7,197,493	3,323,962
Less expected repayment on notes payable	(956,934)	(402,274)
Total financial assets available to management for general expenditure within one year	\$ 6,240,559	\$ 2,921,688

Liquidity Management

Cash and cash equivalents and current receivables as reported on the consolidated statement of financial position at December 31, 2019 and 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.

10. 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, 2019. 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.

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11. Contingencies

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.

12. Related Party Transactions

On January 1, 2019, the Organization entered into an employment agreement with its President. Amongst other provisions, the agreement stipulated that the Organization pay the President an advance in the amount of \$100,000. This advance will accrue interest at a rate of 2.37% per annum and will be repaid to the Organization if the President's employment is terminated, as defined in the agreement. If the President remains employed, the Organization will forgive a portion of the advance, including any accrued interest, annually until the end of the agreement on December 31, 2023.

The Organization has also entered into various other related party transactions disclosed within the notes to the consolidated financial statements. The following represents a summary of the related party receivable balances outstanding:

<i>December 31, 2019</i>	Current	Long-Term
Developer fees due from WLP I (Note 4)	\$ 41,967	\$ 1,328,209
Developer fees due from WLP II (Note 5)	543,926	586,520
Advance due from President (Note 12)	25,000	75,000
Accrued interest on note receivable from WLP I (Note 4)	—	27,596
Other	—	6,832
Total Related Party Receivables	\$ 610,893	\$ 2,024,157

<i>December 31, 2018</i>	Current	Long-Term
Developer fees due from WLP I (Note 4)	\$ 402,274	\$ 1,736,580
Developer fees due from WLP II (Note 5)	—	250,290
Accrued interest on note receivable from WLP I (Note 4)	—	20,096
Other	—	33,042
Total Related Party Receivable	\$ 402,274	\$ 2,040,008

The other amount shown above represents various borrowings that are unsecured and have no set repayment terms and are therefore shown as long-term in the accompanying consolidated financial statements.

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

13. Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to December 31, 2019 as of March 31, 2020, which is the date the consolidated financial statements were available to be issued. Subsequent events occurring after March 31, 2020 have not been evaluated by management. No material events have occurred since December 31, 2019 that require recognition or disclosure in the consolidated financial statements, except as follows:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The pandemic represents a market risk factor which has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, and if the pandemic continues, it may have an impact on the Organization’s operations, financial position, and liquidity in fiscal year 2020.

On March 27, 2020 the Coronavirus Aid, Relief and Economics Security (“CARES”) Act was enacted. The CARES Act was enacted to address the economic fallout of the COVID 19 outbreak on the economy. Management is currently evaluating the effect, if any, on the Organization of the provisions of the CARES Act, but is uncertain what provisions might be applicable as of the date of this report.