

**RIVIERA BEACH CDE, INC.
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
(WITH SUPPLEMENTARY INFORMATION)
And INDEPENDENT AUDITOR'S REPORT**

**Audited Financial Statements
For the Year ended December 31, 2017 and 2016**



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**RIVIERA BEACH CDE, INC. AND SUBSIDIARY
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Riviera Beach CDE, Inc. and Subsidiary
Riviera Beach, Florida

We have audited the accompanying consolidated financial statements of the Riviera Beach CDE, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of September 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 consolidated financial position of the Riviera Beach CDE, Inc. and Subsidiary as of September 30, 2017 and 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental financial information on pages 17 through 20 is presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flow of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida

April 12, 2018

RIVIERA BEACH CDE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017 AND 2016

	Assets					
	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Current assets						
Cash	\$ 226,992	\$ -	\$ 226,992	\$ 47,604	\$ -	\$ 47,604
Restricted cash (Note 3)	263,476	8,329	271,805	672,352	8,327	680,679
Prepaid expenses	47	-	47	48	-	48
Accounts receivable	75,960	-	75,960	149,675	-	149,675
Accrued interest receivable	17,058	-	17,058	17,310	-	17,310
Total current assets	583,533	8,329	591,862	886,989	8,327	895,316
Construction in progress	-	-	-	-	-	-
Noncurrent assets						
Loans receivable (Note 4)	4,761,400	-	4,761,400	4,761,400	-	4,761,400
Restricted cash (Note 3)	-	-	-	56,579	-	56,579
Event center, net of accumulated depreciation	8,558,272	-	8,558,272	8,047,558	-	8,047,558
Equipment, net of accumulated depreciation	183,638	-	183,638	198,826	-	198,826
Furniture, net of accumulated depreciation	234,158	-	234,158	43,999	-	43,999
Total noncurrent assets	13,737,468	-	13,737,468	13,108,362	-	13,108,362
Total assets	14,321,001	8,329	14,329,330	13,995,351	8,327	14,003,678

The accompanying notes to the financial statements are an integral part of these financial statements

RIVIERA BEACH CDE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017 AND 2016

	Liabilities and Net Assets					
	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Current liabilities						
Accounts payable - construction (Note 10)	-	-	-	173,975	-	173,975
Accounts payable	50,258	-	50,258	49,529	-	49,529
Accrued interest payable	17,211	-	17,211	17,164	-	17,164
Total current liabilities	<u>67,469</u>	<u>-</u>	<u>67,469</u>	<u>240,668</u>	<u>-</u>	<u>240,668</u>
Long-term liabilities						
Loans payable, net of debt issuance costs (Note 7)	6,430,766	-	6,430,766	6,432,990	-	6,432,990
Note payable (Note 9)	368,000	-	368,000	368,000	-	368,000
Recoverable grant (Note 9)	6,930,000	-	6,930,000	6,930,000	-	6,930,000
Total long-term liabilities	<u>13,728,766</u>	<u>-</u>	<u>13,728,766</u>	<u>13,730,990</u>	<u>-</u>	<u>13,730,990</u>
Total Liabilities	<u>13,796,235</u>	<u>-</u>	<u>13,796,235</u>	<u>13,971,658</u>	<u>-</u>	<u>13,971,658</u>
Net assets						
Unrestricted net assets	524,766	-	524,766	23,693	-	23,693
Temporarily restricted	-	8,329	8,329	-	8,327	8,327
Total liabilities and nets assets	<u>\$ 14,321,001</u>	<u>\$ 8,329</u>	<u>\$ 14,329,330</u>	<u>\$ 13,995,351</u>	<u>\$ 8,327</u>	<u>\$ 14,003,678</u>

The accompanying notes to the financial statements are an integral part of these financial statements

RIVIERA BEACH CDE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenues and support						
Revenues						
Interest income	\$ 67,680	\$ -	\$ 67,680	\$ 68,121	\$ -	\$ 68,121
Lease revenue	269,413	-	269,413	149,675	-	149,675
Contributions	-	662,934	662,934	-	242,248	242,248
Miscellaneous	188	-	188	-	-	-
Net assets released from restrictions	662,932	(662,932)	-	236,246	(236,246)	-
Total revenues	<u>1,000,213</u>	<u>2</u>	<u>1,000,215</u>	<u>454,042</u>	<u>6,002</u>	<u>460,044</u>
Management and general expenses						
Ground rent (Note 6)	1	-	1	1	-	1
Asset management fees (Note 7)	38,000	-	38,000	24,500	-	24,500
Accounting fees	12,590	-	12,590	44,854	-	44,854
Legal expense	16,093	-	16,093	1,245	-	1,245
Insurance expense	1,955	-	1,955	1,374	-	1,374
Bank charges	382	-	382	220	-	220
Interest expense (Note 7)	84,017	-	84,017	13,717	-	13,717
Management service fee (Note 9)	50,000	-	50,000	50,000	-	50,000
Loan servicing fees	1,000	-	1,000	1,000	-	1,000
Depreciation expense	294,772	-	294,772	111,757	-	111,757
Miscellaneous administrative expenses	330	-	330	907	-	907
Total expenses	<u>499,140</u>	<u>-</u>	<u>499,140</u>	<u>249,575</u>	<u>-</u>	<u>249,575</u>
Increase (decrease) in net assets	<u>501,073</u>	<u>2</u>	<u>501,075</u>	<u>204,467</u>	<u>6,002</u>	<u>210,469</u>
Net assets						
Beginning of year	<u>23,693</u>	<u>8,327</u>	<u>32,020</u>	<u>(180,774)</u>	<u>2,325</u>	<u>(178,449)</u>
End of year	<u>\$ 524,766</u>	<u>\$ 8,329</u>	<u>\$ 533,095</u>	<u>\$ 23,693</u>	<u>\$ 8,327</u>	<u>\$ 32,020</u>

The accompanying notes to the financial statements are an integral part of these financial statements

**RIVIERA BEACH CDE, INC. AND SUBSIDIARY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017 AND 2016**

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 501,075	\$ 210,469
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	294,772	111,757
Amortization expense	(2,224)	13,717
Decrease (increase) in assets:		
Prepaid expenses	1	1,375
Accounts receivable	73,715	(149,675)
Accrued interest receivable	252	-
Increase (decrease) in liabilities:		
Accounts payable	(173,246)	22,258
Accrued management service fee payable	-	(62,500)
Accrued interest payable	47	-
Net cash provided by (used in) operating activities	694,392	147,401
Cash flows from investing activities		
Investment in real estate	(980,457)	(6,338,523)
Change in restricted cash	465,453	5,836,655
Net cash used in investing activities	(515,004)	(501,868)
Cash flows from financing activities		
(Repayments to) advances from affiliate	-	(26,392)
Proceeds from recoverable grants	-	22,376
Net cash (used in) provided by financing activities	-	(4,016)
Net (decrease) increase in cash	179,388	(358,483)
Cash, beginning	47,604	406,087
Cash, end	\$ 226,992	\$ 47,604

The accompanying notes to the financial statements are an integral part of these financial statements

**RIVIERA BEACH CDE INC. AND SUBSIDIARY
CONSOLIDATING NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 1 – NATURE OF ORGANIZATION

Nature of Business

Riviera Beach CDE, Inc. (the "Corporation") was organized on May 26, 2011, pursuant to the laws of the State of Florida as a 501(c)(3) nonprofit corporation and its primary mission is to provide investment capital to low-income communities or persons of low-income and to engage in other community development activities for neighborhood improvement and community and economic development by providing sustainable job opportunities for low income residents. The Corporation is certified by the U.S. Department of Treasury, CDFI Fund, as a Community Development Entity ("CDE"). The Corporation is governed by a Board of Directors that is to consist of a minimum of five (5) directors. At least three (3) directors must be either City of Riviera Beach (the "City") or the Riviera Beach Community Redevelopment Agency (the "Agency") employees. The remaining two (2) directors must be residents or business owners of the Community Redevelopment Area representing low income communities.

The Corporation is the sole member of the Riviera Beach Event Center, LLC (the "Subsidiary"), which was formed on September 23, 2013, pursuant to the laws of the State of Florida as a limited liability company. The Subsidiary is also recognized by the Internal Revenue Service as a tax- exempt organization under section 501(c)(3) of the Internal Revenue Code. The purpose of the Corporation is to facilitate the redevelopment and improvement of areas of blight and deterioration within the municipal limits of the City and to own and operate a community facility open to the public. These entities are a part of a combined New Markets Tax Credit financing structure created for the purpose of constructing the Riviera Beach Event Center (the "Event Center") to support the redevelopment of the City's Municipal Marina and to provide a community event center for the residents, businesses, and visitors of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and the Subsidiary. All material intercompany transactions and balances have been eliminated in consolidation.

In accordance with standards prescribed by the Financial Accounting Standards Board ("FASB"), the Corporation evaluated its interests noted above and determined that, based on the rights afforded to it in the agreements, the Corporation controls the Subsidiary and has included both entities in its consolidated financial statements.

Basis of Accounting

The Consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities in conformity with accounting principles generally accepted in the United States. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time the liabilities are incurred.

**RIVIERA BEACH CDE INC. AND SUBSIDIARY
CONSOLIDATING NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Corporation presents its consolidated financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Corporation is required to report information regarding its financial position and activities, according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets and the changes therein are classified and reported as follows:

1. *Unrestricted net assets* — Net assets that are not subject to donor-imposed or purpose driven restrictions. Revenues from sources other than contributions and investment income are reported as increases in net assets.
2. *Temporarily restricted net assets* — Temporarily restricted net assets are subject to donor-imposed or purpose driven restrictions that may or will be met by the actions of the Corporation and/or passage of time.
3. *Permanently restricted net assets* — Net assets whose use is restricted by an external donor, and for which the donor stipulates that the assets are held in perpetuity, but may allow the Corporation to spend any income earned by investing those assets.

Furthermore, information is required to be segregated between program service expenses and management and general expenses. Program service expenses for the Corporation are considered costs incurred for the development of the Event Center, which are being capitalized into construction in progress until development is complete. As of September 30, 2017, all expenses are classified as management and general expenses. As of September 30, 2016, program service expenses incurred have been included in construction in progress and all expenses are classified as management and general expenses.

The Corporation conforms to the accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments consist of highly liquid cash and money market account balances maintained in financial institutions located in Miami, Florida. The balances are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Fair value approximates the carrying amounts.

**RIVIERA BEACH CDE INC. AND SUBSIDIARY
CONSOLIDATING NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America ("GAAP") require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Use of estimates

The presentation of consolidated financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could materially differ from those estimates.

Net Assets

Contributions received, if any, are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are classified to unrestricted net assets and reported on the statement of activities as net assets released from restriction. It is the Corporation's policy to recognize gifts of long-lived assets as unrestricted support in the period in which the assets are placed in service. For the years ended September 30, 2017 and 2016, \$2 and \$6,002, respectively of revenue was temporarily restricted.

Construction in Progress

Construction in progress is carried at cost and includes all direct costs related to acquisition and expansion of real estate to be used in the Corporation's rental operations. Interest charges incurred during construction are capitalized as a component of building and improvements. The costs were placed in service on April 26, 2016 and are being depreciated.

RIVIERA BEACH CDE INC. AND SUBSIDIARY
CONSOLIDATING NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost. The Corporation capitalizes all property and equipment purchased. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets which range from:

<u>Assets</u>	<u>Useful lives</u>
Buildings and improvements	40
Equipment	5
Furniture	7

Impairment

The Corporation reviews its investment in rental real estate for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than their carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized for the year ended September 30, 2017.

Lease Revenue

Lease revenue is recognized using the straight-line method under which contractual rent increases are recognized evenly over the lease term. Rental income recorded on the straight-line method in excess of the rents billed is recorded within rent receivable. Rents received in advance are deferred and classified as liabilities until earned. All leases between the Corporation and its tenant are considered to be operating leases.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense. Prior to 2017, amortization of debt issuance cost was calculated on a straight-line basis. In 2017, debt issuance cost was discounted to its present value and amortized using the effective interest method in accordance with the debt agreement. As a result of this change in method, amortization expense for the year ended September 30, 2017 was (\$2,224). Amortization expense for the years ended September 30, 2016 was \$13,717.

**RIVIERA BEACH CDE INC. AND SUBSIDIARY
CONSOLIDATING NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loan Receivable

Loans receivable consist of collateralized, interest-bearing notes due from KCDC-RBCDE NMTC Investment Fund I, LLC (the "Borrower"). Interest income on the notes receivable is recognized on an accrual basis. The Corporation routinely evaluates the creditworthiness of the Borrower and establishes reserves where the Corporation believes collectability is no longer reasonably assumed. The loans receivable are written down once management determines that the specific borrower does not have the ability to repay the notes in full. The loan receivable is collateralized by a security interest in the underlying assets and/or other assets owned by the Borrower. The Corporation may incur losses in excess of recorded allowances if the financial condition of its customers were to deteriorate or the full amount of any anticipated proceeds from the sale of the collateral supporting its borrower's financial obligations is not realized. Allowances for credit losses and doubtful accounts are maintained in amounts considered to be appropriate in relation to the notes receivable outstanding based on collection experience, economic conditions and credit risk quality. Delinquency is the primary indicator of credit quality. As of September 30, 2017 and 2016, no allowance for loan loss was recorded on the Corporation's loan receivable.

Donor Restrictions

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donor assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

Income Taxes

The Corporation and Subsidiary are exempt from income taxes under Section 501(c)(3) of the IRC, except for income taxes on "unrelated business income," as defined in the IRC. Management believes that all material activities of the Corporation and Subsidiary are within the tax-exempt guidelines of the IRC. Due to their tax-exempt status, the Corporation and Subsidiary are not subject to income taxes. The Corporation and Subsidiary are required to file and does file tax returns with the Internal Revenue Service ("IRS") and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Corporation and Subsidiary have no other tax positions which must be considered for disclosure. Income tax returns filed by the Corporation and Subsidiary are subject to examination by the IRS for a period of three years. The first year the Corporation was required to file tax returns with the IRS was 2014.

**RIVIERA BEACH CDE INC. AND SUBSIDIARY
CONSOLIDATING NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 3 – RESTRICTED DEPOSITS AD FUNDED RESERVES

Fee Reserve Account

In accordance with the loan agreement, the Subsidiary was required to establish a fee reserve account in the amount of \$356,500. Funds from this account are to be used to pay the annual asset management fee and annual lender reimbursement fee. As of September 30, 2017 and 2016, the balance of this account was \$263,476 and \$287,976, respectively, and is included in restricted cash - unrestricted current assets column.

Controlled Disbursement Account

In accordance with the loan agreement, the Corporation is required to deposit loan proceeds to be used for construction costs into a controlled disbursement account. Funds reserved for construction costs are considered current while construction is underway. As of September 30, 2017 and 2016, the balance of this account was \$0 and \$384,376, respectively, and is included in restricted cash - unrestricted current assets column.

Grants Funds Disbursing Account

In accordance with the loan agreement, the Corporation is to deposit loan proceeds into a grant fund disbursing account to be used in paying construction requisitions. As of September 30, 2017 and 2016, the balance of this account was \$0 and \$56,579, respectively, and is included in restricted cash - unrestricted noncurrent assets.

Public Arts Fund

The Subsidiary has established a fund to deposit contributions received for the public arts fund. As of September 30, 2017 and 2016, the balance of this account was \$8,329 and \$8,327, respectively of which \$8,329 and \$8,327, respectively, is included in restricted cash - temporarily restricted current assets.

NOTE 4 – LOANS RECEIVABLE

The Corporation executed a note receivable with the Borrower on July 8, 2014 in the amount of \$4,761,400. The note bears interest at a rate of 1.402% per annum. The note is secured by a security interest in the Borrower's membership interest in an entity as described in the loan agreement. Commencing October 15, 2014, quarterly payments of interest only shall be due in arrears through and including January 5, 2023. Commencing April 15, 2023, quarterly payments of principal and interest shall be due in arrears in amounts sufficient to amortize the note through maturity on October 1, 2043, at which time all unpaid principal and any accrued interest shall be due.

As of September 30, 2017 and 2016, total accrued interest receivable on the notes was \$17,058 and \$17,310, respectively.

RIVIERA BEACH CDE INC. AND SUBSIDIARY
CONSOLIDATING NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 5 – CAPITAL ASSETS

Capital Asset activity for fiscal year ended September 30, 2017 is as follows:

	Beginning Balance <u>October 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	Ending Balance <u>September 30, 2017</u>
Capital assets being depreciated					
Event Center	\$ 8,137,634	\$938,841	\$ -	\$ (218,454)	\$ 8,858,021
Equipment	217,615	31,266	-	-	248,881
Furniture	<u>46,891</u>	<u>10,350</u>	-	<u>218,454</u>	<u>275,695</u>
	<u>8,402,140</u>	<u>980,457</u>	<u>-</u>	<u>-</u>	<u>9,382,597</u>
Less accumulated depreciation					
Event Center	(90,076)	(209,673)	-	-	(299,749)
Equipment	(18,789)	(46,454)	-	-	(65,243)
Furniture	<u>(2,892)</u>	<u>(38,645)</u>	-	-	<u>(41,537)</u>
	<u>(111,757)</u>	<u>(294,772)</u>	<u>-</u>	<u>-</u>	<u>(406,529)</u>
	<u>\$ 8,290,383</u>	<u>\$685,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,976,068</u>

NOTE 6 – GROUND LEASE

On July 2, 2014, the Subsidiary entered into a lease with the City of Riviera Beach, Florida to lease land containing real property of approximately 36,488 square feet in order to construct and operate a mixed use community center. The term of the lease is 50 years. The annual rent of \$1 for the lease term was prepaid by the Subsidiary. As of September 30, 2017 and 2016, \$47 and \$48, respectively, of rent remains prepaid.

NOTE 7 – LOANS PAYABLE

RBEC loans

Loan A

The Subsidiary executed a loan payable with NDC New Markets Investments LXXXIV, LLC (the "Lender") on July 8, 2014 in the amount of \$4,761,400. The loan bears interest at 1.00% per annum. The loan is secured by a mortgage, assignment of leases and rents, security agreement, and a performance and completion guaranty from the Subsidiary. Commencing October 5, 2014, quarterly payments of interest only are due through January 5, 2023. Commencing April 5, 2023, monthly payments of principal and interest shall be due based on a 333-month amortization period through maturity on October 1, 2050, at which time all outstanding principal and any accrued interest shall be due.

As of September 30, 2017 and 2016, accrued interest was \$12,027 and \$11,980, respectively.

**RIVIERA BEACH CDE INC. AND SUBSIDIARY
CONSOLIDATING NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 7 – LOANS PAYABLE (CONTINUED)

Loan B

The Subsidiary executed a loan payable with the Lender on July 8, 2014 in the amount of \$2,028,600. The loan bears interest at 1.00% per annum. The loan is secured by a mortgage, assignment of leases and rents, security agreement, and a performance and completion guaranty from the Subsidiary. Commencing October 5, 2014, quarterly payments of interest only are due through January 5, 2023. Commencing April 5, 2023, monthly payments of principal and interest shall be due based on a 333-month amortization period through maturity on October 1, 2050, at which time all outstanding principal and any accrued interest shall be due.

As of September 30, 2017 and 2016, accrued interest was \$5,184, respectively.

The following is a summary of principal maturities of long-term debt for each of the ensuing years through maturity:

September 30, 2018	\$	-
2019		-
2020		-
2021		-
2022		-
Thereafter		<u>6,790,000</u>
Total	\$	<u><u>6,790,000</u></u>

As of September 30, 2017 and 2016 debt issuance costs, net of accumulated amortization, totaled \$359,234 and \$357,010, respectively, and are related to the notes payable described above. Amortization of debt issuance costs on the above notes payable is being amortized under the effective interest method using an imputed interest rate of 1.31%.

In accordance with the loan agreement, the Subsidiary is required to pay to the Lender an annual asset management fee in the amount of \$24,500. For the years ended September 30, 2017 and 2016, such fees incurred by the Subsidiary were \$24,500, respectively, of which \$6,125, respectively, remains payable and is included in accounts payable on the consolidated statements of financial position.

**RIVIERA BEACH CDE INC. AND SUBSIDIARY
CONSOLIDATING NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 8 – REDEMPTION AND PUT AND CALL OPTION

In accordance with the Lender's operating agreement, the Borrower has the right to require the Lender to purchase its 99.99% membership interest in the Lender in consideration of the assignment of Loan A and Loan B. Upon such assignment, Loan A will offset the loan receivable as described in Note 4. In addition, Event Center management will assign the Center to the City of Riviera Beach and the Recoverable grant, as described in Note 7 will be cancelled.

In accordance with the put and call agreement between the Corporation and Key Community Development Corporation (the "Investor"), an affiliate of the Borrower, the Investor has the option to sell its 100% membership interest in the Borrower to the Corporation for \$1,000 for a six-month period commencing on July 9, 2021 (the "Put Option"). In the event that the Put Option is not exercised, the Corporation shall be granted the right to purchase the membership interest of the Borrower for the then-determined fair market value.

NOTE 9 – RELATED PARTY TRANSACTIONS

Recoverable Grant

The Corporation and the Agency are under common control. The Corporation entered into a management services agreement with the Agency to manage its books, records and operations. Thus, the Agency has a controlling influence over the day-to-day management and operations (including investment pipeline eligibilities) of the Corporation. The Agency's Executive Director has been named the uncompensated non-member manager of the Subsidiary.

The Corporation entered into a recoverable grant agreement with the Agency on December 1, 2013. Funding up to \$8,928,728, payable in installments, has been granted to provide funding for the construction of the Event Center. The grant proceeds are reflected in recoverable grant on the accompanying consolidated statement of financial position. Repayment of the grant proceeds are due upon repayment of loan receivable principal payments, unless otherwise cancelled in accordance with the grant agreement. As of September 30, 2017 and 2016, the Corporation has been advanced grant proceeds of \$6,930,000, respectively.

Due to Affiliate

During 2013, the Agency advanced funds in the amount of \$368,000 to the company. The advances are noninterest bearing and to be repaid by the Corporation out of available cash flow. During the year ended September 30, 2015, an additional \$26,392 was advanced. As of September 30, 2017 and 2016, \$368,000, respectively, remain payable and is included in due to affiliates on the statements of financial position.

Management Services Fee

The Corporation entered into a management services agreement with the Agency to manage its books, records and operations and for other management services required. An annual management services fee of \$50,000 is due October 31st of each year for services provided during the prior year. For the year ended September 30, 2017 and 2016, a fee of \$50,000, respectively, was incurred.

RIVIERA BEACH CDE INC. AND SUBSIDIARY
CONSOLIDATING NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 9 – RELATED PARTY TRANSACTIONS (CONTINUED)

Facility Lease

The Subsidiary entered into a facility lease agreement to lease the Event Center to the Agency so that the Agency could vest control in the operations of the Event Center and to allow the Subsidiary sufficient funds to service Loans A and B from the Lender (see **Note 6**). Upon substantial completion of the Event Center and receipt of a certificate of occupancy, which occurred April 26, 2016, the Agency took possession of the Event Center. The lease agreement will terminate on September 30, 2050. Annual rent of \$299,349, under triple net lease terms, shall be increased annually by the Consumer Price Index for All Urban Consumers, and is due quarterly in arrears. As of September 30, 2017 and 2016, \$75,960 and \$149,675, respectively, of lease revenue remains due to the Corporation and included in accounts receivable on the statement of financial position.

NOTE 10 – COMMITMENTS

The Agency and Subsidiary entered into a construction contract with an unaffiliated party to complete the Riviera Beach Marina District improvements, including the Event Center. Costs incurred for the development of the Event Center are to be paid out of the recoverable grant proceeds in accordance with the recoverable grant agreement. As of September 30, 2016, construction has been completed. \$173,975 remained payable in and was included in construction payables on the statement of financial position as of September 30, 2016. As of September 30, 2017, the balance was \$-0-.

NOTE 11 – CONCENTRATION OF CREDIT RISK

The Corporation maintains its restricted cash bank balances with a major financial institution. At times, these bank balances may exceed the federal insurance limit; however, the Corporation has not experienced any losses with respect to bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of September 30, 2017 and 2016.

NOTE 12 – SUBSEQUENT EVENT

Management has evaluated subsequent events to determine if events or transactions occurring through April 12, 2018, the date the financial statements available to be issued, require potential adjustment to or disclosure in the financial statements and have concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

Supplementary Information

RIVIERA BEACH CDE, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017

	Assets			
	Riviera Beach CDE, Inc.	Riviera Beach Event Center, LLC	Eliminating entries	Total
Current assets				
Cash	\$ 13,611	\$ 213,381	\$ -	\$ 226,992
Restricted cash	-	271,805	-	271,805
Prepaid expenses	-	47	-	47
Rent receivable	-	75,960	-	75,960
Accrued interest receivable	17,058	-	-	17,058
Total current assets	30,669	561,193	-	591,862
Noncurrent assets				
Loans receivable	4,761,400	-	-	4,761,400
Investment in LLC	3,127,946	-	(3,127,946)	-
Event center, net of accumulated depreciation	-	8,558,272	-	8,558,272
Equipment, net of accumulated depreciation	-	183,638	-	183,638
Furniture, net of accumulated depreciation	-	234,158	-	234,158
Total noncurrent assets	7,889,346	8,976,068	(3,127,946)	13,737,468
Total assets	7,920,015	9,537,261	(3,127,946)	14,329,330
Liabilities and Net Assets				
Current liabilities				
Accounts payable	743	49,515	-	50,258
Accrued interest payable	-	17,211	-	17,211
Total current liabilities	743	66,726	-	67,469
Long-term liabilities				
Loans payable, net of debt issuance costs	-	6,430,766	-	6,430,766
Due to affiliate	368,000	-	-	368,000
Recoverable grant	6,930,000	-	-	6,930,000
Total long-term liabilities	7,298,000	6,430,766	-	13,728,766
Total Liabilities	7,298,743	6,497,492	-	13,796,235
Net assets				
Unrestricted net assets	621,272	3,031,440	(3,127,946)	524,766
Temporarily restricted	-	8,329	-	8,329
Total liabilities and nets assets	\$ 7,920,015	\$ 9,537,261	\$ (3,127,946)	\$ 14,329,330

RIVIERA BEACH CDE, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2016

	Assets			
	Riviera Beach CDE, Inc.	Riviera Beach Event Center, LLC	Eliminating entries	Total
Current assets				
Cash	\$ 39,338	\$ 8,266	\$ -	\$ 47,604
Restricted cash	-	737,258	-	737,258
Prepaid expenses	-	48	-	48
Rent receivable	-	149,675	-	149,675
Accrued interest receivable	17,310	-	-	17,310
Total current assets	<u>56,648</u>	<u>895,247</u>	<u>-</u>	<u>951,895</u>
Construction in progress	-	8,290,383	-	8,290,383
Noncurrent assets				
Loans receivable	4,761,400	-	-	4,761,400
Investment in LLC	2,614,716	-	(2,614,716)	-
Total noncurrent assets	<u>7,376,116</u>	<u>-</u>	<u>(2,614,716)</u>	<u>4,761,400</u>
Total assets	<u><u>7,432,764</u></u>	<u><u>9,185,630</u></u>	<u><u>(2,614,716)</u></u>	<u><u>14,003,678</u></u>
	Liabilities and Net Assets			
Current liabilities				
Construction payable	-	173,975	-	173,975
Accounts payable	14,567	34,962	-	49,529
Accrued management services fee payable	-	-	-	-
Accrued interest payable	-	17,164	-	17,164
Total current liabilities	<u>14,567</u>	<u>226,101</u>	<u>-</u>	<u>240,668</u>
Long-term liabilities				
Loans payable, net of debt issuance costs	-	6,432,990	-	6,432,990
Due to affiliate	368,000	-	-	368,000
Recoverable grant	6,930,000	-	-	6,930,000
Total long-term liabilities	<u>7,298,000</u>	<u>6,432,990</u>	<u>-</u>	<u>13,730,990</u>
Total Liabilities	<u>7,312,567</u>	<u>6,659,091</u>	<u>-</u>	<u>13,971,658</u>
Net assets				
Unrestricted net assets	120,197	2,518,212	(2,614,716)	23,693
Temporarily restricted	-	8,327	-	8,327
Total liabilities and nets assets	<u><u>\$ 7,432,764</u></u>	<u><u>\$ 9,185,630</u></u>	<u><u>\$ (2,614,716)</u></u>	<u><u>\$ 14,003,678</u></u>

RIVIERA BEACH CDE, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF STATEMENT OF ACTIVITIES
AS OF SEPTEMBER 30, 2017

	Riviera Beach CDE, Inc.	Riviera Beach Event Center, LLC	Eliminating entries	Total
Revenues and support				
Revenues				
Interest income	\$ 67,678	\$ 2	\$ -	\$ 67,680
Lease revenue	-	269,413	-	269,413
Contributions	-	662,934	-	662,934
Miscellaneous	-	188	-	188
Total revenues	<u>67,678</u>	<u>932,537</u>	<u>-</u>	<u>1,000,215</u>
Expenses				
Ground rent expense	-	1	-	1
Asset management fees	-	38,000	-	38,000
Accounting fees	12,590	-	-	12,590
Legal expense	16,093	-	-	16,093
Insurance expense	-	1,955	-	1,955
Bank charges	5	377	-	382
Interest expense	-	84,017	-	84,017
Depreciation expense	-	294,772	-	294,772
Management service fee	50,000	-	-	50,000
Loan servicing fees	1,000	-	-	1,000
Miscellaneous administrative expenses	145	185	-	330
Total cost of operations	<u>79,833</u>	<u>419,307</u>	<u>-</u>	<u>499,140</u>
Gain/(Loss) on investment in LLC	513,230	-	(513,230)	-
Change in net assets	<u>501,075</u>	<u>513,230</u>	<u>(513,230)</u>	<u>501,075</u>
Net assets				
Beginning of year	<u>120,197</u>	<u>2,526,539</u>	<u>(2,614,716)</u>	<u>32,020</u>
End of year	<u>\$ 621,272</u>	<u>\$ 3,039,769</u>	<u>\$ (3,127,946)</u>	<u>\$ 533,095</u>

RIVIERA BEACH CDE, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF STATEMENT OF ACTIVITIES
AS OF SEPTEMBER 30, 2016

	Riviera Beach CDE, Inc.	Riviera Beach Event Center, LLC	Eliminating entries	Total
Revenues and support				
Revenues				
Interest income	\$ 68,117	\$ 4	\$ -	\$ 68,121
Lease revenue	-	149,675		149,675
Contributions	-	242,248		242,248
Total revenues	<u>68,117</u>	<u>391,927</u>	<u>-</u>	<u>460,044</u>
Expenses				
Ground rent expense	-	1	-	1
Asset management fees	-	24,500	-	24,500
Accounting fees	28,554	16,300	-	44,854
Legal expense	1,245	-	-	1,245
Insurance expense	-	1,374	-	1,374
Bank charges	55	165	-	220
Interest expense	-	13,717	-	13,717
Depreciation expense	-	111,757	-	111,757
Management service fee	50,000	-	-	50,000
Loan servicing fees	1,000	-	-	1,000
Miscellaneous administrative expenses	763	144	-	907
Total cost of operations	<u>81,617</u>	<u>167,958</u>	<u>-</u>	<u>249,575</u>
Loss on investment in LLC	223,969	-	(223,969)	-
Change in net assets	<u>210,469</u>	<u>223,969</u>	<u>(223,969)</u>	<u>210,469</u>
Net assets				
Beginning of year	(90,272)	2,301,570	(2,389,747)	(178,449)
Contributions	-	1,000	(1,000)	-
End of year	<u>\$ 120,197</u>	<u>\$ 2,526,539</u>	<u>\$ (2,614,716)</u>	<u>\$ 32,020</u>