

**NEW LEVEL COMMUNITY
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2020

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

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BELLENFANT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Level Community Development Corporation
Nashville, Tennessee

We have audited the accompanying financial statements of New Level Community Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of New Level Community Development Corporation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bellenfant, PLLC

Nashville, Tennessee

July 30, 2021

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,577,520
Accounts Receivable	60,859
Inventory	<u>1,145,708</u>
Total Current Assets	<u>2,784,087</u>

FIXED ASSETS

Land	390,725
Buildings and Improvements	1,604,871
Furniture, Fixtures, and Equipment	9,858
Loan Costs	<u>8,464</u>
Less: Accumulated Depreciation and Amortization	<u>(294,395)</u>
Fixed Assets, net	<u>1,719,523</u>

NONCURRENT ASSETS

Loans Receivable	<u>192,500</u>
Total Noncurrent Assets	<u>192,500</u>
Total Assets	<u><u>\$ 4,696,110</u></u>

The independent auditor's report and accompanying notes are integral parts of these financial statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2020

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 39,672
Rental Deposits	11,207
PPP Loan Payable	44,000
Notes Payable, current portion	<u>23,882</u>
Total Current Liabilities	<u>118,761</u>

LONG-TERM LIABILITIES

Notes Payable, non-current portion	<u>389,432</u>
Total Long-Term Liabilities	<u>389,432</u>
Total Liabilities	<u>508,193</u>

NET ASSETS

Net Assets Without Donor Restrictions	<u>4,187,917</u>
Total Net Assets	<u>4,187,917</u>
Total Liabilities and Net Assets	<u><u>\$ 4,696,110</u></u>

The independent auditor's report and accompanying notes are integral parts of these financial statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Public Support			
Grants	\$ 1,111,900	\$ -	\$ 1,111,900
Contributions	155,269	-	155,269
Rental Income	215,071	-	215,071
In-Kind Rent	29,627	-	29,627
Program Fees	5,211	-	5,211
	<hr/>	<hr/>	<hr/>
Total Public Support	1,517,078	-	1,517,078
	<hr/>	<hr/>	<hr/>
Other Revenue			
Gain (Loss) on Sale of Real Estate	82,669	-	82,669
Miscellaneous	196	-	196
Interest Income	2,682	-	2,682
	<hr/>	<hr/>	<hr/>
Net assets released from restrictions	-	-	-
	<hr/>	<hr/>	<hr/>
Total Revenue	1,602,625	-	1,602,625
	<hr/>	<hr/>	<hr/>
EXPENSES			
Program Services	438,561	-	438,561
Management and General	64,376	-	64,376
Fundraising	35,337	-	35,337
	<hr/>	<hr/>	<hr/>
Total Expenses	538,274	-	538,274
	<hr/>	<hr/>	<hr/>
Change in Net Assets	1,064,351	-	1,064,351
	<hr/>	<hr/>	<hr/>
Net Assets, beginning of the year	3,123,566	-	3,123,566
	<hr/>	<hr/>	<hr/>
Net Assets, end of the year	<u>\$ 4,187,917</u>	<u>\$ -</u>	<u>\$ 4,187,917</u>

The independent auditor's report and accompanying notes are integral parts of these financial statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Financial Education	Affordable Housing	Rental Housing	Total Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 35,274	\$ 58,585	21,422	\$ 115,281	42,094	\$ 26,215	\$ 183,590
Payroll Taxes	2,699	4,482	1,638	8,819	3,206	2,006	14,031
Contract Labor	2,110	4,180	1,700	7,990	628	-	8,618
IDA Matching	2,065	-	-	2,065	-	-	2,065
Advertising and Marketing	92	69	69	230	-	-	230
Insurance	899	1,123	12,542	14,564	899	449	15,912
Property Maintenance	-	-	89,566	89,566	-	-	89,566
Property Taxes	-	538	26,522	27,060	-	-	27,060
Depreciation	-	-	42,188	42,188	2,242	-	44,430
In-Kind Rent	23,702	1,481	1,481	26,664	2,963	-	29,627
Office Expenses	1,829	697	1,136	3,662	1,345	6,295	11,302
Utilities	-	-	5,037	5,037	-	-	5,037
Bank and Interest Fees	10	2,564	1,085	3,659	87	-	3,746
Board Training	39	39	39	117	39	39	195
Equipment	3,571	1,786	1,788	7,145	1,786	-	8,931
Travel	550	422	135	1,107	2,073	135	3,315
Dues and Subscriptions	602	-	-	602	1,317	-	1,919
Miscellaneous	53	252	-	305	697	198	1,200
Housing Development	37,500	45,000	-	82,500	-	-	82,500
Contributions	-	-	-	-	5,000	-	5,000
Total Expenses	<u>\$ 110,995</u>	<u>\$ 121,218</u>	<u>\$ 206,348</u>	<u>\$ 438,561</u>	<u>\$ 64,376</u>	<u>\$ 35,337</u>	<u>\$ 538,274</u>

The independent auditor's report and accompanying notes are integral parts of these financial statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 1,064,351
Adjustments to reconcile change in net assets to net cash used by operations	
Depreciation	44,430
(Increase) Decrease in:	
Accounts Receivable	(60,149)
Inventory	(949,588)
Increase (Decrease) in:	
Accounts Payable	(20,467)
Rental Deposits	600
Net Cash Provided (Used) by Operating Activities	<u>79,177</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale (Purchase) of Fixed Assets	<u>(576)</u>
Net Cash Provided (Used) by Investing Activities	<u>(576)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of Loans Receivable	(44,300)
Draws (Payments) on Notes Payable	<u>(37,383)</u>
Net Cash Provided (Used) by Financing Activities	<u>(81,683)</u>
Net Increase (Decrease) in Cash	(3,082)
Cash and Cash Equivalents, beginning of the year	<u>1,580,602</u>
Cash and Cash Equivalents, end of the year	<u><u>\$ 1,577,520</u></u>

The independent auditor's report and accompanying notes are integral parts of these financial statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

New Level Community Development Corporation (the Corporation), a nonprofit organization, was formed on November 6, 2001. The Corporation is an outreach of Mt. Zion Baptist Church (Mt. Zion) that works to deliver solutions to the economic challenges plaguing the lives of people in the community it serves. Its services are delivered through financial empowerment programs and affordable housing programs that help families gain economic stability and self-sufficiency.

Financial Statement Presentation

The financial statements of the Corporation are presented on the accrual basis of accounting. Revenue is generally recognized when earned. Expenses are generally recognized when incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Corporation is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - These are net assets that are not subject to donor-imposed stipulations. The Corporation had \$4,187,917 of net assets without donor restrictions as of December 31, 2020.

Net assets with donor restrictions - These are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation and/or the passage of time. This classification also includes net assets subject to donor-imposed stipulations that may be maintained permanently by the Corporation. Generally, donors of these assets permit the Corporation to use all or part of the income earned for general or specific purposes. The Corporation had no net assets with donor restrictions as of December 31, 2020.

The Corporation accounts for contributions in accordance with the requirements of the FASB Accounting Standards Codification Revenue Recognition Topic. In accordance with the FASB Accounting Standards Codification, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all cash funds, cash bank accounts and highly liquid debt instruments with an original maturity when purchased of twelve months or less to be cash and cash equivalents. The cash accounts are held primarily by financial institutions and at times may exceed amounts that are federally insured.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

Doubtful Promises to Give

The Organization uses the allowance method to determine uncollectible unconditional promises to give. Management's estimate of doubtful accounts is based on historical collection experience and a review of the current status of promises to give. There is no allowance for doubtful promises to give as of December 31, 2020. It is reasonably possible that management's estimate of the allowance for doubtful promises to give could change. Promises to give are charged against the allowance when management believes the collectability of the promise to give is unlikely. For the year ended December 31, 2020, no bad debt expense was recognized.

Fixed Assets

Fixed assets are recorded at cost, or at fair market value if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets that range from 5 to 40 years. The Corporation capitalizes all expenditures for property and equipment in excess of \$500.

The Corporation reviews the carrying value of fixed assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at December 31, 2020.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Rent and Services

The following donations are reflected as contributions in the accompanying statements at their estimated values at the date of receipt for the year ended December 31, 2020:

Rent	<u>\$ 29,627</u>
Total In-Kind	<u><u>\$ 29,627</u></u>

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Corporation's programs. No amounts have been recognized in the accompanying financial statements because the criteria for recognition under FASB ASC 958-205 have not been satisfied.

Income Taxes

The Corporation has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation.

The Corporation has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Corporation believes that it has taken no uncertain tax positions.

The Corporation files a U.S. Federal Form 990-Return of Organization Exempt from Income Tax. The Corporation's returns for the years prior to calendar year 2018 are no longer open for examination.

Grant Revenues

Grant funds that do not have donor imposed restrictions are reflected as net assets without donor restrictions since these funds are generally received and spent during the same year. Grant funds that have been designated by the donor for use by specific programs are reflected as net assets with donor restrictions.

Advertising

The Corporation uses advertising to promote its programs among audiences it serves. Advertising costs are expensed as incurred. Advertising expense totaled \$230 for the year ended December 31, 2020.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

2. INVENTORY

Inventory consists of the following amounts as of December 31, 2020:

Property Held for Development	<u>\$ 1,145,708</u>
Total Inventory	<u><u>\$ 1,145,708</u></u>

3. LOANS RECEIVABLE

The Corporation has entered into multiple secondary loan contracts wherein the borrowers must avoid payment default on their primary housing loan contracts and continuously own and occupy the related residence for ten years. Should the borrower default on the primary loan or sell the property within the first ten years, the entire indebtedness will be immediately due. Notwithstanding the foregoing of these requirements, the secondary loans are forgiven starting in the eleventh year at 5% per year for the remaining twenty years of the loan.

	<u>12/31/2020</u> <u>Balance</u>
1001 11th Ave Loan dated December 20, 2019; initial balance of \$148,200 with forgiveness of \$7,410 per year starting on December 20, 2030.	\$ 148,200
1822 Cephas Street, dated May 5, 2020; initial balance of \$21,500 with forgiveness of \$1,075 per year starting on May 5, 2030.	21,500
34 Sheppard Loan, dated July 1, 2020; initial balance of \$22,800 with forgiveness of \$1,140 per year starting on July 1, 2030.	22,800
Total Loan Receivable	<u><u>\$ 192,500</u></u>

4. NOTES PAYABLE

On May 30, 2012, the Corporation entered into a loan with Pinnacle Bank with a variable interest rate. The loan requires monthly payments with a maturity date of July 7, 2027.

On December 3, 2019, the Corporation entered into two loans with Truxton Trust Company for \$200,000 each. These loans require monthly payments for five years and a final balloon payment on December 3, 2024. The interest rate is the Wall Street Journal Prime rate minus 4% with an initial rate of 0.75%.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

5. NOTES PAYABLE (Continued)

Maturities of notes payable as of December 31, 2020 are summarized as follows:

	<u>Pinnacle</u>	<u>Truxton</u>	<u>Total</u>
2021	\$ 5,111	\$ 18,771	\$ 23,882
2022	5,111	18,912	24,023
2023	5,111	19,055	24,166
2024	5,111	322,495	327,606
2025 and thereafter	13,637	-	13,637
	<hr/>	<hr/>	<hr/>
Total	\$ 34,081	\$ 379,233	\$ 413,314
	<hr/>	<hr/>	<hr/>

Interest expense for the year ended December 31, 2020 was \$2,662.

6. COMPENSATED ABSENCES

Employees of the Corporation are entitled to paid time off (PTO), depending on job classification, length of service, and other factors. Unused PTO is forfeited at the end of the year. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Corporation's policy is to recognize the costs of compensated absences when actually paid to employees.

7. RELATED PARTY TRANSACTIONS

The Corporation uses office space donated by Mt. Zion, and has recorded the fair market value of the office space as an in-kind donation of \$29,627 in 2020.

8. GRANTS

Grant revenue consists of the following amounts as of December 31, 2020:

Housing Development	<u>\$ 1,111,900</u>
Total Grant Revenue	<u><u>\$ 1,111,900</u></u>

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020

9. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Corporation's financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets, at year-end	\$ 1,577,520
Less: cash held as rental deposits	<u>(11,207)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,566,313</u>

There is an adequate amount of financial assets available as of December 31, 2020. The Corporation effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date.

10. UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, the Association has temporarily not been able to continue normal activities. The extent to which these events will affect the amounts reported in future financial statements remains uncertain.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 30, 2021, which is the date the financial statements were available to be issued.