

AFFORDABLE HOUSING RESOURCES, INC.

Financial Statements and Supplementary Information

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)



AFFORDABLE HOUSING RESOURCES, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Affordable Housing Resources, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Affordable Housing Resources, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Additionally, the 2020 audit was also conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 Affordable Housing Resources, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 22 through 28, as listed in the accompanying table of contents, are presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are not a required part of the financial statements. Also, the supplemental schedule on pages 29, as listed in the accompanying table of contents, is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

LBMC, PC

Brentwood, Tennessee
June 24, 2021

AFFORDABLE HOUSING RESOURCES, INC.

Statements of Financial Position

December 31, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 168,107	\$ 8,036
Restricted cash and cash equivalents	1,906,767	3,253,108
Restricted certificates of deposit	481,337	709,134
Grants and accounts receivable	477,924	79,831
Prepaid expenses and other current assets	44,551	24,326
Investment in joint venture	250,000	250,000
Receivable from joint venture	152,962	91,956
Notes receivable, net of allowance for uncollectible notes of \$618,095 and \$520,869 as of December 31, 2020 and 2019, respectively	12,415,959	11,019,659
Property and equipment, net	686,708	400,787
Property held for sale	<u>4,394,809</u>	<u>3,011,366</u>
Total assets	\$ <u>20,979,124</u>	\$ <u>18,848,203</u>

Liabilities and Net Assets

Accounts payable	\$ 95,065	\$ 113,483
Accrued expenses	35,628	42,850
Agency payable	1,377,800	1,995,800
Notes payable	<u>2,259,128</u>	<u>2,017,260</u>
Liabilities before equity equivalent investments	3,767,621	4,169,393
Other liabilities - equity equivalent obligations	<u>13,689,666</u>	<u>13,008,835</u>
Total liabilities	17,457,287	17,178,228
Net assets:		
Without donor restrictions	1,352,889	(956,121)
With donor restrictions	<u>2,168,948</u>	<u>2,626,096</u>
Total net assets	<u>3,521,837</u>	<u>1,669,975</u>
	\$ <u>20,979,124</u>	\$ <u>18,848,203</u>

See accompanying notes to the financial statements.

AFFORDABLE HOUSING RESOURCES, INC.

Statements of Activities and Changes in Net Assets

Year ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Public support:			
Grants - NeighborWorks America	\$ 514,497	\$ -	\$ 514,497
In-kind donations of property	1,083,700	-	1,083,700
Other contributions and grants	<u>1,411,821</u>	<u>-</u>	<u>1,411,821</u>
Total public support	<u>3,010,018</u>	<u>-</u>	<u>3,010,018</u>
Program revenue:			
Rental income	19,999	-	19,999
Counseling and mortgage fees	274,259	-	274,259
Loan interest income	327,323	-	327,323
Other interest income	<u>11,107</u>	<u>-</u>	<u>11,107</u>
Total program revenue	<u>632,688</u>	<u>-</u>	<u>632,688</u>
Total public support and revenues	<u>3,642,706</u>	<u>-</u>	<u>3,642,706</u>
Expenses:			
Program services -			
Low-income housing assistance	1,665,348	-	1,665,348
Supporting services -			
Management and general	<u>293,351</u>	<u>-</u>	<u>293,351</u>
Total expenses	<u>1,958,699</u>	<u>-</u>	<u>1,958,699</u>
Change in net assets from operations	<u>1,684,007</u>	<u>-</u>	<u>1,684,007</u>
Other changes in net assets:			
Release from restriction	457,148	(457,148)	-
Gain on sale of property, buildings, and equipment and property held for sale	137,686	-	137,686
Gain on extinguishment of debt	<u>30,169</u>	<u>-</u>	<u>30,169</u>
Total other changes in net assets	<u>625,003</u>	<u>(457,148)</u>	<u>167,855</u>
Change in net assets	<u>2,309,010</u>	<u>(457,148)</u>	<u>1,851,862</u>
Net assets (deficit) at beginning of year	<u>(956,121)</u>	<u>2,626,096</u>	<u>1,669,975</u>
Net assets at end of year	<u>\$ 1,352,889</u>	<u>\$ 2,168,948</u>	<u>\$ 3,521,837</u>

See accompanying notes to the financial statements.

AFFORDABLE HOUSING RESOURCES, INC.

Statements of Activities and Changes in Net Assets

Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Public support:			
Grants - NeighborWorks America	\$ 365,760	\$ -	\$ 365,760
In-kind donations of property	879,032	-	879,032
Other contributions and grants	<u>215,569</u>	<u>-</u>	<u>215,569</u>
Total public support	<u>1,460,361</u>	<u>-</u>	<u>1,460,361</u>
Program revenue:			
Rental income	8,670	-	8,670
Counseling and mortgage fees	376,439	-	376,439
Loan interest income	270,097	-	270,097
Other interest income	<u>41,637</u>	<u>-</u>	<u>41,637</u>
Total program revenue	<u>696,843</u>	<u>-</u>	<u>696,843</u>
Total public support and revenues	<u>2,157,204</u>	<u>-</u>	<u>2,157,204</u>
Expenses:			
Program services -			
Low-income housing assistance	994,238	-	994,238
Supporting services -			
Management and general	<u>225,555</u>	<u>-</u>	<u>225,555</u>
Total expenses	<u>1,219,793</u>	<u>-</u>	<u>1,219,793</u>
Change in net assets from operations	<u>937,411</u>	<u>-</u>	<u>937,411</u>
Other changes in net assets:			
Gain on sale of property, buildings, and equipment and property held for sale	<u>287,495</u>	<u>-</u>	<u>287,495</u>
Total other changes in net assets	<u>287,495</u>	<u>-</u>	<u>287,495</u>
Change in net assets	<u>1,224,906</u>	<u>-</u>	<u>1,224,906</u>
Net assets (deficit) at beginning of year	<u>(2,181,027)</u>	<u>2,626,096</u>	<u>445,069</u>
Net assets (deficit) at end of year	<u>\$ (956,121)</u>	<u>\$ 2,626,096</u>	<u>\$ 1,669,975</u>

See accompanying notes to the financial statements.

AFFORDABLE HOUSING RESOURCES, INC.

Statement of Functional Expenses

Year ended December 31, 2020

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Low-Income Housing Assistance</u>	<u>Management and General</u>	<u>Totals</u>
Advertising and communication	\$ 43,576	\$ 6,511	\$ 50,087
Automobile	12,425	1,857	14,282
Contract labor	64,604	9,654	74,258
Depreciation	20,037	2,732	22,769
Repairs and maintenance	38,174	5,704	43,878
Direct expenses of developed properties	73,086	-	73,086
Insurance	16,776	2,288	19,064
Interest	8,284	-	8,284
Direct expenses for disaster relief and COVID-19 related assistance programs	728,684	-	728,684
Occupancy and rental	65,735	9,822	75,557
Office expenses	61,821	9,238	71,059
Payroll and related costs	379,471	237,538	617,009
Professional fees	37,707	5,634	43,341
Provision for uncollectible notes	96,000	-	96,000
Taxes, licenses and fees	2,580	386	2,966
Training	3,087	-	3,087
Travel and entertainment	9,659	1,443	11,102
Utilities	<u>3,642</u>	<u>544</u>	<u>4,186</u>
	\$ <u>1,665,348</u>	\$ <u>293,351</u>	\$ <u>1,958,699</u>

See accompanying notes to the financial statements.

AFFORDABLE HOUSING RESOURCES, INC.

Statement of Functional Expenses

Year ended December 31, 2019

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Low-Income Housing Assistance</u>	<u>Management and General</u>	<u>Totals</u>
Advertising and communication	\$ 45,078	\$ 9,233	\$ 54,311
Automobile	8,913	1,826	10,739
Contract labor	68,524	14,035	82,559
Depreciation	14,446	1,970	16,416
Repairs and maintenance	23,205	4,753	27,958
Direct expenses of developed properties	86,812	-	86,812
Insurance	17,780	2,424	20,204
Interest	55,769	-	55,769
Occupancy and rental	63,969	13,102	77,071
Office expenses	37,166	7,612	44,778
Payroll and related costs	377,951	154,374	532,325
Professional fees	42,921	8,791	51,712
Provision for uncollectible notes	108,000	-	108,000
Taxes, licenses and fees	2,348	481	2,829
Training	7,406	-	7,406
Travel and entertainment	32,322	6,620	38,942
Utilities	<u>1,628</u>	<u>334</u>	<u>1,962</u>
	\$ <u>994,238</u>	\$ <u>225,555</u>	\$ <u>1,219,793</u>

See accompanying notes to the financial statements.

AFFORDABLE HOUSING RESOURCES, INC.

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>1,851,862</u>	\$ <u>1,224,906</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	22,769	16,416
Provision for uncollectible notes receivable, net of recoveries	96,000	108,000
Gain on extinguishment of debt	(30,169)	-
In-kind contributions of property	(1,083,700)	(879,032)
Gain on sale of property held for sale	(137,686)	(287,495)
(Increase) decrease in operating assets:		
Accounts receivable	(398,093)	88,420
Receivable from joint venture	(61,006)	(91,956)
Prepaid expense and other assets	(20,225)	(5,149)
Increase (decrease) in operating liabilities:		
Accounts payable	(18,418)	65,027
Accrued liabilities	<u>(7,222)</u>	<u>(15,767)</u>
Total adjustments	<u>(1,637,750)</u>	<u>(1,001,536)</u>
Net cash provided by operating activities	<u>214,112</u>	<u>223,370</u>
Cash flows from investing activities:		
Proceeds from sale of property held for sale	933,479	2,147,432
Purchases of property, buildings and equipment	(308,690)	(28,500)
Purchases of property held for sale	(1,095,536)	(1,696,701)
Purchase of investment in joint venture	-	(250,000)
Purchases of certificates of deposit and reinvested interest	(10,261)	(19,134)
Redemptions of certificates of deposit	238,058	-
Advances of notes receivable	(2,450,502)	(3,148,316)
Collections from notes receivable	<u>340,202</u>	<u>342,793</u>
Net cash used by investing activities	<u>(2,353,250)</u>	<u>(2,652,426)</u>
Cash flows from financing activities:		
Proceeds from note payable	600,102	270,034
Payments of notes payable	(358,234)	(456,030)
Proceeds from equity equivalent obligation	<u>711,000</u>	<u>1,808,000</u>
Net cash provided by financing activities	<u>952,868</u>	<u>1,622,004</u>
Decrease in cash	(1,186,270)	(807,052)
Cash, cash equivalents and restricted cash and cash equivalents at beginning of year	<u>3,261,144</u>	<u>4,068,196</u>
Cash, cash equivalents and restricted cash and cash equivalents at end of year	\$ <u>2,074,874</u>	\$ <u>3,261,144</u>
Reconciliation of cash, cash equivalents and restricted cash to the accompanying statements of financial position:		
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 168,107	\$ 8,036
Restricted cash and cash equivalents	<u>1,906,767</u>	<u>3,253,108</u>
Total	\$ <u>2,074,874</u>	\$ <u>3,261,144</u>

See accompanying notes to the financial statements.

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

(1) Nature of activities

Affordable Housing Resources, Inc. (the "Agency") was chartered in 1989 as a Tennessee not-for-profit corporation. The purpose of the Agency is to "create affordable housing and strong neighborhoods" by increasing home ownership opportunities for families and individuals who are unable to obtain assistance through traditional public and private funding sources in the greater Nashville area. The Agency is supported principally by service fees, sale of single-family homes, private and public contributions and grants from the U.S. Department of Housing and Urban Development through the Metropolitan Development and Housing Agency ("MDHA"), the Tennessee Housing Development Agency ("THDA") and the Neighborhood Reinvestment Corporation, dba NeighborWorks® America ("NWA").

The following program and supporting services are included in the accompanying financial statements:

Low-Income Housing Assistance - includes various lending and development programs. The loan products include down payment and closing cost assistance loans and construction financing for single-family properties. Home-ownership programs include promoting home-ownership opportunities in Nashville, Tennessee, development of quality new affordable housing, acquisition and rehabilitation of single family properties, land acquisition and development, consumer home buyer education to prepare new homeowners, and developing community leadership programs.

During 2020, the Agency received certain governmental and other grants to provide assistance to victims of natural disasters in the Middle Tennessee area for home repairs and to provide housing assistance to those impacted by the COVID-19 pandemic.

Management and General - includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or fund-raising activity, including costs associated with providing coordination and articulation of the Agency's program strategy, business management, general record keeping, budgeting and related purposes.

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

(2) Summary of significant accounting policies

The financial statements of the Agency are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Recently adopted accounting pronouncement

Effective January 1, 2019, the Agency adopted Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). ASC 606 guidance eliminates the transaction and industry-specific revenue recognition guidance under current generally accepted accounting principles ("GAAP") and replaces it with a principles-based approach. The core principle of the guidance in ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

ASC 606 requires the Agency to recognize revenue using a five step process. The five step model defined by ASC 606 requires the Organization to: (i) identify the contract(s) with a donor or customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. ASC 606 additionally enhances the required disclosures surrounding the nature, amount, timing and uncertainty of revenues and the associated cash flows arising from contracts with donors or customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments and assets recognized from the costs to obtain or fulfill a contract.

The Agency adopted this guidance using the modified retrospective method applied to all contracts which were not completed. There was no cumulative effect adjustment to the opening balance of net assets in the statement of financial position in 2019, as the adoption did not result in a material change to the Agency's revenue recognition policies.

(b) Cash and cash equivalents and restricted cash, cash equivalents and certificates of deposit

The Agency considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

Additionally, at December 31, 2020 and 2019, the Agency had cash, cash equivalents and certificates of deposit restricted for future investments in income producing properties and mortgage loans.

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

(c) Grants and accounts receivable and provision for uncollectible items

The Agency reports grants and accounts receivable, net of an allowance for doubtful accounts, at the amount which represents management's estimate of the amount that ultimately will be realized. The Agency reviews the adequacy of its allowance for uncollectible accounts on an ongoing basis, using historical payment trends, as well as review of specific accounts, and makes adjustments in the allowance as necessary. As of December 31, 2020 and 2019, no allowance for doubtful accounts was considered necessary.

(d) Notes receivable and provision for uncollectible items

The Agency holds various notes receivable under programs in conjunction with its defined mission. These notes are secured by the properties for which the loans were originally provided to purchase or assist with the down payment and are due to the Agency upon sale of the related property. Notes receivable are considered impaired when, based on current information, it is probable that all amounts or a portion of principal and interest due will not be collected according to the terms of the note agreement. Generally, a note receivable is considered impaired when the individual debtor cannot be located or has declared bankruptcy. The allowance for uncollectible notes is established by charges to program services expense and is maintained at an amount which management believes will be adequate to absorb losses on existing loans. Uncollectible loans are charged to the allowance account in the period in which such a determination is made.

(e) Property, buildings and equipment

Property, buildings and equipment additions, major renewals and betterments are recorded at cost at the date of purchase, at fair value on the date of gift if the value is readily determinable, or other reasonable basis, as determined by the Board of Trustees, if cost is unknown. Depreciation is computed by using the straight-line method over the estimated useful lives of the assets. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in changes in net assets.

(f) Property held for sale

Property held for sale is recorded at the lower of cost or fair market value. The Agency's management has approved a plan to sell its existing housing and commercial development properties. As a result, the assets have been classified as property held for sale at December 31, 2020 and 2019 and includes properties in the process of being constructed for sale as well as completed properties.

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

(g) Joint venture

During 2019, the Agency entered into an unincorporated joint venture agreement with a third party to develop single bedroom low-income housing units. Subject to the agreement, the other joint venture partner transferred land to be used for development of the project to the joint venture and the Agency invested \$250,000 cash in exchange for a 50% ownership interest. Under the terms of the joint venture, the Agency is responsible for managing the project and obtaining financing. As such, the Agency obtained a construction line of credit with a bank for up to \$2,000,000, which was amended during 2020 for up to \$2,800,000, to fund development costs that is available through November 2021. All costs incurred by the Agency on behalf of the joint venture are recorded as a receivable from the joint venture in the accompanying statement of financial position. The line of credit is secured by the underlying constructed property. Approximately \$193,000 and \$43,000 was outstanding on the line of credit at December 31, 2020 and 2019, respectively. Once the development project is complete and all housing units are sold, the related line of credit or other loans will be repaid and the joint venture parties will be reimbursed for any additional cash contributions made to the project prior to distribution of any remaining profits, which shall be shared equally between the Agency and the other joint venture partner.

(h) Net assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

All contributions are considered to be available with no donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increase those net asset classes. When the restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to those without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions restricted by donors are recorded as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

(i) Agency transactions

The Agency receives funds from NWA under the Neighborhood LIFT ("LIFT") program (Note 12) and from financial institutions under similar programs. The Agency does not have any discretionary powers over these funds and must administer the programs according to the terms of the grant agreements. As a result, no revenue or expense is recorded (except for administrative fees earned), but instead the Agency records an asset (cash or notes receivable) and corresponding liability (agency payable). The agency payable is reduced as the related notes receivable are forgiven.

(j) Revenue recognition

Agency revenues are generated primarily from fees for services, processing and servicing fees. A performance obligation is a contractual promise to transfer a distinct good or service, or a bundle of goods or services, to the customer, and is the unit of accounting. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Agency's contracts typically have a single performance obligation.

Loan programs and other related fees:

Loan application fees are earned and recorded as revenue at a point in time when the loan application is completed by the applicant with all required documentation and accepted by the Agency. Loan origination fees are earned on loan closings and recorded as revenue at a point in time when the performance obligation which is determined to be when the loan closes and funds are advanced to the customer. Loan late fees on outstanding loans are recognized as revenue at a point in time when the payments are due and the customer has not paid the payments under the contract terms.

Interest Income:

Interest income is recognized over time based on the life of a loan. The Agency has a signed promissory note with all borrowers which constitutes a contract with the customer, contains the loan terms, and documents the obligations of the Agency and the borrower. Each loan receivable is considered separately and has its own specific terms. The agency recognizes interest income over the time of the loan at the applicable interest rates in each loan agreement.

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

Contributions:

Contributions and other public support are generally recognized at the time of receipt as there are no performance obligations that are required to be satisfied. The Agency reports any gifts of property, equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used and no performance obligations exist. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service as the performance obligation is considered to be met at that point in time.

Grants:

Grants are recorded and recognized as revenue when grant funds are received or unconditionally pledged, if there are no performance requirements in the grant agreement. In accordance with industry guidance, revenue from lending program grants are recognized as revenue and support when the funds are received. For any grant agreements that include performance obligations, revenue is recognized when the related performance obligations are met. Funds from grants with a performance requirement which are received in advance are recorded as deferred revenue and recognized as revenue when the performance requirements are met.

(k) Income taxes

The Agency is exempt from federal income taxes under the provisions of Internal Revenue Code ("IRC") Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements.

As of December 31, 2020 and 2019, the Agency has accrued no interest and no penalties related to uncertain tax positions. It is the Agency's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Agency files a U.S. Federal information tax return.

(l) Functional allocation of expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based upon various allocation methods, including time spent on various functions by employees. General and administrative expenses include those expenses that are not directly identifiable with any other specific functions but provide for the overall support and direction of the Agency.

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

(m) Use of estimates

The preparation of financial statements in conformity with GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Events occurring after reporting date

Management of the Agency has evaluated events and transactions that occurred between December 31, 2020 and June 24, 2021 which is the date the financial statements were available to be issued for possible recognition or disclosure in the financial statements. No such events or transactions were noted requiring recognition or disclosure in the financial statements.

(o) New accounting standards, not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 will generally require on-balance sheet recognition for all leases with terms that exceed twelve months. The new lease accounting model will continue to reflect two types of leases. Under the new rules, a lessee would account for most existing capital leases as finance leases (that is, recognizing amortization of the right-of-use ("ROU") asset, as well as separately recognizing interest on the lease liability in the statement of operations). Most existing operating leases will remain as operating leases (that is, recognizing a single total lease expense). Both finance leases and operating leases will result in the lessee recognizing a ROU asset and a lease liability. The guidance is effective for the Agency beginning January 1, 2022.

(p) Reclassifications

Certain items in the 2019 financial statements have been reclassified to conform to the presentation of the 2020 financial statements. These reclassifications had no effect on net assets available for benefits as previously reported.

(3) Credit risk and other concentrations

The Agency periodically maintains cash on deposit at banks in excess of federally insured amounts. The Agency has not experienced any losses in such accounts and management believes the Agency is not exposed to any significant credit risk related to cash.

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

The Agency received approximately 15% of its total public support and revenues from NeighborWorks® America and 31% from in-kind donations during 2020. Additionally, the Agency received approximately 38% of its public support and revenues from one-time grants related to the Coronavirus pandemic as COVID-19 relief funds, tornado mitigation, and construction of homes during 2020. The Agency received approximately 17% of its total public support and revenues from NeighborWorks® America and 41% from in-kind donations during 2019.

(4) Liquidity and availability

A summary of the Agency's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of donor-imposed restrictions, within one year of the statement of financial position date is as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 168,107	\$ 8,036
Grants and accounts receivable	<u>477,924</u>	<u>79,831</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>646,031</u>	\$ <u>87,867</u>

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds.

(5) Notes receivable

First and second mortgage loans to homebuyers are made for terms of 4 to 15 years, at annual interest rates ranging from 3% to 7.5%. There were no material notes receivable with payments greater than 90 days past due as of December 31, 2020 and 2019. The notes receivable are collateralized by real estate. At December 31, 2020 and 2019, the balance of such loans totaled \$6,535,778 and \$5,836,253, respectively. Additionally, the Agency recorded an allowance for loan losses totaling \$618,095 and \$520,869 at December 31, 2020 and 2019, respectively.

Notes receivable also include non-interest bearing notes that are grants that are forgiven over a period of up to 15 years, as long as the homeowner continues to own the property, or repaid upon the future sale of the property ("soft-third mortgages"). The soft third mortgages are secured by liens on the homeowner's property. At December 31, 2020 and 2019, the balance of the soft-third mortgage loans totaled \$6,498,276 and \$5,704,275, respectively.

The soft-third mortgages that are forgiven over time under the LIFT program (Note 12) are reported as agency transactions. As these notes are forgiven, the note receivable is reduced with a corresponding decrease in the balance of the Agency Payable liability. The balance of these notes receivable and the corresponding agency payable liability totaled \$1,377,800 and \$1,995,800 at December 31, 2020 and 2019, respectively. During 2020 and 2019, approximately \$618,000 and \$630,000 of agency payables were amortized against the corresponding notes receivable balances.

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

(6) Property, buildings, and equipment

A summary of property, buildings and equipment at December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 160,000	\$ 110,000
Buildings and improvements	495,410	246,059
Furniture and equipment	<u>98,102</u>	<u>88,764</u>
Total cost	753,512	444,823
Accumulated depreciation	<u>(66,804)</u>	<u>(44,036)</u>
Property, buildings and equipment, net	<u>\$ 686,708</u>	<u>\$ 400,787</u>

(7) Notes payable

A summary of notes payable as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Two notes payable to the Community Development Financial Institutions Fund, maturing in April 2023, non-interest bearing.	\$ 250,000	\$ 250,000
Note payable to MDHA, maturing in November 2022, non-interest bearing.	250,000	250,000
Note payable to THDA, maturing in June 2034, non-interest bearing.	22,754	24,088
Note payable to a bank, automatically renewed annually, with an annual interest rate of 6%.	98,100	17,424
Various construction lines of credit requiring monthly interest payments at variable rates (0% as of December 31, 2020) with total maximum borrowings of approximately \$2,450,000 at December 31, 2020. Total borrowings under the lines of credit of approximately \$359,000 are to be used for construction of single-family homes. All lines of credit generally are for one year terms and mature between September and November 2021 and are secured by the constructed property and real estate.	333,835	358,667
Note payable to a bank, maturing in June 2021, with an annual interest rate of the Prime Rate minus 4% (0% at December 31, 2020).	250,000	-

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

Notes payable to banks, maturing in July 2021, with annual interest rates of 3.26%.

<u>5,117</u>	<u>-</u>
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Total notes payable with defined maturities

1,209,806	900,179
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Notes payable to banks with interest at an annual rate of the Prime Rate minus 4.00% (0% at December 31, 2020). These notes payable have no defined maturities (see below).

<u>1,049,322</u>	<u>1,117,081</u>
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Total notes payable

\$ <u>2,259,128</u>	\$ <u>2,017,260</u>
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Notes payable without defined maturities are collateralized by certain notes receivable held by the Agency (the "Collateral Notes"). The notes payable are due only when principal payment on the Collateral Notes has been received or the homes acting as security interest for the Collateral Notes have been sold.

With the exception of the notes payable without defined maturities discussed above, most of the above notes are secured by deeds of trust on the related real estate. Additionally, management of the Agency determined that the imputation of interest on non-interest bearing notes payable was immaterial.

Following is a schedule of required future principal payments on notes payable with defined maturities as of December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 689,072
2022	252,000
2023	252,000
2024	2,000
2025	2,000
2026 and later years	<u>12,734</u>
	\$ <u>1,209,806</u>

No amount of principal due was in arrears at December 31, 2020 or 2019.

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

(8) Equity equivalent obligations

The Agency carries certain obligations to banks that are classified as Equity Equivalent ("EQ2") funds. These obligations are shown under Other Liabilities on the statements of financial position in order to represent more clearly the nature of the payable and to adhere to industry practice. The EQ2 is defined by having six attributes as follows:

- (1) The EQ2 investment is carried as an investment on the investor's balance sheet in accordance with GAAP;
- (2) The EQ2 investment is a general obligation of the Agency that is not secured by any of the Agency's assets;
- (3) The EQ2 investment is fully subordinated to the right of repayment of all the Agency's other creditors;
- (4) The EQ2 investment does not give the investor the right to accelerate payment unless the Agency ceases its normal operations;
- (5) The EQ2 investment carries an interest rate that is not tied to any income received by the Agency; and
- (6) The EQ2 investment has a rolling term, and therefore, an indeterminate maturity (also known as an evergreen provision).

These obligations either carry a zero interest rate or an interest rate of Prime minus 4% at December 31, 2020 and 2019.

(9) Net assets with donor restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purposes:		
Housing and low-income down payment assistance	\$ 2,168,948	\$ 2,168,948
Held in perpetuity and not subject to a spending policy or appropriation:		
Neighborhood Reinvestment Revolving Loan and Capital Projects Fund	-	457,148
Total net assets with donor restrictions	<u>\$ 2,168,948</u>	<u>\$ 2,626,096</u>

Net assets with donor restrictions include funds utilized for the purchase or construction of low-income housing as restricted by donors. Certain grants do not address if or when restrictions expire or are released upon forgiveness of loan balances or losses incurred from the disposition of such properties. The Agency has maintained the restrictions that existed on the original grants unless otherwise indicated by the donors.

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

(10) Employee benefit plan

The Agency has a defined contribution employee benefit plan for eligible employees under provisions of section 403(b) of the IRC. Eligible employees may elect to contribute a percentage of their compensation, subject to certain limitations, to the plan on a pre-tax basis. The Agency will match one-half of each employee's contributions, up to a maximum matching contribution of 3% of the employee's eligible compensation. The Agency expensed employer contributions of \$14,772 and \$12,549 in 2020 and 2019, respectively.

(11) Operating leases

The Agency utilizes office space under an operating lease. Rent expense under this lease totaled \$68,081 and \$68,076 during 2020 and 2019, respectively. Future minimum payment under this lease is expected to total approximately \$68,000 over each of the next two years.

(12) Neighborhood LIFT and similar programs

The Agency participates in the Neighborhood LIFT program. The program is a collaboration between Wells Fargo Foundation, NWA and local non-profit organizations, including the Agency. Grants under the LIFT program are used to assist low-to-moderate income persons through down payment assistance grants. Under the LIFT program, grants to beneficiaries are forgiven over a period of five years and any recaptured funds not forgiven must be granted to other eligible beneficiaries during the the program which was in effect through June 30, 2020. Agency payable in the accompanying statements of financial position represents the total cash available for grant to beneficiaries plus the outstanding unamortized notes receivable from beneficiaries under the LIFT program.

The Agency has also entered into other agreements with financial institutions for down payment assistance programs similar to the LIFT program. Under these assistance programs, grants to beneficiaries are generally due on the future sale of the related property.

The Agency receives administrative fees for each grant under the programs which are included in "Counseling and mortgage fees" in the accompanying statements of activities.

(13) Commitments and contingencies

The disbursement of funds received under federal and state governmental grant programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Agency. In management's opinion, any such disallowed claims will not have a material effect on the Agency.

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Financial Statements

December 31, 2020 and 2019

(14) Supplemental disclosures of cash flow statement information

	<u>2020</u>	<u>2019</u>
Interest paid	\$ <u>8,278</u>	\$ <u>55,758</u>

(15) Related party transactions

The Agency contracted with an affiliated general contractor during 2020 to construct certain property held for sale. Payments made during 2020 to the affiliate totaled approximately \$335,904.

AFFORDABLE HOUSING RESOURCES, INC.

Schedule of Expenditures of Federal Awards

Year ended December 31, 2020

<u>CFDA #</u>	<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Grant Number</u>	<u>Receivable Balance December 31, 2019</u>	<u>Receipts and Other Reductions</u>	<u>Expenditures</u>	<u>Receivable Balance December 31, 2020</u>
	U.S. Dept. of Treasury					
21.019	NeighborWorks® America	N/A	\$ -	\$ 175,000	\$ 175,000	\$ -
21.019	NeighborWorks® America	N/A	-	190,000	190,000	-
21.019	NeighborWorks® America - COVID-19	N/A	-	20,000	20,000	-
21.019	NeighborWorks® America	N/A	-	45,000	45,000	-
21.019	Passed through from Metropolitan Government of Nashville and Davidson County and Administered by United Way of Greater Nashville: Coronavirus Relief Fund - COVID-19	N/A	-	500,000	500,000	-
	Total program		-	930,000	930,000	-
	U.S. Dept. of Housing and Urban Development					
14.218	Passed through from Metropolitan Development and Housing Agency: Community Development Block Grant - COVID-19	CDBG-CV	-	-	353,634	353,634
14.218	Passed through from NeighborWorks® America: Housing Counseling Assistance Program	N/A	-	28,021	28,021	-
	Total program		-	28,021	381,655	353,634
	Total federal awards		\$ -	\$ 958,021	\$ 1,311,655	\$ 353,634

See accompanying notes to the Schedule of Expenditures of Federal Grant Awards

AFFORDABLE HOUSING RESOURCES, INC.

Notes to the Schedule of Expenditures of Federal Awards

Year ended December 31, 2020

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Grant Awards (the "Schedule") includes the federal and state grant activity of Affordable Housing Resources, Inc. (the "Agency"). The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") as codified by HHS at 45 CFR Part 75 and the State of Tennessee. Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

(2) Summary of Significant Accounting Policies

For purposes of the Schedule, expenditures of federal and state grant awards are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Agency did not expend any Federal or State awards during fiscal year 2020 in the form of non-cash assistance or provide any funds to subrecipients.

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

The Board of Trustees of
Affordable Housing Resources, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Affordable Housing Resources, Inc. (the "Agency"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LBM, PC

Brentwood, Tennessee
June 24, 2021

**Independent Auditors' Report on Compliance for Each Major
Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

The Board of Trustees of
Affordable Housing Resources, Inc.:

Report on Compliance for each Major Federal Program

We have audited Affordable Housing Resources, Inc.'s (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2020. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

LBMC, PC

Brentwood, Tennessee
June 24, 2021

AFFORDABLE HOUSING RESOURCES, INC.

Schedule of Findings and Questioned Costs and
Schedule of Prior Audit Findings

Year ended December 31, 2020

SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___yes x_no
Significant deficiency(ies) identified? ___yes x_none reported

Noncompliance material to financial statements noted? ___yes x_no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___yes x_no
Significant deficiency(ies) identified? ___yes x_none reported

Type of auditors' report issued on compliance for
major program Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? ___yes x_no

Identification of major programs for the Organization for the fiscal year ended June 30, 2020 are:

CFDA Number Name of Federal Program

14.218 Community Development Block Grants/Entitlement Grants
21.019 Coronavirus Relief Fund

Dollar threshold to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ___yes x_no

(1) **FINANCIAL STATEMENT FINDINGS**

None noted

(2) **FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS**

None noted

(3) **SUMMARY OF PRIOR AUDIT FINDINGS**

None noted

AFFORDABLE HOUSING RESOURCES, INC.

**Schedule of Financial Position and Changes in Net Assets - Neighborhood Reinvestment Revolving
Loan and Capital Projects Fund (Net Assets With Donor Restrictions)**

Schedules of Financial Position as of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash	\$ -	\$ 232,588
Notes receivable	-	104,560
Development in progress / Property held for sale	<u>-</u>	<u>120,000</u>
Total Assets	\$ <u>-</u>	\$ <u>457,148</u>
<u>Liabilities and Net Assets</u>		
Net assets with donor restrictions, held in perpetuity	\$ <u>-</u>	\$ <u>457,148</u>

Schedules of Changes in Net Assets for the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Change in net assets - released from restrictions	\$ (457,148)	\$ -
Net assets, beginning	<u>457,148</u>	<u>457,148</u>
Net assets, ending	\$ <u>-</u>	\$ <u>457,148</u>

Notes:

Investment income and interest on outstanding loans were earned on the net assets of the Neighborhood Reinvestment Capital Fund ("NRC") and were available for unrestricted use by the Agency. All of these amounts were transferred to the net assets without donor restrictions during those years. There were no proceeds from capital projects in excess of the amount of funds necessary to maintain the net assets at a level disclosed in the Capital Funds Agreement with NRC. Accordingly, no funds were transferred from NRC for that purpose. Amounts released from restriction represents amounts formally approved for release by NeighborWorks® America.