

LIVING DEVELOPMENT CONCEPTS, INC.

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

**LIVING DEVELOPMENT CONCEPTS, INC.
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Living Development Concepts, Inc.
3250 Dickerson Pike, Suite 212
Nashville, TN 37207

We have audited the accompanying financial statements of Living Development Concepts, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2019, and the related statement of activities, cash flows and functional expenses 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.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Living Development Concepts, Inc. as of December 31, 2019, 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.

SPD CPA Firm

SPD CPA Firm
January 12, 2021

LIVING DEVELOPMENT CONCEPTS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

Assets

Current assets

Cash	\$ 3,726
Grants Receivable	229,000
Total current assets	<u>232,726</u>

Fixed Assets

Land	62,000
Construction in Progress	86,715
Property	178,731
Furniture and Equipment	600
Accumulated Depreciation	<u>(52,755)</u>
Total fixed assets	<u>275,291</u>

Total assets	<u>\$ 508,017</u>
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Liabilities and net assets

Current liabilities

Rental Security Deposits	\$ 454
Total current liabilities	<u>454</u>

Net Assets

Without Donor Restrictions	328,832
With Donor Restriction	<u>178,731</u>
Total net assets	<u>507,563</u>

Total liabilities and net assets	<u>\$ 508,017</u>
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The accompanying notes are an integral part of these financial statements.

LIVING DEVELOPMENT CONCEPTS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Gross tenant rent potential	\$ 20,417	\$ -	\$ 20,417
Less: Vacancy	-	-	-
Net tenant rent potential	<u>20,417</u>	<u>-</u>	<u>20,417</u>
Grant Revenue	326,154	-	326,154
Contributions	94,022	-	94,022
Other Income	588	-	588
Total Operating Revenue	<u>441,181</u>	<u>-</u>	<u>441,181</u>
Expenses			
Affordable Housing	118,450	-	118,450
General and Administrative	10,515	-	10,515
Total Expenses	<u>128,965</u>	<u>-</u>	<u>128,965</u>
Change in Net Assets	312,216	-	312,216
Net Assets, Beginning of Year	16,616	178,731	195,347
Net Assets, End of Year	<u>\$ 328,832</u>	<u>\$ 178,731</u>	<u>\$ 507,563</u>

The accompanying notes are an integral part of these financial statements

LIVING DEVELOPMENT CONCEPTS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities

Increase in net assets	\$ 312,216
Adjustments to reconcile change used in net assets to used net cash provided by (used in) operating activities:	
Depreciation	6,043
Increase in grants receivable	(229,000)
Decrease in accounts receivable	301
Net cash provided by operating activities	<u>89,560</u>

Cash flows from investing activities

Construction in progress	<u>(86,715)</u>
Net cash provided by investing activities	<u>(86,715)</u>

Cash flows from financing activities

	-
Net increase in cash and cash equivalents	2,845
Cash and cash equivalents, beginning of year	881
Cash and cash equivalents, end of year	<u><u>\$ 3,726</u></u>

The accompanying notes are an integral part of these financial statements.

LIVING DEVELOPMENT CONCEPTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Affordable Housing	General and Administrative	Total
Bank Service Charges	\$ -	\$ 43	\$ 43
Business Licenses and Permits	-	141	141
Charitable Contributions	-	510	510
Computer and Internet Expenses		1,064	1,064
Dues and Subscriptions	-	415	415
Insurance Expense	4,066	-	4,066
Miscellaneous Expense	3,194	-	3,194
Office Supplies	-	89	89
Office Expense	-	417	417
Printing and Reproduction	569	-	569
Professional Fees	99,094		99,094
Rent Expense	-	6,300	6,300
Repairs and Maintenance	2,454	-	2,454
Taxes - Property	3,030	-	3,030
Telephone Expense	-	1,536	1,536
Depreciation	6,043	-	6,043
Total Expenses	<u>\$ 118,450</u>	<u>\$ 10,515</u>	<u>\$ 128,965</u>

The accompanying notes are an integral part of these financial statements

LIVING DEVELOPMENT CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 1---NATURE OF THE ORGANIZATION AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of the Organization

Living Development Concepts, Inc. ("LDC"), is a Tennessee Not-For-Profit corporation. LDC is a Community Housing Development Organization established to transform communities by innovative partnership and initiatives that revitalizes neighborhoods by creating affordable housing for eligible populations.

Programs

ABC's of Home Ownership Program- Education:

LDC develops housing solutions for qualified first-time buyers earning low-to-moderate incomes. LDC provides free workshops and one-on-one sessions to help individuals understand what is required and to navigate through the home buying process.

Affordable Housing Program:

LDC's mission is to promote home ownership through education and development. We build, renovate, sale, and rent affordable housing for veterans, seniors, families and individuals that are at or below eighty percent of the area medium income.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and accordingly revenue is recognized when earned, support and promises to give are recognized when received and expenses are recorded when incurred.

The financial statements presentation follows the recommendations of the Financial Accounting Standard Board's Accounting Standard Codification (FASB ASC 958), Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958, LDC 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.

Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

Net Assets Without Donor Restrictions — Net assets that are not restricted by purpose or time either temporarily or permanently by explicit donor stipulations or by law. Board designation does not constitute a donor restriction.

Net Assets With Donor Restrictions — Net assets that are restricted by purpose or time either temporarily or permanently by explicit donor stipulations or by law

LIVING DEVELOPMENT CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Revenue, Support, and Expenses

LDC receives contributions from corporations and individual donors and recognizes revenue when cash or a firm promise to give is obtained.

Contributions received are measured at their fair value and are reported as an increase in net assets. LDC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, LDC considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Income Taxes

LDC is a tax-exempt entity under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for income tax is considered necessary.

Fixed Assets

Disbursements for property and equipment are capitalized and reflected in the statement of financial position at cost. Expenditures for additions and major improvements are capitalized while those for maintenance and repairs are charged to expenses as incurred. Depreciation, which is reflected as an expense in the statement of activities, is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furniture and equipment	3—10
Buildings	20—39

LIVING DEVELOPMENT CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2—ASSETS WITH DONOR RESTRICTIONS

LDC entered into an agreement with the Metropolitan Development and Housing Agency (MDHA) in accordance with the Neighborhood Stabilization Program 2 (NSP2):

1. 1611 21 st Avenue North	\$ 100,000
2. 1102 Clay Street	<u>78,731</u>
Total	<u>\$ 178,731</u>

In consideration for the funds received, the following restrictions are placed on the property:

1. For the entire Affordability Period, the property shall be occupied only by households whose incomes meet the requirements described below.
2. The property must be set aside for households that that qualify as middle income households, which select households must have annual incomes that do not exceed 50 to 120 percent of the area median income, as determined by HUD and in accordance with the NSP2 Requirements, as may be amended from time to time.
3. The foregoing income and rent restrictions (the Affordability Restrictions) shall begin at Project Completion, which is defined as the date on which all necessary title transfer requirements and construction work have been performed, and MDHA has entered the project completion information into the disbursement and information system established by HUD. The Affordability Restrictions shall continue for a period of 20 years beginning on the date of Project Completion (the Affordability Period). The Property must remain affordable for the entire Affordability Period.
4. The Affordability Restrictions may be released in writing by MDHA in its sole discretion, prior to the end of the Affordability Period. A sale by foreclosure or transfer in lieu of foreclosure under a deed of trust encumbering the Property that has priority shall terminate the Affordability Period and the Affordability Restrictions, to the extent permitted by HUD.

NOTE 3—GRANTS RECEIVABLE

In November 2019, LDC received an award of \$229,000 from the Barnes Housing Trust fund for the development of two affordable housing units. The grant award was contingent on the organization receiving a firm loan commitment in the amount of \$231,000 from a traditional lending institution by December 31, 2020. LDC received this loan commitment on December 20, 2020. The balance of the grant receivable as of December 31, 2020 was \$229,000.

NOTE 4—OFFICE RENT

LDC rents space in the building known as the Skyline Professional Center, located at 3250 Dickerson Pike. The monthly rental expense is \$400 monthly. Additional operational costs are \$125. Total monthly rent expense is \$525. Total rental expense as of December 31, 2019 was \$6,300.

LIVING DEVELOPMENT CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 5--SUBSEQUENT EVENTS

In December 2019, LDC received a proposal from the Housing Fund for a first mortgage in the amount of \$231,000 for construction loan funding for two single family homes. The loan is for 12 months with a 3.25% fixed interest rate.

Once the loan has been finalized, the related mortgage will be included on the financial statements.

There were no other subsequent events requiring disclosure as of January 12, 2021, the date management evaluated such events. January 12, 2021 is the date the financial statements were available to be issued.