

LIVING DEVELOPMENT CONCEPTS, INC.

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND DECEMBER 31, 2021**

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

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

We have audited the financial statements of Living Development Concepts, Inc., which comprise the statement of financial position as of December 31, 2022 and December 31, 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Living Development Concepts, Inc. as of December 31, 2022 and December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Living Development Concepts, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Living

Development Concepts, Inc.' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risk. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Living Development Concepts, Inc.' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Living Development Concepts, Inc.' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls related matters that we identified during the audit.



SPD CPA Firm
Nashville, TN
July 27, 2023

LIVING DEVELOPMENT CONCEPTS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND DECEMBER 31, 2021

	<u>2022</u>	<u>2021 - RESTATED</u>
Assets		
Current assets		
Cash	\$ 636,448	\$ 427,101
Investment Property	529,575	76,780
Total current assets	<u>1,166,023</u>	<u>503,881</u>
Fixed Assets		
Property	178,770	178,770
Furniture and Equipment	8,850	8,100
Accumulated Depreciation	<u>(72,426)</u>	<u>(65,490)</u>
Total fixed assets	<u>115,194</u>	<u>121,380</u>
Total assets	<u><u>\$ 1,281,217</u></u>	<u><u>\$ 625,261</u></u>
Liabilities and net assets		
Current liabilities		
Rental Security Deposits	1,660	\$ 1,660
SBA loan	-	8,300
Note Payable	<u>-</u>	<u>43,438</u>
Total current liabilities	<u>1,660</u>	<u>53,398</u>
Net Assets		
Without Donor Restrictions	1,100,787	393,093
With Donor Restriction	<u>178,770</u>	<u>178,770</u>
Total net assets	<u>1,279,557</u>	<u>571,863</u>
Total liabilities and net assets	<u><u>\$ 1,281,217</u></u>	<u><u>\$ 625,261</u></u>

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

LIVING DEVELOPMENT CONCEPTS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Gross tenant rent potential	\$ 20,120	\$ -	\$ 20,120
Less: Vacancy	-	-	-
Net tenant rent potential	20,120		20,120
Property Donation	521,500	-	521,500
Grant Revenue	73,085	-	73,085
Contributions	690,602	-	690,602
Other Income	886	-	886
Proceeds from Sale of Property	11,395	-	11,395
Total Operating Revenue	1,317,588	-	1,317,588
Expenses			
Affordable Housing	572,240	-	572,240
General and Administrative	37,654	-	37,654
Total Expenses	609,894	-	609,894
Change in Net Assets	707,694	-	707,694
Net Assets, Beginning of Year	393,093	178,770	571,863
Net Assets, End of Year	\$ 1,100,787	\$ 178,770	\$ 1,279,557

The accompanying notes are an integral part of these financial statements

LIVING DEVELOPMENT CONCEPTS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021 - RESTATED

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Gross tenant rent potential	\$ 19,920	\$ -	\$ 19,920
Less: Vacancy	-	-	-
Net tenant rent potential	19,920		19,920
Grant Revenue	143,125	-	143,125
Contributions	318,085	-	318,085
Other Income	14,992	-	14,992
Total Operating Revenue	496,122	-	496,122
Expenses			
Affordable Housing	287,232	-	287,232
General and Administrative	27,307	-	27,307
Total Expenses	314,539	-	314,539
Change in Net Assets	181,583	-	181,583
Net Assets, Beginning of Year	211,510	178,770	390,280
Net Assets, End of Year	\$ 393,093	\$ 178,770	\$ 571,863

The accompanying notes are an integral part of these financial statements

LIVING DEVELOPMENT CONCEPTS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Increase in net assets	707,694	\$ 181,583
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,936	6,686
Prior period adjustment	-	41,552
Decrease in accounts payable	-	(35,280)
Increase in accrued liabilities	-	706
Net cash provided by operating activities	<u>714,630</u>	<u>195,247</u>
Cash flows from investing activities		
Investment property	(529,575)	-
Sale of investment property	76,780	-
Purchase of automobile	(750)	-
Donation of fixed assets	-	(7,500)
Net cash provided by investing activities	<u>(453,545)</u>	<u>(7,500)</u>
Cash flows from financing activities		
Draws on Housing Fund Note	-	141,503
Payments on Housing Fund Note	(43,438)	(115,164)
Payments on SBA loan	(8,300)	-
Net cash provided by financing activities	<u>(51,738)</u>	<u>26,339</u>
Net increase in cash and cash equivalents	209,347	214,086
Cash and cash equivalents, beginning of year	427,101	213,015
Cash and cash equivalents, end of year	<u><u>\$ 636,448</u></u>	<u><u>\$ 427,101</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, 2022

	Affordable Housing	General and Administrative	Total
Bank Service Charges	\$ -	\$ 146	\$ 146
Advertising and Promotions	-	284	284
Automobile Expense	-	7,229	7,229
Charitable Contributions	-	6,057	6,057
Computer and Internet Expenses		1,480	1,480
Contract Labor	309,710	-	309,710
Insurance Expense	4,125	1,689	5,814
Interest Expense	563	-	563
Miscellaneous Expense	3,147	-	3,147
Office Supplies	-	2,604	2,604
Payroll Expenses	17,762	-	17,762
Printing and Reproduction	29	-	29
Professional Fees	190,336	7,723	198,059
Rent Expense	-	8,615	8,615
Repairs and Maintenance	125	-	125
Settlement Charges	14,664	-	14,664
Taxes - Property	7,903	-	7,903
Telephone Expense	-	235	235
Utilities	627	-	627
Depreciation	6,936	-	6,936
Dues and Subscriptions	-	851	851
Payroll Processing Fee	-	741	741
Volunteer Reimbursements	15,563	-	15,563
Application Fee	750	-	750
Total Expenses	<u>\$ 572,240</u>	<u>\$ 37,654</u>	<u>\$ 609,894</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, 2021

	Affordable Housing	General and Administrative	Total
Bank Service Charges	\$ -	\$ 5,351	\$ 5,351
Business Licenses and Permits	-	221	221
Charitable Contributions	-	2,236	2,236
Computer and Internet Expenses		2,479	2,479
Contract Labor	-	256	256
Insurance Expense	2,611	2,024	4,635
Interest Expense	275	-	275
Miscellaneous Expense	18,385	-	18,385
Office Supplies	-	220	220
Payroll Expenses	7,324	-	7,324
Printing and Reproduction	1,170	-	1,170
Professional Fees	219,344	4,664	224,008
Rent Expense	-	8,257	8,257
Repairs and Maintenance	10,962	-	10,962
Settlement Charges	15,981	-	15,981
Small Tools and Equipment	615	-	615
Taxes - Property	3,759	-	3,759
Telephone Expense	-	1,599	1,599
Utilities	120	-	120
Depreciation	6,686	-	6,686
Total Expenses	<u>\$ 287,232</u>	<u>\$ 27,307</u>	<u>\$ 314,539</u>

The accompanying notes are an integral part of these financial statements

LIVING DEVELOPMENT CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

**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, sell, 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.

At December 31, 2022 and December 31, 2021, The Organization had \$178,770 in assets with donor restrictions. See Note 4.

LIVING DEVELOPMENT CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

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.

In-Kind Donations

LDC follows the recommendations of the Financial Accounting Standard Board's Accounting Standard Codification (FASB ASC 958), Financial Statements of Not-for-profit Organizations regarding contributions received and contributions made. These standards require recording the value of donated goods or services that create or enhance non-financial assets require specialized skills. Subject matter experts lend their time and talents at no charge to spare the organization the cash outlay for such goods and services rendered. All in-kind donations are captured and reported appropriately in the Organization's financial records.

LDC records donated goods at fair value.

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:

LIVING DEVELOPMENT CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

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

NOTE 2—LIQUIDITY AND AVAILABILITY

As of December 31, 2022 and December 31, 2021, LDC has \$636,448 and \$427,101, respectively of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures.

NOTE 3—INVESTMENT PROPERTY

LDC periodically receives undeveloped property from the Metropolitan Government of Nashville and Davidson County to develop and sell the property for affordable housing. LDC had the following properties:

December 31, 2022:

1. Lot at 3210 Tolbert St	\$ 90,000
2. Lot at 0 Old Matthew Rd	50,475
3. Lot at 919 43 rd Ave N	47,500
4. Lot at 229 Center Ct	47,500
5. Lot at 2909 Booker St	57,500
6. Lot at 1604 Arthur Ave	<u>236,600</u>
TOTAL	<u>\$ 529,575</u>

December 31, 2021:

1. Lot at 3914 Southview Dr	<u>\$76,780</u>
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The Southview Dr property was developed and sold in 2022.

NOTE 4—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>78,770</u>
Total	<u>\$ 178,770</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

LIVING DEVELOPMENT CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

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 5—NOTE PAYABLE

In December 2019, LDC received a loan commitment in the amount of \$231,000 from the Housing Fund for the development of two affordable housing units.

In July 2021, \$114,217 was repaid to The Housing Fund with the sale of one of the affordable housing units.

The remaining loan balance was \$115,500 dated August 4, 2021 with a floating interest rate based on the floating rate for the period of the loan. The maturity date of the loan was February 2, 2023. The balance of the loan as of December 31, 2022 and December 31, 2021 was zero and \$43,438, respectively.

In June 2020, LDC received an Economic Injury Disaster Loan (EIDL) from the Small Business Administration in the amount of \$8,300. The balance of the loan as December 31, 2022 and December 31, 2021 was zero and \$8,300, respectively.

NOTE 6—OFFICE RENT

LDC rents space in the building known as The Ellwood, located at 3250 Dickerson Pike on a month-to-month basis. There is currently no operating lease agreement. The monthly rental expense is \$400 monthly. Additional monthly operational costs may vary but average around \$281. Total rental expense as of December 31, 2022 and December 31, 2021 was \$8,615 and \$8,257, respectively.

NOTE 7—CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject LDC to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2022 and December 31, 2021,

LIVING DEVELOPMENT CONCEPTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

LDC had \$386,448 and \$177,101, respectively, in excess of the FDIC insured limit.

NOTE 8—PRIOR PERIOD ADJUSTMENT

The 2021 financial statements were restated to reflect the EIDL loan balance of \$8,300.

NOTE 9--SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure as of July 27, 2023 the date management evaluated such events. July 27, 2023 is the date the financial statements were available to be issued.