

BE A HELPING HAND FOUNDATION

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

DECEMBER 31, 2015

BE A HELPING HAND FOUNDATION

Table of Contents

December 31, 2015

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 - 19



August 1, 2016

Independent Auditor's Report

To the Board of Directors of
Be A Helping Hand Foundation
Nashville, Tennessee

We have audited the accompanying financial statements of Be A Helping Hand Foundation (the Foundation), a non-profit organization, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, 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

The Foundation's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Foundation'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 Foundation'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 Be A Helping Hand Foundation as of December 31, 2015, 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.

A handwritten signature in black ink that reads "Puryear, Hamilton, Hausman & Wood, PLLC". The signature is written in a cursive, flowing style.

Franklin, Tennessee

BE A HELPING HAND FOUNDATION

Statement of Financial Position

December 31, 2015

Assets

Current assets:

Cash and cash equivalents - Restricted	\$ 17,789
Accounts receivable	10,142
Grants receivable - State	<u>59,417</u>
Total current assets	87,348

Property and equipment, net	3,192,781
Property held for sale	288,031
Other asset	<u>400</u>

Total assets	<u><u>\$ 3,568,560</u></u>
--------------	----------------------------

Liabilities and Net Assets

Current liabilities:

Lines of credit	\$ 160,858
Current portion of notes payable - Related parties	16,371
Current portion of notes payable	348,414
Accounts payable	29,872
Accrued payroll	3,538
Accrued property taxes payable	38,054
Prepaid rent	12,620
Other deposits payable	4,000
Security deposits	<u>22,935</u>
Total current liabilities	<u>636,662</u>

Long-term portion of notes payable - Related parties	43,050
Long-term portion of notes payable	<u>666,909</u>
Total long-term liabilities	<u>709,959</u>

Total liabilities	1,346,621
-------------------	-----------

Net assets - Unrestricted	<u>2,221,939</u>
---------------------------	------------------

Total liabilities and net assets	<u><u>\$ 3,568,560</u></u>
----------------------------------	----------------------------

See independent auditor's report and accompanying notes to financial statements.

BE A HELPING HAND FOUNDATION

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2015

Unrestricted support and revenues:	
Grant income - Federal awards	\$ 271,727
Contributions	100,750
Grant income - State awards	401,211
Rental income and fees	248,819
Grant income - Local awards	262,942
Gain on property sales	62,746
Other income	<u>6,372</u>
Total unrestricted support and revenues	<u>1,354,567</u>
Expenses:	
Program services	327,269
General and administrative	<u>81,223</u>
Total expenses	<u>408,492</u>
Increase in unrestricted net assets	946,075
Net unrestricted net assets at beginning of year	<u>1,275,864</u>
Net unrestricted net assets at end of year	<u>\$2,221,939</u>

See independent auditor's report and accompanying notes to financial statements.

BE A HELPING HAND FOUNDATION

Statement of Cash Flows

For the Year Ended December 31, 2015

Operating activities:	
Increase in net assets	\$946,075
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	89,392
Gain on property sales	(62,746)
Non-cash contribution of land	(100,000)
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	2,621
(Increase) decrease in grants receivable - State	(59,417)
Increase (decrease) in accounts payable	20,646
Increase (decrease) in accrued payroll	702
Increase (decrease) in accrued property taxes payable	3,647
Increase (decrease) in prepaid rent	12,620
Increase (decrease) in security deposits	<u>4,870</u>
Net cash provided by operating activities	<u>858,410</u>
Investing activities:	
Purchase of property and equipment	(909,642)
Purchase of property held for sale	(188,031)
Property sales	<u>107,227</u>
Net cash used for investing activities	<u>(990,446)</u>
Financing activities:	
Proceeds from lines of credit	47,500
Payments made on lines of credit	(4,350)
Payments made on notes payable - Related parties	(24,891)
Proceeds from notes payable	201,433
Payments made on notes payable	<u>(71,228)</u>
Net cash provided by financing activities	<u>148,464</u>
Increase in cash and cash equivalents	16,428
Cash and cash equivalents at beginning of year	<u>1,361</u>
Cash and cash equivalents at end of year	<u>\$ 17,789</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 50,295</u>
Non-cash transactions:	
During 2015, the Metropolitan Development & Housing Agency contributed \$100,000 in land, which is being held for sale by the Foundation.	

See independent auditor's report and accompanying notes to financial statements.

BE A HELPING HAND FOUNDATION

Statement of Functional Expenses

For the Year Ended December 31, 2015

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Low</u>	<u>General</u>	
	<u>Income</u>	<u>and</u>	
	<u>Housing</u>	<u>Administrative</u>	<u>Total</u>
Payroll	\$ 57,249	\$ 24,682	\$ 81,931
Payroll taxes	5,083	2,592	7,675
Interest	48,799	1,496	50,295
Rent	16,082	4,020	20,102
Contract services	6,425	1,400	7,825
Professional services	3,187	7,050	10,237
Depreciation	86,069	3,323	89,392
Utilities and telephone	1,570	6,776	8,346
Travel and meals	-	9,946	9,946
Insurance	15,478	2,620	18,098
Repairs and maintenance	39,296	-	39,296
Office expenses	-	11,873	11,873
Property taxes	26,123	-	26,123
Management fees	21,641	-	21,641
Security	267	966	1,233
Taxes and licenses	-	419	419
Contributions	-	350	350
Miscellaneous	-	3,710	3,710
Total functional expenses	<u>\$327,269</u>	<u>\$ 81,223</u>	<u>\$408,492</u>

See independent auditor's report and accompanying notes to financial statements.

BE A HELPING HAND FOUNDATION

Notes to Financial Statements

December 31, 2015

(1) Summary of Significant Accounting Policies

(a) General

Be A Helping Hand Foundation (the Foundation), a non-profit organization, was established in April 2001. The Foundation's mission is to provide affordable housing, free education, job training, and job placement assistance in the construction industry. The construction training program includes 320 hours of paid on the job training in the areas of carpentry, electrical work, plumbing, and air conditioning. Properties have been purchased and rehabilitated in low-income neighborhoods to be made available for renters and home buyers in need of safe, clean, family homes.

(b) Basis of Accounting

The financial statements of the Foundation are prepared using the accrual basis of accounting under which revenue is recognized when earned rather than when collected and expenses are recognized when incurred rather than when disbursed.

(c) Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Foundation's Board of Directors.

Temporarily Restricted – Net assets whose use by the Foundation are subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. No temporarily restricted net assets were held during 2015 and, accordingly, these financial

(Continued)

statements do not reflect any activity related to this class of net assets for 2015.

Permanently Restricted – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. No permanently restricted assets were held during 2015 and, accordingly, these financial statements do not reflect any activity related to this class of net assets for 2015.

(d) Use of Estimates

Preparation of the Foundation's financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual amounts may differ from these estimates.

(e) Cash Equivalents

For the purpose of the Statement of Financial Position and the Statement of Cash Flows, the Foundation considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

(f) Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. There are none at December 31, 2015.

(g) Doubtful Receivables

The Foundation uses the allowance method to determine uncollectible receivables. Management's estimate of doubtful accounts is based on historical collection experience and a review of the current status of the receivables. There is no allowance for receivables at December 31, 2015. It is reasonably possible that management's estimate of the allowance for doubtful receivables could change. Receivables are charged against the allowance when management believes the collectability of the receivable is unlikely. For the year ended December 31, 2015, no bad debt expense was recognized. Receivables are considered delinquent after thirty days; however, late fees are not assessed. Interest is not assessed on delinquent accounts. It is not the policy of the Foundation to place accounts on non-accrual status. At December 31, 2015, all accounts receivable were greater than ninety days old.

(Continued)

(h) Contributions and Support

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions, which are received as temporarily restricted, and whose restrictions are met within the same year are shown as unrestricted support on a first-in, first-out basis.

(i) Property and Equipment

Property and equipment are recorded at cost, or at fair market value if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets that range from 1 to 27.5 years. The Foundation capitalizes all items related to the rental properties, including interest costs, until the property is placed in service. The Foundation capitalizes other items that are greater than or equal to \$1,000 and expenses items under \$1,000.

The Foundation reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at December 31, 2015.

(j) Property Held for Sale

Property held for sale includes two properties that are in the process of being developed and two undeveloped parcels of land. Real estate held for sale is recorded at the lower of its carrying value or fair value less cost to sell.

(k) Income Taxes

The Foundation is exempt from federal income taxes under the Internal Revenue Code (the Code) Section 501(c)(3). Accordingly, federal income taxes are not provided for in the accompanying financial statements.

Contributions to the Foundation qualify for the charitable contributions deduction to the extent provided by Section 170 of the Code. The Foundation follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, as it relates to uncertain tax positions. Any interest and penalties recognized associated with a

(Continued)

tax position are classified in general and administrative expense in the Foundation's financial statements.

(l) Program Services

Program services include low-income housing. There was no job training program service expenses in 2015.

(m) Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue is subject to review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Foundation's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Foundation.

(n) Functional Allocation of Expenses

The costs of providing the Foundation's program and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

(o) Contributed Services

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

(p) Fair Value Measurements

The Foundation follows FASB ASC 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. FASB ASC 820-10 defines fair value and establishes a framework for measuring fair value under generally accepted accounting principles. The current practice includes: (1) the definition of fair value, which focuses on an exit price rather than on entry price; (2) the methods used to measure fair value, such as emphasis that fair value is a market-based measurement, not an entity-specific measurement, as well as the inclusion of an adjustment for risk, restrictions, and credit standing; and (3) the expanded disclosures about fair value measurements. FASB ASC 820-10 does not require any new fair value measurements. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value as follows:

(Continued)

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Foundation's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available. These inputs may be supported by little or no market activity.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Foundation's significant financial instruments are cash and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

(q) Subsequent Events

The Foundation has evaluated subsequent events through August 1, 2016, the date the financial statements were available to be issued.

(2) Restricted Cash

Tenant security deposits totaled \$22,935 at December 31, 2015. The Foundation is required to maintain a restricted cash account for these deposits; however, this cash

(Continued)

account was underfunded by \$5,146 at December 31, 2015. This was subsequently funded in February 2016.

(3) Property and Equipment

A summary of property and equipment as of December 31, 2015 is as follows:

Land held for lease	\$ 540,167
Property held for lease	2,920,899
Tools and equipment	4,037
Leasehold improvements	<u>4,403</u>
	3,469,506
Less accumulated depreciation	<u>(276,725)</u>
	<u>\$ 3,192,781</u>

Depreciation expense for the year ended December 31, 2015 totaled \$89,392. No interest costs were capitalized during 2015, as amounts were immaterial.

At December 31, 2015, the Foundation has executed operating leases on twenty-five of its properties. None of the leases are for more than one year. Rental income and fees from property held for lease totaled \$248,819 for the year ended December 31, 2015. As of December 31, 2015, accumulated depreciation for property held for lease was \$270,342.

(4) Income Taxes

The Foundation recognizes the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. Management has analyzed the Foundation’s tax positions and has concluded that no tax liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (2012 – 2014), or expected to be taken in the Foundation’s 2015 tax return. The Foundation identifies its major tax jurisdictions as the U.S. Federal and the State of Tennessee. In early 2016, the Foundation’s Form 990 for 2013 was audited by the Internal Revenue Service. The audit had two findings, which had no impact on the financial statements. The Foundation is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months.

During the year ended December 31, 2015, the Foundation did not recognize any material interest and penalties relating to taxes, nor were any accrued at December 31, 2015.

(Continued)

(5) Line of Credit

The Foundation has established an \$80,500 revolving line of credit at Pinnacle National Bank, which is due September 2016. Interest, at the Bank's Prime Rate plus 1%, which is 4.25% at December 31, 2015, is due monthly. At December 31, 2015, the line of credit had an outstanding balance of \$80,000 and is secured by a house and real property, which had a carrying value of \$112,570 and is personally guaranteed by the Executive Director.

The Foundation has established a \$90,000 revolving line of credit at SunTrust Bank, which is due on demand. Interest, which is 5.50% at December 31, 2015, is due monthly. At December 31, 2015, the line of credit had an outstanding balance of \$73,108 and is secured by a blanket lien on the Foundation's assets.

The Foundation has a credit card with Fifth Third Bank which has an unsecured credit line feature that carries an interest rate of 9.24%. The balance on this credit line was \$7,750 at December 31, 2015.

(6) Notes Payable - Related Parties

The Foundation has entered into an unsecured promissory note, at 0% interest, with the Executive Director. At December 31, 2015, the note balance is \$40,009. The note requires 72 monthly payments of \$540 beginning August 2012. The note is due September 2018.

The Foundation has entered into an unsecured promissory note, at 0% interest, with the estate of a former Board Member. At December 31, 2015, the note balance is \$19,412, of which \$4,251 is past due. The note requires 72 monthly payments of \$470 beginning September 2012. The note is due October 2018.

(7) Notes Payable

Notes payable secured by low income properties at December 31, 2015 consist of the following:

Secured promissory note payable to Pinnacle National Bank in 59 monthly installments of \$460 beginning March 2014, secured by a house and real property with a carrying value of approximately \$52,400, including interest at 5.50% calculated using the 365/360 method, maturing in February 2019, with final balloon payment. This was refinanced with Truxton Trust in January 2016 (see note 11).

\$ 51,376

Secured promissory note payable to Pinnacle National Bank in 59 monthly installments of \$860 beginning April 2014, secured by a house and real property with a

(Continued)

carrying value of approximately \$88,800, including interest at 5.25% calculated using the 365/360 method, maturing in April 2019, with final balloon payment and personally guaranteed by the Executive Director. This was refinanced with Truxton Trust in January 2016 (see Note 11).

98,442

Secured promissory note payable to Pinnacle National Bank in 59 monthly installments of \$376 beginning January 2012, secured by a house and real property with a carrying value of approximately \$100,800, including interest at 5.75% calculated using the 365/360 method, maturing in December 2016, with final balloon payment and personally guaranteed by the Executive Director. This was refinanced with Truxton Trust in January 2016 (see note 11).

36,535

Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$167 beginning June 2013, secured by a house and real property with a carrying value of approximately \$101,000, including a variable interest rate that is currently at 0% (Prime less 4%), calculated using the 365/360 method, maturing in November 2017, with final balloon payment.

24,833

Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$167 beginning June 2013, secured by a house and real property with a carrying value of approximately \$110,800, including a variable interest rate that is currently at 0% (Prime less 4%), calculated using the 365/360 method, maturing in November 2017, with final balloon payment.

24,833

Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$64 beginning June 2012, secured by a house and real property with a carrying value of approximately \$112,800, including a variable interest rate that is currently 0% (Prime less 4%), calculated using the 365/360 method, maturing in November 2016, with final balloon payment. This was refinanced with Truxton Trust in January 2016 (see note 11).

8,945

Secured promissory note payable to Pinnacle National Bank in 59 monthly installments of \$576 beginning March 2013, secured by a house and real property with a carrying value of approximately \$112,800, including interest at 5.25% calculated using the 365/360 method,

(Continued)

maturing in February 2018, with final balloon payment and personally guaranteed by the Executive Director. This was refinanced with Truxton Trust in January 2016 (see note 11).	61,421
--	--------

Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$146 beginning March 2012, secured by a house and real property with a carrying value of approximately \$100,200, including a variable interest rate that is currently at 0% (Prime less 4%), calculated using the 365/360 method, maturing in August 2016, with final balloon payment.	19,531
--	--------

Secured promissory note payable to Pinnacle National Bank in 59 monthly installments of \$323 beginning October 2013, secured by a house and real property with a carrying value of approximately \$116,000, including interest at 5.25% calculated using the 365/360 method, maturing in September 2018, with final balloon payment and personally guaranteed by the Executive Director. This was refinanced with Truxton Trust in January 2016 (see note 11).	35,506
---	--------

Secured promissory note payable to Pinnacle National Bank in 59 monthly installments of \$485 beginning December 2013, secured by a house and real property with a carrying value of approximately \$149,000, including interest at 5.25% calculated using the 365/360 method, maturing in November 2018, with final balloon payment and personally guaranteed by the Executive Director. This was refinanced with Truxton Trust in January 2016 (see note 11).	54,163
---	--------

Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$111 beginning June 2012, secured by a house and real property with a carrying value of approximately \$117,400, including a variable interest rate that is currently at 0% (Prime less 4%), calculated using the 365/360 method, maturing in November 2016, with final balloon payment.	15,222
---	--------

Secured promissory note payable to Pinnacle National Bank in 53 monthly payments of \$83 beginning June 2012, secured by a house and real property with a carrying value of approximately \$72,800, including a variable interest rate that is currently at 0% (Prime less 4%), calculated using the 365/360 method, maturing in November 2016, with final balloon payment.	11,417
---	--------

(Continued)

Secured promissory note payable to Pinnacle National Bank in 60 monthly payments of \$285 beginning August 2014, secured by a house and real property with a carrying value of approximately \$296,500, including interest at 5.25% calculated using the 365/360 method, maturing July 2019 and personally guaranteed by the spouse of the Executive Director. This was refinanced with Truxton Trust in January 2016 (see note 11).

11,145

Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$81 beginning June 2012, secured by a house and real property with a carrying value of approximately \$68,300, including a variable interest rate that is currently at 0% (Prime less 4%), calculated using the 365/360 method, maturing in November 2016, with final balloon payment.

11,117

Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$100 beginning September 2012, secured by a house and real property with a carrying value of approximately \$74,300, including a variable interest rate that is currently at 0% (Prime less 4%), calculated using the 365/360 method, maturing in March 2017, with final balloon payment.

13,819

Secured promissory note payable to Simmons Bank in 59 monthly installments of \$354 beginning January 2011, secured by a house and real property with a carrying value of approximately \$108,800, including interest at 6.24% calculated using the 365/360 method, maturing in December 2015, with final balloon payment and personally guaranteed by the Executive Director. This was refinanced with Truxton Trust in January 2016 (see note 11).

32,284

Secured promissory note payable to Simmons Bank in 59 monthly installments of \$348 beginning March 2014, secured by a house and real property with a carrying value of approximately \$124,000, including interest at 5.24% calculated using the 365/360 method, maturing in February 2019, with final balloon payment. This was refinanced with Truxton Trust in January 2016 (see note 11).

39,314

Secured promissory note payable to Simmons Bank in 59 monthly installments of \$287 beginning September 2015, secured by real property with a carrying value of

(Continued)

approximately \$52,700, including interest at 5.57% calculated using the 365/360 method, maturing in August 2020, with final balloon payment and personally guaranteed by the Executive Director. 25,610

Secured promissory note payable to Simmons Bank in 59 monthly installments of \$422 beginning August 2013, secured by a house and real property with a carrying value of approximately \$69,300, including interest at 4.45% calculated using the 365/360 method, maturing July 2018, with final balloon payment and personally guaranteed by the Executive Director. 48,034

Secured promissory note payable to The Housing Fund in 48 monthly installments of \$420 beginning July 2013, secured by a house and real property with a carrying value of approximately \$150,500, including interest at 3.5%, maturing June 2017, with final balloon payment. This was refinanced with Truxton Trust in January 2016 (see note 11). 88,976

Secured promissory note payable to The Housing Fund in 48 monthly installments of \$420 beginning July 2013, secured by a house and real property with a carrying value of approximately \$151,000, including interest at 3.5%, maturing June 2017, with final balloon payment. This was refinanced with Truxton Trust in January 2016 (see note 11). 88,966

Secured promissory note payable to The Housing Fund, interest only payments beginning February 2015, secured by property held for sale with a carrying value of approximately \$121,600, interest at 3.25%, maturing at the earlier of January 2016 or the date of sale or transfer of real property. 87,617

Secured promissory note payable to The Housing Fund, interest only payments beginning February 2015, secured by property held for sale with a carrying value of approximately \$116,300, interest at 3.25%, maturing at the earlier of January 2016 or the date of sale or transfer of real property. 87,566

Secured promissory note payable to The Housing Fund in 48 monthly installments of \$300 beginning February 2014, secured by a house and real property with a carrying value of approximately \$87,600, including

(Continued)

interest at 3.5%, maturing January 2018, with final balloon payment. This was refinanced with Truxton Trust in January 2016 (see note 11).	<u>38,651</u>
Total notes payable	1,015,323
Less, current portion	<u>(348,414)</u>
Long-term portion	<u>\$ 666,909</u>

Maturities of notes payable as of December 31, 2015 are summarized as follows:

2016	\$ 348,414
2017	263,452
2018	224,825
2019	161,166
2020	<u>17,466</u>
	<u><u>\$ 1,015,323</u></u>

(8) Related Party Transactions

The Foundation has a promissory note with the Executive Director (see note 6). The Executive Director or his spouse has personally guaranteed nine of the Foundation's other notes payable. The Foundation leases office space from the Executive Director under a two-year lease ending in April 2016. Total rent expense under this lease in 2015 was \$17,400. Total rent expense overall for the Foundation was \$20,102 in 2015. Under this lease, the Foundation will pay \$5,800 in 2016.

The Foundation subleases some of its office space to Life Choice Management, a company owned by the Executive Director's spouse. The sublease is \$500 a month for the period October 1, 2015 through September 30, 2017. Total sublease income was \$1,500 in 2015, which is included in rental income. Under this sublease, the Foundation will receive \$6,000 and \$4,500, respectively, in 2016 and 2017. The Foundation also paid management fees totaling \$21,641 to Life Choice Management.

The Foundation sold one of its properties to the Executive Director and his spouse. Gain recognized on the sale was \$19,606.

The Foundation has a promissory note with the estate of a former Board Member (see note 6).

(Continued)

(9) Grants

The Foundation has entered into numerous grant agreements to purchase and rehabilitate homes for affordable rental housing. Under the terms of the grant agreements, the Foundation has agreed to repay certain funds if any of the properties are sold during the “affordability period” (five to twenty years from date of project completion). However, the Foundation has classified these properties as held for lease and does not anticipate that the houses will be sold during the “affordability period” and, therefore, no liability is reflected on these financial statements. Property sales in 2015 did not involve any grant funds.

(10) Risk on Uninsured Cash

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash. The Foundation maintains cash accounts at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to statutory limits. The standard FDIC insurance amount is limited to \$250,000 per depositor, per insured bank. Therefore, amounts in excess of this \$250,000 held by the Foundation during the year December 31, 2015 were uninsured and uncollateralized.

(11) Subsequent Events

In January 2016, the Foundation refinanced thirteen notes payable from Pinnacle National Bank, Simmons Bank, and The Housing Fund with Truxton Trust. On December 31, 2015, Truxton Trust placed the new loan proceeds into an escrow account with their outside legal counsel. However, the actual closing on the new loan with the Foundation did not occur until mid-January 2016 (see note 7).

As of the date of this report, the Foundation has acquired one new property totaling \$30,000 with loan proceeds from Truxton Trust. This property will be classified as land and property held for lease.

As of the date of this report, the Foundation has sold two properties held for sale for \$250,500. The related loans totaling \$201,124 were paid off through the closing.