

**NEW LEVEL COMMUNITY
DEVELOPMENT CORPORATION**

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

DECEMBER 31, 2018

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

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BELLENFANT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Level Community Development Corporation
Nashville, Tennessee

We have audited the accompanying financial statements of New Level Community Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Level Community Development Corporation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bellenfant, PLLC

June 28, 2019

NEW LEVEL DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 1,189,446
Accounts Receivable	4,591
Inventory	406,661
	<hr/>
Total Current Assets	1,600,698

PROPERTY AND EQUIPMENT

Land	224,725
Buildings and Improvements	1,265,483
Furniture, Fixtures, and Equipment	9,858
Loan Costs	5,249
	<hr/>
Less: Accumulated Depreciation and Amortization	(213,899)
	<hr/>
Property and Equipment, net	1,291,416
	<hr/>
Total Assets	\$ 2,892,114

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 6,099
Rental Deposits	8,929
Notes Payable, current portion	4,989
	<hr/>
Total Current Liabilities	20,017

LONG-TERM LIABILITIES

Notes Payable, non-current portion	111,726
	<hr/>
Total Long-Term Liabilities	111,726
	<hr/>
Total Liabilities	131,743

NET ASSETS

Net Assets Without Donor Restrictions	2,760,371
Net Assets With Donor Restrictions	-
	<hr/>
Total Net Assets	2,760,371
	<hr/>
Total Liabilities and Net Assets	\$ 2,892,114

The accompanying notes are an integral part of these statements.

NEW LEVEL DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Public Support:			
Grants	\$ 172,541	\$ -	\$ 172,541
Contributions	174,918	-	174,918
Rental Income	154,436	-	154,436
In-Kind Rent	29,627	-	29,627
Program Fees	26,529	-	26,529
	<hr/>	<hr/>	<hr/>
Total Public Support	558,051	-	558,051
	<hr/>	<hr/>	<hr/>
Other Revenue:			
Interest Income	1,356	-	1,356
Miscellaneous	1,282	-	1,282
	<hr/>	<hr/>	<hr/>
Net assets released from restrictions	102,233	(102,233)	-
	<hr/>	<hr/>	<hr/>
Total Revenue	662,922	(102,233)	560,689
	<hr/>	<hr/>	<hr/>
EXPENSES			
Program Services	293,307	-	293,307
Management and General	76,897	-	76,897
Fundraising	4,138	-	4,138
	<hr/>	<hr/>	<hr/>
Total Expenses	374,342	-	374,342
	<hr/>	<hr/>	<hr/>
Change in Net Assets	288,580	(102,233)	186,347
	<hr/>	<hr/>	<hr/>
Net Assets, beginning of the year	2,471,791	102,233	2,574,024
	<hr/>	<hr/>	<hr/>
Net Assets, end of the year	<u>\$ 2,760,371</u>	<u>\$ -</u>	<u>\$ 2,760,371</u>

The accompanying notes are an integral part of these statements.

NEW LEVEL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Financial Education	Affordable Housing	Rental Housing	Total Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 51,350	\$ 56,324	\$ 33,645	\$ 141,319	\$ 28,920	\$ -	\$ 170,239
Payroll Taxes	3,928	4,309	2,573	10,810	2,166	-	12,976
Contract Labor	9,810	12,465	9,086	31,361	3,307	3,745	38,413
IDA Matching	3,679	-	-	3,679	-	-	3,679
Advertising and Marketing	316	164	159	639	122	-	761
Insurance	311	352	13,386	14,049	311	228	14,588
Property Maintenance	-	-	34,518	34,518	-	-	34,518
Property Taxes	-	-	15,842	15,842	-	-	15,842
Depreciation	-	-	-	-	35,509	-	35,509
In-Kind Rent	23,702	1,481	1,481	26,664	2,963	-	29,627
Office Expenses	2,119	826	724	3,669	876	-	4,545
Utilities	-	-	5,119	5,119	-	-	5,119
Bank and Interest Fees	18	357	77	452	17	-	469
Board Training	302	165	302	769	165	165	1,099
Equipment	1,527	539	584	2,650	494	-	3,144
Travel	568	359	67	994	179	-	1,173
Dues and Subscriptions	720	-	-	720	1,655	-	2,375
Miscellaneous	53	-	-	53	213	-	266
Total Expenses	\$ 98,403	\$ 77,341	\$ 117,563	\$ 293,307	\$ 76,897	\$ 4,138	\$ 374,342

The accompanying notes are an integral part of these statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 186,347
Depreciation	35,509
Adjustments to reconcile change in net assets to net cash provided by operations	
(Increase) Decrease in:	
Accounts Receivable	93,160
Inventory	(378,241)
Increase (Decrease) in:	
Accounts Payable	426
Rental Deposits	1,330
Net Cash Provided (Used) by Operating Activities	<u>(61,469)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Purchase of Property and Equipment	(7,204)
Draws (Payments) on Notes Payable	<u>68,333</u>
Net Cash Provided (Used) by Financing Activities	<u>61,129</u>
Net Increase (Decrease) in Cash	(340)
Cash, beginning of the year	<u>1,189,786</u>
Cash, end of the year	<u><u>\$ 1,189,446</u></u>

The accompanying notes are an integral part of these statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

Financial Statement Presentation

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

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

Net assets without donor restrictions - These are net assets that are not subject to donor-imposed stipulations. The Corporation had \$2,760,371 of net assets without donor restrictions as of December 31, 2018.

Net assets with donor restrictions - These are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation and/or the passage of time. This classification also includes net assets subject to donor-imposed stipulations that may be maintained permanently by the Corporation. Generally, donors of these assets permit the Corporation to use all or part of the income earned for general or specific purposes. The Corporation had no net assets with donor restrictions as of December 31, 2018.

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

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Promises to Give

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

Doubtful Promises to Give

The Organization uses the allowance method to determine uncollectible unconditional promises to give. Management's estimate of doubtful accounts is based on historical collection experience and a review of the current status of promises to give. There is no allowance for doubtful promises to give as of December 31, 2018. It is reasonably possible that management's estimate of the allowance for doubtful promises to give could change. Promises to give are charged against the allowance when management believes the collectability of the promise to give is unlikely. For the year ended December 31, 2018, no bad debt expense was recognized.

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 5 to 40 years. The Corporation capitalizes all expenditures for property and equipment in excess of \$500.

The Corporation 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, 2018.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Rent and Services

The following donations are reflected as contributions in the accompanying statements at their estimated values at the date of receipt for the year ended December 31, 2018:

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

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

Income Taxes

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

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

The Corporation files a U.S. Federal Form 990-Return of Organization Exempt from Income Tax. The Corporation's returns for the years prior to calendar year 2015 are no longer open for examination.

Grant Revenues

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

Advertising

The Corporation uses advertising to promote its programs among audiences it serves. Advertising costs are expensed as incurred. Advertising expense totaled \$761 for the year ended December 31, 2018.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

2. NOTES PAYABLE

On May 30, 2012, the Corporation established a \$70,000 line of credit with Pinnacle Bank with a maximum loan amount of \$30,000 per house, and a limit of 25% based on the lesser of cost plus renovations or appraised value. The interest rate is the Wall Street Journal Prime rate minus 4% with an interest floor rate of 0%. As loans are advanced, there is a 180 day interest only period. Afterwards, principal and interest payments begin based on a fifteen year amortization schedule. The line of credit matured on May 30, 2017, but the bank extended the loan until July 14, 2027.

On September 12, 2018, the Corporation entered into a loan with Republic Bank with a maximum loan amount of \$500,000. The entirety of draws on the loan must be paid by March 12, 2020. The interest rate is 0%, unless the Corporation defaults on the loan, in which case the interest rate increases to 12% per annum.

Maturities of notes payable as of December 31, 2018 are summarized as follows:

	<u>Pinnacle</u>	<u>Republic</u>	<u>Total</u>
2019	\$ 4,989	\$ -	\$ 4,989
2020	4,989	73,044	78,033
2021	4,989	-	4,989
2022	4,989	-	4,989
2023 and thereafter	23,715	-	23,715
Total	<u>\$ 43,671</u>	<u>\$ 73,044</u>	<u>\$ 116,715</u>

Interest expense for the year ended December 31, 2018 was \$400.

3. COMPENSATED ABSENCES

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

4. RELATED PARTY TRANSACTIONS

The Corporation uses office space donated by Mt. Zion, and has recorded the fair market value of the office space as an in-kind donation of \$29,627 in 2018.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2018

5. GRANTS

Grant revenue consists of the following amounts as of December 31, 2018:

Housing Development	\$ 156,332
Housing Development Administration	<u>16,209</u>
Total Grant Revenue	<u><u>\$ 172,541</u></u>

6. INVENTORY

Inventory consists of the following amounts as of December 31, 2018:

Land Held for Development	\$ 6,150
Property Held for Development	<u>400,511</u>
Total Inventory	<u><u>\$ 406,661</u></u>

7. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Corporation's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets, at year-end	\$ 1,189,446
Less: cash held as rental deposits	<u>(8,929)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,180,517</u></u>

There is an adequate amount of financial assets available as of December 31, 2018. The Association effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 28, 2019 which is the date the financial statements were available to be issued.