

Community Housing Partnership of Williamson County

Financial Statements
For the Year Ended June 30, 2020

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Independent Auditor's Report

Board of Directors
Community Housing Partnership of Williamson County

Report on the Financial Statements

We have audited the accompanying financial statements of Community Housing Partnership of Williamson County (the Organization), which comprise the statement of financial position as of June 30, 2020, 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 Community Housing Partnership of Williamson County as of June 30, 2020, 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 dark ink that reads "Blankenship CPA Group, PLLC". The signature is written in a cursive, flowing style.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
March 11, 2021

Community Housing Partnership of Williamson County

Statement of Financial Position

June 30, 2020

Assets

Cash	\$ 358,445
Accounts receivable, net	11,958
Investments	432,101
Grants receivable	103,705
Prepaid expenses	2,781
Inventories	6,818,196
Escrow deposits	28,176
Property and equipment, net	3,380,104
Loans receivable, net	<u>104,561</u>
Total assets	\$ 11,240,027

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 40,765
Accrued expenses	35,099
Tenant deposits	15,031
Promises to give obligation, net	25,582
Lines of credit	453,163
Long-term debt	<u>7,975,003</u>
Total liabilities	8,544,643

Net assets

Net assets without donor restrictions	2,614,654
Net assets with donor restrictions	<u>80,730</u>
Total net assets	<u>2,695,384</u>
Total liabilities and net assets	\$ 11,240,027

Community Housing Partnership of Williamson County

Statement of Activities

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Grants	\$ -	\$ 792,793	\$ 792,793
Contributions	-	7,496	7,496
In-kind contributions	10,140	-	10,140
Rental income	391,773	-	391,773
Home sales	620,756	-	620,756
Other income	10,258	-	10,258
Interest income	7,398	-	7,398
Unrealized gain (loss) on investment	30,575	-	30,575
Net assets released from restriction	<u>771,559</u>	<u>(771,559)</u>	<u>-</u>
Total revenues and support	1,842,459	28,730	1,871,189
Expenses			
Program services	1,689,406	-	1,689,406
General and administrative	<u>149,933</u>	<u>-</u>	<u>149,933</u>
Total expenses	<u>1,839,339</u>	<u>-</u>	<u>1,839,339</u>
Change in net assets	3,120	28,730	31,850
Net assets, beginning of year	<u>2,611,534</u>	<u>52,000</u>	<u>2,663,534</u>
Net assets, end of year	\$ 2,614,654	\$ 80,730	\$ 2,695,384

Community Housing Partnership of Williamson County

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program Services	General and Administrative	Total
Salaries and benefits	\$ 378,506	\$ 94,626	\$ 473,132
Payroll taxes	25,378	6,345	31,723
Total wage costs	403,884	100,971	504,855
Community rehabilitation	197,262	-	197,262
Cost of homes sold	668,847	-	668,847
Depreciation	124,267	4,090	128,357
Donations	2,701	-	2,701
Insurance	12,611	3,153	15,764
Interest	11,095	-	11,095
Maintenance and repairs	93,140	-	93,140
Mileage	2,730	683	3,413
Office and supplies	42,853	10,713	53,566
Other	20,991	5,248	26,239
Professional services	79,790	19,947	99,737
Property taxes	8,723	-	8,723
Rent	10,116	2,529	12,645
Training, meetings, and dues	10,396	2,599	12,995
	\$ 1,689,406	\$ 149,933	\$ 1,839,339

Community Housing Partnership of Williamson County

Statement of Cash Flows
For the Year Ended June 30, 2020

Cash, beginning of year	\$ 340,044
Cash flows from operating activities	
Change in net assets	31,850
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	128,357
Unrealized gain on investment	(30,575)
Change in assets and liabilities:	
Accounts receivable, net	(10,212)
Grants receivable	(51,705)
Prepaid expenses	(2,781)
Inventories	(1,017,430)
Notes receivable, net	(11,329)
Accounts payable	(7,624)
Accrued expenses	15,428
Tenant deposits	2,831
Promises to give obligation, net	25,582
Net cash provided (used) by operating activities	<u>(927,608)</u>
Cash flows from investing activities	
Purchase of investments	(192,384)
Proceeds from the sale of investments	79,449
Escrow deposit	(4,000)
Purchase of property	<u>(169,068)</u>
Net cash provided (used) by investing activities	(286,003)
Cash flows from financing activities	
Principal payments on notes payable	(242,276)
Proceeds from notes payable	1,298,350
Net draws on lines of credit	<u>175,938</u>
Net cash provided (used) by financing activities	1,232,012
Net change in cash	<u>18,401</u>
Cash, end of year	\$ 358,445

Community Housing Partnership of Williamson County

Notes to Financial Statements
For the Year Ended June 30, 2020

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Community Housing Partnership of Williamson County (the Organization) is a not-for-profit organization in Williamson County, Tennessee. The Organization's mission is to provide affordable housing in Williamson County to low- and moderate-income families.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

Financial statement presentation is reported in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) for *Presentation of Financial Statements, Not-for-Profit Entities*. Under these provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

The Organization defines its cash and cash equivalents to include only cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less from the date of acquisition. Certain cash may be reported as restricted because it is maintained in separate bank accounts and is restricted for use in community development. There are no cash equivalents.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable results primarily from tenant rent owed to the Organization. An allowance for credit losses is established based on review of outstanding receivables, management's historical experience, and economic conditions. Receivables are written off when a balance is determined to be uncollectible. The allowance is \$3,634 at year-end.

Community Housing Partnership of Williamson County

Notes to Financial Statements
For the Year Ended June 30, 2020

Note 1. Summary of Significant Accounting Policies

Inventories and Cost of Homes Sold

The Organization's inventories are made up of finished homes and lots under construction, which are recorded at cost. Accordingly, inventory costs include land acquisition, land development, and home construction costs. Construction overhead, interest, and closing costs are expensed as incurred, as the Organization does not believe that such costs generate or enhance resources that will be used in satisfying the performance obligations in the future. Homes held-for-sale are classified as inventories until delivered.

Cost of home sales includes the construction cost, which is the amounts paid through the closing date of the home, plus an accrual for costs incurred, but not yet paid.

Property and Equipment

The Organization's policy is to capitalize property and equipment over \$1,000. Purchased property and equipment is recorded at cost or estimated fair value, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years. Repairs and maintenance are expensed as incurred.

Loans Receivable and Promises to Give Obligation

As part of its mission, the Organization sells homes at a price below market to individuals within the Williamson County community. As part of the sale of these homes, the Organization often issues a second mortgage on each home that is based on the difference between the appraised value of the home and the first mortgage selling price of the home. The loans are recorded at present value.

The Organization has promised to forgive certain HOME Program loans over a period of five years, which is recorded as a promises to give obligation at fair value at the date of award.

SBA PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as *debt* and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a *conditional contribution* where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as *debt*.

Community Housing Partnership of Williamson County

Notes to Financial Statements For the Year Ended June 30, 2020

Note 1. **Summary of Significant Accounting Policies**

Fair Value Measurement

The Organization has adopted the *Fair Value Measurements and Disclosures* topic of the FASB ASC for determining fair value of financial assets and liabilities that are required to be carried at such amounts. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive.

Revenues and Support

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements (ASC 606). The core principle of the new guidance 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. Analysis of the various provisions of this standard resulted in no significant changes to the way the Organization recognizes revenue; however, the presentation and disclosure of revenues have been enhanced.

The Organization recognizes revenues from all home building activities at the closing of the sale. During construction, all direct material and labor costs and those indirect costs related to acquisition and construction are capitalized, which are charged to earnings upon closing. Costs incurred in connection with completed homes and selling, general, and administrative costs are charged to expenses as incurred.

Contributions and grants are received and recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Contributions with donor restrictions are presented as net assets with donor restrictions in the statement of activities. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Supplies and Services

Donated goods and assets are recorded at estimated fair market value at the date of donation. If donors stipulate how long the assets must be used, the donations are recorded as with donor restrictions. In the absence of such stipulations, donations of property and equipment are recorded as without donor restrictions.

Donated services are reflected in the financial statements at the estimated fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Community Housing Partnership of Williamson County

Notes to Financial Statements
For the Year Ended June 30, 2020

Note 1. Summary of Significant Accounting Policies

Program and Supporting Services

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

Program services – includes activities carried out to fulfill the Organization's mission.

General and administrative – relates to the overall direction of the Organization. These expenses are not identifiable with a particular program, event, or fundraising but are indispensable to the conduct of those activities and are essential to the Organization.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Income taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities. Accordingly, no provision for income tax has been made. US GAAP requires the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examinations by the Internal Revenue Services. Management has analyzed the tax positions of the Organization and has concluded that as of year-end, no uncertain positions have been taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to routine audits by taxing jurisdictions for any tax periods before 2017.

Advertising

Advertising costs are expensed when incurred.

Community Housing Partnership of Williamson County

Notes to Financial Statements For the Year Ended June 30, 2020

Note 2. **Liquidity and Availability**

The following represents the Organization's financial assets:

Financial Assets

Cash	\$ 358,445
Accounts receivable, net	11,958
Investments	432,101
Grants receivable	<u>103,705</u>
Total financial assets at year-end	906,209
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>80,730</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 825,479

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 3. **Concentrations and Credit Risk**

The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of year-end, the Organization had no deposits in excess of FDIC limits.

In addition, the Organization has credit risk associated with the purchase and rehabilitation of residential homes, with the risk of the housing market supporting the desired price and timeframe of the sale.

Note 4. **Investments**

Investments are as follows:

	Level 1
Cash	\$ 4,409
Exchange traded funds	297,630
Mutual funds	<u>130,062</u>
	\$ 432,101

Note 5. **Inventories**

Inventories include costs of 14 properties that are in various stages of construction. Lots in inventories totaled \$6,818,196.

Community Housing Partnership of Williamson County

Notes to Financial Statements For the Year Ended June 30, 2020

Note 6. **Property and Equipment**

Property and equipment consisted of the following:

	Affordable Rental Housing	Other	Total
Land	\$ 534,102	\$ -	\$ 534,102
Buildings	4,136,028	-	4,136,028
Furniture and equipment	-	70,223	70,223
	4,670,130	70,223	4,740,353
Less: accumulated depreciation	(1,312,062)	(48,187)	(1,360,249)
Property and equipment, net	\$ 3,358,068	\$ 22,036	\$ 3,380,104

Total depreciation expense for the year is \$128,357.

Note 7. **Loans Receivable and Promises to Give Obligation**

During the year, the Organization sold three homes and there were seven loans receivable totaling \$302,699 at year-end. The Organization has promised to forgive three HOME Program loans over a period of five years. The remaining notes are for a period of 40 years, at which time the Organization may decide to forgive some or all of the value of the loan at its sole discretion. Loans receivable have maturity dates between 2022 and 2047. These mortgages have been discounted at 5%, to be amortized into interest income over the life of the loans. The aggregate discount is \$198,138 at year-end. The promises to give obligation related to forgiveness of the HOME Program loans were recorded at fair value as of the date of the promises and reflect the present value at a discount rate of 5%.

Note 8. **Lines of Credit**

The Organization has a \$200,000 line of credit with a bank bearing interest at prime, less 4.00%, with a floor of 1.25% (1.25% at June 30, 2020), which must be renewed annually. The line matures in August 2020 and has an outstanding balance of \$199,145. Subsequent to year end, the Organization was in the process of renewing this line of credit.

In addition, the Organization has a \$500,000 line of credit with a bank bearing interest at prime, less 0.95%, with a floor of 3.00% (3.00% at June 30, 2020), which is secured by a deed of trust and an assignment of rents on properties held for rent by the Organization. The line matures in October 2020 and has an outstanding balance of \$254,018. Subsequent to calendar year-end 2020, the line was amended to reflect a reduced commitment in the amount of \$255,000 and maturity in December 2021.

Community Housing Partnership of Williamson County

Notes to Financial Statements
For the Year Ended June 30, 2020

Note 9. Long-Term Debt

Long-term debt consists of the following notes payable:

Property	Origination Date	Maturity Date	Interest Rate Description	Interest Rate	Principal Balance Outstanding
<i>Secured mortgage debt</i>					
<u>Lender A</u>					
148 Ralston Ln	09/06/2019	09/06/2020	WSJ Prime - 4.00%	0.00%	\$ 220,810
Walker PI Development (1st)	11/22/2019	11/15/2021	WSJ Prime - 4.00%	0.00%	3,275,000
<u>Lender B</u>					
Walker PI Development (2nd)	11/22/2019	12/01/2021	WSJ Prime + 1.00%	4.25%	1,000,000
Walker PI Pre-Development (1)	12/13/2019	12/01/2020	WSJ Prime + 2.00%	5.25%	31,549
<u>Lender C</u>					
Mt. Hope St & 11th Ave N re-fi (2)	12/12/2019	12/12/2020	Fixed	1.25%	377,178
<u>Lender D</u>					
5540 Hargrove Ridge Rd (3)	09/05/2019	03/05/2021	Fixed	4.00%	198,692
5530 Hargrove Ridge Rd (3)	09/05/2019	03/05/2021	Fixed	4.00%	194,795
7944 Horn Tavern et al (4)	04/09/2020	04/09/2025	WSJ Prime, 4.00% floor	4.00%	171,656
<u>Lender E</u>					
7209 Rye Ct (5)	03/03/2020	03/03/2025	WSJ Prime - 4.00%	0.00%	623,016
126 W Fowlkes St (6)	10/01/2019	10/02/2024	Fixed	1.00%	77,239
<u>Lender F</u>					
Walker PI Development (7)	08/28/2019	08/25/2021	WSJ Prime, 4.00% floor	4.00%	325,000
254 Natchez St	01/15/2016	01/15/2021	WSJ Prime - 4.00%	0.00%	196,000
<u>Lender G</u>					
Whispering Winds, Lot 7	04/30/2020	04/30/2021	WSJ Prime - 4.00%	0.00%	78,666
Whispering Winds, Lot 8	04/30/2020	04/30/2021	WSJ Prime - 4.00%	0.00%	85,180
Whispering Winds, Lot 9	04/30/2020	04/30/2021	WSJ Prime - 4.00%	0.00%	84,716
Whispering Winds, Lot 10	04/30/2020	04/30/2021	WSJ Prime - 4.00%	0.00%	86,702
Whispering Winds	10/01/2018	04/01/2021	WSJ Prime - 4.00%	1.25%	548,446
7102 Cobb	04/30/2020	04/30/2021	WSJ Prime + 0.5%	4.00%	185,659
<u>Lender H</u>					
2494 & 2496 Fairview Boulevard	07/09/2008	07/09/2021	WSJ Prime + 1.00%	4.25%	61,136
<u>Lender I</u>					
Whispering Winds, Lot 2	10/01/2018	N/A	Fixed	5.00%	75,000
<i>Other debt</i>					
SBA PPP loan	05/04/2020	05/04/2022	Fixed, forgivable	1.00%	78,563
					\$ 7,975,003

Community Housing Partnership of Williamson County

Notes to Financial Statements For the Year Ended June 30, 2020

Note 9. Long-Term Debt

Notes to debt schedule:

(1) Secured by Pleasant Hill Estates lots 6 & 7

(2) Included re-fi of loans on 2505 Penny Ln, 4007 Kelsey Way, 628 Westminster, 160 Cadet, 7344 Hidden Lake, and 7222 Blue Ridge. Loan is subordinate to THDA Deed of Trust (Working Agreement HM-09-17, as amended).

(3) Loans modified on 9/4/2020 extending maturity date from 9/5/2020 to 3/5/2021 and converting variable rate to fixed rate of 4.00%

(4) Loan is re-fi of original loan dated 10/9/2018

(5) Loan is for purchase of 1100 W Main St D4 & D6, 2271 Dewey Dr #G-2, and 7209 Rye Ct

(6) Including THDA Housing Trust Fund Grant financing of \$215,586

(7) Secured by 248 & 264 Chestnut Ln real property and related rents. Loan modified on 8/25/2020 extending maturity date from 8/28/2020 to 8/25/2021 and adding 4.00% rate floor.

Future maturities of long-term debt are as follows:

Year ended June 30,	
2021	\$ 2,741,579
2022	4,426,247
2023	56,892
2024	41,102
2025	709,183
	<u>\$ 7,975,003</u>

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions totaled \$52,000 and consists of grants to be received and used within the next year.

Note 11. Retirement Plan

The Organization has adopted a Simplified Employee Retirement Plan covering all eligible employees who are age 21 or older and who have completed a successful 90-day probationary period. The Organization contributes 5% of an employee's salary to the Plan each year. The Organization contributed \$9,523 to the retirement plan during the year.

Note 12. Grants

The Organization has various grants from state and local sources. In addition, the Organization received a Federal grant, which is administered through the Tennessee Housing Development Agency. The grant, which falls under the US Department of Housing and Urban Development, allows the Organization to purchase and redevelop foreclosed properties that might otherwise become sources of abandonment and blight. Once redeveloped, the properties are then rented or sold to qualified residents at reduced prices.

Amounts received from grantors are subject to restrictions and are open to audits. Any disallowed claims including amounts already collected, could become a liability to the Organization.

Community Housing Partnership of Williamson County

Notes to Financial Statements
For the Year Ended June 30, 2020

Note 13. **Subsequent Events**

Subsequent events were evaluated through March 11, 2021, the date on which the financial statements were available to be issued.