FRANKLIN HOUSING AUTHORITY

FINANCIAL STATEMENTS
&
SUPPLEMENTAL INFORMATION

FOR YEAR ENDED DECEMBER 31, 2019

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FOR YEAR ENDED DECEMBER 31, 2019

FRANKLIN HOUSING AUTHORITY
ROSTER OF OFFICIALS
FOR YEAR ENDED DECEMBER 31, 2019

Name of Member	Title
Derwin Jackson	President/CEO
Scott Black	Chairperson
Jen Porter Ross	Vice-Chairperson
Ethel Scruggs	Commissioner
Darlene Morton	Commissioner
Donell Lane	Commissioner

Independent Auditor's Report

To the Board of Commissioners
Franklin Housing Authority

Report on the Financial Statements
We have audited the financial statements of the Franklin Housing Authority (the "Authority"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Henderson & Pilleteri, LLC | 200 Chase Park South | Suite 220 | Birmingham, AL 35244
Phone 205.982.0992 | Fax 205.982.0997 | hendersoncpa.com

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Authority's basic financial statements. The accompanying supplemental data including the roster of officials, the schedule of changes in long-term debt by individual issue, and the financial data schedule are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The roster of officials, the schedule of changes in long-term debt by individual issue, the financial data schedule, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the roster of officials, the schedule of changes in long-term debt by individual issue, the financial data schedule, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Henderson & Pilleteri, LLC

Birmingham, AL
December 10, 2020

Franklin Housing Authority's (the "Authority") Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position, and (d) identify issues or concerns. U.S. generally accepted accounting principles (GAAP) requires the inclusion of this MD&A section as required supplementary information.

Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- Net position at December 31, 2019, increased to $15,309,997. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position was $10,433,996 for 2018.
- The business-type activities operating revenues at December 31, 2019, increased to $5,926,648. Total operating revenues were $4,451,456 for 2018.
- The total operating expenses of all programs for December 31, 2019, increased to $4,576,536. Total operating expenses were $3,650,995 for 2018.
- Total capital contributions at December 31, 2019, decreased to $0. Total capital contributions were $746,090 for 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

For accounting purposes, the Authority is classified as an enterprise fund. Enterprise funds use the full accrual basis of accounting. The enterprise method of accounting is similar to accounting by the private sector.

This MD&A is intended to serve as an introduction to the Authority's basic financial statements.

The following statements are included:

- Statement of Net Position – This statement reports all financial and capital resources for the Authority. The statement is presented in the format where assets plus deferred outflows of resources minus liabilities and deferred inflows of resources equal "Net Position", formerly known as Net Assets or Equity. Assets and Liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-Current".

    1. Net Investment in Capital Assets – This component of Net Position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings, that are attributable to the acquisition, construction, or improvement of those assets.
    2. Restricted Net Position – This component of Net Position consists of restricted assets when constraints are placed on the assets by the creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
    3. Unrestricted Net Position – This component of Net Position consists of assets that do not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position".

- Statement of Revenues, Expenses, and Changes in Fund Net Position – This statement includes operating revenues, such as rental income, net and federal grants, operating expenses, such as administrative, utilities, maintenance, and depreciation. This statement also includes non-operating revenues and expenses, such as capital grant revenue, investment income, and interest expense.

- Statement of Cash Flows – This statement discloses net cash provided by, or used for, operating activities, non-capital financing activities and from capital and related financing and investing activities.

PROGRAMS

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy and capital grant funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income (as defined in the HUD regulations).

Capital Fund Grants – The Authority's capital funds are received from the federal government through a formula driven computation. These funds are used to upgrade our facilities at various developments to give our residents the decent and safe living environment they need. Each year's grant funds must be entirely obligated within two years of inception of the grant, and entirely expended within four years.

Housing Choice Voucher and Mainstream Voucher Programs – Under the Housing Choice Voucher and Mainstream Voucher Programs, the Authority contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The programs are administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions funding to enable the Authority to structure a lease that sets the participant's rent at 30% or up 40% of household income.

Community Services Grants – Community Services Grants include the Resident Opportunities and Self-Sufficiency (ROSS) Grants and Family Self-Sufficiency (FSS) Program Coordinator Grants, which are structured to encourage resident economic self-sufficiency through educational, training, and employment opportunities, with an emphasis on early years and school readiness in order to afford an opportunity for the best start possible.

Rental Assistance Demonstration (RAD) Program – The Authority was awarded, through a competitive process, the ability to convert a portion of its current and prior public housing units to Section 8 project-based vouchers. This new initiative from HUD is known as the Rental Assistance Demonstration program or RAD.

RAD offers a long-term, cost effective solution to preserve and enhance the country's public and affordable housing stock—including leveraging public and private funding to make much-needed improvements—by allowing Public Housing Authorities (PHA) to convert their current assistance to long-term project-based Section 8 contracts.

To date, the Authority has converted 62 units of public housing to limited partnership ownership with project-based Section 8 rental subsidy. The Authority is currently in the process of converting additional public housing units via RAD which are in various stages of the conversion process.

Continuum of Care Program – The Authority was awarded a Continuum of Care grant this year. The grant program is designed to promote communitywide commitment to the goal of ending homelessness; provide funding for efforts to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; promote access to and effect utilization of mainstream programs by homeless individuals and families; and optimize self-sufficiency among individuals and families experiencing homelessness.

Component Units:

Franklin Housing Collaborative – Blended component unit of the Authority. It has been blended with the Authority and shares its management and Board members. The component unit is included in the consolidated financial statements of the primary government and transactions have been eliminated between the Authority and Franklin Housing Collaborative. There are no separate financial statements available.

Spring Johnson, L.P. – Spring Johnson, L.P. (Spring Johnson) is a limited partnership that was formed under the Tennessee Revised Uniform Limited Partnership Act exclusively to provide decent, safe, sanitary, and affordable housing for low-income persons and families in Franklin, Williamson County, Tennessee. Spring Johnson was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with a 64-unit apartment project to serve qualified low-income families. Spring Johnson is composed of 42 units that are subsidized based on tenant's income via the Section 8 Project-Based Vouchers Program as part of the Rental Assistance Demonstration (RAD) Program conversion of a portion of the Authority's Low Income Public Housing Units. The remaining 22 units are straight tax credit units. Spring Johnson is a component unit of the Authority that has been blended with the Authority and indirectly through Franklin Housing Collaborative, shares its management and Board members. The component unit is included in the consolidated financial statements of the primary government and transactions have been eliminated between the Authority and Spring Johnson. There are no separate financial statements available.

Chickasaw Senior Community, L.P. – Chickasaw Senior Community, L.P. (Chickasaw Senior) is a limited partnership that was formed under the Tennessee Revised Uniform Limited Partnership Act exclusively to provide decent, safe, sanitary, and affordable housing for low-income persons and families in Franklin, Williamson County, Tennessee. Chickasaw Senior was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with a 48-unit apartment project to serve qualified low-income seniors ages 60 and over. Chickasaw Senior is composed of 22 units that are subsidized based on tenant's income via the Section 8 Project-Based Vouchers Program as part of the Rental Assistance Demonstration (RAD) Program conversion of a portion of the Authority's Low Income Public Housing Units. The remaining 26 units are straight tax credit units. Chickasaw Senior is a component unit of the Authority that has been blended with the Authority and indirectly through Franklin Housing Collaborative, shares its management and Board members. The component unit is included in the consolidated financial statements of the primary government and transactions have been eliminated between the Authority and Chickasaw Senior. There are no separate financial statements available.

FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Position as of December 31, 2019 and 2018.

TABLE 1 – STATEMENT OF NET POSITION

	2019	2018	Variance	% Change
Current Assets	$ 3,579,238	$ 2,189,038	$ 1,390,200	63.51%
Capital Assets, Net	18,765,440	7,361,194	11,404,246	154.92%
Other Noncurrent Assets	5,260,915	2,812,895	2,448,020	87.03%
Total Assets	27,605,593	12,363,127	15,242,466	123.29%
Current Liabilities	7,473,979	725,821	6,748,158	929.73%
Noncurrent Liabilities	4,821,617	1,203,310	3,618,307	300.70%
Total Liabilities	12,295,596	1,929,131	10,366,465	537.36%
Net Position				
Net Investment in Capital Assets	8,955,518	6,328,694	2,626,824	41.51%
Restricted	403,071	80,260	322,811	402.21%
Unrestricted	5,951,408	4,025,042	1,926,366	47.86%
Total Net Position	$ 15,309,997	$ 10,433,996	$ 4,876,001	46.73%

MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

Current assets increased by $1,390,200 due, in majority, to an increase in cash and investments from operations.

Capital assets, net increased by $11,404,246 due to current year capital investments in the Chickasaw Senior and Spring Johnson RAD conversion projects.

Other noncurrent assets increased by $2,448,020 primarily as a result of the acquisition of condo units by Franklin Housing Collaborative, Inc. that are being held for resale to eligible low-income homebuyers and that are not expected to be sold within the next 12 months, as well as Franklin Housing Collaborative, Inc. recognizing a non-cash capital contribution as an investment in the Spring Johnson Project.

Current liabilities increased by $6,748,158 primarily due to the issuance of promissory notes used to finance the development of the Chickasaw Senior Project and Spring Johnson Project and that are due and payable within the next 12 months.

Noncurrent liabilities increased by $3,618,307 primarily due to the issuance of a promissory note used to finance the development of the Chickasaw Senior Project and that is not due and payable within the next 12 months.

TABLE 2 – STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION

The following table reflects the revenues and expenses as of December 31, 2019 and 2018.

	2019	2018	Variance	% Change
Operating Revenues				
Rental Income, Net	$ 1,095,547	$ 889,218	$ 206,329	23.20%
Federal & Other Government Grants	3,007,356	2,564,485	442,871	17.27%
Other	1,823,745	997,753	825,992	82.79%
Total Operating Revenues	5,926,648	4,451,456	1,475,192	33.14%
Operating Expenses				
Administration	1,438,503	1,113,143	325,360	29.23%
Tenant Services	90,326	137,445	(47,119)	-34.28%
Utilities	572,554	615,673	(43,119)	-7.00%
Maintenance	838,725	689,518	149,207	21.64%
General	136,503	210,446	(73,943)	-35.14%
Housing Assistance Payments	1,037,485	476,205	561,280	117.87%
Other Operating Expenses	2,000	-	2,000	100.00%
Depreciation	460,440	408,565	51,875	12.70%
Total Operating Expenses	4,576,536	3,650,995	925,541	25.35%
Operating Income (loss)	1,350,112	800,461	549,651	68.67%
Nonoperating revenues (expenses)				
Interest Revenue	133,058	110,363	22,695	20.56%
Gain/(Loss) on Sale of Capital Assets	500	-	500	100.00%
Interest Expense	(54,336)	(23,808)	(30,528)	128.23%
Special Items, Net Gain	3,446,667	-	3,446,667	100.00%
Capital Contributions	-	746,090	(746,090)	-100.00%
Total Nonoperating Activity	3,525,889	832,645	2,693,244	323.46%
Change in Net Position	4,876,001	1,633,106	3,242,895	198.57%
Beginning Net Position	10,433,996	8,800,890	1,633,106	18.56%
Ending Net Position	$ 15,309,997	$ 10,433,996	$ 4,876,001	46.73%

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION

The Authority had an increase in net position of $4,876,001 this year versus an increase in net position of $1,633,106 in the prior year. This increase in net position this year was primarily due to increases net rental income, federal and other government grants, and other revenue in excess of the increase in operating expenses and the decrease in capital contributions, and the recognition of a $3,446,667 in special items, net gain.

The Authority had operating income of $1,350,112 including non-cash depreciation expense of $460,440 versus an operating income of $800,461 and depreciation expense of $408,565 in the prior year.

Total operating revenues increased by $1,475,192 to $5,926,648 due to an increase in rental income net of bad debt expense, an increase in HUD PHA operating grant revenue in the Housing Choice Vouchers Mainstream Vouchers, and Continuum of Care Programs, and an increase in other revenue resulting from the receipt of a $640,000 base rent from the ground lease executed on the Spring Johnson Project.

Total operating expenses increased by $925,541 to $4,576,536 due to increased administration, maintenance, Housing Assistance Payments, and depreciation expenses. Administration expenses increased because of an increase in administrative salaries and benefits and office expenses. Maintenance expenses increased due to increases in maintenance labor and benefits, maintenance materials, and maintenance contract costs. Housing Assistance Payments expense increased due to an increase in vouchers issued to HCV participants and due to the Authority receiving new Mainstream Voucher Program vouchers for the first time this year. Depreciation expense increased due to an increase in depreciable capital assets.

Special items, net gain balance of $3,446,667 is composed of a capital contributions received by Franklin Housing Collaborative, Inc. of $1,560,000 in return for the assignment of their leasehold interest in the Spring Johnson development improvements to Spring Johnson, L.P. as confirmed in the executed Spring Johnson Capital Contribution Agreement. The special items, net gain amount also includes a partial first capital contribution to Spring Johnson, L.P. from the limited partner totaling $326,667, as well as a non-cash capital contribution of leasehold improvements amounting to $1,560,000 to Spring Johnson, L.P.

Capital contributions decreased by $746,090 to zero due to an there being no ongoing construction and modernization projects using Capital Fund Program capital grant contributions this year.

CAPITAL ASSETS

As of December 31, 2019, capital assets for its business-type activities were $18,765,440, net of accumulated depreciation. Capital assets include land, buildings, improvements, equipment, and construction in progress.

Major capital asset purchases during the current fiscal year included the following:

- Development costs associated with the Spring Johnson RAD conversion
- Development costs associated with the Chickasaw Senior RAD conversion
- 2019 Dodge Pro-master Van
- 2020 Chevrolet Tahoe

Major capital asset disposals during the current fiscal year included the following:

- 2015 Chevy Tahoe

DEBT OUTSTANDING

As of year-end, the Authority had $11,235,598 in loan liability and debt outstanding compared to $1,282,500 last year, an increase of $9,953,098. This loan liability and debt is in the form of Housing Trust Fund loans received from the Tennessee Housing Development Agency that the Authority turned around and loaned to Senior Residence at Reddick Street, L.P. and Reddick Street Associates I, L.P. for the redevelopment and conversion of a portion of the Authority's public housing inventory to tax credit Rental Assistance Demonstration projects, a general line of credit, a permanent loan on the Park Street Project, a construction loan on the Spring Johnson Project, a construction loan on the Chickasaw Senior Project, and two loans obtained to acquire condos to be resold as affordable housing for qualified low-income homebuyers.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflation, recession and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.
- In December of 2019, COVID-19 emerged and has subsequently spread throughout the world. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Project's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown. The Authority has subsequently received authorization for additional operating subsidy from HUD to prepare for, prevent, and respond to COVID-19. The period of performance for when these additional subsidies can be expended ends December 31, 2021.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Derwin Jackson, President/CEO, Franklin Housing Authority, (615) 794-1247.

Franklin Housing Authority
Statement of Net Position
December 31, 2019

ASSETS	
Current assets:	
Unrestricted cash and cash equivalents	$ 1,776,249
Restricted cash and cash equivalents	925,238
Investments	434,757
Due from HUD	101,221
Miscellaneous receivable	132,753
Tenants receivable, net of allowance of $2,805	17,391
Fraud recovery receivable, net of allowance of $6,490	-
Prepaid expenses and other assets	13,798
Inventories, net of allowance of $3,363	17,881
Assets held for resale, current portion	159,950
Total current assets	3,579,238
Noncurrent assets:	
Capital assets:	
Land and construction in progress	11,864,973
Buildings and equipment, net of depreciation	6,900,467
Total capital assets	18,765,440
Assets held for resale, net of current portion	770,750
Investments in joint ventures	1,560,000
Notes, loans and mortgages receivable	2,930,165
Total noncurrent assets	24,026,355
Total assets	$ 27,605,593

The accompanying notes are an integral part of these financial statements

FRANKLIN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2019

LIABILITIES		
Current liabilities:		
Accounts payable	$	786,377
Accrued liabilities		12,549
Intergovernmental payables		66,580
Tenant security deposits		26,093
Unearned revenue		13,760
Other current liabilities		25,681
Compensated absences, current portion		22,996
Loan liabilities		610,000
Notes payable, current portion		5,882,237
Operating borrowings, current portion		27,706
Total current liabilities		7,473,979
Noncurrent liabilities:		
FSS escrowed liabilities		40,903
Compensated absences, net of current portion		53,659
Notes payable, net of current portion		3,927,685
Operating borrowings, net of current portion		787,970
Noncurrent liabilities - other		11,400
Total noncurrent liabilities		4,821,617
Total liabilities		12,295,596
NET POSITION		
Net investment in capital assets		8,955,518
Restricted		403,071
Unrestricted		5,951,408
Total net position	$	15,309,997

The accompanying notes are an integral part of these financial statements

Franklin Housing Authority
Statement of Revenues, Expenses, and Changes in Fund Net Position
For Year Ended December 31, 2019

OPERATING REVENUES	
Rental income, net of bad debts of $19,139	$ 1,095,547
Federal grants	2,787,356
Other government grants	220,000
Other	1,823,745
Total operating revenues	5,926,648
OPERATING EXPENSES	
Administration	1,438,503
Tenant services	90,326
Utilities	572,554
Maintenance	838,725
General	138,503
Housing assistance payments	1,037,485
Depreciation	460,440
Total operating expenses	4,576,536
Operating income (loss)	1,350,112
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	133,058
Gain on sale of capital assets	500
Interest expense	(54,336)
Income (loss) before special items	1,429,334
Special items, net gain	3,446,667
Change in net position	4,876,001
Total net position - beginning of the year	10,433,996
Total net position - end of the year	$ 15,309,997

The accompanying notes are an integral part of these financial statements

FRANKLIN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tenants	$ 1,099,137
Federal grants	2,929,757
Other receipts	1,802,612
Payments to suppliers and Section 8 landlords	(1,778,429)
Payments to or on behalf of employees	(1,540,717)
Net cash provided (used) by operating activities	2,512,360
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	500
Purchase of capital assets	(10,306,878)
Capital contributions	326,667
Principal payments on capital debt	(412,315)
Interest payments on capital debt	(41,015)
Proceeds from issuance of capital debt	9,189,737
Net cash provided (used) by capital financing activities	(1,243,304)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Loan principal payments	(22,854)
Proceeds from issuance of operating borrowings	838,530
Payment of interest	(13,321)
Purchase of assets held for resale	(930,700)
Net cash provided (used) by non-capital financing activities	(128,345)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	17,980
Purchase of investments	(12,812)
Net cash provided (used) by investing activities	5,168
Net increase (decrease) in cash and cash equivalents	1,145,879
Balances - beginning of the year	1,555,608
Balances - end of the year	$ 2,701,487

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

FRANKLIN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2019

RECONCILIATION OF INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$	1,350,112
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		460,440
Change in assets and liabilities:		
Receivables, net		(96,101)
Inventories, net		12,389
Prepaids and other assets		12,153
Accounts payable		372,723
Intergovernmental payables		11,372
Unearned revenue		8,835
Other liabilities		364,548
Accrued liabilities		11,664
Compensated absences		5,406
Tenant security deposits		(1,181)
Net cash provided (used) by operating activities	$	2,512,360

SUPPLEMENTAL INFORMATION

Non-cash capital and related financing activities:		
Acquisition of property via non-cash capital contribution	$	1,560,000

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Franklin Housing Authority (the "Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has previously implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* Certain significant changes in the statements are as follows: The financial statements will include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

The Authority is a special-purpose government engaged only in business-type activities and therefore, presents only the financial statements required for enterprise funds, in accordance with GASB Statement 34, paragraph 138. For these governments, basic financial statements and required supplemental information consist of:

- Management Discussion and Analysis (MD&A)
- Enterprise fund financial statements consisting of –
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Fund Net Position
  - Statement of Cash Flows
- Notes to financial statements
- Required supplemental information other than MD&A

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the "enterprise fund" in the basic financial statements. Significant Authority policies are described below.

A. The Reporting Entity
The Authority was established as a tax-exempt quasi-governmental entity under the United States Housing Act of 1937 for the purpose of providing affordable housing to low and moderate income families in Williamson County, Tennessee. The governing body of the Authority is composed of a 5 member appointed Board of Commissioners (the "Board"). The Mayor appoints the Board, who in turn hires the President/CEO. The Authority is governed by its charter and by-laws, state and local laws, and federal regulations. The Board is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Authority's management.

For financial reporting purposes, the financial reporting entity consists of (1) the primary government (the "Authority"), (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. The Authority is financially accountable if it appoints a voting majority of an organization's governing body and (a) it is able to impose its will on the organization or, (b) there is potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the Authority. The Authority may be financially accountable if an organization is fiscally dependent on the Authority. Based on these criteria; the following entities have been identified as component units of the Authority.

Franklin Housing Collaborative
Franklin Housing Collaborative (FHC) is a 501(c)(3) tax exempt not for profit organization, whose mission is to promote decent, safe and sanitary housing for persons of low-income or the elderly or infirmed in the State of Tennessee. It can also form partnerships and currently acts as a partner in each of the following partnerships.

- Senior Residence at Reddick Street, L.P. – FHC acts as a Class B Limited Partner. FHC has a .005% ownership interest in Senior Residence at Reddick Street, L.P.
- Reddick Street Associates I, L.P. – FHC, through FHC Reddick, Inc., a for profit corporation in which FHC is the sole shareholder, indirectly acts as a General Partner in Reddick Street Associates I, L.P. FHC has a .009% ownership interest in Reddick Street Associates I, L.P.
- Spring Johnson, L.P. – FHC, through FHC Spring Johnson, Inc., a for profit corporation in which FHC is the sole shareholder, indirectly acts as a General Partner in Spring Johnson, L.P. FHC has a .01% ownership interest in Spring Johnson, L.P. but has sole control over operations and decision making as the managing general partner.
- Chickasaw Senior Community, L.P. – FHC, through FHC Chickasaw, Inc., a for profit corporation in which FHC is the sole shareholder, indirectly acts as a General Partner in Chickasaw Senior Community, L.P. FHC has a .01% ownership interest in Chickasaw Senior Community, L.P. but has sole control over operations and decision making as the managing general partner.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. The Reporting Entity (Continued)

Spring Johnson, L.P.
Spring Johnson, L.P. (Spring Johnson) is a limited partnership that was formed under the Tennessee Revised Uniform Limited Partnership Act exclusively to provide decent, safe, sanitary, and affordable housing for low-income persons and families in Franklin, Williamson County, Tennessee. Spring Johnson was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with a 64-unit apartment project to serve qualified low-income families. Spring Johnson is composed of 42 units that are subsidized based on tenant's income via the Section 8 Project-Based Vouchers Program as part of the Rental Assistance Demonstration (RAD) Program conversion of a portion of the Authority's Low Income Public Housing Units. The remaining 22 units are straight tax credit units.

Chickasaw Senior Community, L.P.
Chickasaw Senior Community, L.P. (Chickasaw Senior) is a limited partnership that was formed under the Tennessee Revised Uniform Limited Partnership Act exclusively to provide decent, safe, sanitary, and affordable housing for low-income persons and families in Franklin, Williamson County, Tennessee. Chickasaw Senior was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with a 48-unit apartment project to serve qualified low-income seniors ages 60 and over. Chickasaw Senior is composed of 22 units that are subsidized based on tenant's income via the Section 8 Project-Based Vouchers Program as part of the Rental Assistance Demonstration (RAD) Program conversion of a portion of the Authority's Low Income Public Housing Units. The remaining 26 units are straight tax credit units.

The Authority both directly and indirectly controls the operations of FHC, and the Authority's Board also acts as the governing body for the organization. Also, through control over FHC, the Authority indirectly controls the operations of Spring Johnson and Chickasaw Senior. Therefore, FHC, Spring Johnson, and Chickasaw Senior are presented as blended component units included in the balances of the primary government, thus all significant inter-program balances and transactions between FHC, Spring Johnson, Chickasaw Senior, and the Authority have been eliminated. No separate financial statements are issued for FHC, Spring Johnson, or Chickasaw Senior this year. However, condensed financial statements have been included in *Note 15- Blended Component Unit* in accordance with GASB Statement No. 61.

For the previously mentioned Senior Residence at Reddick Street, L.P. and Reddick Street Associates I, L.P., neither the Authority nor FHC are financially accountable for these limited partnerships and, in accordance with the terms of the limited partnership agreements, they do not have the ability to influence control or impose their will over these limited partnerships as they do not own a majority ownership interest in the limited partnerships and they do not have sole authority to manage and control the business of the limited partnerships, nor do they have a final say in the decision making process. Therefore, these two limited partnerships are not considered to be a part of the Authority's financial reporting entity and are not considered component units of the Authority. Senior Residence at Reddick Street, L.P. and Reddick Street Associates I, L.P. are instead treated as affiliated organizations of the Authority. See *Note 14 – Affiliated Organizations* for additional details regarding transactions between the Authority and these two affiliated organizations.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
The Authority's financial statements are accounted for on the flow of economic resources management focus using the accrual basis of accounting. The accounting objectives are a determination of net income, financial position, and changes in cash flow.

All assets and liabilities associated with a proprietary fund's activities are included on the Statement of Net Position. Proprietary fund net position is segregated into Net Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position. Revenues are recognized when they are earned, and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are rental charges to tenants and operating subsidy grants from HUD. Operating expenses for proprietary funds include the cost of administrative expenses, maintenance expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Authority applies restricted resources to fund restricted costs and unrestricted resources to fund unrestricted costs. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority has previously adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In accordance with this statement, the Authority accounted for all grants that qualify as non-exchange transactions, recognizing receivables and revenues when all applicable eligibility requirements are met. In addition, capital contributions are recorded on the Statement of Revenues, Expenses and Changes in Fund Net Position after income before contributions and before changes in net position.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- *Net investment in capital assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component on net position.

C. Cash, Cash Equivalents, and Investments
Cash and cash equivalents include cash on hand, demand deposits, and money market accounts. For purposes of the statement of cash flows, the Authority considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amounts reported on the balance sheet approximate fair values because of the short maturities of those investments.

D. Accounts Receivables
All receivables are current and due within one year. Receivables are reported net of an allowance for uncollectible accounts. Allowances are reported when accounts are proven to be uncollectible. The allowance method is used to determine allowances for uncollectible accounts. Allowances are based upon historical trends and periodic aging of accounts receivable.

E. Notes, Loans & Mortgages Receivables
Notes receivables relate to affordable housing construction activities where the Authority has loaned funds to affiliated organizations to be used in the development of tax credit RAD affordable housing projects. The notes receivables are collectable as defined in the various loan agreements. Any portions of the notes receivables that are deemed due and collectable within the next twelve months are reported as current assets. The remaining notes receivables that are deemed collectable beyond the next twelve months are reported as noncurrent assets. Allowances are reported when accounts are proven to be uncollectible. The allowance method is used to determine allowances for uncollectible accounts. No allowance account has been set up as the Authority has determined that the notes are fully collectable as of December 31, 2019.

F. Restricted Assets and Liabilities
Debt covenants, HUD regulations, and inter-local agreements restrict the use of certain assets. Restricted assets are offset by related liabilities in accordance with their liquidity.

G. Inventories
Inventories are accounted for using the first-in/first-out (FIFO) method and recorded at the lower of cost or market, net of allowance. Materials and supplies are recorded as inventories when purchased and as expenditures when used. Allowances are reported when materials and supplies are deemed obsolete.

H. Prepaid Items
Prepaid items consist of payments made to vendors for services that will benefit future periods.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

Capital assets include property, furniture, equipment, and machinery. Capital assets with initial, individual costs that equal or exceed $1,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Construction in progress consists of capital improvements funded by modernization grant programs. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-27.5
Furniture, equipment, and machinery	3-10

J. Capitalized Interest

Only interest associated specifically with debt used to construct or modernize physical structures is capitalized. Interest expense on notes payable, net of interest income on related debt proceeds are expensed during the project development period through the date of full availability. There was no interest capitalized during the year ended December 31, 2019.

K. Compensated Absences

The Authority's policy allows each employee to accumulate up to 240 vacation hours and be paid for them upon separation. Employees can accrue unlimited sick leave hours, but cannot be paid for any accumulated hours upon separation. The majority of employees utilize their annual accrual of vacation and sick leave during the year accrued. The Authority records compensated absences in the period they are earned and use a systematic allocation process to allocate between short-term and long-term liability classification.

L. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report separate sections for deferred outflows/inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that apply to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) or an inflow of resources (revenue) until then. The Authority has no items that meet these criteria.

M. Unearned Revenue

The Authority recognizes revenues as earned. An amount received in advance of the period in which it is earned is recorded as a liability under unearned revenue.

N. Use of Estimates

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

O. Income Taxes

The Authority is not subject to federal or state income taxes.

P. Recent Accounting Pronouncements

The Authority has adopted GASB Statement No.84, *Fiduciary Activities.* Statement 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. The adoption of GASB Statement No. 84 had no material effect on the Authority's December 31, 2019 financial statements.

The Authority has adopted GASB Statement No. 90, *Major Equity Interests*. Statement 90 clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. The adoption of GASB Statement No. 90 had no material effect on the Authority's December 31, 2019 financial statements.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

Cash and investments may be invested in the following HUD and Tennessee State approved vehicles:

- Direct obligations of the federal government backed by the full faith and credit of the United States;
- Obligations of government agencies;
- Securities of government sponsored agencies;
- Demand and savings deposits; and,
- Time deposits and repurchase agreements.

At December 31, 2019, cash was in bank deposits or money market accounts, and investments were in certificates of deposit, all of which were insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Cash and investments balances at December 31, 2019, totaled $2,701,487 and $434,757, respectively.

Interest Rate Risk – The Authority's formal investment policy does not specifically address the exposure to this risk.

Credit Risk – The Authority's formal investment policy does not specifically address credit risk. Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations.

Custodial Credit Risk – The Authority's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Concentration of Credit Risk – The Authority's investment policy does not restrict the amount that the Authority may invest in any one issuer.

Custodial Credit Risk as it applies to Tennessee State Law – The Authority's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be insured by federal depository insurance or the Tennessee Bank Collateral Pool, or collateralized by collateral held by the Authority's agent in the Authority's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Authority to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of December 31, 2019, all bank deposits were fully collateralized or insured.

NOTE 3 – CAPITAL ASSETS

A. Changes in Capital Assets
Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not being depreciated					
Land	$ 569,084	$ 13,205	$ -	$ -	$ 582,289
Construction in progress	1,164,417	10,113,163	-	5,104	11,282,684
Total capital assets not being depreciated	1,733,501	10,126,368	-	5,104	11,864,973
Capital assets being depreciated					
Buildings and improvements	14,860,462	1,678,860	-	(1,381,323)	15,157,999
Equipment	574,010	61,650	(44,042)	-	591,618
Total capital assets being depreciated	15,434,472	1,740,510	(44,042)	(1,381,323)	15,749,617
Less accumulated depreciation for:					
Buildings and improvements	(9,275,905)	(439,208)	-	1,376,219	(8,338,894)
Equipment	(533,066)	(21,232)	44,042	-	(510,256)
Total accumulated depreciation	(9,808,971)	(460,440)	44,042	1,376,219	(8,849,150)
Capital assets, net	$ 7,359,002	$11,406,438	$ -	$ -	$ 18,765,440

B. Capital Grant Contributions
The Authority receives capital grant contributions from HUD. The Authority recognized no capital grant contributions for the fiscal year ended December 31, 2019.

NOTE 4 – ASSETS HELD FOR RESALE
On January 31, 2019, the Authority purchased six condo units at The Village at West Main Street with a purchase price of $930,700. The six condos were purchased using operating borrowings in the form of two loans obtained from Franklin Synergy Bank in the amount of $838,530 plus $92,170 in cash paid for by Franklin Housing Collaborative, Inc. The original intent was for Franklin Housing Collaborative to acquire ownership of these condos where the units would be held for resale as affordable housing to qualifying low-income families. Therefore, these condos were subsequently sold by the Authority to Franklin Housing Collaborative, Inc. via two Housing Authority loans with terms that mirror those in the Franklin Synergy Bank loans obtained by the Authority. These Housing Authority loans thus act as a flow-through where Franklin Housing Collaborative, Inc. repays the Franklin Synergy Bank loans directly on behalf of the Authority, and the Authority does not make any debt payments. See *Note 6 – Notes, Loans & Mortgages Receivable* for additional details regarding the two Housing Authority loans provided to Franklin Housing Collaborative, Inc. See *Note 8 – Notes Payable and Operating Borrowings* for additional details regarding the two Franklin Synergy Bank loans provided to the Authority. As the two Housing Authority loans are between the Authority and Franklin Housing Collaborative, Inc., a blended component unit of the Authority, these two Housing Authority loans are eliminated in the consolidated financial statements. Of the $930,700 in assets held for resale at December 31, 2019, only one of the six units, valued at $159,950, is expected to be sold within the next 12 months. Therefore, $159,950 is classified as a current asset on the face of the Statement of Net Position, with the remaining $770,750 in assets held for resale being classified as non-current assets.

NOTE 5 – INVESTMENTS IN JOINT VENTURES
In return for Franklin Housing Collaborative, Inc. assigning in leasehold interest in the Spring Johnson multifamily development improvements to Spring Johnson, L.P., Franklin Housing Collaborative, Inc. received a non-cash capital contribution valued at $1,560,000, the value of the leasehold improvements at the time of the assignment. This capital contribution has thus been recorded as investments in joint ventures, a non-current asset on the face of the Statement of Net Position.

NOTE 6 – NOTES, LOANS & MORTGAGES RECEIVABLE

As of December 31, 2019, notes receivable, which include accrued interest receivable, were composed of the following:

The Authority loaned $1,000,000 to Senior Residence at Reddick Street, LP as evidenced by a Promissory Note issued to the Authority dated August 30, 2012. The loan is comprised of Housing Trust Fund (HTF) Competitive Grant Program funds originally borrowed by the Authority from the Tennessee Housing Development Agency (THDA) and then in turn loaned by the Authority to Senior Residence at Reddick Street, LP for the development of the Senior Residence Project, all of which is agreed to in detail in the Subordination Agreement, the HTF Working Agreement, and the Promissory Note. The Note has an interest rate of 5.00% per annum, compounded annually, with a maturity of 40 years from the date of the promissory note. Payment of principal and accrued interest are payable to the Authority from Senior Residence at Reddick Street, LP's surplus cash in the priority of distributions of net cash flows as outlined in the Partnership Agreement. The Authority does not expect to receive any repayment on the notes receivables within the next fiscal year. Noncurrent accrued interest receivable at December 31, 2019 amounted to $384,243 with $65,643 of this interest being recognized during the current fiscal year.	$ 1,384,243
The Authority loaned $500,000 to Senior Residence at Reddick Street, LP as evidenced by a Promissory Note issued to the Authority dated August 30, 2012. The loan is comprised of HUD Operating Fund Financing Program funds originally borrowed by the Authority from Suntrust Bank and then in turn loaned by the Authority to Senior Residence at Reddick Street, LP for the development of the Senior Residence Project, all of which is agreed to in detail in the Authority Public Housing Loan Agreement and the Promissory Note. The Note has an interest rate of 5.00% per annum until the date or repayment in full of this Note, with a maturity of 40 years from the date of the promissory note. Payment of principal and accrued interest are payable to the Authority from Senior Residence at Reddick Street, LP's surplus cash in the priority of distributions of net cash flows as outlined in the Partnership Agreement. The Authority does not expect to receive any repayment on the Note Receivable within the next fiscal year. The Authority collected $250,000 on this loan in a previous year. Therefore, as of December 31, 2019, the outstanding principal owed to the Authority equals $250,000, with noncurrent accrued interest receivable making up the remaining $126,958 in the Note Receivable balance. $17,947 of the $126,958 in noncurrent accrued interest receivable was recognized during the current fiscal year.	376,958
The Authority loaned $562,000 to Reddick Street Associates I, LP as evidenced by 2 Promissory Notes issued to the Authority dated August 5, 2015. Note A is a promissory note in the amount of $512,000 comprised of Capital Funds that have been defederalized pursuant to the RAD Requirements. Note B is a promissory note in the amount of $50,000 comprised of CDBG Funds made available through a CDBG Contract for use in accordance with the CDBG Contract. Both notes have an interest rate of 1.00% per annum, with a maturity of 40 years from the date of the promissory notes. Payment of principal and accrued interest are payable to the Authority from Reddick Street Associates I, LP's surplus cash in the priority of distributions of net cash flows as outlined in the Partnership Agreement. The Authority does not expect to receive any repayment on the Notes Receivable within the next fiscal year. Therefore, as of December 31, 2019, the outstanding principal owed to the Authority equals $562,000, with noncurrent accrued interest receivable making up the remaining $20,871 in the Notes Receivable balance. $5,771 of the $20,871 in noncurrent accrued interest receivable was recognized during the current fiscal year.	582,871

NOTE 6 – NOTES, LOANS & MORTGAGES RECEIVABLE (Continued)

The Authority loaned $550,620 to Franklin Housing Collaborative, Inc. (FHC) as evidenced by a Promissory Note issued to the Authority on January 31, 2019. The loan is comprised of defederalized funds from a loan that the Authority obtained from Franklin Synergy Bank and was provided in order for FHC to purchase four condo units at The Village at West Main Street. The loan is unsecured, bears interest at a rate of 0%, and is payable in 59 consecutive monthly principal payments of $1,835.40 beginning on March 2, 2019, with one final balloon payment of $442,331.40 due on February 2, 2024, the maturity date. As of December 31, 2019, the outstanding principal balance on this loan amounted to $532,266. $22,025 of this outstanding balance is due and payable within the next 12 months and is thus classified as a current asset. The remaining $510,241 is thus classified as a noncurrent asset. As this note receivable is between the primary government and FHC, a blended component unit, this note receivable is eliminated in the	$ 532,266
The Authority loaned $287,910 to Franklin Housing Collaborative, Inc. (FHC) as evidenced by a Promissory Note issued to the Authority on January 31, 2019. The loan is comprised of defederalized funds from a loan that the Authority obtained from Franklin Synergy Bank and was provided in order for FHC to purchase two condo units at The Village at West Main Street. The loan is unsecured, bears interest at a rate of 5.5% per annum, and is payable in 59 consecutive monthly principal and interest payments of $1,782.06 beginning on March 2, 2019, with one final balloon payment of $259,182.36 due on February 2, 2024, the maturity date. As of December 31, 2019, the outstanding principal balance on this loan amounted to $283,410. $5,681 of this outstanding balance is due and payable within the next 12 months and is thus classified as a current asset. The remaining $277,729 is thus classified as a noncurrent asset. As this note receivable is between the primary government and FHC, a blended component unit, this note receivable is eliminated in the consolidated financial statements.	$ 283,410
The Authority loaned $500,000 to Reddick Street Associates I, LP as evidenced by a Promissory Note issued to the Authority dated August 5, 2015. The loan is comprised of Housing Trust Fund (HTF) Competitive Grant Program funds originally borrowed by the Authority from the Tennessee Housing Development Agency (THDA) and then in turn loaned by the Authority to Reddick Street Associates I, LP for the development of the Reddick Street Project, all of which is agreed to in detail in the Subordination Agreement, the HTF Working Agreement, and the Promissory Note. The Note has an interest rate of 5.00% per annum, compounded annually, with a maturity of 40 years from the date of the promissory note. Payment of principal and accrued interest are payable to the Authority from Reddick Street Associates I, LP's surplus cash in the priority of distributions of net cash flows as outlined in the Partnership Agreement. The Authority does not expect to receive any repayment on the Note Receivable within the next fiscal year. Therefore, as of December 31, 2019, the outstanding principal owed to the Authority equals $500,000, with noncurrent accrued interest receivable making up the remaining $86,093 in the Note Receivable balance. $27,909 of the $86,093 in noncurrent accrued interest receivable was recognized during the current fiscal year.	586,093
Total notes receivable (principal and interest) before internal eliminations	3,745,841
Elimination of internal notes receivable (principal and interest)	(815,676)
Total noncurrent notes receivable (principal and interest)	$ 2,930,165

NOTE 7 – LOAN LIABILITIES

On November 20, 2018, the Authority opened a revolving letter of credit account with Pinnacle Bank for $250,000 to be used to cover certain predevelopment costs related to ongoing affordable housing redevelopment projects. This line of credit account is considered an open-end credit account and is cross collateralized with all other Housing Authority debt held by Pinnacle Bank. The line of credit account bears interest on the outstanding principal balance at a variable rate that is based on changes in an index which is the Pinnacle Base Rate (the "Index"). As of the date of the line of credit agreement, the Index was 5.25% per annum. Interest on the unpaid principal balance of this line of credit will be calculated using a rate of 1.000 percentage point over the Index, rounded to the nearest 0.125 percent, adjusted if necessary for any minimum and maximum rate limitations, resulting in an initial rate of 6.250% per annum based on a year of 360 days. On November 22, 2019, the Authority renewed this line of credit account with a new maturity date of November 20, 2020. The Authority is expecting to repay all the outstanding line of credit account balance within the next fiscal year to save money from not having to pay interest. Therefore, the Authority has classified the outstanding principal balance of this line of credit account as a current liability on the face of the Statement of Net Position. As of December 31, 2019, there was $100,000 outstanding on the line of credit account.

The Authority opened a Revolving Letter of Credit account with Franklin Synergy Bank for $500,000 to be used to cover certain predevelopment costs related to ongoing affordable housing redevelopment projects. This line of credit agreement was executed on June 6, 2019 with a maturity date of June 6, 2021. This line of credit account is considered an open-end credit account and is secured by an executed Security Instrument in the amount of $500,000 evidencing a lien on the property located at 100 Spring Street, Franklin, TN 37064-3311. The line of credit account bears interest on the outstanding principal balance at a variable rate with an initial rate of 5.5%, with any rate changes never exceeding 24.0% and never being less than 5.5%. The Authority has subsequently repaid all the outstanding line of credit account balance within the next fiscal year to save money from not having to pay interest. Therefore, the Authority has classified the outstanding principal balance of this line of credit account as a current loan liability on the face of the Statement of Net Position. As of December 31, 2019, there was $410,000 outstanding on the line of credit account.

On August 5, 2015, the Authority entered into an agreement (Grant Note) with the Tennessee Housing Development Agency (THDA) for a $500,000 grant from the Housing Trust Fund. The agreement terms describe in the Grant Note that the loan bears a zero percent interest rate per annum. Additionally, a 20 percent reduction of the original principal sum due will occur annually if the conditions in the Grant Note are met. As of December 31, 2019, there was $100,000 outstanding on the Grant Note, which was a decrease of $100,000 from the loan liability balance at December 31, 2018. The Authority expects for the final $100,000 of the outstanding loan liability to be forgiven and reduced within the next fiscal year. Therefore, all this remaining loan liability is classified as a current liability on the face of the Statement of Net Position.

NOTE 8 – NOTES PAYABLE AND OPERATING BORROWINGS

Notes Payable

Notes payable consists of a loan of up to $1,400,000 that was obtained by the Authority from Pinnacle Bank and which is evidenced by a promissory note issued by the Authority on May 16, 2017. The Note was obtained as a source of construction financing for extensive rehabilitation to the Park Street project as part of the conversion of 22 residential units to Rental Assistance Demonstration (“RAD”). The interest rate on this Note is subject to change based on changes in the index that is the Prime Rate of large U.S. Money Center Commercial Banks as published in the Wall Street Journal, which rate shall be adjusted on each day that the Index changes. The Index is not necessarily the lowest rate charged by Pinnacle Bank on its loans and is set by Pinnacle Bank in its sole discretion. The Index at the date of the loan was 4.0% per annum. Interest accruing under the Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding, using an interest rate equal to 4.0% less than the Index, rounded to the nearest one-eighth of 1.0%, provided that the interest rate shall in no event be less than 0.0% per annum or greater than 5.0% per annum. The resulting initial rate at the time of the loan was thus equal to 0.0% per annum, which is where the rate ended up as of the fiscal year ended December 31, 2019. The loan is secured by a Construction Deed of Trust, Assignment of Rents and Security Agreement upon the Park Street project, and the buildings and improvements thereon. The Note has a maturity date of May 15, 2032. The promissory note states that in the event of a default on this loan, the lender may declare all indebtedness of the Authority to the lender under this note immediately due and payable without further notice of any kind notwithstanding anything to the contrary in this note or any other agreement.

NOTE 8 – NOTES PAYABLE AND OPERATING BORROWINGS (Continued)

Principal and interest on the Note shall be payable as follows:

a) On June 1, 2017, and on the like day of each succeeding month, a monthly payment of interest only shall be payable until May 1, 2018.
b) On June 1, 2018, and on the like day of each succeeding month, a monthly payment of principal in the amount of $4,375 plus interest shall be due and payable until final maturity.
c) The Authority shall make a principal payment or payments sufficient to reduce the principal balance to $1,050,000 by June 1, 2018.
d) The entire unpaid principal and all accrued interest and other charges shall be due and payable in a balloon payment on May 15, 2032.

As of December 31, 2019, the Authority owes $980,185 in principal of the available $1,400,000 in loan funds for ongoing rehabilitation and construction costs incurred. $52,500 in outstanding principal is expected to be repaid within the next 12 months with the remaining $927,685 being repaid over the remaining maturity period as outlined in the above bullet points and in the amortization schedule below. For the year ended December 31, 2019, the Authority incurred $40,976 in interest expense.

The anticipated aggregate maturity of this notes payable for the years subsequent to December 31, 2019 are as follows:

	Principal	Interest	Total
2020	$ 52,500	$ 12,149	$ 64,649
2021	52,500	11,449	63,949
2022	52,500	10,784	63,284
2023	52,500	10,119	62,619
2024	52,500	9,480	61,980
2025-2029	262,500	37,305	299,805
2030-2032	455,185	11,873	467,058
Total	$ 980,185	$ 103,159	$ 1,083,344

Notes payable also consists of a loan of up to $6,740,000 that was obtained by Spring Johnson, L.P. from Franklin Synergy Bank and which is evidenced by a promissory note issued by Spring Johnson, L.P. on December 27, 2019. The Note was obtained as a source of construction financing for extensive rehabilitation to the Spring Street and Johnson Circle project as part of the conversion of 42 residential units to Rental Assistance Demonstration (“RAD”). The Note bears interest at the variable rate of the Prime Rate as published in the Wall Street Journal as it may change each month minus 4%, based on a 360-day year and actual days elapsed (based on Lender's election after evaluating the availability of the corresponding State of Tennessee Community Investment Tax Credits (CITC). Provided, however, in no event shall the rate charged on the Note ever fall below a rate of 0% per annum. Provided, further, if at any time after closing, and without waiving any other rights of Lender, the CITC are not available to Lender at the variable rate of the Prime Rate plus one-quarter of one percent, as it may change each month. If more than one Prime Rate is published in the Wall Street Journal, then Lender shall apply the higher of such rates. In no event shall the interest rate charged exceed the maximum lawful rate. The resulting initial rate at the time of the loan was thus equal to 0% per annum, which was also the interest rate as of the fiscal year ended December 31, 2019. The loan is secured by a Construction Deed of Trust, Assignment of Rents and Security Agreement upon the Spring Johnson project, and the buildings and improvements thereon. The Note shall be due and payable in installments in accordance with the terms of the Loan Agreement. On February 28, 2022 (subject to (i) earlier maturity or (ii) the conversion of the loan (as defined in the Loan Agreement) to a term facility, each as provided for in the Loan Agreement), all principal, interest and expenses then outstanding shall be finally due and payable. The promissory note states that in the event of a default on this loan, the lender may declare all indebtedness of Spring Johnson, L.P. to the lender under this note immediately due and payable without further notice of any kind notwithstanding anything to the contrary in this note or any other agreement. As of the fiscal year ended December 31, 2019, the outstanding principal balance on this note payable amounted to $629,737, and no interest has been accrued or paid yet. All the outstanding note payable balance is classified as current liability on the face of the Statement of Net Position as all of the liability is expected to be repaid within the next 12 months.

NOTE 8 – NOTES PAYABLE AND OPERATING BORROWINGS (Continued)

Notes payable also consists of a loan of up to $8,200,000 that was obtained by Chickasaw Senior Community, L.P. from Franklin Synergy Bank and which is evidenced by a promissory note issued by Chickasaw Senior Community, L.P. on October 30, 2018. The Note was obtained as a source of construction financing for constructing the Chickasaw Senior Community project as part of the conversion of 48 residential units to Rental Assistance Demonstration ("RAD"). The Note shall bear interest at the variable rate of the Prime Rate as published in the Wall Street Journal as it may change each month minus 4%, based on a 360-day year and actual days elapsed (based on Lender's election after evaluating the availability of the corresponding State of Tennessee Community Investment Tax Credits (CITC). Provided, however, in no event shall the rate charged on the Note ever fall below a rate of 0% per annum. Provided, further, if at any time after closing, and without waiving any other rights of Lender, the CITC are not available to Lender at the variable rate of the Prime Rate plus one-quarter of one percent, as it may change each month. If more than one Prime Rate is published in the Wall Street Journal, then Lender shall apply the higher of such rates. In no event shall the interest rate charged exceed the maximum lawful rate. The resulting initial rate at the time of the loan was thus equal to 1.25% per annum. The interest rate at the time of the initial disbursement of loan funds was 0%, which is where the rate ended up as of the fiscal year ended December 31, 2019. The loan is secured by a Construction Deed of Trust, Assignment of Rents and Security Agreement upon the Chickasaw Senior Community project, and the buildings and improvements thereon. The Note shall be due and payable in installments in accordance with the terms of the Loan Agreement. On March 31, 2021 (subject to (i) earlier maturity or (ii) the conversion of the loan (as defined in the Loan Agreement) to a term facility, each as provided for in the Loan Agreement), all principal, interest and expenses then outstanding shall be finally due and payable. The promissory note states that in the event of a default on this loan, the lender may declare all indebtedness of Chickasaw Senior Community, L.P. to the lender under this note immediately due and payable without further notice of any kind notwithstanding anything to the contrary in this note or any other agreement. As of the fiscal year ended December 31, 2019, the outstanding principal balance on this note payable amounted to $629,737, and no interest has been accrued or paid yet. $5,200,000 of the outstanding $8,200,000 note payable balance is classified as current liability as this portion of the liability has subsequently been paid off using an equity contribution received in 2020. The remaining $3,000,000 in outstanding principal is expected to convert to a term facility in which the terms of the loan will be extended. Therefore, the remaining $3,000,000 is classified as noncurrent liability on the face of the Statement of Net Position.

Operating Borrowings

The Authority obtained two loans from Franklin Synergy Bank for the acquisition of 6 condo units at The Village at West Main Street in January of 2019. The loans are both evidenced by a promissory note and are secured by a deed of trust in the amount of the loans evidencing a lien on the properties. The first note issued in order to acquire 4 of the 6 condo units was for $550,620, bears interest at a rate of 0%, and is payable in 59 consecutive monthly principal payments of $1,835.40 beginning on March 2, 2019, with one final balloon payment of $442,331.40 due on the maturity date. The second note that was issued in order to acquire the remaining 2 condo units was for $287,910, bears interest at a fixed rate of 5.50% per annum, and is payable in 59 consecutive monthly principal and interest payments of $1,782.06 beginning on March 2, 2019, with one final balloon payment of $259,182.36 due on the maturity date. Both loans have a maturity date of February 2, 2024. The promissory notes state that in the event of a default on these loans, the lender may declare all indebtedness of the Authority to the lender under these notes immediately due and payable without further notice of any kind notwithstanding anything to the contrary in these notes or any other agreements. These two loans were subsequently provided as a loan to Franklin Housing Collaborative, Inc. (FHC), with the terms of these subsequent loans mirroring the terms of the loans from Franklin Synergy Bank to the Authority. The Authority is thus acting as a flow-through and does not expect to be involved with making any of the debt payments to Franklin Synergy Bank, as FHC has agreed to make all of the debt payments directly. For the fiscal year ended December 31, 2019, FHC paid debt principal on the first and second note payable amounting to $18,354 and $4,500, respectively, with interest expense amounting to $13,321 on the second note payable. At December 31, 2019, the outstanding obligation on the first and second note payable amounted to $532,266 and $283,410, respectively, with the amount of principal due within the next 12 months amounting to $22,025 and $5,681, respectively. As the two loans from the Authority to FHC are between the primary government and one of its blended component units, these notes payable are eliminated in the consolidated financial statements, with only the original two loans from Franklin Synergy Bank to the Authority being reported on the face of the Statement of Net Position.

NOTE 8 – NOTES PAYABLE AND OPERATING BORROWINGS (Continued)

The anticipated aggregate maturity of these two notes payable for the years subsequent to December 31, 2019 are as follows:

	Principal	Interest	Total
2020	$ 27,706	$ 15,703	$ 43,409
2021	28,076	15,333	43,409
2022	28,422	14,987	43,409
2023	28,788	14,621	43,409
2024	702,684	2,447	705,131
	$ 815,676	$ 63,091	$ 878,767

NOTE 9 – NONCURRENT LIABILITIES

Noncurrent liabilities at December 31, 2019 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
FSS escrowed liabilities	$ 70,783	$ 1,541	$ 31,421	$ 40,903	$ -
Compensated absences	71,249	5,406	-	76,655	22,996
Noncurrent liabilities - other	2,653	11,400	2,653	11,400	-
Loan liabilities	250,000	462,818	102,818	610,000	610,000
Operating borrowings	-	838,530	22,854	815,676	27,706
Notes payable	1,032,500	8,829,737	52,315	9,809,922	5,882,237
Total noncurrent liabilities	$ 1,427,185	$ 10,149,432	$ 212,061	$ 11,364,556	$ 6,542,939

NOTE 10 – PENSION PLAN (DEFINED CONTRIBUTION)

The Authority provides pension benefits for its eligible full-time employees through the Housing Renewal & Local Agency Retirement Plan (HRLARP), a defined contribution plan administered by *Housing Agency Retirement Trust (HART).* The plan was adopted by the Board of Commissioners and only the Board has the authority to approve any amendments to the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All employees are eligible for the plan on the first of the month following the employee's one-year employment anniversary date. Employees contribute 1.5% and the Authority contributes 13% of the employees' base salary each month. The Authority's contributions for each employee (and interest allocated to the employee's account) are vested 20% annually for each year of participation. An employee is fully vested after five years of participation or immediately in the event of an employee's death or disability prior to retirement. Contributions to the Plan for the year ended December 31, 2019 were $89,656 and $25,040 by the Authority and the employees, respectively.

NOTE 11 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has mitigated this risk by obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the funds affected. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. The ultimate outcome of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. During the current year and the prior three years, settled claims have not exceeded coverage levels, and insurance coverage, by major categories of risk, is consistent with prior year.

NOTE 12 – CONCENTRATION OF RISK

The Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on availability of funding.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Grants
Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

B. Construction Commitments
At December 31, 2019, the Spring Johnson project had an outstanding construction commitment totaling $6,100,000, and the Chickasaw Senior Community project had an outstanding construction commitment totaling $525,307.

NOTE 14 – AFFILIATED ORGANIZATIONS

The affiliations mentioned below do not meet the criteria under GASB 61, for the inclusion in the reporting entity of the Authority.

Senior Residence at Reddick Street, L.P.
Senior Residence at Reddick Street, L.P. (Senior Residence at Reddick) is a 9% tax credit Rental Assistance Demonstration (RAD) limited partnership project organized for the purpose of engaging in the business of affordable housing, and in such other related business as agreed upon by the partners. The partnership operates a 49-unit facility, of which 40 units receive Project Based Voucher assistance from HUD. The relationship between the Authority and Senior Residence at Reddick is supportive in nature as Senior Residence at Reddick often carries out its stated purpose of providing decent, safe and affordable housing by supporting the operational goals and objectives of the Authority. The Authority's blended component unit, Franklin Housing Collaborative (FHC), acts as a Class B Limited Partner and has a .005% ownership interest in Senior Residence at Reddick. However, neither the Authority nor FHC are financially accountable for Senior Residence at Reddick and they do not have the ability to influence control or impose its will over Senior Residence at Reddick as they do not own a majority ownership interest in Senior Residence at Reddick.

As of the year-ended December 31, 2019, Senior Residence at Reddick owes the Authority $1,761,201 in the form of two notes payable (see *Note 6 – Notes, Loans, & Mortgages Receivable*), which is included in notes, loans, and mortgages receivable on the face of the Statement of Net Position.

The Authority leases land to Senior Residence at Reddick. The Authority leases this land through a ground lease agreement (*see Note 16 – Ground Lease Agreements*).

Lastly, Senior Residence at Reddick receives Housing Assistance Payments (HAP) from the Authority's Housing Choice Voucher program. During the year ended December 31, 2019, Senior Residence at Reddick recognized $158,703 in HAP from the Authority, which is included in housing assistance payments on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

NOTE 14 – AFFILIATED ORGANIZATIONS (Continued)

Reddick Street Associates I, L.P.
Reddick Street Associates I, L.P. (Reddick Street) is a 9% tax credit Rental Assistance Demonstration (RAD) limited partnership project organized for the purpose of engaging in the business of affordable housing, and in such other related business as agreed upon by the partners. The partnership operates a 22-unit project, all of which receive Project Based Voucher assistance from HUD. The relationship between the Authority and Reddick Street is supportive in nature as Reddick Street often carries out its stated purpose of providing decent, safe and affordable housing by supporting the operational goals and objectives of the Authority. The Authority's blended component unit, Franklin Housing Collaborative (FHC), through FHC Reddick, Inc, a for profit corporation in which FHC is the sole shareholder, indirectly acts as a General Partner and has a .009% ownership interest in Reddick Street. However, neither the Authority nor FHC are financially accountable for Reddick Street and they do not have the ability to influence control or impose its will over Reddick Street as they do not own a majority ownership interest in Reddick Street.

As of the year-ended December 31, 2019, Reddick Street owes the Authority $1,168,964 in the form of two notes payable (see *Note 6 – Notes, Loans, & Mortgages Receivable*), which is included in notes, loans, and mortgages receivable on the face of the Statement of Net Position.

The Authority leases land to Reddick Street. The Authority leases this land through a ground lease agreement (*see Note 16 – Ground Lease Agreements*).

During the year, Franklin Housing Collaborative, Inc. received $3,841 in previously recognized developer fees from Reddick Street. The remaining $107,754 in developer fees receivable is included in the miscellaneous receivable on the face of the Statement of Net Position.

The Authority charges Reddick Street for operating and maintenance services rendered to the Reddick Street development. Total charges by the Authority during 2019 amounted to $115,261, which is included in other revenue on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

FHC, through FHC Reddick, Inc., collectively with Reddick Phase I – Michaels, LLC, is entitled to receive a non-cumulative incentive management fee in certain circumstances. If applicable in any given year, the incentive management fee should be paid from 85% of the remaining net cash flow available (10% allocated to FHC Reddick, Inc. and 90% to Reddick Phase I – Michaels, LLC) as defined in the Supervisory & Incentive Agreement. There was no such fee for 2019.

Lastly, Reddick Street receives Housing Assistance Payments (HAP) from the Authority's Housing Choice Voucher program. During the year ended December 31, 2019, Reddick Street recognized $151,784 in HAP from the Authority, which is included in housing assistance payments on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

NOTE 15 – BLENDED COMPONENT UNIT

Condensed combining information for the Authority's blended component units, Franklin Housing Collaborative, Inc., Spring Johnson, L.P., and Chickasaw Senior Community, L.P., for the year ended December 31, 2019 is presented as follows:

CONDENSED STATEMENT OF NET POSITION
December 31, 2019

	Franklin Housing Collaborative, Inc.	Spring Johnson, L.P.	Chickasaw Senior Community, L.P.	Consolidated Blended Component Units
ASSETS				
Current assets	$ 1,064,060	$ 271,400	$ 453,303	$ 1,788,763
Noncurrent assets	4,251,984	3,023,807	9,797,372	17,073,163
Total assets	5,316,044	3,295,207	10,250,675	18,861,926
LIABILITIES				
Current liabilities	229,577	797,247	6,356,425	7,383,249
Noncurrent liabilities	1,744,454	-	3,000,622	4,745,076
Total liabilities	1,974,031	797,247	9,357,047	12,128,325
NET POSITION				
Net investment in capital assets	1,351,049	2,394,070	1,187,372	4,932,491
Restricted	46,915	250,000	-	296,915
Unrestricted	1,944,049	(146,110)	(293,744)	1,504,195
Total net position	$ 3,342,013	$ 2,497,960	$ 893,628	$ 6,733,601

NOTE 15 – BLENDED COMPONENT UNIT (Continued)

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2019

	Franklin Housing Collaborative, Inc.	Spring Johnson, L.P.	Chickasaw Senior Community, L.P.	Consolidated Blended Component Units
OPERATING REVENUES (EXPENSES)				
Operating revenues	$ 1,152,629	$ 194,679	$ 79,629	$ 1,426,937
Operating expenses	(684,675)	(170,200)	(42,640)	(897,515)
Operating income (loss)	467,954	24,479	36,989	529,422
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues	-	80	-	80
Nonoperating expenses	(13,360)	-	(40,976)	(54,336)
Income (loss) before special items, net gain (loss) & transfers from (to) primary government	454,594	24,559	(3,987)	475,166
Transfers from (to) primary government	274,866	198,296	(868,063)	(394,901)
Special items, net gain (loss)	1,560,000	1,886,667	-	3,446,667
Change in net position	2,289,460	2,109,522	(872,050)	3,526,932
Total net position - beginning of the year	3,206,669	-	-	3,206,669
Equity transfer	(2,154,116)	388,438	1,765,678	-
Total net position - end of the year	$ 3,342,013	$ 2,497,960	$ 893,628	$ 6,733,601

CONDENSED STATEMENT OF CASH FLOW
Year Ended December 31, 2019

	Franklin Housing Collaborative, Inc.	Spring Johnson, L.P.	Chickasaw Senior Community, L.P.	Consolidated Blended Component Units
NET CASH PROVIDED (USED) BY:				
Operating activities	$ (1,495,035)	$ 695,917	$ 620,438	$ (178,680)
Capital and related financing activities	679,412	(503,289)	(901,505)	(725,382)
Non-capital and related financing activities	642,405	-	-	642,405
Investing activities	-	80	237,342	237,422
Net increase (decrease) in cash and cash equivalents	(173,218)	192,708	(43,725)	(24,235)
Cash balances - beginning of the year	882,497	77,389	497,028	1,456,914
Cash balances - end of the year	$ 709,279	$ 270,097	$ 453,303	$ 1,432,679

NOTE 16 – GROUND LEASE AGREEMENTS

The Authority and Senior Residence at Reddick Street, L.P entered into a 99-year ground lease for land which the apartment complex is located. The cost of the ground lease is $1 per year, paid in advance. The lease commenced on August 30, 2012 and expires August 30, 2111.

The Authority and Reddick Street Associates I, L.P. entered into a 99-year ground lease for land which the apartment complex is located. The cost of the ground lease is $1 per year, paid in advance. The lease commenced on August 5, 2015 and expires August 30, 2114

The Authority and Franklin Housing Collaborative, Inc., a blended component unit of the Authority, entered into a 40-year ground lease for land which the Spring Johnson multifamily development is located. The cost of the ground lease is $1 per year, paid in advance. The terms of the ground lease also state that all amounts so paid by the Landlord (the Authority) an all reasonable costs and expenses incurred by Landlord in connection with the performance of any such obligations will be payable by Tenant (Spring Johnson, L.P.) to Landlord within 60 calendar days after Landlord has notified Tenant in writing of the amounts incurred by Landlord on its behalf, and shall constitute additional rent. The lease commenced on October 30, 2018 and expires October 30, 2117. On December 27, 2019, Franklin Housing Collaborative, Inc. and Spring Johnson, L.P., another blended component unit of the Authority, executed a Capital Contribution Agreement whereby Spring Johnson, L.P. acquired Franklin Housing Collaborative, Inc.'s interest in an amended ground lease, which was subdivided into two separate lots, with Lot 1 being released from the amended ground lease and Lot 2 being appraised at a value of $2,200,000, of which $640,000 of the value is ascribed to the land, and the remaining $1,560,000 of the value being ascribed to the improvements. This amended and restated ground lease executed between the Authority, Franklin Housing Collaborative, Inc., and Spring Johnson, L.P. as of December 27, 2019, put the cost of the ground lease for the remaining Lot 2 at $1 per year for the term of the amended and restated ground lease, paid in advance, plus $640,000, which was paid by Spring Johnson, L.P., the new Tenant, to the Authority, the Landlord at the time of the executed agreement. The leased commenced on December 27, 2019 and expires December 30, 2058.

The Authority and Chickasaw Senior Community, L.P., a blended component unit of the Authority, entered into a 99 year ground lease for land which the Chickasaw Senior Community Low Income Housing Tax Credit housing development is located. The cost of the ground lease is $1 per year, paid in advance. The terms of the ground lease also state that all amounts so paid by the Landlord (the Authority) an all reasonable costs and expenses incurred by Landlord in connection with the performance of any such obligations will be payable by Tenant (Chickasaw Senior Community, L.P.) to Landlord within 60 calendar days after Landlord has notified Tenant in writing of the amounts incurred by Landlord on its behalf, and shall constitute additional rent. The lease commenced on October 30, 2018 and expires October 30, 2117.

NOTE 17 – INTER-PROGRAM BALANCES

Inter-program balances at December 31, 2019 consisted of the following:

	Interprogram Due From	Interprogram Due To
Low Rent Public Housing Program	$ 50,101	$ -
Blended Component Unit	37,930	-
Continuum of Care Program	-	(88,031)
Total	$ 88,031	$ (88,031)

These inter-program balances exist because in the normal course of operations, certain programs may pay for common costs or advance funds to meet the operational needs of other programs which create inter-program receivables or payables. These balances are expected to be repaid within one year from the balance sheet date. In addition, these inter-program balances have been eliminated in the preparation of the basic financial statements.

NOTE 18 – RESTRICTED NET POSITION

Restricted net position for the Authority consists of excess Housing Assistance Payment (HAP) funds available under the Section 8 Housing Choice Vouchers and Mainstream Vouchers programs. Restricted net position related to excess HAP as of the end of the fiscal year was $97,172 and $8,984 for the Housing Choice Vouchers Program and Mainstream Vouchers Program, respectively.

Restricted net position for Franklin Housing Collaborative, Inc. consists of restricted scholarship funds. Restricted net position related to the donated funds restricted for future scholarships amounted to $46,915 as of the fiscal year ended December 31, 2019.

Restricted net position for Spring Johnson, L.P. consists of funded replacement reserves available to Spring Johnson, L.P. for future repairs to the Spring Johnson multifamily affordable housing development. Restricted net position related to the restricted replacement reserves amounted to $250,000 as of the fiscal year ended December 31, 2019.

NOTE 19 – SPECIAL ITEMS, NET GAIN

The special items, net gain balance of $3,446,667 is composed of a capital contributions received by Franklin Housing Collaborative, Inc. of $1,560,000 in return for the assignment of their leasehold interest in the Spring Johnson development improvements to Spring Johnson, L.P. as confirmed in the executed Spring Johnson Capital Contribution Agreement. The special items, net gain amount also includes a partial first capital contribution to Spring Johnson, L.P. from the limited partner totaling $326,667, as well as a non-cash capital contribution of leasehold improvements amounting to $1,560,000 to Spring Johnson, L.P.

NOTE 20 – SUBSEQUENT EVENTS

Events that occur after the balance sheet date, but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through December 10, 2020, (the date the financial statements were available to be issued) and concluded that the following subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

In December of 2019, COVID-19 emerged and has subsequently spread throughout the world. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Project's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown. The Authority has subsequently received authorization for additional operating subsidy from HUD to prepare for, prevent, and respond to COVID-19. The period of performance for when these additional subsidies can be expended ends December 31, 2021.

NOTE 21 – FINANCIAL DATA SCHEDULE

The Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense, casualty losses – non-capitalized expense, and housing assistance payments from operating activities, and includes investment revenue, capital grant revenue, gain on sale of capital assets, and interest expense (capital debt related) in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the basic financial statements.

Franklin Housing Authority
Schedule of Changes in Long-Term Debt by Individual Issue
For Year Ended December 31, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 1/1/2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 12/31/2019
Business-Type Activities									
NOTES PAYABLE									
Payable through Blended Component Units Funds									
Park Street RAD Rehabilitation - Pinnacle Bank Note	$ 1,400,000	Variable %	5/16/2017	5/15/2032	$ 1,032,500	$ 0	$ 52,315	$ 0	$ 980,185
Four Affordable Hsg Condos Acquisition - Franklin Housing Authority Note (Eliminated in Consolidated Financial Statements)	550,620	0 %	1/31/2019	2/2/2024	0	550,620	18,354	0	532,266
Two Affordable Hsg Condos Acquisition - Franklin Housing Authority Note (Eliminated in Consolidated Financial Statements)	287,910	5.5 %	1/31/2019	2/2/2024	0	287,910	4,500	0	283,410
Spring Johnson RAD Rehabilitation - Franklin Synergy Bank Note	6,740,000	Variable %	12/27/2019	2/28/2022	0	629,737	0	0	629,737
Chickasaw Senior Community RAD Rehabilitation - Franklin Synergy Bank Note	8,200,000	Variable %	10/30/2018	3/31/2021	0	8,200,000	0	0	8,200,000
Total Blended Component Units Notes Payable					$ 1,032,500	$ 9,668,267	$ 75,169	$ 0	$ 10,625,598
Payable through Franklin Housing Authority Funds									
Four Affordable Hsg Condos Acquisition - Franklin Synergy Bank Note	$ 550,620	0 %	1/31/2019	2/2/2024	$ 0	$ 550,620	$ 18,354	$ 0	$ 532,266
Two Affordable Hsg Condos Acquisition - Franklin Synergy Bank Note	287,910	5.5 %	1/31/2019	2/2/2024	0	287,910	4,500	0	283,410
Total Franklin Housing Authority Notes Payable					$ 0	$ 838,530	$ 22,854	$ 0	$ 815,676
OTHER LOANS PAYABLE									
Payable through Blended Component Unit Fund									
Revolving Letter of Credit Account - Pinnacle Bank	$ 250,000	Variable %	11/20/2018	11/20/2020	$ 50,000	$ 50,000	$ 0	$ 0	$ 100,000
Total Blended Component Units Other Loans Payable					$ 50,000	$ 50,000	$ 0	$ 0	$ 100,000
Payable through Franklin Housing Authority Funds									
Housing Trust Fund Grant Note - THDA	$ 500,000	0 %	8/5/2015	8/5/2020	$ 200,000	$ 0	$ 100,000	$ 0	$ 100,000
Housing Authority Line of Credit - Franklin Synergy Bank	500,000	Variable %	6/6/2019	6/6/2021	0	412,818	2,818	0	410,000
Total Franklin Housing Authority Other Loans Payable					$ 200,000	$ 412,818	$ 102,818	$ 0	$ 510,000

Notes to Schedule:

(1) The above Housing Trust Fund Grant Note is treated as a forgivable loan that would only be required to be repaid if the Housing Authority defaults on the Loan. As long as the Housing Authority does not default, this Grant Note is forgiven annually at a rate of twenty percent of the original principal sum due under the Grant Note until it is fully forgiven.

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – BALANCE SHEET
DECEMBER 31, 2019

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.267 Continuum of Care Program	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	$993,258		$102,833	$668,430	$7,586		$4,142	$1,776,249		$1,776,249
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted	$39,362		$98,713	$308,315			$8,984	$455,374		$455,374
114 Cash - Tenant Security Deposits	$13,930			$12,163				$26,093		$26,093
115 Cash - Restricted for Payment of Current Liabilities				$443,771				$443,771		$443,771
100 Total Cash	$1,046,550	$0	$201,546	$1,432,679	$7,586	$0	$13,126	$2,701,487	$0	$2,701,487
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	$2,710				$98,511			$101,221		$101,221
124 Accounts Receivable - Other Government										
125 Accounts Receivable - Miscellaneous	$560,147			$132,606				$692,753	-$560,000	$132,753
126 Accounts Receivable - Tenants	$14,469			$5,727				$20,196		$20,196
126.1 Allowance for Doubtful Accounts -Tenants	-$2,805			$0				-$2,805		-$2,805
126.2 Allowance for Doubtful Accounts - Other	$0			$0	$0			$0		$0
127 Notes, Loans, & Mortgages Receivable - Current	$27,706							$27,706	-$27,706	$0
128 Fraud Recovery			$6,490					$6,490		$6,490
128.1 Allowance for Doubtful Accounts - Fraud			-$6,490					-$6,490		-$6,490
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	$602,227	$0	$0	$138,333	$98,511	$0	$0	$839,071	-$587,706	$251,365
131 Investments - Unrestricted	$434,757							$434,757		$434,757
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	$13,798							$13,798		$13,798
143 Inventories	$21,244							$21,244		$21,244
143.1 Allowance for Obsolete Inventories	-$3,363							-$3,363		-$3,363
144 Inter Program Due From	$50,101			$37,930				$88,031	-$88,031	$0
145 Assets Held for Sale				$159,950				$159,950		$159,950
150 Total Current Assets	$2,165,314	$0	$201,546	$1,768,892	$106,097	$0	$13,126	$4,254,975	-$675,737	$3,579,238
161 Land	$543,475			$38,814				$582,289		$582,289
162 Buildings	$11,407,220			$2,190,779				$13,597,999		$13,597,999
163 Furniture, Equipment & Machinery - Dwellings	$0			$0				$0		$0
164 Furniture, Equipment & Machinery - Administration	$507,781			$83,837				$591,618		$591,618
165 Leasehold Improvements	$0			$1,560,000				$1,560,000		$1,560,000
166 Accumulated Depreciation	-$8,435,449			-$413,701				-$8,849,150		-$8,849,150
167 Construction in Progress				$11,282,684				$11,282,684		$11,282,684
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	$4,023,027	$0	$0	$14,742,413	$0	$0	$0	$18,765,440	$0	$18,765,440
171 Notes, Loans and Mortgages Receivable - Non-Current	$3,718,135							$3,718,135	-$787,970	$2,930,165
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current										
174 Other Assets				$770,750				$770,750		$770,750
176 Investments in Joint Ventures	$0			$1,560,000				$1,560,000		$1,560,000
180 Total Non-Current Assets	$7,741,162	$0	$0	$17,073,163	$0	$0	$0	$24,814,325	-$787,970	$24,026,355

Franklin Housing Authority
Financial Data Schedule – Balance Sheet
December 31, 2019

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.267 Continuum of Care Program	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	Subtotal	ELIM	Total
200 Deferred Outflow of Resources										
290 Total Assets and Deferred Outflow of Resources	$9,906,476	$0	$201,546	$18,842,055	$106,097	$0	$13,126	$29,069,300	-$1,463,707	$27,605,593
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	$44,223			$738,057	$4,097			$786,377		$786,377
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	$12,549							$12,549		$12,549
322 Accrued Compensated Absences - Current Portion	$12,704		$96	$7,723	$2,473			$22,996		$22,996
324 Accrued Contingency Liability										
325 Accrued Interest Payable										
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	$66,580							$66,580		$66,580
341 Tenant Security Deposits	$13,930			$12,163				$26,093		$26,093
342 Unearned Revenue	$3,949			$9,811				$13,760		$13,760
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				$5,882,237				$5,882,237		$5,882,237
344 Current Portion of Long-term Debt - Operating Borrow ings	$27,706			$27,706				$55,412	-$27,706	$27,706
345 Other Current Liabilities				$585,681				$585,681	-$560,000	$25,681
346 Accrued Liabilities - Other										
347 Inter Program - Due To					$88,031			$88,031	-$88,031	$0
348 Loan Liability - Current	$510,000			$100,000				$610,000		$610,000
310 Total Current Liabilities	$691,641	$0	$96	$7,363,378	$94,601	$0	$0	$8,149,716	-$675,737	$7,473,979
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$0			$3,927,685				$3,927,685		$3,927,685
352 Long-term Debt, Net of Current - Operating Borrow ings	$787,970			$787,970				$1,575,940	-$787,970	$787,970
353 Non-current Liabilities - Other	$39,362		$1,541	$11,400				$52,303		$52,303
354 Accrued Compensated Absences - Non Current	$29,642		$224	$18,021	$5,772			$53,659		$53,659
355 Loan Liability - Non Current	$0							$0		$0
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities										
350 Total Non-Current Liabilities	$856,974	$0	$1,765	$4,745,076	$5,772	$0	$0	$5,609,587	-$787,970	$4,821,617
300 Total Liabilities	$1,548,615	$0	$1,861	$12,108,454	$100,373	$0	$0	$13,759,303	-$1,463,707	$12,295,596
400 Deferred Inflow of Resources										
508.4 Net Investment in Capital Assets	$4,023,027	$0	$0	$4,932,491	$0			$8,955,518		$8,955,518
511.4 Restricted Net Position	$0	$0	$97,172	$296,915	$0		$8,984	$403,071		$403,071
512.4 Unrestricted Net Position	$4,334,834	$0	$102,513	$1,504,195	$5,724	$0	$4,142	$5,951,408		$5,951,408
513 Total Equity - Net Assets / Position	$8,357,861	$0	$199,685	$6,733,601	$5,724	$0	$13,126	$15,309,997	$0	$15,309,997
600 Total Liabilities, Deferred Inflow s of Resources and Equity - Net	$9,906,476	$0	$201,546	$18,842,055	$106,097	$0	$13,126	$29,069,300	-$1,463,707	$27,605,593

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2019

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.267 Continuum of Care Program	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$542,387			$509,404	$8,775			$1,060,566		$1,060,566
70400 Tenant Revenue - Other	$54,120							$54,120		$54,120
70500 Total Tenant Revenue	$596,507	$0	$0	$509,404	$8,775	$0	$0	$1,114,686	$0	$1,114,686
70600 HUD PHA Operating Grants	$1,319,489	$42,297	$936,024		$380,831	$39,549	$69,166	$2,787,356		$2,787,356
70610 Capital Grants	$0							$0		$0
70710 Management Fee										
70720 Asset Management Fee										
70730 Book Keeping Fee										
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue								$0	$0	$0
70800 Other Government Grants				$220,000				$220,000		$220,000
71100 Investment Income - Unrestricted	$15,536		$25	$80				$15,641		$15,641
71200 Mortgage Interest Income	$117,417							$117,417		$117,417
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery										
71500 Other Revenue	$1,110,147		$6,692	$706,906				$1,823,745		$1,823,745
71600 Gain or Loss on Sale of Capital Assets	$500							$500		$500
72000 Investment Income - Restricted										
70000 Total Revenue	$3,159,596	$42,297	$942,741	$1,436,390	$389,606	$39,549	$69,166	$6,079,345	$0	$6,079,345
91100 Administrative Salaries	$408,185		$40,852	$296,219	$104,136			$849,392		$849,392
91200 Auditing Fees	$22,842							$22,842		$22,842
91300 Management Fee										
91310 Book-keeping Fee										
91400 Advertising and Marketing										
91500 Employee Benefit contributions - Administrative	$144,823		$10,449	$74,957	$29,796			$260,025		$260,025
91600 Office Expenses	$124,124		$1,749	$80,454	$8,728			$215,055		$215,055
91700 Legal Expense	$19,298			$1,278	$500			$21,076		$21,076
91800 Travel	$45,426			$3,534				$48,960		$48,960
91810 Allocated Overhead										
91900 Other				$21,153				$21,153		$21,153
91000 Total Operating - Administrative	$764,698	$0	$53,050	$477,595	$143,160	$0	$0	$1,438,503	$0	$1,438,503
92000 Asset Management Fee										
92100 Tenant Services - Salaries		$40,330				$39,549		$79,879		$79,879
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services										
92400 Tenant Services - Other	$315	$1,967		$8,165				$10,447		$10,447
92500 Total Tenant Services	$315	$42,297	$0	$8,165	$0	$39,549	$0	$90,326	$0	$90,326
93100 Water	$125,794			$53,433	$2,704			$181,931		$181,931
93200 Electricity	$238,241			$90,676	$6,132			$335,049		$335,049
93300 Gas	$49,248			$5,976	$239			$55,463		$55,463

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2019

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.267 Continuum of Care Program	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	Subtotal	ELIM	Total
93400 Fuel										
93500 Labor										
93600 Sewer					$111			$111		$111
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense										
93000 Total Utilities	$413,283	$0	$0	$150,085	$9,186	$0	$0	$572,554	$0	$572,554
94100 Ordinary Maintenance and Operations - Labor	$244,344			$0				$244,344		$244,344
94200 Ordinary Maintenance and Operations - Materials and Other	$82,564			$18,442				$101,006		$101,006
94300 Ordinary Maintenance and Operations Contracts	$281,130		$198	$134,989	$1,871			$418,188		$418,188
94500 Employee Benefit Contributions - Ordinary Maintenance	$75,187							$75,187		$75,187
94000 Total Maintenance	$683,225	$0	$198	$153,431	$1,871	$0	$0	$838,725	$0	$838,725
95100 Protective Services - Labor										
95200 Protective Services - Other Contract Costs										
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services										
95000 Total Protective Services	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
96110 Property Insurance	$72,385			$13,716				$86,101		$86,101
96120 Liability Insurance	$7,706			$1,467				$9,173		$9,173
96130 Workmen's Compensation	$3,553							$3,553		$3,553
96140 All Other Insurance										
96100 Total insurance Premiums	$83,644	$0	$0	$15,183	$0	$0	$0	$98,827	$0	$98,827
96200 Other General Expenses	$10			$5,900				$5,910		$5,910
96210 Compensated Absences										
96300 Payments in Lieu of Taxes	$31,766							$31,766		$31,766
96400 Bad debt - Tenant Rents	$9,569			$9,373	$197			$19,139		$19,139
96500 Bad debt - Mortgages										
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	$41,345	$0	$0	$15,273	$197	$0	$0	$56,815	$0	$56,815
96710 Interest of Mortgage (or Bonds) Payable				$54,336				$54,336		$54,336
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	$0	$0	$0	$54,336	$0	$0	$0	$54,336	$0	$54,336
96900 Total Operating Expenses	$1,986,510	$42,297	$53,248	$874,068	$154,414	$39,549	$0	$3,150,086	$0	$3,150,086
97000 Excess of Operating Revenue over Operating Expenses	$1,173,086	$0	$889,493	$562,322	$235,192	$0	$69,166	$2,929,259	$0	$2,929,259
97100 Extraordinary Maintenance										
97200 Casualty Losses - Non-capitalized	$2,000							$2,000		$2,000
97300 Housing Assistance Payments			$739,129		$229,468		$68,888	$1,037,485		$1,037,485
97350 HAP Portability-In										

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2019

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.267 Continuum of Care Program	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	Subtotal	ELIM	Total
97400 Depreciation Expense	$373,284			$87,156				$460,440		$460,440
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	$2,361,794	$42,297	$792,377	$961,224	$383,882	$39,549	$68,888	$4,650,011	$0	$4,650,011
10010 Operating Transfer In	$440,523							$440,523	-$440,523	$0
10020 Operating transfer Out	-$440,523							-$440,523	$440,523	$0
10030 Operating Transfers from/to Primary Government										
10040 Operating Transfers from/to Component Unit	$394,901			-$394,901				$0		$0
10050 Proceeds from Notes, Loans and Bonds										
10060 Proceeds from Property Sales										
10070 Extraordinary Items, Net Gain/Loss										
10080 Special Items (Net Gain/Loss)				$3,446,667				$3,446,667		$3,446,667
10091 Inter Project Excess Cash Transfer In										
10092 Inter Project Excess Cash Transfer Out										
10093 Transfers between Program and Project - In										
10094 Transfers between Project and Program - Out										
10100 Total Other financing Sources (Uses)	$394,901	$0	$0	$3,051,766	$0	$0	$0	$3,446,667	$0	$3,446,667
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$1,192,703	$0	$150,364	$3,526,932	$5,724	$0	$278	$4,876,001	$0	$4,876,001
11020 Required Annual Debt Principal Payments	$22,854	$0	$0	$75,169	$0	$0	$0	$98,023		$98,023
11030 Beginning Equity	$7,165,158	$0	$62,169	$3,206,669	$0	$0	$0	$10,433,996		$10,433,996
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			-$12,848				$12,848	$0		$0
11050 Changes in Compensated Absence Balance										
11060 Changes in Contingent Liability Balance										
11070 Changes in Unrecognized Pension Transition Liability										
11080 Changes in Special Term/Severance Benefits Liability										
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents										
11100 Changes in Allowance for Doubtful Accounts - Other										
11170 Administrative Fee Equity			$102,513					$102,513		$102,513
11180 Housing Assistance Payments Equity			$97,172					$97,172		$97,172
11190 Unit Months Available	2676		1800	1200	600		192	6468		6468
11210 Number of Unit Months Leased	2417		1655	1186	600		78	5936		5936
11270 Excess Cash	$1,237,090							$1,237,090		$1,237,090
11610 Land Purchases	$0							$0		$0
11620 Building Purchases	$0							$0		$0
11630 Furniture & Equipment - Dwelling Purchases	$0							$0		$0
11640 Furniture & Equipment - Administrative Purchases	$24,650							$24,650		$24,650
11650 Leasehold Improvements Purchases	$0							$0		$0
11660 Infrastructure Purchases	$0							$0		$0
13510 CFFP Debt Service Payments	$0							$0		$0
13901 Replacement Housing Factor Funds	$0							$0		$0

FRANKLIN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED DECEMBER 31, 2019

Federal Grantor	CFDA Number	Contract Number	Expenditures
Federal Awards			
US Department of Housing and Urban Development (HUD):			
Continuum of Care Program	14.267		$ 380,831
Total Continuum of Care Program			**380,831**
Low Rent Public Housing	14.850	TN035-00000118D	2,151
Low Rent Public Housing	14.850	TN035-00000119D	876,815
Total Low Rent Public Housing Program			**878,966**
Resident Opportunity and Self Sufficiency	14.870	ROSS170010	42,297
Total Resident Opportunity and Self Sufficiency			**42,297**
Section 8 Housing Choice Voucher Program	14.871		936,024
Mainstream Vouchers Program	14.879		69,166
Total Housing Voucher Cluster			**1,005,190**
Capital Fund Program	14.872	TN40P035501-19	440,523
Total Capital Fund Program			**440,523**
Family Self-Sufficiency Program	14.896	FSS18TN2095	39,549
Total Resident Opportunity and Self Sufficiency			**39,549**
TOTAL FEDERAL AWARDS EXPENDED			**$ 2,787,356**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Authority under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is *presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

<u>Independent Auditor's Report</u>

To the Board of Commissioners
Franklin Housing Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Franklin Housing Authority (the "Authority"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 10, 2020.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henderson & Pilleteri, LLC

Birmingham, AL
December 10, 2020

Henderson & Pilleteri, LLC | 200 Chase Park South | Suite 220 | Birmingham, AL 35244
Phone 205.982.0992 | Fax 205.982.0997 | hendersoncpa.com

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

<u>Independent Auditor's Report</u>

To the Board of Commissioners
Franklin Housing Authority

Report on Compliance for Each Major Federal Program
We have audited the Franklin Housing Authority's (the "Authority") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2019. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program
In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance
Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Henderson & Pilleteri, LLC | 200 Chase Park South | Suite 220 | Birmingham, AL 35244
Phone 205.982.0992 | Fax 205.982.0997 | hendersoncpa.com

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Henderson & Pilleteri, LLC

Birmingham, AL
December 10, 2020

FRANKLIN HOUSING AUTHORITY
SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS
FOR YEAR ENDED DECEMBER 31, 2019

Financial Statement Findings

Finding Number	Finding Title	Status
2018-001	Material Weakness in Internal Control over Financial Reporting	Corrected

Major Program Audit Findings

None

FRANKLIN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED DECEMBER 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Are any material weaknesses identified?	____ Yes x No
Are any significant deficiencies identified?	____ Yes x None Reported
Is any noncompliance material to financial statements noted?	____ Yes x No

Federal Awards

Internal control over major federal programs:	
Are any material weaknesses identified?	____ Yes x No
Are any significant deficiencies identified?	____ Yes x None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes x No

Identification of major federal programs:
Housing Voucher Cluster
Section 8 Housing Choice Voucher Program (CFDA No. 14.871)
Mainstream Vouchers Program (CFDA No. 14.879)
Public Housing Capital Fund Program (CFDA No. 14.872)

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	____ Yes x No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings

None

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CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Commissioners
Franklin Housing Authority

Independent Accountant's Report on Applying Agreed-Upon Procedure

We have performed the procedure enumerated in the second paragraph, which was agreed to by the Franklin Housing Authority (the Housing Authority) and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), on whether the electronic submission of certain information agrees with related hard copy documents included within the Single Audit reporting package. The Housing Authority is responsible for the accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the chart below under "UFRS Rule Information" column with the corresponding printed documents listed in the chart under the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart below.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the electronic submission of the items listed in the "UFRS Rule Information" column in the chart below. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

We were engaged to perform an audit in accordance with 2 CFR 200 Subpart F, Audit Requirements, for the Housing Authority as of and for the year ended December 31, 2019, and have issued our reports thereon dated December 10, 2020. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Housing Authority's Financial Data Schedule (FDS) dated December 10, 2020, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the reporting package required by OMB, which includes the auditor's reports, is available in its entirety from the Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports.

This report is intended solely for the information and use of the Housing Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

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Procedure	UFRS Rule Information	Hard Copy Documents	Agrees	Does Not Agree
1	Balance Sheet and Revenue and Expense	Financial Data Schedule, all CFDAs, If applicable	X	
2	Footnotes	Footnotes to audited basic financial statements	X	
3	Type of opinion on FDS	Auditor's supplemental report on FDS	X	
4	Audit findings narrative	Schedule of Findings and Questioned Costs	X	
5	General Information	OMB Data Collection Form	X	
6	Financial Statement report information	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
7	Federal program report information	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
8	Type of Compliance Requirement	OMB Data Collection Form	X	
9	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	X	

Henderson & Pilleteri, LLC

Birmingham, AL
December 10, 2020