

**Community Housing Partnership of Williamson County,
Inc.**

Financial Statements

June 30, 2011

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McKerley & Noonan, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Community Housing Partnership of Williamson County, Inc.
Franklin, Tennessee

We have audited the accompanying statement of financial position of Community Housing Partnership of Williamson County, Inc. (a nonprofit organization) as of June 30, 2011 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Housing Partnership of Williamson County, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

McKerley & Noonan

McKerley & Noonan, P.C.
November 18, 2011

Community Housing Partnership of Williamson County, Inc.

Statement of Financial Position

June 30, 2011

Assets

Current Assets:

Cash in Bank	\$ 107,677
Marketable Securities	107,446
Accounts Receivable - Net	10,561
Inventory of Rehabilitation Homes	245,917
Contributions Receivable - United Way	55,000
Total Current Assets	<u>526,601</u>

Fixed Assets:

Land	156,777
Buildings	1,642,928
Office Furniture and Equipment	24,375
Less: Accumulated Depreciation	(531,189)
Net Fixed Assets	<u>1,292,891</u>

Other Assets

Note Receivable - Other	10,692
Notes Receivable - Property Sales	800,535
Discount on Notes Receivable - Property Sales	(655,581)
Total Other Assets	<u>155,646</u>

Total Assets	<u><u>\$ 1,975,138</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 12,335
Tenants' Deposits	6,300
Payroll Liabilities	2,905
Grant Payable	132,861
Line of Credit	139,279
Current Portion of Long-Term Debt	145,435
Total Current Liabilities	<u>439,115</u>

Long-Term Debt	<u>273,038</u>
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Total Liabilities	712,153
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Net Assets:

Unrestricted Net Assets	1,207,985
Temporarily Restricted Net Assets	55,000
Total Net Assets	<u>1,262,985</u>

Total Liabilities and Net Assets	<u><u>\$ 1,975,138</u></u>
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Community Housing Partnership of Williamson County, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions	\$ -	\$ 259	\$ 259
United Way	-	55,000	55,000
In-Kind Contributions	10,140	-	10,140
Grant Income	-	189,170	189,170
Rental Income	201,863	-	201,863
Net Loss from Property Sales	(10,574)	-	(10,574)
Other Income	6,444	-	6,444
Interest Income	7,416	-	7,416
Unrealized Gain on Investments	7,445	-	7,445
Net Assets Released from Restriction	239,429	(239,429)	-
Total Revenues and Support	<u>462,164</u>	<u>5,000</u>	<u>467,164</u>
Expenses:			
Program Services	334,332	-	334,332
General and Administrative	65,082	-	65,082
Total Expenses	<u>399,414</u>	<u>-</u>	<u>399,414</u>
Change in Net Assets	62,750	5,000	67,750
Net Assets, Beginning of the Year	<u>1,145,235</u>	<u>50,000</u>	<u>1,195,235</u>
Net Assets - End of the Year	<u><u>\$ 1,207,985</u></u>	<u><u>\$ 55,000</u></u>	<u><u>\$ 1,262,985</u></u>

**Community Housing Partnership
of Williamson County, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2011**

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 67,750
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	58,195
Amortization of Discount on Notes Receivable	(6,902)
Unrealized Gain on Investments	(7,445)
Loss on Property Sales	12,579
Increase in Accounts and Notes Receivable	(14,501)
Decrease in Inventory of Rehabilitation Homes	(87,824)
Increase in Accounts Payable and Other Liabilities	40,735
Total Adjustments	<u>(5,163)</u>
Net Cash Provided by Operating Activities	62,587
 Cash Flows from Investing Activities	
Purchase of Marketable Securities	(100,000)
Proceeds from Sale of Rental Property	124,382
Purchase of Fixed Assets	(23,803)
Net Cash Provided by Investing Activities	<u>579</u>
 Cash Flows from Financing Activities	
Proceeds from Short-Term Borrowings	139,279
Payments on Long-Term Debt	(308,183)
Net Cash Used for Financing Activities	<u>(168,904)</u>
 Net Decrease in Cash	(105,738)
 Cash, Beginning of the Year	<u>213,415</u>
 Cash, End of Year	<u><u>\$ 107,677</u></u>
 Supplemental Cash Flow Information:	
Interest Paid	\$ 4,433

Community Housing Partnership of Williamson County, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2011

	Program Services	General and Administrative	Total
Salaries and Benefits	\$ 135,787	\$ 31,851	\$ 167,638
Community Rehabilitation Expenses	55,292	-	55,292
Scholarships	659	-	659
Bad Debt Expense	10,432	-	10,432
Professional Services	5	7,869	7,874
Utilities	4,238	-	4,238
Maintenance and Repairs	26,249	677	26,926
Insurance	11,906	4,508	16,414
Office Expense and Supplies	7,094	1,664	8,758
Property Taxes	10,335	-	10,335
Rent	9,867	2,314	12,181
Depreciation	47,138	11,057	58,195
Mileage	2,451	575	3,026
Training, Meetings and Dues	2,567	602	3,169
Interest	2,339	2,094	4,433
Other Expenses	7,974	1,870	9,844
Total Functional Expenses	\$ 334,332	\$ 65,082	\$ 399,414

Community Housing Partnership of Williamson County, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 1 - Description and Purpose of Organization

Community Housing Partnership of Williamson County, Inc. (the Organization) is a non-profit organization in Williamson County, Tennessee. The Organization's mission is to provide affordable housing in Williamson County to low and moderate income families.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned and expenses are recorded when incurred. The significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

For financial statement presentation, the Organization reports its financial information according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets are donations that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2011 temporarily restricted net assets of \$55,000 represent funds restricted for Community Rehabilitation expenses.

Community Housing Partnership of Williamson County, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Permanently Restricted Net Assets

Permanently restricted net assets are donations subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2011, there were no permanently restricted net assets.

Marketable Securities

The Organization invested \$100,000 primarily in stock and bond mutual funds held at Morgan Stanley. The value of the investments and increased \$7,446 during the fiscal year ended June 30, 2011.

Accounts Receivable

Accounts receivable represents rent income owed to the Organization at June 30, 2011. Management has estimated an allowance for bad debts of \$3,000 against these receivables as of June 30, 2011.

Contributions Receivable – United Way

United Way has committed to funding \$55,000 during fiscal year 2012 for community rehabilitation expenses.

Inventory of Rehabilitation Homes

The Organization occasionally purchases residential homes, rehabs the homes and then sales the homes to qualified individuals for a small profit. The profit from these homes is reinvested into the mission of the Organization. At June 30, 2011, the Organization had several of these homes that were still in a stage of rehabilitation. The Organization plans to sale these homes in fiscal 2012.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Community Housing Partnership of Williamson County, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

The Internal Revenue Service recognizes the Organization as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and has classified it as other than a private foundation as defined in Code Section 590(a). Therefore, no provision for federal or state income taxes is applicable.

The Organization follows the guidance in ASC 740 on accounting for uncertainty in income taxes (formerly FIN 48). For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. With few exceptions, the Organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2007. The Organization incurred no interest or penalties during the year ended June 30, 2011.

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs. No amounts have been recognized in the accompanying financial statements because the criteria for recognition of such volunteer effort under SFAS No. 116, Accounting for Contributions Received and Contributions Made, have not been satisfied.

In-Kind Contributions

The Organization receives office space rent for \$1 a year from Williamson County, Tennessee. The value of this free rent is estimated to be \$10,140 and has been recorded as in-kind contributions and rent expense in the statement of activities.

Fair Value Measurements

The Organization follows the guidance in ASC 820, Fair Value Measurements. This standard defines fair value, provides guidance for measuring fair value, and requires certain disclosures. The standard utilizes a fair value hierarchy which is categorized into three levels based on the inputs to the valuation techniques used to measure fair value. The standard does not require any new fair value measurements, but discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The Organization's investments are measured on a recurring basis at fair value at the reporting date using quoted prices in active markets for identical assets (Level 1).

Community Housing Partnership of Williamson County, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 3 – Notes Payable

Notes payable consists of the following at June 30, 2011:

A line of credit with Regions Bank for \$75,000 with interest at 2.05% above the bank's prime rate maturing February 2012.	\$50,567
A mortgage note payable with Tennessee Commerce Bank with interest at 4% below Prime and monthly payments of \$955 maturing March 2012.	65,179
A mortgage note payable with Tennessee Commerce Bank with interest at 4% below Prime and monthly payments of \$2,478 maturing March 2012.	168,968
A line of credit with US Bank with interest at 1% above the bank's prime rate and maturing July, 2012.	88,712
A \$210,000 mortgage note payable with Avenue Bank with interest at 4% below Prime and maturing August 2014.	184,326
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Total	<u>\$557,752</u>

Principal requirements of notes payable for the next five years consists of:

2012	284,714
2013	88,712
2014	0
2015	184,326
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Total	<u>\$ 557,752</u>

Note 4 – Credit Risk

The Organization maintains at various times cash balances in excess of \$250,000 in high credit quality banks, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. In addition, the Organization has credit risk associated with the purchase and rehab of residential homes. The Organization has risk that the homes may not sale in a timely fashion or at a desirable price.

Community Housing Partnership of Williamson County, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 5 – Retirement Plan

The Organization has adopted a defined contribution Simplified Employee Retirement Plan covering all eligible employees. Eligibility requirements are the employee must be at least 21 years old, performed services in at least three of the preceding five years, and whose compensation during the year was not less than \$450. The Organization made \$7,293 of contributions to the plan for the year ended June 30, 2011.

Note 6 – Notes Receivable – Property Sales

In previous years, the Organization received in-kind contributions for a portion of the value of residential homes from various developers building homes in Williamson County. The Organization immediately identified buyers for the homes. In each transaction, the Organization purchased the home from the developer at the reduced price and recognized an in-kind donation for the difference between the market value of the home and the reduced price, then immediately sold the home to a buyer for the market value of the home. The buyer of the home paid the Organization the reduced price immediately and signed a long-term note for the in-kind donation amount. These notes are interest free notes and mature beginning in 2042. These notes have been discounted at 5% and will be amortized into interest income over the life of the notes. The discount totaled \$655,581 at June 30, 2011.

Note 7 – Grants

The Organization has various grants from State and Local sources. In addition, the Organization received a Federal grant which is administered through the Tennessee Housing Development Agency. The grant which falls under the Neighborhood Stabilization Program (NSP) allows the Organization to purchase and redevelop foreclosed properties that might otherwise become sources of abandonment and blight. Once redeveloped, the properties are then sold to qualified residents at reduced prices. The Organization earns a 15% development fee for administering this grant. The amount of development fees earned during the year ended June 30, 2011 was \$65,073.

Note 8 – Commitments

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

Note 9 – Subsequent Events

Subsequent events have been evaluated through the financial statement date of November 18, 2011.

**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***

To the Board of Directors of
Community Housing Partnership of Williamson County, Inc.

We have audited the financial statements of Community Housing Partnership of Williamson County, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 18, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Community Housing Partnership of Williamson County, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of the 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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Community Housing Partnership of Williamson County, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

McKerley & Noonan

McKerley & Noonan, P.C.

Nashville, Tennessee

November 18, 2011