

**COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

## TABLE OF CONTENTS

Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13



# MCMURRAY, FOX & ASSOCIATES, PLLC CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Community Housing Partnership of Williamson County (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Housing Partnership of Williamson County as of June 30, 2019, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***McMurray, Fox & Associates***

McMurray, Fox & Associates, PLLC  
Hendersonville, Tennessee  
January 20, 2020

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019

ASSETS

Current assets	
Cash and cash equivalents	\$ 340,044
Marketable securities	288,591
Accounts and notes receivable, net	1,746
Inventory of rehabilitation homes	1,308,674
Contributions receivable - United Way	52,000
Escrow deposit	24,176
Total current assets	<u>2,015,231</u>
Property and equipment	
Land	269,602
Building	3,056,679
Equipment	66,663
Less: accumulated depreciation	<u>(1,231,892)</u>
Net property and equipment	2,161,052
Other assets	
Notes receivable - property sales	336,432
Discount on notes receivable - property sales	<u>(243,200)</u>
Total other assets	93,232
Total assets	<u><u>\$ 4,269,515</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 48,390
Tenants' deposits	12,200
Payroll liabilities	19,671
Lines of credit	277,225
Current portion of long-term debt	987,237
Total current liabilities	<u>1,344,723</u>
Long-term liabilities	
Long-term debt	<u>261,258</u>
Total long-term liabilities	261,258
Net assets	
Net assets without donor restrictions	2,611,534
Net assets with donor restrictions	<u>52,000</u>
Total net assets	2,663,534
Total liabilities and net assets	<u><u>\$ 4,269,515</u></u>

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues			
Grant income	\$ -	\$ 375,234	\$ 375,234
Contributions	-	15,948	15,948
In-kind contributions	47,054	-	47,054
Homebuyers counseling	22,199	-	22,199
Rental income	318,646	-	318,646
Net gain from property sales	206,517	-	206,517
Other income	5,264	-	5,264
Interest income	6,526	-	6,526
Unrealized gain (loss) on investment	6,749	-	6,749
Net assets released from restrictions	390,497	(390,497)	-
Total revenues	1,003,452	685	1,004,137
Expenses			
Program services	735,614	-	735,614
Management and general	101,113	-	101,113
Total expenses	836,727	-	836,727
Change in net assets	166,725	685	167,410
Net assets at beginning of year	2,444,809	51,315	2,496,124
Net assets at end of year	\$ 2,611,534	\$ 52,000	\$ 2,663,534

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

**COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services	Management and General	Total
Salaries and benefits	\$ 308,479	\$ 72,359	\$ 380,838
Payroll taxes	15,746	3,694	19,440
Total wages cost	324,225	76,053	400,278
Donations	700	-	700
Community rehabilitation expenses	97,111	-	97,111
Insurance	11,084	2,600	13,684
Office expense and supplies	21,361	5,011	26,372
Professional services	31,638	7,421	39,059
Interest	46,707	-	46,707
Mileage	2,737	642	3,379
Other	1,917	450	2,367
Rent	24,229	5,683	29,912
Training, meetings and dues	5,360	1,257	6,617
Maintenance & repairs	59,180	-	59,180
Property taxes	11,583	-	11,583
Depreciation	97,782	1,996	99,778
Total expenses	<u>\$ 735,614</u>	<u>\$ 101,113</u>	<u>\$ 836,727</u>

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

**COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Cash flows from operating activities:	
Increase/ (Decrease) in net assets	\$ 167,410
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	99,778
Amortization of discount on notes receivable	(4,440)
Unrealized gain on investment	(6,749)
(Increase)/ Decrease in accounts and notes receivable - other	5,612
(Increase)/ Decrease in inventory of rehabilitation homes	2,331,431
Increase/ (Decrease) in accounts payable and other liabilities	33,283
Increase/ (Decrease) in tenant deposits	1,400
Increase/ (Decrease) in payroll liabilities	17,507
Total adjustments	<u>2,477,822</u>
Net cash provided by operating activities	<u>2,645,232</u>
Cash flows from investing activities:	
Purchase of marketable securities	(163,444)
Escrow deposit	(4,176)
Purchase of fixed assets	<u>(468,988)</u>
Net cash used in investing activities	(636,608)
Cash flow from financing activities:	
Principal payments on notes payable	(4,451,658)
Proceeds from notes payable	2,347,535
Increase in lines of credit	251,200
Net cash used in financing activities	<u>(1,852,923)</u>
Net increase in cash and cash equivalents	155,701
Cash and cash equivalents at beginning of year	<u>184,343</u>
Cash and cash equivalents at end of year	<u><u>\$ 340,044</u></u>

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



COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Nature of Activities

Community Housing Partnership of Williamson County (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.

B. Basis of Accounting

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

C. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. All grants and contributions are considered with donor restrictions upon receipt and are commonly used within the same year. At June 30, 2019, the Organization had \$52,000 of net assets with donor restrictions which represents a United Way commitment for community rehabilitation expenses which will be paid monthly in fiscal year 2020.

D. Fair Value Measurement

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 or level 1 investments.

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. 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. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

G. Accounts Receivable

Accounts receivable results primarily from tenant rent and other promissory notes owed to the Organization at June 30, 2019. Accounts receivable are based on managements' evaluation of outstanding receivables at year end. Allowance for doubtful accounts, if any, is provided based on the review of outstanding receivables, management's historical experience, and economic conditions. Uncollectible accounts are expensed in the period such amounts are determined. At June 30, 2019, a reserve for uncollectible accounts of \$8,809 was recognized.

H. Marketable Securities

The Organization has \$288,591 primarily in stocks and bond mutual funds held at Morgan Stanley. An unrealized gain of \$6,749 was recognized in the financial statements.

I. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Property and equipment with a cost in excess of \$300 are capitalized. Property and equipment are depreciated using the straight-line method over the life of the asset, between three and thirty years. Depreciation expense for the year ended June 30, 2019 is \$99,778. Repair and maintenance costs are expensed as incurred.

Property includes 35 units that are currently being rented. Rental income was \$318,646 for the year ended June 30, 2019.

J. Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. 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 efforts, under ASC 958 Accounting for Contributions Received and Contributions Made, have not been satisfied.

See independent auditor's report.

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. In-Kind Contributions

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

The Organization recorded \$36,914 of interest as in-kind contribution and interest expense related to below market notes payable.

L. Accrued Time Off

The Organization allows for paid vacation and comp time. Payroll liabilities includes accrued time off of \$16,634 as of June 30, 2019.

M. Classification of Expenses

Expenses are classified by function as a measure of service efforts and accomplishments. Direct expenses are incurred for a single program and are allocated entirely to that function. Joint expenses are applicable to more than one function and are allocated on a time study of management and staff time as estimated by management.

N. Income Taxes

Community Housing Partnership of Williamson County is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code, therefore no provision for federal or state income taxes is applicable.

O. Inventory of Rehabilitation Homes and Grants to Homebuyers

The Organization purchases residential homes, rehabs the homes and then sells the homes to qualified individuals. The profit from these homes is reinvested into the mission of the Organization. At June 30, 2019, the Organization had six of these homes that were still in a stage of rehabilitation.

The Organization also sells some of these homes to qualified individuals at prices below the Organization's cost to purchase and rehabilitate the home. The difference is awarded as Grants to homebuyers.

P. New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities effective for fiscal years beginning after December 15, 2017. The new pronouncement primarily changes net asset presentation from three net asset classifications to net assets with and without donor restrictions. We adopted the new guidance July 1, 2018. The adoption did not have a material impact on our financial statements.

See independent auditor's report.

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. New Accounting Pronouncements (Continued)**

New Accounting Pronouncements (continued)

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that the Board adopts as of the specified effective date. Unless otherwise discussed, management believes the impact of any other recently issued standards that are not yet effective are either not applicable at this time or will not have a material impact on the financial statements upon adoption.

**NOTE 2 – CREDIT RISK**

The Organization maintains its cash in bank deposit accounts that at times may exceed the federal insured limit of \$250,000. In addition, the Organization has credit risk associated with the purchase and rehab of residential homes, with the risk of the housing market supporting the desired price and timeframe for sale.

**NOTE 3 – NOTES PAYABLE**

Notes payable consists of the following at June 30, 2019:

Note payable to Landmark Bank, secured by property, bearing interest equal to 1.25% with monthly interest payments and a final balloon payment of principal and interest due October 1, 2019.	\$ 374,572
Revolving note payable to US Bank, secured by property, bearing interest equal to 5.5% with monthly interest payments and final principal and interest due July 9, 2021.	18,861
Note payable to Pinnacle Bank, secured by property, bearing interest at WSJ Prime less 4.0% with monthly interest payments of \$277 and a final payment of principal and interest due August 15, 2019.	33,878
Note payable to Pinnacle Bank, secured by property, bearing interest at WSJ Prime less 4.0% with a final payment of principal and interest due January 15, 2021.	189,695
Note payable to Pinnacle Bank, secured by property, bearing interest at WSJ Prime less 4.0% with monthly interest payments of \$277 and a final payment of principal and interest due November 14, 2019.	34,959

See independent auditor's report.

**COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 – NOTES PAYABLE (CONTINUED)**

Note payable to Pinnacle Bank, secured by property, bearing interest at WSJ Prime less 4.0% with monthly interest payments of \$277 and a final payment of principal and interest due August 29, 2019.	34,575
Note payable to Pinnacle Bank, secured by property, bearing interest at WSJ Prime less 4.0% with annual principal payments of \$14,004 and a final payment of remaining principal and all interest due August 31, 2019.	82,688
Note payable to Reliant Bank, secured by property, bearing interest at 5.0%. The note is due on demand. If no demand, interest payments of \$309 are due monthly with remaining principal and interest due March 1, 2027.	23,011
Note payable to Reliant Bank, secured by property, bearing interest at 5.0%. The note is due on demand. If no demand, interest payments of \$318 are due monthly with remaining principal and interest due May 26, 2027.	24,747
Note payable to Reliant Bank, secured by property, bearing interest at 5.0%. The note is due on demand. If no demand, interest payments of \$334 are due monthly with remaining principal and interest due August 15, 2027.	26,066
Note payable to Reliant Bank, secured by property, bearing interest at 6.5%. The note is due on demand. If no demand, principal and interest is due at maturity of March 22, 2020.	111,343
Note payable to Reliant Bank, secured by property, bearing interest at WSJ Prime plus 1.0%. The note is due on demand. If no demand, principal and interest is due at maturity of April 15, 2020.	100,021
Note payable to Studio Bank, secured by property, bearing interest at WSJ Prime less 4.0% with monthly interest payments and a final payment of principal and interest due October 9, 2019.	118,766
Note payable to Walt and Beverly Totty, secured by property, bearing interest at 5%. Principal and interest is due at maturity based on development of the property.	75,313
Total Notes payable	1,248,495
Less: Current portion	987,237
Total Long-term debt	<u>\$ 261,258</u>

See independent auditor's report.

**COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 – NOTES PAYABLE (CONTINUED)**

Principal repayments for the next five years and after are as follows:

2020	\$ 987,237
2021	193,445
2022	3,750
2023	3,750
2024	3,750
Thereafter	56,563
Total	<u>\$1,248,495</u>

Several of the notes obtained by the Organization were issued at below market interest rates due to the nature of the projects and the Organization's status as a non profit. Interest on these notes has been imputed at 5% annually and amounted to \$36,914 for the year ended June 30, 2019.

**NOTE 4 – LINES OF CREDIT**

The Organization has a Line of Credit with Republic Bank bearing interest at 0% which auto renews annually. The balance outstanding on the line of credit at June 30, 2019 was \$199,199.

In addition, the Organization has a line of credit with Regions bank bearing interest at Regions Index plus 2.75% which renews automatically annually. The balance outstanding on this line of credit at June 30, 2019 was \$78,026.

**NOTE 5 – RETIREMENT PLAN**

The Organization has adopted a 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. For the year ended June 30, 2019, the Organization contributed \$12,566 to the retirement plan.

**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

See independent auditor's report.

**COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 – NOTES RECEIVABLE – PROPERTY SALES (CONTINUED)**

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 \$243,200 at June 30, 2019.

**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 U.S. Department of Housing and Urban Development allows the Organization to purchase and redevelop foreclosed properties that might otherwise become sources of abandonment and blight. Once redeveloped, the properties are then rented or sold to qualified residents at reduced prices.

**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 – LIQUIDITY**

The Organization's operating funds primarily come from grants, rental income and the sale of homes. They will continue to operate based on the availability of these funds moving forward.

**NOTE 10 – SUBSEQUENT EVENTS**

Community Housing Partnership of Williamson County has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2019 through January 20, 2020, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.