

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

Financial Statements

June 30, 2009

Table of Contents

Independent Auditors' Report	1
Statement of Financial Position.....	2
Statement of Activities and Changes in Net Assets.....	3
Statement of Cash Flows	4
Statement of Functional Expenses.....	5
Notes to Financial Statements	6

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, 2009 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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, 2009, 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.

McKerley & Noonan

McKerley & Noonan, P.C.
November 6, 2009

**Community Housing Partnership
of Williamson County, Inc.
Statement of Financial Position
June 30, 2009**

Assets

Current Assets:

Cash in Bank	\$ 119,421
Accounts Receivable - Net	5,055
Emergency Loans	4,660
Inventory of Rehabilitation Homes	331,501
Contributions Receivable - United Way	55,000
Total Current Assets	<u>515,637</u>

Fixed Assets:

Land	71,671
Buildings	1,289,146
Office Furniture and Equipment	23,595
Less: Accumulated Depreciation	(437,828)
Net Fixed Assets	<u>946,584</u>

Other Assets

Note Receivable - Former Employee	3,421
Notes Receivable - Property Sales	800,535
Discount on Notes Receivable - Property Sales	(669,057)
Total Other Assets	<u>134,899</u>

Total Assets	<u><u>\$ 1,597,120</u></u>
---------------------	----------------------------

Liabilities and Net Assets

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 22,054
Tenants' Deposits	4,900
Payroll Liabilities	4,523
Current Portion of Long-Term Debt	503,288
Total Current Liabilities	<u>534,765</u>

Long-Term Debt	<u>275,348</u>
----------------	----------------

Total Liabilities	810,113
--------------------------	---------

Net Assets:

Unrestricted Net Assets	732,007
Temporarily Restricted Net Assets	55,000
Total Net Assets	<u>787,007</u>

Total Liabilities and Net Assets	<u><u>\$ 1,597,120</u></u>
---	----------------------------

**Community Housing Partnership
Of Williamson County, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions	\$ 6,770	\$ 1,045	\$ 7,815
United Way	-	55,000	55,000
In-Kind Contributions	11,140	-	11,140
Local Grants	-	96,446	96,446
Rental Income	145,633	-	145,633
Development Fee	22,500	-	22,500
Net Profit from Property Sales	22,744	-	22,744
Other Income	1,515	-	1,515
Interest Income	8,164	-	8,164
Net Assets Released from Restriction	152,491	(152,491)	-
Total Revenues and Support	<u>370,957</u>	<u>-</u>	<u>370,957</u>
Expenses:			
Program Services	308,664	-	308,664
General and Administrative	46,098	-	46,098
Total Expenses	<u>354,762</u>	<u>-</u>	<u>354,762</u>
Change in Net Assets	16,195	-	16,195
Net Assets, Beginning of the Year			
As Previously Reported	590,595	55,000	645,595
Prior Period Adjustment (Note 8)	125,217	-	125,217
Net Assets, Beginning of the Year As Restated	<u>715,812</u>	<u>55,000</u>	<u>770,812</u>
Net Assets - End of the Year	<u>\$ 732,007</u>	<u>\$ 55,000</u>	<u>\$ 787,007</u>

**Community Housing Partnership
of Williamson County, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2009**

Cash Flows from Operating Activities:

Change in Net Assets \$ 16,195

**Adjustments to Reconcile Change in Net Assets
to Net Cash Provided by Operating Activities:**

Depreciation	45,637
Amortization of Discount on Notes Receivable	(6,261)
In-Kind Donation of Computer	(1,000)
Increase in Accounts and Notes Receivable	(3,889)
Increase in Inventory of Rehabilitation Homes	(331,501)
Increase in Accounts Payable and Other Liabilities	12,707

Total Adjustments	<u>(284,307)</u>
--------------------------	------------------

Net Cash Used by Operating Activities	<u>(268,112)</u>
--	------------------

Cash Flows from Investing Activities

Purchase of Fixed Assets	<u>(15,950)</u>
--------------------------	-----------------

Net Cash Used for Investing Activities	<u>(15,950)</u>
---	-----------------

Cash Flows from Financing Activities

Proceeds from Short-Term Borrowings	328,317
-------------------------------------	---------

Payments on Long-Term Debt	<u>(35,440)</u>
----------------------------	-----------------

Net Cash Used for Investing Activities	<u>292,877</u>
---	----------------

Net Decrease in Cash	8,815
-----------------------------	-------

Cash, Beginning of the Year	<u>110,606</u>
------------------------------------	----------------

Cash, End of Year	<u><u>\$ 119,421</u></u>
--------------------------	--------------------------

Supplemental Cash Flow Information:

Interest Paid	\$ 7,039
---------------	----------

**Community Housing Partnership
of Williamson County, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2009**

	Program Services	General and Administrative	Total
Salaries and Benefits	\$ 117,146	\$ 27,206	\$ 144,352
Community Rehabilitation Expenses	65,554	-	65,554
Bad Debt Expense	6,061	-	6,061
Professional Services	-	2,671	2,671
Utilities	8,188	-	8,188
Maintenance and Repairs	21,099	-	21,099
Insurance	12,610	1,261	13,871
Office Expense and Supplies	8,715	2,045	10,760
Property Taxes	6,948	-	6,948
Rent	9,868	2,315	12,183
Depreciation	36,966	8,671	45,637
Mileage	3,955	928	4,883
Training, Meetings and Dues	3,251	762	4,013
Interest	7,039	-	7,039
Other Expenses	1,264	239	1,503
Total Functional Expenses	\$ 308,664	\$ 46,098	\$ 354,762

Community Housing Partnership of Williamson County, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2009

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, 2009 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, 2009

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, 2009, there were no permanently restricted net assets.

Accounts Receivable

Accounts receivable represents rent income owed to the Organization at June 30, 2009. Management has estimated an allowance for bad debts of \$16,154 against these receivables as of June 30, 2009.

Emergency Loans

The Organization received a \$5,000 grant from The Community Foundation of Middle Tennessee. The purpose of the grant was to establish a lending fund to aid individuals reestablishing employment or housing. The Organization has used these funds to make emergency interest free loans to qualified individuals. The loans vary in amount depending on the needs of the individuals. Repayment terms occur typically over one to two years. Management believes all of the loans are fully collectible.

Contributions Receivable – United Way

United Way has committed to funding \$55,000 during fiscal year 2010 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, 2009, the Organization had purchased three of these homes that were in various stages of rehabilitation. The Organization plans to sale these homes in fiscal 2010.

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, 2009

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.

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 free 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. In addition, the Organization received a donation of computer equipment valued at \$1,000.

Fair Value Measurements

Effective January 1, 2008, the Organization adopted FASB SFAS No. 157, 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).

Note 3 – Notes Payable

Notes payable consists of the following at June 30, 2009:

A non-revolving construction loan with Regions Bank for \$140,000 with interest at 4% below the bank's commercial base rate maturing August 2009.	\$133,744
---	-----------

Community Housing Partnership of Williamson County, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2009

Note 3 – Notes Payable (Continued)

A mortgage note payable with Tennessee Commerce Bank with interest at 4% below Prime and monthly payments of \$955 maturing March 2012.	88,105
A mortgage note payable with Tennessee Commerce Bank with interest at 4% below Prime and monthly payments of \$2,478 maturing March 2012.	228,440
A mortgage note payable with Tennessee Commerce Bank with interest at 4% below Prime and matured May 2009.	121,017
A mortgage note payable with Tennessee Commerce Bank with interest at 7% and maturing November 2009	104,000
A mortgage note payable with Tennessee Commerce Bank interest at 4% below Prime and maturing December 2009.	<u>103,300</u>
Total	<u>\$778,606</u>

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

2010	\$ 503,288
2011	41,196
2012	234,152
2013	-
2014	-
Total	<u>\$ 778,636</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, 2009

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 \$6,352 of contributions to the plan for the year ended June 30, 2009.

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 \$669,057 at June 30, 2009.

Note 7 – 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 8 – Prior Period Adjustment

Beginning retained earnings has been adjusted to correctly reflect the discount on notes receivable – property sales.