NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2014

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

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Independent Auditor's Report

To the Board of Directors
New Level Community Development Corporation
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of New Level Community Development Corporation (the Corporation), a non-profit organization, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, 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 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 Corporation'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 Corporation'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.

James E. Hamilton : Jeffrey J. Hausman : Ronald T. Wood : Jami A. Pope : Stephanie A. Richerson : Troy J. Tschantz

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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 New Level Community Development Corporation, a non-profit organization, as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 November 3, 2015 on our consideration of the Corporation'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 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 the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Puryear, Hamilton, Hausman & Wood, PLC.

Franklin, Tennessee

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2014

Assets

Current assets:	
Cash and cash equivalents:	
Unrestricted	$ 310,416
Temporarily restricted	15,611
Restricted cash	31,327
Grants receivable	93,227
Prepaid insurance	1,189
Other receivable	1,080
Total current assets	452,850
Real estate held for sale	26,869
Property and equipment, net	1,409,620
Total assets	$ 1,889,339

Liabilities and Net Assets

Current liabilities:	
Current portion of notes payable	$ 4,667
Prepaid rent	1,453
Accounts payable	71,060
Employee benefits and payroll taxes payable	1,000
Security deposits	6,327
Due to consortium members	25,000
Total current liabilities	109,507
Long-term portion of notes payable	55,611
Total liabilities	165,118
Net assets:	
Unrestricted	1,708,610
Temporarily restricted	15,611
Total net assets	1,724,221
Total liabilities and net assets	$ 1,889,339

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

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Grant revenues - Federal awards	$ 533,524	$ -	$ 533,524
Contributions	161,147	11,200	172,347
Rental income and fees	97,064	-	97,064
Program fees	5,185	-	5,185
Other income	1,078	-	1,078
Net assets released from restrictions:			
Satisfaction of program restrictions	23,023	(23,023)	-
Total support and revenues	821,021	(11,823)	809,198
Expenses:			
Program services	252,832	-	252,832
Management and general	27,464	-	27,464
Total expenses	280,296	-	280,296
Increase (decrease) in net assets	540,725	(11,823)	528,902
Net assets at beginning of year	1,167,885	27,434	1,195,319
Net assets at end of year	$ 1,708,610	$ 15,611	$ 1,724,221

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

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Statement of Functional Expenses

For the Year Ended December 31, 2014

	Program Services				Supporting Services	
	Financial Education	Affordable Housing	Rental Housing	Total	Management and General	Total
Functional expenses:						
Accounting services	$ 4,072	$ 8,145	$ 3,258	$ 15,475	$ 815	$ 16,290
Advertising/marketing	1,433	1,075	1,075	3,583	-	3,583
Contracted services	7,605	8,872	7,605	24,082	1,267	25,349
Depreciation expense	-	-	21,925	21,925	1,500	23,425
Employee benefits	2,990	-	748	3,738	-	3,738
Equipment/equipment maintenance	3,009	5,028	651	8,688	206	8,894
Insurance	727	727	6,735	8,189	727	8,916
Licenses, fees, and dues	380	-	-	380	1,520	1,900
Matching expense	16,855	-	-	16,855	-	16,855
Meals/food	446	-	-	446	50	496
Office supplies	1,044	61	61	1,166	61	1,227
Other expenses	1,598	948	410	2,956	306	3,262
Payroll tax expense	3,115	1,500	2,091	6,706	1,250	7,956
Property maintenance	-	-	8,978	8,978	-	8,978
Property taxes	-	-	11,765	11,765	-	11,765
Salaries and wages	40,300	19,800	27,400	87,500	16,500	104,000
Rent expense - In kind (see Note 11)	23,109	1,481	2,074	26,664	2,962	29,626
Telephone expense	2,187	150	359	2,696	300	2,996
Training	389	434	217	1,040	-	1,040
Total functional expenses	$ 109,259	$ 48,221	$ 95,352	$ 252,832	$ 27,464	$ 280,296

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

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

For the Year Ended December 31, 2014

Operating activities:	
Increase in net assets	$ 528,902
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	23,425
Changes in operating assets and liabilities:	
(Increase) decrease in restricted cash	(1,480)
(Increase) decrease in other receivable	378
(Increase) decrease in grants receivable	(93,227)
Increase (decrease) in accounts payable	71,060
Increase (decrease) in security deposits	1,480
Increase (decrease) in prepaid rent	753
Increase (decrease) in employee benefits and payroll taxes payable	(1,087)
Net cash provided by operating activities	530,204
Investing activities:	
Purchase of property and equipment	(476,096)
Net cash used for investing activities	(476,096)
Financing activities:	
Repayment of notes payable	(4,666)
Net cash used for financing activities	(4,666)
Increase in cash and cash equivalents	49,442
Cash and cash equivalents at beginning of year	276,585
Cash and cash equivalents at end of year	$ 326,027

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

(1) Summary of Significant Accounting Policies

(a) General

New Level Community Development Corporation (the Corporation), a nonprofit organization, was formed on November 6, 2001. The Corporation is an outreach of Mt. Zion Baptist Church (Mt. Zion) that works to deliver solutions to the economic challenges plaguing the lives of people in the community it serves. Its services are delivered through financial empowerment programs, entrepreneurship training, and affordable housing programs that help families gain economic stability and self-sufficiency.

(b) Basis of Accounting

The financial statements of the Corporation are prepared using the accrual basis of accounting under which revenue is recognized when earned rather than collected and expenses are recognized when incurred rather than when disbursed.

(c) Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Corporation's Board of Directors.

Temporarily Restricted – Net assets whose use by the Corporation are subject to donor-imposed restrictions that can be fulfilled by actions of the Corporation pursuant to those restrictions or that expire by 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 and Changes in Net Assets as net assets released from restrictions.

(Continued)

Permanently Restricted – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on any related investments for general or specific purposes. No permanently restricted assets were held during 2014 and, accordingly, these financial statements do not reflect any activity related to this class of net assets for 2014.

(d) Use of Estimates

Preparation of the Corporation's financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual amounts may differ from these estimates.

(e) Cash Equivalents

For the purpose of the Statement of Financial Position and the Statement of Cash Flows, the Corporation considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

(f) Promises to Give

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional.

(g) Doubtful Promises to Give

The Corporation uses the allowance method to determine uncollectible unconditional promises to give. Management's estimate of doubtful accounts is based on historical collection experience and a review of the current status of promises to give. There is no allowance for doubtful promises to give at December 31, 2014. It is reasonably possible that management's estimate of the allowance for doubtful promises to give could change. Promises to give are charged against the allowance when management believes the collectability of the promise to give is unlikely. For the year ended December 31, 2014, no bad debt expense was recognized.

(h) Real Estate Held for Sale

Real estate held for sale consists of four undeveloped parcels of land to be sold in the future. The Corporation has decided that it would not be cost effective to develop these parcels for future homeownership opportunities; and, therefore, has no plans to develop these parcels. Real estate held for sale is recorded at the lower of its carrying value or fair value less cost to sell.

(Continued)

(i) Contributions and Support

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions, which are received as temporarily restricted, and whose restrictions are met within the same year, are shown as unrestricted support on a first-in, first-out basis.

(j) Property and Equipment

Property and equipment are recorded at cost, or at fair market value if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets that range from 5 to 40 years. The Corporation capitalizes all expenditures for property and equipment in excess of $500.

The Corporation reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at December 31, 2014.

(k) Income Taxes

The Corporation is exempt from federal income taxes under the Internal Revenue Code (the Code) Section 501(c)(3). Accordingly, federal income taxes are not provided for in the accompanying financial statements.

Contributions to the Corporation qualify for the charitable contributions deduction to the extent provided by Section 170 of the Code. The Corporation follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, as it relates to uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified in management and general expense in the Corporation's financial statements.

(l) Program Services

Program services include financial education, entrepreneurship training, homeownership education, affordable housing, rental housing, and matched savings.

(Continued)

(m) Grant Revenues

Grant funds that do not have donor imposed restrictions are reflected as unrestricted revenue since these funds are generally received and spent during the same year. Grant funds that have been designated by the donor for use by specific programs are reflected as temporarily restricted revenue.

(n) Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. No fundraising expenses were incurred during 2014.

(o) Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Corporation's programs. No amounts have been recognized in the accompanying financial statements because the criteria for recognition under FASB ASC 958-205 have not been satisfied.

(p) Advertising

Advertising costs are charged to expense as incurred. In 2014, advertising expense totaled $3,583.

(q) Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;

(Continued)

- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Corporation's significant financial instruments are cash and cash equivalents and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

(r) Subsequent Events

The Corporation has evaluated subsequent events through November 3, 2015, the date the financial statements were available to be issued.

(2) Restricted Cash

The Corporation has funds totaling $25,000 at December 31, 2014 that is due to various consortium members. The Corporation also maintains a restricted account for tenant security deposits which had a balance of $6,327 at December 31, 2014.

(Continued)

(3) Property and Equipment

A summary of property and equipment as of December 31, 2014 is as follows:

	Useful Lives (Years)	
Land held for lease		$ 224,725
Property held for lease	40	1,237,363
Computer hardware	5	8,558
Leasehold improvements	10 - 20	5,326
Furniture and fixtures	5 - 10	1,300
Other	5	4,698
		1,481,970
Less - Accumulated depreciation		(72,350)
		$1,409,620

Depreciation expense for the year ended December 31, 2014 totaled $23,425.

At December 31, 2014, the Corporation had executed short-term operating leases of one year or less on eighteen of its nineteen leasable units. As of December 31, 2014, accumulated depreciation for property held for lease was $58,477.

(4) Line of Credit

On August 27, 2013, the Corporation established a $132,000 line of credit with The Housing Fund, Inc. with an interest rate of 3.25% that matured on August 27, 2014. The line of credit was not renewed.

(5) Notes Payable

On May 30, 2012, the Corporation established a $70,000 line of credit with a bank with a maximum loan amount of $30,000 per house with a limit of 25% based on the lesser of cost plus renovations or appraised value. The interest rate is the Wall Street Journal Prime rate minus 4% with an interest Floor rate of 0%. As loans are advanced, there is a 180 day interest only period. Afterwards, principal and interest payments will begin based on a fifteen year amortization. The line matures on May 30, 2017.

During 2012, the Corporation had drawn $70,000 on the line of credit for renovations on four properties held for lease. Each of the four draws was converted to promissory notes with the same terms as the line of credit. Each loan is secured by the respective property, which had carrying values totaling approximately $350,100 at December 31, 2014, and each matures on May 30, 2017. There was no interest expense in 2014.

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Maturities of notes payable as of December 31, 2014 are summarized as follows:

2015	$ 4,667
2016	4,667
2017	50,944
	$ 60,278

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 are available for the following purposes:

Home Buyer, Financial Education, and Matched Savings Programs	$ 14,411
Technology grant	1,200
	$ 15,611

Net assets were released from donor restrictions by incurring expenses or purchasing property or equipment satisfying the purpose restrictions specified by donors at December 31, 2014 as follows:

Home Buyer, Financial Education, and Matched Savings Programs	$ 23,023

(7) Employee Benefits

The Corporation has established a 403(b)(7) pension plan (the Plan) for the Executive Director. The Corporation can make discretionary contributions to the Plan. There were no contributions made to the Plan for the year ended December 31, 2014.

(8) Concentrations of Credit Risk

The standard FDIC insurance amount is set at $250,000 per depositor per insured bank; and therefore, amounts in excess of this $250,000 held by the Corporation are uninsured and uncollateralized. The Corporation has not experienced any losses in such accounts and management believes the Corporation is not exposed to any significant credit risk related to cash.

A significant portion of the Corporation's revenue is derived from individuals, organizations, corporations, and agencies in middle Tennessee. At December 31, 2014, Mt. Zion had contributed approximately $159,000 (including the in-kind donation), which represents 20%, and the Metropolitan Development and Housing Agency

(Continued)

(MDHA) granted approximately $516,800, which represents 64% of total support and revenues.

(9) Income Taxes

The Corporation recognizes the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. Management has analyzed the Corporation’s tax positions and has concluded that no tax liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (2011 – 2013), or expected to be taken in the Corporation’s 2014 tax returns. The Corporation identifies its major tax jurisdictions as the U.S. Federal and the State of Tennessee. However, the Corporation is not currently under audit nor has the Corporation been contacted by any jurisdiction. The Corporation is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months.

During the year ended December 31, 2014, the Corporation did not recognize any material interest and penalties relating to taxes, nor were any accrued at December 31, 2014.

(10) Paid Time Off

Employees of the Corporation are entitled to paid time off (PTO), depending on job classification, length of service, and other factors. Unused PTO is forfeited at the end of the year. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Corporation’s policy is to recognize the costs of compensated absences when actually paid to employees.

(11) Related Party Transactions

The Corporation uses office space donated by Mt. Zion, and has recorded the fair market value of the office space as an in-kind donation of $29,626 in 2014, which is included in contributions. The Corporation has a bookkeeper who is related to a Board member. This bookkeeper received approximately $22,000 for contract labor

(12) Grants

On April 30, 2010, the Corporation entered into a $70,000 grant agreement with MDHA. Funding for this grant came from the Department of Housing and Urban Development’s HOME Investment Partnerships Program (HOME) set aside for Community Housing Development Organizations (CHDO). The Corporation used these funds to acquire and rehabilitate one single family home for affordable rental housing. Under the terms of the grant agreement, the Corporation has agreed to repay MDHA the full allocation of

(Continued)

CHDO funds if the property is sold during the “affordability period” (15 years from date of project completion). However, the Corporation has classified the property as held for lease and does not anticipate that the house will be sold during the “affordability period” and, therefore, no liability is reflected on these financial statements.

On April 15, 2011, the Corporation entered into a sub-developer agreement with The Fifteenth Avenue Baptist Community Development Corporation (the Developer) and MDHA. Under this agreement, the Developer engaged the Corporation as a developer to acquire, rehabilitate, and redevelop multiple residential units in target areas. The Corporation received Neighborhood Stabilization Program 2 (NSP2) funds of approximately $623,000 for the acquisition and redevelopment of property and related expenses eligible for funding under the NSP2 program. Funds do not have to be paid back as long as the properties are maintained for low income housing during the 15 year “affordability period.” The Corporation purchased eight homes under this grant agreement. The Corporation has classified the properties as held for lease and does not anticipate that the houses will be sold during the “affordability period,” and therefore, no liability is reflected on these financial statements.

On April 12, 2013, the Corporation entered into a grant agreement with MDHA through the HOME program for $599,747 for land acquisition and new construction of four duplexes of affordable housing for extremely low income individuals. The land was purchased during 2013, and construction was completed during 2014. Under the terms of the grant agreement, the Corporation has agreed to repay MDHA the full amount if the property is sold during the “affordability period” (twenty years from the date of project completion). However, the Corporation has classified the property as held for lease and does not anticipate that the property will be sold during the “affordability period,” and therefore, no liability is reflected on these financial statements.

(13) Subsequent Event

On March 31, 2015, the Corporation sold a lot classified as real estate held for sale for $90,000.

SUPPLEMENTARY INORMATION

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

Federal Grantor/ Pass-Through Grantor Agency	Program Name	CFDA No.	Pass-Through Entity Identifying Number	Grants (Receivable)/ Deferred Beginning of Year	Cash Receipts	Expenditures	Grants (Receivable)/ Deferred End of Year
U.S. Department of Health and Human Services:							
	Assets for Independence Program	93.602	N/A	$ -	$ 3,800	$ 3,800	$ -
U.S. Department of Housing and Urban Development:	Housing Counseling Assistance Program	14.169	N/A	-	12,964	12,964	-
Through Metropolitan Development and Housing Agency:							
	HOME Investment Partnerships Program	14.239	62-1873654	-	423,533	516,760	(93,227)
	Subtotal U.S. Department of Housing and Urban Development			-	436,497	529,724	(93,227)
	Total Federal awards			$ -	$ 440,297	$ 533,524	$ (93,227)

Note to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Corporation under programs of the federal government passed through from the Metropolitan Development and Housing Agency for the year ended December 31, 2014. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* . Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Corporation.

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Not-for-Profit Organizations* , wherein certain types of expenditures are not allowed or are limited as to reimbursement.

See independent auditor's report.

November 3, 2015

Independent Auditor's 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
New Level Community Development Corporation
Nashville, Tennessee

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 financial statements of New Level Community Development Corporation (the Corporation), a non-profit organization, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

James E. Hamilton : Jeffrey J. Hausman : Ronald T. Wood : Jami A. Pope : Stephanie A. Richerson : Troy J. Tschantz

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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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness (Finding 2014-003).

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies (Findings 2014-001 and 2014-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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*.

The Corporation's Response to Findings

The Corporation's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Puryear, Hamilton, Hausman & Wood, PLC.

Franklin, Tennessee

November 3, 2015

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Directors
New Level Community Development Corporation
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited New Level Community Development Corporation's (the Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2014. The Corporation'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 Corporation'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 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 Corporation's compliance with those

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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 Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation 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, 2014.

Report on Internal Control Over Compliance

Management of the Corporation 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 Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 OMB Circular A-133, 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 Corporation'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 compliance 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Puryear, Hamilton, Hausman & Wood, PLC.

Franklin, Tennessee

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2014

Section I Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	**Unmodified**	
Internal control over financial reporting:		
Material weakness(es) identified?	X yes	___ no
Significant deficiencies identified that are not considered to be material weakness(es)?	X yes	___ no
Noncompliance material to financial statements noted?	___ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	___ yes	X no
Significant deficiencies identified that are not considered to be material weakness(es)?	___ yes	X none reported
Type of auditor's report issued on compliance for major programs:	**Unmodified**	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.239	HOME Investment Partnerships Program

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Schedules of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2014

Section I Summary of Auditor's Results (continued)

Federal Awards (continued)

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	____ yes X no

Section II Financial Statement Findings

Finding No. 2014-001 – Preparation of Financial Statements

- ***Condition:*** The Corporation does not prepare its own financial statements and related notes.
- ***Criteria or specific requirement:*** The Corporation should prepare its own financial statements and related notes.
- ***Context:*** The Corporation does not prepare its own financial statements and related notes.
- ***Effect:*** The Corporation's financial reporting process is incomplete.
- ***Cause:*** Same as above.
- ***Recommendation:*** The Corporation should prepare its own financial statements and related notes.
- ***Views of Management:*** Management of the Corporation does not believe it to be cost effective for the Corporation to draft the annual financial reports. The Corporation does closely review, approve, and take responsibility for the annual financial reports, but will continue to rely on the auditors to draft all financial statements and related notes.

Finding No. 2014-002 – Segregation of Duties

- ***Condition:*** There is lack of segregation of duties among the Corporation's personnel.
- ***Criteria or specific requirement:*** Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

- ***Context:*** Due to limited personnel, the policies and procedures manual requires that all checks have two signatures, but this policy was not followed consistently throughout the year.
- ***Effect:*** Transactions could be mishandled.
- ***Cause:*** There is a limited number of personnel for certain functions.
- ***Recommendation:*** The duties should be separated as much as possible and the alternate control of a second signature of someone not involved in the internal control functions should be adhered to in order to compensate for the lack of separation of duties.
- ***Views of Management:*** Management of the Corporation will comply with the following updated board policy: Checks below $2,000 require only one signature by an approved and authorized signer. Checks above $2,000 require two signatures by authorized signers which include the Executive Director, Housing Development Specialist, Chair, Vice-Chair, or Treasurer. If a conflict of interest arises with one of the authorized signers they will be removed from the approved list.

Finding No. 2014-003 – Material Audit Adjustments

- ***Condition:*** Several material audit adjustments were proposed to various assets and liabilities.
- ***Criteria or specific requirement:*** Certain month-end and year-end steps should be performed to ensure accurate financial reporting.
- ***Context:*** Due to limited personnel, the financial statements may not be prepared in accordance with U.S. generally accepted accounting principles (GAAP).
- ***Effect:*** The financial statements may not be free from material misstatement.
- ***Cause:*** There is a limited number of personnel and a lack of GAAP knowledge among the personnel.
- ***Recommendation:*** We recommend that the monthly closing check list be updated, scrutinized, and adhered to more closely as well as creating a more extensive year-end checklist. Further, we recommend that the Corporation hire an outside Certified Public Accountant with non-profit GAAP knowledge to examine the financial statements quarterly to ensure that fair presentation of the financial statements and all accompanying information is in conformity with GAAP.
- ***Views of Management:*** Clarification of recommended updates to monthly and year end closing checklists is needed to ensure conformity with GAAP. Management will seek clarification and ensure needed updates are made. Management will seek to hire an outside CPA with non-profit GAAP knowledge to examine the financial statements and bank statements quarterly to ensure that fair presentation of the financial statements and accompanying information conforms to GAAP.

Section III Federal Award Findings and Questioned Costs

No matters were reported.