

Community Housing Partnership of Williamson County

Financial Statements
June 30, 2015

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McKerley+Noonan

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Community Housing Partnership of Williamson County, Inc. (the Organization) which comprise the statements of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 the Organization as of June 30, 2015, 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.



McKerley & Noonan, P.C.

February 2, 2016

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Community Housing Partnership of Williamson County, Inc.
Statement of Financial Position
June 30, 2015

Assets

Current Assets

Cash in Bank	\$ 5,807
Marketable Securities	149,906
Accounts Receivable - Net	5,342
Inventory of Rehabilitation Homes	626,020
Contributions Receivable - United Way	55,000
Total Current Assets	<u>842,075</u>

Fixed Assets

Land	203,493
Buildings	2,634,261
Office Furniture and Equipment	28,417
Less: Accumulated Depreciation	(843,601)
Net Fixed Assets	<u>2,022,570</u>

Other Assets

Note Receivable - Other	3,578
Notes Receivable - Property Sales	336,432
Discount on Notes Receivable - Property Sales	(259,730)
Total Other Assets	<u>80,280</u>

Total Assets	<u><u>\$ 2,944,925</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 31,964
Tenants' Deposits	11,000
Payroll Liabilities	9,708
Deferred Revenue	4,847
Current Portion of Long-Term Debt	507,563
Total Current Liabilities	<u>565,082</u>

Long-Term Liabilities

Line of Credit	90,657
Long-Term Debt	382,721
Total Long-Term Liabilities	<u>473,378</u>

Total Liabilities	<u>1,038,460</u>
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Net Assets

Unrestricted Net Assets	1,851,465
Temporarily Restricted Net Assets	55,000
Total Net Assets	<u>1,906,465</u>

Total Liabilities and Net Assets	<u><u>\$ 2,944,925</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Grant Income	\$ -	\$ 447,362	\$ 447,362
Contributions	-	5,293	5,293
In-Kind Contributions	27,591	-	27,591
Rental Income	246,767	-	246,767
Net Gain from Property Sales	12,163	-	12,163
Other Income	23,487	-	23,487
Interest Income	3,677	-	3,677
Unrealized Gain on Investments	5,640	-	5,640
Net Assets Released from Restriction	452,655	(452,655)	-
Total Revenues and Support	<u>771,980</u>	<u>-</u>	<u>771,980</u>
Expenses:			
Program Services	484,366	-	484,366
General and Administrative	64,741	-	64,741
Total Expenses	<u>549,107</u>	<u>-</u>	<u>549,107</u>
Change in Net Assets	222,873	-	222,873
Net Assets - Beginning of the Year	<u>1,628,592</u>	<u>55,000</u>	<u>1,683,592</u>
Net Assets - End of the Year	<u><u>\$ 1,851,465</u></u>	<u><u>\$ 55,000</u></u>	<u><u>\$ 1,906,465</u></u>

Community Housing Partnership of Williamson County, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash Flows from Operating Activities:

Change in Net Assets	\$	222,873
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**Adjustments to Reconcile Change in Net Assets
to Net Cash Provided by Operating Activities:**

Depreciation		90,982
Amortization of Discount on Notes Receivable		(3,652)
Unrealized Gain on Investments		(5,640)
Decrease in Accounts and Notes Receivable - Other		1,842
Increase in Inventory of Rehabilitation Homes		(96,002)
Increase in Accounts Payable and Other Liabilities		24,816
Increase in Deferred Revenue		4,847
Increase in Tenant Deposits		400
Increase in Payroll Liabilities		1,231

Total Adjustments		<u>18,824</u>
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Net Cash Provided by Operating Activities		<u>241,697</u>
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Cash Flows from Investing Activities

Purchase of Marketable Securities		(20,000)
Sales of Marketable Securities		104,028
Purchase of Fixed Assets		(462,074)

Net Cash Used by Investing Activities		<u>(378,046)</u>
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Cash Flows from Financing Activities

Principal Payments on Notes Payable		(255,896)
Proceeds from Notes Payable		393,722

Net Cash Provided by Financing Activities		<u>137,826</u>
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Net Decrease in Cash		1,477
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Cash - Beginning of the Year		<u>4,330</u>
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Cash - End of Year	\$	<u><u>5,807</u></u>
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Supplemental Cash Flow Information:

Interest Paid	\$	5,738
Imputed Interest		17,451
Total interest expense	\$	<u><u>23,189</u></u>

Community Housing Partnership of Williamson County, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and Benefits	\$ 180,876	\$ 42,428	\$ 223,304
Community Rehabilitation Expenses	97,219	-	97,219
Scholarships	900	-	900
Bad Debt Expense	5,415	-	5,415
Professional Services	-	10,279	10,279
Utilities	2,330	-	2,330
Maintenance and Repairs	25,876	167	26,043
Insurance	15,003	2,534	17,537
Office Expense and Supplies	9,400	2,205	11,605
Property Taxes	12,364	-	12,364
Rent	9,040	2,121	11,161
Depreciation	89,162	1,820	90,982
Mileage	3,370	791	4,161
Training, Meetings and Dues	3,362	789	4,150
Interest	23,189	-	23,189
Other Expenses	6,859	1,609	8,468
Total Functional Expenses	<u><u>\$ 484,366</u></u>	<u><u>\$ 64,741</u></u>	<u><u>\$ 549,107</u></u>

Community Housing Partnership of Williamson County, Inc.

Notes to the Financial Statements

June 30, 2015

NOTE 1 - DESCRIPTION AND PURPOSE OF THE 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, 2015, there were \$55,000 of net assets temporarily restricted for community rehabilitation expenses.

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, 2015, there were no permanently restricted net assets.

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).

Contributed Services

Donated services that require specialized skills and would be purchased if not provided by the donor are recognized as support and expenses based on the fair value of the services received.

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 ASC 958, Accounting for Contributions Received and Contributions Made, have not been satisfied.

Marketable Securities

The Organization has \$149,906 primarily in stock and bond mutual funds held at Morgan Stanley. The value of the investments increased \$5,640 during the fiscal year ended June 30, 2015.

Accounts Receivable

Accounts receivable represents rent income owed to the Organization at June 30, 2015. Management has estimated an allowance for bad debts of \$6,978 against these receivables as of June 30, 2015.

Contributions Receivable – United Way

United Way has committed to funding \$55,000 during fiscal year 2016 for community rehabilitation expenses.

Inventory of Rehabilitation Homes

The Organization occasionally purchases residential homes, rehabs the homes and then sells 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, 2015, the Organization had five of these homes that were still in a stage of rehabilitation.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method based on the following estimated useful lives of the assets.

Building	39 years
Vehicle	5 years
Furniture & Equipment	5 – 7 years

Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Depreciation expense for the year ended June 30, 2015 amounted to \$90,982.

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.

The Organization has recorded \$17,451 in in-kind interest expense related to the zero percent note payables (see Note 4).

Classification of Expenses

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Joint expenses applicable to more than one function are allocated on the basis of objectively summarized information or management estimates.

Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for federal or state income taxes is applicable.

The Organization has adopted the guidance in ASC 740 on accounting for uncertainty in income taxes. 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. The Organization incurred no interest or penalties during the year ended June 30, 2015.

NOTE 3 – CREDIT RISK

The Organization maintains its cash in bank deposit accounts that at times may exceed the federally insured limit of \$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 sell in a timely fashion or at a desirable price.

NOTE 4 – NOTES PAYABLE

Notes payable consists of the following at June 30, 2015:

A \$201,000 note secured by property payable to Franklin Synergy Bank bearing interest at 0% maturing in 2017.	\$80,373
A \$40,000 note secured by property payable to Reliant Bank bearing interest at 5% maturing in 2027.	34,141
A \$42,000 note secured by property payable to Reliant Bank bearing interest at 5% maturing in 2027.	36,054
A \$38,500 note secured by property payable to Reliant Bank bearing interest at 5% maturing in 2027.	31,890
A line of credit with US Bank with interest at 1% above the bank's prime rate and maturing July 2015.	90,657
A \$148,149 mortgage note payable with Avenue Bank with interest at 4% below Prime and maturing August 2019.	128,310
A \$286,200 note payable to Reliant Bank bearing interest at 3.25% and maturing in February 2016.	286,200
A \$164,000 note secured by property payable to Franklin Synergy Bank bearing interest at 0% maturing in March 2016.	151,470
A \$49,770 mortgage note payable with Pinnacle Bank with interest at 4% below Prime and maturing November 2019.	47,282
A \$49,770 mortgage note payable with Pinnacle Bank with interest at 4% below Prime and maturing August 2019.	47,282
A \$49,770 mortgage note payable with Pinnacle Bank with interest at 4% below Prime and maturing August 2019.	47,282
Total	\$ 980,941

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

2016	\$ 507,563
2017	70,222
2018	30,313
2019	121,334
2020	181,369
Thereafter	70,140
Total	\$ 980,941

Several of the Organizations notes were offered at zero percent because of the nature of the projects and the Organizations status as a non-profit. Interest expense on these notes has been imputed at 5% annually and amounted to \$17,451 for the year ended June 30, 2015.

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 \$10,623 of contributions to the plan for the year ended June 30, 2015.

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 \$259,730 at June 30, 2015.

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 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 2, 2016, the date that the financial statements were available to be issued.

February 2, 2016

McKerley & Noonan, P.C.
104 Woodmont Boulevard, Suite 120
Nashville, TN 37205

This representation letter is provided in connection with your audit of the statement of financial position of Community Housing Partnership of Williamson County (the "Organization") as of June 30, 2015, and the related statements of activities and changes in net assets, the statement of cash flows, and the statement of functional expenses for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of the Organization, in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flow in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of February 2, 2016, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 4, 2015.
- The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.
- We acknowledge our responsibility for 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.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.

- We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.
- The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- Community Housing Partnership of Williamson County is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- In regards to the tax services (preparation of Form 990) performed by you, we have:
 - Made all management decisions and performed all management functions.
 - Designated an individual with suitable skill, knowledge, or experience to oversee the services.
 - Evaluated the adequacy and results of the services performed.
 - Accepted responsibility for the results of the services.

No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Signature: _____

Title: _____