

**NEW LEVEL COMMUNITY
DEVELOPMENT CORPORATION
REVIEWED FINANCIAL STATEMENTS**

DECEMBER 31, 2016

COOK & PLUNK
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees
New Level Community Development Corporation

We have reviewed the accompanying financial statements of New Level Community Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the balance sheet as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Known Departure From Accounting Principles Generally Accepted in the United States of America

A statement of cash flows for the year ended December 31, 2016, has not been presented. Accounting principles generally accepted in the United States of America require that such a statement be presented when financial statements purport to present financial position and results of operations.

Supplementary Information

The supplementary information included in the Schedule of Functional Expenses is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have not audited or reviewed such information and, accordingly, we do not express an opinion, a conclusion, or provide any assurance on it.

Cook & Plunk, CPAs
Spring Hill, TN
April 28, 2017

New Level Community Development Corporation
Statement of Financial Position
December 31, 2016

ASSETS

Current assets:

Cash	
Unrestricted	\$ 441,853
Temporarily restricted	98,242
Restricted Cash	7,766
Prepaid Insurance	0
Accounts Receivable	31,406
Total current assets	<u>579,267</u>

Real estate held for sale	<u>49,035</u>
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Property and equipment	1,495,491
Less: Accumulated depreciation	<u>142,996</u>
Net property and equipment	1,352,495

TOTAL ASSETS	<u>\$ 1,980,797</u>
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See accompanying independent accountant's review report

New Level Community Development Corporation

Statement of Financial Position cont'd

December 31, 2016

LIABILITIES AND NET ASSETS

Current liabilities:

Current portion of notes payable	\$ 4,667
Accounts payable	3,339
Prepaid rent	1,108
Payroll liabilities	-
Security deposits	8,129
Due to consortium members	<u>7,811</u>
Total current liabilities	25,054

Long term liabilities:

Long term portion of notes payable	<u>46,277</u>
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TOTAL LIABILITIES	<u>71,331</u>
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Nets Assets

Unrestricted	1,787,502
Temporarily restricted	<u>121,964</u>
TOTAL NET ASSETS	<u>1,909,466</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,980,797</u></u>
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See accompanying independent accountant's review report

New Level Community Development Corporation
Statement of Activities and Changes in Net Assets
December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Grant revenues - Federal awards	29,189	56,353	85,542
Contributions	184,880	-	184,880
Rental income and fees	141,511		141,511
Program fees	11,200		11,200
Gain on sale of investment	-		-
Other Income	1,322		1,322
			-
Total support and revenues	368,102	56,353	424,455
Expenses:			
Program services	328,659		328,659
Management and General	27,758		27,758
Total expenses	356,417		356,417
Increase (decrease) in net assets	11,685	56,353	68,038
Net assets at beginning of the year	1,775,817	65,611	1,841,428
Net assets at end of year	<u>\$ 1,787,502</u>	<u>\$ 121,964</u>	<u>\$ 1,909,466</u>

See accompanying independent accountant's review report

New Level Community Development Corporation
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2016

NOTE A -ORGANIZATION AND NATURE OF BUSINESS

New Level Community Development Corporation (the "Organization") is a nonprofit organization, was formed on November 6, 2001. The organization 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, entrepreneurship training, and affordable housing programs that help families gain economic stability and self-sufficiency.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares and presents its financial statements on the accrual basis of accounting, and accordingly, the financial statements reflect all significant receivables, payables, and other liabilities. The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

1. Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or Board designation.
2. Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors to later periods of time or after specified dates or to specified purposes. As of December 31, 2016, the Organization had \$121,964 of temporarily restricted net assets.
3. Permanently restricted net assets are those net assets whose use by the Organization has donor-imposed restrictions that stipulate resources be maintained permanently but permits the Organization to use up or spend part or all of the income (or economic benefits) derived from the donated assets. As of December 31, 2016, the Organization had no permanently restricted net assets.

Use of Estimates

The accompanying financial statements have been prepared using accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

The Organization collects rents on an monthly basis. If rents are paid late, the Organization tries

New Level Community Development Corporation
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2016

NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

to work with the tenants and allow them to pay late if needed. In 2016, there were none outstanding. The only balance in the Accounts Receivable account is from MDHD Housing Development for a federal grant awarded in 2016 but not paid out until January of 2017.

Promises to Give

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

Doubtful Promises to Give

The Organization 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, 2016. 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, 2016, no bad debt expense was recognized.

Real Estate Held for Sale

Real estate held for sale consists of three undeveloped parcels of land to be sold in the future. Real estate held for sale is recorded at the lower of its carrying value or fair value less cost to sell. In 2016, the Organization began development on four houses that they plan to build and sell. The houses were not ready to be sold as of 12/31/16, all expenses related to the construction have been added to this other asset account.

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.

Depreciation

The Organization capitalizes property and equipment purchases over \$2,500. Lesser amounts are expensed upon purchase. Property and equipment is recorded at cost. Donations of property and equipment are recorded as contributions at estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donation asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

Absent donor stipulations regarding how long the restricted donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted donated assets upon

New Level Community Development Corporation

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2016

NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

expiration of the restriction. Property and equipment are depreciated using the straight line method over estimated useful lives ranging from 5-40 years.

Depreciation expense was \$35,634 for the year ended December 31, 2016.

Income Taxes

The Organization is a nonprofit organization that is exempt from paying federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization's Federal Forms 990, Return of Organization Exempt from Income Tax are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2012.

Contributions to the Organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the Code. The Organization 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 Organization's financial statements.

Program Services

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

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.

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 2016.

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 under FASB ASC 952-205 have not been satisfied.

Advertising

The Organization uses advertising to promote its programs among audiences it serves. Advertising costs are expensed as incurred. Advertising expense totaled \$1,260 for the year ended December 31, 2016.

New Level Community Development Corporation
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2016

NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Organization 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 of liabilities in inactive markets
- 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 Organization'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.

New Level Community Development Corporation

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2016

NOTE C- RESTRICTED CASH

The Organization has funds totaling \$ 7,811 at December 31, 2016 that is due to various consortium members.

NOTE D - PROPERTY AND EQUIPMENT

Acquisition costs and accumulated depreciation of vehicles and equipment are summarized as follows:

	Useful Lives (Years)	
Land held for lease		224,725
Property held for lease	40	1,206,824
Computer hardware	5	8,558
Leasehold improvements	10-20	49,386
Furniture and fixtures	5-10	1,300
Other	5	<u>4,698</u>
		1,495,491
Less Accumulated Depreciation		<u>(142,996)</u>
		<u>\$ 1,352,495</u>

NOTE E - NOTES PAYABLE

On May 30, 2012, the Organization established a \$70,000 line of credit with the bank with a maximum loan amount of \$30,000 per house with a limit on 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. However, the bank will extend the loan for another 5 years.

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 \$333,025 at December 31, 2016. There was no interest expense in 2016.

Maturities of notes payable as of December 31, 2016 are summarized as follows:

2017	\$ 4,667
2018	4,667
2019	4,667
2020	4,667
2021	<u>32,276</u>
	<u>\$50,944</u>

New Level Community Development Corporation
NOTES TO FINANCIAL STATEMENTS
As of December 31, 2016

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 are available for the following purposes:

Home Buyer, Financial Education, and Matched Savings Programs	\$15,611
Down payment assistance for 5 tenants	50,000
IDA Matching Grant	24,947
Barnes Housing Trust Fund Grant	<u>31,406</u>
	<u>\$121,964</u>

NOTE G - EMPLOYEE BENEFITS

The Organization has established a 403(b)(7) pension plan (the Plan) for the Executive Director. The Organization can make discretionary contributions to the Plan. There were no contributions made to the Plan for the year ended December 31, 2016.

NOTE H- CONCENTRATION OF CREDIT RISK

The standard FDIC insurance amount is set at \$250,000 per depositor per insured bank: and therefore, amounts in excess of \$250,000 held by the Organization are uninsured and uncollateralized. Management has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk on cash and cash equivalents.

A significant portion of the Organization's revenue is derived from individuals, organizations, corporations, and agencies in middle Tennessee. At December 31, 2016, Mt. Zion had contributed approximately \$168,027 (including the in-kind donation), which represents 40% of total revenues and support.

NOTE I- INCOME TAXES

FASB Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes* addresses the determination of whether tax benefits claimed, or expected to be claimed, on a tax return should be recorded in the financial statements. Under FASB ASC 740-10, a tax benefit may be recognized from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, including resolution of any related appeals or litigation process, based on technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

Management has evaluated its tax positions taken and believes that the total amount of

New Level Community Development Corporation

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2016

unrecognized tax benefits is not material to the financial statements as a whole. Therefore, no liability has been recorded.

NOTE J - PAID TIME OFF

Employees of the Organization 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 Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

NOTE K - RELATED PARTY TRANSACTIONS

The Organization 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 2016, which is included in contributions. The Organization has a bookkeeper who received approximately \$16,406 for contract labor who is related to a Board Member.

NOTE L - GRANTS

On April 30, 2010, the Organization 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 Organization has agreed to repay MDHA the full allocation of CHDO funds if the property is sold during the "affordability period" (15 years from date of project completion). However, the Organization 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 Organization 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 Organization as a developer to acquire, rehabilitate, and redevelop multiple residential units in target areas. The Organization 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 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 Organization purchased eight homes under this grant agreement. The Organization 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 in the 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

New Level Community Development Corporation

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2016

agreement, the Organization 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 Organization has classified the property as held for lease and does not anticipate that the houses will be sold during the "affordability period" and therefore, no liability is reflected in the financial statements.

In 2016, the Organization began construction on five homes for resale. The homes will be sold to households whose income is 80% or below of the area median income (AMI).

The Organization signed a Developers Agreement Grant with MDHA on December 21, 2015 for \$113,363 and with Barnes Housing Trust Fund for \$335,000 on January 11, 2016 to fund the construction of these homes. The Organization also received a construction loan from Republic Bank for up to \$400,000. Construction began in 2016 but none were completed in 2016. The Organization anticipates that four of the homes will be finished and ready for sale in 2017 and the fifth home construction will carry over until 2018.

NOTE M - SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the company through April 28, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent event requires disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

New Level Community Development Corporation
Statement of Functional Expenses
December 31, 2016

	Program Services				Supporting Services	
	<u>Financial Education</u>	<u>Affordable Housing</u>	<u>Rental Housing</u>	<u>Total</u>	<u>Management and General</u>	<u>Total</u>
Functional expenses:						
Accounting services	7,297	8,031	6,988	22,316	1,155	23,471
Advertising/marketing	1,230	15	15	1,260		1,260
Depreciation expense			34,188	34,188	1,446	35,634
Equipment/equip maintenance	3,105	264	560	3,929	210	4,139
Insurance	267	267	7,767	8,301	267	8,568
Legal Fees		1,063		1,063		1,063
Licenses, fees and dues	44		-	44	170	214
Matching expense	15,220			15,220		15,220
Office supplies	1,667	101	92	1,860	294	2,154
Other expenses	3,079	3,555	4,925	11,559	1,291	12,850
Payroll tax expense	3,905	4,604	2,737	11,246	1,314	12,560
Property maintenance		550	23,447	23,997	1,062	25,059
Property taxes		508	14,261	14,769		14,769
Salaries and wages	51,049	60,112	35,764	146,925	17,251	164,176
Rent expense - In kind	23,702	1,481	1,481	26,664	2,963	29,627
Telephone expense	2,373	163	390	2,926	335	3,261
Training	606	1,786	-	2,392		2,392
Total Functional expenses	113,544	82,500	132,615	328,659	27,758	356,417

See accompanying independent accountant's review report