

**NEW LEVEL COMMUNITY
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS – MODIFIED
CASH BASIS AND
INDEPENDENT ACCOUNTANTS’
REVIEW REPORT**

DECEMBER 31, 2009 AND 2008

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

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June 22, 2010

Independent Accountants' Review Report

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

We have reviewed the accompanying statements of assets, liabilities, and net assets – modified cash basis of New Level Community Development Corporation (the Corporation), a nonprofit organization, as of December 31, 2009 and 2008, and the related statements of support, revenues, expenses, and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the years then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of New Level Community Development Corporation.

A review consists principally of inquiries of Corporation personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 conformity with the modified cash basis of accounting as described in Note 1 to the financial statements.

Puryear, Hamilton, Hausman, & Wood, PLLC

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash and cash equivalents:		
Unrestricted	\$ 26,271	\$ 23,520
Restricted	100,989	24,262
Home sales receivables	-	12,959
Real estate held for sale	26,869	25,349
Property and equipment, net of accumulated depreciation of of \$4,087 and \$2,075 in 2009 and 2008, respectively	<u>9,797</u>	<u>11,809</u>
Total assets	<u>\$163,926</u>	<u>\$ 97,899</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Due to related party	\$ -	\$ 19,092
Accounts payable	7,617	-
Employee benefits and payroll taxes payable	<u>2,776</u>	<u>4,275</u>
Total liabilities	<u>10,393</u>	<u>23,367</u>
Net assets:		
Unrestricted	52,544	50,270
Temporarily restricted	<u>100,989</u>	<u>24,262</u>
Total net assets	<u>153,533</u>	<u>74,532</u>
Total liabilities and net assets	<u>\$163,926</u>	<u>\$ 97,899</u>

See independent accountants' review report and accompanying notes to financial statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

**Statements of Support, Revenues, Expenses,
and Changes in Net Assets - Modified Cash Basis**

For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Grant income	\$ 5,000	\$ 87,000	\$ 92,000
Program fees	6,326	-	6,326
Contributions	166,081	-	166,081
Other income	45	-	45
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>10,273</u>	<u>(10,273)</u>	<u>-</u>
Total support and revenues	<u>187,725</u>	<u>76,727</u>	<u>264,452</u>
Expenses:			
Program services	105,940	-	105,940
Fundraising	18,728	-	18,728
Management and general	<u>60,783</u>	<u>-</u>	<u>60,783</u>
Total expenses	<u>185,451</u>	<u>-</u>	<u>185,451</u>
Increase (decrease) in net assets	2,274	76,727	79,001
Net assets at beginning of year	<u>50,270</u>	<u>24,262</u>	<u>74,532</u>
Net assets at end of year	<u>\$ 52,544</u>	<u>\$ 100,989</u>	<u>\$ 153,533</u>

See independent accountants' review report and accompanying notes to financial statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

**Statements of Support, Revenues, Expenses,
and Changes in Net Assets -Modified Cash Basis (Continued)**

For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Grant income	\$ 10,000	\$ 10,000	\$ 20,000
Program fees	4,187	-	4,187
Contributions	139,427	-	139,427
Transfers to homeowners	128,000	-	128,000
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>12,827</u>	<u>(12,827)</u>	<u>-</u>
Total support and revenues	<u>294,441</u>	<u>(2,827)</u>	<u>291,614</u>
Expenses:			
Program services	213,100	-	213,100
Fundraising	9,561	-	9,561
Management and general	<u>98,615</u>	<u>-</u>	<u>98,615</u>
Total expenses	<u>321,276</u>	<u>-</u>	<u>321,276</u>
Increase (decrease) in net assets	(26,835)	(2,827)	(29,662)
Net assets at beginning of year	<u>77,105</u>	<u>27,089</u>	<u>104,194</u>
Net assets at end of year	<u>\$ 50,270</u>	<u>\$ 24,262</u>	<u>\$ 74,532</u>

See independent accountants' review report and accompanying notes to financial statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Statements of Functional Expenses - Modified Cash Basis

For the Year Ended December 31, 2009

	Program Services						Supporting Services				
	Construction	HBED	Entrepreneurship	Financial Education	Volunteer Support	VITA	Affordable Housing	Total	Fund Raising	Management and General	Total
Functional expenses:											
Accounting services	\$ -	\$ 440	\$ 440	\$ 440	\$ 440	\$ 440	\$ 2,906	\$ 5,106	\$ 1,937	\$ 2,029	\$ 3,966
Advertising	-	113	161	79	215	90	133	791	74	500	574
Cost of sale - Home	355	-	-	-	-	-	-	355	-	-	-
Audit	-	-	-	-	-	-	-	-	-	-	355
Contracted services	-	-	2,000	-	-	-	-	-	-	7,617	7,617
Depreciation expense	-	-	-	-	-	11,858	-	13,858	-	-	13,858
Employee benefits	-	1,151	1,150	1,150	1,150	1,150	-	5,751	-	2,012	2,012
Equipment/equipment maintenance	-	221	266	251	235	107	-	1,080	114	603	717
Fees and dues	-	-	-	-	-	-	-	-	-	1,547	1,547
Meals/food	-	-	-	-	20	731	-	751	-	48	799
Office supplies	-	263	271	393	271	909	-	2,107	212	771	983
Other expense	-	-	-	-	-	10	-	10	-	-	-
Payroll tax expense	-	230	765	765	765	765	1,377	4,667	1,148	1,453	2,601
Penalties	-	-	-	-	-	-	-	-	-	687	687
Printing/public relations	-	-	-	-	-	-	-	-	-	10	10
Salaries and wages	-	10,000	10,000	10,000	10,000	10,000	18,000	68,000	15,000	12,000	27,000
Rent expense	-	-	-	-	-	-	-	-	-	29,627	29,627
Technology	-	64	57	84	84	84	-	373	13	1,083	1,469
Telephone expense	-	484	484	484	484	484	-	2,420	135	135	270
Training	-	188	13	309	13	13	-	536	95	661	756
Volunteer appreciation	-	-	-	-	76	59	-	135	-	-	-
Total functional expenses	\$ 355	\$ 13,154	\$ 15,607	\$ 13,955	\$ 13,753	\$ 26,700	\$ 22,416	\$ 105,940	\$ 18,728	\$ 60,783	\$ 79,511
											\$ 185,451

See independent accountants' review report and accompanying notes to financial statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Statements of Functional Expenses - Modified Cash Basis (Continued)

For the Year Ended December 31, 2008

	Program Services						Supporting Services			
	Construction	VITA	Entrepreneurship	HBED	Financial Education	Computer Training	Volunteer Support	Fund Raising	Management and General	Total
Functional expenses:										
Accounting services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,200	\$ 7,200
Advertising	-	196	196	196	196	-	196	55	155	210
Cost of sale - Home	152,204	-	-	-	-	-	-	-	-	1,190
Contracted services	-	-	4,000	-	-	-	-	-	-	152,204
Depreciation expense	-	-	-	-	-	-	-	-	-	4,000
Employee benefits	-	-	-	-	-	-	-	-	1,207	1,207
Equipment/equipment maintenance	-	-	-	-	-	-	-	-	5,511	5,511
Facility expense	-	-	-	-	-	-	-	-	800	800
Fees and dues	-	-	-	-	-	-	-	-	300	300
Legal and professional	-	-	-	-	100	-	-	-	2,812	2,812
Meals/food	-	500	-	312	-	-	525	-	3,520	3,520
Office supplies	-	36	487	244	-	-	-	-	75	1,412
Other expense	-	143	-	-	-	-	-	-	86	853
Payroll tax expense	540	540	540	540	540	540	540	676	2,250	2,393
Printing/public relations	-	-	-	-	-	-	-	-	2,703	7,159
Salaries and wages	7,103	7,103	7,103	7,103	7,103	7,103	7,103	8,830	505	505
Taxes and insurance	-	-	-	-	-	-	-	-	35,325	93,876
Rent expense	-	-	-	-	-	-	-	-	829	829
Technology	-	-	-	-	-	-	-	-	29,627	29,627
Telephone expense	-	-	-	-	-	-	-	-	2,188	2,188
Training	-	-	-	-	-	-	-	-	2,569	2,569
Travel/mileage	-	-	-	-	-	-	-	-	933	933
Volunteer appreciation	-	-	-	-	-	-	68	-	20	20
										68
Total functional expenses	\$ 159,847	\$ 8,518	\$ 12,326	\$ 8,395	\$ 7,939	\$ 7,643	\$ 8,432	\$ 9,561	\$ 98,615	\$ 108,176
										\$ 321,276

See independent accountants' review report and accompanying notes to financial statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Statements of Cash Flows - Modified Cash Basis

For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 79,001	\$ (29,662)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	2,012	1,207
Changes in operating assets and liabilities:		
(Increase) decrease in home sales receivables	12,959	(12,959)
(Increase) decrease in real estate held for sale	(1,520)	7,589
(Increase) decrease in construction in progress	-	83,301
Increase (decrease) in accounts payable	7,617	-
Increase (decrease) in due to related party	(19,092)	5,511
Increase (decrease) in employee benefits and payroll taxes payable	<u>(1,499)</u>	<u>3,319</u>
Net cash provided by (used for) operating activities	<u>79,478</u>	<u>58,306</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>-</u>	<u>(6,298)</u>
Net cash provided by (used for) investing activities	<u>-</u>	<u>(6,298)</u>
Cash flows from financing activities:		
Repayments on notes payable	<u>-</u>	<u>(56,209)</u>
Net cash provided by (used for) financing activities	<u>-</u>	<u>(56,209)</u>
Increase (decrease) in cash and cash equivalents	79,478	(4,201)
Cash and cash equivalents at beginning of year	<u>47,782</u>	<u>51,983</u>
Cash and cash equivalents at end of year	<u><u>\$127,260</u></u>	<u><u>\$ 47,782</u></u>

See independent accountants' review report and accompanying notes to financial statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2009 and 2008

(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 on a modified cash basis of accounting. That method differs from accounting principles generally accepted in the United States of America since it requires revenues and their related assets to be recorded when received rather than when earned and certain expenses and their related liabilities to be recorded when paid rather than when incurred.

(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 Statements of Support, Revenues, Expenses, and Changes in Net Assets – Modified Cash

(Continued)

Basis as net assets released from restrictions. In 2009 and 2008, the Corporation had \$100,989 and \$24,262, respectively, in temporarily restricted net assets.

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 2009 and 2008 and, accordingly, these financial statements do not reflect any activity related to this class of net assets for 2009 and 2008.

(d) Use of Estimates

Preparation of the Corporation's financial statements in accordance with the modified cash basis of accounting 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 Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis and the Statements of Cash Flows – Modified Cash Basis, the Corporation considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

(f) 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.

(g) 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 Statements of Support, Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis 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.

(h) 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 20 years. The Corporation capitalizes all expenditures for property and equipment in excess of \$500.

(i) 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. During 2009, the Corporation adopted 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

(j) Program Services

Program services include construction, financial education, volunteer support, entrepreneurship training, taxpayer assistance programs, and homeownership education. In 2009 and 2008, program services include the cost of homes transferred, which totaled \$355 and \$152,204, respectively.

(k) 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.

(l) Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Functional Expenses – Modified Cash Basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(m) 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.

(Continued)

(n) Advertising

Advertising costs are charged to expense as incurred. In 2009 and 2008, advertising expense totaled \$1,365 and \$1,190, respectively.

(o) Fair Value Measurements

Effective January 1, 2008, the Corporation adopted FASB ASC 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. FASB ASC 820-10 defines fair value and establishes a framework for measuring fair value under generally accepted accounting principles. The key changes to current practice are: (1) the definition of fair value, which focuses on an exit price rather than on entry price; (2) the methods used to measure fair value, such as emphasis that fair value is a market-based measurement, not an entity-specific measurement, as well as the inclusion of an adjustment for risk, restrictions, and credit standing; and (3) the expanded disclosures about fair value measurements. FASB ASC 820-10 does not require any new fair value measurements, but discusses certain valuation techniques. The standard utilizes a fair value hierarchy which is categorized into three levels of inputs, of which the first two are considered observable and the last unobservable, used to measure fair value.

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 other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

(2) Property and Equipment

A summary of property and equipment as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Computer hardware	\$ 8,558	\$ 8,558
Leasehold improvements	<u>5,326</u>	<u>5,326</u>
	13,884	13,884
Less accumulated depreciation	<u>(4,087)</u>	<u>(2,075)</u>
	<u>\$ 9,797</u>	<u>\$ 11,809</u>

Depreciation expense for the years ended December 31, 2009 and 2008 totaled \$2,012 and \$1,207, respectively.

(3) Employee Benefits and Payroll Taxes Payable

A summary of employee benefits and payroll taxes payable as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Federal payroll taxes payable	\$ 1,776	\$ 2,275
403(b) payable	<u>1,000</u>	<u>2,000</u>
	<u>\$ 2,776</u>	<u>\$ 4,275</u>

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2009 and 2008 are available for the following purposes:

	<u>2009</u>	<u>2008</u>
VITA Program	\$ -	\$ 10,000
Homebuyer, Financial Education, and VITA Programs	<u>100,989</u>	<u>14,262</u>
	<u>\$100,989</u>	<u>\$ 24,262</u>

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, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Home Buyer Program	\$ 10,273	\$ 10,208
Entrepreneurship Program	<u>-</u>	<u>2,619</u>
	<u>\$ 10,273</u>	<u>\$ 12,827</u>

(5) Due to Related Party

The Corporation provides a benefit package offered through Mt. Zion to all full-time employees. The benefit package includes individual and/or family health insurance, and life insurance. The Corporation records the benefits cost as a contribution from Mt. Zion; and in 2009, Mt. Zion elected to forgive the related party payable of \$19,092 as a contribution to the Corporation.

(Continued)

(6) Concentrations of Credit Risk

During 2009, the Federal Deposit Insurance Corporation (FDIC) extended the Temporary Liquidity Guarantee Program, effective through June 30, 2010, which provides an unlimited guarantee on non-interest bearing transaction accounts, defined as interest not exceeding 50 basis points per annum. Accounts with interest exceeding 50 basis points per annum are insured up to \$250,000. At December 31, 2009 and 2008, the Corporation's cash balances were 100% insured by the FDIC.

A significant portion of the Corporation's revenue is derived from individuals, organizations, and corporations in middle Tennessee. The following contributed more than 10% of total unrestricted support and revenues during 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Mt. Zion contributions	51%	36%
Wachovia	33%	0%
One home sale	0%	44%

(7) 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 (2006 – 2008), or expected to be taken in the Corporation's 2009 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 years ended December 31, 2009 and 2008, the Corporation did not recognize any interest and penalties relating to taxes, nor were any accrued at December 31, 2009 and 2008.

(8) Related Party Transaction

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 \$29,627 in 2009 and 2008, which is included in contributions.

(9) Subsequent Events

The Corporation has evaluated subsequent events through June 22, 2010, the date the financial statements were available to be issued.