NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2011

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of New Level Community Development Corporation (the Corporation), a non-profit organization, as of December 31, 2011, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Level Community Development Corporation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

James E. Hamilton : Jeffrey J. Hausman : Ronald T. Wood : Jami A. Pope
1000 Corporate Centre Drive : Suite 200 : Franklin, Tennessee : 37067
PH 615.771.3600 : FAX 615.771.0081

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Corporation taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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.

Puryear, Hamilton, Hausman, + Wood, PLC

Franklin, Tennessee

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2011

Assets

Current assets:	
Cash and cash equivalents:	
Unrestricted	$ 145,179
Temporarily restricted	17,009
Unconditional promises to give:	
Unrestricted	5,222
Temporarily restricted	50,000
Grants receivable	22,337
Prepaid insurance	2,089
Other receivable	100
Total current assets	241,936
Real estate held for sale	26,869
Property and equipment, net of accumulated depreciation of $11,067	536,059
Total assets	$ 804,864

Liabilities and Net Assets

Current liabilities:	
Accounts payable	$ 7,282
Payroll taxes payable	1,673
Security deposits	1,175
Due to consortium members	25,000
Total current liabilities	35,130
Net assets:	
Unrestricted	727,725
Temporarily restricted	42,009
Total net assets	769,734
Total liabilities and net assets	$ 804,864

See independent auditors' 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, 2011

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Grant income - Federal awards	$ 540,932	$ -	$ 540,932
Contributions	188,676	25,000	213,676
Grant income - State awards	67,346	-	67,346
Rental income and fees	11,760	-	11,760
Program fees	999	-	999
Other income	26	-	26
Net assets released from restrictions:			
Satisfaction of program restrictions	42,390	(42,390)	-
Total support and revenues	852,129	(17,390)	834,739
Expenses:			
Program services	129,905	-	129,905
Fundraising	28,925	-	28,925
Management and general	54,442	-	54,442
Total expenses	213,272	-	213,272
Increase (decrease) in net assets	638,857	(17,390)	621,467
Net assets at beginning of year	88,868	59,399	148,267
Net assets at end of year	$ 727,725	$ 42,009	$ 769,734

See independent auditors' report and accompanying notes to financial statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

For the Year Ended December 31, 2011

Operating activities:	
Increase (decrease) in net assets	$621,467
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:	
Depreciation	4,968
Changes in operating assets and liabilities:	
(Increase) decrease in promises to give - Unrestricted	(422)
(Increase) decrease in promises to give - Restricted	(50,000)
(Increase) decrease in other receivable	(100)
(Increase) decrease in grants receivable	(17,624)
(Increase) decrease in prepaid insurance	(2,089)
Increase (decrease) in accounts payable	6,538
Increase (decrease) in security deposits	1,175
Increase (decrease) in due to consortium members	25,000
Increase (decrease) in employee benefits and payroll taxes payable	(3,181)
Net cash provided by (used for) operating activities	585,732
Investing activities:	
Purchase of property and equipment	(531,017)
Net cash provided by (used for) investing activities	(531,017)
Increase (decrease) in cash and cash equivalents	54,715
Cash and cash equivalents at beginning of year	107,473
Cash and cash equivalents at end of year	$162,188
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	$ 89

See independent auditors' report and accompanying notes to financial statements.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Statement of Functional Expenses

For the Year Ended December 31, 2011

	Program Services						Supporting Services			
	HBED	Financial Education	Volunteer Support	VITA	Affordable Housing	Total	Fund Raising	Management and General	Total	Total
Functional expenses:										
Accounting services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 14,345	$ 14,345	$ 14,345
Advertising/marketing	229	229	-	237	-	695	-	-	-	695
Professional service - Accounting	-	-	-	-	-	-	-	8,034	8,034	8,034
Closing and construction costs	-	-	-	-	1,708	1,708	-	-	-	1,708
Consultants	-	350	-	-	-	350	-	2,400	2,400	2,750
Contracted services	6,000	-	-	-	-	6,000	-	-	-	6,000
Depreciation expense	-	-	-	-	-	-	-	4,968	4,968	4,968
Employee benefits - In kind (see Note 9)	4,515	753	-	-	1,129	6,397	1,129	-	1,129	7,526
Equipment/equipment maintenance	1,469	1,469	1,469	1,469	368	6,244	368	736	1,104	7,348
Insurance	365	365	364	364	91	1,549	91	182	273	1,822
Lawn care and maintenance	-	-	-	-	800	800	-	-	-	800
Legal fees	-	-	-	-	-	-	-	280	280	280
Licenses, fees, and dues	-	-	-	-	-	-	-	2,090	2,090	2,090
Meals/food	76	877	-	800	-	1,753	76	76	152	1,905
Office supplies	474	474	475	475		1,898	-	210	210	2,108
Other expense	630	630	630	630	158	2,678	158	589	747	3,425
Payroll tax expense	1,903	1,114	395	395	1,614	5,421	1,485	917	2,402	7,823
Printing/public relations	21	21	21	21	5	89	4	10	14	103
Salaries and wages	24,868	14,555	5,164	5,164	21,094	70,845	19,422	12,000	31,422	102,267
Rent expense - In kind (see Note 9)	2,963	2,963	1,481	1,481	8,888	17,776	5,925	5,926	11,851	29,627
Technology	330	330	330	329	82	1,401	82	164	246	1,647
Telephone expense	648	648	648	648	162	2,754	162	324	486	3,240
Training	-	-	-	-	1,143	1,143	-	1,143	1,143	2,286
Volunteer appreciation	95	95	95	95	24	404	23	48	71	475
Total functional expenses	$ 44,586	$ 24,873	$ 11,072	$ 12,108	$ 37,266	$ 129,905	$ 28,925	$ 54,442	$ 83,367	$ 213,272

See independent auditors' 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. In 2011, the Corporation had $42,009 in temporarily restricted net assets.

(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 2011 and, accordingly, these financial statements do not reflect any activity related to this class of net assets for 2011.

(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, 2011. 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, 2011, 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, 2011.

(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, volunteer support, entrepreneurship training, taxpayer assistance programs, homeownership education, affordable 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.

(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 2011, advertising expense totaled $695.

(q) Fair Value Measurements

The Corporation follows 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 current practice includes: (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. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive

(Continued)

market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Corporation's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available. These inputs may be supported by little or no market activity.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. 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.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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.

(r) New Accounting Pronouncement

In May 2011, the FASB issued an Accounting Standards Update (ASU) to develop common requirements for measuring fair value and for disclosing information about fair value measurements in U.S. GAAP and International Financial Reporting Standards (IFRS). The amendments are intended to improve the comparability of fair value measurements presented and disclosed in the financial statements prepared in accordance with U.S. GAAP and IFRS. The ASU is effective during interim or annual periods beginning after December 15, 2011. The Corporation will evaluate the implication of this ASU and its impact on the financial statements.

(s) Subsequent Events

The Corporation has evaluated subsequent events through September 6, 2012, the date the financial statements were available to be issued.

(Continued)

(2) Promises to Give

Promises to give as of December 31, 2011 are as follows:

Unrestricted - Mt. Zion	$ 5,222
Temporarily restricted - Fifth Third Bank	50,000
Less - Allowance for uncollectible promises to give	-
	$ 55,222

(3) Property and Equipment

A summary of property and equipment as of December 31, 2011 is as follows:

Land held for lease	$ 119,000
Property held for lease	412,942
Computer hardware	8,558
Leasehold improvements	5,326
Furniture and fixtures	1,300
	547,126
Less accumulated depreciation	(11,067)
	$ 536,059

Depreciation expense for the year ended December 31, 2011 totaled $4,968.

At December 31, 2011, the Corporation has executed operating leases on four of its eight properties. None of the leases are for more than one year. Rental income and fees totaled $11,760 for the year ended December 31, 2011. As of December 31, 2011, accumulated depreciation for property held for lease was $2,951.

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011 are available for the following purposes:

Home Buyer, Financial Education, and Matched Savings Programs	$ 42,009

(Continued)

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, 2011 as follows:

Home Buyer, Financial Education, and VITA Programs	$ 42,390

(5) Employee Benefits

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, which totaled $7,526 for 2011.

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, 2011.

(6) Concentrations of Credit Risk

The Corporation maintains cash accounts at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to statutory limits. All depositor accounts of the Corporation are fully insured at December 31, 2011.

A significant portion of the Corporation's revenue is derived from individuals, organizations, corporations, and agencies in middle Tennessee. Mt. Zion contributed 14% and the Metropolitan Development and Housing Agency granted 61% of total unrestricted support and revenues during 2011.

(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 (2008 – 2010), or expected to be taken in the Corporation's 2011 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, 2011, the Corporation did not recognize any material interest and penalties relating to taxes, nor were any accrued at December 31, 2011.

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(8) 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.

(9) 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 $29,627 in 2011, which is included in contributions. In addition, Mt. Zion contributed $7,526 in employee benefits to the Corporation.

(10) Grants

On April 30, 2010, the Corporation entered into a $70,000 grant agreement with the Metropolitan Development and Housing Agency (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). Under the grant agreement, the Corporation is to use these funds to acquire and rehabilitate one single family home for affordable rental housing. The Corporation closed on this new home in early 2011. Under the terms of the grant agreement, the Corporation 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 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 July 1, 2010, the Corporation entered into a $181,900 grant agreement with the Tennessee Housing Development Agency (THDA). The grant period ends June 30, 2013. Under the grant agreement, the Corporation will use THDA Housing Trust Funds to acquire and rehabilitate three units of rental housing in Davidson County for very low income households. THDA agreed to a modification of the agreement terms in 2011 to provide leverage funding for a new larger housing initiative under the federal Neighborhood Stabilization program. The Corporation purchased and rehabilitated one house under this grant agreement in 2011.

(Continued)

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 will receive Neighborhood Stabilization Program 2 (NSP2) funds up to $750,000 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 earned a developer fee of $31,321 based on 8% of the total NSP2 costs, which is included in grant income. The Corporation purchased six homes under this grant agreement in 2011. 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.

(11) Line of Credit

On February 8, 2011, the Corporation established a $50,000 revolving line of credit with a bank. The interest rate is the greater of a floating rate equal to the Index rate minus 3.250%, or the Floor rate of 5.0%. At December 31, 2011, the outstanding balance was zero. The line matured on February 8, 2012, and was not renewed.

(12) Subsequent Events

As of the date of this report, the Corporation has acquired three new properties totaling approximately $185,000 with the grant funds described in Note 10. These properties will be classified as land and property held for lease.

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 25.0% based on the lessor of cost plus renovations or appraised value. The interest rate is the Wall Street Journal Prime rate minus 4.0% with an interest rate floor 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.

As of the date of this report, the Corporation has 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 and each matures on May 30, 2017.

SUPPLEMENTARY INFORMATION

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Housing Counseling Assistance Program	14.169	62-1873654	$ 34,162
Pass-Through Program from:			
Metropolitan Development and Housing Agency:			
Neighborhood Stabilization Program (Recovery Act Funded)	14.256	62-1873654	425,532
HOME Investment Partnership Program	14.239	62-1873654	81,238
			$540,932

Note to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

See independent auditors' report.

September 6, 2012

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 the financial statements of New Level Community Development Corporation (the Corporation), a non-profit organization, as of and for the year ended December 31, 2011, and have issued our report thereon dated September 6, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (Finding Nos. 2011-1 and 2011-2 for the year ended December 31, 2011). 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.

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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Corporation in a separate letter dated September 6, 2012.

The Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, the finance committee, management, others within the Corporation and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Puryear, Hamilton, Hausman + Wood, PLC

Franklin, Tennessee

September 6, 2012

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited New Level Community Development Corporation's (the Corporation), a non-profit organization, 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 the Corporation's major federal program for the year ended December 31, 2011. The Corporation's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

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 requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our

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audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, the finance committee, management, others within the Corporation and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Puryear, Hamilton, Hausman, + Wood, PLC

Franklin, Tennessee

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2011

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	**Unqualified**			
Internal control over financial reporting:				
Material weakness(es) identified?	____	yes	X	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 auditors' report issued on compliance for major programs:	**Unqualified**			
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
14.256	Neighborhood Stabilization Program (Recovery Act Funded)

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2011

Section I Summary of Auditors' 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. 2011-1

- ***Criteria or specific requirement:*** The Corporation should prepare its own financial statements and related notes.
- ***Condition:*** The Corporation did not prepare its own financial statements and related notes.
- ***Context:*** The Corporation did 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 did not believe it to be cost effective for the Corporation to draft the annual financial report and related notes. The Corporation did closely review, approve, and take responsibility for the annual financial report. The Corporation will consider hiring another CPA firm to prepare the financial statements and related notes before the next audit begins.

NEW LEVEL COMMUNITY DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2011

Section II Financial Statement Findings (continued)

Finding No. 2011-2

- ***Criteria or specific requirement:*** The Corporation should make all closing entries before the audit begins.
- ***Condition:*** The Corporation did not complete all entries before the audit began.
- ***Context:*** The Corporation provided information to the auditors related to several year-end entries that had not been received at the time the audit began. Management was aware of these entries and notified the auditors that they had not yet been made.
- ***Effect:*** The Corporation did not make all closing entries before the audit began.
- ***Cause:*** Same as above.
- ***Recommendation:*** The Corporation should make all closing entries before the audit begins.
- ***Views of Management:*** Management of the Corporation did not believe it to be cost effective to make these entries before the audit began. The Corporation provided the auditors with the proper information, and did review, approve, and take responsibility for these entries. However, the Corporation will consider hiring another CPA firm to make these entries before the next audit begins.

Section III Federal Award Findings and Questioned Costs

No matters were reported.