

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2018

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MCMURRAY, FOX & ASSOCIATES, PLLC CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Community Housing Partnership of Williamson County,

We have audited the accompanying financial statements of Community Housing Partnership of Williamson County (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Housing Partnership of Williamson County as of June 30, 2018, and the changes in its net assets, cash flows and functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McMurray, Fox & Associates

McMurray, Fox & Associates, PLLC
Hendersonville, Tennessee
March 11, 2019

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current assets	
Cash and cash equivalents	\$ 184,343
Marketable securities	118,398
Accounts and notes receivable, net	8,043
Inventory of rehabilitation homes	3,640,105
Contributions receivable - United Way	51,315
Escrow deposit	20,000
Total current assets	<u>4,022,204</u>
Property and equipment	
Land	269,602
Building	2,622,086
Equipment	32,268
Less: accumulated depreciation	<u>(1,132,114)</u>
Net property and equipment	1,791,842
Other Assets	
Notes receivable - property sales	336,432
Discount on notes receivable - property sales	<u>(247,640)</u>
Total other assets	88,792
Total assets	<u><u>\$ 5,902,838</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 15,107
Tenants' deposits	10,800
Payroll liabilities	2,164
Current portion of long-term debt	3,031,529
Total current liabilities	<u>3,059,600</u>
Long term liabilities	
Line of credit	26,025
Long-term debt	<u>321,089</u>
Total long term liabilities	347,114
Net assets	
Unrestricted	2,444,809
Temporarily restricted	<u>51,315</u>
Total net assets	2,496,124
Total liabilities and net assets	<u><u>\$ 5,902,838</u></u>

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Grant income	\$ -	\$ 511,254	\$ 511,254
Contributions	-	15,550	15,550
In-kind contributions	29,476	-	29,476
Homebuyers counseling	17,465	-	17,465
Rental Income	305,468	-	305,468
Net gain from property sales	27,438	-	27,438
Other income	6,259	-	6,259
Interest income	7,835	-	7,835
Unrealized gain (loss) on investment	11,693	-	11,693
Net assets released from restrictions	530,489	(530,489)	-
Total revenues	<u>936,123</u>	<u>(3,685)</u>	<u>932,438</u>
Expenses			
Program services	742,004	-	742,004
Management and general	76,830	-	76,830
Total expenses	<u>818,834</u>	<u>-</u>	<u>818,834</u>
Change in net assets	117,289	(3,685)	113,604
Net assets at beginning of year	<u>2,327,520</u>	<u>55,000</u>	<u>2,382,520</u>
Net assets at end of year	<u>\$ 2,444,809</u>	<u>\$ 51,315</u>	<u>\$ 2,496,124</u>

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

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Total
Salaries and benefits	\$ 234,354	\$ 54,972	\$ 289,326
Payroll taxes	19,400	4,551	23,951
Total wages cost	253,754	59,523	313,277
Grants to homebuyers	78,266	-	78,266
Community rehabilitation expenses	118,587	-	118,587
Bad debt	62,283	-	62,283
Insurance	18,236	4,277	22,513
Office expense and supplies	10,256	2,406	12,662
Professional services	16,020	3,758	19,778
Interest	19,623	-	19,623
Mileage	5,312	1,246	6,558
Other	3,812	894	4,706
Rent	9,040	2,121	11,161
Training, meetings and dues	2,811	659	3,470
Maintenance & repairs	31,548	-	31,548
Property taxes	14,446	-	14,446
Utilities	2,661	-	2,661
Depreciation	95,349	1,946	97,295
Total expenses	<u>\$ 742,004</u>	<u>\$ 76,830</u>	<u>\$ 818,834</u>

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

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:	
Increase/ (Decrease) in net assets	\$ 113,604
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation	97,295
Amortization of discount on notes receivable	(7,319)
Unrealized gain on investment	(11,693)
(Increase)/ Decrease in accounts and notes receivable - other	33,788
(Increase)/ Decrease in notes receivable - property sales	30,400
(Increase)/ Decrease in inventory of rehabilitation homes	(1,782,509)
Increase/ (Decrease) in accounts payable and other liabilities	(49,373)
Increase/ (Decrease) in tenant deposits	300
Increase/ (Decrease) in payroll liabilities	(1,123)
Total adjustments	<u>(1,690,234)</u>
Net cash used in operating activities	<u>(1,576,630)</u>
Cash flows from investing activities:	
Sale of marketable securities	10,000
Escrow deposit	(20,000)
Purchase of fixed assets	(20,912)
Cash used in investing activities	<u>(30,912)</u>
Cash flow from financing activities	
Principal payments on Notes Payable	(881,194)
Proceeds from Notes Payable	2,522,879
Net cash provided by financing activities	<u>1,641,685</u>
Net increase in cash and cash equivalents	34,143
Cash and cash equivalents at beginning of year	<u>150,200</u>
Cash and cash equivalents at end of year	<u>\$ 184,343</u>

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

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Community Housing Partnership of Williamson County, Inc. (the Organization) is a non-profit organization in Williamson County, Tennessee. The Organization's mission is to provide affordable housing in Williamson County to low- and moderate-income families.

B. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

C. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. All grants and contributions are considered temporarily restricted upon receipt and are commonly used within the same year. At June 30, 2018, the Organization had \$51,315 of temporarily restricted net assets which represents a United Way commitment for community rehabilitation expenses which will be paid monthly in fiscal year 2019.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets at June 30, 2018.

D. Fair Value Measurement

The Organization follows the guidance in ASC 820, Fair Value Measurements. This standard defines fair value, provides guidance for measuring fair value, and requires certain disclosures. The standard utilizes a fair value hierarchy which is categorized into three levels based on the inputs to the valuation techniques used to measure fair value. The standard does not require any new fair value measurements, but discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The Organization's investments are measured on a recurring basis at fair value at the reporting date using quoted prices in active markets for identical assets or level 1 investments.

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

G. Accounts Receivable

Accounts receivable results primarily from tenant rent and other promissory notes owed to the Organization at June 30, 2018. Accounts receivable are based on managements' evaluation of outstanding receivables at year end. Allowance for doubtful accounts, if any, is provided based on the review of outstanding receivables, management's historical experience, and economic conditions. Uncollectible accounts are expensed in the period such amounts are determined. At June 30, 2018, a reserve for uncollectible accounts of \$8,809.

H. Marketable Securities

The Organization has \$118,398 primarily in stocks and bond mutual funds held at Morgan Stanley. An unrealized loss of \$11,693 was recognized in the financial statements.

I. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Property and equipment with a cost in excess of \$300 are capitalized. Property and equipment are depreciated using the straight-line method over the life of the asset, between three and thirty years. Depreciation expense for the year ended June 30, 2018 is \$97,295. Repair and maintenance costs are expensed as incurred.

J. Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs. No amounts have been recognized in the accompanying financial statements because the criteria for recognition of such volunteer efforts, under ASC 958 Accounting for Contributions Received and Contributions Made, have not been satisfied.

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. In-Kind Contributions

The Organization receives office space rent for \$1 per year from Williamson County, Tennessee. The value of this rent is estimated to be \$10,140 and has been recorded as an in-kind contribution and rent/office expense in the statement of activities.

The Organization recorded \$19,336 of interest as in-kind contribution and interest expense related to below market notes payable.

L. Accrued Time Off

The Organization allows for paid vacation and comp time. Payroll liabilities includes accrued time off of \$2,016 as of June 30, 2018.

M. Classification of Expenses

Expenses are classified functional as a measure of service efforts and accomplishments. Direct expenses, incurred for a single program and allocation entirely to that function. Joint expenses applicable to more than one function are allocated on a time study of management and staff time as estimated by management.

N. Income Taxes

Community Housing Partnership of Williamson County is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code, therefore no provision for federal or state income taxes is applicable.

O. Inventory of Rehabilitation Homes and Grants to Homebuyers

The Organization purchases residential homes, rehabs the homes and then sells the homes to qualified individuals. The profit from these homes is reinvested into the mission of the Organization. At June 30, 2018, the Organization had four of these homes that were still in a stage of rehabilitation.

The Organization also sells some of these homes to qualified individuals at prices below the Organization's cost to purchase and rehabilitate the home. The difference is awarded as Grants to homebuyers. For the year ended June 30, 2018, grants to homebuyers were \$78,266.

P. New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities effective for fiscal years beginning after December 15, 2017. The new pronouncement primarily changes net asset presentation from three net asset classifications to net assets with and without donor restrictions. We will adopt the new guidance July 1, 2018. We do not expect the adoption to have a material impact on our financial statements.

See independent auditor's report.

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. New Accounting Pronouncements (Continued)

New Accounting Pronouncements (continued)

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that the Board adopts as of the specified effective date. Unless otherwise discussed, management believes the impact of any other recently issued standards that are not yet effective are either not applicable at this time or will not have a material impact on the financial statements upon adoption.

NOTE 2 – CREDIT RISK

The Organization maintains its cash in bank deposit accounts that at times may exceed the federal insured limit of \$250,000. In addition, the Organization has credit risk associated with the purchase and rehab of residential homes, with the risk of the housing market supporting the desired price and timeframe for sale.

NOTE 3 – NOTES PAYABLE

Notes payable consists of the following at June 30, 2018:

Note payable to Pinnacle Bank, secured by property, bearing interest equal to WSJ Prime with monthly interest payments and a final balloon payment of principal and interest due November 21, 2018.	\$ 2,674,784
Note payable to Pinnacle Bank, secured by property, bearing interest at WSJ Prime less 4.0% with monthly interest payments of \$277 and a final payment of principal and interest due August 15, 2019.	38,223
Note payable to Pinnacle Bank, secured by property, bearing interest at WSJ Prime less 4.0% with a final payment of principal and interest due January 15, 2021.	180,836
Note payable to Pinnacle Bank, secured by property, bearing interest at WSJ Prime less 4.0% with monthly interest payments of \$277 and a final payment of principal and interest due November 14, 2019.	37,475
Note payable to Pinnacle Bank, secured by property, bearing interest at WSJ Prime less 4.0% with monthly interest payments of \$277 and a final payment of principal and interest due August 29, 2019.	36,665

See independent auditor's report.

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 3 – NOTES PAYABLE (CONTINUED)

Note payable to Pinnacle Bank, secured by property, bearing interest at WSJ Prime less 4.0% with annual principal payments of \$14,004 and a final payment of remaining principal and all interest due August 31, 2019. 92,133

Note payable to Reliant Bank, secured by property, bearing interest at 5.0%. The note is due on demand. If no demand, the monthly payments of \$309 with remaining principal and interest at March 1, 2027. 25,361

Note payable to Reliant Bank, secured by property, bearing interest at 5.0%. The note is due on demand. If no demand, the monthly payments of \$318 with remaining principal and interest at May 26, 2027. 27,521

Note payable to Reliant Bank, secured by property, bearing interest at 5.0%. The note is due on demand. If no demand, the monthly payments of \$334 with remaining principal and interest at August 15, 2027. 29,236

Note payable to Reliant Bank, secured by property, bearing interest at WSJ Prime less 4%. The note is due on demand. If no demand, principal and interest is due at maturity of April 30, 2019. 174,984

Note payable to Franklin Synergy Bank, secured by property, bearing interest at 0%. Principal and interest is due at maturity of August 2, 2018. 35,400

Total Notes Payable	3,352,618.00
Less: Current portion	3,031,529.00
Total Long-term debt	<u>\$ 321,089</u>

Principal repayments for the next five years and after are as follows:

2019	\$ 3,031,529
2020	193,612
2021	161,734
2022	-
2023	-
Therafter	-
Total	<u>\$ 3,386,875</u>

See independent auditor's report.

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
NOTE 3 – NOTES PAYABLE (CONTINUED)

Several of the notes obtained by the Organization were issued at below market interest rates due to the nature of the projects and the Organization's status as a non profit. Interest on these notes has been imputed at 5% annually and amounted to \$19,336 for the year ended June 30, 2018.

In addition the Organization has a Line of Credit for \$100,000 with Republic Bank bearing interest at 0% which auto renews annually. The balance outstanding on the line of credit at June 30, 2018 was \$26,025.

NOTE 4 – RETIREMENT PLAN

The Organization has adopted a Simplified Employee Retirement Plan covering all eligible employees. Eligibility requirements are the employee must be at least 21 years old, performed services in at least three of the preceding five years and whose compensation during the year was not less than \$450. The Organization made no contributions for the year ended June 30, 2018.

NOTE 5 – NOTES RECEIVABLE – PROPERTY SALES

In previous years, the Organization received in-kind contributions for a portion of the value of residential homes from various developers building homes in Williamson County. The Organization immediately identified buyers for the homes. In each transaction, the Organization purchased the home from the developer at the reduced price and recognized an in-kind donation for the difference between the market value of the home and the reduced price, then immediately sold the home to a buyer for the market value of the home. The buyer of the home paid the Organization the reduced price immediately and signed a long-term note for the in-kind donation amount. These notes are interest free notes and mature beginning in 2042. These notes have been discounted at 5% and will be amortized into interest income over the life of the notes. The discount totaled \$247,640 at June 30, 2018.

During the year ended June 30, 2017, one home was sold with a forgivable mortgage which had a face value of \$30,400. The mortgage was written off to bad debt during the year ended June 30, 2018.

NOTE 6 – GRANTS

The Organization has various grants from State and Local sources. In addition, the Organization received a Federal grant which is administered through the Tennessee Housing Development Agency. The grant which falls under the U.S. Department of Housing and Urban Development allows the Organization to purchase and redevelop foreclosed properties that might otherwise become sources of abandonment and blight. Once redeveloped, the properties are then rented or sold to qualified residents at reduced prices.

See independent auditor's report.

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
NOTE 7 - COMMITMENTS

Amounts received from grantors are subject to restrictions and are open to audits. Any disallowed claims including amounts already collected, could become a liability to the Organization.

NOTE 8 – SUBSEQUENT EVENTS

Community Housing Partnership of Williamson County has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2018 through March 11, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.