Community Housing Partnership of Williamson County

Financial Statements
June 30, 2016

Table of Contents

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Community Housing Partnership of Williamson County, Inc. (the Organization) which comprise the statements of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

McKerley & Noonan

McKerley & Noonan, P.C.
May 11, 2017

104 WOODMONT BOULEVARD, SUITE 120 | NASHVILLE, TENNESSEE 37205
PHONE: (615) 279-0088 | FAX: (615) 279-9599
McKerleyNoonan.com

Community Housing Partnership of Williamson County, Inc.
Statement of Financial Position
June 30, 2016

Assets

Current Assets		
Cash in Bank	$	62,323
Marketable Securities		51,051
Accounts & Notes Receivable - Net		18,907
Inventory of Rehabilitation Homes		1,143,122
Contributions Receivable - United Way		55,000
Total Current Assets		1,330,403
Fixed Assets		
Land		203,493
Buildings		2,646,508
Office Furniture and Equipment		29,616
Less: Accumulated Depreciation		(938,829)
Net Fixed Assets		1,940,788
Other Assets		
Notes Receivable - Property Sales		336,432
Discount on Notes Receivable - Property Sales		(255,895)
Total Other Assets		80,537
Total Assets	$	3,351,728

Liabilities and Net Assets

Current Liabilities		
Accounts Payable and Accrued Expenses	$	29,411
Tenants' Deposits		10,900
Payroll Liabilities		8,479
Current Portion of Long-Term Debt		478,833
Total Current Liabilities		527,623
Long-Term Liabilities		
Line of Credit		283,649
Long-Term Debt		401,714
Total Long-Term Liabilities		685,363
Total Liabilities		1,212,986
Net Assets		
Unrestricted Net Assets		2,083,742
Temporarily Restricted Net Assets		55,000
Total Net Assets		2,138,742
Total Liabilities and Net Assets	$	3,351,728

Community Housing Partnership of Williamson County, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and Support:			
Grant Income	$ -	$ 518,531	$ 518,531
Contributions	-	7,035	7,035
In-Kind Contributions	36,093	-	36,093
Homebuyers Counseling	7,361	-	7,361
Rental Income	266,438	-	266,438
Net Gain from Property Sales	32,844	-	32,844
Other Income	9,059	-	9,059
Interest Income	3,840	-	3,840
Unrealized Gain (Loss) on Investments	(2,855)	-	(2,855)
Net Assets Released from Restriction	525,566	(525,566)	-
Total Revenues and Support	878,346	-	878,346
Expenses:			
Program Services	557,867	-	557,867
General and Administrative	88,202	-	88,202
Total Expenses	646,069	-	646,069
Change in Net Assets	232,277	-	232,277
Net Assets - Beginning of the Year	1,851,465	55,000	1,906,465
Net Assets - End of the Year	$ 2,083,742	$ 55,000	$ 2,138,742

Community Housing Partnership of Williamson County, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2016

Cash Flows from Operating Activities:	
Change in Net Assets	$ 232,277
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	95,228
Amortization of Discount on Notes Receivable	(3,835)
Unrealized Loss on Investments	2,855
Decrease in Accounts and Notes Receivable - Other	(9,987)
Increase in Inventory of Rehabilitation Homes	(517,102)
Increase in Accounts Payable and Other Liabilities	(2,553)
Increase in Deferred Revenue	(4,847)
Increase in Tenant Deposits	(100)
Increase in Payroll Liabilities	(1,229)
Total Adjustments	(441,570)
Net Cash Used by Operating Activities	(209,293)
Cash Flows from Investing Activities	
Sales of Marketable Securities	96,000
Purchase of Fixed Assets	(13,446)
Net Cash Provided by Investing Activities	82,554
Cash Flows from Financing Activities	
Principal Payments on Notes Payable	(459,595)
Proceeds from Notes Payable	642,850
Net Cash Provided by Financing Activities	183,255
Net Increase in Cash	56,516
Cash - Beginning of the Year	5,807
Cash - End of Year	$ 62,323
Supplemental Cash Flow Information:	
Interest Paid	$ 5,936
Imputed Interest	25,363
Total interest expense	$ 31,299

Community Housing Partnership of Williamson County, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2016

	Program Services	General and Administrative	Total
Salaries and Benefits	$ 231,202	$ 54,232	$ 285,434
Community Rehabilitation Expenses	80,787	-	80,787
Bad Debt Expense	970	-	970
Professional Services	-	14,707	14,707
Utilities	6,404	-	6,404
Maintenance and Repairs	38,160	27	38,187
Insurance	20,403	7,179	27,582
Office Expense and Supplies	11,685	2,741	14,426
Property Taxes	12,038	-	12,038
Rent	9,040	2,121	11,161
Depreciation	93,323	1,905	95,228
Mileage	3,957	928	4,885
Training, Meetings and Dues	4,345	1,019	5,364
Interest	31,299	-	31,299
Other Expenses	14,254	3,343	17,597
Total Functional Expenses	$ 557,867	$ 88,202	$ 646,069

Community Housing Partnership of Williamson County, Inc.

Notes to the Financial Statements
June 30, 2016

NOTE 1 - DESCRIPTION AND PURPOSE OF THE ORGANIZATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned and expenses are recorded when incurred. The significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation
For financial statement presentation, the Organization reports its financial information according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets
Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of the Organization.

Temporarily Restricted Net Assets
Temporarily restricted net assets are donations that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2016, there were $55,000 of net assets temporarily restricted for community rehabilitation expenses.

Permanently Restricted Net Assets
Permanently restricted net assets are donations subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any

related investments for general or specific purposes. As of June 30, 2016, there were no permanently restricted net assets.

Fair Value Measurements

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

Contributed Services

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

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs. No amounts have been recognized in the accompanying financial statements because the criteria for recognition of such volunteer effort under ASC 958, Accounting for Contributions Received and Contributions Made, have not been satisfied.

Marketable Securities

The Organization has $51,051 primarily in stock and bond mutual funds held at Morgan Stanley. The financial statements reflect an unrealized loss of $2,855 during the fiscal year ended June 30, 2016.

Accounts Receivable

Accounts & Notes receivable represents rent income and other promissory notes owed to the Organization at June 30, 2016. Management has estimated an allowance for bad debts of $2,800 against these receivables as of June 30, 2016.

Contributions Receivable – United Way

United Way has committed to funding $55,000 during fiscal year 2017 for community rehabilitation expenses.

Inventory of Rehabilitation Homes

The Organization occasionally purchases residential homes, rehabs the homes and then sells the homes to qualified individuals for a small profit. The profit from these homes is reinvested into the mission of the Organization. At June 30, 2016, the Organization had six of these homes that were still in a stage of rehabilitation.

Fixed Assets

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

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

Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Depreciation expense for the year ended June 30, 2016 amounted to $95,228.

In-Kind Contributions

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

The Organization has recorded $25,276 in in-kind interest expense related to the zero percent note payables (see Note 4).

Classification of Expenses

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

Income Taxes

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

The Organization has adopted the guidance in ASC 740 on accounting for uncertainty in income taxes. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. The Organization incurred no interest or penalties during the year ended June 30, 2016.

NOTE 3 – CREDIT RISK

The Organization maintains its cash in bank deposit accounts that at times may exceed the federally insured limit of $250,000. In addition, the Organization has credit risk associated with the purchase and rehab of residential homes. The Organization has risk that the homes may not sell in a timely fashion or at a desirable price.

NOTE 4 – NOTES PAYABLE

Notes payable consists of the following at June 30, 2016:

A $201,000 note secured by property payable to Franklin Synergy Bank bearing interest at 0% maturing in 2017.	$40,186
A $40,000 note secured by property payable to Reliant Bank bearing interest at 5% maturing in 2027.	32,013
A $42,000 note secured by property payable to Reliant Bank bearing interest at 5% maturing in 2027.	33,863
A $38,500 note secured by property payable to Reliant Bank bearing interest at 5% maturing in 2027.	29,640
A line of credit with US Bank with interest at 1% above the bank's prime rate and maturing July 2018.	100,033
A $148,149 mortgage note payable with Avenue Bank with interest at 4% below Prime and maturing August 2019.	114,306
A $286,200 note payable to Reliant Bank bearing interest at 3.25% and maturing in November 2016.	286,200
A $49,770 mortgage note payable with Pinnacle Bank with interest at 4% below Prime and maturing November 2019.	43,964
A $49,770 mortgage note payable with Pinnacle Bank with interest at 4% below Prime and maturing August 2019.	43,964
A $49,770 mortgage note payable with Pinnacle Bank with interest at 4% below Prime and maturing August 2019.	43,964
A $100,000 line of credit with Regions Bank with interest at Prime plus 4% and maturing November 2018.	90,136
A $100,000 line of credit with Landmark Community Bank with interest at 3.5% and maturing February 2017.	93,480
A $126,400 construction loan with Avenue Bank with interest at 4% below Prime and maturing January 2017.	1,566
A $40,750 promissory note payable with Franklin Synergy Bank bearing 0% interest and maturing March 2017.	40,750

A $67,350 promissory note payable with Franklin Synergy Bank bearing 0% interest and maturing March 2017.	67,350
A $5,200 promissory note payable with Franklin Synergy Bank bearing 0% interest and maturing November 2016.	5,200
A $196,000 promissory note payable with Avenue Bank bearing interest at 4% below Prime and maturing January 2021.	97,581
Total	$ 1,164,196

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

2017	$ 478,833
2018	43,429
2019	43,721
2020	194,467
2021	58,118
Thereafter	61,929
Total	$ 1,164,196

Several of the Organizations notes were offered at zero percent because of the nature of the projects and the Organizations status as a non-profit. Interest expense on these notes has been imputed at 5% annually and amounted to $25,276 for the year ended June 30, 2016.

Several of the notes have maturity dates after June 30, 2016 but prior to the report issuance date of May 11, 2017. These notes have either been paid off or refinanced with similar terms.

NOTE 5 – RETIREMENT PLAN

The Organization has adopted a defined contribution Simplified Employee Retirement Plan covering all eligible employees. Eligibility requirements are the employee must be at least 21 years old, performed services in at least three of the preceding five years, and whose compensation during the year was not less than $450. The Organization made $7,650 of contributions to the plan for the year ended June 30, 2016.

NOTE 6 – NOTES RECEIVABLE – PROPERTY SALES

In previous years, the Organization received in-kind contributions for a portion of the value of residential homes from various developers building homes in Williamson County. The Organization immediately identified buyers for the homes. In each transaction, the Organization purchased the home from the developer at the reduced price and recognized an in-kind donation for the difference between the market value of the home and the reduced price, then immediately sold the home to a buyer for the market value of the home. The buyer of the home paid the Organization the reduced price immediately and signed a long-term note for the in-kind donation amount. These notes are interest free notes and mature beginning in 2042. These notes have been discounted at 5% and will be amortized into interest income over the life of the notes. The discount totaled $255,895 at June 30, 2016.

NOTE 7 – GRANTS

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

NOTE 8 – COMMITMENTS

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

NOTE 9 – SUBSEQUENT EVENTS

Subsequent to June 30, 2016, the Organization obtained $4,292,855 of financing through a promissory note held by Pinnacle Bank; the funds will be used to develop land and construct a multi-unit condo building in Franklin, TN.

Management has evaluated subsequent events through May 11, 2017, the date that the financial statements were available to be issued.