

**FUNDING AGREEMENT BETWEEN THE CITY OF FRANKLIN AND
COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY**

COF Contract No. 2018-0116

This Funding Agreement is effective on July 1, 2018, between and among the City of Franklin, Tennessee, a political subdivision of the State of Tennessee (the "City") and **COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY** (the "Agency"), a Tennessee nonprofit corporation.

RECITALS

WHEREAS, Tennessee Code Annotated ("TCA") Section 6-54-111, as amended, authorizes a municipality's governing body to appropriate funds for the financial aid of any nonprofit charitable organization that provides year-round services benefiting the general welfare of the residents of the municipality or any nonprofit civic organization working to maintain and increase employment opportunities in the municipality; and

WHEREAS, the TCA also provides for the Comptroller of the Treasury to establish standard procedures to assist the municipal governing body in the disposition of funds so appropriated; and

WHEREAS, the municipality wishes to comply with the following laws and rules:

1. A municipality may appropriate funds for only those nonprofit charitable organizations that provide year-round services benefiting the general welfare of the residents of the municipality, or any nonprofit civic organization classified under Sections 501(c)(4) or (6) of the Internal Revenue Code working to maintain and increase employment opportunities in the municipality.
2. The governing body of each municipality shall adopt an adequate agreement stating the purpose for which the funds are being appropriated, for each nonprofit organization that is to receive municipal funds.
3. The budget document of the municipality shall include the name of each nonprofit organization and the specific amount appropriated for each organization.
4. Municipal payments to nonprofit organizations shall be limited to the amounts appropriated for such purposes and in keeping with the municipality's guidelines for how the appropriated funds may be spent.
5. Pursuant to Tennessee Code Annotated §6-54-111(c), the Agency shall file with the City a copy of the annual report of its business affairs and transactions that includes, but is not limited to:



- (a) Either a copy of the Agency's most recently completed annual audit or an annual report detailing all receipts and expenditures in a form prescribed by the comptroller of the treasury (a blank copy of which is attached as Exhibit A) and certified by the chief financial officer of the Agency;
- (b) A description of the program that serves the residents of the municipality (a blank copy of which is attached as Exhibit B); and
- (c) The proposed use of the municipal assistance (a blank copy of which is attached as Exhibit C).

The report filed shall be open for public inspections during regular business hours of the City.

6. For appropriations to nonprofit civic organizations, notices shall be published in a newspaper of general circulation in the municipality of the intent to make an appropriation, specifying the intended amount and purpose; and

WHEREAS, the City and the Agency intend to enter into this agreement for the purpose of defining the Agency's use of the monies received from the City in fiscal year 2018-2019.

NOW, THEREFORE, in consideration of the mutual covenants and promises, the parties agree as follows:

1. TERM

This agreement shall be effective from and after the effective date and shall extend through June 30, 2019, unless otherwise terminated in accordance herewith.

2. OBLIGATIONS OF CITY OF FRANKLIN

2.1 In accordance with City guidelines after all administrative costs are deducted therefrom, the City will contribute to the Agency the amount of EIGHT THOUSAND FOUR HUNDRED SIXTY and 00/100 DOLLARS (\$8,460.00).

2.2 Payments will be made in quarterly installments, payable at or near the beginning of each quarter.

3. OBLIGATIONS OF THE AGENCY

3.1 Use of Funds. The Agency shall use the City funds for the sole and limited purpose of community and economic development of the City of Franklin according to the Statement of Work and Program Objectives provided in Exhibit B, a copy of which is attached hereto and incorporated by reference herein.

3.2 Work Plan. In order to accomplish the objective(s) set forth in paragraph 3.1, the agency shall submit to the City a Work Plan that describes, in detail, the efforts to be undertaken by the Agency to accomplish the performance objectives set forth in Exhibit B, a copy of which is attached hereto as Exhibit C and incorporated by reference herein. At a

minimum, the Work Plan shall include that information required by Exhibit B. The Agency shall coordinate its performance under this Agreement with the City. The Agency shall advise and consult with the City Administrator or his/her designee, with respect to its performance under this Agreement.

3.3 Annual Budget. The Agency shall submit an annual budget in a form and on a schedule acceptable to the City. The annual budget shall contain a detailed analysis of the project administrative expenses for operations and reasonable estimates of the projected amounts to be spent for the services to be provided and Work Plan to be implemented for the calendar year. The budget shall be submitted to the City with this agreement.

3.4 Reporting. Pursuant to Tennessee Code Annotated §6-54-111(c), the Agency shall file with the City a copy of the annual report of its business affairs and transactions that includes, but is not limited to:

- (a) Either a copy of the Agency's most recently completed annual audit or an annual report detailing all receipts and expenditures in a form prescribed by the comptroller of the treasury (a blank copy of which is attached as Exhibit A) and certified by the chief financial officer of the Agency;
- (b) A description of the program that serves the residents of the municipality; and
- (c) The proposed use of the municipal assistance.

The report filed shall be open for public inspections during regular business hours of the City.

3.5 Insurance. The Agency shall maintain professional liability and general liability insurance coverages as are reasonably necessary to cover any liability arising out of the acts or omissions of the Agency and its employees. The Agency shall maintain workers' compensation insurance as required by the laws of the State of Tennessee.

The Agency shall require all third parties utilized by the Agency ("Contractors") to maintain professional liability and general liability insurance coverages as are reasonably necessary to cover any liability arising out of the acts or omissions of the Contractors and its employees. The Agency shall require contractors to maintain workers' compensation as required by the State of Tennessee. The contractor's general liability insurance shall be of sufficient limits to provide defense and settlement expenses for Agency that result from the contractor liability. To the extent permissible, the Agency shall require each Contractor to endorse the Agency as an additional insured on the Contractor's general liability policies.

To the extent permitted by law, the Agency shall require such Contractor to indemnify and hold the Agency harmless against any liability caused by acts or omissions of the Contractor and its employees.

Insurance information will be provided to the City upon request. The Agency shall notify the City immediately of incidents that could lead to a major claim against the Agency.



4. RESTRICTION ON USE OF FUNDS

The Agency does hereby warrant and represent that the City Funds shall not be utilized by either the Agency or any of its Contractors for the following purposes:

4.1 Any claim or litigation against the City or any department or division of the City.

4.2 Any political or levy campaigning purposes.

5. RECORDS AND AUDITS

5.1 Accounting. The Agency shall maintain full, accurate and complete financial and accounting books, records and reports ("Records") of all direct and indirect uses and expenditures of the City Funds consistent with generally accepted accounting principles (GAAP).

5.2 Maintenance of Records. The Agency shall keep records relating to all uses and expenditures of the City Funds received pursuant to this Agreement. The Agency shall maintain a system of bookkeeping adequate for its operations hereunder and shall submit reports from such system to the City and the Agency on an annual basis for review and approval. The Agency shall keep and preserve for at least five (5) years following each calendar year all sales slips, rental agreements, purchase orders, sales books, cash register tapes, credit card invoices, payroll records, duplicate deposit tapes and invoices, bank accounts, cash receipts and cash disbursements, bank books and other evidence of receipts and expenditures for such period.

5.3 Audit. The City or the City's designated representative, at the City's cost and expense, shall have the right to audit the Agency's Records at any time but shall not unreasonably interfere with the Agency's business or operations in connection with any such audit. The Agency acknowledges that this Agreement may be subject to audit by the Auditor of the State of Tennessee.

5.4 Repayment. If an audit discloses the Agency has received or retained City Funds in error or in excess of those to which the Agency is entitled under this Agreement or has used the City Funds for a purpose not authorized by this Agreement, the Agency agrees to promptly repay to the City the full amount of such City Funds, with interest thereon at the rate equal to the 90-day U.S. Treasury Note at the time. In the event the Agency fails to promptly repay to the City the full amount of such City Funds, the City may elect to withhold said City Funds from any future payments to the Agency.

5.5 Additional Remedies. In addition to the repayment remedy set forth in paragraph 5.4 herein, the City may elect to terminate this Agreement as set forth in section 6, herein with a minimum of 30 days written notice to the Agency's President and Chair of the Board with opportunity to cure any breach.

6. TERMINATION

If either party hereto breaches any term, condition, representation, warranty or covenant contained in this Agreement, or if the Agency engages in any malfeasance or misfeasance with respect to the City Funds, the non-breaching party may elect to terminate this Agreement with a minimum of 30 days written notice to the other party with opportunity to cure any breach.

7. MISCELLANEOUS PROVISIONS

7.1 The Agency and the City agree that, as a condition to this Agreement, they shall not discriminate against any employee on the basis of race, color, sex, religion, natural origin, handicap, or any other factor specified in Title VI of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, the Americans with Disabilities Act, and subsequent amendments thereto, and all other federal and state laws regarding such discrimination.

7.2 The Agreement may be amended at any time, or any provision hereof may be waived, by written consent of all parties hereto.

7.3 This Agreement shall be governed by and construed under the laws of the State of Tennessee.

7.4 The Agency and the City shall conform to the requirements of all applicable laws and regulations of the State of Tennessee governing the execution of their respective duties under this Agreement.

(Signatures on next page)



IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS Agreement as of
this 5th day of July, 2018 by

COMMUNITY HOUSING PARTNERSHIP OF WILLIAMSON COUNTY

By: STEPHEN MURRAY

Name: Stephen Murray

Title: EXECUTIVE DIRECTOR

Date: 7/3/2018

CITY OF FRANKLIN

By: Eric S. Stuckey
Eric S. Stuckey, City Administrator

Date: 7-5-2018

Approved as to form:

By: Tiffani M. Pope
Tiffani M. Pope, Staff Attorney

EXHIBIT A

Annual Reporting Form for Nonprofit Organizations

Seeking Financial Assistance from Local Governments

Community Housing Partnership of Williamson County

Name of Nonprofit Organization

129 W. 5th Ave. St #124 Franklin (Williamson) TN 37064

Street Address

City

County

State

Zip

Annual Financial Report of Cash Receipts, Disbursements, and Balances

For the Fiscal Year from 7/1/17 through 6/30/17

Report Required by Title 5, Chapter 9, Part 1,

And Title 6, Chapter 54, Part 1, Tennessee Code Annotated

Receipts

Federal Grants

\$ 423,795

State Grants

149,901

Financial Assistance from Local

Governments

46,591

Donations and Gifts from Citizens

62433

Membership Dues RENTAL INCOME

274,781

Fees/Charges for Services

14,471

Fundraising Events

Sale of Assets

Loans-Borrowed Funds NET GAIN PROPERTY

65,887

Investment Income

11,785

Other Receipts

359

Total Receipts

\$ 1,050,043 (A)

Disbursements

Grants and Other Assistance Paid to Other Organizations and Individuals	\$ 239,166	
Salaries and Wages	266,332	
Employee Benefits	25,942	
Payroll Taxes	21,797	
Fees for Services (non-employee)	11,315	
Advertising and Promotion		
Office Expenses	13,211	
Leases/Rentals	11,161	
Maintenance and Repairs	28,817	
Supplies		
Travel (m. lease)	5,250	
Utilities	6,741	
Insurance	26,818	
Conferences, Conventions and Meetings	4,829	
Interest	32,306	
Purchase of Capital Assets - Vehicles and Equipment Property Taxes	13,788	
Purchase of capital Assets - Property and Buildings		
Loan Payments Depreciation	95,990	
Other	2,802	
Total Disbursements		\$ 806,265 (B)

Cash Receipts Less Disbursements for the fiscal Year (A-B=C) \$ 243,778 (C)

Cash Balance - at the beginning of the fiscal year \$ 62,323 (D)

Cash Balance - at the end of the fiscal year (C+D=E) \$ 150,200 (E)

See page 4 of Audit. ITEM C was not all cash but restricted asset. See "STATEMENT OF CASH FLOWS" in audit document

**Details of Cash Balance - at the end of
the fiscal year**

Cash on Hand	\$ <u>0</u>	
Cash in Bank – Checking	<u>4504</u>	
Cash in Bank – Savings Accounts	<u>145696</u>	
Cash in Bank – Certificates of Deposits	<u>0</u>	
Other Cash	<u>0</u>	
Total Cash - at the end of the fiscal year		\$ <u>150,200</u> (E)

Please Explain Proposed Use of the Financial Assistance from Local Governments.

Assistance to low income homeowners
in the City of Franklin for emergency repairs
to their homes.

I certify that this report accurately presents the cash receipts, disbursements, and balances of the
Champaign County for the fiscal year noted above.

Name of Nonprofit Organization

Person Preparing Report

STEPHEN MURRAY

Printed Name



Signature

Phone Number

615-790-5566

Email Address

murray@community
housingpartnershipnc.org

Date

1/3/2018

Community Housing Partnership of Williamson County

Financial Statements
June 30, 2017

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McKerley + Noonan

CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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

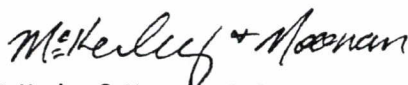
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2017, 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, P.C.

February 9, 2018

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Community Housing Partnership of Williamson County, Inc.
Statement of Financial Position
June 30, 2017

Assets

Current Assets

Cash in Bank	\$ 150,200
Marketable Securities	116,705
Accounts & Notes Receivable - Net	38,146
Inventory of Rehabilitation Homes	1,857,596
Contributions Receivable - United Way	55,000
Total Current Assets	<u>2,217,647</u>

Fixed Assets

Land	203,493
Buildings	2,669,485
Office Furniture and Equipment	30,066
Less: Accumulated Depreciation	(1,034,819)
Net Fixed Assets	<u>1,868,225</u>

Other Assets

Notes Receivable - Property Sales	366,832
Discount on Notes Receivable - Property Sales	(254,959)
Total Other Assets	<u>111,873</u>

Total Assets	<u><u>\$ 4,197,745</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 64,479
Tenants' Deposits	10,500
Payroll Liabilities	3,287
Current Portion of Long-Term Debt	416,781
Total Current Liabilities	<u>495,047</u>

Long-Term Liabilities

Line of Credit	11,850
Long-Term Debt	1,308,328
Total Long-Term Liabilities	<u>1,320,178</u>

Total Liabilities	<u>1,815,225</u>
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Net Assets

Unrestricted Net Assets	2,327,520
Temporarily Restricted Net Assets	55,000
Total Net Assets	<u>2,382,520</u>

Total Liabilities and Net Assets	<u><u>\$ 4,197,745</u></u>
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Community Housing Partnership of Williamson County, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Grant Income	\$ -	\$ 620,287	\$ 620,287
Contributions	-	19,780	19,780
In-Kind Contributions	42,653	-	42,653
Homebuyers Counseling	14,471	-	14,471
Rental Income	274,781	-	274,781
Net Gain from Property Sales	65,887	-	65,887
Other Income	399	-	399
Interest Income	8,831	-	8,831
Unrealized Gain (Loss) on Investments	2,954	-	2,954
Net Assets Released from Restriction	640,067	(640,067)	-
Total Revenues and Support	<u>1,050,043</u>	<u>-</u>	<u>1,050,043</u>
Expenses:			
Program Services	720,845	-	720,845
General and Administrative	85,420	-	85,420
Total Expenses	<u>806,265</u>	<u>-</u>	<u>806,265</u>
Change in Net Assets	243,778	-	243,778
Net Assets - Beginning of the Year	<u>2,083,742</u>	<u>55,000</u>	<u>2,138,742</u>
Net Assets - End of the Year	<u><u>\$ 2,327,520</u></u>	<u><u>\$ 55,000</u></u>	<u><u>\$ 2,382,520</u></u>

Community Housing Partnership of Williamson County, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2017

Cash Flows from Operating Activities:

Change in Net Assets \$ 243,778

**Adjustments to Reconcile Change in Net Assets
to Net Cash Provided by Operating Activities:**

Depreciation	95,990
Amortization of Discount on Notes Receivable	(8,622)
Unrealized Loss on Investments	(2,954)
Increase in Accounts and Notes Receivable - Other	(19,239)
Increase in Notes Receivable - Property Sales	(23,474)
Increase in Inventory of Rehabilitation Homes	(714,474)
Increase in Accounts Payable and Other Liabilities	35,068
Decrease in Tenant Deposits	(400)
Decrease in Payroll Liabilities	(5,192)

Total Adjustments (643,297)

Net Cash Used by Operating Activities (399,519)

Cash Flows from Investing Activities

Purchase of Marketable Securities	(62,231)
Purchase of Fixed Assets	(23,427)

Net Cash Provided by Investing Activities (85,658)

Cash Flows from Financing Activities

Principal Payments on Notes Payable	(1,337,550)
Proceeds from Notes Payable	1,910,604

Net Cash Provided by Financing Activities 573,054

Net Increase in Cash 87,877

Cash - Beginning of the Year 62,323

Cash - End of Year \$ 150,200

Supplemental Cash Flow Information:

Interest Paid	<u><u>\$ 7,902</u></u>
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Community Housing Partnership of Williamson County, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and Benefits	\$ 254,398	\$ 59,673	\$ 314,071
Grants to Homebuyers	176,964	-	176,964
Community Rehabilitation Expenses	62,202	-	62,202
Professional Services	-	11,315	11,315
Utilities	6,741	-	6,741
Maintenance and Repairs	28,817	-	28,817
Insurance	21,384	5,434	26,818
Office Expense and Supplies	10,701	2,510	13,211
Property Taxes	13,788	-	13,788
Rent	9,040	2,121	11,161
Depreciation	94,070	1,920	95,990
Mileage	4,253	998	5,250
Training, Meetings and Dues	3,911	918	4,829
Interest	32,306	-	32,306
Other Expenses	2,270	532	2,802
Total Functional Expenses	<u><u>\$ 720,845</u></u>	<u><u>\$ 85,420</u></u>	<u><u>\$ 806,265</u></u>

Community Housing Partnership of Williamson County, Inc.

Notes to the Financial Statements

June 30, 2017

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, 2017, 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, 2017, 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 \$116,705 primarily in stock and bond mutual funds held at Morgan Stanley. The financial statements reflect an unrealized gain of \$2,954 during the fiscal year ended June 30, 2017.

Accounts Receivable

Accounts & Notes receivable represents rent income and other promissory notes owed to the Organization at June 30, 2017. Management has estimated an allowance for bad debts of \$1,830 against these receivables as of June 30, 2017.

Contributions Receivable – United Way

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

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, 2017, the Organization had fifteen 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 organizations costs to purchase and rehabilitate the home. The difference is awarded as Grants to Homebuyers.

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, 2017 amounted to \$95,990.

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 \$32,364 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, 2017.

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, 2017:

A \$71,500 note secured by property payable to Franklin Synergy Bank bearing interest at 0% maturing in 2018.	71,500
A \$40,000 note secured by property payable to Reliant Bank bearing interest at 5% maturing in 2027.	29,582
A \$42,000 note secured by property payable to Reliant Bank bearing interest at 5% maturing in 2027.	31,719
A \$38,500 note secured by property payable to Reliant Bank bearing interest at 5% maturing in 2027.	27,433
A \$76,050 note secured by property payable to Franklin Synergy Bank bearing interest at 0% maturing in 2018.	76,050
A \$148,149 mortgage note payable with Pinnacle Bank with interest at 4% below Prime and maturing August 2019.	100,302
A \$6,000 note secured by property payable to Franklin Synergy Bank bearing interest at 0% maturing in 2018.	6,000
A \$49,770 mortgage note payable with Pinnacle Bank with interest at 4% below Prime and maturing August 2019.	40,632
A \$49,770 mortgage note payable with Pinnacle Bank with interest at 4% below Prime and maturing November 2019.	40,922
A \$49,770 mortgage note payable with Pinnacle Bank with interest at 4% below Prime and maturing August 2019.	40,369
A \$4,292,855 promissory note payable with Pinnacle Bank bearing interest equal to the Prime and maturing in 2018.	792,500
A \$100,000 promissory note for a revolving line of credit with Republic Bank bearing interest at 0% maturing in 2018.	11,850
A \$166,500 promissory note secured by property with Reliant Bank with interest at 4% below Prime and maturing in 2018.	28,238
A \$150,000 promissory note secured by property with Reliant Bank with interest at 1% above Prime and maturing in 2017.	150,000

A \$117,650 promissory note secured by property payable to Republic Bank bearing interest at 0% maturing in 2017.	117,650
A \$196,000 promissory note payable with Pinnacle Bank bearing interest at 4% below Prime and maturing January 2021.	172,212
Total	<u>\$1,736,959</u>

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

2018	\$ 428,631
2019	912,307
2020	194,434
2021	140,379
2022	7,788
Thereafter	53,420
Total	<u>\$ 1,736,959</u>

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 on these notes has been imputed at 5% annually and amounted to \$32,364 for the year ended June 30, 2017. Capitalized interest on projects in progress in Inventory of Rehab homes amounted to \$10,957.

Several of the notes have maturity dates after June 30, 2017 but prior to the report issuance date of February 9, 2018. 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 \$12,702 of contributions to the plan for the year ended June 30, 2017.

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 \$254,959 at June 30, 2017.

The Organization sold one home during the year ended June 30, 2017 with a forgivable mortgage which is included in Notes Receivable – Property Sales. The forgivable mortgage has a face value of \$30,400, which is to be forgiven in equal increments over the next 10 years provided that the buyer does not fail any of the covenants of their mortgage. This forgivable mortgage has been discounted at 5% and will be amortized into interest income over the life of the note.

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

Management has evaluated subsequent events through February 9, 2018, the date that the financial statements were available to be issued.

EXHIBIT B

The Agency 2018-2019 Statement of Work and Program Objectives (description of program) shall include:

1. Solicit applications for low income, low income elderly or low income elderly homeowner residents for emergency repairs to their homes through an application process that allows for the leveraging of additional funding through United Way of Williamson County, Greater Nashville Regional Council, Williamson County and Tennessee Housing Development Agency to maximize the funding from the City of Franklin.
2. Verify all documentation on the application including incomes and ownership of the structure as well additional documentation for insurance and mortgage status.
3. Conduct a work write up of the requested work to verify the condition of the structure, the legitimacy of the repair request, the emergency nature of the request and other mitigating factors. Conduct a cost estimate of the requested work.
4. Submit to the Community Housing Partnership of Williamson County Board of Directors for approval of the request.
5. Conduct bidding for the work if the size of the requested work so dictates. If the job request is smaller use approved contractors that were previously vetted through a bid process. Award contracts.
6. Inspect all finished work with the homeowner to insure the proper quality of work and all codes conditions were met prior to authorizing payment.
7. Authorize payment, insure the release of any liens if applicable.
8. Maintain records in the Community Housing Partnership of Williamson County office.

EXHIBIT C

The Community Housing Partnership of Williamson County Annual Work Plan (how the funds will be used) shall include:

1. Solicit applications for low income, low income elderly or low income elderly homeowner residents for emergency repairs to their homes through an application process that allows for the leveraging of additional funding through United Way of Williamson County, Greater Nashville Regional Council, Williamson County and Tennessee Housing Development Agency to maximize the funding from the City of Franklin.
2. Verify all documentation on the application including incomes and ownership of the structure as well additional documentation for insurance and mortgage status.
3. Conduct a work write up of the requested work to verify the condition of the structure, the legitimacy of the repair request, the emergency nature of the request and other mitigating factors. Conduct a cost estimate of the requested work.
4. Submit to the Community Housing Partnership of Williamson County Board of Directors for approval of the request.
5. Conduct bidding for the work if the size of the requested work so dictates. If the job request is smaller use approved contractors that were previously vetted through a bid process. Award contracts.
6. Inspect all finished work with the homeowner to insure the proper quality of work and all codes conditions were met prior to authorizing payment.
7. Authorize payment, insure the release of any liens if applicable.
8. Maintain records in the Community Housing Partnership of Williamson County office.

2018-2019 Budget

Exhibit D

REVENUE	United	Will.	Franklin	USDA	REN	DEVEL	GEN.	TOTAL	Total
OPERATING REVENUE	Way	Co.		RD	TOP			18 Budget	17 Projected
CITY OF FRANKLIN	\$0	\$0	\$1,800	\$0	\$0	\$0	\$0	\$1,800	\$1,800
UNITED WAY REVENUE	\$9,834	\$0	\$0	\$0	\$0	\$0	\$0	\$9,834	\$9,834
WILLIAMSON COUNTY REVENUE	\$0	\$9,834	\$0	\$0	\$0	\$0	\$0	\$9,834	\$9,834
USDA RD	\$0	\$0	\$0	\$2,673	\$0	\$0	\$0	\$2,673	\$875
LOAN UNDERWRITING	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
INTEREST/Investment Income	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000	\$5,000	\$5,000
GROSS RENTAL INCOME	\$0	\$0	\$0	\$0	\$300,000	\$0	\$0	\$300,000	\$292,000
OTHER REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$15,000	\$15,000	\$13,609
FEMA	\$0	\$0	\$0	\$0	\$0	\$0	\$1,300	\$1,300	\$0
Whispering Winds Subdivision	\$0	\$0	\$0	\$0	\$0	\$175,000	\$0	\$175,000	\$80,000
DEVELOPMENT FEES	\$0	\$0	\$0	\$0	\$0	\$80,000	\$0	\$80,000	\$70,000
DONATIONS	\$0	\$0	\$0	\$0	\$0	\$0	\$500	\$500	\$5,786
DONATIONS IN KIND	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MIDDLE TN EMC/US Bank	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000	\$5,000	\$10,000
THDA Housing Trust Fund Administrative	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,823
1319 West Main Street	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	\$300,000
City of Franklin CDBG	\$0	\$0	\$7,500	\$0	\$0	\$0	\$0	\$7,500	\$9,500
2014/15 THDA/HOME Administrative Fees	\$0	\$0	\$0	\$0	\$0	\$5,000	\$0	\$5,000	\$30,000
SUBTOTAL OPERATING INCOME	\$9,834	\$9,834	\$9,300	\$2,673	\$300,000	\$760,000	\$26,800	\$1,118,441	\$843,061
PROJECT REVENUE									
SINGLE FAMILY CONSTRUCTION	\$0	\$0	\$0	\$0	\$0	\$750,000	\$0	\$750,000	\$275,000
Whispering Winds Subdivision	\$0	\$0	\$0	\$0	\$0	\$2,081,316	\$0	\$2,081,316	\$0
HOMEOWNER REHABILITATION (Franklin)	\$0	\$0	\$6,660	\$0	\$0	\$0	\$0	\$6,660	\$6,667
HOMEOWNER REHABILITATION (U Way)	\$35,166	\$0	\$0	\$0	\$0	\$0	\$0	\$35,166	\$45,156
HOMEOWNER REHABILITATION (W Cty)	\$0	\$28,297	\$0	\$0	\$0	\$0	\$0	\$28,297	\$28,297
USDA RD	\$0	\$0	\$0	\$30,740	\$0	\$0	\$0	\$30,740	\$10,000
2015 THDA Housing Trust Fund Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$116,588
FEMA/United Way Homeless	\$10,000	\$0	\$0	\$0	\$0	\$0	\$1,900	\$11,900	\$0
1319 West Main Street	\$0	\$0	\$0	\$0	\$0	\$1,620,000	\$0	\$1,620,000	\$377,500
2015 THDA/HOME Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$443,000
SUBTOTAL PROJECT REVENUE	\$45,166	\$28,297	\$6,660	\$30,740	\$0	\$4,451,316	\$1,900	\$4,564,079	\$1,302,208
TOTAL REVENUE	\$55,000	\$38,131	\$15,960	\$33,413	\$300,000	\$5,211,316	\$28,700	\$5,682,520	\$2,145,269

2018-2019 Budget

Exhibit D

EXPENSES	United Way	Will. County	Franklin CDBG	USDA RD	REN TOP	DEVEL	GENERAL	TOTAL	Total
OPERATING EXPENSES	Way	Co.						18 Budget	05 Actual
SALARIES	\$7,812	\$7,812	\$8,300	\$0	\$95,000	\$102,776	\$18,300	\$240,000	\$285,000
EMPLOYEE BENEFITS	\$500	\$500	\$200	\$0	\$5,000	\$35,023	\$3,777	\$45,000	\$43,050
PAYROLL TAXES	\$600	\$600	\$600	\$0	\$7,270	\$11,913	\$2,017	\$23,000	\$22,000
WORKMANS COMP INSURANCE	\$105	\$105	\$100	\$0	\$1,800	\$1,190	\$200	\$3,500	\$3,110
INSURANCE	\$492	\$492	\$100	\$200	\$14,000	\$10,716	\$4,000	\$30,000	\$28,640
FIDELITY BONDING	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MARKETING	\$0	\$0	\$0	\$0	\$0	\$0	\$1,500	\$1,500	\$1,000
LEGAL EXPENSE	\$0	\$0	\$0	\$0	\$500	\$1,500	\$0	\$2,000	\$0
ACCOUNTING/AUDIT	\$0	\$0	\$0	\$200	\$2,000	\$4,750	\$19,050	\$26,000	\$8,950
POSTAGE	\$75	\$75	\$0	\$0	\$200	\$400	\$250	\$1,000	\$785
MEETING EXPENSE	\$0	\$0	\$0	\$0	\$100	\$900	\$200	\$1,200	\$1,188
PROFESSIONAL FEES	\$0	\$0	\$0	\$0	\$0	\$2,700	\$300	\$3,000	\$4,500
MILEAGE	\$250	\$250	\$0	\$200	\$1,300	\$2,800	\$1,200	\$6,000	\$5,200
OFFICE EXPENSE/SUPPLIES	\$0	\$0	\$0	\$0	\$1,000	\$4,700	\$1,300	\$7,000	\$6,160
PUBLICATIONS	\$0	\$0	\$0	\$0	\$200	\$0	\$100	\$300	\$0
TELEPHONE	\$0	\$0	\$0	\$275	\$1,000	\$2,300	\$325	\$3,900	\$3,319
UTILITIES	\$0	\$0	\$0	\$0	\$6,000	\$0	\$0	\$6,000	\$5,921
STORAGE FACILITY	\$0	\$0	\$0	\$0	\$1,000	\$0	\$100	\$1,100	\$1,020
PROPERTY TAXES	\$0	\$0	\$0	\$0	\$15,000	\$0	\$0	\$15,000	\$13,788
INTEREST EXPENSE (Rental property)	\$0	\$0	\$0	\$0	\$8,000	\$0	\$0	\$8,000	\$11,000
MEMBERSHIP EXPENSE	\$0	\$0	\$0	\$0	\$0	\$0	\$2,000	\$2,000	\$565
TRAVEL/TRAINING	\$0	\$0	\$0	\$0	\$500	\$3,000	\$1,500	\$5,000	\$1,500
CONTINGENCY	\$0	\$0	\$0	\$0	\$0	\$25,000	\$0	\$25,000	\$0
EQUIPMENT PURC/RENTAL/MAIN	\$0	\$0	\$0	\$0	\$0	\$1,000	\$0	\$1,000	\$0
CLEANING SERVICE	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000	\$1,000	\$600
VEHICLE EXPENSE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
RENTAL REPAIRS	\$0	\$0	\$0	\$0	\$30,000	\$0	\$0	\$30,000	\$25,000
RENTAL RESERVES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
RENTAL SUPPLIES AND MAT.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
BAD DEBT WRITE OFF	\$0	\$0	\$0	\$0	\$0	\$6,000	\$0	\$6,000	\$10,000
DEPRECIATION (non cash)	\$0	\$0	\$0	\$0	\$95,546	\$0	\$454	\$96,000	\$56,350
OTHER EXPENSES	\$0	\$0	\$0	\$0	\$0	\$14,500	\$0	\$14,500	\$14,300
SUBTOTAL OPERATING EXPENSES	\$9,834	\$9,834	\$9,300	\$875	\$285,416	\$231,168	\$57,573	\$604,000	\$552,946
NET OPERATING REVENUE	\$0	\$0	\$0	\$1,798	\$14,584	\$528,832	-\$30,773	\$514,441	\$290,115
NET CASH OPERATING REVENUE	\$0	\$0	\$0	\$1,798	\$110,130	\$528,832	-\$30,319	\$610,441	\$346,465

2018-2019 Budget

Exhibit D

	United Way	Will. Co.	Franklin	USDA RD	RENTOP	DEVEL	GENERAL	TOTAL 18 Budget	Total 17 Projected
PROJECT EXPENSES									
SINGLE FAMILY CONSTRUCTION	\$0	\$0	\$0	\$0	\$0	\$750,000	\$0	\$750,000	\$275,000
HOMEOWNER REHABILITATION	\$35,166	\$26,297	\$3,660	\$0	\$0	\$0	\$0	\$65,123	\$35,000
2015 THDA Housing Trust Fund Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
HOMELESS	\$10,000	\$2,000	\$3,000	\$0	\$0	\$0	\$11,900	\$26,900	\$15,924
2015 THDA/HOME Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$209,986
USDA RD Projects	\$0	\$0	\$0	\$30,740	\$0	\$0	\$0	\$30,740	\$10,904
1319 West Main Street	\$0	\$0	\$0	\$0	\$0	\$1,620,000	\$0	\$1,620,000	\$371,554
Whispering Winds Subdivision	\$0	\$0	\$0	\$0	\$0	\$2,081,316	\$0	\$2,081,316	0
SUBTOTAL PROJECT EXPENSE	\$45,166	\$28,297	\$6,660	\$30,740	\$0	\$4,451,316	\$11,900	\$4,574,079	\$918,368
TOTAL EXPENSES	\$55,000	\$38,131	\$15,960	\$31,615	\$285,416	\$4,682,484	\$69,473	\$5,178,079	\$1,471,314
NET PROJECT REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	-\$10,000	-\$10,000	\$383,840
NET REVENUE OVER/(UNDER) EXP.	\$0	\$0	\$0	\$0	\$14,584	\$528,832	-\$40,773	\$504,441	\$673,955
DEBT SERVICE PAYMENTS	\$0	\$0	\$0	\$0	\$36,000	\$0	\$0	\$36,000	\$28,000
CAPITAL REPAIRS	\$0	\$0	\$0	\$0	\$27,000	\$0	\$0	\$27,000	\$31,445
NET REVENUE After Capitalization	\$0	\$0	\$0	\$0	-\$48,416	\$528,832	-\$40,773	\$441,441	\$614,510
NET CASH REVENUE After Capitalization	\$0	\$0	\$0	\$0	\$47,130	\$528,832	-\$40,319	\$537,441	\$670,860