

FOOTHILLS COMMUNITY DEVELOPMENT CORPORATION
Maryville, Tennessee

FINANCIAL STATEMENTS

June 30, 2021

FOOTHILLS COMMUNITY DEVELOPMENT CORPORATION

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TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 11



Whitlock & Company, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Foothills Community Development Corporation
Maryville, Tennessee

Opinion

We have audited the accompanying financial statements of Foothills Community Development Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foothills Community Development Corporation as of June 30, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foothills Community Development Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Foothills Community Development Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it

exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foothills Community Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foothills Community Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Whitlock & Company, P.C.

Alcoa, Tennessee

May 3, 2022

FOOTHILLS COMMUNITY DEVELOPMENT CORPORATION

Maryville, Tennessee

STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS

Current Assets:

Cash	\$ 406,556
Certificates of deposit	508,477

Accounts Receivable:

Vendor refunds	685
Interest	550
Prepaid expense	1,069
Land for houses	<u>82,404</u>
Total Current Assets	<u>999,741</u>

Fixed Assets:

Office equipment	4,527
Accumulated depreciation	<u>(4,527)</u>
Net Fixed Assets	<u>-</u>

Total Assets	<u>\$ 999,741</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	<u>\$ 75</u>
Total Current Liabilities	<u>75</u>
Total Liabilities	<u>75</u>

Net Assets:

Without donor restrictions	999,666
With donor restrictions	<u>-</u>
Total Net Assets	<u>999,666</u>

Total Liabilities and Net Assets	<u>\$ 999,741</u>
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See accompanying independent auditors' report and notes.

FOOTHILLS COMMUNITY DEVELOPMENT CORPORATIONMaryville, Tennessee
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue And Support:			
Interest income	\$ 8,979	\$ -	\$ 8,979
Reimbursements	4,929	-	4,929
Insurance – audit refunds	<u>2,612</u>	<u>-</u>	<u>2,612</u>
Total Revenue and Support	<u>16,520</u>	<u>-</u>	<u>16,520</u>
Functional Expenses:			
Program services	11,758	-	11,758
Management and general	<u>10,058</u>	<u>-</u>	<u>10,058</u>
Total Expenses	<u>21,816</u>	<u>-</u>	<u>21,816</u>
Change In Net Assets	<u>(5,296)</u>	<u>-</u>	<u>(5,296)</u>
Net Assets, Beginning of Year	804,962	-	804,962
Prior Period Adjustment (Note 8)	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Beginning Net Assets Restated	<u>1,004,962</u>	<u>-</u>	<u>1,004,962</u>
Net Assets, End of Year	<u>\$ 999,666</u>	<u>\$ -</u>	<u>\$ 999,666</u>

See accompanying independent auditors' report and notes.

FOOTHILLS COMMUNITY DEVELOPMENT CORPORATION

Maryville, Tennessee

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	<u>SUPPORTING SERVICES</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Depreciation	\$ -	\$ 364	\$ 364
Payroll/Payroll Taxes	-	-	-
Occupancy	-	4,500	4,500
Miscellaneous	1,076	4	1,080
Professional Services	9,461	5,190	14,651
Property Taxes	1,221	-	1,221
	<u>\$ 11,758</u>	<u>\$ 10,058</u>	<u>\$ 21,816</u>

See accompanying independent auditors' report and notes.

FOOTHILLS COMMUNITY DEVELOPMENT CORPORATION

Maryville, Tennessee

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

Cash Flows Used for Operating Activities:

Change in Net Assets \$ (5,296)

Adjustments to reconcile changes in net assets to
net cash used for operating activities:

Depreciation 364

Changes in assets and liabilities:

Vendor Refund Receivable (685)

Loan Receivable from Habitat for Humanity 200,000

Interest Receivable (550)

Prepaid Expenses (1,070)

Accounts payable (90)

Net Cash Flows Provided by Operating Activities 192,673

Cash Flows Used for Investing Activities:

Purchases of certificates of deposit in financial
institutions (508,477)

Maturities of certificates of deposit in financial
institutions 500,800

Net Cash Used by Investing Activities (7,677)

Net Increase in Cash and Cash Equivalents 184,966

Cash and Cash Equivalents – June 30, 2020 221,560

Cash and Cash Equivalents – June 30, 2021 \$ 406,556

Supplemental Information:

Interest paid \$ -

See accompanying independent auditors' report and notes.

FOOTHILLS COMMUNITY DEVELOPMENT CORPORATION

Maryville, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Foothills Community Development Corporation (FCDC) was organized as a non-profit corporation for the purpose of providing, creating, or making more affordable housing for low and very low income persons.

Basis of Presentation

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to grantor or 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of assets as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid assets with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable primarily consists of the following: (1) Vendor refunds related to insurance audits and (2) interest receivable on certificates of deposits owned by the Organization. All of these receivables are considered fully collectible. Therefore, an allowance for uncollectible accounts is not considered necessary.

Construction in Progress

The Organization incurs costs during the development phase of each affordable housing project undertaken. The costs are capitalized in accordance with accounting principles generally accepted in the United States of America during the construction or project period and include pre-acquisition, acquisition, development and construction costs. The Organization records these costs as assets (Construction in Progress) until completed and sold.

Allocation of Costs of Homes Transferred

Allocations to costs of homes consist of various program and supporting services expenses. Such costs are capitalized and recorded as construction in progress for the various projects, based on time incurred as estimated by management.

(Continued)

FOOTHILLS COMMUNITY DEVELOPMENT CORPORATION
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Grants and contributions received are recorded as support with and without restriction depending on the existence and/or nature of any restriction. Grant revenues are recognized as the related expenditures are incurred.

Functional Allocation of Expenses

Costs are allocated between program services and management and general based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are recorded as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor restrictions regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of net assets that range from 5 to 40 years.

Advertising

Advertising costs are expensed as incurred.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

(Continued)

FOOTHILLS COMMUNITY DEVELOPMENT CORPORATION
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from Federal income taxes under section 501 (c)(3) of the Internal Revenue Code and the Internal Revenue Service has determined the Organization is not a private foundation under Internal Revenue Code Section 509(a). There are no unrecognized tax benefits identified or recorded as liabilities for the fiscal year 2021.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02 – *Leases*. The standard requires all leases with lease terms over twelve months to be capitalized as a right to use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for annual periods beginning after December 15, 2021. Management is evaluating the potential impact of the adoption of this standard.

NOTE 2 – CASH AND INTEREST-BEARING DEPOSITS IN FINANCIAL INSTITUTIONS

Cash and interest-bearing deposits in financial institutions consisted of the following at June 30, 2021:

Cash and cash equivalents	\$ 406,556
Certificates of deposit	<u>508,477</u>
	<u>915,033</u>

Custodial credit risk for the Organization's deposits is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. At June 30, 2021, the bank deposits exceeded Federal Deposit Insurance Corporation insurance limits by \$464,096.

Deposits in financial institutions consisted of the following at June 30, 2021:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Certificate of Deposit	93,624	.50%	January 29, 2022
Certificate of Deposit	257,565	.25%	October 29, 2021
Certificate of Deposit	<u>157,288</u>	.20%	May 29, 2023
	<u>508,477</u>		

NOTE 3 – LEASES

The Organization leases office space from a related party that may be cancelled at the end of one year. Total rent expense for the lease for the year ended June 30, 2021, was \$4,500.

(Continued)

FOOTHILLS COMMUNITY DEVELOPMENT CORPORATION
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 – RISK MANAGEMENT

Foothills Community Development Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The entity assumes liability for any deductibles and claims in excess of coverage limitations. No claims from these risks have occurred for the past three fiscal years.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Foothills Community Development Corporation (FCDC) guarantees second mortgages (\$20,000) for some of its homebuyers. At June 30, 2021, thirty eight homes were covered by this provision. FCDC would be obligated in the event that one or more of the homeowners were unable to meet principal and interest payments when they become due. At June 30, 2021, the estimate of the aggregated fair value of all outstanding guarantees approximates \$760,000. The entity holds a second mortgage as collateral in respect to the guarantees. In addition, FCDC has sold 56 homes on which THDA holds mortgages. If the homeowners defaulted, FCDC would have to pay mortgage and resell the property. These loans outstanding (original amount) total \$6,160,000.

NOTE 6 – LIQUIDITY

The Organization consistently reviews its net asset balances with and without donor restrictions to ensure appropriate availability of assets to meet obligations as they come due.

The Organization has \$407,241 of financial assets, available within one year of the balance sheet date to meet cash needs for general expenditures, consisting of Cash of \$406,556 and Accounts Receivable – vendor refunds of \$685. None of the above listed financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

NOTE 7 – RELATED PARTY TRANSACTIONS

On June 4, 2019, the Organization elected the Executive Director of Blount County Habitat for Humanity (BCHF) as the Executive Director of FCDC. The Executive Director is currently working as the Executive Director for both organizations. Under the current agreement with Blount County Habitat for Humanity the Foothills Community Development Corporation is reimbursing BCHF for a portion of the Executive Director's personnel cost. Total reimbursed personnel costs during year ended June 30, 2021 were \$9,461.

During the current year, BCHFC repaid the \$200,000 loan receivable that it had with FCDC. The loan was issued during the 2020 fiscal year.

See Note 3 for information on a related party lease agreement between FCFC and BCHFC.

(Continued)

FOOTHILLS COMMUNITY DEVELOPMENT CORPORATION

Maryville, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE 8 – PRIOR PERIOD ADJUSTMENT

Net assets without donor restrictions at the beginning of 2021 have been adjusted by \$200,000 related to related party loan receivable that was previously reported as a contribution to Blount County Habitat for Humanity by Foothills Community Development Corporation. The loan receivable was repaid by Blount County Habitat for Humanity during the year ended June 30, 2021. The correction has no effect on the current year's activities, however, the cumulative effect increases net assets without donor restrictions for the year ended June 30, 2020 by \$200,000.

NOTE 9 – RECLASSIFICATIONS

Certain items previously reported in the 2020 financial statements have been reclassified to facilitate the presentations in the 2021 financial statements.

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 3, 2022, the date which the financial statements were available to be issued.