

**KNOXVILLE'S COMMUNITY
DEVELOPMENT CORPORATION
Knoxville, Tennessee**

**REPORT ON AUDIT OF BASIC FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION AND SINGLE AUDIT**

FOR THE YEAR ENDED JUNE 30, 2019

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MALCOLM JOHNSON & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 530848
210 N. Highway 17-92
DeBary, Florida 32753-0848

Phone (386) 668-6464 Fax (386) 668-6463
office@malcolmjohnsoncompany.com

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Knoxville's Community Development Corporation
Knoxville, Tennessee

HUD, Knoxville Field Office
710 Locust Street, S. W.
Knoxville, Tennessee 37902-2526

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and the aggregate discretely presented component units of the Knoxville's Community Development Corporation ("KCDC") which include the statement of net position as of and for the year ended June 30, 2019, and the related statements of revenues, expenses and changes in net position, cash flows for the year then ended, and the related notes to the financial statements which collectively comprise KCDC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic 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 basic financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent, 100 percent, and 100 percent, respectively, of the, assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report(s) have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aggregate discretely presented component units, are based solely on the other auditors' reports. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. The other auditors did not audit the Eastport Development LP, Five Points I LP, or the Five Points II LP, which composed a significant portion of the aggregate discretely presented component units financial statements in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to KCDC's preparation and fair presentation of the basic 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 KCDC'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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of KCDC as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting Principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i-ix be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise KCDC's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), the Financial Data Schedule, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information referred to above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 20, 2019 on our consideration of KCDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KCDC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KCDC's internal control over financial reporting and compliance.



Malcolm Johnson & Company, P.A.
Certified Public Accountants

DeBary, Florida
December 20, 2019

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Knoxville’s Community Development Corporation’s (“KCDC”) Management’s Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of KCDC’s financial activity, (c) identify changes in KCDC’s financial position (its ability to address the next and subsequent year challenges), and (d) identify individual program issues or concerns.

Since the MD&A is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with KCDC’s basic financial statements (see table of contents).

Financial Highlights – 2019

- KCDC’s total net position increased by \$9.1 million (or 9.8%) during fiscal year 2019. Since KCDC engages only in business-type activities, the increase is all in the category of business-type net position. Net Position was \$102.2 million and \$93.1 million for 2019 and 2018 respectively. This increase in net position is primarily due to the decrease this year in assets conveyed to external entities through RAD, increased net income as a result of stabilized properties following rehabilitation activities, and additions to restricted funds.
- The business-type activities revenue increased by \$18.7 million (or 46.2%) during fiscal year 2019. Revenues were \$59.2 million and \$40.5 million for 2019 and 2018 respectively. The increase in total revenue is primarily due to diminished loss on sale of assets in 2019. Governmental contributions also increased significantly in 2019.
- The total expenses of KCDC programs increased by \$2.1 million (4.4%). Total expenses were \$50.4 million and \$48.3 million for 2019 and 2018 respectively. The increase in expenses is primarily due to increased administrative expenses as a result of increased utilization of housing inventory following a period of decreased utilization due to rehabilitation activities.

Using This Annual Report

The Report includes three major sections, the “Management’s Discussion and Analysis (MD&A), “Basic Financial Statements”, and “Supplemental Information”:

<p>MD&A ~ Management Discussion and Analysis (new)</p> <p>Basic Financial Statements ~ Authority-wide Basic Financial Statements (new) ~ Notes to Basic Financial Statements (expanded/restructured)</p> <p>Supplemental Information ~ Supplemental Information</p>
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KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)

The primary focus of KCDC's basic financial statement (summarized program-type information) has been discarded. The new and clearly preferable focus is on both KCDC as a whole (Authority-wide). This perspective (Authority-wide) allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance KCDC's accountability.

Authority-Wide Basic Financial Statements

The Authority-wide basic financial statements are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for KCDC.

These Statements include a **Statement of Net Position**, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for KCDC. The statement is presented in the format where assets and deferred outflow of resources minus liabilities and deferred inflow of resources, equals "Net Position", formerly known as Net Assets. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-Current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for KCDC. Net Position is reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position".

The Authority-wide basic financial statements also include a **Statement of Revenues, Expenses and Changes in Net Position** (similar to an Income Statement). This Statement includes Operating Revenues, such as Rental Income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Nonoperating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a **Statement of Cash Flows** is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)

Authority-Wide Statement

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to prior year. KCDC is engaged only in Business-Type Activities.

Table 1 – Statement of Net Position (in millions)

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>	<u>% Change</u>
Assets:				
Current and Restricted Assets	55.3	40.8	14.5	35.5%
Capital Assets, Net	45.4	41.6	3.8	9.1%
Other Assets	29.0	25.9	3.1	12.0%
Total Assets	129.7	108.3	21.4	19.8%
Deferred Outflow of Resources	0.0	0.0	0.0	NA
Total Assets & Deferred Outflow of Resources	129.7	108.3	21.4	19.8%
Liabilities				
Current Liabilities	8.7	4.9	3.8	77.6%
NonCurrent Liabilities	18.8	10.3	8.5	82.5%
Total Liabilities	27.5	15.2	12.3	80.9%
Deferred Inflow of Resources	0.0	0.0	0.0	NA
Total Liabilities & Deferred Inflow of Resources	27.5	15.2	12.3	80.9%
Net Position				
Net Investment in Capital Assets	24.3	31.1	(6.8)	-21.9%
Restricted Net Position	16.6	0.0	16.6	NA
Unrestricted Net Position	61.3	62.0	(0.7)	-1.1%
Total Equity/Net Assets/Position	102.2	93.1	9.1	9.8%

For more detailed information see the Statement of Net Position

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)

Major Factors Affecting the Statement of Net Position

Total Assets and Deferred Outflow of Resources increased by \$21.4 million primarily due to a significant increase of \$14.5 million in current and restricted asset (primarily unexpended loan proceeds) as a result of Rental Assistance Demonstration Program (RAD) conversion from Public Housing to Section 8 Multi-Family Housing. An increase of \$3.8 million in net capital assets reflects significant rehabilitation activities concurrent with property transitions through RAD.

Total Liabilities and Deferred Inflow of Resources increased by \$12.3 million which is primarily due to additional debt incurred as a result of asset repositioning through RAD conversion from Public Housing to Section 8 Multi-Family Housing.

Total Equity/Net Assets/Position increased by \$9.1 million this year. This increase in net position is primarily due to the increase of \$16.6 million this year in Restricted Net Position generated as a result of loan proceeds restricted for rehabilitation of housing stock through RAD conversion. This is offset by a \$6.8 million decrease in Net Investment in Capital Assets resulting from the disposition of certain housing inventory to external limited partnerships through RAD.

Table 2 presents details on the change in Unrestricted Net Position

Table 2 – Change in Unrestricted Net Position (in millions)

Unrestricted Net Position as of 6/30/2018	44.5
Prior year recognition of notes receivable	17.5
Restated unrestricted net position as of 06/30/2018	<u>62.0</u>
Results of Operations-FY19	5.3
Adjustments:	
Depreciation Expense	4.5
Net investment in Capital Assets and Restricted Net Position related changes	<u>(10.5)</u>
Unrestricted Net Position as 6/30/2019	<u>61.3</u>

While the result of operations is a significant measure of KCDC's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)

Table 3 – Statement of Revenues, Expenses and Changes in Net Position (in millions)

The following schedule compares the revenues and expenses for the current and previous fiscal year.

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>	<u>% Change</u>
Revenues				
Tenant Rents/Other	4.5	4.8	(0.3)	-6.3%
Program Subsidies-Grants	47.0	43.3	3.7	8.5%
Interest Income	0.9	0.2	0.7	350.0%
Other Revenues	6.8	(7.8)	14.6	-187.2%
Total Revenues	59.2	40.5	18.7	46.2%
Expenses				
Administrative	10.6	8.5	2.1	24.7%
Tenant Services	0.8	0.7	0.1	14.3%
Utilities	3.2	3.2	-	0.0%
Maintenance	4.6	4.8	(0.2)	-4.2%
Protective Services	0.4	0.4	-	0.0%
General	2.0	1.8	0.2	11.1%
Interest & Amortization	0.7	0.5	0.2	40.0%
Housing Assistance Payments	23.6	24.1	(0.5)	-2.1%
Depreciation	4.5	4.3	0.2	4.7%
Total Expenses	50.4	48.3	2.1	4.3%
Other				
Recognition of notes receivable from LPs	-	17.5	(17.5)	-100.0%
Special items, loss on disposition, other	0.3	(2.2)	2.5	-113.6%
Total Other	0.3	15.3	(15.0)	-98.0%
Increase/(Decrease) in Net Position	8.8	7.5	1.6	21.3%

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position

As reflected in the "Highlights" section above, the increase in total revenue is primarily due to diminished loss on sale of assets in 2019. Governmental contributions also increased significantly in 2019.

The increase in expenses is primarily due to increased administrative expenses as a result of increased utilization of housing inventory following a period of decreased utilization due to rehabilitation activities.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)

Budgetary Highlights

For the year ended June 30, 2019, budgets were prepared by KCDC and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agencies.

As indicated by the excess of total revenues over total expenses shown in Table 3 above, KCDC's net position increased during the fiscal year primarily as a result of operational activities and increases in grant funding.

Capital Assets and Debt Administration

Capital Assets

For the year ended June 30, 2019, KCDC had \$45.4 million invested in a variety of capital assets as reflected in the following schedule, which represents an increase of \$3.8 million from the end of the prior year. This net increase is attributable to RAD activities which include decreases resulting from asset disposition and increases resulting from asset rehabilitation.

Table 4 – Capital Assets at Year-End (Net of Depreciation) (in millions)

	Business-Type Activities			
	2019	2018	Net Change	% Change
Land	3.2	3.6	(0.4)	-11.1%
Buildings	148.4	151.5	(3.1)	-2.0%
Furniture/Equipment	1.6	1.5	0.1	6.7%
Accumulated Depreciation	(122.4)	(123.4)	1.0	-0.8%
Construction in Progress	14.6	8.4	6.2	73.8%
Capital Assets, Net	45.4	41.6	3.8	9.1%

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the notes to the financial statements.

Table 5 – Change in Capital Assets

	<u>Business Type Activities</u>
Beginning Balance 6/30/2018	41.6
Additions	9.5
Retirements/LP Transfers (Net of Depreciation)	(1.2)
CYR Depreciation	<u>(4.5)</u>
Ending Balance 6/30/2019	45.4

Debt Outstanding

For the year ended June 30, 2019, KCDC had \$21.1 million in debt (bonds, notes, etc.) outstanding compared to \$10.5 million last year, showing a \$10.6 million increase primarily due to leveraging of housing assets through the RAD program, whereby Public Housing is transitioning to Multi-Family Housing.

Table 6 – Outstanding Debt, at Year-End (in millions)

Business Type	<u>2019</u>	<u>2018</u>	<u>Net Change</u>	<u>% Change</u>
Capital Improvements-Long Term	16.7	8.3	8.4	101.2%
Current Portion of Debt	<u>4.4</u>	<u>2.2</u>	<u>2.2</u>	<u>100.0%</u>
Total Debt	<u>21.1</u>	<u>10.5</u>	<u>10.6</u>	<u>101.0%</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)

Economic Factors

Significant economic factors affecting KCDC are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on fuel costs, utility rates, supplies and other costs

Financial Contact

The individual to be contacted regarding this report is Tracee B. Pross, Chief Financial Officer, KCDC at (865) 755-6433. Specific requests may be submitted to Tracee B. Pross, Chief Financial Officer, KCDC, P. O. Box 3550, Knoxville, TN 37927-3550.

Roster of Board Members

Chairman: John Winemiller
Vice Chairman: Bob Whetsel
Secretary: Benjamin M. Bentley
Treasurer: Gloria Garner

Commissioner: Bruce Anderson
Commissioner: Robyn McAdoo
Commissioner: Sylvia Cook
Commissioner: Kimberly Henry

Roster of Management Officials

Benjamin M. Bentley, Executive Director/CEO
Tracee B. Pross, Chief Financial Officer
C. Sean Gilbert, Senior Vice President of Housing
Joyce M. Floyd, Vice President-Strategic Planning and Development
Brad Peters, Vice President-Redevelopment and Legal Counsel

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

STATEMENT OF NET POSITION
JUNE 30, 2019

	Total	Discretely Presented Component Unit
ASSETS		
Current Assets		
Cash and cash equivalents, unrestricted	\$ 11,666,703	\$ 1,205,583
Cash and cash equivalents, restricted	13,491,879	10,501,883
Investments, unrestricted	23,154,348	-
Investments, restricted	3,453,113	31,039,992
Accrued interest receivable	48,972	-
Accounts receivable, net of allowance	1,151,867	33,350
Due from other governments	1,857,732	88,898
Inventories, net of obsolescence	30,898	2,855
Prepaid expense	271,809	230,916
Assets held for conveyance	243,600	-
Total current assets	55,370,921	43,103,477
Noncurrent assets		
Capital assets		
Not being depreciated	17,808,438	911,745
Depreciable, net	27,577,765	75,081,953
Total capital assets, net	45,386,203	75,993,698
Other noncurrent assets		
Notes and mortgages receivable	26,628,407	-
Interest receivable on notes and mortgages	953,188	-
Assets held for conveyance	1,380,400	-
Investments in joint ventures	12,722	-
Other Assets	-	3,152,981
Total other noncurrent assets	28,974,717	3,152,981
Total noncurrent assets	74,360,920	79,146,679
Total assets	129,731,841	122,250,156
Deferred Outflow of Resources	-	-
Total Assets and Deferred Outflow of Resources	129,731,841	122,250,156
LIABILITIES		
Current liabilities		
Vendors and contractors payable	1,822,610	956,864
Accrued wages/taxes payable	112,852	20,675
Accrued compensated absences	911,091	5,404
Accrued interest payable	128,037	978,714
Due to other governments	133,402	47,633
Unearned revenue	349,052	23,843
Notes and bonds payable	4,450,609	12,812,361
Other current liabilities	28,308	1,068,928
Other accrued liabilities	575,982	5,362,138
Resident security deposits	191,272	40,448
Total current liabilities	8,703,215	21,317,008
Noncurrent liabilities		
Notes and bonds payable	16,650,685	57,876,250
Accrued compensated absences	2,051,752	48,108
Other accrued liabilities	88,255	16,889,189
Total noncurrent liabilities	18,790,692	74,813,547
Total liabilities	27,493,907	96,130,555
Deferred Inflow of Resources	-	-
Total Liabilities and Deferred Inflow of Resources	27,493,907	96,130,555
NET POSITION		
Net investment in capital assets	24,284,909	6,072,858
Restricted	16,656,618	41,501,427
Unrestricted	61,296,407	(21,454,684)
Total net position	\$ 102,237,934	\$ 26,119,601

The accompanying notes are an integral part of these basic financial statements.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Total 2019	Discretely Presented Component Unit
Operating revenues		
Rental revenue	\$ 4,491,080	\$ 1,669,095
Fee revenue	465,739	-
HUD grants	40,438,714	4,380,775
Other governmental grants	3,238,234	-
Other revenue	6,313,622	38,186
Total operating revenues	54,947,389	6,088,056
Operating expenses		
Administrative	10,552,591	1,355,409
Tenant services	740,338	48,940
Utilities	3,233,296	1,037,521
Ordinary maintenance & operation	4,537,334	1,217,904
Protective services	417,770	140,723
Insurance	312,957	399,832
General expenses	1,706,327	326,547
Housing assistance payments	23,621,993	-
Depreciation	4,530,244	1,636,505
Total operating expenses	49,652,850	6,163,381
Operating income (loss)	5,294,539	(75,325)
Nonoperating revenues (expenses)		
Interest revenue, unrestricted	853,978	443
Interest revenue, restricted	17,630	5,900
Interest expense	(693,198)	(1,793,238)
Fraud recovery	81,243	4,916
Extraordinary maintenance	(31,300)	(13,906)
Gain/(loss) on disposition of capital assets	(730,313)	-
Total nonoperating revenues	(501,960)	(1,795,885)
Income (loss) before contributions	4,792,580	(1,871,210)
Capital contributions	3,310,846	14,224,865
Special items	1,029,890	(202,445)
Increase (decrease) in net position	9,133,315	12,151,210
Net position, beginning of year	75,597,451	13,968,391
Prior Period Adjustments	17,507,168	-
Net position, beginning of year, restated (see Note Z)	93,104,619	13,968,391
Net position, end of year	\$ 102,237,934	\$ 26,119,601

The accompanying notes are an integral part of these basic financial statements.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Total 2019	Discretely Presented Component Unit
Cash Flows From Operating Activities		
Receipts from dwelling rentals	\$ 4,541,200	\$ 1,687,638
Operating grants	43,766,385	4,291,877
Receipts from fees	465,739	(332,883)
Other receipts	5,931,110	24,474
Payments to employees and suppliers	(19,052,561)	17,451,665
Payments to landlords and residents	(24,054,623)	(40,076)
Net cash provided (used) by operating activities	11,597,250	23,082,695
Cash Flows From Noncapital Financing Activities		
Principal paid on operating debt	-	767,771
Net cash provided (used) by noncapital financing activities	-	767,771
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt	14,215,686	-
Capital contributions	2,824,729	14,224,865
Purchases of capital assets	(9,486,928)	(39,106,841)
Gain or loss on disposition of capital assets	463,925	1,292,308
Payments on debt	(3,648,606)	(3,932,832)
Interest paid on capital debt	(699,134)	(1,122,739)
Net cash provided (used) by capital and related financing activities	3,669,672	(28,645,239)
Cash Flows From Investing Activities		
Purchase of investments	(9,652,060)	(31,039,992)
Increase in notes receivable	(2,131,582)	-
Investment in joint ventures	(61)	-
Interest	927,834	6,343
Net cash provided (used) by investing activities	(10,855,869)	(31,033,649)
Net increase (decrease) in cash and cash equivalents	4,411,053	(35,828,422)
Balance - beginning of the year	20,747,529	47,535,888
Balance - end of the year	\$ 25,158,582	\$ 11,707,466
Reconciliation of Cash Flows to Statement of Net Position		
Cash and cash equivalents, unrestricted	\$ 11,666,703	\$ 1,205,583
Cash and cash equivalents, restricted	13,491,879	10,501,883
	\$ 25,158,582	\$ 11,707,466

There are no non-cash transactions.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION**Knoxville, Tennessee****STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(Continued)****Reconciliation of Net Operating Income (Loss) to
Net Cash Provided (Used) By Operating Activities**

	Total 2019	Discretely Presented Component Unit
Operating income/(loss)	\$ 5,294,539	\$ (75,325)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation elimination	4,530,244	1,636,505
Decrease in accounts receivable	219,516	(14,751)
Increase in due to/from other governments	(216,021)	(41,265)
Increase in due to/from other programs	11,571	(2,855)
Increase in prepaid expenses	(94,858)	(184,338)
Increase in other assets	(933,838)	(218,046)
Increase in security deposits	4,361	40,448
Increase in accounts payable	1,483,635	928,310
Decrease in accrued wages	(66,723)	20,675
Increase in accrued compensated absences	157,132	5,404
Increase in unearned revenue	(135,188)	8,679
Decrease in accrued liabilities	263,047	21,190,689
Other revenue and expense reported as nonoperating	1,079,833	(211,435)
	\$ 11,597,250	\$ 23,082,695

The accompanying notes are an integral part of these basic financial statements.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

A - Summary of Significant Accounting Policies and Organization:

- 1. Organization:** Knoxville's Community Development Corporation, Inc. ("KCDC") is a public body corporate and politic pursuant to the Laws of the State of Tennessee which was organized to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD) and other Federal Agencies. The primary purpose of KCDC is to provide safe, decent, sanitary and affordable housing to low-income, elderly and handicapped families in Knoxville, Tennessee.
- 2. Reporting Entity:** The governing body of KCDC is its Board of Commissioners, which is composed of seven members appointed by the Mayor of the City of Knoxville. The Board appoints a Chief Executive Officer to administer the business of KCDC. KCDC is not considered a component unit of the City of Knoxville, as the Board independently oversees KCDC's operations.

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Governmental Accounting and Financial Reporting Standards and Statement No. 14, (amended) of the Governmental Accounting Standards Board: The Financial Reporting Entity*. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the reporting entity has both blended component units and discretely presented component units.

Blended Component Units

- **Passport Development Corporation (PDC)** is a Section 115 Corporation which has served as KCDC's general partner (GP) to limited partnerships formed in conjunction with low-income tax credits. Currently PDC is the GP for Eastport Development LP., owner of The Residences at Eastport Phase 2.
- **Knoxville's Housing Development Corporation (KHDC)** is a Section 115 Corporation established to acquire, rehabilitate or develop affordable housing projects in the Knoxville area for KCDC. KHDC is the owner of Passport Homes and Clifton Road Apartments.
- **Family Investment Foundation, Inc.** is a 501(c) (3) Corporation established for charitable, social, vocational, recreational and health purposes, and related business ventures.
- **Greater Tennessee Housing Assistance Corporation** is a Section 115 Corporation established for the purpose of funding the construction of six Section 8 New Construction housing projects. All debts have been paid and all projects have been sold. The corporation is now dormant.
- **Five Points 1 Corporation** is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to be the general partner in a limited partnership formed in conjunction with low-income housing tax credits for the development of the Five Points Senior Building.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

A - Summary of Significant Accounting Policies and Organization: (Continued)

Blended Component Units (Continued)

- **Five Points 2 Corporation** is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to be the general partner in a limited partnership formed in conjunction with low-income housing tax credits for the development of Five Points Phase 2 Apartments which will consist of 84 family and elderly units.
- **Five Points 3 Corporation** is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to be the general partner in a limited partnership formed in conjunction with low-income housing tax credits for the development of the Five Points Phase 3 Apartments which consist of 80 family and elderly units.
- **Five Points 4 Corporation** is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to be the general partner in a limited partnership formed in conjunction with low-income housing tax credits for the development of the Five Points Phase 4 Apartments which will consist of 82 units.
- **Passport Housing Corporation** is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to be the general partner in a limited partnership formed in conjunction with low-income housing tax credits for the rehabilitation and operation of apartment units at Residences at Lonsdale, North Ridge Crossing, and The Vista at Summit Hill.
- **Passport Homes Limited Partnership** – KCDC entered into a mixed financing arrangement with Passport Homes L.P. (PHLP) for the addition of 11 Public Housing and 22 Section 8 units as part of the University Avenue Affordable Housing Project, “Passport Homes”, in the Mechanicsville Community. During fiscal year 2016, the investor limited partner exited the limited partnership and KCDC was assigned the limited partner position. In fiscal year 2018 there was no activity and the LP was dissolved.
- **Passport Residences Limited Partnership** – KCDC entered into a mixed financing arrangement with Passport Residences, L.P. (PRLP) for the addition of 50 public housing units as part of Passport Homes in the Mechanicsville Community in Knoxville, Tennessee. During fiscal year 2016, the investor limited partner exited the limited partnership and KCDC was assigned the limited partner position. In fiscal year 2018 there was no activity and the LP was dissolved.
- **Townview Towers Affordable Housing Corporation** is a Section 115 Corporation that is an instrumentality of KCDC. The purpose of the corporation is to facilitate the renovation of Townview Towers Apartments. The corporation holds a 40% ownership interest in TVT GP, LLC, General Partner to TVT, LP established to finance transactions related to the rehabilitation of Townview Towers Apartments.
- **Montgomery Village Housing Corporation** is a Section 115 Corporation that is a wholly owned instrumentality of KCDC. The purpose of the corporation is to own and facilitate the renovation of Montgomery Village Apartments.
- **Hollywood GP Corporation** is a Section 115 Corporation created for ownership and financing activities related to 817 Hollywood Road, Knoxville, Tennessee, and for similar properties and activities as determined beneficial.

KNOXVILLE’S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

A - Summary of Significant Accounting Policies and Organization: (Continued)

Blended Component Units (Continued)

- **Young High GP Corporation** is a Section 115 Corporation created for ownership and financing activities related to 121 E. Young High Pike, Knoxville, Tennessee, and for similar properties and activities as determined beneficial.
- **Bell Street Corporation** is a Section 115 Corporation created for ownership and financing activities related to KCDC’s Austin Homes redevelopment.

These blended component units are reported in the aggregate on the Combining Schedule of Net Position and Combining Schedule of Revenues, Expenses and Changes in Net Position.

Discretely Presented Component Units

As of June 30, 2019, KCDC recognized five limited partnerships (LPs) as discretely presented component units as follows:

- **Eastport Development LP** was formed under the laws of the State of Tennessee on November 10, 2009 to acquire, own, develop, lease and operate The Residences at Eastport, Phase II (the “Property”) located in Knoxville, Tennessee. The Property consists of a 60-unit multifamily apartment complex developed and operated under the federal low-income housing tax credit program as provided for in Section 42 of the Internal Revenue Code (“Section 42”).
- **Five Points 1 LP** was formed under the laws of the State of Tennessee on January 23, 2014 to acquire, own, develop, lease and operate Five Points Senior Building (the “Property”) located in Knoxville, Tennessee. The Property consists of 90 units, developed and operated under the low-income housing tax credit program. Additionally, the Partnership entered into a Housing Assistance Payments Program (“HAP”) and Rental Assistance Demonstration Use Agreement (“RAD”) with the U.S. Department of Housing and Urban Development (“HUD”). The effective date of these agreements is July 1, 2017, and the agreements expire on April 30, 2037.
- **Five Points 2 LP** was formed under the laws of the State of Tennessee on January 1, 2016 to acquire, own, develop, lease and operate Five Points 2 Apartments (the “Property”) located in Knoxville, Tennessee. The Property consists of 84 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and the U.S. Department of Housing and Urban Development (“HUD”).
- **Lonsdale, LP** was formed under the laws of the State of Tennessee on March 23, 2016 to acquire, own, develop, lease and operate The Lonsdale (the “Property”) located in Knoxville, Tennessee. The Property consists of 260 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and the U.S. Department of Housing and Urban Development (“HUD”).

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

A - Summary of Significant Accounting Policies and Organization: (Continued)

Discretely Presented Component Units (Continued)

- **North Ridge Crossing, LP** was formed under the laws of the State of Tennessee on March 23, 2016 to acquire, own, develop, lease and operate North Ridge Crossing Apartments (the "Property") located in Knoxville, Tennessee. The Property consists of 268 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and the U.S. Department of Housing and Urban Development ("HUD").
- **Vista at Summit Hill, LP** (the "Partnership") was formed under the laws of the State of Tennessee on March 23, 2016 to acquire, own, develop, lease and operate The Vista at Summit Hill (the "Property") located in Knoxville, Tennessee. The Property consists of 175 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and the U.S. Department of Housing and Urban Development ("HUD").

Main programs of KCDC are as follows:

Low Rent Public Housing under Annual Contributions Contract A-2571: This type of housing consists of apartments and single-family dwellings owned and operated by KCDC. Funding is provided by tenant rent payments and subsidies provided by HUD.

Section 8 Housing Choice Voucher Cluster (Housing Choice Vouchers and Mainstream Voucher Programs): These are housing programs wherein low rent tenants lease housing units directly from private landlords rather than through KCDC. KCDC contracts with these private landlords to make assistance payments for the difference between the approved contract rent and the actual rent paid by the low rent tenants.

Section 8 Project Based Cluster (Moderate Rehabilitation Properties and Section 8 Special Allocations): Section 8 project-based rental assistance programs aid low- and very low-income families in obtaining decent, safe, and sanitary rental housing through the provision of housing assistance payments to participating owners on behalf of eligible tenants. The Mod Rehab property owners are independent parties. The Special Allocations fund KCDC-owned Multi-family Housing developments which were converted from public housing to local ownership through HUD's RAD program.

Development/Redevelopment Programs administer internal projects, CDBG and other projects for the City of Knoxville and Knox County.

Public Housing Capital Fund Cluster of Programs are programs for the modernization, demolition and redevelopment of public housing which include Capital Fund Programs.

The Manor is a program whereby KCDC provides meals, laundry service, and has a twenty-four-hour staff available for the special needs of the more dependent elderly tenants. This service is provided to those tenants for a fee.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

A - Summary of Significant Accounting Policies and Organization: (Continued)

Main programs of KCDC are as follows (Continued)

Entrepreneurial Activities is a program which provides technical assistance to other PHA's and local governments.

Central Office Cost Center is a business unit within KCDC that earns income from internal fees by overseeing other KCDC programs.

Other Programs administered by KCDC are designed to give assistance to residents in a manner which encourages independence and upward mobility and provide professional services to other agencies as needed.

- 3. Basis of Presentation and Accounting:** In accordance with uniform financial reporting standards for HUD housing programs, the basic financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP).

Based upon compelling reasons offered by HUD, KCDC reports its basic financial statements as a special purpose government engaged solely in business-type activities, which is similar to the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net position categories:

Net Investment in Capital Assets - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted - Net position whose use by KCDC is subject to externally imposed stipulations that can be fulfilled by actions of KCDC pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

Unrestricted - Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or KCDC Board or may otherwise be limited by contractual agreements with outside parties.

- 4. Budgets:** Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The Capital Fund budgets are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for basic financial statement presentation.
- 5. Cash and Cash Equivalents:** For purposes of the Statement of Cash Flows, KCDC considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

A - Summary of Significant Accounting Policies and Organization: (Continued)

- 6. Interprogram Receivables and Payables:** Interprogram receivables/payables, when present, are all current, and are the result of the use of the Central Office Cost Center as the common paymaster for shared costs of KCDC. Cash settlements are made periodically, and all interprogram balances net zero. Offsetting due to/due from balances are eliminated for the basic financial statement presentation.
- 7. Investments:** Investments, when present, are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by HUD.
- 8. Inventories** Inventories (consisting of materials and supplies) are valued at cost using the moving average method. If inventory falls below cost due to damage, deterioration or obsolescence, KCDC establishes an allowance for obsolete inventory. KCDC relies upon its periodic (annual) inventory for financial reporting purposes. In accordance with the consumption method, inventory is expensed when items are actually placed in service.
- 9. Prepaid Items:** Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid items.
- 10. Use of Estimates:** The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
- 11. Fair Value of Financial Instruments:** The carrying amount of KCDC's financial instruments at June 30, 2019 including cash, investments, accounts receivable, and accounts payable closely approximates fair value.
- 12. Capital Assets:**
 - a. Book Value:** All purchased fixed assets are valued at cost when historical records are available. When no historical records are available, fixed assets are valued at estimated historical cost.

Land values were derived from development closeout documentation.

Donated fixed assets are recorded at their fair value at the time they are received. Donor imposed restrictions are deemed to expire as the asset depreciates.

All normal expenditures of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

A - Summary of Significant Accounting Policies and Organization: (Continued)

12. Capital Assets: (Continued)

- b. Depreciation:** The cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method.

Depreciation commences on modernization and development additions in the year following completion.

The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings	27 years
Building modernization	10 years
Appliances	7 years
Office equipment	7 years
Maintenance equipment	5 years
Automobiles	5 years
Community space equipment	5 years
Computer equipment	3 years

- c. Maintenance and Repairs Expenditures:** Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of \$5,000 are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.
- d. Impairment of Long-Lived Assets:** KCDC has been and is currently involved in various demolition activities in conjunction with its modernization and development programs. In accordance with *Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"*, KCDC has at June 30, 2019, recognized in the accompanying basic financial statements the impact of the demolition activities. Under the provisions of the statement, long-lived assets are to be reviewed for impairment. Application for measurement of long-lived assets should be at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations.

- 13. Compensated Absences:** Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with GASE Statement No. 16. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of KCDC and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of KCDC and its employees are accounted for in the period in which such services are rendered or in which such events take place.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

A - Summary of Significant Accounting Policies and Organization: (Continued)

- 14. Litigation Losses:** KCDC recognizes estimated losses related to litigation in the period in which the occasion giving rise to the loss occurred; the loss is probable, and the loss is reasonably estimable.
- 15. Annual Contribution Contracts:** Annual Contribution contracts provide that HUD shall have KCDC to audit and examine the records of public housing authorities. Accordingly, final determination of KCDC's financing and contribution status for the Annual Contribution Contracts is the responsibility of HUD based upon financial reports submitted by KCDC.
- 16. Risk Management:** KCDC 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. KCDC carries commercial insurance for all identified risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.
- 17. Use of Restricted Assets:** It is KCDC's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.
- 18. Operating Revenues and Expenses:** The principal operating revenues of KCDC's enterprise fund are charges to customers for rents and services. Operating expenses for KCDC's enterprise fund include the cost of providing housing and services, administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

- B - Deposits and Investments:** For purposes of the Statement of Cash Flows, KCDC considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and non-negotiable certificates of deposit to be cash equivalents. Investments are disclosed at Par Value with unamortized premiums and discounts.

1. HUD Deposit and Investment Restrictions

HUD requires authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by KCDC or with an unaffiliated bank or trust company for the account of KCDC.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

B - Deposits and Investments: (Continued)

2. Deposit and Investment Risks

KCDC held the following deposit and investments at June 30, 2019:

Deposits:

Demand:	Unrestricted	\$ 11,666,703
	Restricted Other	13,290,861
	Tenant Security Deposits	192,171
	Restricted for payment of current liabilities	<u>8,847</u>

Total cash demand deposits	<u>\$ 25,158,582</u>
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Investments:

Investment	Maturity	Principal Paid	Moody's	S & P	Callable
	Date	as of 6/30/2019	Rating	Rating	
CD	07/18/2019	250,000	NR	NR	NO
CD	07/30/2019	250,000	NR	NR	NO
CD	07/30/2019	250,000	NR	NR	NO
CD	08/07/2019	250,000	NR	NR	NO
CD	08/19/2019	250,000	NR	NR	NO
CD	09/13/2019	250,000	NR	NR	NO
CD	09/16/2019	250,000	NR	NR	NO
CD	09/30/2019	250,000	NR	NR	NO
FHLB	10/03/2019	1,000,000	AAA	AA +	YES
CD	10/30/2019	250,000	NR	NR	NO
CD	11/04/2019	250,000	NR	NR	NO
CD	11/11/2019	250,000	NR	NR	NO
CD	11/29/2019	250,000	NR	NR	NO
US TREAS NTS	12/15/2019	1,000,612	AAA	NR	NO
CD	01/27/2020	250,000	NR	NR	NO
FHLB	02/28/2020	1,000,750	AAA	AA +	YES
FHLMC	03/13/2020	997,090	AAA	AA +	YES
CD	04/30/2020	250,000	NR	NR	NO
CD	05/14/2020	250,000	NR	NR	NO
FHLB	06/05/2020	1,000,000	AAA	AA +	YES

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

B - Deposits and Investments: (Continued)

2. Deposit and Investment Risks (Continued)

CD	08/14/2020	250,000	NR	NR	YES
CD	08/24/2020	250,000	NR	NR	NO
FHLMC	09/29/2020	996,160	AAA	AA +	YES
FNMA	10/28/2020	984,300	AAA	AA +	YES
FHLB	11/05/2020	985,339	NR	NR	YES
FNMA	12/24/2020	983,230	AAA	AA +	YES
FHLMC	01/26/2021	992,000	AAA	AA +	YES
CD	02/10/2021	210,000	NR	NR	NO
US TREAS NTS	02/15/2021	1,000,000	NR	NR	NO
US TREAS NTS	04/30/2021	997,120	NR	NR	NO
FHLB	05/13/2021	489,838	AAA	AA +	YES
CD	05/28/2021	250,000	NR	NR	YES
CD	05/28/2021	250,000	NR	NR	NO
CD	06/21/2021	226,000	NR	NR	NO
CD	06/21/2021	250,000	NR	NR	NO
CD	06/21/2021	250,000	NR	NR	NO
FHLB	07/06/2021	996,163	NR	NR	YES
FHLMC	09/28/2021	557,077	AAA	AA +	YES
FNMA	09/30/2021	350,872	AAA	AA +	YES
CD	10/22/2021	250,000	NR	NR	YES
CD	10/29/2021	250,000	NR	NR	YES
CD	11/01/2021	250,000	NR	NR	NO
CD	11/30/2021	250,000	NR	NR	NO
CD	12/20/2021	250,000	NR	NR	NO
CD	12/28/2021	250,000	NR	NR	NO
CD	01/13/2022	147,000	NR	NR	NO
FFCB	02/01/2022	1,000,000	AAA	AA +	YES
CD	03/25/2022	250,000	NR	NR	YES
FFCB	04/ 04/2022	572,599	AAA	AA +	YES
TOTAL		23,486,150			
ESCROW FUNDS		3,121,311			
TOTAL SECURITIES		26,607,461			

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

B - Deposits and Investments: (Continued)

2. Deposit and Investment Risks (Continued)

Restricted Cash:

Low Income Public Housing:

Restricted for payment of debt	666,914
Restricted for tenant security deposits	108,147

Housing Choice Voucher:

Restricted for Housing Assistance Payments Equity	161,233
Restricted for payment of current liabilities	8,847

Blended Component Unit:

Restricted for modernization and development	4,510,046
Restricted for construction and repairs	4,228,549
Restricted for replacement reserve	645,000
Restricted for tenant security deposits	31,129

Section 8 Special Allocation:

Restricted for replacement and rehabilitation reserve	3,079,118
Restricted for tenant security deposits	<u>52,856</u>

Total restricted demand deposits **13,491,879**

Restricted Investments:

Housing Choice Voucher:

Restricted for Housing Assistance Payments Equity	331,802
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Blended Component Unit:

Restricted Escrow Funds	<u>3,121,311</u>
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Total restricted investments **3,453,113**

Total restricted demand deposits and investments **16,944,992**

Unrestricted Cash 11,666,703

Unrestricted Investments 23,154,348

Total unrestricted cash and investments **34,821,051**

Total restricted and unrestricted cash and investments **\$ 51,766,043**

The investments held in the various trust accounts for bond covenant purposes are invested in open-ended mutual funds which are not subject to custodial credit risk because they do not represent specific individual securities.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

B - Deposits and Investments: (Continued)

2. Deposit and Investment Risks (Continued)

Custodial Credit Risk: Exposure to custodial credit related to deposits exists when KCDC holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in KCDC's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when KCDC holds investment that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in KCDC's name.

KCDC's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities obligation of federal agencies, securities of government-sponsored agencies, and other instruments which may be approved by the U.S. Department of HUD. As required by Federal 12 U.S. C.A., Section 1823(e), all financial institutions pledging collateral to KCDC must have a written collateral agreement approved by the board of directors or loan committee.

The investments held in the various trust accounts for bond covenant purposes are invested in open-ended mutual funds which are not subject to custodial credit risk because they do not represent specific individual securities.

At June 30, 2019, KCDC was not exposed to custodial credit as defined above.

Investment Credit Risk: KCDC's investment policy limits unrestricted investments to those allowed by the U.S. Department of HUD. These investment limitations are described in Note A. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. KCDC has no formal policy limiting investments based on credit rating but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations - rating agencies - as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

As noted in the schedule of deposits and investment above, at June 30, 2019, the investments held by KCDC mature July 18, 2019 through April 4, 2022. KCDC may sell these investments at fair value at any time.

Concentration of Investment Credit Risk: Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of KCDC. Investments issued or explicitly guaranteed by HUD-approved instruments are excluded from this consideration.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

C – Accounts Receivable:

Balances due from managed entities	\$ 1,018,475
Tenants accounts receivable, net of allowance of \$48,219	49,852
Other	<u>83,540</u>
	<u>\$ 1,151,867</u>

D – Due From Other Governments:

US Department of HUD	\$ 739,271
Local governments	<u>1,118,461</u>
	<u>\$ 1,857,732</u>

E – Prepaid Items:

Prepaid insurance	\$ 111,552
Prepaid contracts	80,123
Unbilled services	47,174
Prepaid benefits	17,315
Other	<u>15,645</u>
	<u>\$ 271,809</u>

F – Assets held for Sale or Conveyance:

In its capacity as a local redevelopment agency, KCDC contracts with other local governmental agencies for various types of redevelopment projects. These projects may range from relatively minor projects such as rehabilitation of family dwellings up to much larger commercial redevelopment endeavors.

In the course of this activity, KCDC often assumes ownership of selected properties during the rehabilitation period, only to transfer or sell these properties in accordance with the contract with the respective local governments.

The noncurrent portion net of allowance for loss on disposition of \$69,050 is \$1,380,400.
The current portion is \$243,600, with no allowance for loss on disposition.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

G - Notes and Mortgages Receivable

Due from	Amount
Eastport Development, LP	\$ 5,036,924
Lonsdale, LP	6,640,841
North Ridge Crossing, LP	5,240,580
Vista at Summit Hill, LP	5,007,768
Five Points I, LP	681,342
Five Points II, LP	2,327,136
Five Points III, LP	661,556
Five Points IV, LP	<u>1,032,260</u>
	<u>\$ 26,628,407</u>

Eastport Development Limited Partnership

KCDC entered into a mixed financing arrangement with Eastport Development, L.P. (EDLP) for the addition of 60 public housing units as part of The Residences at Eastport II in the Five Points Community in Knoxville, Tennessee. The notes receivable consists of \$100,000 in KCDC's Capital Fund Program, \$4,058,273 in ARRA funds, \$128,651 in Knoxville's Housing Development Corporation (KHDC) funds, and \$750,000 in Passport Development Corporation (PDC) funds.

The Capital Funds and ARRA funds were provided through HUD as grants to KCDC. In cooperation with HUD, the Capital and ARRA Funds are being loaned to EDLP and are due 40 years after completion of the project. The capital improvements purchased with these funds are reflected on the financial statements of EDLP.

	<u>Interest Accrual Rate</u>	<u>Maturity Date</u>
Capital Funds Loan	0% annually	October 1, 2051
ARRA Funds Loan	0% annually	October 1, 2051
KHDC Loan	0% annually	October 1, 2051
Passport Development Corporation Loan	0% annually	October 1, 2051

Lonsdale, LP

Per the ground lease dated August 25, 2017, KCDC obtained a \$3,530,000 note payable from Lonsdale, LP ("Seller Loan"). The notes accrue interest at 2.82% per annum on the face amount. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2019, the principal balance outstanding was \$3,380,948.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

G - Notes and Mortgages Receivable (Continued)

Per the ground lease dated August 25, 2017, KCDC obtained a \$3,070,000 note payable from Lonsdale, LP ("KCDC Purchase Loan"). The notes accrue interest at 2.82% per annum on the face amount. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the notes payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The notes are secured by the Property. As of June 30, 2019, the principal balance outstanding was \$2,940,372.

KCDC obtained a \$319,521 note payable from Lonsdale, LP ("KCDC Reserves Loan") pursuant to the loan agreement, dated August 25, 2017. The note bore no interest through January 31, 2019. Beginning February 1, 2019, the note bears interest at 2.82% per annum. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2019, the principal balance outstanding was \$319,521.

North Ridge Crossing, LP

Per the ground lease dated August 25, 2017, KCDC obtained a \$6,500,000 note payable from North Ridge Crossing, LP ("Seller Loan"). The notes accrue interest at 2.82% per annum on the face amounts of both loans. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the notes payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on August 31, 2057. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2019, the principal balance outstanding was \$3,183,530.

Per the ground lease dated August 25, 2017, KCDC obtained a \$4,200,000 note payable from North Ridge Crossing, LP ("KCDC Purchase Loan"). The notes accrue interest at 2.82% per annum on the face amounts of both loans. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the notes payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on August 31, 2057. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2019, the principal balance outstanding was \$2,057,050.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

G - Notes and Mortgages Receivable (Continued)

Vista at Summit Hill, LP

Per the ground lease dated August 25, 2017, KCDC obtained a \$2,310,000 note payable from Vista at Summit Hill, LP ("Seller Loan"). The note accrues interest at 2.82% per annum on the face amount of the loan. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2019, the principal balance outstanding was \$2,128,789.

Per the ground lease dated August 25, 2017, KCDC obtained a \$2,690,000 note payable from Vista at Summit Hill, LP ("KCDC Purchase Loan"). The note accrues interest at 2.82% per annum on the face amount of the loan. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2019, the principal balance outstanding was \$2,478,979.

KCDC obtained a \$400,000 note payable from Vista at Summit Hill, LP ("KCDC Reserves Loan") pursuant to the loan agreement, dated August 25, 2017. The note bears no interest until January 31, 2019. Beginning February 1, 2019, the note bears interest at 2.82% per annum. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2019, the principal balance outstanding was \$400,000.

Five Points I, LP

KCDC obtained a \$734,640 promissory note from Five Points I, LP. The loan, which is secured by the Property, bears interest at 8% per year, as defined in the promissory note. The entire principal balance and accrued interest is due on the maturity date of May 1, 2033. The loan shall be payable from available cash flow. As of June 30, 2019, the principal balance outstanding was \$681,342.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

G - Notes and Mortgages Receivable (Continued)

Five Points II, LP

KCDC obtained a \$1,291,177 note payable from Five Points II, LP pursuant to the loan agreement, dated May 23, 2017 ("KCDC RHF Loan"). The note bore no interest until September 30, 2018 and 7.75%, thereafter. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 30 years. The entire principal shall be due and payable in full on October 31, 2048. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. As of June 30, 2019, the principal balance outstanding was \$1,291,177.

KCDC obtained a \$1,660,763 note payable from Five Points II, LP pursuant to the loan agreement, dated May 23, 2017 ("KCDC Reserves Loan"). The note bears no interest until February 1, 2019 and 7.75%, thereafter. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 30 years. The entire principal shall be due and payable on January 31, 2049. As of June 30, 2019, the principal balance outstanding was \$1,035,959.

Five Points III, LP

KCDC obtained a \$661,556 promissory note from Five Points III, LP dated April 12, 2018. The principal balance of this Note, which is secured by the property, shall bear interest from the date of this Note until January 31, 2020 at the rate of 0% per annum. From and after February 1, 2020, the principal balance of this Note shall bear interest at a rate of 3.04% per annum. On the Maturity Date, January 31, 2050, the entire outstanding principal balance advanced under this Promissory Note, together with accrued but unpaid interest thereon, will be due and payable in full. Notwithstanding the foregoing, Five Points III, LP shall make payments of accrued interest and principal from time to time solely from Cash Flow. As of June 30, 2019, the principal balance outstanding was \$661,556.

Five Points IV, LP

KCDC obtained a \$1,911,592 promissory note from Five Points IV, LP dated May 14, 2019. The principal balance of this Note, which is secured by the property, shall bear interest from the date of this Note until September 1, 2020 at the rate of 0% per annum. From and after September 2, 2020, the principal balance of this Note shall bear interest at a rate of 7.50% per annum, compounding monthly. On the Maturity Date, September 1, 2050, the entire outstanding principal balance advanced under this Promissory Note, together with accrued but unpaid interest thereon, will be due and payable in full. Notwithstanding the foregoing, Five Points IV, LP shall make payments of accrued interest and principal from time to time solely from Cash Flow. As of June 30, 2019, the principal balance outstanding was \$1,032,260.

Regarding each of the foregoing notes receivable, KCDC has elected to recognize interest revenue once annually on December 31.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

H – Land, Buildings, and Equipment:

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Not being depreciated:					
Land	\$ 3,612,564	\$ -	\$ (439,175)	\$ -	\$ 3,173,389
Construction in progress	8,379,173	9,430,819	(557,194)	(2,617,749)	14,635,049
Total not being depreciated	11,991,737	9,430,819	(996,369)	(2,617,749)	17,808,438
Depreciable:					
Buildings & improvements	151,501,491	56,109	(5,461,381)	2,355,434	148,451,653
Accumulated depreciation	(121,899,593)	(4,465,071)	5,207,635	(52,699)	(121,209,729)
Net buildings & improvements	29,601,898	(4,408,962)	(253,746)	2,302,735	27,241,924
Equipment	1,565,492	-	(271,692)	262,317	1,556,117
Accumulated depreciation	(1,535,365)	(65,173)	327,564	52,697	(1,220,277)
Net equipment	30,127	(65,173)	55,872	315,014	335,840
Net depreciable assets	29,632,025	(4,474,135)	(197,874)	2,617,749	27,577,765
TOTAL	\$ 41,623,762	\$ 4,956,684	\$ (1,194,243)	\$ -	\$ 45,386,203

I – Due to Other Governments:

Payments in Lieu of Taxes (local governments)	\$ 124,070
Due to US Department of HUD	9,332
	<u>\$ 133,402</u>

J – Unearned Revenue:

Tenant Prepaid Rent	\$ 41,853
Cable Provider Marketing Share Revenue	156,955
Local Government redevelopment advances	111,005
HUD subsidy	34,938
Resident associations funds	4,301
	<u>\$ 349,052</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

K - Notes Payable:

Ref	Interest Expense	Current	Long Term	Total Debt	Interest Payable
1	\$ 35,145	\$ 110,809	\$ 1,038,632	\$ 1,149,441	\$ 1,335
2	183,192	1,705,881	1,132,399	2,838,280	70,957
3	164,277	1,195,325	1,100,764	2,296,089	9,202
4	-	-	248,699	248,699	-
5	20,390	50,201	370,562	420,763	2,129
6	23,930	1,248,525	1,839,161	3,087,686	3,860
7	290,193	139,868	10,920,468	11,060,336	40,554
	<u>\$ 717,126</u>	<u>\$ 4,450,609</u>	<u>\$ 16,650,685</u>	<u>\$ 21,101,294</u>	<u>\$ 128,037</u>

All of the following notes payable are secured directly by real property which was financed.

1 On April 15, 2004, KCDC issued a promissory note to SunTrust Bank in the amount of \$2,470,155. The proceeds from the loan were utilized to reimburse KCDC for construction of a Head Start building in order to provide preschool education for qualified low-income eligible children. The note was paid in full in March 2010 and refinanced through SunTrust Bank in the amount of \$2,130,465 bearing interest at 3.1134% annum. The note was paid in full again in May 2015 and refinanced through SunTrust Bank in the amount of \$1,567,500 bearing interest at 2.88% annum. The note is to be paid in monthly increments of \$11,869 for a five-year term ending March 15, 2020. The outstanding balance as of June 30, 2019 is \$1,149,441. Accrued interest payable as of June 30, 2019 is \$1,335.

2 On December 18, 2015, KCDC entered into a loan agreement with Capital One Public Funding, LLC to for payment of the remaining outstanding debt from Public Housing Capital Fund obligations. The note in the face amount of \$10,131,395 bears interest at 3.10% annum for an 8.5-year term. The outstanding balance as of June 30, 2019 is \$2,838,280. Payments on this loan have been accelerated in order to pay off individual property shares of the note as these properties transition from low-rent public housing to multi-family housing through the Rental Assistance Demonstration Project (RAD). The outstanding balance as of June 30, 2019 is \$2,838,280. Accrued interest payable is \$70,957.

3 On November 9, 2006, KCDC entered into a Master Equipment Lease – Purchase Agreement with National City Commercial Capital Corporation. This agreement is the financing mechanism used to fund the energy equipment replacements and renovations included in the Energy Performance Contract between KCDC and Ameresco, Inc. Energy Performance Contracting is an innovative financing technique that uses cost savings from reduced energy consumption to repay the cost of installing energy conservation measures. The lease payments began 22 months after the start of capital improvements in November 2006 resulting in the first payment being made October 2008. HUD has encouraged Housing Agencies such as KCDC to participate in such Energy Performance Contracts. As a result, KCDC has an outstanding balance on this capital lease as of June 30, 2019 of \$2,296,089.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

K - Notes Payable: (Continued)

During FY 2019, the amortization schedule is projected to be revised again to accommodate additional prepayments due as a result of moving residential units out of the Public Housing Program and into the Multi-Family Program through the Rental Assistance Demonstration Project (RAD). The outstanding balance as of June 30, 2019 is \$2,296,089. Accrued interest payable is \$9,202.

4 On March 31, 2008, KCDC purchased Valley Oaks Apartments, a Section 8 project-based property from Knox Housing Partnership in the amount of \$63,977. As a condition of the sale, KCDC assumed a forgivable note as detailed below:

On August 29, 1994, Knox Housing Partnership purchased Valley Oaks Apartments from HUD for a cost of \$1. In exchange for this bargain purchase price, the Partnership agreed to maintain the property as rental or cooperative housing for a period of thirty years. Because of stipulations in the purchase contract, the project recorded the apartment buildings and land at their fair market value of \$497,400 less the cost of \$1 actually paid. As the HUD requirements are met for the purchase of this property at the bargain price, the Forgivable HUD Advance in the amount of \$497,399 will be reduced and a HUD contribution recognized as follows:

25% of the \$497,399 or \$124,350 on August 30, 2014
50% of the \$497,399 or \$248,699 on August 30, 2024

The outstanding balance as of June 30, 2018 is \$248,699.

5 On June 30, 2001, Passport Homes LP entered into a loan for mortgage financing with First Tennessee Bank for the University Avenue Affordable Housing Project, "Passport Homes" in the Mechanicsville Community. The original amount of the loan was \$1,000,000 bearing interest at 4.55% per annum with a maturity date of December 1, 2015.

Pursuant to the dissolution of Passport Homes LP, KCDC assumed this note in accordance with a Modification and Assumption Agreement dated January 31, 2017. All terms of the loan remain intact. The outstanding balance as of June 30, 2019 is \$420,763. Accrued interest payable is \$2,129.

6 On December 27, 2018, KCDC entered into a Construction and Term Loan Agreement with Home Federal Bank of Tennessee for mortgage financing of a 53-unit senior housing complex. The face amount of the loan agreement is \$4,900,000. The note is to be amortized over 25 years, commencing on the first day of the term period. Interest only shall be due through October 31, 2019. Thereafter, monthly principal and interest payments are required. Interest shall be calculated at the adjusted interest rate (WSJ Prime less 4%, but not than 0% and not higher than 9%) as detailed in the loan documents. The outstanding balance as of June 30, 2019 is \$3,087,686. Accrued interest payable as of June 30, 2019 is \$3,860.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

K - Notes Payable: (Continued)

7 On November 1, 2018, Montgomery Village Corporation (an instrumentality of KCDC) issued a note payable to Walker & Dunlop, LLC in the amount of \$11,128,000 for the purchase and rehabilitation of a 384 unit affordable housing complex under HUD's RAD program. Interest only payments were required through December 1, 2018. Beginning January 1, 2019, monthly payments of \$51,976.98, consisting of 4.4% interest per annum and remaining amounts against principal, shall be made. Any remaining principal and interest shall be due and payable on December 1, 2053. The outstanding balance as of June 30, 2019 is \$11,060,336. Accrued interest payable is \$40,554.

KCDC capitalizes interest costs incurred on funds used to construct or renovate structures during the construction period. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's useful life. For the year ended June 30, 2019, there was \$23,928 of capitalized interest and \$693,198 of interest expense.

The Housing Authority as the Redevelopment agency for the City of Knoxville has entered into tax increment financing agreements between various developers and various financial institutions to help developers secure financing within the redevelopment area. The debt is non-recourse debt to KCDC. These agreements are designed to give developers an incentive to redevelop vacant downtown property. The tax increment financing agreement is between KCDC, the developer, and the financial institution. The property tax payments as well as the equity in the property are used as collateral as well as the developer's personal guarantee on the loan.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

K - Notes Payable: (Continued)

The following tax increment financing agreements have been issued by KCDC:

	Redevelopment Plan Area	Location	Principal(s)	TIF Note Approval Date	TIF Amount	June 30 Balance	Project Total
1	Jackson/Depot	214 Jackson Avenue	David Dew hirst 214 Jackson, LLC	2/17/2005	\$ 1,100,000	\$ 187,348	\$ 6,400,000
2	Jackson/Depot	122-126 Gay Street	ELOC Development One, LLC William Cole Smith, JR	1/20/2006	\$ 735,000	\$ 338,291	\$ 6,100,000
3	Gay Street	602 S. Gay Street	Cardinal Investment Properties, LLC Brian Conley	3/8/2006	\$ 855,796	\$ 151,373	\$ 7,450,000
4	Gay Street	123 S. Gay Street	HNB Development, LLC Thomas Grace David Dew hirst	9/30/2010	\$ 1,600,000	\$ 540,434	\$ 13,725,000
5	World's Fair Park	Clinch & 11th Street	Kensey, Probasco, Hays	3/31/2006	\$ 1,400,000	\$ 289,233	\$ 11,696,000
6	Old Knoxville Glove Factory	445 W. Blount Ave	Camden Mgmt Inc & Fous Development Inc John Gumpert Brad Johnson	9/21/2006	\$ 2,800,000	\$ 923,472	\$ 27,550,330
7	Gay Street	402 Gay Street	Gay Street Development Partners, LLC John W. Craig Wayne Balsius Faris Eid	8/3/2007	\$ 1,441,802	\$ 716,887	\$ 6,401,000
8	Gay Street	302 S. Gay Street	Crimson Inferno, LLC Jeffrey Nash Buzz Gross	6/20/2007	\$ 350,000	\$ 54,087	\$ 4,912,572
9	Downtown North/ 275 Corridor	912 N. Central Ave	North Central Village, LLC Jeffrey Nash	6/26/2007	\$ 200,000	\$ 93,044	\$ 2,031,639
10	Jackson/Depot	129 W Jackson Ave	Testerman, Testerman, & Buckner LLC Kyle Testerman	11/30/2010	\$ 240,000	\$ 44,401	\$ 4,174,256
11	Brownlow School	1305 Luttrell Street	KP Jon Kinsey	9/12/2008	\$ 542,284	\$ 227,781	\$ 5,450,000
12	Jackson/Depot	200-202 W. Jackson Avenue	JFG Partners LLC Dew hirst Properties David Dew hirst	4/14/2008	\$ 810,000	\$ 223,455	\$ 7,560,000
13	Jackson/Depot	100 N. Broadway	Conversion Properties Joe Petre	5/27/2009	\$ 460,123	\$ 211,126	\$ 4,103,976
14	Gay Street	516-524 Gay St	500 Block, LLC John Craig	9/12/2008	\$ 812,500	\$ 306,942	\$ 4,908,189
15	South Waterfront	Langford Avenue	City of Knoxville KCDC	12/31/2008	\$12,000,000	\$10,438,168	\$139,000,000

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

K - Notes Payable: (Continued)

	Redevelopment Plan Area	Location	Principal(s)	TIF Note Approval Date	TIF Amount	June 30 Balance	Project Total
16	Downtown North/ 275 Corridor	605,607 King Street 201, 209 W. 5th Avenue	Matisse Capital, LLC Svend Brooks Tim Wesley Earl Worsham	11/13/2009	\$ 356,000	\$ 175,339	\$ 3,734,762
17	Central Business District West	501 Union Ave	David Dew hirst Mark Heinz	10/1/2009	\$ 959,000	\$ 571,675	\$ 6,745,000
18	Northside Waterfront	710 East Hill Ave	Aaron White Hunter Connelly	2/17/2010	\$ 1,500,000	\$ 1,068,184	\$ 28,240,321
19	Jackson/Depot	131 S. Gay Street	John W. Craig Timothy Hill Michael Hatcher	4/15/2010	\$ 129,000	\$ 55,939	\$ 847,866
20	Historic Market Square	501 Market Street	David Dew hirst Mark Heinz Tim Zitzman Albert Ritchie Chuck Griffin Kelly Headen	12/20/2011	\$ 1,145,000	\$ 484,857	\$ 8,515,000
21	University Commons	Kingston Pike	Jim Harrison Bud Cullom	12/21/2012	\$10,000,000	\$ 8,153,214	\$ 62,000,000
22	University Commons	930 Riverside Forest Way	Aaron White Hunter Connelly	12/31/2012	\$ 715,000	\$ 570,222	See item 18
23	Gay Street	412, 414 and 416 S. Gay Street	Hatche Hill and Associates LLC Timothy Hill Michael Hatcher David Dew hirst Mark Heinz	11/14/2013	\$ 1,150,000	\$ 908,744	\$ 7,361,000
24	Jackson/Depot	110 Magnolia Ave 319 N. Central St	The Courtland Group LLC Jeffrey Nash	8/4/2014	\$ 225,000	\$ 180,105	\$ 2,100,000
25	Magnolia Avenue Warehouse District	120 and 122 S. Central Street	Next Step Development LLC Daniel Smith	12/1/2015	\$ 539,000	\$ 514,000	\$ 4,792,939
26	Central Business District West	202 Magnolia Ave 317 Ogden	The Courtland Group LLC Jeffrey Nash	6/23/2016	\$ 350,000	\$ 350,000	\$ 3,480,000
27	Gay Street	620 and 626 S Gay Street	DRT Properties LLC Dooley and Charles Tombras	6/30/2016	\$ 1,650,000	\$ 1,539,847	\$ 9,700,000
28	South Waterfront	East Blount Avenue	Riverwalk Investors LLC and Grand Oak Riverwalk LLC	12/29/2016	\$22,000,000	\$13,699,674	\$139,000,000
29	Jackson/Depot	333 West Depot Ave	Regas Properties LLC	1/27/2017	\$ 4,950,000	\$ 4,869,632	\$ 35,101,798

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

L – Other Liabilities:

	<u>Current</u>	<u>Long Term</u>
Program advance	\$ 13,500	\$ -
Tenant refund	5,512	-
FSS escrow	8,847	88,255
Other	<u>449</u>	<u>-</u>
	<u>\$ 28,308</u>	<u>\$ 88,255</u>

M – Accrued Liabilities Other

Utilities	\$ 434,459
EPC Ameresco	53,787
Credit card	<u>87,736</u>
	<u>\$ 575,982</u>

N- Schedule of Changes in Noncurrent Liabilities:

	<u>Balance at June 30, 2018</u>		<u>Year Ended June 30, 2019</u>		<u>Balance at June 30, 2019</u>	
	<u>Noncurrent Portion</u>	<u>Current Portion</u>	<u>Additions</u>	<u>Payments</u>	<u>Noncurrent Portion</u>	<u>Current Portion</u>
Notes payable	\$ 8,267,306	\$ 2,266,908	\$ 14,215,686	\$ 3,648,606	\$ 16,650,685	\$ 4,450,609
Accrued compensated absences	1,984,134	753,959	345,403	120,653	2,051,752	911,091
Net Pension/OPEB liability/Other	<u>71,090</u>	<u>-</u>	<u>17,165</u>	<u>-</u>	<u>88,255</u>	<u>-</u>
	<u>\$ 10,322,530</u>	<u>\$ 3,020,867</u>	<u>\$ 14,578,254</u>	<u>\$ 3,769,259</u>	<u>\$ 18,790,692</u>	<u>\$ 5,361,700</u>

O - Annual Contributions by Federal Agencies

Low Rent Public Housing (ACC A-2571) - Pursuant to the Annual Contributions Contract, HUD contributes an operating subsidy for low-rent public housing. The operating subsidy contributions for the year ended June 30, 2019 were \$11,316,752. HUD also contributed additional funds through the Capital fund for modernization and operations in the amount of \$3,310,846.

Section 8 Rental Assistance - Section 8 programs provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payments with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by a participating family and related administrative expense. KCDC is also eligible to receive reimbursement for preliminary expenses prior to lease up.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

O - Annual Contributions by Federal Agencies (Continued)

HUD Section 8 contributions for the year ended June 30, 2019 were as follows:

Housing Choice Voucher Cluster (ACC A-3159)	\$ 25,110,161
Section 8 Project-based Special Allocations (Multi-family)	3,434,555
Other Section 8 Programs	<u>526,938</u>
	<u>\$ 29,071,654</u>

Other Federal Revenue – HUD also contributed \$165,150 in CDBG funds through the City of Knoxville and \$50,308 for Family Self-Sufficiency Service Coordinator.

- P – Contribution Plan:** KCDC provides retirement benefits for all its full-time employees through a defined contribution plan entitled "Housing Authority Retirement Trust (HART)". The plan is administered by ADP. In this plan benefits depend solely on amounts contributed to the plan plus investment earnings. The HART Trustees are authorized to establish and amend plan benefits. Employees are eligible to participate six months after the date of employment. KCDC contributes approximately 12.8% of the employee's base salary each month for employees hired prior to November 1, 2006. For employees hired after October 31, 2006 the employer contribution is 8.8%, while the employee has no required contribution. KCDC's contributions for each employee (and interest allocated to the employee's account) are fully vested after 7 years of continuous service. KCDC contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce KCDC's current period contribution requirement.

KCDC's total payroll in fiscal year 2019 was \$7,477,024. Payroll covered by the pension plan was \$6,901,471. KCDC made the required contributions amounting to \$801,831, and employees made elective contributions of \$15,025.

- Q - Post-Employment Health Plan Benefits:** KCDC provides for the accumulation of tax-free monies to be used for health-related costs in a benefit plan known as the "Post Employment Health Plan" administered by Nationwide. The Plan is an agent multiple employer defined benefit OPEB plan.

KCDC contributes a fixed amount of \$20 per month to each participating employee's universal PEHP account. All regular, full-time employees are enrolled in the plan on the first day of the month following completion of three years of service. Benefits and options are outlined in literature made public by Nationwide, or may be accessed on-line at www.nrsforu.com. Contributions to the PEHP are determined by the Board of Commissioners of KCDC. PEHP benefits available to KCDC employees are established and amended by the PEHP trustees.

KCDC funds the program in a fixed amount per month per participant and has met all financial obligations of the PEHP. Additionally, KCDC has accrued a liability for PEHP which relate to sick leave conversions which may become available in the future.

The employees do not contribute to this plan.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

R - Economic Dependency: KCDC receives approximately 73% of its revenue from HUD. If the amount of revenues received from HUD falls below critical levels, KCDC's reserves could be adversely affected.

S - Contingencies: KCDC is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to KCDC in the current and prior years. Three of KCDC's multi-family housing projects received management and occupancy reviews by HUD. Corrective actions have been undertaken for issues raised by these reviews. Under the terms of Guaranty Agreements with its discretely presented component unit limited partnerships, KCDC is guarantor for liabilities arising from nonperformance by the general partners regarding development, unfunded debt obligations and liquidity. These Agreements require KCDC to maintain minimum liquidity amounts ranging from \$250,000 to \$1,500,000.

KCDC is a defendant in various lawsuits and has retained outside counsel to vigorously defend such litigation. The outcome of these cases is currently indeterminable and, therefore, management believes that it is unlikely that resolution of these matters will have a material adverse effect on the financial condition of KCDC.

T - Conduit Type Debt: Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on part of KCDC. Accordingly, this debt has not been recorded in the basic financial statements of KCDC. Additionally, HUD no longer provides debt service information to KCDC.

U - Commitments: KCDC is engaged in modernization programs funded by HUD and other sources. In this regard, KCDC has entered into construction-type contracts with approximately \$15,360,071 remaining until completion.

V - Leasing Activities (as Lessor): KCDC is the lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. KCDC may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Rental Revenue". Rental Revenue per dwelling unit generally remains consistent from year to year but is affected by general economic conditions which impact personal income and local job availability.

W - Interprogram Transfers: KCDC will make cash transfers to and between its various programs as outlined in the Federal Regulations and authorized and approved by KCDC's Board of Commissioners. All these programs are part of the Enterprise Fund, therefore there are no interfund transfers.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

- X - Other Leases:** KCDC previously entered into a 55-year ground lease with Passport Homes, L.P. and a 99-year ground lease with Passport Residences, L.P. for the development of HOPE VI housing. The LPs completed their primary objective and were dissolved in the current year. Ground leases in effect as of June 30, 2019 are as follows:

Lonsdale LP Prepaid Ground Lease

The Partnership entered into a ground lease agreement with KCDC, dated August 25, 2017. The lease calls for annual payments of \$88,000 for a period of 75 years. The Partnership has paid lease payments in advance by issuing notes payable to KCDC. The prepaid ground lease is amortized over 75 years using the straight-line method.

North Ridge Crossing LP Prepaid Ground Lease

The Partnership entered into a ground lease agreement with KCDC, dated August 25, 2017. The lease calls for annual payments of \$142,667 for a period of 75 years. The Partnership has paid lease payments in advance by issuing notes payable to KCDC. The prepaid ground lease is amortized over 75 years using the straight-line method.

Vista at Summit Hill LP Prepaid Ground Lease

The Partnership entered into a ground lease agreement with KCDC, dated August 25, 2017. The lease calls for annual payments of \$66,667 for a period of 75 years. The Partnership has paid lease payments in advance by issuing notes payable to KCDC. The prepaid ground lease is amortized over 75 years using the straight-line method.

Eastport Development LP Ground Lease

The Partnership has entered into a ground lease agreement with KCDC. The lease calls for annual payment of \$10 for a period of 89 years.

Five Points I LP Ground Lease

The Partnership entered into a ground lease agreement with KCDC, dated April 29, 2016. The lease calls for annual payments of \$1 for a period of 75 years.

- Y - Subsequent Events:** Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through the Date of the Independent Auditors Report and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.
- Z - Prior Year Restatement:** Noncurrent notes receivable from newly established limited partnerships were not captured in the KCDC financial statements as of June 30, 2018. These partnerships were formed in accordance with asset reporting under HUD's RAD Program for public housing. The total amount of KCDC's unrecorded noncurrent notes receivable at June 30, 2018 was \$17,507,168. This deferred recognition of noncurrent assets has no impact on results of operation or ratios commonly used for decisions by financial statement users.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

Z - Prior Year Restatement: (Continued)

	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total
Balance - beginning of year	\$ 31,089,548	\$ 28,481	\$ 44,479,422	\$ 75,597,451
Adjustments to restate beginning balance	-	-	17,507,168	17,507,168
Balance - beginning of year, restated	\$ 31,089,548	\$ 28,481	\$ 61,986,590	\$ 93,104,619

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

AA - Blended Component Units

	Blended Component Units														Combined Blended Component Unit and Primary Government
	Primary Government Excluding Blended Component Unit	Knoxville Housing Development Corporation	Passport Development Corporation	5 Points Corporation	5 Points II	5 Points III	Passport Homes Corporation	Family Investment Foundation	5 Points IV	Townview Towers	Bell Street Corp.	MV	Hollywood	Young High	
ASSETS															
Current assets	\$ 29,848,318	\$ 11,288,795	\$ 653,490	\$ 283,093	\$ 287,052	\$ 343,893	\$ 1,215,564	\$ 22,988	\$ 483,270	\$ -	\$ (4,200)	\$ 10,948,658	\$ -	\$ -	\$ 55,370,921
Capital assets	23,968,896	12,672,071	-	-	-	-	-	-	-	-	25,716	8,719,520	-	-	45,386,203
Other assets	5,538,672	128,651	763,064	681,343	2,435,979	661,556	17,733,615	-	1,032,260	(422)	-	-	-	-	28,974,717
Total Assets	\$ 59,355,886	\$ 24,089,517	\$ 1,416,554	\$ 964,436	\$ 2,723,031	\$ 1,005,449	\$ 18,949,179	\$ 22,988	\$ 1,515,530	\$ (422)	\$ 21,516	\$ 19,668,178	\$ -	\$ -	\$ 129,731,841
LIABILITIES															
Current liabilities	\$ 5,948,451	\$ 1,814,129	\$ -	\$ 23	\$ -	\$ -	\$ -	\$ -	\$ 206,927	\$ -	\$ 21,536	\$ 711,910	\$ 115	\$ 124	\$ 8,703,215
Long-Term liabilities	4,544,590	3,258,820	-	-	-	-	-	-	-	-	-	10,987,282	-	-	18,790,692
Total Liabilities	10,493,041	5,072,949	-	23	-	-	-	-	206,927	-	21,536	11,699,192	115	124	27,493,907
Deferred inflow of resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET POSITION															
Net investment in capital assets	18,585,828	8,014,181	-	-	-	-	-	-	-	-	25,716	(2,340,816)	-	-	24,284,909
Restricted	4,151,712	2,185,335	-	-	-	-	-	-	-	-	-	10,319,571	-	-	16,656,618
Unrestricted	26,125,305	8,817,052	1,416,554	964,413	2,723,031	1,005,449	18,949,179	22,988	1,308,603	(422)	(25,736)	(9,769)	(115)	(124)	61,296,407
Total Net Position	48,862,845	19,016,568	1,416,554	964,413	2,723,031	1,005,449	18,949,179	22,988	1,308,603	(422)	(20)	7,968,986	(115)	(124)	102,237,934
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 59,355,886	\$ 24,089,517	\$ 1,416,554	\$ 964,436	\$ 2,723,031	\$ 1,005,449	\$ 18,949,179	\$ 22,988	\$ 1,515,530	\$ (422)	\$ 21,516	\$ 19,668,178	\$ -	\$ -	\$ 129,731,841

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

AA - Blended Component Units (Continued)

	Blended Component Units															Combined Blended Component Unit and Primary Government
Primary Government Excluding Blended Component Unit	Knoxville Housing Development Corporation	Passport Development Corporation	5 Points Corporation	5 Points Corporation	5 Points II Corporation	5 Points III Corporation	Passport Homes Corporation	Family Investment Foundation	5 Points IV Corporation	Townview Towers	Bell Street Corp.	MV	Hollywood	Young High		
Operating revenues	\$ 49,396,132	\$ 459,580	\$ 1,796	\$ 3,486	\$ 746,461	\$ -	\$ 1,986,504	\$ -	\$ 417,608	\$ 277,198	\$ -	\$ 1,658,624	\$ -	\$ -	\$ 54,947,389	
Operating expenses	44,587,471	1,184,171	39	22	620,682	169,658	1,003,272	20	206,988	20	20	1,880,248	115	124	49,652,850	
Operating income/(loss)	4,808,661	(724,591)	1,757	3,464	125,779	(169,658)	983,232	(20)	210,620	277,178	(20)	(221,624)	(115)	(124)	5,294,539	
Non-operating revenues/(expenses)	(753,464)	55,363	7,486	155,818	108,815	-	236,447	7	-	-	-	(312,431)	-	-	(501,960)	
Capital contributions	3,310,846	-	-	-	-	-	-	-	-	-	-	-	-	-	3,310,846	
Transfers from (to) other programs or entities	(2,795,907)	3,073,084	-	(400,000)	-	-	(632,260)	-	1,032,260	(277,177)	-	-	-	-	-	
Transfers from (to) other programs	9,138,891	-	-	-	-	-	-	-	-	-	-	8,368,277	-	-	17,507,168	
Special items	(740,709)	-	-	734,640	1,035,959	-	-	-	-	-	-	-	-	-	1,029,890	
Increase (decrease) in net position	12,968,318	2,403,856	9,243	493,922	1,270,553	(169,658)	587,419	(13)	1,242,880	1	(20)	7,834,222	(115)	(124)	26,640,483	
Net position, beginning of year, restated (see Note Z)	53,401,693	16,612,711	1,407,310	470,492	1,452,478	1,175,108	854,592	23,001	65,723	(422)	-	134,765	-	-	75,597,451	
Prior Period Adjustments	(17,507,166)	-	-	-	-	-	17,507,168	-	-	-	-	-	-	-	2	
Net position, end of year	\$ 48,862,845	\$ 19,016,567	\$ 1,416,553	\$ 964,414	\$ 2,723,031	\$ 1,005,450	\$ 18,949,179	\$ 22,988	\$ 1,308,603	\$ (421)	\$ (20)	\$ 7,968,987	\$ (115)	\$ (124)	\$ 102,237,936	

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

AB - Discretely Presented Component Units

	Discretely Presented Component Unit					
	Five Points 1	Lonsdale	North Ridge	Vista	Eastport	Five Points 2
ASSETS						Total
Current assets	\$ 813,540	\$ 14,440,372	\$ 16,484,529	\$ 10,169,800	\$ 296,615	\$ 898,621
Capital assets	9,692,203	15,587,193	17,534,840	10,816,974	7,432,855	14,929,633
Other assets	107,737	1,276,788	711,968	909,236	31,960	115,292
Deferred outflow of resources	-	-	-	-	-	-
Total Assets	\$ 10,613,480	\$ 31,304,353	\$ 34,731,337	\$ 21,896,010	\$ 7,761,430	\$ 15,943,546
LIABILITIES						
Current liabilities	\$ 205,237	\$ 2,875,651	\$ 3,745,690	\$ 1,928,829	\$ 6,353	\$ 12,555,248
Long-Term liabilities	740,717	24,129,453	25,540,077	17,039,240	5,036,924	2,327,136
Total Liabilities	945,954	27,005,104	29,285,767	18,968,069	5,043,277	14,882,384
Deferred inflow of resources	-	-	-	-	-	-
NET POSITION						
Net investment in capital assets	8,957,563	(2,160,453)	(3,025,266)	(1,439,908)	2,395,931	577,220
Restricted	256,111	14,238,372	16,339,248	10,051,616	276,132	339,948
Unrestricted	453,852	(7,778,670)	(7,868,412)	(5,683,767)	46,090	143,994
Total Net Position	9,667,526	4,299,249	5,445,570	2,927,941	2,718,153	1,061,162
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 10,613,480	\$ 31,304,353	\$ 34,731,337	\$ 21,896,010	\$ 7,761,430	\$ 15,943,546
						\$ 122,250,156

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
(Continued)

AB - Discretely Presented Component Units (Continued)

	Discrete Component Units						
	Five Points 1	Lonsdale	North Ridge	Vista	Eastport	Five Points 2	Total
Operating revenues	\$ 738,391	\$ 1,643,618	\$ 1,784,790	\$ 1,123,471	\$ 348,448	\$ 449,338	\$ 6,088,056
Operating expenses	737,453	1,487,347	1,697,487	999,977	598,058	643,059	6,163,381
Operating income/(loss)	938	156,271	87,303	123,494	(249,610)	(193,721)	(75,325)
Non-operating revenues/(expenses)	(56,869)	(591,517)	(615,174)	(424,056)	(5,191)	(103,078)	(1,795,885)
Capital contributions	1,490,206	3,861,390	4,829,211	2,686,097	-	1,357,961	14,224,865
Special items	-	(68,109)	(87,752)	(46,584)	-	-	(202,445)
Increase (decrease) in net position	1,434,275	3,358,035	4,213,588	2,338,951	(254,801)	1,061,162	12,151,210
Net position, beginning of year, restated (see Note Z)	8,233,251	941,214	1,231,982	588,990	2,972,954	-	13,968,391
Net position, end of year	\$ 9,667,526	\$ 4,299,249	\$ 5,445,570	\$ 2,927,941	\$ 2,718,153	\$ 1,061,162	\$ 26,119,601

SUPPLEMENTAL INFORMATION

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2019

	14,195 Section 8 Housing Payments Program- Special Allocations										14,182 Lower Income Housing Assistance Program- Section 8 Moderate										Discretely Presented Component Unit		
	Project Total	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	14.218 Community Development Block Grants/Entitlement	14.879 Mainstream Voucher Program	6.2 Component Unit - Blended	State & Local Programs	1 Business Activities	COCC	Eliminations	Total	Project Total	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	14.218 Community Development Block Grants/Entitlement	14.879 Mainstream Voucher Program	6.2 Component Unit - Blended	State & Local Programs	1 Business Activities	COCC		Eliminations	Total
ASSETS																							
Current Assets																							
Cash and cash equivalents, unrestricted	\$ 2,374,984	\$ 328,684	\$ -	\$ -	\$ 34,561	\$ 4,059,308	\$ 350,112	\$ 454,839	\$ 2,339,672	\$ 44,524	\$ 11,666,703	\$ 2,374,984	\$ 328,684	\$ -	\$ -	\$ 44,524	\$ 1,680,019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,205,583
Cash and cash equivalents, restricted	775,101	170,080	-	-	-	9,414,724	-	-	3,131,974	-	13,491,879	775,101	170,080	-	-	-	-	-	-	-	-	-	10,501,883
Investments, unrestricted	8,334,517	681,333	-	-	128,454	7,720,598	1,351,952	91,923	-	164,449	23,154,348	8,334,517	681,333	-	-	-	4,681,122	-	-	-	-	-	-
Investments, restricted	-	331,802	-	-	-	3,121,311	-	-	-	-	3,453,113	-	331,802	-	-	-	-	-	-	-	-	-	31,039,992
Accrued interest receivable	14,727	1,790	-	-	227	13,644	2,389	162	-	290	48,972	14,727	1,790	-	-	290	15,743	-	-	-	-	-	-
Accounts receivable, net of allowance	56,734	3,848	-	-	-	63,486	-	251,292	5,251	2,804	1,151,867	56,734	3,848	-	-	2,804	768,452	-	-	-	-	-	33,350
Due from other governments	639,977	34,207	-	-	-	1,111,617	71,931	-	-	-	1,857,732	639,977	34,207	-	-	-	-	-	-	-	-	-	88,898
Inventories, net of obsolescence	15,418	-	-	-	-	357	-	-	1,198	-	30,898	15,418	-	-	-	-	13,925	-	-	-	-	-	2,855
Prepaid expense	110,338	11,489	-	-	-	17,559	47,174	19,895	38,873	-	271,809	110,338	11,489	-	-	-	26,481	-	-	-	-	-	230,916
Assets held for conveyance	-	-	-	-	-	-	243,600	-	-	-	243,600	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	12,321,796	1,563,233	-	-	163,242	25,522,604	2,067,158	818,111	5,516,968	212,067	55,370,921	12,321,796	1,563,233	-	-	163,242	7,185,742	-	-	-	-	-	43,103,477
Noncurrent assets																							
Capital assets																							
Not being depreciated	4,461,973	-	-	-	-	11,877,593	214,400	-	1,254,472	-	17,808,438	4,461,973	-	-	-	-	-	-	-	-	-	-	911,745
Depreciable, net	6,191,922	-	-	-	-	9,539,713	-	89,040	11,734,747	-	27,577,765	6,191,922	-	-	-	-	22,343	-	-	-	-	-	75,081,953
Total capital assets, net	10,653,895	-	-	-	-	21,417,306	214,400	89,040	12,989,219	-	45,386,203	10,653,895	-	-	-	-	22,343	-	-	-	-	-	75,993,698
Other noncurrent assets																							
Notes and mortgages receivable	4,158,273	-	-	-	-	22,470,134	-	-	-	-	26,628,407	4,158,273	-	-	-	-	-	-	-	-	-	-	-
Interest receivable on notes and mortgages	-	-	-	-	-	953,188	-	-	-	-	953,188	-	-	-	-	-	-	-	-	-	-	-	-
Assets held for conveyance	-	-	-	-	-	-	1,380,400	-	-	-	1,380,400	-	-	-	-	-	-	-	-	-	-	-	-
Investments in joint ventures	-	-	-	-	-	12,722	-	-	-	-	12,722	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,152,981
Total other noncurrent assets	4,158,273	-	-	-	-	23,436,044	1,380,400	-	-	-	28,974,717	4,158,273	-	-	-	-	22,343	-	-	-	-	-	3,152,981
Total noncurrent assets	14,812,168	-	-	-	-	44,853,350	1,594,800	89,040	12,989,219	-	74,360,920	14,812,168	-	-	-	-	-	-	-	-	-	-	79,146,679
Total assets	27,133,964	1,563,233	-	-	163,242	70,375,954	3,661,958	907,151	18,506,187	212,067	122,250,156	27,133,964	1,563,233	-	-	163,242	7,208,085	-	-	-	-	-	122,250,156
Deferred Outflow of Resources																							
Total Assets and Deferred Outflow of Resources	27,133,964	1,563,233	-	-	163,242	70,375,954	3,661,958	907,151	18,506,187	212,067	122,250,156	27,133,964	1,563,233	-	-	163,242	7,208,085	-	-	-	-	-	122,250,156

LIABILITIES													
Current liabilities													
Vendors and contractors payable	688,269	11,372	-	982,719	51,469	40,754	11,639	-	36,388	-	1,822,610	956,864	
Accrued wages/taxes payable	33,011	10,821	-	8,408	64	1,527	9,789	-	49,232	-	112,852	20,675	
Accrued compensated absences	213,611	58,127	-	32,774	9,381	135,781	73,810	-	387,607	-	911,091	5,404	
Accrued interest payable	80,159	-	-	47,878	-	-	-	-	-	-	128,037	978,714	
Due to other governments	103,046	979	-	2,362	-	-	18,662	8,353	-	-	133,402	47,633	
Unearned revenue	161,935	8,146	-	47,469	89,229	-	33,161	2,804	-	-	349,052	23,843	
Notes and bonds payable	2,901,206	-	-	1,549,403	-	-	-	-	-	-	4,450,609	12,812,361	
Other current liabilities	18,231	8,847	-	358	-	17	855	-	-	-	28,308	1,068,928	
Other accrued liabilities	266,789	2,508	-	52,263	206	13,078	50,176	-	190,962	-	575,982	5,362,138	
Resident security deposits	108,187	-	-	31,129	-	-	51,956	-	-	-	191,272	40,448	
Total current liabilities	4,574,444	100,800	-	6,308	2,754,763	150,349	250,048	11,157	664,189	-	8,703,215	21,317,008	
Noncurrent liabilities													
Notes and bonds payable	2,233,163	-	-	14,168,823	-	-	248,699	-	-	-	16,650,685	57,876,250	
Accrued compensated absences	505,129	137,008	-	77,279	21,514	332,215	176,029	-	802,578	-	2,051,752	48,108	
Other accrued liabilities	-	88,255	-	-	-	-	-	-	-	-	88,255	16,889,189	
Total noncurrent liabilities	2,738,292	225,263	-	14,246,102	21,514	332,215	424,728	-	802,578	-	18,790,692	74,813,547	
Total liabilities	7,312,736	326,063	-	6,308	17,000,865	171,863	674,776	11,157	1,466,767	-	27,493,907	96,130,555	
Deferred Inflow of Resources													
Total Liabilities and Deferred Inflow of Resources	7,312,736	326,063	-	6,308	17,000,865	171,863	674,776	11,157	1,466,767	-	27,493,907	96,130,555	
NET POSITION													
Net investment in capital assets	5,519,526	-	-	5,699,080	214,400	89,040	12,740,520	-	22,343	-	24,284,909	6,072,858	
Restricted	666,914	404,780	-	12,504,906	-	-	3,080,018	-	-	-	16,656,618	41,501,427	
Unrestricted	13,634,788	832,390	-	156,934	35,171,103	294,739	2,010,873	200,910	5,718,975	-	61,296,407	(21,454,684)	
Total net position	\$ 19,821,228	\$ 1,237,170	\$ -	\$ 53,375,089	\$ 3,490,095	\$ 383,779	\$ 17,831,411	\$ 200,910	\$ 5,741,318	\$ -	\$ 102,237,934	\$ 26,119,601	

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	14.871 Housing Choice Vouchers	14.896 PIH Family Self- Sufficiency Program	14.218 Community Development Block Grants/ Entitlement Grants	14.879 Mainstream Voucher Program	6.2 Component Unit - Blended	State & Local Programs	1 Business Activities	Special Allocations	14.195 Section 8 Housing Assistance Program- Special	14.182 Lower Income Housing Assistance Program- Section 8 Moderate	COCC	Eliminations	Total 2019	Discretely Presented Component Unit
Operating revenues														
Rental revenue	\$ 3,478,645	\$ -	\$ -	\$ -	\$ 345,126	\$ -	\$ -	\$ 667,309	\$ -	\$ -	\$ -	\$ -	\$ 4,491,080	\$ 1,669,095
Fee revenue	-	-	-	-	-	-	251,009	-	-	-	3,886,889	(3,672,159)	465,739	-
HUD grants	11,316,752	24,384,100	50,308	726,061	1,464,957	-	-	1,969,598	526,938	-	-	-	40,438,714	4,380,775
Other governmental grants	-	-	165,150	-	-	3,073,084	-	-	-	-	-	-	3,238,234	-
Other revenue	463,850	17,350	-	143	3,741,174	659,613	1,352,819	50,202	224	244,550	(216,303)	-	6,313,622	38,186
Total operating revenues	15,259,247	24,401,450	50,308	726,204	5,551,257	3,732,697	1,603,828	2,687,109	527,162	4,131,439	(3,888,462)	54,947,389	6,088,056	
Operating expenses														
Administrative	4,057,718	1,733,999	-	62,439	3,024,762	101,887	437,037	605,745	64,767	3,343,063	(2,878,826)	(235,410)	10,552,591	1,355,409
Asset management fee	235,410	-	-	-	1,143	-	284,919	2,435	-	-	-	-	740,338	48,940
Tenant services	395,819	5,714	50,308	-	380,680	962	26,979	386,397	-	70,393	-	-	3,233,296	1,037,521
Utilities	2,367,885	-	-	-	416,923	2,915	370,697	925,090	-	519,413	(557,923)	-	4,537,334	1,217,904
Ordinary maintenance & operation	2,859,689	530	-	-	45,208	-	37,975	-	-	-	-	-	417,770	140,723
Protective services	334,587	-	-	-	27,329	2,294	38,196	-	-	25,126	-	-	312,957	399,832
Insurance	196,570	23,120	-	-	1	11,386	202,956	105,029	3	390,800	(216,303)	-	1,706,327	326,547
General expenses	970,636	92,164	-	-	149,655	-	-	-	462,172	-	-	-	23,621,993	-
Housing assistance payments	645,895	21,978,689	-	535,237	-	-	20,657	1,603,314	-	28,251	-	-	4,530,244	1,636,505
Depreciation	1,858,343	-	-	-	1,019,679	-	-	-	-	-	-	-	6,163,381	(75,325)
Total operating expenses	13,922,552	23,834,216	50,308	597,677	5,065,379	119,444	1,343,567	3,704,181	526,942	4,377,046	(3,888,462)	49,652,850	6,163,381	
Operating income (loss)	1,336,695	567,234	-	128,527	485,878	3,613,253	260,261	(1,017,072)	220	(245,607)	-	5,294,539	(75,325)	
Nonoperating revenues (expenses)														
Interest revenue, unrestricted	126,944	7,374	-	514	620,386	7,292	1,389	21,119	2,257	66,703	-	-	853,978	443
Interest revenue, restricted	10,472	-	-	-	-	-	-	7,158	-	-	-	-	17,630	5,900
Interest expense	(322,683)	-	-	-	(368,284)	-	-	(2,231)	-	-	-	-	(693,198)	(1,793,238)
Fraud recovery	38,058	17,638	-	-	1,683	-	-	23,681	183	-	-	-	81,243	4,916
Extraordinary maintenance	(14,365)	-	-	-	(2,280)	-	-	(14,655)	-	-	-	-	(31,300)	(13,906)
Gain/(loss) on disposition of capital assets	(707,235)	-	-	-	-	(30,575)	-	-	-	7,497	-	-	(730,313)	-
Total nonoperating revenues	(868,809)	25,012	-	514	251,505	(23,283)	1,389	35,072	2,440	74,200	-	(501,960)	(1,795,885)	
Income (loss) before contributions and transfers	467,886	592,246	-	129,041	737,383	3,589,970	261,650	(982,000)	2,660	(171,407)	-	4,792,580	(1,871,210)	
Capital contributions	3,310,846	-	-	-	-	-	-	-	-	-	-	-	3,310,846	
Transfers from (to) other programs or entities	-	-	-	-	2,795,907	(2,795,907)	-	(14,526)	-	179,676	-	-	-	-
Transfers from (to) other programs	(13,495,238)	-	-	-	8,368,274	-	(0)	5,126,964	-	-	-	-	(0)	-
Special items	(1,011,159)	-	-	-	1,770,599	270,450	-	-	-	-	-	-	1,029,890	(202,445)
Increase (decrease) in net position	(10,727,665)	592,246	-	129,041	13,672,163	1,064,513	261,650	4,130,438	2,660	8,269	-	-	9,133,315	12,151,210
Net position, beginning of year	30,548,893	644,924	-	27,893	22,195,758	2,425,582	122,129	13,700,973	198,250	5,733,049	-	-	75,597,451	13,968,391
Prior Period Adjustments	-	-	-	-	17,507,168	-	-	-	-	-	-	-	17,507,168	-
Net position, beginning of year, restated (see Note Z)	30,548,893	644,924	-	27,893	39,702,926	2,425,582	122,129	13,700,973	198,250	5,733,049	-	-	93,104,619	13,968,391
Net position, end of year	\$ 19,821,228	\$ 1,237,170	\$ -	\$ -	\$ 53,375,089	\$ 3,490,095	\$ 383,779	\$ 17,831,411	\$ 200,910	\$ 5,741,318	\$ -	\$ -	\$ 102,237,934	\$ 26,119,601

Knoxville's Community Development Corp. (TN003)

KNOXVILLE, TN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2019

	Project Total	6.2 Component Unit - Blended	2 State/Local	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	6.1 Component Unit - Discreetly Presented	14.195 Section 8 Housing Assistance Payments Program - Special Allocations	14.879 Mainstream Vouchers	14.218 Community Development Block Grant/Entitlement Grant	14.871 Housing Choice Vouchers	14.858 Lower Income Housing Assistance Program - Moderate	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$2,374,984	\$4,059,308	\$390,112	\$0	\$454,839	\$1,205,953	\$2,339,672	\$34,561	\$0	\$329,684	\$44,524	\$1,690,019	\$12,872,286	\$0	\$12,872,286
112 Cash - Restricted - Modernization and Development	\$0	\$4,510,046	\$0	\$0	\$0	\$8,159,428	\$0	\$0	\$0	\$0	\$0	\$0	\$12,869,474	\$0	\$12,869,474
113 Cash - Other Restricted	\$666,914	\$4,873,549	\$0	\$0	\$0	\$2,302,007	\$3,073,118	\$0	\$0	\$161,233	\$0	\$0	\$11,082,821	\$0	\$11,082,821
114 Cash - Tenant Security Deposits	\$106,187	\$31,129	\$0	\$0	\$0	\$40,448	\$52,856	\$0	\$0	\$0	\$0	\$0	\$232,820	\$0	\$232,820
115 Cash - Restricted for Payment of Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,847	\$0	\$0	\$6,847	\$0	\$6,847
100 Total Cash	\$3,150,085	\$13,474,032	\$390,112	\$0	\$454,839	\$11,707,468	\$5,471,646	\$34,561	\$0	\$498,764	\$44,524	\$1,690,019	\$36,866,048	\$0	\$36,866,048
121 Accounts Receivable - PHA Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
122 Accounts Receivable - HUD Other Projects	\$639,977	\$65,087	\$0	\$0	\$0	\$89,898	\$0	\$0	\$0	\$34,207	\$0	\$0	\$628,169	\$0	\$628,169
124 Accounts Receivable - Other Government	\$0	\$1,046,530	\$71,931	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,118,461	\$0	\$1,118,461
125 Accounts Receivable - Miscellaneous	\$31,020	\$48,137	\$0	\$0	\$251,292	\$0	\$46	\$0	\$0	\$3,068	\$0	\$769,452	\$1,102,015	\$0	\$1,102,015
126 Accounts Receivable - Tenants	\$33,902	\$33,465	\$0	\$0	\$0	\$74,874	\$8,630	\$0	\$0	\$780	\$2,804	\$0	\$154,655	\$0	\$154,655
128.1 Allowance for Doubtful Accounts - Tenants	\$-8,313	\$-18,116	\$0	\$0	\$0	\$-41,524	\$-3,625	\$0	\$0	\$0	\$0	\$0	\$-71,576	\$0	\$-71,576
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128 Fraud Recovery	\$125	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$18,165	\$0	\$0	\$18,280	\$0	\$18,280
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$-18,165	\$0	\$0	\$-18,165	\$0	\$-18,165
129 Accrued Interest Receivable	\$14,727	\$13,644	\$2,399	\$0	\$162	\$0	\$0	\$227	\$0	\$1,790	\$290	\$15,743	\$48,972	\$0	\$48,972
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$711,438	\$1,188,747	\$74,320	\$0	\$251,454	\$122,248	\$5,251	\$227	\$0	\$39,845	\$3,094	\$784,195	\$3,180,819	\$0	\$3,180,819
131 Investments - Unrestricted	\$8,334,517	\$7,720,598	\$1,351,952	\$0	\$91,923	\$0	\$0	\$128,454	\$0	\$681,333	\$164,449	\$4,691,122	\$23,154,348	\$0	\$23,154,348
132 Investments - Restricted	\$0	\$3,121,311	\$0	\$0	\$0	\$31,039,992	\$0	\$0	\$0	\$331,802	\$0	\$0	\$34,493,105	\$0	\$34,493,105
135 Investments - Restricted for Payment of Current Liability	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
142 Prepaid Expenses and Other Assets	\$110,338	\$17,559	\$47,174	\$0	\$19,895	\$230,916	\$38,873	\$0	\$0	\$11,489	\$0	\$26,481	\$502,725	\$0	\$502,725
143 Inventories	\$15,418	\$357	\$0	\$0	\$0	\$2,855	\$1,198	\$0	\$0	\$0	\$0	\$13,925	\$33,753	\$0	\$33,753
143.1 Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
144 Inter Program Due From	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
145 Assets Held for Sale	\$0	\$0	\$243,600	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$243,600	\$0	\$243,600
150 Total Current Assets	\$12,321,796	\$25,522,604	\$2,087,158	\$0	\$916,111	\$43,103,477	\$5,516,988	\$163,242	\$0	\$1,563,233	\$212,067	\$7,195,742	\$98,474,398	\$0	\$98,474,398
161 Land	\$1,431,483	\$273,034	\$214,400	\$0	\$0	\$74,350	\$1,254,472	\$0	\$0	\$0	\$0	\$0	\$3,247,739	\$0	\$3,247,739
162 Buildings	\$76,287,796	\$36,083,157	\$0	\$0	\$0	\$77,337,949	\$34,062,582	\$0	\$0	\$0	\$0	\$18,119	\$225,769,603	\$0	\$225,769,603
163 Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$0	\$0	\$129,900	\$0	\$0	\$0	\$0	\$0	\$0	\$129,900	\$0	\$129,900
164 Furniture, Equipment & Machinery - Administration	\$497,407	\$131,919	\$0	\$0	\$170,157	\$1,146,353	\$31,399	\$0	\$0	\$0	\$0	\$725,235	\$2,702,470	\$0	\$2,702,470
165 Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
166 Accumulated Depreciation	\$-72,593,281	\$-26,675,353	\$0	\$0	\$-81,117	\$-53,532,249	\$-22,359,234	\$0	\$0	\$0	\$0	\$-721,011	\$-125,962,255	\$0	\$-125,962,255
167 Construction in Progress	\$3,030,490	\$11,604,559	\$0	\$0	\$0	\$937,395	\$0	\$0	\$0	\$0	\$0	\$0	\$15,472,444	\$0	\$15,472,444
168 Infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$10,653,895	\$21,417,306	\$214,400	\$0	\$89,040	\$75,993,698	\$12,969,219	\$0	\$0	\$0	\$0	\$22,343	\$121,379,901	\$0	\$121,379,901

Knoxville's Community Development Corp. (TN003)
KNOXVILLE, TN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2019

	Project Total	6.2 Component Unit - Blended	2 State/Local	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	6.1 Component Unit - Discretely Presented	14.195 Section 8 Housing Assistance Payments Program - Special Allocations	14.879 Mainstream Vouchers	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	14.856 Lower Income Housing Assistance Program - Section 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$3,476,645	\$345,126	\$0	\$0	\$0	\$1,669,005	\$667,309	\$0	\$0	\$0	\$0	\$0	\$6,160,175	\$0	\$6,160,175
70400 Tenant Revenue - Other	\$121,325	\$27,468	\$0	\$0	\$0	\$18,628	\$25,323	\$0	\$0	\$0	\$0	\$0	\$192,744	\$0	\$192,744
70500 Total Tenant Revenue	\$3,599,970	\$372,594	\$0	\$0	\$0	\$1,687,723	\$692,632	\$0	\$0	\$0	\$0	\$0	\$6,352,919	\$0	\$6,352,919
70600 HUD PHA Operating Grants	\$11,316,752	\$1,464,957	\$0	\$50,308	\$0	\$4,380,775	\$1,999,598	\$726,061	\$0	\$24,384,100	\$526,938	\$0	\$44,819,489	\$0	\$44,819,489
70810 Capital Grants	\$3,310,846	\$0	\$0	\$0	\$0	\$14,224,865	\$0	\$0	\$0	\$0	\$0	\$0	\$17,535,711	\$0	\$17,535,711
70710 Management Fee											\$2,343,315	\$0	\$2,343,315	-\$2,343,315	\$0
70720 Asset Management Fee											\$0	\$0	\$235,410	-\$235,410	\$0
70730 Book Keeping Fee											\$0	\$0	\$535,511	-\$535,511	\$0
70740 Front Line Service Fee											\$0	\$0	\$557,923	-\$557,923	\$0
70750 Other Fees					\$251,009						\$0	\$0	\$465,739	\$0	\$465,739
70700 Total Fee Revenue											\$0	\$3,886,889	\$3,886,889	-\$3,872,169	\$214,730
70800 Other Government Grants	\$0	\$0	\$3,073,084	\$0	\$0	\$0	\$0	\$0	\$165,150	\$0	\$0	\$0	\$3,238,234	\$0	\$3,238,234
71100 Investment Income - Unrestricted	\$126,944	\$620,366	\$7,262	\$0	\$1,389	\$443	\$21,119	\$514	\$0	\$7,374	\$2,257	\$66,703	\$854,421	\$0	\$854,421
71200 Mortgage Interest Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
71310 Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
71400 Fraud Recovery	\$38,058	\$1,683	\$0	\$0	\$0	\$4,916	\$23,681	\$0	\$0	\$17,638	\$183	\$0	\$68,159	\$0	\$68,159
71500 Other Revenue	\$342,525	\$3,713,706	\$659,813	\$0	\$1,352,819	\$19,558	\$24,879	\$143	\$0	\$17,350	\$224	\$244,550	\$6,376,367	-\$216,303	\$6,159,064
71600 Gain or Loss on Sale of Capital Assets	-\$707,235	\$0	-\$30,975	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,497	-\$730,313	\$0	-\$730,313
72000 Investment Income - Restricted	\$10,472	\$0	\$0	\$0	\$0	\$5,900	\$7,158	\$0	\$0	\$0	\$0	\$0	\$29,530	\$0	\$29,530
70000 Total Revenue	\$18,038,332	\$6,173,326	\$3,709,414	\$50,308	\$1,605,217	\$20,324,180	\$2,739,067	\$726,718	\$165,150	\$24,426,462	\$529,602	\$4,205,639	\$82,693,415	-\$3,888,462	\$78,804,953
91100 Administrative Salaries	\$1,191,087	\$167,503	\$26,706	\$0	\$279,818	\$452,941	\$235,553	\$36,174	\$0	\$425,321	\$43,314	\$2,166,605	\$5,027,322	\$0	\$5,027,322
91200 Auditing Fees	\$25,517	\$1,856	\$610	\$0	\$0	\$47,000	\$4,140	\$1,500	\$0	\$33,630	\$4,000	\$3,300	\$121,353	\$0	\$121,353
91300 Management Fee	\$1,480,410	\$97,882	\$53,220	\$0	\$0	\$291,749	\$178,843	\$15,240	\$0	\$507,180	\$10,740	\$0	\$2,035,064	-\$2,343,315	\$291,749
91310 Book-keeping Fee	\$162,580	\$13,311	\$0	\$0	\$0	\$41,134	\$26,394	\$9,525	\$0	\$316,987	\$6,713	\$0	\$576,644	-\$535,511	\$41,133
91400 Advertising and Marketing	\$928	\$701	\$74	\$0	\$161	\$0	\$57	\$0	\$0	\$111	\$0	\$4,670	\$6,722	\$0	\$6,722
91500 Employee Benefit Contributions - Administrative	\$455,882	\$0,059	\$14,759	\$0	\$101,931	\$156,579	\$93,692	\$0	\$0	\$104,767	\$0	\$637,344	\$1,715,913	\$0	\$1,715,913
91600 Office Expenses	\$183,250	\$25,103	\$1,185	\$0	\$37,887	\$113,920	\$36,448	\$0	\$0	\$74,471	\$0	\$386,532	\$858,796	\$0	\$858,796
91700 Legal Expense	\$91,707	\$19,813	\$4,652	\$0	\$12,070	\$28,910	\$16,789	\$0	\$0	\$0	\$0	\$22,209	\$198,150	\$0	\$198,150
91800 Travel	\$2,241	\$1,296	\$0	\$0	\$16	\$4,451	\$1,626	\$0	\$0	\$4,612	\$0	\$40,963	\$55,207	\$0	\$55,207
91810 Allocated Overhead	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
91900 Other	\$464,116	\$2,636,338	\$681	\$0	\$5,132	\$218,725	\$10,403	\$0	\$0	\$177,120	\$0	\$79,140	\$3,591,655	\$0	\$3,591,655
91000 Total Operating - Administrative	\$4,057,718	\$3,024,762	\$101,887	\$0	\$437,037	\$1,355,406	\$605,745	\$62,439	\$0	\$1,733,999	\$64,767	\$3,343,063	\$14,766,826	-\$2,878,826	\$11,008,000
92000 Asset Management Fee	\$235,410	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$235,410	-\$235,410	\$0
92100 Tenant Services - Salaries	\$60,584	\$0	\$0	\$39,242	\$74,808	\$8,189	\$0	\$0	\$0	\$0	\$0	\$0	\$182,823	\$0	\$182,823
92200 Relocation Costs	\$60,554	\$313	\$0	\$0	\$1,571	\$0	\$1,639	\$0	\$0	\$0	\$0	\$0	\$64,277	\$0	\$64,277
92300 Employee Benefit Contributions - Tenant Services	\$22,439	\$0	\$0	\$11,066	\$20,753	\$675	\$0	\$0	\$0	\$5,539	\$0	\$0	\$69,472	\$0	\$69,472

92400 Tenant Services - Other	\$52,242	\$830	\$0	\$0	\$178,787	\$40,076	\$596	\$0	\$0	\$175	\$0	\$0	\$472,706	\$0	\$472,706
92500 Total Tenant Services	\$395,819	\$1,143	\$0	\$50,308	\$284,919	\$48,940	\$2,435	\$0	\$0	\$5,714	\$0	\$0	\$789,278	\$0	\$789,278
93100 Water	\$370,101	\$97,414	\$96	\$0	\$7,656	\$176,223	\$107,135	\$0	\$0	\$0	\$0	\$10,402	\$768,329	\$0	\$768,329
93200 Electricity	\$1,168,626	\$59,160	\$812	\$0	\$0	\$400,672	\$68,755	\$0	\$0	\$0	\$0	\$45,574	\$1,743,599	\$0	\$1,743,599
93300 Gas	\$12,346	\$2,671	\$0	\$0	\$0	\$33,790	\$336	\$0	\$0	\$0	\$0	\$9,728	\$58,871	\$0	\$58,871
93400 Fuel	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93500 Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93600 Sewer	\$816,812	\$221,435	\$54	\$0	\$19,021	\$427,836	\$210,171	\$0	\$0	\$0	\$0	\$4,689	\$1,700,018	\$0	\$1,700,018
93700 Employee Benefit Contributions - Utilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93800 Other Utilities Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93900 Total Utilities	\$2,387,865	\$390,680	\$962	\$0	\$26,979	\$1,037,521	\$398,397	\$0	\$0	\$0	\$0	\$70,393	\$4,270,817	\$0	\$4,270,817
94100 Ordinary Maintenance and Operations - Labor	\$633,934	\$81,103	\$0	\$0	\$200,473	\$346,245	\$175,306	\$0	\$0	\$0	\$0	\$260,844	\$1,697,905	\$0	\$1,697,905
94200 Ordinary Maintenance and Operations - Materials and Other	\$304,255	\$9,839	\$0	\$0	\$2,357	\$72,901	\$71,058	\$0	\$0	\$206	\$0	\$15,612	\$476,228	\$0	\$476,228
94300 Ordinary Maintenance and Operations Contracts	\$1,650,408	\$287,815	\$2,915	\$0	\$78,135	\$642,210	\$613,144	\$0	\$0	\$324	\$0	\$134,632	\$3,409,581	-\$657,923	\$2,851,658
94500 Employee Benefit Contributions - Ordinary Maintenance	\$271,094	\$38,166	\$0	\$0	\$89,732	\$156,548	\$65,582	\$0	\$0	\$0	\$0	\$108,325	\$729,447	\$0	\$729,447
94900 Total Maintenance	\$2,859,689	\$416,923	\$2,915	\$0	\$370,697	\$1,217,604	\$925,090	\$0	\$0	\$530	\$0	\$518,413	\$6,313,161	-\$557,923	\$5,755,238
95100 Protective Services - Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
95200 Protective Services - Other Contract Costs	\$334,587	\$45,208	\$0	\$0	\$0	\$140,723	\$37,975	\$0	\$0	\$0	\$0	\$0	\$558,493	\$0	\$558,493
95300 Protective Services - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
95500 Employee Benefit Contributions - Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96000 Total Protective Services	\$334,587	\$45,208	\$0	\$0	\$0	\$140,723	\$37,975	\$0	\$0	\$0	\$0	\$0	\$558,493	\$0	\$558,493
96110 Property Insurance	\$102,978	\$12,818	\$0	\$0	\$164	\$342,125	\$21,241	\$0	\$0	\$7	\$0	\$3,813	\$483,146	\$0	\$483,146
96120 Liability Insurance	\$50,202	\$6,781	\$1,687	\$0	\$0	\$22,749	\$10,688	\$0	\$0	\$16,988	\$0	\$268	\$109,381	\$0	\$109,381
96130 Workmen's Compensation	\$32,766	\$3,353	\$174	\$0	\$158	\$27,163	\$3,718	\$0	\$0	\$1,237	\$0	\$13,848	\$82,397	\$0	\$82,397
96140 All Other Insurance	\$10,634	\$4,377	\$433	\$0	\$0	\$7,805	\$2,549	\$0	\$0	\$4,890	\$0	\$7,197	\$37,895	\$0	\$37,895
96100 Total Insurance Premiums	\$196,570	\$27,329	\$2,294	\$0	\$322	\$398,832	\$38,196	\$0	\$0	\$23,120	\$0	\$25,126	\$712,789	\$0	\$712,789
96200 Other General Expenses	\$405,210	\$91,139	\$0	\$0	\$7,391	\$80,751	\$4,284	\$1	\$0	\$15,687	\$3	\$3	\$604,479	-\$216,393	\$388,076
96210 Compensated Absences	\$353,245	\$535	\$11,368	\$0	\$195,565	\$146,887	\$35,633	\$0	\$0	\$76,477	\$0	\$390,797	\$1,210,828	\$0	\$1,210,828
96300 Payments in Lieu of Taxes	\$103,046	\$2,362	\$0	\$0	\$0	\$84,448	\$18,682	\$0	\$0	\$0	\$0	\$0	\$188,518	\$0	\$188,518
96400 Bad debt - Tenant Rents	\$106,135	\$55,316	\$0	\$0	\$0	\$34,491	\$46,440	\$0	\$0	\$0	\$0	\$0	\$246,352	\$0	\$246,352
96500 Bad debt - Mortgages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96600 Bad debt - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96800 Severance Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Other General Expenses	\$970,696	\$149,655	\$11,368	\$0	\$202,956	\$226,547	\$105,029	\$1	\$0	\$92,164	\$3	\$390,800	\$2,249,177	-\$216,393	\$2,032,874
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96720 Interest on Notes Payable (Short and Long Term)	\$322,663	\$368,284	\$0	\$0	\$0	\$1,280,693	\$2,231	\$0	\$0	\$0	\$0	\$0	\$1,973,861	\$0	\$1,973,861
96730 Amortization of Bond Issue Costs	\$0	\$0	\$0	\$0	\$0	\$512,545	\$0	\$0	\$0	\$0	\$0	\$0	\$512,545	\$0	\$512,545
96700 Total Interest Expense and Amortization Cost	\$322,663	\$368,284	\$0	\$0	\$0	\$1,793,238	\$2,231	\$0	\$0	\$0	\$0	\$0	\$2,486,436	\$0	\$2,486,436
96900 Total Operating Expenses	\$11,740,997	\$4,413,984	\$119,444	\$50,308	\$1,322,910	\$6,320,114	\$2,103,098	\$82,440	\$0	\$1,855,527	\$64,770	\$4,348,765	\$32,402,387	-\$3,888,462	\$28,513,925
97000 Excess of Operating Revenue over Operating Expenses	\$6,297,335	\$1,759,342	\$3,599,970	\$0	\$282,397	\$14,004,066	\$635,960	\$684,278	\$165,150	\$22,570,635	\$484,892	-\$143,156	\$50,291,028	\$0	\$50,291,028

[illegible]

11600 Infrastructure Purchases	\$22,000																		\$0	\$22,000	\$22,000
13510 CFFP Debt Service Payments	\$697,877																		\$0	\$697,877	\$697,877
13901 Replacement Housing Factor Funds	\$0																		\$0	\$0	\$0

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION

Knoxville, Tennessee

CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS

JUNE 30, 2019

PROGRAM	CFP 501-14	CFP 501-16	CFP 502-16	CFP 501-17
Funds approved	\$ 4,073,551	\$ 299,451	\$ 28,033	\$ 334,072
Funds expended	<u>4,073,551</u>	<u>299,451</u>	<u>28,033</u>	<u>334,072</u>
Excess of funds approved	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Funds advanced	\$ 4,073,551	\$ 299,451	\$ 28,033	\$ 334,072
Funds expended	<u>4,073,551</u>	<u>299,451</u>	<u>28,033</u>	<u>334,072</u>
Excess of funds advanced	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The distribution of costs as shown on the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's records.

All modernization costs have been paid and all related liabilities have been discharged through payment.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor:

CFDA Number	Program Title	Pass Through Entity	Federal Expenditures
U.S. Department of Housing and Urban Development			
	Section 8 Project Based Cluster		
14.182	Section 8 New Construction and Substantial Rehabilitation	NA	
14.195	Section 8 Housing Assistance Payments Program	NA	\$ 3,434,555
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	NA	526,938
	Total Section 8 Project Based Cluster	NA	3,961,493
14.218	Community Development Block Grants/Entitlement Grants	NA	165,150
	Housing Choice Voucher Cluster		
14.871	Housing Choice Voucher Program	NA	24,384,100
14.879	Mainstream Vouchers	NA	726,061
	Total Housing Choice Voucher Cluster		25,110,161
14.872	Capital Fund Program	NA	5,115,135
14.896	PIH Family Self-Sufficiency Program	NA	50,308
14.850	Low Rent Public Housing	NA	9,512,463
14.155	Total Federally Guaranteed Loans	NA	11,128,000
	Total U.S. Department of HUD		55,042,710
	Total Federal Awards Expenditures		\$ 55,042,710

Notes to the Schedule of Expenditures of Federal Awards

A. Basis of Accounting

This schedule is prepared on the accrual basis of accounting.

B. Basis of Presentation

The accompanying Schedule of Federal Awards (the Schedule) includes the federal grant activity of the Authority under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance, Title 2 CFR, Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards". Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

C. Other Matters - Indirect Costs

The Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

D. Reconciliation of Total Federal Awards Expenditures to Financial Data Schedule

FDS line 706	HUD PHA Grants	\$ 44,819,489
	Less: Discretely Presented Component Unit portion	(4,380,775)
FDS line 706.1	Capital Grants	17,535,711
	Less: Discretely Presented Component Unit portion	(14,224,865)
FDS line 708	Other government grants	3,238,234
	Less: nonfederal portion	(3,073,084)
Not on FDS	Plus Federally Guaranteed Loans	11,128,000
		\$ 55,042,710

SINGLE AUDIT SECTION

MALCOLM JOHNSON & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 530848
210 N. Highway 17-92
DeBary, Florida 32753-0848

Phone (386) 668-6464 Fax (386) 668-6463
office@malcolmjohnsoncompany.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Knoxville's Community Development Corporation
Knoxville, Tennessee

HUD, Knoxville Field Office
710 Locust Street, S. W.
Knoxville, Tennessee 37902-2526

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Knoxville's Community Development Corporation ("KCDC"), which include the statement of net position as of June 30, 2019, and the related statements of revenue, expenses and changes in net position, cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon December 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered KCDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KCDC's internal control. Accordingly, we do not express an opinion on the effectiveness of KCDC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of KCDC's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KCDC's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated December 20, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KCDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KCDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Malcolm Johnson & Company, P.A.
Certified Public Accountants

DeBary, Florida
December 20, 2019

MALCOLM JOHNSON & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 530848
210 N. Highway 17-92
DeBary, Florida 32753-0848

Phone (386) 668-6464 Fax (386) 668-6463
office@malcolmjohnsoncompany.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Knoxville's Community Development Corporation
Knoxville, Tennessee

HUD, Knoxville Field Office
710 Locust Street, S. W.
Knoxville, Tennessee 37902-2526

Report on Compliance for Each Major Program

We have audited Knoxville's Community Development Corporation's ("KCDC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of KCDC's major federal programs for the year ended June 30, 2019. KCDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of KCDC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about KCDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of KCDC's compliance.

Opinion on Each Major Program

In our opinion, KCDC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of KCDC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered KCDC's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of KCDC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Malcolm Johnson & Company, P.A.
Certified Public Accountants

DeBary, Florida
December 20, 2019

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Basic Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
~ Material weakness identified?	No
~ Significant deficiency identified that is not considered to be a material weakness?	None Reported
Noncompliance material to basic financial statements noted?	No

Federal Awards

Internal control over major programs:	
~ Material weakness identified?	No
~ Significant deficiency identified that is not considered to be a material weakness?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program
14.871	Housing Choice Voucher Program
14.879	Mainstream Vouchers
14.872	Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs:	\$1,300,759
Auditee qualified as low-risk auditee?	Yes

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019
(Continued)

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

There are no Basic Financial Statement Findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no Federal Award Findings and Questioned Costs.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no Prior Audit Findings.