

**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, 2020

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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, 2020, 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.

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, 2020, 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 17, 2020 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 17, 2020

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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).

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.

Financial Highlights – 2020

- KCDC's total Net Position increased by \$19.4 million (or 19.0%) during fiscal year 2020. Net Position was \$121.7 million and \$102.3 million for 2020 and 2019 respectively. This increase in net position is primarily due to the increase in construction and rehabilitation of fixed assets and increased funding from the City of Knoxville.
- Revenue increased by \$9.9 million (16.7%) during fiscal year 2020. Revenues were \$69.1 million and \$59.2 million for 2020 and 2019 respectively. The increase in total revenue is primarily due to increases in program subsidies and local grants in the amount of \$9.6 million.
- The total expenses of KCDC programs decreased by \$0.7 million (1.4%). Total expenses were \$49.5 million and \$50.2 million for 2020 and 2019 respectively. The decrease in expenses is primarily due to decreased administrative expenses as a result of asset repositioning through RAD.

Using This Annual Report

The Report includes three major sections as follows:

<p>MD&A ~ Management Discussion and Analysis</p> <p>Basic Financial Statements ~ Authority-wide Basic Financial Statements ~ Notes to Basic Financial Statements</p> <p>Supplemental Information ~ Supplemental Information</p>
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The primary focus of KCDC's basic financial statements is KCDC as a whole (Authority-wide). This perspective allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance KCDC's accountability.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(Continued)

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". Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Noncurrent".

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 external constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: This component 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, 2020
(Continued)

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to prior year.

Table 1 – Statement of Net Position (in millions)

	<u>2020</u>	<u>2019</u>	<u>Net Change</u>	<u>% Change</u>
Assets:				
Current and Restricted Assets	57.1	55.4	1.7	3.1%
Capital Assets, Net	58.9	45.4	13.5	29.7%
Other Assets	31.0	29.0	2.0	6.9%
Total Assets	147.0	129.8	17.2	13.3%
Deferred Outflow of Resources	-	-	-	-
Total Assets & Deferred Outflow of Resources	147.0	129.8	17.2	13.3%
Liabilities				
Current Liabilities	7.2	8.7	(1.5)	-17.2%
NonCurrent Liabilities	18.1	18.8	(0.7)	-3.7%
Total Liabilities	25.3	27.5	(2.2)	-8.0%
Deferred Inflow of Resources	-	-	-	0.0%
Total Liabilities & Deferred Inflow of Resources	25.3	27.5	(2.2)	-8.0%
Net Position				
Net Investment in Capital Assets	41.0	24.3	16.7	68.7%
Restricted Net Position	16.2	16.7	(0.5)	-3.0%
Unrestricted Net Position	64.5	61.3	3.2	5.2%
Total Net Position	121.7	102.3	19.4	19.0%
Total Liabilities, Deferred Inflow of Resources and Net Position	147.0	129.8	17.2	13.3%

For more detailed information see the Statement of Net Position.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(Continued)

Major Factors Affecting the Statement of Net Position

Total Assets and Deferred Outflow of Resources increased by \$17.2 million primarily due to increases in construction and rehabilitation of fixed assets of \$20.4 million involving new construction and rehabilitation of existing housing through HUD's RAD initiative, offset by dispositions of fixed assets and additions to accumulated depreciation.

Total Liabilities and Deferred Inflow of Resources decreased by \$2.2 million as a result of decreased accounts payable and reductions in the current portion of long-term debt.

Total Net Position increased by \$19.4 million. This increase is the result of excess revenues over operating expenses for 2020, as shown in Table 3 below.

While the result of operations is a significant measure of KCDC's activities, the analysis of the changes in Unrestricted Net Position in Table 2 provides a clearer representation of change in financial well-being.

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

Unrestricted Net Position as of June 30, 2019	61.3
Results of Operations- year ended June 30, 2020	19.4
Changes in Net Position restrictions	
Restricted Net Position	0.5
Net investment in Capital Assets	(16.7)
Unrestricted Net Position at June 30, 2020	64.5

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(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>2020</u>	<u>2019</u>	<u>Net Change</u>	<u>% Change</u>
Revenues				
Tenant Rents/Other	4.3	4.7	(0.4)	-8.5%
Program Subsidies-Grants	56.6	47.0	9.6	20.4%
Interest Income	1.3	0.9	0.4	44.4%
Other Revenues	6.9	6.6	0.3	4.5%
Total Revenues	<u>69.1</u>	<u>59.2</u>	<u>9.9</u>	<u>16.7%</u>
Expenses				
Administrative	9.4	10.6	(1.2)	-11.3%
Tenant Services	0.8	0.7	0.1	14.3%
Utilities	3.5	3.2	0.3	9.4%
Maintenance	4.6	4.5	0.1	2.2%
Protective Services	0.4	0.4	-	0.0%
General	1.9	2.0	(0.1)	-5.0%
Interest & Amortization	0.7	0.7	-	0.0%
Extraordinary Maintenance & Casualty Losses	0.1	-	0.1	100.0%
Housing Assistance Payments	23.3	23.6	(0.3)	-1.3%
Depreciation	4.8	4.5	0.3	6.7%
Total Expenses	<u>49.5</u>	<u>50.2</u>	<u>(0.7)</u>	<u>-1.4%</u>
Other Revenues (Expenses)				
Special items, loss on disposition, other	(0.2)	0.4	(0.5)	-125.0%
Total Other Revenues (Expenses)	<u>(0.2)</u>	<u>0.4</u>	<u>(0.5)</u>	<u>-125.0%</u>
Increase/(Decrease) in Net Position	<u>19.4</u>	<u>9.4</u>	<u>10.1</u>	<u>107.4%</u>

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 increases in program subsidies and local grants in the amount of \$9.6 million.
- The decrease in expenses is primarily due to decreased administrative expenses as a result of asset repositioning through RAD.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(Continued)

Budgetary Highlights

For the year ended June 30, 2020, 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

For the year ended June 30, 2020, KCDC had \$58.9 million invested in a variety of capital assets as reflected in the following schedule, which represents an increase of \$13.5 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 and also new construction of KCDC-owned dwelling units.

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

	<u>2020</u>	<u>2019</u>	<u>Net Change</u>	<u>% Change</u>
Land	4.2	3.2	1.0	31.3%
Buildings	145.3	148.5	(3.2)	-2.2%
Furniture/Equipment	1.8	1.6	0.2	12.5%
Accumulated Depreciation	(123.8)	(122.5)	(1.3)	1.1%
Construction in Progress	31.4	14.6	16.8	115.1%
Capital Assets, Net	<u>58.9</u>	<u>45.4</u>	<u>13.5</u>	<u>29.7%</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(Continued)

Capital Assets (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 (in millions)

	<u>Fixed Assets</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Beginning Balance - June 30, 2019	167.9	122.5	45.4
Prior year adjustments	1.0	1.0	-
Adjusted beginning balance	<u>168.9</u>	<u>123.5</u>	<u>45.4</u>
Additions during FY 2020	20.4	4.9	15.5
Dispositions during FY 2020	(6.5)	(4.5)	(2.0)
Ending Balance 6/30/2020	<u>182.8</u>	<u>123.9</u>	<u>58.9</u>

Debt Outstanding

For the year ended June 30, 2020, KCDC had \$19.8 million in debt (bonds, notes, etc.) outstanding compared to \$21.1 million last year, showing a \$1.3 million decrease, which is the net of a \$1.2 million increase in notes payable related to construction activities, and \$2.5 million extinguishment of capital debt.

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

	<u>2020</u>	<u>2019</u>	<u>Net Additions and Payments</u>	<u>% Change</u>
Capital Debt:				
Long Term portion	15.9	16.7	(0.8)	-4.8%
Current Portion	3.9	4.4	(0.5)	-11.4%
Total Debt - June 30	<u>19.8</u>	<u>21.1</u>	<u>(1.3)</u>	<u>-6.2%</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(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
- Covid-19 has not had significant adverse effects on the financial results of operations. Most additional costs and loss of revenue has been offset by additional HUD contributions through the CARES Act. However, KCDC has no guarantees of offsetting funding for future periods.

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: Robert Whetsel
Vice Chairman: Kimberly Henry
Secretary: Benjamin M. Bentley
Treasurer: Robyn McAdoo

Commissioner: Bruce Anderson
Commissioner: John Winemiller
Commissioner: Sylvia Cook
Commissioner: Kanika White

Roster of Management Officials

Benjamin M. Bentley, Executive Director/CEO
Tracee B. Pross, Chief Financial Officer
C. Sean Gilbert, Senior Vice President of Housing
Brad Peters, Vice President of Redevelopment/Legal Services

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government	Discretely Presented Component Unit
ASSETS		
Current Assets		
Cash and cash equivalents, unrestricted	\$ 20,641,419	\$ 3,079,483
Cash and cash equivalents, restricted	16,662,309	4,437,612
Investments, unrestricted	13,955,279	31,497,896
Investments, restricted	1,799,269	-
Accrued interest receivable	27,364	-
Accounts receivable, net of allowance	736,480	48,521
Due from other governments	2,804,254	176,655
Inventories, net of obsolescence	66,189	6,204
Prepaid expense	210,831	233,379
Assets held for conveyance	241,710	-
Total current assets	57,145,104	39,479,750
Noncurrent assets		
Other assets		
Notes and mortgages receivable	27,911,461	-
Capital assets		
Not being depreciated	35,593,558	139,853
Depreciable, net	23,352,656	89,776,438
Total capital assets, net	58,946,214	89,916,291
Other noncurrent assets		
Interest Receivable	1,678,731	-
Assets held for conveyance	1,369,690	3,693,667
Total other noncurrent assets	3,048,421	3,693,667
Total noncurrent assets	89,906,096	93,609,958
Total assets	147,051,200	133,089,708
Deferred Outflow of Resources	-	-
Total Assets and Deferred Outflow of Resources	147,051,200	133,089,708
LIABILITIES		
Current liabilities		
Vendors and contractors payable	1,066,453	38,367
Accrued wages/taxes payable	165,956	27,982
Accrued compensated absences	947,411	-
Accrued interest payable	48,051	1,357,567
Due to other governments	115,927	49,129
Unearned revenue	326,380	30,584
Notes and bonds payable	3,830,844	44,663,984
Other current liabilities	82,673	501
Other accrued liabilities	445,296	4,332,118
Resident security deposits	192,204	89,076
Total current	7,221,195	50,589,308
Noncurrent liabilities		
Notes and bonds payable	15,927,411	30,482,314
Accrued compensated absences	2,019,254	-
Other accrued liabilities	164,573	16,962,726
Total noncurrent liabilities	18,111,238	47,445,040
Total liabilities	25,332,433	98,034,348
Deferred Inflow of Resources	-	-
Total Liabilities and Deferred Inflow of Resources	25,332,433	98,034,348
NET POSITION		
Net investment in capital assets	40,998,933	29,482,302
Restricted	16,172,311	4,345,461
Unrestricted	64,547,523	1,227,597
Total net position	\$ 121,718,767	\$ 35,055,360

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, 2020

	Primary Government	Discretely Presented Component Unit
Operating revenues		
Rental revenue	\$ 4,241,699	\$ 1,952,061
Fee revenue	506,282	-
HUD grants	43,779,746	-
Other governmental grants	6,409,133	5,579,236
Other revenue	6,489,725	10,637,450
Total operating revenues	61,426,585	18,168,747
Operating expenses		
Administrative	9,354,544	1,665,347
Tenant services	778,645	69,206
Utilities	3,504,821	900,022
Ordinary maintenance & operation	4,596,681	1,461,901
Protective services	390,951	194,499
Insurance	373,754	407,920
General expenses	1,519,281	252,952
Housing assistance payments	23,352,236	-
Depreciation	4,861,782	2,463,806
Total operating expenses	48,732,695	7,415,653
Operating income (loss)	12,693,890	10,753,094
Nonoperating revenues (expenses)		
Interest revenue, unrestricted	1,336,738	442,874
Interest revenue, restricted	7,891	394,806
Interest expense	(712,161)	(2,671,146)
Fraud recovery	76,540	29,305
Extraordinary maintenance	(64,081)	(13,174)
Gain/(loss) on disposition of capital assets	(118,611)	-
Total nonoperating revenues	526,316	(1,817,335)
Income (loss) before contributions and transfers	13,220,206	8,935,759
Capital contributions	6,449,603	-
Special items	(155,973)	-
Increase (decrease) in net position	19,513,836	8,935,759
Net position, beginning of year	102,237,934	26,119,601
Prior Period Adjustments	(33,003)	-
Net position, beginning of year, restated (see Note Y)	102,204,931	26,119,601
Net position, end of year	\$ 121,718,767	\$ 35,055,360

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, 2020

Cash Flows From Operating Activities

Receipts from dwelling rentals	\$ 4,506,140
Operating grants	49,549,502
Receipts from fees	559,118
Other receipts	5,867,735
Payments to employees and suppliers	(21,590,819)
Payments to landlords and residents	(23,749,295)
Net cash provided (used) by operating activities	<u>15,142,381</u>

Cash Flows From Capital and Related Financing Activities

Capital contributions	6,760,649
Purchases of capital assets	(20,411,365)
Gain or loss on disposition of capital assets	158,998
Proceeds from capital debt	(1,343,039)
Interest paid on capital debt	(792,147)
Interprogram transfers	1,678,961
Net cash provided (used) by capital and related financing activities	<u>(13,947,943)</u>

Cash Flows From Investing Activities

Purchase of investments	10,854,803
Proceeds from homebuyer note activity - net	(1,283,054)
Investment in joint ventures	12,722
Interest	1,366,237
Net cash provided (used) by investing activities	<u>10,950,708</u>

Net increase (decrease) in cash and cash equivalents	12,145,146
Balance - beginning of the year	<u>25,158,582</u>
Balance - end of the year	<u>\$ 37,303,728</u>

Reconciliation of Cash Flows to Statement of Net Position

Cash and cash equivalents, unrestricted	20,641,419
Cash and cash equivalents, restricted	16,662,309
	<u>\$ 37,303,728</u>

There are no non-cash transactions.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(Continued)

Reconciliation of Net Operating Income (Loss) to
Net Cash Provided (Used) By Operating Activities

Operating income/(loss)	\$ 12,693,890
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:	
Depreciation elimination	4,861,782
Decrease in accounts receivable	415,387
Increase in due to/from other governments	(1,275,043)
Decrease in due to/from other programs	(35,291)
Decrease in prepaid expenses	60,978
Increase in other assets	(714,833)
Increase in security deposits	932
Decrease in accounts payable	(756,158)
Increase in accrued wages	53,104
Increase in accrued compensated absences	36,320
Increase in unearned revenue	(22,672)
Decrease in accrued liabilities	(32,501)
Other revenue and expense reported as nonoperating	(143,514)
	<u><u>\$ 15,142,381</u></u>

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, 2020

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, rehab 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, 2020
(Continued)

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

2. Reporting Entity: (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.
- **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.
- **Young High GP Corporation** is a Section 115 Corporation created for Low Income Housing Tax Credit financing activities related to 121 E. Young High Pike, Knoxville, Tennessee.
- **Moss Grove GP Corporation** is a Section 115 Corporation created for Low Income Housing Tax Credit financing activities related to 265 & 266 Moss Grove Boulevard, Knoxville, Tennessee.
 Cagle Terrace 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 Cagle Terrace Apartments.
- **Bell Street Corporation** is a Section 115 Corporation created for ownership and financing activities related to KCDC's Austin Homes redevelopment.
- **Bell Street 2 Corporation** is a Section 115 Corporation created for ownership and financing activities related to KCDC's Austin Homes Phase 2 redevelopment. Activity has not begun as of June 30, 2020.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

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

2. Reporting Entity: (Continued)

Blended Component Units (Continued)

- **Bell Street 3 Corporation** is a Section 115 Corporation created for ownership and financing activities related to KCDC's Austin Homes Phase 2 redevelopment. Activity has not begun as of June 30, 2020.

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, 2020, KCDC recognized cumulatively seven 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").
- **Five Points 3 LP** was formed under the laws of the State of Tennessee on August 30, 2016 to acquire, own, develop, lease and operate Five Points Phase 3 located in Knoxville, Tennessee. The Property consists of 80 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, 2020
(Continued)

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

2. Reporting Entity: (Continued)

Discretely Presented Component Units (Continued)

- **Five Points 4 LP** was formed under the laws of the State of Tennessee on November 13, 2017, to acquire, own, develop, lease and operate Five Points Phase 4 located in Knoxville, Tennessee. The Property consists of 82 units developed and operated under the low-income housing tax credit program. 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"). The Partnership has not issued audited financial statements as of the issuance date of this report, and therefore, consistent with the KCDC's discrete reporting methodology, this Partnership is not represented in KCDC's discretely presented component unit financial statements. The Partnership's first audited financial statements shall be issued as of and for the year ended December 31, 2020 and shall be included as a discretely presented component unit in KCDC's June 30, 2021 financial statements.
- **Bell Street, LP** was formed under the laws of the State of Tennessee on February 1, 2019 to acquire, own, develop, lease and operate Bell Street Flats (Austin Homes Phase 1A) located in Knoxville, Tennessee. The Property will consist of 105 units, comprised of 43 Rental Assistance Units subject to a 20-year Project Based Rental Assistance Contract as well as the low-income housing tax credit program (LIHTC), 36 LIHTC-only units and 26 workforce housing units. The operating methods of the Project shall be subject to the provisions of a RAD Use Agreement executed between the Partnership and the U.S. Department of Housing and Urban Development ("HUD"). The limited partnership had no financial activity as of June 30, 2020.
- **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").
- **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").

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

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

2. Reporting Entity: (Continued)

Discretely Presented Component Units (Continued)

- **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. As of June 30, 2020, three low income housing properties remain in this portfolio.

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 Programs are programs for the modernization, demolition and redevelopment of public housing funded by HUD.

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, 2020
(Continued)

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

2. Reporting Entity: (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/Activities include KCDC's Family Self-Sufficiency program and programs related to the management of Covid-19 related grants from FEMA and the U.S. Department of HUD.

- 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 asset 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.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

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

- 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.
- 6. Interprogram Receivables and Payables:** Interprogram receivables/payables, when present, are all current, and are the result of the use of the Public Housing Program 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, 2020 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.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

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

12. Capital Assets: (Continued)

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

- 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, 2020, 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, 2020
(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 authority 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, 2020
(Continued)

B - Deposits and Investments: (Continued)

2. Deposit and Investment Risks

KCDC held the following deposit and investments at June 30, 2020:

Deposits:

Demand:	Unrestricted	\$ 20,641,419
	Restricted Other	16,403,510
	Tenant Security Deposits	197,696
	Restricted for payment of current liabilities	<u>61,103</u>

Total cash demand deposits **\$ 37,303,728**

Investments:

Investment	Maturity Date	Value Principal Paid as of 6/30/2020	Moody's Rating	S & P Rating	Callable
CD	07/29/2020	250,000	NR	NR	NO
CD	07/31/2020	250,000	NR	NR	NO
CD	08/07/2020	250,000	NR	NR	NO
CD	08/14/2020	250,000	NR	NR	NO
CD	08/24/2020	250,000	NR	NR	NO
CD	08/25/2020	250,000	NR	NR	NO
CD	11/05/2020	250,000	NR	NR	NO
CD	11/16/2020	250,000	NR	NR	NO
CD	01/22/2021	250,000	NR	NR	NO
CD	01/22/2021	250,000	NR	NR	NO
CD	02/10/2021	210,000	NR	NR	NO
US TREAS NOTES	02/15/2021	1,000,000	NR	NR	NO
CD	03/01/2021	250,000	NR	NR	NO
CD	04/22/2021	250,000	NR	NR	NO
US TREAS NOTES	04/30/2021	997,120	NR	NR	NO
CD	05/28/2021	250,000	NR	NR	NO
CD	06/21/2021	250,000	NR	NR	NO
CD	06/21/2021	250,000	NR	NR	NO
CD	06/21/2021	226,000	NR	NR	NO
CD	07/08/2021	250,000	NR	NR	NO
CD	07/30/2021	250,000	NR	NR	NO

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

B - Deposits and Investments: (Continued)

2. Deposit and Investment Risks (Continued)

CD	07/30/2021	250,000	NR	NR	YES
CD	08/09/2021	250,000	NR	NR	NO
FHLMC	09/28/2021	557,077	AAA	AA +	YES
CD	11/01/2021	250,000	NR	NR	NO
CD	11/05/2021	250,000	NR	NR	NO
CD	11/08/2021	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
CD	01/31/2022	250,000	NR	NR	NO
CD	01/31/2022	250,000	NR	NR	NO
CD	02/14/2022	250,000	NR	NR	NO
CD	04/18/2022	250,000	NR	NR	NO
CD	04/22/2022	100,000	NR	NR	NO
CD	04/25/2022	250,000	NR	NR	NO
CD	04/28/2022	250,000	NR	NR	NO
CD	04/28/2022	250,000	NR	NR	NO
CD	04/29/2022	250,000	NR	NR	NO
CD	05/09/2022	250,000	NR	NR	YES
CD	05/09/2022	250,000	NR	NR	NO
CD	05/16/2022	250,000	NR	NR	NO
CD	05/18/2022	250,000	NR	NR	NO
CD	10/22/2022	250,000	NR	NR	NO
CD	10/24/2022	250,000	NR	NR	NO
CD	10/31/2022	250,000	NR	NR	NO
CD	11/08/2022	250,000	NR	NR	NO
CD	12/27/2022	250,000	NR	NR	NO
CD	05/ 08/2023	250,000	NR	NR	NO
TOTAL		13,987,197			
ESCROW FUNDS		1,767,351			
TOTAL SECURITIES		15,754,548			

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

B - Deposits and Investments: (Continued)

2. Deposit and Investment Risks (Continued)

Restricted Cash:

Low Income Public Housing:

Restricted for payment of debt	673,534
Restricted for tenant security deposits	63,958

Housing Choice Voucher:

Restricted for Housing Assistance Payments Equity	496,132
Restricted for payment of current liabilities	61,103
Cares Act Admin	122,688

Mainstream:

Cares Act Admin	820
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Blended Component Unit:

Restricted for modernization and development	1,810,974
Restricted for construction and repairs	4,228,549
Restricted for replacement reserve	851,451
Restricted for tenant security deposits	41,439

Section 8 Special Allocation:

Restricted for replacement and rehabilitation reserve	8,219,362
Restricted for tenant security deposits	<u>92,299</u>

Total restricted demand deposits	<u>16,662,309</u>
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Restricted Investments:

Housing Choice Voucher:

Restricted for Housing Assistance Payments Equity	31,918
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Blended Component Unit:

Restricted Escrow Funds	<u>1,767,351</u>
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Total restricted investments	1,799,269
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Total restricted demand deposits and investments	<u>18,461,578</u>
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Unrestricted Cash	20,641,419
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Unrestricted Investments	<u>13,955,279</u>
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Total unrestricted cash and investments	<u>34,596,698</u>
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Total restricted and unrestricted cash and investments	<u>\$ 53,058,276</u>
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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, 2020
(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, 2020, 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, 2020, the investments held by KCDC mature July 29, 2020 through May 8, 2023. 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, 2020
(Continued)

C – Accounts Receivable:

Due from managed entities	\$ 290,868
Due from Townview partnership	186,752
Insurance recovery due	124,539
Tenants accounts receivable, net of allowance of \$79.377	64,118
Due from FP 4 loan servicer	58,574
Other	<u>11,629</u>
	<u>\$ 736,480</u>

D – Due From Other Governments:

US Department of HUD	\$ 1,100,702
Federal Home Loan Bank	940,000
Local governments	727,831
FEMA	<u>35,721</u>
	<u>\$ 2,804,254</u>

E – Prepaid Items:

Prepaid insurance	\$ 136,636
Prepaid contracts	19,035
Unbilled services	39,458
Other	<u>15,702</u>
	<u>\$ 210,831</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 is \$1,369,690.

The current portion is \$241,710.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

G - Notes and Mortgages Receivable

	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	1,944,610
Five Points IV, LP	<u>1,032,260</u>

\$ 27,911,461

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 a loan for \$100,000 from KCDC's Capital Fund Program, now held by Passport Development Corporation (PDC), a wholly owned subsidiary of KCDC; a loan for \$4,058,273 from KCDC's ARRA Grant, held by PDC; a loan for \$128,651 from Knoxville's Housing Development Corporation (KHDC) funds, now held by KHDC; and a loan for \$750,000 from PDC and held by PDC.

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, a discretely presented component unit of KCDC.

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

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

G - Notes and Mortgages Receivable (Continued)

Lonsdale, LP

In accordance with 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, 2020, the principal balance outstanding is \$3,380,948.

In accordance with 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, 2020, the principal balance outstanding is \$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, 2020, the principal balance outstanding was \$319,521.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

G - Notes and Mortgages Receivable (Continued)

North Ridge Crossing, LP

In accordance with 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, 2020, the principal balance outstanding is \$3,183,530.

In accordance with 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, 2020, the principal balance outstanding is \$2,057,050.

Vista at Summit Hill, LP

In accordance with 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, 2020, the principal balance outstanding is \$2,128,789.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

G - Notes and Mortgages Receivable (Continued)

Vista at Summit Hill, LP (Continued)

In accordance with 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, 2020, the principal balance outstanding is \$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, 2020, the principal balance outstanding is \$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, 2020, the principal balance outstanding is \$681,342.

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, 2020, the principal balance outstanding is \$1,291,177.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

G - Notes and Mortgages Receivable (Continued)

Five Points II, LP (Continued)

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, 2020, the principal balance outstanding is \$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, 2020, the principal balance outstanding is \$661,556.

KCDC obtained a \$1,000,000 promissory note from Five Points III, LP dated April 12, 2018. The principal balance of this Note, which is secured by the property, bore 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 bears 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, 2020, the principal balance outstanding is \$1,000,000.

KCDC obtained a \$1,186,419 promissory note from Five Points III, LP dated April 12, 2018. Proceeds are drawn incrementally in accordance with terms of the Promissory Note. The principal balance of this Note, which is secured by the property, shall bear interest from the Funding Date until the principal balance all accrued interest is paid in full at the rate of 3.08% per annum. Five Points III, LP shall make payments of accrued interest and principal from time to time solely from Cash Flow. As of June 30, 2020, the principal balance outstanding is equal to the amount of draws to date, totaling \$283,054.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

G - Notes and Mortgages Receivable (Continued)

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, 2020, the principal balance outstanding is \$1,032,260.

H – Land, Buildings, and Equipment:

	Balance June 30, 2019	Adjustment to restate Beginning Balance	Adjusted Beginning Balance	Additions	Retirements & Dispositions	Transfers	Balance June 30, 2020
Not being depreciated:							
Land	\$ 3,173,389	\$ 994,054	\$ 4,167,443	\$ -	\$ -	\$ -	\$ 4,167,443
Construction in progress	14,635,049	-	14,635,049	20,332,526	(1,761,947)	(1,779,513)	31,426,115
Total not being depreciated	17,808,438	994,054	18,802,492	20,332,526	(1,761,947)	(1,779,513)	35,593,558
Depreciable:							
Buildings & improvements	148,451,654	-	148,451,654	-	(4,668,354)	1,550,180	145,333,480
Accumulated depreciation	(121,235,537)	(1,013,916)	(122,249,453)	(4,791,649)	4,410,439	89,097	(122,541,566)
Net buildings & improvements	27,216,117	(1,013,916)	26,202,201	(4,791,649)	(257,915)	1,639,277	22,791,914
Equipment	1,556,117	-	1,556,117	78,839	(34,021)	229,334	1,830,269
Accumulated depreciation	(1,194,469)	(13,141)	(1,207,610)	(70,131)	97,312	(89,098)	(1,269,527)
Net equipment	361,648	(13,141)	348,507	8,708	63,291	140,236	560,742
Net depreciable assets	27,577,765	(1,027,057)	26,550,708	(4,782,941)	(194,624)	1,779,513	23,352,656
TOTAL	\$ 45,386,203	\$ (33,003)	\$ 45,353,200	\$ 15,549,585	\$ (1,956,571)	\$ 0	\$ 58,946,214

I – Due to Other Governments:

Payments in Lieu of Taxes (local governments)	\$ 83,420
Due to US Department of HUD	32,406
	<u>\$ 115,926</u>

J – Unearned Revenue:

Cares Act Funding	\$ 123,508
Cable provider marketing share revenue	112,874
Local Government redevelopment advances	43,520
Tenant prepaid rents	29,808
Resident associations funds	15,971
Other	699
	<u>\$ 326,380</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

K - Notes Payable:

KCDC is indebted to various lenders as follows:

Ref	Interest Expense	Current	Noncurrent	Total Debt	Interest Payable
1	\$ 32,058	\$ 112,997	\$ 926,451	\$ 1,039,448	\$ 1,207
2	91,415	648,387	928,611	1,576,998	39,425
3	100,875	1,141,577	942,511	2,084,088	5,543
4	-	-	248,699	248,699	-
5	18,175	52,546	318,166	370,712	1,876
6	-	1,720,188	1,794,500	3,514,688	-
7	469,638	155,149	10,762,304	10,917,452	-
	<u>\$712,161</u>	<u>\$3,830,844</u>	<u>\$15,921,242</u>	<u>\$19,752,085</u>	<u>\$ 48,051</u>

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

1 Truist (formerly SunTrust): On April 15, 2004, KCDC issued a promissory note to SunTrust Bank (now Truist) 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 (now Truist) in the amount of \$2,130,465 bearing interest at 3.1134% annum. The note was paid in full again in May 2015 and again refinanced through SunTrust Bank (now Truist) in the amount of \$1,567,500 bearing interest at 2.88% annum. On March 10, 2020, the note was amended and restated under the same terms as the prior note, except that the end date was extended to exclude a balloon payment. The note is to be paid in monthly increments of \$11,869 through October 2028. The outstanding balance as of June 30, 2020 is \$1,039,448.

2 Capital One: 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, with a face amount of \$10,131,395, bears interest at 3.10% annum for an 8.5-year term. 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, 2020 is \$1,576,997.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

K - Notes Payable: (Continued)

3 PNC: On November 9, 2006, KCDC entered into a Master Equipment Lease – Purchase Agreement (“Agreement”) with National City Commercial Capital Corporation (“NCCCC”). In September 2009 NCCCC became a part of PNC Financial Services Group. 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. Necessitated by conversions of public housing properties to multifamily properties under HUD’s Rental Demonstration Program (“RAD”), extinguishment of this debt has been accelerated in proportion to the property transitions under RAD. Full extinguishment of this debt is anticipated by June 30, 2023. Exact dates of transition are not currently known.

As of June 30, 2020, KCDC has an outstanding balance of \$2,084,088.

4 HUD Forgivable Loan: 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, 2004

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, 2020 is \$248,699.

5 First Horizon: On June 30, 2001, Passport Homes LP entered into a loan for mortgage financing with First Tennessee Bank (now First Horizon 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, 2020 is \$370,712.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

K - Notes Payable: (Continued)

6 Home Federal: 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, 2020 is \$3,514,688.

7 Walker and Dunlop: 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, 2020 is \$10,917,452. This debt is a HUD guaranteed loan and is shown on the Schedule of Expenditures of Federal Awards as CFDA # 14.155 for \$11,060,337 which was the balance at the beginning of the fiscal year.

Interest: 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, 2020, there was \$23,652 of capitalized interest and \$712,161 of interest expense.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

K - Notes Payable: (Continued)

	<u>Truist</u>	<u>Capital One</u>	<u>PNC</u>	<u>HUD</u>
2021	\$ 112,997	\$ 648,387	\$ 1,141,577	\$ -
2022	116,180	446,484	478,400	-
2023	119,618	482,127	464,111	-
2024	123,158	-	-	-
2025	126,802	-	-	248,699
2026-2030	440,693	-	-	-
2031-2035	-	-	-	-
2036-2040	-	-	-	-
2041-2045	-	-	-	-
2046-2050	-	-	-	-
2051-2055	-	-	-	-
	\$ 1,039,448	\$ 1,576,998	\$ 2,084,088	\$ 248,699
	<u>First Horizon</u>	<u>Home Federal</u>	<u>Walker Dunlop</u>	<u>Total</u>
2021	\$ 52,546	\$ 1,720,188	\$ 155,149	\$ 3,830,844
2022	54,505	74,000	161,631	1,331,200
2023	57,518	74,000	168,383	1,365,757
2024	60,207	74,000	160,524	417,889
2025	63,065	74,000	197,641	710,207
2026-2030	82,871	370,000	1,034,845	1,928,409
2031-2035	-	1,134,669	1,269,854	2,404,523
2036-2040	-	-	1,558,233	1,558,233
2041-2045	-	-	1,912,102	1,912,102
2046-2050	-	-	2,346,333	2,346,333
2051-2055	-	-	1,952,758	1,952,758
	\$ 370,712	\$ 3,520,857	\$ 10,917,453	\$ 19,758,255

Tax Increment Financing: 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. The following table reflects tax increment financing agreements in existence as of June 30, 2020 which have been issued by KCDC:

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

K - Notes Payable: (Continued)

Redevelopment Plan Area	Location	TIF Note Approval Date	TIF Amount	June 30 Balance	Project Total
1 Jackson/Depot	214 Jackson Avenue	2/17/2005	\$ 1,100,000	\$ 95,736	\$ 6,400,000
2 Jackson/Depot	122-126 Gay Street	1/20/2006	735,000	282,740	6,100,000
3 Gay Street	602 S. Gay Street	3/8/2006	855,796	110,327	7,450,000
4 Gay Street	123 S. Gay Street	9/30/2010	1,600,000	374,359	13,725,000
5 World's Fair Park	Clinch & 11th Street	3/31/2006	1,400,000	160,001	11,696,000
6 Old Knoxville	Glove Factory 445 W. Blount Ave	9/21/2006	2,800,000	1,063,701	27,550,330
7 Gay Street	402 Gay Street	8/3/2007	1,441,802	934,441	6,401,000
8 Gay Street	302 S. Gay Street	6/20/2007	350,000	762	4,912,572
9 Downtown North/I	275 Cor 912 N. Central Ave	6/26/2007	200,000	79,320	2,031,639
10 Jackson/Depot	129 W Jackson Ave	11/30/2010	240,000	28,401	4,174,256
11 Brownlow School	1305 Luttrell Street	9/12/2008	542,284	153,085	5,450,000
12 Jackson/Depot	200-202 W. Jackson Ave	4/14/2008	810,000	187,599	7,560,000
13 Jackson/Depot	100 N. Broadw ay	5/27/2009	460,123	185,235	4,103,976
14 Gay Street	516-524 Gay St	9/12/2008	812,500	252,325	4,908,189
15 South Waterfront	Langford Avenue	12/31/2008	12,000,000	10,438,168	139,000,000
16 Downtown North/	275 Cor 605,607 King Street	11/13/2009	356,000	146,542	3,734,762
17 Central Business	District W 501 Union Ave	10/1/2009	959,000	501,629	6,745,000
18 Northside Waterfront	710 East Hill Ave	2/17/2010	1,500,000	1,068,184	28,240,321
19 Jackson/Depot	131 S. Gay Street	4/15/2010	129,000	47,339	847,866
20 Historic Market	Square 501 Market Street	12/20/2011	1,145,000	437,706	8,515,000
21 University	Comrrons Kingston Pike	12/21/2012	10,000,000	7,898,754	62,000,000
22 University	Comrrons 930 Riverside Forest Way	12/31/2012	715,000	570,222	See item 18
23 Gay Street	412, 414 and 416 S. Gay Street	11/14/2013	1,150,000	838,692	7,361,000
24 Jackson/Depot	110 Magnolia Ave 319 N. Central	8/4/2014	225,000	168,761	2,100,000
25 Magnolia Avenue	Warehous 120 and 122 S. Central Street	12/1/2015	539,000	475,180	4,792,939
26 Central Business	District Wes 202 Magnolia Ave; 317 Ogden	6/23/2016	350,000	335,759	3,480,000
27 Gay Street	620 and 626 S Gay Street	6/30/2016	1,650,000	1,483,244	9,700,000
28 South Waterfront	East Blount Avenue	12/29/2016	22,000,000	13,585,901	139,000,000
29 Jackson/Depot	333 West Depot Ave	1/27/2017	4,950,000	4,689,474	35,101,798

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

L – Other Liabilities:

	<u>Current</u>	<u>Long Term</u>
FSS participant escrows	\$ 61,103	\$ 95,986
Investment in joint venture	-	65,587
Contract retainages	16,474	-
Tenant refund	5,096	-
Other	-	-
	<u>\$ 82,673</u>	<u>\$ 164,573</u>

M – Accrued Liabilities Other

Utilities	\$ 357,579
Purchase card	57,696
Energy performance contract	30,023
	<u>\$ 445,298</u>

N- Schedule of Changes in Noncurrent Liabilities:

	<u>Balance at June 30, 2019</u>		<u>Year Ended June 30, 2020</u>		<u>Balance at June 30, 2020</u>	
	<u>Long-term Portion</u>	<u>Current Portion</u>	<u>Additions</u>	<u>Payments</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Notes payable	\$ 16,650,685	\$ 4,450,609	\$ 1,234,799	\$ (2,577,838)	\$ 3,830,844	\$ 15,927,411
Accrued compensated absences	2,051,752	916,495	320,661	(322,243)	947,411	2,019,254
Other Long Term Liabilities	88,255	-	76,318	-	-	164,573
	<u>\$ 18,790,692</u>	<u>\$ 5,367,104</u>	<u>\$ 1,631,778</u>	<u>\$ (2,900,081)</u>	<u>\$ 4,778,255</u>	<u>\$ 18,111,238</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, 2020 were \$11,279,620. HUD also contributed additional funds through the Capital fund for modernization and operations in the amount of \$6,449,603.

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, 2020
(Continued)

O - Annual Contributions by Federal Agencies (Continued)

HUD Section 8 contributions for the year ended June 30, 2020 were as follows:

Housing Choice Voucher Cluster (ACC A-3159)	\$ 24,915,084
Section 8 Project-based Special Allocations (Multi-family)	6,028,828
Other Section 8 Programs	<u>544,741</u>
	<u>\$ 31,488,653</u>

Other Federal Revenue – Other federal revenues for the year ended June 30, 2020 are reported on the Schedule of expenditures of Federal Awards schedule contained in this report.

- 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 \$7,912,473. Payroll covered by the pension plan was \$6,843,057. KCDC made the required contributions amounting to \$789,418, and employees made elective contributions of \$17,720.

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

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. Employer contributions during the year totaled \$177,054. Forfeitures are allocated amongst remaining employees. Forfeitures do not result in a reduction of employer contributions.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

R - Economic Dependency: KCDC receives approximately 54% 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 \$10,957,276 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, 2020
(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, 2020 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.

Five Points II LP Ground Lease

The Partnership entered into a ground lease agreement with KCDC, dated May 23, 2017. The lease calls for annual payments of \$1 for a period of 75 years.

Five Points III LP Ground Lease

The Partnership entered into a ground lease agreement with KCDC, dated April 12, 2018. The lease calls for annual payments of \$1 for a period of 75 years.

Five Points IV LP Ground Lease

The Partnership entered into a ground lease agreement with KCDC, dated May 1, 2019. The lease calls for annual payments of \$1 for a period of 75 years.

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

Y - Schedule of Changes in Net Position:

	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total
Balance - beginning of year	\$ 24,284,909	\$16,656,618	\$61,296,407	\$ 106,902,851
Adjustments to restate beginning balance	(33,003)	-	-	(33,003)
Balance - beginning of year, restated	24,251,906	16,656,618	61,296,407	106,869,848
Increase in unrestricted net assets	-	-	3,251,116	48,615,678
Increase in restricted net assets	-	(484,307)	-	(37,640,273)
Increase in investment in capital assets	16,747,027	-	-	40,156,471
Balance - end of year	\$ 40,998,933	\$16,172,311	\$64,547,523	\$ 121,718,767
Adjustments to restate beginning balance				
Adjustments related to fixed assets	\$ (33,003)	\$ -	\$ -	\$ (33,003)
Net adjustments to restate beginning balance	\$ (33,003)	\$ -	\$ -	\$ (33,003)

Z - 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.

AA - Blended Component Units

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, TennesseeCONDENSED COMBINING SCHEDULE OF NET POSITION
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government Excluding Blended Component Unit	Blended Component Units														Combined Blended Component Units and Primary Government		
		Knoxville Housing Development Corporation	Passport Development Corporation	5 Points Corporation	5 Points II Corporation	5 Points III Corporation	5 Points IV Corporation	Homes Corporation	Townview Towers	Bell Street Corp.	Montgomery Village Corporation	Hollywood GP Corp	Young High GP Corp	Family Investment Foundation	Cagle Corporation		Moss Grove GP Corp	Blended Component Units Total
ASSETS																		
Current assets	\$ 31,308,516	\$ 16,910,201	\$ 200	\$ 226	\$ 243	\$ 200	\$ 276,322	\$ 1,772,275	\$ 186,752	\$ (935,333)	\$ 7,861,208	\$ (119)	\$ (4)	\$ 22,973	\$ (258,549)	\$ (7)	\$ 25,836,588	\$ 57,145,104
Capital assets	27,478,452	19,637,941	-	-	-	-	-	-	-	962,581	10,608,711	-	-	-	258,529	-	31,467,762	58,946,214
Other assets	1,369,690	128,651	4,908,273	735,849	2,617,322	1,957,007	1,032,260	18,210,830	-	-	-	-	-	-	-	-	29,590,192	30,959,882
Deferred outflow of resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 60,156,658	\$ 36,676,793	\$ 4,908,473	\$ 736,075	\$ 2,617,565	\$ 1,957,207	\$ 1,308,582	\$ 19,983,105	\$ 186,752	\$ 27,248	\$ 18,469,919	\$ (119)	\$ (4)	\$ 22,973	\$ (20)	\$ (7)	\$ 86,894,542	\$ 147,051,200
LIABILITIES																		
Current liabilities	\$ 4,368,860	\$ 2,317,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,430	\$ 507,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,852,335	\$ 7,221,195
Long-Term liabilities	4,130,361	3,064,526	(13,046)	20	(32)	(40)	(7)	-	81,692	-	10,847,764	-	-	-	-	-	13,980,877	18,111,238
Total Liabilities	8,499,221	5,382,013	(13,046)	20	(32)	(40)	(7)	-	81,692	27,430	11,355,182	-	-	-	-	-	16,833,212	25,332,433
Deferred inflow of resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET POSITION																		
Net investment in capital assets	23,568,667	14,706,926	-	-	-	-	-	-	-	962,581	1,502,230	-	-	-	258,529	-	17,430,266	40,998,933
Restricted	9,324,960	1,385,335	-	-	-	-	-	-	-	-	5,462,016	-	-	-	-	-	6,847,351	16,172,311
Unrestricted	18,763,810	15,202,519	4,921,519	736,055	2,617,597	1,957,247	1,308,589	19,983,105	105,060	(962,763)	150,491	(119)	(4)	22,973	(258,549)	(7)	45,783,713	64,547,523
Total Net Position	51,657,437	31,294,780	4,921,519	736,055	2,617,597	1,957,247	1,308,589	19,983,105	105,060	(182)	7,114,737	(119)	(4)	22,973	(20)	(7)	70,061,330	121,718,767
Total Liabilities, Deferred Inflow of	\$ 60,156,658	\$ 36,676,793	\$ 4,908,473	\$ 736,075	\$ 2,617,565	\$ 1,957,207	\$ 1,308,582	\$ 19,983,105	\$ 186,752	\$ 27,248	\$ 18,469,919	\$ (119)	\$ (4)	\$ 22,973	\$ (20)	\$ (7)	\$ 86,894,542	\$ 147,051,200

AA - Blended Component Units (Continued)

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, TennesseeCOMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2020

	Primary Gov Excluding Blended Comp Unit	Blended Component Units																Combined Blended Component Unit and Primary Government
		Knoxville Housing Dev Corp	Passport Dev Corp	5 Points Corp	5 Points II Corp	5 Points III Corp	5 Points IV Corp	Passport Homes Corp	Townview Towers	Bell Street Corp.	Mont Village Corp	Holly- wood GP Corp	Young High GP Corp	Family Inv Fnd	Cagle Corp	Moss Grove GP Corp	Blended Comp Units Total	
Operating revenues	\$ 54,565,822	\$ 518,527	\$ 2,869	\$ 3,778	\$ 425,229	\$ 1,449,882	\$ 8	\$ 810,747	\$ 412,747	\$ -	\$ 3,057,896	\$ -	\$ 100,000	\$ -	\$ -	\$ 79,080	\$ 6,860,763	\$ 61,426,585
Operating expenses	43,752,426	678,064	66	69	234,536	309,348	18	254,036	81,291	162	3,422,486	4	4	21	20	144	4,980,269	48,732,695
Operating income/(loss)	10,813,396	(159,537)	2,803	3,709	190,693	1,140,534	(10)	556,711	331,456	(162)	(364,590)	(4)	99,996	(21)	(20)	78,936	1,880,494	12,693,890
Non-operating revenues/(expenses)	124,394	113,425	11,876	56,578	184,846	12,397	-	477,215	-	-	(454,421)	-	-	6	-	-	401,922	526,316
Capital contributions	6,449,603	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,449,603
Transfers from (to) other programs or entities	(92)	2,638,738	(667,988)	(288,644)	(480,973)	(1,201,133)	-	-	-	-	92	-	-	-	-	-	92	-
Transfers from (to) other programs	(9,245,460)	9,685,585	-	-	-	-	-	-	(225,974)	-	(35,332)	-	-	(99,876)	-	(78,943)	9,245,460	-
Special items	(5,314,246)	4,158,273	-	-	-	1,000,000	-	-	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in net position	2,827,595	12,278,211	3,504,964	(228,357)	(105,434)	951,798	(10)	1,033,926	105,482	(162)	(854,251)	(4)	120	(15)	(20)	(7)	5,158,273	(155,973)
Net position, beginning of year	48,862,845	19,016,569	1,416,555	964,412	2,723,031	1,005,449	1,308,599	18,949,179	(422)	(20)	7,968,988	(115)	(115)	(124)	22,988	-	16,686,241	19,513,836
Prior Period Adjustments	(33,003)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,375,089	102,237,934
Net position, beginning of year, restated (see Note Y)	48,829,842	19,016,569	1,416,555	964,412	2,723,031	1,005,449	1,308,599	18,949,179	(422)	(20)	7,968,988	(115)	(115)	(124)	22,988	-	53,375,089	102,204,931
Net position, end of year	\$ 51,657,437	\$ 31,294,780	\$ 4,921,519	\$ 736,055	\$ 2,617,597	\$ 1,957,247	\$ 1,308,589	\$ 19,983,105	\$ 105,060	\$ (182)	\$ 7,114,737	\$ (119)	\$ (4)	\$ 22,973	\$ (20)	\$ (7)	\$ 70,061,330	\$ 121,718,767

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

CONDENSED COMBINING SCHEDULE OF NET POSITION
STATEMENT OF NET POSITION
JUNE 30, 2020

	Discretely Presented Component Unit					
	Five Points 1	Lonsdale	North Ridge	Vista	Eastport	Total
ASSETS						
Current assets	\$ 792,978	\$ 12,782,987	\$ 14,470,501	\$ 8,541,096	\$ 426,785	\$ 39,479,750
Capital assets	9,422,212	15,431,832	17,432,445	11,118,745	7,164,585	89,916,291
Other assets	99,756	1,399,356	848,286	994,013	27,880	3,693,667
Deferred outflow of resources	-	-	-	-	-	-
Total Assets	\$ 10,314,946	\$ 29,614,175	\$ 32,751,232	\$ 20,653,854	\$ 7,619,250	\$ 133,089,708
LIABILITIES						
Current liabilities	\$ 100,627	\$ 11,811,047	\$ 15,484,889	\$ 8,107,034	\$ 40,218	\$ 50,589,308
Long-Term liabilities	681,342	13,692,239	12,222,207	9,934,802	5,036,924	47,445,040
Total Liabilities	781,969	25,503,286	27,707,096	18,041,836	5,077,142	98,034,348
Deferred inflow of resources	-	-	-	-	-	-
NET POSITION						
Net investment in capital assets	8,740,870	1,789,600	5,273,915	1,218,155	2,127,661	29,482,302
Restricted	293,855	1,582,860	706,851	1,071,088	297,397	4,345,461
Unrestricted	498,252	738,429	(936,630)	322,775	117,050	1,227,597
Total Net Position	9,532,977	4,110,889	5,044,136	2,612,018	2,542,108	35,055,360
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 10,314,946	\$ 29,614,175	\$ 32,751,232	\$ 20,653,854	\$ 7,619,250	\$ 133,089,708

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

CONDENSED COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	Discrete Component Units							Total
	Five Points 1	Lonsdale	North Ridge	Vista	Eastport	Five Points 2	Five Points III	
Operating revenues	\$ 736,965	\$ 1,820,165	\$ 1,996,663	\$ 1,276,227	\$ 490,736	\$ 9,196,355	\$ 2,651,636	\$ 18,168,747
Operating expenses	806,981	1,459,548	1,922,618	1,194,944	660,414	937,413	433,735	7,415,653
Operating income/(loss)	(70,016)	360,617	74,045	81,283	(169,678)	8,258,942	2,217,901	10,753,094
Non-operating revenues/(expenses)	(64,533)	(548,976)	(475,476)	(397,209)	(6,368)	(251,460)	(73,313)	(1,817,335)
Increase (decrease) in net position	(134,549)	(188,359)	(401,431)	(315,926)	(176,046)	8,007,482	2,144,588	8,935,759
Net position, beginning of year, restated (see Note Q)	9,667,526	4,299,248	5,445,567	2,927,944	2,718,154	1,061,162	-	26,119,601
Net position, end of year	\$ 9,532,977	\$ 4,110,889	\$ 5,044,136	\$ 2,612,018	\$ 2,542,108	\$ 9,068,644	\$ 2,144,588	\$ 35,055,360

SUPPLEMENTAL INFORMATION

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2020

	14.195 Section										14.CCC -				14.HCC -				14.MRC -				14.MSC -				14.PHC -				Discretely Presented Component Unit	
	8 Housing Payments Program- Special Allocations	14.275 Housing Trust Fund	14.856 Lower Income Housing Program	14.871 Housing Choice Vouchers	14.879 Mainstream Voucher Program	14.896 PHH Family Self- Sufficiency Program	97.042 Emergency Management Performance Grant	6.2 Unit - Blended	2 State & Local Programs	1 Business Activities	COCC	Central Office Cost Center	CARES Act	CARES Act	14.HCC - HCV CARES Act	14.MRC - Moderate Rehabilitation CARES Act	14.MSC - Mainstream Cares Act	14.PHC - Public Housing CARES Act	Eliminations	Total 2020												
Operating revenues																																
Rental revenue	\$ 2,275,888	\$ 1,637,117	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,952,061	
Fee revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
HUD grants	11,279,620	6,028,828	544,741	24,168,321	746,763	44,143	-	5,585,165	2,982,212	3,549,857	226,927	42,093	-	-	288,884	12,418	12,690	653,338	-	-	-	-	-	-	-	-	-	-	-	-	5,579,236	
Other governmental grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other revenue	174,878	194,792	623	14,037	56	-	-	185,418	2,145,777	3,549,857	226,927	42,093	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,637,454	
Total operating revenues	13,730,386	7,860,737	773,750	24,182,358	746,819	44,143	-	5,770,583	2,652,059	3,457,467	42,093	288,884	12,418	-	288,884	12,418	12,690	653,338	-	-	-	-	-	-	-	-	-	-	-	-	18,168,747	
Operating expenses																																
Administrative	2,525,246	1,246,966	-	66,414	1,438,788	64,286	-	226,739	1,506,178	3,347,252	-	238,374	-	-	238,374	-	12,690	179,202	-	-	-	-	-	-	-	-	-	-	-	-	1,665,347	
Asset management fee	140,080	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Tenant services	129,312	86,923	-	8,504	-	-	-	-	35,171	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69,206	
Utilities	1,488,357	1,147,170	-	-	-	44,143	-	-	668,500	70,558	-	42,093	12,418	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900,022	
Ordinary maintenance & operation	1,531,854	1,442,684	-	304	-	-	-	3,482	699,011	460,273	-	196	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,461,901	
Protective services	175,197	104,824	-	-	-	-	-	-	71,150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	194,499	
Insurance	113,197	91,095	-	19,138	-	-	-	2,599	75,197	34,217	-	6,573	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	407,920	
General expenses	486,679	3,189,591	-	397	65,588	-	-	17,167	209,467	317,544	-	23,642	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	252,952	
Housing assistance payments	13,301	-	-	477,932	22,135,051	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation	672,903	2,443,405	-	-	-	-	-	-	21,735	8,144	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,463,806	
Total operating expenses	7,276,126	9,752,658	-	544,743	23,667,373	790,238	44,143	2,432,735	249,987	4,227,988	42,093	288,884	12,418	-	288,884	12,418	12,690	653,338	-	-	-	-	-	-	-	-	-	-	-	-	7,415,653	
Operating income (loss)	6,454,260	(1,891,921)	773,750	514,985	(43,419)	-	-	5,520,596	1,880,494	(770,521)	-	-	-	-	-	-	-	-	2	12,693,892	-	-	-	-	-	-	-	-	-	-	10,753,094	
Nonoperating revenues (expenses)																																
Interest revenue, unrestricted	169,783	61,357	-	4,302	20,142	2,565	-	2,958	34,405	91,145	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	442,874	
Interest revenue, restricted	6,621	653	-	-	-	-	-	-	617	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	394,806	
Interest expense	(183,336)	(8,954)	-	-	-	-	-	-	(519,871)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,671,146)	
Fraud recovery	12,680	23,349	-	-	-	-	-	-	9,731	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,305	
Extraordinary maintenance	(39,788)	(24,293)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,174)	
Gain/(loss) on disposition of capital	(170,996)	5,048	-	-	-	-	-	-	-	47,337	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total nonoperating revenues	(205,066)	57,160	-	4,302	50,952	2,565	-	2,958	34,405	40,122	177,118	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,817,335)	
Income (loss) before contributions and transfers	6,249,194	(1,834,761)	773,750	4,923	565,937	(40,854)	-	5,555,001	2,282,416	(593,403)	-	-	-	-	-	-	-	-	2	13,220,208	-	-	-	-	-	-	-	-	-	-	8,935,759	
Capital contributions	6,449,603	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers from (to) other programs or entities	-	(701,845)	-	-	582	-	-	1,173	-	92	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers from (to) other programs	(10,282,405)	7,977,289	(773,750)	-	-	-	-	(5,180,371)	9,245,460	(2,000,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Special items	(5,301,646)	-	-	-	-	-	-	(12,600)	5,158,273	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Increase (decrease) in net position	(2,885,254)	5,440,683	-	4,923	566,519	(40,854)	-	362,030	16,686,241	(1,857,822)	-	-	-	-	-	-	-	-	2	19,480,835	-	-	-	-	-	-	-	-	-	-	8,935,759	
Net position, beginning of year	19,821,228	17,831,411	-	200,910	1,237,170	156,934	-	383,779	3,490,095	53,375,089	5,741,318	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,119,601
Net position, end of year	\$ 16,935,974	\$ 23,272,094	\$ -	\$ 205,833	\$ 1,803,689	\$ 116,080	\$ -	\$ 1,588,146	\$ 3,852,125	\$ 70,061,330	\$ 3,883,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2	\$ 121,718,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,055,360	

Knoxville's Community Development Corp. (TN003)

KNOXVILLE, TN

Entity Wide Balance Sheet Summary

Submission Audited/Single Type: Audit Fiscal Year End: 06/30/2020

	Project Total	14.879 Mainstream Vouchers	14 MSC Mainstream CARES Act Funding	14.696 PIH Family Self- Sufficiency Program	14.195 Section 8 Housing Assistance Program - Special Allocations	1 Business Activities	2. State/Local	6.1 Component Discretionary Presented	6.2 Component Unit - Standard	14.871 Housing Choice Vouchers	14 PHC Public Housing CARES Act Funding	14 CCC Central Office Cost Center CARES Act Funding	14 HCC HCV CARES Act Funding	14 MRC Moderate Rehabilitation CARES Act Funding	8 Other Federal Program 1	9 Other Federal Program 2	14.856 Lower Income Housing Assistance Program - Section 8 Moderate	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$4,960,468	\$60,714			\$956,560	\$779,573	\$1,126,215	\$3,079,483	\$8,531,003	\$970,202							\$138,343	\$3,219,351	\$23,720,902		\$23,720,902
112 Cash - Restricted - Modernization and Development	\$0				\$0			\$2,803,441	\$1,810,974								\$0		\$4,614,415		\$4,614,415
113 Cash - Other Restricted	\$673,534		\$820		\$8,219,362			\$1,542,020	\$5,080,000	\$496,132			\$122,688				\$0		\$16,134,556		\$16,134,556
114 Cash - Tenant Security Deposits	\$63,958				\$92,299			\$92,151	\$41,439								\$0		\$289,847		\$289,847
115 Cash - Restricted for Payment of Current Liabilities	\$0								\$0	\$61,103							\$0		\$61,103		\$61,103
100 Total Cash	\$5,696,960	\$60,714	\$820	\$0	\$9,168,211	\$779,573	\$1,126,215	\$7,517,095	\$15,463,416	\$1,527,437	\$0	\$0	\$122,688	\$0	\$0	\$0	\$138,343	\$3,219,351	\$44,820,823	\$0	\$44,820,823
121 Accounts Receivable - PHA Projects									\$0								\$0		\$0		\$0
122 Accounts Receivable - HUD Other Projects	\$328,031	\$3,897			\$489,717			\$176,055	\$0	\$20,708	\$245,031	\$0		\$12,418			\$0	\$0	\$1,277,357		\$1,277,357
124 Accounts Receivable - Other Government	\$0				\$0	\$0	\$37,891	\$0	\$1,579,940	\$0					\$35,721		\$0		\$1,703,552		\$1,703,552
125 Accounts Receivable - Miscellaneous	\$55,260				\$31,896	\$291,438	\$0	\$16,881	\$291,305	\$1,806		\$0			\$0		\$0	\$656	\$689,243		\$689,243
126 Accounts Receivable - Tenants	\$22,516				\$58,934			\$96,782	\$39,551	\$0					\$0		\$669		\$221,482		\$221,482
126.1 Allowance for Doubtful Accounts - Tenants	\$-8,581				\$-25,134			\$-66,142	\$-24,430	\$0							\$0		\$-126,287		\$-126,287
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$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
128 Fraud Recovery	\$85				\$178				\$300	\$21,232							\$0		\$21,795		\$21,795
128.1 Allowance for Doubtful Accounts - Fraud	\$0				\$0				\$0	\$-21,232							\$0		\$-21,232		\$-21,232
129 Accrued Interest Receivable	\$7,589	\$100				\$102	\$1,746		\$13,005	\$1,225							\$147	\$3,438	\$27,364		\$27,364
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$405,800	\$3,897	\$0	\$0	\$555,591	\$291,540	\$89,639	\$225,176	\$1,899,672	\$23,749	\$245,031	\$0	\$0	\$12,418	\$0	\$35,721	\$846	\$4,094	\$3,793,274	\$0	\$3,793,274
131 Investments - Unrestricted	\$3,892,332	\$51,369				\$52,478	\$896,705	\$31,497,896	\$6,670,604	\$606,982							\$91,165	\$1,603,644	\$45,453,175		\$45,453,175
132 Investments - Restricted	\$0					\$0	\$0	\$0	\$1,767,351	\$31,918							\$0	\$0	\$1,799,269		\$1,799,269
135 Investments - Restricted for Payment of Current Liability	\$0					\$0	\$0	\$0	\$0	\$0							\$0	\$0	\$0		\$0
142 Prepaid Expenses and Other Assets	\$53,245				\$64,034	\$26,770	\$0	\$233,379	\$35,545	\$12,672							\$0	\$18,585	\$444,210		\$444,210
143 Inventories	\$5,835				\$5,733			\$6,204									\$0	\$0	\$54,621	\$72,393	\$72,393
143.1 Allowance for Obsolete Inventories	\$0				\$0			\$0									\$0	\$0	\$0		\$0
144 Inter Program Due From	\$202,938				\$12,418					\$0							\$0	\$77,814	\$293,170	\$-293,170	\$0
145 Assets Held for Sale	\$0						\$241,710										\$0	\$0	\$241,710		\$241,710
150 Total Current Assets	\$10,257,110	\$116,080	\$820	\$0	\$9,805,987	\$1,150,361	\$2,354,269	\$39,479,750	\$25,836,588	\$2,202,758	\$245,031	\$0	\$122,688	\$12,418	\$0	\$35,721	\$220,354	\$5,088,980	\$98,918,024	\$-293,170	\$98,624,854
161 Land	\$1,060,331																\$0		\$4,241,793		\$4,241,793
162 Buildings	\$49,360,882				\$1,625,624	\$984,054	\$214,400	\$74,350	\$273,034								\$0	\$18,119	\$238,940,591		\$238,940,591
163 Furniture, Equipment & Machinery - Dwellings	\$0				\$59,859,774	\$0	\$0	\$93,607,111	\$36,095,725								\$0	\$0	\$129,900		\$129,900
164 Furniture, Equipment & Machinery - Administration	\$403,852				\$399,108	\$170,157	\$0	\$2,005,482	\$131,919								\$0	\$725,235	\$3,865,751		\$3,865,751
165 Leasehold Improvements	\$0				\$0	\$0	\$0	\$0	\$0								\$0	\$0	\$0		\$0
166 Accumulated Depreciation	\$-446,933,399				\$-47,506,649	\$-115,963	\$0	\$-5,995,055	\$-28,526,898								\$0	\$-729,154	\$-129,807,148		\$-129,807,148
167 Construction in Progress	\$7,598,728				\$333,405			\$65,503	\$23,483,982								\$0		\$31,491,818		\$31,491,818
168 Infrastructure	\$0																\$0		\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$11,480,374	\$0	\$0	\$0	\$14,711,260	\$1,048,218	\$214,400	\$89,916,291	\$31,467,762	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,200	\$148,862,505	\$0	\$148,862,505

512.4 Unrestricted Net Position	\$8,433,152	\$116,080	\$0	\$0	\$500,171	\$538,928	\$3,637,725	\$1,227,597	\$45,783,713	\$1,371,625	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$205,833	\$3,889,296	\$65,775,120	\$65,775,120
513 Total Equity - Net Assets / Position	\$16,035,974	\$116,080	\$0	\$0	\$23,272,094	\$1,588,146	\$3,652,125	\$35,065,360	\$70,061,330	\$1,803,680	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$205,833	\$3,889,496	\$156,774,127	\$156,774,127
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$21,747,484	\$116,080	\$820	\$0	\$24,517,247	\$2,196,579	\$3,998,359	\$133,089,708	\$86,894,542	\$2,202,758	\$245,031	\$0	\$0	\$122,698	\$12,418	\$0	\$35,721	\$230,354	\$5,082,289	\$280,434,078	\$280,140,908

Knoxville's Community Development Corp. (TN003)

KNOXVILLE, TN

Entity Wide Revenue and Expense Summary

Submission Audited/Single Type: Audit

Fiscal Year End: 06/30/2020

	Project Total	14.879 Mainstream Vouchers	14.MSC Mainstream CARES Act Funding	14.899 PHH Family Self-Sufficiency Program	14.195 Section 8 Housing Assistance Payments Program - Special Allocations	1 Business Activities	2 State/Local	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.871 Housing Choice Vouchers	14.PHC Public Housing CARES Act Funding	14.CCC Central Office Cost Center CARES Act Funding	14.HCC HCV CARES Act Funding	14.MRC Moderate Rehabilitation CARES Act Funding	8 Other Federal Program 1	9 Other Federal Program 2	14.550 Lower Income Housing Assistance Program - Section 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,275,886				\$1,637,117			\$1,952,061	\$328,694								\$0	\$6,193,760		\$6,193,760	
70400 Tenant Revenue - Other	\$50,212				\$2,541			\$50,574	\$21,248								\$0	\$63,575		\$63,575	
70500 Total Tenant Revenue	\$2,325,100	\$0	\$0	\$0	\$1,669,658	\$0	\$0	\$2,002,635	\$349,942	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,357,335	\$0	\$6,357,335	
70600 HUD PHA Operating Grants	\$11,279,620	\$748,763	\$12,600	\$44,143	\$6,028,828					\$24,168,321	\$653,338		\$288,884	\$12,418			\$544,741	\$43,779,746		\$43,779,746	
70810 Capital Grants	\$8,449,603																\$0	\$6,449,603		\$6,449,603	
70710 Management Fee																	\$0	\$2,098,065	\$2,098,065	\$2,098,065	\$0
70720 Asset Management Fee																	\$0	\$140,080	\$140,080	\$140,080	\$0
70730 Book Keeping Fee																	\$0	\$400,078	\$400,078	\$400,078	\$0
70740 Front Line Service Fee																	\$0	\$501,417	\$501,417	\$501,417	\$0
70750 Other Fees						\$506,282											\$0	\$506,282	\$506,282	\$506,282	\$0
70700 Total Fee Revenue																	\$0	\$3,230,540	\$3,230,540	\$3,230,540	\$0
70800 Other Government Grants																					
71100 Investment Income - Unrestricted	\$109,783	\$2,565			\$61,357	\$2,558	\$34,405	\$442,874	\$911,445	\$20,142					\$773,750	\$35,721	\$0	\$14,956,084	\$2,967,715	\$11,988,369	
71200 Mortgage Interest Income	\$0	\$0			\$0	\$0	\$0	\$0	\$0	\$0							\$4,302	\$120,761	\$1,776,612	\$1,776,612	\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$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
71400 Fraud Recovery	\$12,650	\$0			\$23,349	\$0	\$0	\$29,305	\$9,731	\$30,810							\$0	\$105,845	\$105,845	\$105,845	\$0
71500 Other Revenue	\$115,666	\$56			\$162,251	\$2,145,777	\$165,418	\$10,589,876	\$3,528,609	\$14,037		\$42,093					\$623	\$226,927	\$17,008,333	\$44,733	\$16,963,600
71600 Gain or Loss on Sale of Capital Assets	-\$170,996				\$5,048	\$0	\$0	\$0	\$0	\$0							\$0	\$47,337	-\$118,611		-\$118,611
72000 Investment Income - Restricted	\$6,621				\$653	\$0	\$0	\$394,806	\$617	\$0							\$0	\$402,697	\$402,697	\$402,697	\$0
70000 Total Revenue	\$20,108,047	\$749,384	\$12,600	\$44,143	\$7,951,144	\$2,655,017	\$5,804,988	\$19,035,732	\$7,782,556	\$24,233,310	\$653,338	\$42,093	\$288,884	\$12,418	\$773,750	\$35,721	\$546,666	\$3,634,585	\$9,445,466	-\$6,242,988	\$88,214,478
91100 Administrative Salaries	\$652,407	\$32,885	\$12,600		\$536,275	\$740,316	\$128,101	\$594,975	\$285,365	\$323,032	\$95,622		\$113,392				\$44,941	\$2,167,404	\$5,709,305		\$5,709,305
91200 Auditing Fees	\$19,270	\$1,000			\$16,210	\$5,500	\$2,000	\$100,443	\$9,800	\$10,000							\$4,000	\$5,999	\$174,222		\$174,222
91300 Management Fee	\$1,093,897	\$18,708	\$0	\$0	\$316,223	\$0	\$47,690	\$426,304	\$124,959	\$486,938	\$42,093	\$0					\$10,752	\$2,567,362	\$2,141,058		\$426,304
91310 Book-keeping Fee	\$103,299	\$11,693			\$46,404	\$0	\$0	\$60,366	\$17,629	\$304,335							\$6,721	\$550,447	\$460,078		\$80,369
91400 Advertising and Marketing	\$208				\$14	\$0	\$883	\$203	\$289	\$0							\$0	\$4,632	\$6,229		\$6,229
91500 Employee Benefit Contributions - Administrative	\$236,069				\$182,264	\$239,583	\$25,018	\$199,077	\$90,624	\$146,659	\$31,789		\$50,481				\$0	\$603,487	\$1,805,061		\$1,805,061
91600 Office Expenses	\$103,513				\$68,385	\$71,342	\$14,488	\$108,034	\$31,010	\$54,097	\$5,902		\$15,539				\$0	\$368,560	\$638,670		\$638,670
91700 Legal Expense	\$22,165				\$16,984	\$32,341	\$1,835	\$32,475	\$21,275	\$147							\$0	\$2,202	\$129,424		\$129,424
91800 Travel	\$419				\$724	\$474	\$0	\$1,344	\$66	\$1,025							\$0	\$34,304	\$39,256		\$39,256
91810 Allocated Overhead	\$0				\$0	\$0	\$0	\$0	\$0	\$0							\$0	\$0	\$0		\$0
91900 Other	\$294,399				\$65,483	\$46,629	\$9,724	\$142,126	\$945,161	\$110,757	\$3,798		\$58,062				\$0	\$160,654	\$1,834,691	-\$2,640	\$1,832,051
91000 Total Operating - Administrative	\$2,525,246	\$64,266	\$12,600	\$0	\$1,246,966	\$1,136,185	\$228,739	\$1,665,347	\$1,506,178	\$1,438,788	\$179,202	\$0	\$238,374	\$0	\$0	\$0	\$466,414	\$3,347,252	\$13,653,667	-\$2,633,776	\$11,019,891
92000 Asset Management Fee	\$140,080				\$0				\$0								\$0	\$140,080	\$140,080		\$0
92100 Tenant Services - Salaries	\$38,208			\$41,449	\$39,758	\$87,661	\$0	\$15,023	\$0		\$36,460	\$33,171	\$208	\$6,202			\$0	\$299,370	\$299,370		\$299,370
92200 Relocation Costs	\$14,681			\$0	\$725	\$108	\$0	\$1,235	\$0								\$0	\$16,749	\$16,749		\$16,749
92300 Employee Benefit Contributions - Tenant Services	\$14,907			\$2,694	\$14,572	\$27,344	\$0	\$1,329	\$0	\$8,504	\$5,977	\$7,518	\$39	\$1,070			\$0	\$83,954	\$83,954		\$83,954
92400 Tenant Services - Other	\$61,516				\$31,868	\$234,724	\$0	\$50,719	\$35,171	\$6,504	\$7,378	\$1,404	\$19,852	\$5,146			\$0	\$447,778	\$447,778		\$447,778
92500 Total Tenant Services	\$193,112	\$0	\$0	\$44,143	\$86,623	\$350,137	\$0	\$89,206	\$35,171	\$6,504	\$49,845	\$42,093	\$20,099	\$12,418	\$0	\$0	\$0	\$847,851	\$0	\$847,851	\$0
93100 Water	\$213,376				\$235,275			\$194,062	\$174,365								\$0	\$12,667	\$652,283		\$652,283
93200 Electricity	\$812,725				\$449,357			\$266,381	\$148,395								\$0	\$44,543	\$1,781,201		\$1,781,201
93300 Gas	\$7,732				\$2,231			\$18,150	\$2,236		\$421						\$0	\$9,159	\$39,629		\$39,629

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS
JUNE 30, 2020

PROGRAM	CFP	CFP	CFP	CFP	CFP
	TN37P003501-14	TN37P003501-15	TN43R003501-16	TN43R003501-17	TN43R003502-16
Funds approved	\$ 4,073,551	\$ 4,257,403	\$ 299,451	\$ 334,072	\$ 28,033
Funds expended	4,073,551	4,257,403	299,451	334,072	28,033
Excess of funds approved	\$ -	\$ -	\$ -	\$ -	\$ -
Funds advanced	\$ 4,073,551	\$ 4,257,403	\$ 299,451	\$ 334,072	\$ 28,033
Funds expended	4,073,551	4,257,403	299,451	334,072	28,033
Excess of funds advanced	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2020**

Federal Grantor:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Pass Through Entity</u>	<u>Federal Expenditures</u>	<u>Loan Balances</u>	<u>Total</u>
U.S. Department of Housing and Urban Development					
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects		\$ -	\$ 11,060,337	\$ 11,060,337
	Section 8 Project Based Cluster				
14.195	Section 8 Housing Assistance Payments Program	NA	6,028,828	-	6,028,828
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	NA	557,159	-	557,159
	Total Section 8 Project Based Cluster	NA	<u>6,585,987</u>	<u>-</u>	<u>6,585,987</u>
	CDBG - Entitlement Grants Cluster				
14.275	Housing Trust Fund	NA	773,750	-	773,750
	Housing Choice Voucher Cluster				
14.871	Housing Choice Voucher Program	NA	24,457,205	-	24,457,205
14.879	Mainstream Vouchers	NA	759,453	-	759,453
	Total Housing Choice Voucher Cluster		<u>25,216,658</u>	<u>-</u>	<u>25,216,658</u>
	Capital Fund Cluster				
14.872	Capital Fund Program	NA	11,392,325	-	11,392,325
	Total Capital Fund Cluster		<u>11,392,325</u>	<u>-</u>	<u>11,392,325</u>
14.896	PIH Family Self-Sufficiency Program	NA	44,143		44,143
14.850	Low Rent Public Housing	NA	6,990,236	-	6,990,236
	Total U.S. Department of HUD		<u>51,003,099</u>	<u>11,060,337</u>	<u>62,063,436</u>
U.S. Department of Homeland Security					
97.042	Emergency Management Performance Grants	NA	35,721	-	35,721
	Total U.S. Department of Homeland Security		<u>35,721</u>	<u>-</u>	<u>35,721</u>
Total Federal Awards Expenditures			<u>\$ 51,038,820</u>	<u>\$ 11,060,337</u>	<u>\$ 62,099,157</u>

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, 2020.

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 70600	HUD PHA Grants	\$ 43,779,746
FDS line 70610	Capital Grants	6,449,603
FDS line 70800	Other government grants	6,409,133
	Less: nonfederal portion	(5,599,662)
	Total FDS line 70800	809,471
		<u>\$ 51,038,820</u>

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Notes to the Schedule of Expenditures of Federal Awards (Continued)

E. Combining CARES with primary program funding

		Subsidy	Cares Subsidy	Total Subsidy	Loans	Total Federal Assistance
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects	\$ -		-	\$ 11,060,337	\$ 11,060,337
Section 8 Project Based Cluster						
14.195	Section 8 Housing Assistance Payments Program	6,028,828	-	6,028,828	-	6,028,828
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	544,741	12,418	557,159	-	557,159
	Total Section 8 Project Based Cluster	<u>6,573,569</u>	<u>12,418</u>	<u>6,585,987</u>	-	<u>6,585,987</u>
14.275	Housing Trust Fund	<u>773,750</u>	-	<u>773,750</u>	-	<u>773,750</u>
Housing Choice Voucher Cluster						
14.871	Housing Choice Voucher Program	24,168,321	288,884	24,457,205	-	24,457,205
14.879	Mainstream Vouchers	746,763	12,690	759,453	-	759,453
	Total Housing Choice Voucher Cluster	<u>24,915,084</u>	<u>301,574</u>	<u>25,216,658</u>	-	<u>25,216,658</u>
Capital Fund Cluster						
14.872	Capital Fund Program	11,392,325	-	11,392,325	-	11,392,325
	Total Capital Fund Cluster	<u>11,392,325</u>	-	<u>11,392,325</u>	-	<u>11,392,325</u>
14.896	PIH Family Self-Sufficiency Program	<u>44,143</u>	-	<u>44,143</u>	-	<u>44,143</u>
14.850	Low Rent Public Housing	6,336,898	653,338	6,990,236	-	6,990,236
	Total U.S. Department of HUD	<u>50,035,769</u>	<u>967,330</u>	<u>51,003,099</u>	<u>11,060,337</u>	<u>62,063,436</u>
97.042	Emergency Management Performance Grants	<u>35,721</u>	-	<u>35,721</u>	-	<u>35,721</u>
	Total U.S. Department of Homeland Security	<u>35,721</u>	-	<u>35,721</u>	-	<u>35,721</u>
	Total Federal Awards Expended	<u>\$ 50,071,490</u>	<u>\$ 967,330</u>	<u>\$ 51,038,820</u>	<u>\$ 11,060,337</u>	<u>\$ 62,099,157</u>

F. Change in loan balance in Schedule of Expenditure of Federal Awards

Balance at beginning of year	\$ 11,060,337
Debt retired during year	142,885
Balance at end of year	<u><u>\$ 10,917,452</u></u>

SINGLE AUDIT SECTION

MALCOLM JOHNSON & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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**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, 2020, 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 17, 2020.

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*.

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 17, 2020

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**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, 2020. 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, 2020.

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 17, 2020

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Basic Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses 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
14.872	Capital Fund Program
14.182	Section 8 Project Based Cluster
14.195 – Section 8 Housing Assistance Payments Program	
14.856 – Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	

Dollar threshold used to distinguish type A and type B programs:	\$1,530,792
Auditee qualify as low-risk auditee?	Yes

KNOXVILLE'S COMMUNITY DEVELOPMENT CORPORATION
Knoxville, Tennessee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION 1 – SUMMARY OF AUDITORS' RESULTS
(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, 2020

There were no Prior Audit Findings.