

Knoxville's Community Development Corporation

Financial Statements

Year Ended June 30, 2021

Knoxville's Community Development Corporation
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Year Ended June 30, 2021

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Independent Auditor's Report

To the Board of Commissioners
Knoxville's Community Development Corporation

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, 2021, 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 of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements which were prepared in accordance with the Accounting Standards Codification as issued by the Financial Accounting Standards Board, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, are based solely on the other auditors' reports. No adjustments were necessary to convert the financial statements of the discretely presented component units to the financial reporting framework used by KCDC. 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.

Independent Auditor's Report (Continued)

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, based on our audit and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of KCDC as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note Z to the financial statements, the beginning net position has been restated for various items. Our opinion is not modified with respect to this matter.

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 4 - 11 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.

Independent Auditor's Report (Continued)

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 *Government Auditing Standards*

In accordance with Governmental Auditing Standards, we have also issued our report dated March 22, 2022 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.



Lexington, Kentucky

March 22, 2022

**Knoxville's Community Development Corporation
Management's Discussion and Analysis
June 30, 2021**

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 - 2021

- KCDC's total Net Position increased by \$6.4 million (or 5.2%) during fiscal year 2021. Net Position was \$128.1 million and \$121.7 million for 2021 and 2020 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 decreased by \$5.9 million (8.5%) during fiscal year 2021. Revenues were \$63.2 million and \$69.1 million for 2021 and 2020 respectively. The decrease in total revenue is primarily due to decreases in grants of \$6.6 million.
- The total expenses of KCDC programs increased by \$3.0 million (6.1%). Total expenses were \$52.5 million and \$49.5 million for 2021 and 2020 respectively. The increase in expenses is primarily due to an increase in housing assistance payments.

Using this Annual Report

The Report includes three major sections as follows:

<p style="text-align: center;">MD&A Management's Discussion and Analysis</p> <p style="text-align: center;">Basic Financial Statements Authority-wide Basic Financial Statements Notes to Basic Financial Statements</p> <p style="text-align: center;">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
Management's Discussion and Analysis (Continued)
June 30, 2021

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
Management's Discussion and Analysis (Continued)
June 30, 2021**

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>2021</u>	<u>2020 (restated)</u>	<u>Net change</u>	<u>% change</u>
Assets				
Current and restricted assets	\$ 58.5	\$ 57.1	\$ 1.4	2.4%
Capital assets, net	68.6	58.9	9.7	16.5%
Other assets	<u>43.7</u>	<u>31.0</u>	<u>12.7</u>	<u>41.0%</u>
Total assets	170.8	147.0	23.8	16.2%
Liabilities				
Current liabilities	6.8	7.2	(0.4)	-5.3%
Noncurrent liabilities	<u>35.8</u>	<u>18.1</u>	<u>17.7</u>	<u>97.8%</u>
Total liabilities	42.6	25.3	17.3	68.4%
Net position				
Net investment in capital assets	55.2	41.0	14.2	34.7%
Restricted net position	6.4	16.2	(9.8)	-60.5%
Unrestricted net position	<u>66.4</u>	<u>64.5</u>	<u>1.9</u>	<u>3.0%</u>
Total net position	<u>\$ 128.1</u>	<u>\$ 121.7</u>	<u>\$ 6.4</u>	<u>5.2%</u>

For more detailed information see the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Total Assets increased by \$23.8 million primarily due to increases in construction and rehabilitation of fixed assets through HUD's RAD initiative, offset by dispositions of fixed assets and additions to accumulated depreciation.

Total Liabilities increased by \$17.3 million as a result of new notes and bonds payable, incurred through rehabilitation and development activities transforming public housing through HUD's RAD initiative.

Total Net Position increased by \$6.4 million. This increase is the result of excess revenues over operating expenses for 2021, 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.

Knoxville's Community Development Corporation
Management's Discussion and Analysis (Continued)
June 30, 2021

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

Unrestricted net position at June 30, 2020	\$ 64.5
Results of operations - year ended June 30, 2021	7.1
Prior period adjustment	(0.7)
Changes in net position restrictions	
Restricted net position	9.8
Net investment in capital assets	<u>(14.2)</u>
Unrestricted net position at June 30, 2021	<u>\$ 66.5</u>

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>2021</u>	<u>2020</u> <u>(restated)</u>	<u>Net change</u>	<u>% change</u>
Revenues				
Tenant rents/other	\$ 4.7	\$ 4.3	\$ 0.4	9.3%
Grants	50.0	56.6	(6.6)	-11.7%
Interest income	1.2	1.3	(0.1)	-7.7%
Other revenues	<u>7.3</u>	<u>6.9</u>	<u>0.4</u>	<u>5.8%</u>
Total revenues	63.2	69.1	(5.9)	-8.5%
Expenses				
Administrative	10.1	9.4	0.7	7.4%
Tenant services	0.7	0.8	(0.1)	-12.5%
Utilities	3.0	3.5	(0.5)	-14.3%
Maintenance	4.8	4.6	0.2	4.3%
Protective services	0.4	0.4	-	0.0%
General and insurance	1.8	1.9	(0.1)	-5.3%
Interest and amortization	0.8	0.7	0.1	14.3%
Extraordinary maintenance and casualty	0.2	0.1	0.1	100.0%
Housing assistance payments	26.0	23.3	2.7	11.6%
Depreciation and amortization	<u>4.7</u>	<u>4.8</u>	<u>(0.1)</u>	<u>-2.1%</u>
Total expenses	52.5	49.5	3.0	6.1%
Other revenues (expenses)				
Special items, loss on disposition, other	<u>(3.6)</u>	<u>(0.2)</u>	<u>(3.4)</u>	<u>1700.0%</u>
Change in net position	<u>\$ 7.1</u>	<u>\$ 19.4</u>	<u>\$ (12.3)</u>	<u>-63.4%</u>

Knoxville's Community Development Corporation
Management's Discussion and Analysis (Continued)
June 30, 2021

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

- As reflected in the "Highlights" section above, the decrease in total revenue is primarily due to decreases in HUD operating and capital improvements funding as a result of the transfer of properties to Limited Partnerships through the RAD initiatives.
- The increase in expenses is primarily due to an increase in housing assistance payments in the Section 8 rental assistance program.

Budgetary Highlights

For the year ended June 30, 2021, 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 grant funding.

Capital Assets

For the year ended June 30, 2021, KCDC had \$68.6 million invested in a variety of capital assets as reflected in the following schedule, which represents an increase of \$9.3 million from the end of the prior year. This net increase is attributable to RAD activities which include decreases resulting from asset disposition offset by increases resulting from asset rehabilitation, City funded infrastructure and new construction of KCDC-owned dwelling units.

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

	<u>2021</u>	<u>2020</u> <u>(restated)</u>	<u>Net change</u>	<u>% change</u>
Land	\$ 8.4	\$ 4.6	\$ 3.8	83.1%
Buildings	159.3	145.3	14.0	9.6%
Furniture/equipment	1.9	1.8	0.1	6.9%
Infrastructure	3.8	-	3.8	100.0%
Construction in process	23.4	31.4	(8.0)	-25.4%
Accumulated depreciation	<u>(128.2)</u>	<u>(123.8)</u>	<u>(4.4)</u>	<u>3.6%</u>
Total capital assets	<u>\$ 68.6</u>	<u>\$ 59.3</u>	<u>\$ 9.3</u>	<u>15.7%</u>

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</u> <u>assets</u>	<u>Accumulated</u> <u>depreciation</u>	<u>Net</u>
Balance at June 30, 2020	\$ 183.1	\$ 123.8	\$ 59.3
Additions	16.3	4.6	11.7
Dispositions	<u>(2.6)</u>	<u>(0.2)</u>	<u>(2.4)</u>
Balance at June 30, 2021	<u>\$ 196.8</u>	<u>\$ 128.2</u>	<u>\$ 68.6</u>

**Knoxville's Community Development Corporation
Management's Discussion and Analysis (Continued)
June 30, 2021**

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

Debt Outstanding

For the year ended June 30, 2021, KCDC had \$36.3 million in debt (bonds, notes, etc.) outstanding compared to \$21.0 million last year, showing a \$15.3 million increase, which is the net of a \$19.3 million increase in notes payable related to construction activities, and \$4.0 million decrease from extinguishment of capital debt.

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

	<u>2021</u>	<u>2020 (restated)</u>	<u>Net change</u>	<u>% change</u>
Debt				
Current portion	\$ 2.7	\$ 5.1	\$ (2.4)	-47.4%
Long term portion	<u>33.6</u>	<u>15.9</u>	<u>17.7</u>	<u>111.6%</u>
	<u>\$ 36.3</u>	<u>\$ 21.0</u>	<u>\$ 15.3</u>	<u>72.9%</u>

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.

Affiliate Agreements

The Agency has included as discretely presented component units, the activity for Eastport Development, LP, Five Points 1, LP, Five Points 2, LP, Five Points 3, LP, Five Points 4, LP, Lonsdale, LP, North Ridge Crossing, LP., and Vista at Summit Hill, LP. Five Points 4, LP entered into an Amended and Restated Agreement of Limited Partnership with Red Stone Equity - 2019 National Fund, L.P., the Investor Limited Partner and Red Stone Equity Manager, LLC, the Special Limited Partner to facilitate the equity investment for the project. These entities are shown as discretely presented component units because the Agency is financially accountable for them; however, it does not have full ownership over the entities.

Requests for the full financial information of Discretely Presented Component Units should be addressed to Knoxville Community Development Corporation, P.O. Box 3550, Knoxville, TN 37927-3550.

**Knoxville's Community Development Corporation
Management's Discussion and Analysis (Continued)
June 30, 2021**

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

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: Scott Broyles
Commissioner: Rosalind Hall
Commissioner: John Winemiller
Commissioner: Kanika White

Roster of Management Officials

Benjamin M. Bentley, Executive Director/CEO
Tracee B. Pross, Chief Financial Officer
Matt Tillery, Vice President of Rental Assistance
Brad Peters, Vice President of Redevelopment/Legal Services
Marisa A. Moazen, Director of Policy/Strategic Partnerships

Knoxville Community Development Corporation
Statement of Net Position
June 30, 2021

	<u>Primary government</u>	<u>Discretely presented component units</u>
Assets		
Current assets		
Cash and cash equivalents, unrestricted	\$ 16,625,389	\$ 2,799,876
Cash and cash equivalents, restricted	22,565,265	4,620,508
Investments, unrestricted	7,956,706	-
Investments, restricted	7,150,122	-
Accrued interest receivable	10,228	-
Accounts receivable, net of allowance	533,735	83,615
Due from other governments	3,060,110	-
Inventories, net of obsolescence	105,136	8,455
Prepaid expense	257,424	-
Assets held for conveyance	191,070	-
Other current assets	-	339,494
	<hr/>	<hr/>
Total current assets	58,455,185	7,851,948
Noncurrent assets		
Notes and mortgages receivable	40,544,618	-
Capital assets		
Not being depreciated	35,680,640	-
Depreciable, net	32,913,734	105,157,815
	<hr/>	<hr/>
Total capital assets, net	68,594,374	105,157,815
Other noncurrent assets		
Interest receivable	2,073,948	-
Assets held for conveyance	1,082,730	-
Other noncurrent assets	10,572	3,782,120
	<hr/>	<hr/>
Total other noncurrent assets	3,167,250	3,782,120
Total noncurrent assets	112,306,242	108,939,935
Total assets	<hr/> 170,761,427 <hr/>	<hr/> 116,791,883 <hr/>
Deferred outflows of resources	-	-
	<hr/>	<hr/>
Total assets and deferred outflows of resources	\$ 170,761,427	\$ 116,791,883
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes.

Knoxville Community Development Corporation
Statement of Net Position (Continued)
June 30, 2021

	<u>Primary government</u>	<u>Discretely presented component units</u>
Liabilities		
Current liabilities		
Vendors and contractors payable	\$ 1,832,544	\$ 122,510
Accrued wages/taxes payable	193,049	38,219
Accrued compensated absences	737,561	-
Accrued interest payable	89,846	1,552,202
Due to other governments	108,292	52,072
Unearned revenue	421,670	29,280
Notes and bonds payable	2,680,282	18,320,268
Other current liabilities	85,540	192
Other accrued liabilities	423,039	3,972,414
Resident security deposits	245,630	118,801
	<hr/>	<hr/>
Total current liabilities	6,817,453	24,205,958
Noncurrent liabilities		
Notes and bonds payable	33,638,301	22,057,379
Related party notes payable	-	27,205,251
Security deposits	-	-
Accrued compensated absences	2,099,211	-
Other accrued liabilities	59,149	159,661
	<hr/>	<hr/>
Total noncurrent liabilities	35,796,661	49,422,291
Total liabilities	42,614,114	73,628,249
	<hr/>	<hr/>
Deferred inflows of resources	-	-
	<hr/>	<hr/>
Total liabilities and deferred inflows of resources	\$ 42,614,114	\$ 73,628,249
	<hr/>	<hr/>
Net position		
Net investment in capital assets	\$ 55,243,768	\$ 41,509,481
Restricted	6,365,378	4,497,885
Unrestricted	66,538,167	(2,843,732)
	<hr/>	<hr/>
Total net position	\$ 128,147,313	\$ 43,163,634
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See accompanying notes.

Knoxville Community Development Corporation
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021

	<u>Primary government</u>	<u>Discretely presented component units</u>
Operating revenues		
Rental revenue	\$ 4,020,831	\$ 2,162,386
Fee revenue	659,260	-
HUD grants	41,509,615	-
Other governmental grants	7,087,576	5,667,885
Other revenue	7,335,295	558,323
Total operating revenues	60,612,577	8,388,594
Operating expenses		
Administrative	10,070,594	1,951,742
Tenant services	692,854	84,340
Utilities	3,010,288	1,059,112
Ordinary maintenance & operation	4,793,329	1,670,959
Protective services	375,249	172,292
Insurance	355,270	529,334
General expenses	1,455,115	318,832
Housing assistance payments	26,000,873	-
Depreciation	4,730,358	3,234,888
Total operating expenses	51,483,930	9,021,499
Net operating income (loss)	9,128,647	(632,905)
Nonoperating revenues (expenses)		
Interest revenue, unrestricted	1,154,235	2,013
Interest revenue, restricted	14,385	49,944
Interest expense	(762,919)	(1,778,087)
Fraud recovery	86,618	20,487
Extraordinary maintenance	(193,340)	-
Other nonoperating revenues (expenses)	-	(74,725)
Gain on disposition of capital assets	139,575	-
Total nonoperating expense, net	438,554	(1,780,368)
Income (loss) before contributions and transfers	9,567,201	(2,413,273)
Capital contributions	1,364,741	10,499,837
Special items	(3,839,322)	21,710
Increase in net position	7,092,620	8,108,274
Net position, beginning of year	121,718,767	35,055,360
Prior period adjustments	(664,074)	-
Net position, beginning of year, restated (see Note Z)	121,054,693	35,055,360
Net position, end of year	\$ 128,147,313	\$ 43,163,634

See accompanying notes.

Knoxville Community Development Corporation
Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities

Receipts from dwelling rentals	\$ 4,574,696
Operating grants	48,469,626
Receipts from fees	659,260
Other receipts	7,324,723
Payments to employees and suppliers	(20,502,166)
Payments to landlords and residents	(26,000,873)

Net cash provided by operating activities **14,525,266**

Cash flows from capital and related financing activities

Capital fund grant	1,364,741
Purchase of capital assets	(13,978,519)
Acquisition of assets held for conveyance	(28,200)
Proceeds from sale of assets	505,375
Proceeds from capital debt	19,250,663
Principal paid on capital debt	(3,890,335)
Interest paid on capital debt	(721,124)
Extraordinary maintenance and other	(106,722)
Capital contributions	(3,839,322)

Net cash used by capital and related financing activities **(1,443,443)**

Cash flows from investing activities

Interest received	790,539
Proceeds from sales of investments	647,721
Proceeds from notes receivable	(13,263,519)
Payments received on notes receivable	630,362

Net cash used by investing activities **(11,194,897)**

Net increase in cash and cash equivalents **1,886,926**

Cash - beginning of the year **37,303,728**

Cash - end of the year **\$ 39,190,654**

Reconciliation of cash to the statement of net position

Cash and cash equivalents, unrestricted	\$ 16,625,389
Cash and cash equivalents, restricted	22,565,265

\$ 39,190,654

See accompanying notes.

Knoxville Community Development Corporation
Statement of Cash Flows (Continued)
Year Ended June 30, 2021

Operating income	\$ 9,128,647
Adjustments to reconcile net operating income to net cash provided by operating activities	
Depreciation	4,730,358
Bad debt expense	209,001
Changes in assets and liabilities	
Accounts receivable	(6,256)
Inventory	(38,947)
Other governments	(119,930)
Prepaid expenses	(46,593)
Other assets	(10,572)
Accounts payable	766,091
Accrued wages	27,093
Accrued comp abs	(209,850)
Due to other governments	(7,635)
Unearned revenue	95,290
Other accrued liabilities	(124,814)
Security deposits	133,383
	<hr/>
Net cash provided by operating activities	<u><u>\$ 14,525,266</u></u>

See accompanying notes.

Knoxville's Community Development Corporation
Notes to Financial Statements
Year Ended June 30, 2021

Note A - Nature of the Organization and Operations

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.

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
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note A - Nature of the Organization and Operations (Continued)

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 which was 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 2A redevelopment. Activity has not begun as of June 30, 2021.
- **Bell Street 3 Corporation** is a Section 115 Corporation created for ownership and financing activities related to KCDC's Austin Homes Phase 1B redevelopment. Activity has not begun as of June 30, 2021.

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.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note A - Nature of the Organization and Operations (Continued)

Reporting Entity (Continued)

Discretely Presented Component Units

As of June 30, 2021, KCDC recognized cumulatively eight 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 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 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 HUD.
- **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 Apartments (the "Property") located in Knoxville, Tennessee. The Property consists of 82 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Property are subject to the provisions of a regulatory agreement with HUD.
- **Lonsdale, LP** was formed under the laws of the State of Tennessee on March 23, 2016 to acquire, own, develop, lease and operate The Lonsdale (the "Property") located in Knoxville, Tennessee. The Property consists of 260 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and 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 HUD.
- **Vista at Summit Hill, LP** (the "Partnership") was formed under the laws of the State of Tennessee on March 23, 2016 to acquire, own, develop, lease and operate The Vista at Summit Hill (the "Property") located in Knoxville, Tennessee. The Property consists of 175 units, developed and operated under the low-income housing tax credit program. Additionally, the operating methods of the Project are subject to the provisions of a regulatory agreement executed between the Partnership and HUD.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note A - Nature of the Organization and Operations (Continued)

Reporting Entity (Continued)

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, 2021, two 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.
- **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 HUD.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note B - Summary of Significant Accounting Policies

1. 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").

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.
2. 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.
 3. 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.
 4. Inter-program Receivables and Payables: Inter-program 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 inter-program balances net to zero. Offsetting due to/due from balances are eliminated for the basic financial statement presentation.
 5. Investments: Investments, when present, are recorded at cost which approximates fair value. Investment instruments consist only of items specifically approved for public housing agencies by HUD and consist mainly of certificates of deposit.
 6. 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 placed in service.
 7. Prepaid Items: Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid items.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note B - Summary of Significant Accounting Policies (Continued)

8. Use of Estimates: The preparation of basic financial statements in conformity with GAAP 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.

9. Fair Value of Financial Instruments: The carrying amount of KCDC's financial instruments at June 30, 2021 including cash, investments, accounts receivable, and accounts payable closely approximates fair value.

10. Capital Assets:

- **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.

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

- **Depreciation**: The cost of capital assets 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.

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

- **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.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note B - Summary of Significant Accounting Policies (Continued)

10. Capital Assets (Continued):

- **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 GASB Statement No. 42, "*Accounting and financial Reporting for Impairment of Capital Assets and For Insurance Recoveries*", KCDC has at June 30, 2021, 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. KCDC has not recognized any asset impairment for the year ended June 30, 2021.
11. Compensated Absences: Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with GASB 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.
12. 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.
13. 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.
14. 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.
15. 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.
16. 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.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note C - 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.

2. Deposit and Investment Risks: KCDC held the following deposit and investments at June 30, 2021:

Deposits

Unrestricted	\$ 16,625,389
Restricted for capital use & escrows	22,242,383
Restricted for tenant security deposits	253,617
Restricted for payment of current liabilities	<u>69,265</u>
Total cash demand deposits	<u><u>\$ 39,190,654</u></u>

Investments

Investment	Maturity Date	Value Principal Paid 6/30/2021	Moody's Rating	S & P Rating	Callable
CD	6/21/2021	250,000	NR	NR	NO
CD	6/21/2021	226,000	NR	NR	NO
CD	6/21/2021	250,000	NR	NR	NO
CD	7/8/2021	250,000	NR	NR	NO
CD	7/30/2021	250,000	NR	NR	NO
CD	8/9/2021	250,000	NR	NR	NO
FHLMC	09/28/2021	557,076	AAA	AA+	NO
CD	11/1/2021	250,000	NR	NR	NO
CD	11/5/2021	250,000	NR	NR	NO
CD	11/8/2021	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	1/13/2022	147,000	NR	NR	NO
CD	1/31/2022	250,000	NR	NR	NO
CD	1/31/2022	250,000	NR	NR	NO

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note C - Deposits and Investments (Continued)

2. Deposit and Investment Risks (Continued):

Investment	Maturity Date	Value Principal Paid 6/30/2021	Moody's Rating	S & P Rating	Callable
CD	2/14/2022	250,000	NR	NR	NO
CD	4/18/2022	250,000	NR	NR	NO
CD	4/22/2022	100,000	NR	NR	NO
CD	4/25/2022	250,000	NR	NR	NO
CD	4/28/2022	250,000	NR	NR	NO
CD	4/28/2022	250,000	NR	NR	NO
CD	4/29/2022	250,000	NR	NR	NO
CD	5/9/2022	250,000	NR	NR	YES
CD	5/16/2022	250,000	NR	NR	NO
CD	5/18/2022	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	11/8/2022	250,000	NR	NR	NO
CD	12/27/2022	250,000	NR	NR	NO
CD	5/8/2023	250,000	NR	NR	NO
TOTAL		8,030,076			
ESCROW FUNDS		7,076,752			
TOTAL SECURITIES		\$ 15,106,828			

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note C - Deposits and Investments (Continued)

2. Deposit and Investment Risks (Continued):

Restricted cash

Low income public housing

Restricted for payment of debt	\$ 673,600
Restricted for tenant security deposits	70,027

Housing choice voucher

Restricted for housing assistance payments equity & non-current liabilities	178,762
Restricted for payment of current liabilities	69,265

Blended component unit

Restricted for modernization and development	3,551,762
Restricted for construction and repairs	3,843,214
Restricted for replacement reserve	1,714,769
Restricted for tenant security deposits	89,691

Section 8 special allocation

Restricted for replacement and rehabilitation reserve	4,317,891
Restricted for rehab escrow	7,962,385
Restricted for tenant security deposits	<u>93,899</u>

Total restricted demand deposits 22,565,265

Restricted investments

Housing choice voucher

Restricted for housing assistance payments equity	73,370
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Blended component unit

Restricted escrow funds	<u>7,076,752</u>
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Total restricted investments 7,150,122

Total restricted demand deposits and investments 29,715,387

Unrestricted cash 16,625,389

Unrestricted investments 7,956,706

Total unrestricted cash and investments 24,582,095

Total restricted and unrestricted cash and investments \$ 54,297,482

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
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note C - 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, 2021, 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. 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, 2021, the investments held by KCDC mature July 2021 through May 2023.

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
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note D - Accounts Receivable

Due from managed entities	\$ 234,248
Insurance recovery due	34,896
Tenant accounts receivable, net of allowance of \$75,596	174,453
Due from Five Points 4	74,103
Other	<u>16,035</u>
	<u><u>\$ 533,735</u></u>

Note E - Due From Other Governments

HUD	\$ 2,975,049
Local governments	55,554
FEMA	<u>29,507</u>
	<u><u>\$ 3,060,110</u></u>

Note F - Prepaid Items

Prepaid insurance	\$ 197,957
Prepaid contracts	21,538
Unbilled services	19,046
Other	<u>18,883</u>
	<u><u>\$ 257,424</u></u>

Note G - 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 \$1,082,730. The current portion is \$191,070.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note H - Notes and Mortgages Receivable

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	587,712
Five Points II, LP	2,327,136
Five Points III, LP	1,407,879
Five Points IV, LP	2,602,749
Bell Street, LP	5,368,119
Bell Street 3, LP	<u>6,324,910</u>
	<u>\$ 40,544,618</u>

Eastport Development Limited Partnership

KCDC entered into a mixed financing arrangement with Eastport Development, L.P. ("EDLP") for the addition of 60 public housing units as part of The Residences at Eastport II in the Five Points Community in Knoxville, Tennessee. The notes receivable consists of 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; a loan for \$750,000 from PDC and held by PDC. The principal balance of all outstanding loans as of June 30, 2021 was \$5,036,924.

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

	<u>Interest accrual rate</u>	<u>Maturity date</u>
Capital Funds Loan	0% annually	October 1, 2051
A Funds Loan	0% annually	October 1, 2051
C Loan	0% annually	October 1, 2051
Passport Development Corporation Loan	0% annually	October 1, 2051

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, 2021, the principal balance outstanding was \$3,380,948.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note H - Notes and Mortgages Receivable (Continued)

Lonsdale, LP (Continued)

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, 2021, the principal balance outstanding was \$2,940,372.

KCDC obtained a \$319,521 note payable from Lonsdale, LP ("KCDC Reserves Loan") pursuant to the loan agreement, dated August 25, 2017. The note bore no interest through January 31, 2019. Beginning February 1, 2019, the note bears interest at 2.82% per annum. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2021, the principal balance outstanding was \$319,521.

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 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 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, 2021, the principal balance outstanding was \$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 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 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, 2021, the principal balance outstanding was \$2,057,050.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note H - Notes and Mortgages Receivable (Continued)

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, 2021, the principal balance outstanding was \$2,128,789.

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, 2021, the principal balance outstanding was \$2,478,979.

KCDC obtained a \$400,000 note payable from Vista at Summit Hill, LP ("KCDC Reserves Loan") pursuant to the loan agreement, dated August 25, 2017. The note bears no interest until January 31, 2019. Beginning February 1, 2019, the note bears interest at 2.82% per annum. Payments of principal and interest are required annually on the anniversary of the funding date, as defined, in an amount sufficient to fully amortize the outstanding principal balance of the note payable, at a fixed rate, over a period of 40 years. The entire principal shall be due and payable in full on January 31, 2059. Notwithstanding the foregoing, the Partnership shall make payments of accrued interest and principal from time to time solely from net cash flow, as defined, and if there is insufficient net cash flow to make any payments, such amounts shall accrue and be paid from future net cash flow. The note is secured by the Property. As of June 30, 2021, the principal balance outstanding was \$400,000.

Five Points I, LP

KCDC obtained a \$734,640 promissory note from Five Points I, LP. The loan, which is secured by the Property, bears interest at 8% per year, as defined in the promissory note. The entire principal balance and accrued interest is due on the maturity date of May 1, 2033. The loan shall be payable from available cash flow. As of June 30, 2021, the principal balance outstanding was \$587,712.

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, 2021, the principal balance outstanding was \$1,291,177.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note H - 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, 2021, the principal balance outstanding was \$1,035,959.

Five Points III, LP

KCDC obtained a \$661,556 promissory note from Five Points III, LP dated April 12, 2018. The principal balance of this Note, which is secured by the property, shall bear interest from the date of this Note until January 31, 2020 at the rate of 0% per annum. From and after February 1, 2020, the principal balance of this Note shall bear interest at a rate of 3.04% per annum. On the Maturity Date, January 31, 2050, the entire outstanding principal balance advanced under this Promissory Note, together with accrued but unpaid interest thereon, will be due and payable in full. Notwithstanding the foregoing, Five Points III, LP shall make payments of accrued interest and principal from time to time solely from Cash Flow. As of June 30, 2021, the principal balance outstanding was \$124,825.

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, 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, 2021, the principal balance outstanding was \$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 and 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, 2021, the principal balance outstanding is equal to the amount of draws to date, totaling \$283,054.

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, 2021, the principal balance outstanding was \$2,602,749.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note H - Notes and Mortgages Receivable (Continued)

Bell Street , LP

KCDC obtained a \$5,368,119 promissory note from Bell Street, LP, dated July 15, 2020. The principal balance of this note, which is secured by the property, shall bear interest at a fixed rate of 0% until December 31, 2021. From and after January 1, 2022, the principal balance of this note shall bear interest at the rate equal to the Applied Federal Rate as of the date of the note per annum. Equal installments of principal plus interest are due annually on the anniversary of the funding date over a period of thirty years with a maturity date of July 15, 2060. Notwithstanding the foregoing, Bell Street, LP shall make payments of accrued interest and principal from time to time solely from net cash flow. If there is insufficient net cash flow to make any payment under the note, such amounts shall accrue and be paid from future years net cash flow. On the maturity date, the entire outstanding principal balance advanced under this note, together with all accrued and unpaid interest will be due and payable in full. As of June 30, 2021, the principal balance outstanding was \$5,368,119.

Bell Street 3, LP

KCDC obtained a \$6,324,911 promissory note from Bell Street 3, LP, dated June 22, 2021. The principal balance of this note, which is secured by the property, shall bear interest at a fixed rate of 1%. Equal installments of principal plus interest are due annually on the anniversary of the funding date over a period of forty years with a maturity date of June 22, 2061. Notwithstanding the foregoing, Bell Street 3, LP shall make payments of accrued interest and principal from time to time solely from net cash flow. If there is insufficient net cash flow to make any payment under the note, such amounts shall accrue and be paid from future years net cash flow. On the maturity date, the entire outstanding principal balance advanced under this note, together with all accrued and unpaid interest will be due and payable in full. As of June 30, 2021, the principal balance outstanding was \$6,324,910.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note I - Land, Buildings, and Equipment

	Balance 7/1/2020 (restated)	Additions	Disposals	Transfers	Balance 06/30/21
Nondepreciable					
Land	\$ 4,567,443	\$ -	\$ -	\$ 3,855,764	\$ 8,423,207
Infrastructure	-	-	-	3,834,275	3,834,275
Construction in progress	31,426,115	15,945,137	(2,280,258)	(21,667,836)	23,423,158
Total nondepreciable	35,993,558	15,945,137	(2,280,258)	(13,977,797)	35,680,640
Depreciable					
Buildings & improvements	145,333,480	-	-	13,932,585	159,266,065
Accumulated depreciation	(122,541,566)	(4,610,254)	-	-	(127,151,820)
Net buildings & improvements	22,791,914	(4,610,254)	-	13,932,585	32,114,245
Equipment	1,830,269	313,648	(264,063)	45,212	1,925,066
Accumulated depreciation	(1,269,527)	(120,113)	264,063	-	(1,125,577)
Net equipment	560,742	193,535	-	45,212	799,489
Net depreciable assets	23,352,656	(4,416,719)	-	13,977,797	32,913,734
Total	<u>\$ 59,346,214</u>	<u>\$ 11,528,418</u>	<u>\$ (2,280,258)</u>	<u>\$ -</u>	<u>\$ 68,594,374</u>

Note J - Due to Other Governments

Payments in lieu of taxes (local governments)	\$ 93,797
Due to HUD	14,495
	<u>\$ 108,292</u>

Note K - Unearned Revenue

Section 8 emergency housing assistance payments	\$ 135,450
Cable provider marketing share revenue	75,249
TIF overpayment	51,964
HCV administration fees	51,228
Local government redevelopment activities	43,520
Tenant prepaid rents	29,211
Resident association funds	19,968
Other	15,080
	<u>\$ 421,670</u>

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note L - Notes Payable

KCDC is indebted to various lenders as follows:

Reference	Interest expense	Current debt	Noncurrent debt	Total debt	Accrued interest
1	\$ 28,832	\$ 116,180	\$ 810,428	\$ 926,608	\$ 1,186
2	51,057	965,142	-	965,142	24,128
3	50,526	1,026,414	-	1,026,414	2,353
4	-	-	248,699	248,699	-
5	15,835	52,733	265,521	318,254	1,691
6	-	74,000	1,739,000	1,813,000	-
7	-	-	4,300,000	4,300,000	-
8	-	-	2,850,000	2,850,000	-
9	444,192	161,631	10,600,676	10,762,307	36,771
10	-	60,000	1,140,000	1,200,000	-
11	172,477	224,182	11,683,977	11,908,159	23,717
	<u>\$ 762,919</u>	<u>\$ 2,680,282</u>	<u>\$ 33,638,301</u>	<u>\$ 36,318,583</u>	<u>\$ 89,846</u>

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

- Truist:** On April 15, 2004, KCDC issued a promissory note to SunTrust Bank (now Truist) in the amount of \$2,470,155. The proceeds were utilized to reimburse KCDC for construction of a Head Start building to provide preschool education for qualified low-income eligible children. The note was paid in full 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, 2021 is \$926,608.
- Capital One:** On December 18, 2015, KCDC entered into a loan agreement with Capital One Public Funding, LLC to for payment of the remaining 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 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, 2021 is \$965,142. All amounts due are classified as current as KCDC intends to repay this note in fiscal year 2022.
- 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 RAD, extinguishment of this debt has been accelerated in proportion to the property transitions under RAD. All amounts due are classified as current as KCDC intends to repay this note in fiscal year 2022. As of June 30, 2021, KCDC has an outstanding balance of \$1,026,414.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note L - Notes Payable (Continued)

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, 2021 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, 2021 is \$318,254.
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 less than 0% and not higher than 9%) as detailed in the loan documents. The outstanding balance as of June 30, 2021 is \$1,813,000.
7. **Home Federal:** On October 1, 2020, KCDC entered into a Construction and Term Loan Agreement with Home Federal Bank of Tennessee for mortgage financing of a 249-unit senior housing complex. The face amount of the loan agreement is \$4,300,000 and all amounts have been drawn as of June 30, 2021. Interest shall be calculated at the prime rate, (but not less than 4% and not higher than 9%) as detailed in the loan documents. The outstanding balance as of June 30, 2021 is \$4,300,000. This loan is classified as current as it will be converted to permanent financing.
8. **Home Federal:** On October 1, 2020, KCDC entered into a Construction and Term Loan Agreement with Home Federal Bank of Tennessee for mortgage financing of a 236-unit senior housing complex. The face amount of the loan agreement is \$2,850,000 and all amounts have been drawn as of June 30, 2021. Interest shall be calculated at the adjusted interest rate (Prime less 4%, but not less than 0% and not higher than 9%) as detailed in the loan documents. The outstanding balance as of June 30, 2021 is \$2,850,000.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note L - Notes Payable (Continued)

9. **Walker & Dunlop, LLC:** 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, 2021 is \$10,762,307.
10. **City of Knoxville:** On December 26, 2018, KCDC entered into a deferred payment loan with the City of Knoxville in the amount of \$1,200,000 for the development of 53 units of affordable housing on Clifton Road and Chillicothe Street in Knoxville. This loan will be forgiven over a twenty-year period beginning in fiscal year 2022 (\$60,000 per year) provided that KCDC complies with all terms of the agreement. The outstanding balance as of June 30, 2021 is \$1,200,000.
11. **Walker & Dunlop, LLC:** On December 1, 2020, Cagle Terrace Corporation issued a note payable to Walker & Dunlop, LLC in the amount of \$12,000,000 for the rehabilitation of a 212 unit rental assisted affordable housing complex under HUD's RAD program. The note is payable in monthly installments of \$42,195, which include principal and interest of 2.39% per annum. The outstanding balance as of June 30, 2021 is \$11,908,159.

Debt amortization is as follows:

	<u>Truist</u>	<u>Capital One</u>	<u>PNC</u>	<u>HUD</u>	<u>First Horizon</u>	<u>Home Federal</u>
2022	\$ 116,180	\$ 965,142	\$ 1,026,414	\$ -	\$ 52,733	\$ 74,000
2023	119,618	-	-	-	57,517	74,000
2024	123,158	-	-	-	60,227	74,000
2025	126,802	-	-	248,699	63,053	74,000
2026	130,555	-	-	-	66,036	74,000
2027-2031	310,295	-	-	-	18,688	370,000
2032-2036	-	-	-	-	-	1,073,000
	<u>\$ 926,608</u>	<u>\$ 965,142</u>	<u>\$ 1,026,414</u>	<u>\$ 248,699</u>	<u>\$ 318,254</u>	<u>\$ 1,813,000</u>
	<u>Home Federal</u>	<u>Home Federal</u>	<u>Walker Dunlop</u>	<u>City of Knoxville</u>	<u>Walker Dunlop</u>	<u>Total</u>
2022	\$ -	\$ -	\$ 161,631	\$ 60,000	\$ 224,182	\$ 2,680,282
2023	189,745	125,761	168,383	60,000	229,599	1,024,623
2024	284,854	188,799	175,418	60,000	235,147	1,201,603
2025	285,139	188,988	182,747	60,000	240,829	1,470,257
2026	285,425	189,177	190,382	60,000	246,649	1,242,224
2027-2031	1,431,412	948,726	1,078,080	300,000	1,325,575	5,782,776
2032-2036	1,438,586	953,482	1,322,908	300,000	1,493,657	6,581,633
2037-2041	384,839	255,067	1,623,335	300,000	1,683,052	4,246,293
2042-2046	-	-	1,992,988	-	1,896,462	3,889,450
2047-2051	-	-	2,444,361	-	2,136,932	4,581,293
2052-2056	-	-	1,422,074	-	2,196,075	3,618,149
	<u>\$ 4,300,000</u>	<u>\$ 2,850,000</u>	<u>\$ 10,762,307</u>	<u>\$ 1,200,000</u>	<u>\$ 11,908,159</u>	<u>\$36,318,583</u>

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note L - Notes Payable (Continued)

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, 2021 which have been issued by KCDC:

TIF project	Redevelopment plan area	TIF note approval date	TIF amount	June 30, 2021 balance	Project total
1 Fire St Lofts	Jackson/Depot	2/17/2005	\$1,100,000	\$ -	\$6,400,000
2 Commerce Bldg	Jackson/Depot	1/20/2006	735,000	225,349	6,100,000
3 Burwell Bldg	Gay Street	3/8/2006	855,796	34,196	7,450,000
4 Holston Bldg	Gay Street	9/30/2010	1,600,000	214,420	13,725,000
5 Candy Factory	World's Fair Park	3/31/2006	1,400,000	-	11,696,000
6 City View	Old Knoxville Glove Factory	9/21/2006	2,800,000	639,454	27,550,330
7 Mast General	Gay Street	8/3/2007	1,441,802	592,639	6,401,000
8 Crimson Inferno	Gay Street	6/20/2007	350,000	-	4,912,572
	Downtown North/I 275				
9 N Central Village	Corridor	6/26/2007	200,000	62,069	2,031,639
10 Jacksonian	Jackson/Depot	11/30/2010	240,000	-	4,174,256
11 Brownlow School	Brownlow School	9/12/2008	542,284	114,109	5,450,000
12 JFG Bldg	Jackson/Depot	4/14/2008	810,000	147,471	7,560,000
13 SE Glass Bldg	Jackson/Depot	5/27/2009	460,123	152,025	4,103,976
14 500 Block	Gay Street	9/12/2008	812,500	182,517	4,908,189
15 S Knox Waterfront	South Waterfront	12/31/2008	20,000,000	17,714,048	139,000,000
	Downtown North/ 275				
16 5th Ave	Corridor	11/13/2009	356,000	119,269	3,734,762
	Central Business District				
17 Daylight Bldg	West	10/1/2009	959,000	428,607	6,745,000
18 Landings Ph1	Northside Waterfront	2/17/2010	1,500,000	893,989	28,240,321
19 Harold's Bldg	Jackson/Depot	4/15/2010	129,000	38,739	847,866
20 Arnstein Bldg	Historic Market Square	12/20/2011	1,145,000	388,551	8,515,000
21 University Commons	University Commons	12/21/2012	10,000,000	7,686,105	62,000,000
22 Landings Ph2	Northside Waterfront	12/31/2012	715,000	491,734	See item 18
23 JC Penney Bldg	Gay Street	11/14/2013	1,150,000	758,380	7,361,000
24 Magnolia Urban Village	Jackson/Depot	8/4/2014	225,000	117,269	2,100,000
	Magnolia Avenue Warehouse				
25 Next Step Development	District	12/1/2015	539,000	438,332	4,792,939
	Central Business District				
26 MEWS2	West	6/23/2016	350,000	315,291	3,480,000
27 Tombras	Gay Street	6/30/2016	1,650,000	1,424,338	9,700,000
28 Riverwalk	South Waterfront	12/29/2016	22,000,000	13,124,037	139,000,000
29 Regas Bldg	Jackson/Depot	1/27/2017	4,950,000	4,428,947	35,101,798

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note M - Other Liabilities

	<u>Current</u>	<u>Long term</u>
FSS participant escrows	\$ 58,060	\$ 59,149
Contract retainage	21,935	-
Tenant refunds	5,545	-
	<u>\$ 85,540</u>	<u>\$ 59,149</u>

Note N - Accrued Liabilities Other

Utilities	\$ 347,269
Purchase card	50,775
Energy performance contract	24,995
	<u>\$ 423,039</u>

Note O - Schedule of Changes in Noncurrent Liabilities

	<u>Balance at 06/30/20 (as restated)</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at 06/30/21</u>
Notes payable	\$15,927,411	\$20,517,727	\$(2,806,837)	\$33,638,301
Compensated absences	2,019,254	505,564	(425,607)	2,099,211
Other long term liabilities	164,578	-	(105,429)	59,149
	<u>\$18,111,243</u>	<u>\$21,023,291</u>	<u>\$(3,337,873)</u>	<u>\$35,796,661</u>

Note P - 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, 2021 were \$4,239,567. HUD also contributed additional funds through the Capital fund for modernization and operations in the amount of \$1,753,923.

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
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note P - Annual Contributions by Federal Agencies (Continued)

HUD Section 8 contributions for the year ended June 30, 2021 were as follows:

Housing choice vouchers cluster	\$ 25,839,515
Section 8 project-based special allocations (multi-family)	8,241,496
Other section 8 programs	<u>526,060</u>
	<u>\$ 34,607,071</u>

Other Federal Revenue - Other federal revenues for the year ended June 30, 2021 are reported on the Schedule of expenditures of Federal Awards schedule contained in this report.

Note Q - Defined 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 5 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 2021 was \$8,104,946. Payroll covered by the pension plan was \$6,801,901. KCDC made the required contributions amounting to \$774,123, and employees made elective contributions of \$22,610.

Note R - Post-employment Health Plan Benefits

KCDC provides for the accumulation of tax-free monies to be used for health-related costs in a benefit plan known as the "Post Employment Health Plan" ("PEHP") administered by Nationwide. The Plan is an agent multiple employer defined benefit other post-employment benefit ("OPEB") plan.

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

KCDC funds the PEHP program in a fixed amount per month per participant and has met all financial obligations of the PEHP. Additionally, KCDC has accrued a liability for PEHP which relate to sick leave conversions which may become available in the future. The employees do not contribute to this plan.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note S - Economic Dependency

KCDC receives approximately 67% of its revenue from HUD. If the amount of revenues received from HUD falls below critical levels, KCDC's reserves could be adversely affected.

Note T - 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.

Note U - 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.

Note V - 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 \$14,666,270 remaining until completion.

Note W - 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.

Note X - 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
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note Y - 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, 2021 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
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note Z - Prior Period Adjustment

During the year ended June 30, 2021, a prior period adjustment was recorded to reflect additional receivables, record donated land, and record a forgivable loan as of June 30, 2020, Amounts were restated as noted below:

	As originally stated	Prior period adjustment	As restated
Capital assets, net	\$58,946,214	\$ 400,000	\$59,346,214
Receivables and other assets	736,480	135,926	872,406
Notes and bonds payable	19,758,255	1,200,000	20,958,255
	<u>\$79,440,949</u>	<u>\$(664,074)</u>	<u>\$81,176,875</u>

Note AA - 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 KDDC 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.

Note BB - Recent Accounting Pronouncements

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The provisions of this Statement are effective for fiscal years beginning after December 15, 2020. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

KCDC implemented this standard in fiscal year ended June 30, 2021 with no impact on beginning net position. Interest incurred during construction in progress of \$165,159 was expensed as of June 30, 2021 and included in interest expense on the accompanying statement of revenues, expenses and changes in net position.

In June 2017, the GASB issued Statement No. 87, *Leases*. The provisions of this Statement are effective for fiscal years beginning after June 15, 2021. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. KCDC is currently in the process of evaluating this standard and as such cannot estimate any potential impact on net position.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This Statement defines an SBITA, establishes that a SBITA results in a right-to-use subscription intangible asset and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments and requires note disclosures regarding an SBITA. The standards for SBITAs are based on the standards established in Statement No. 87 - *Leases*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. KCDC is currently in the process of evaluating this standard and as such cannot estimate any potential impact on net position.

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note CC - Blended Component Units

	Primary Government Excluding Blended Component Unit	Knoxville Housing Development Corporation	Passport Development Corporation	Five Points Corporation	Five Points II	Five Points III	Five Points IV	Townview Towers	Young High GP Corp	Hollywood GP Corp	Moss Grove GP Corp	Passport Homes Corporation	Family Investment Foundation	Bell Street Corp	Cagle Corporation	Montgomery Village Corporation	Combined Blended Component Unit and Primary Government
Assets																	
Current assets	\$ 34,576,838	\$ 2,136,417	\$ 180	\$ 502	\$ 502	\$ 500	\$ 1,500	\$ -	\$ (116)	\$ (231)	\$ (27)	\$ 2,412,070	\$ 22,872	\$ 418,997	\$ 12,197,183	\$ 6,687,998	\$ 58,455,185
Capital assets, net	37,653,571	19,513,587	-	-	-	-	-	-	-	-	-	-	-	-	1,175,146	10,252,070	68,594,374
Noncurrent assets	1,012,520	11,821,681	4,921,158	616,300	2,833,122	1,436,751	2,698,189	-	(1,450)	-	(28)	18,303,414	-	60,050	-	10,161	43,711,868
Total assets	73,242,929	33,471,685	4,921,338	616,802	2,833,624	1,437,251	2,699,689	-	(1,566)	(231)	(55)	20,715,484	22,872	479,047	13,372,329	16,950,229	170,761,427
Deferred outflows of resources																	
Total assets and deferred outflows of resources	\$ 73,242,929	\$ 33,471,685	\$ 4,921,338	\$ 616,802	\$ 2,833,624	\$ 1,437,251	\$ 2,699,689	\$ -	\$ (1,566)	\$ (231)	\$ (55)	\$ 20,715,484	\$ 22,872	\$ 479,047	\$ 13,372,329	\$ 16,950,229	\$ 170,761,427
Liabilities																	
Current liabilities	4,558,449	934,076	-	-	-	-	-	-	-	-	-	-	-	-	1,021,067	303,861	6,817,453
Noncurrent liabilities	9,375,065	3,975,313	-	-	-	-	-	-	-	-	-	-	-	-	11,683,976	10,762,307	35,796,661
Total liabilities	13,933,514	4,909,389	-	-	-	-	-	-	-	-	-	-	-	-	12,705,043	11,066,168	42,614,114
Deferred inflows of resources																	
Total liabilities and deferred inflows of resources	13,933,514	4,909,389	-	-	-	-	-	-	-	-	-	-	-	-	12,705,043	11,066,168	42,614,114
Net position																	
Net investment in capital assets	36,837,231	15,255,726	-	-	-	-	-	-	-	-	-	-	-	60,050	(97,580)	3,188,341	55,243,768
Restricted by program requirements	4,512,890	24,405	-	-	-	-	-	-	-	-	-	-	-	-	682,319	1,145,764	6,365,378
Unrestricted net position (deficit)	17,959,294	13,282,165	4,921,338	616,802	2,833,624	1,437,251	2,699,689	-	(1,566)	(231)	(55)	20,715,484	22,872	418,997	82,547	1,549,956	66,538,167
Total net position	\$ 59,309,415	\$ 28,562,296	\$ 4,921,338	\$ 616,802	\$ 2,833,624	\$ 1,437,251	\$ 2,699,689	\$ -	\$ (1,566)	\$ (231)	\$ (55)	\$ 20,715,484	\$ 22,872	\$ 479,047	\$ 667,286	\$ 5,884,061	\$ 128,147,313

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note CC - Blended Component Units (Continued)

	Primary Government Excluding Blended Component Unit	Knoxville Housing Development Corporation	Passport Development Corporation	5 Points Corporation	5 Points II	5 Points III	Five Points IV	Townview Towers	Young High GP Corp	Hollywood GP Corp	Moss Grove GP Corp	Passport Homes Corporation	Family Investment Foundation	Bell Street Corp	Cagle Corporation	Montgomery Village Corporation	Combined Blended Component Unit and Primary Government
Operating revenues																	
Operating revenues	\$ 51,103,353	\$ 878,502	\$ -	\$ -	\$ -	\$ -	\$ 413,703	\$ 2,562,139	\$ -	\$ -	\$ -	\$ 518,243	\$ 17,828	\$ 797,497	\$ 1,374,387	\$ 2,946,925	\$ 60,612,577
Operating expenses	45,659,144	840,106	182	89	257	96	216,010	90	1,562	112	48	262,769	7,570	318,268	806,240	3,371,387	51,483,930
Operating income (loss)	5,444,209	38,396	(182)	(89)	(257)	(96)	197,693	2,562,049	(1,562)	(112)	(48)	255,474	10,258	479,229	568,147	(424,462)	9,128,647
Non-operating revenues (expenses)	(168,884)	54,550	1	51,253	216,002	71,371	95,765	-	-	-	-	476,905	29	-	99,139	(457,577)	438,554
Capital contributions	1,364,741	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,364,741
Transfers from (to) other programs or entities	966,288	1,574,570	-	(170,417)	282	(591,271)	1,097,642	(2,667,109)	-	-	-	-	(10,388)	-	-	(199,597)	-
Special items	(239,322)	(3,600,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,839,322)
Increase (decrease) in net position	7,367,032	(1,932,484)	(181)	(119,253)	216,027	(519,996)	1,391,100	(105,060)	(1,562)	(112)	(48)	732,379	(101)	479,229	667,266	(1,081,636)	7,092,620
Net position, beginning of year	51,657,437	31,294,780	4,921,519	736,055	2,617,597	1,957,247	1,308,589	105,060	(4)	(119)	(7)	19,983,105	22,973	(182)	(20)	7,114,737	121,718,767
Prior period adjustment	284,966	(800,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	(149,040)	(664,074)
Net position, end of year	\$ 59,309,435	\$ 28,562,296	\$ 4,921,338	\$ 616,802	\$ 2,833,624	\$ 1,437,251	\$ 2,699,689	\$ -	\$ (1,566)	\$ (231)	\$ (55)	\$ 20,715,484	\$ 22,872	\$ 479,047	\$ 667,266	\$ 5,884,061	\$ 128,147,313

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note DD - Discretely Presented Component Units

	<u>Lonsdale</u>	<u>North Ridge</u>	<u>Vista</u>	<u>Eastport</u>	<u>Five Points I</u>	<u>Five Points II</u>	<u>Five Points III</u>	<u>Five Points IV</u>	<u>Total</u>
Assets									
Current assets	\$ 1,863,699	\$ 1,059,098	\$ 1,231,112	\$ 447,133	\$ 829,653	\$ 595,365	\$ 985,082	\$ 840,806	\$ 7,851,948
Capital assets, net	15,158,265	17,102,571	10,913,374	6,917,755	9,152,221	14,114,879	14,481,661	17,317,089	105,157,815
Noncurrent assets	<u>1,368,991</u>	<u>824,444</u>	<u>972,723</u>	<u>23,800</u>	<u>91,775</u>	<u>99,110</u>	<u>203,645</u>	<u>197,632</u>	<u>3,782,120</u>
Total assets	18,390,955	18,986,113	13,117,209	7,388,688	10,073,649	14,809,354	15,670,388	18,355,527	116,791,883
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 18,390,955</u>	<u>\$ 18,986,113</u>	<u>\$ 13,117,209</u>	<u>\$ 7,388,688</u>	<u>\$ 10,073,649</u>	<u>\$ 14,809,354</u>	<u>\$ 15,670,388</u>	<u>\$ 18,355,527</u>	<u>\$ 116,791,883</u>
Liabilities									
Current liabilities	229,807	2,283,045	595,615	32,483	138,598	473,926	3,310,799	16,489,009	23,553,282
Noncurrent liabilities	<u>14,270,131</u>	<u>12,148,346</u>	<u>9,882,677</u>	<u>5,036,924</u>	<u>636,688</u>	<u>5,784,887</u>	<u>1,283,054</u>	<u>1,032,260</u>	<u>50,074,967</u>
Total liabilities	14,499,938	14,431,391	10,478,292	5,069,407	775,286	6,258,813	4,593,853	17,521,269	73,628,249
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	14,499,938	14,431,391	10,478,292	5,069,407	775,286	6,258,813	4,593,853	17,521,269	73,628,249
Net position									
Net investment in capital assets	2,909,801	5,778,669	2,003,420	1,952,540	8,607,308	8,072,785	10,202,497	1,982,461	41,509,481
Restricted by program requirements	1,149,524	748,733	786,906	384,793	332,457	405,770	306,228	383,474	4,497,885
Unrestricted net position (deficit)	<u>(168,308)</u>	<u>(1,972,680)</u>	<u>(151,409)</u>	<u>(18,052)</u>	<u>358,598</u>	<u>71,986</u>	<u>567,810</u>	<u>(1,531,677)</u>	<u>(2,843,732)</u>
Total net position	<u>\$ 3,891,017</u>	<u>\$ 4,554,722</u>	<u>\$ 2,638,917</u>	<u>\$ 2,319,281</u>	<u>\$ 9,298,363</u>	<u>\$ 8,550,541</u>	<u>\$ 11,076,535</u>	<u>\$ 834,258</u>	<u>\$ 43,163,634</u>

Knoxville's Community Development Corporation
Notes to Financial Statements (Continued)
Year Ended June 30, 2021

Note DD - Discretely Presented Component Units (Continued)

	<u>Lonsdale</u>	<u>North Ridge</u>	<u>Vista</u>	<u>Eastport</u>	<u>Five Points I</u>	<u>Five Points II</u>	<u>Five Points III</u>	<u>Five Points IV</u>	<u>Total</u>
Operating revenues									
Tenant revenue, net of bad debts of \$207,412	\$ 396,262	\$ 667,109	\$ 321,317	\$ 213,010	\$ 282,489	\$ 122,911	\$ 105,350	\$ 53,938	\$ 2,162,386
Other government grants	1,393,817	1,342,220	951,192	216,977	450,933	534,900	480,756	297,090	5,667,885
Other revenue	184,541	15,642	352,221	1,526	4,393				558,323
Total operating revenues	1,974,620	2,024,971	1,624,730	431,513	737,815	657,811	586,106	351,028	8,388,594
Operating expenses									
Administrative	413,028	501,991	272,737	117,878	279,102	147,821	142,766	76,419	1,951,742
Tenant service	1,274	26,772	762	7,298	26,341	9,217	8,778	3,898	84,340
Utilities	22,548	301,830	177,826	102,991	140,800	130,168	127,744	55,205	1,059,112
Maintenance	476,229	366,522	217,209	142,142	125,319	160,318	123,724	59,496	1,670,959
Protective services	44,009	45,593	29,551	10,132	15,267	14,231	13,509	-	172,292
Insurance	113,781	119,704	63,218	22,492	35,932	51,559	89,323	33,325	529,334
General expense	80,045	109,748	42,695	(316)	22,325	11,146	7,410	45,779	318,832
Depreciation and amortization	501,594	555,634	392,147	274,175	277,972	450,344	441,179	341,843	3,234,888
Total operating expenses	1,652,508	2,027,794	1,196,145	676,792	923,058	974,804	954,433	615,965	9,021,499
Net operating (loss) income	322,112	(2,823)	428,585	(245,279)	(185,243)	(316,993)	(368,327)	(264,937)	(632,905)
Nonoperating revenues (expenses)									
Interest income - unrestricted	665	-	459	401	-	-	-	488	2,013
Interest income - restricted	16,835	20,090	11,652	341	453	183	306	84	49,944
Interest expense	(540,730)	(501,461)	(388,536)	-	(49,824)	(204,629)	(66,858)	(26,049)	(1,778,087)
Fraud recovery	12,977	4,174	-	-	-	3,336	-	-	20,487
Special Item	-	-	-	21,710	-	-	-	-	21,710
Other nonoperating revenue (expense)	(31,731)	(9,394)	(25,261)	-	-	-	(8,339)	-	(74,725)
Total nonoperating expense, net	(541,984)	(486,591)	(401,686)	22,452	(49,371)	(201,110)	(74,891)	(25,477)	(1,758,658)
Net (loss) income before capital contributor	(219,872)	(489,414)	26,899	(222,827)	(234,614)	(518,103)	(443,218)	(290,414)	(2,391,563)
Partner contributions	-	-	-	-	-	-	9,375,165	1,124,672	10,499,837
Changes in net position	(219,872)	(489,414)	26,899	(222,827)	(234,614)	(518,103)	8,931,947	834,258	8,108,274
Net position, beginning of year	4,110,889	5,044,136	2,612,018	2,542,108	9,532,977	9,068,644	2,144,588	-	35,055,360
Prior period adjustment	-	-	-	-	-	-	-	-	-
Net position, end of year	\$ 3,891,017	\$ 4,554,722	\$ 2,638,917	\$ 2,319,281	\$ 9,298,363	\$ 8,550,541	\$ 11,076,535	\$ 834,258	\$ 43,163,634

Supplemental Information

Knoxville's Community Development Corp. (TN003)
KNOXVILLE, TN
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

346	Accrued Liabilities - Other	\$147,115	\$0	\$0	\$0	\$0	\$125,331	\$0	\$50,775	\$0	\$3,972,414	\$91,099	\$0			\$0	\$8,719	\$4,395,453		\$4,395,453		
347	Inter Program - Due To	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$466,937	\$0	\$29,507		\$0	\$0	\$496,444	-\$496,444	\$0		
348	Loan Liability - Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$264,196	\$0	\$0			\$0	\$0	\$264,196		\$264,196		
310	Total Current Liabilities	\$2,455,963	\$0	\$0	\$0	\$11,206	\$1,446,228	\$0	\$182,126	\$122,327	\$24,205,958	\$2,279,216	\$180,896	\$0	\$135,450	\$29,507	\$0	\$17,125	\$453,853	\$31,519,855	-\$496,444	\$31,023,411
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$0	\$0	\$0	\$0	\$7,398,699	\$0	\$0	\$0	\$32,373,441	\$26,239,602				\$0	\$0	\$66,011,742		\$66,011,742		
352	Long-term Debt, Net of Current - Operating Borrowings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0				\$0	\$0	\$0		\$0		
353	Non-current Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,048,850	\$0	\$59,158			\$0	\$0	\$17,108,008		\$17,108,008		
354	Accrued Compensated Absences - Non Current	\$188,382	\$0	\$0	\$0	\$0	\$425,154	\$0	\$339,626	\$24,792	\$0	\$161,772	\$101,129			\$0	\$858,347	\$2,099,202		\$2,099,202		
355	Loan Liability - Non Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0				\$0	\$0	\$0		\$0		
356	FASB 5 Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0				\$0	\$0	\$0		\$0		
357	Accrued Pension and OPEB Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0			\$0	\$0	\$0		\$0		
350	Total Non-Current Liabilities	\$188,382	\$0	\$0	\$0	\$0	\$7,823,853	\$0	\$339,626	\$24,792	\$49,422,291	\$26,401,374	\$160,287	\$0	\$0	\$0	\$0	\$858,347	\$85,218,952	\$0	\$85,218,952	
300	Total Liabilities	\$2,644,345	\$0	\$0	\$0	\$11,206	\$9,270,081	\$0	\$521,752	\$147,119	\$73,628,249	\$28,680,590	\$341,183	\$0	\$135,450	\$29,507	\$0	\$17,125	\$1,312,200	\$116,738,807	-\$496,444	\$116,242,363
400	Deferred Inflow of Resources	\$0															\$0	\$0	\$0	\$0	\$0	
508.3	Nonspendable Fund Balance																	\$0				
508.4	Net Investment in Capital Assets	\$9,252,459	\$0	\$0	\$0	\$0	\$18,036,298		\$9,001,491	\$214,400	\$41,509,481	\$18,406,537					\$0	\$332,583	\$96,753,249		\$96,753,249	
509.3	Restricted Fund Balance																	\$0				
510.3	Committed Fund Balance																	\$0				
511.3	Assigned Fund Balance																	\$0				
511.4	Restricted Net Position	\$673,600	\$0	\$0	\$0	\$0	\$3,646,316	\$0	\$0	\$0	\$4,497,885	\$1,852,488	\$192,974				\$0	\$0	\$10,863,263		\$10,863,263	
512.3	Unassigned Fund Balance																	\$0				
512.4	Unrestricted Net Position	\$8,069,835	\$122,386	\$0	\$0	\$0	\$180,653	\$0	\$673,524	\$2,945,795	-\$2,843,732	\$48,578,879	\$2,263,538	\$0	\$0	\$0	\$0	\$155,652	\$3,547,905	\$63,694,435		\$63,694,435
513	Total Equity - Net Assets / Position	\$17,995,894	\$122,386	\$0	\$0	\$0	\$21,863,267	\$0	\$9,675,015	\$3,160,195	\$43,163,634	\$68,837,904	\$2,456,512	\$0	\$0	\$0	\$0	\$155,652	\$3,880,488	\$171,310,947	\$0	\$171,310,947
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$20,640,239	\$122,386	\$0	\$0	\$11,206	\$31,133,348	\$0	\$10,196,767	\$3,307,314	\$116,791,883	\$97,518,494	\$2,797,695	\$0	\$135,450	\$29,507	\$0	\$172,777	\$5,192,688	\$288,049,754	-\$496,444	\$287,553,310

Knoxville's Community Development Corp. (TN003)
 KNOXVILLE, TN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

11650 Leasehold Improvements Purchases	\$0															\$0	\$0	\$0	\$0
11660 Infrastructure Purchases	\$0															\$0	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$311,608															\$0	\$0	\$311,608	\$311,608
13901 Replacement Housing Factor Funds	\$0															\$0	\$0	\$0	\$0

Knoxville's Community Development Corp. (TN003)
KNOXVILLE, TN
Project Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2021

300 Total Liabilities	\$1,035,091	\$0	\$14,761	\$0	\$0	\$1,594,201	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$292	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,644,345
400 Deferred Inflow of Resources	\$0																										\$0
508.4 Net Investment in Capital Assets	\$37,609	\$0	\$0	\$0	\$0	\$8,908,280	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$306,570					\$0	\$0	\$0	\$0	\$9,252,459
511.4 Restricted Net Position	\$255,703	\$0	\$0	\$0	\$0	\$417,897	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0								\$673,600
512.4 Unrestricted Net Position	\$3,567,357	\$0	\$0	\$0	\$0	\$4,471,537	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,941	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,069,835
513 Total Equity - Net Assets / Position	\$3,860,669	\$0	\$0	\$0	\$0	\$13,797,714	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$337,511	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,995,894
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$4,895,760	\$0	\$14,761	\$0	\$0	\$15,391,915	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$337,803	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,640,239

Knoxville's Community Development Corp. (TN003)
KNOXVILLE, TN
Project Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2021

96710 Interest of Mortgage (or Bonds) Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96720 Interest on Notes Payable (Short and Long Term)	\$32,095	\$0	\$12,214	\$0	\$0	\$57,275	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$101,584
96730 Amortization of Bond Issue Costs																											
96700 Total Interest Expense and Amortization Cost	\$32,095	\$0	\$12,214	\$0	\$0	\$57,275	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$101,584
96900 Total Operating Expenses	\$1,518,094	\$0	\$624,618	\$0	\$0	\$2,726,093	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$661	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,869,466
97000 Excess of Operating Revenue over Operating Expenses	\$278,896	\$0	\$176,065	\$0	\$0	\$2,189,179	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,701	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,659,841
97100 Extraordinary Maintenance	\$0	\$0	\$0	\$0	\$0	\$20,820	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,820
97200 Casualty Losses - Non-capitalized	\$2,465	\$0	\$21,329	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,794
97300 Housing Assistance Payments	\$0	\$0	\$131,531	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$131,531
97350 HAP Portability-In	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
97400 Depreciation Expense	\$81,767	\$0	\$89,544	\$0	\$0	\$454,725	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$626,036
97500 Fraud Losses	\$0																										\$0
97600 Capital Outlays - Governmental Funds																											
97700 Debt Principal Payment - Governmental Funds																											
97800 Dwelling Units Rent Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
90000 Total Expenses	\$1,602,326	\$0	\$867,022	\$0	\$0	\$3,201,638	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$661	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,671,647
10010 Operating Transfer In	\$0	\$0	\$38,125	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$38,125
10020 Operating transfer Out	\$0	\$0	(\$38,125)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$38,125)
10030 Operating Transfers from/to Primary Government	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10040 Operating Transfers from/to Component Unit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10050 Proceeds from Notes, Loans and Bonds																											
10060 Proceeds from Property Sales																											
10070 Extraordinary Items, Net Gain/Loss	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10080 Special Items (Net Gain/Loss)	\$0	\$0	(\$797,739)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$797,739)
10091 Inter Project Excess Cash Transfer In	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10092 Inter Project Excess Cash Transfer Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10093 Transfers between Program and Project - In	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10094 Transfers between Program and Project - Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	(\$797,739)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$797,739)
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$194,664	\$0	(\$864,078)	\$0	\$0	\$1,713,634	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,701	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,059,921
11020 Required Annual Debt Principal Payments	\$134,859	\$0	\$980,720	\$0	\$0	\$241,944	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,357,323
11030 Beginning Equity	\$2,497,469	\$0	\$2,032,614	\$0	\$0	\$12,084,081	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$321,810	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,935,974
11040 Prior Period Adjustments, Equity Transfers and	\$1,168,536	\$0	(\$1,168,536)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11050 Changes in Compensated Absence Balance																											
11060 Changes in Contingent Liability Balance																											
11070 Changes in Unrecognized Pension Transition Liability																											
11080 Changes in Special Term/Severance Benefits Liability																											
11090 Changes in Allowance for Doubtful Accounts - Dwelling																											
11100 Changes in Allowance for Doubtful Accounts - Other																											
11170 Administrative Fee Equity																											
11180 Housing Assistance Payments Equity																											
11190 Unit Months Available	3300	0	1385	0	0	4061	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8726
11210 Number of Unit Months Leased	3044	0	1159	0	0	3581	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7784
11270 Excess Cash	\$2,802,953	\$0	(\$52,051)	\$0	\$0	\$3,054,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,886	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,836,121
11610 Land Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11620 Building Purchases	\$17,370	\$0	\$0	\$0	\$0	\$1,281,596	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,298,966
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11650 Leasehold Improvements Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$90,978	\$0	\$36,531	\$0	\$0	\$184,099	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$311,608
13901 Replacement Housing Factor Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Knoxville's Community Development Corporation
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

FEDERAL GRANTOR	CFDA number	Pass through entity	Federal expenditures	Loan balances	Total
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects	14.155		\$ -	\$22,917,453	\$22,917,453
Section 8 Project Based Cluster					
Section 8 Housing Assistance Payments Program- Special Allocations	14.195	N/A	8,243,063	-	8,243,063
Section 8 Moderate Rehabilitation	14.856	N/A	526,060	-	526,060
Housing Choice Voucher Cluster					
Housing Choice Voucher Program	14.871	N/A	24,978,485	-	24,978,485
Mainstream Voucher	14.879	N/A	898,240	-	898,240
Capital Fund Program	14.872	N/A	1,753,923	-	1,753,923
PIH Family Self-Sufficiency Program	14.896	N/A	55,255	-	55,255
Low Rent Public Housing	14.850	N/A	4,239,567	-	4,239,567
HCV CARES Act Funding	14.HCC		2,033,989	-	2,033,989
Mainstream CARES Act Funding	14.MSC		58,508	-	58,508
PH CARES Act Funding	14.PHC		87,266	-	87,266
TOTAL FEDERAL FINANCIAL AWARDS			\$42,874,356	\$22,917,453	\$65,791,809

Knoxville's Community Development Corporation
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Note A - Basis of Accounting

This schedule is prepared on the accrual basis of accounting.

Note 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, 2021.

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.

Note C - Other Matters - Indirect Costs

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

Note D - Reconciliation of Total Federal Awards Expenditures to Financial Data Schedule

Reconciliation of Total Federal Awards Expenditures to Financial Data Schedule

FDS line 70600	HUD PHA Grants	\$	41,509,615
FDS line 70610	Capital Grants		<u>1,364,741</u>
		\$	<u><u>42,874,356</u></u>

Single Audit Section



**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***

To the Board of Commissioners
Knoxville Community Development Corporation

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, 2021, 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 March 22, 2022.

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.

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* (Continued)

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.



Lexington, Kentucky

March 22, 2022

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

To the Board of Commissioners
Knoxville Community Development Corporation

Report on Compliance for Each Major Federal 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, 2021. 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 Federal 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, 2021.

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)**

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.



Lexington, Kentucky
March 22, 2022

**Knoxville Community Development Corporation
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2021**

Section I - Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified not considered to
 be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified not considered to
 be material weaknesses? yes x 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 2 CFR 200.516(a)? yes x no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.850	Low Rent Public Housing
14.155	Federally Guaranteed Loans

Dollar threshold used to distinguish between Type A and Type B programs: \$1,973,745

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

None

Section III Finding - Major Federal Award Programs Audit

None

**Knoxville Community Development Corporation
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021**

No prior year findings.