

WOMEN'S COMMUNITY

REVITALIZATION PROJECT
(A Nonprofit Corporation)

FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2019

Together With

Independent Auditor's Report

WOMEN'S COMMUNITY REVITALIZATION PROJECT

SEPTEMBER 30, 2019

C O N T E N T S

Independent Auditor's Report 1-2

Statement of Financial Position 3

Statement of Activity 4

Statement of Functional Expenses 5

Statement of Cash Flows 6

Notes to Financial Statements 7-21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Women's Community Revitalization Project
Philadelphia, Pennsylvania

Report on the Financial Statements

I have audited the accompanying financial statements of Women's Community Revitalization Project (a Pennsylvania nonprofit corporation) as of September 30, 2019, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Women's Community Revitalization Project as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

A handwritten signature in black ink that reads "Katherine R Conlon CPA". The signature is written in a cursive style and is positioned to the left of a vertical line.

Katherine R. Conlon, CPA
Malvern, Pennsylvania
November 20, 2019

WOMEN'S COMMUNITY REVITALIZATION PROJECT

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2019

ASSETS

CURRENT ASSETS

Cash	\$1,445,581
Accounts receivable, net of allowance	324,908
Grants receivable	52,319
Prepaid expenses	20,466
Deferred project costs	<u>921,957</u>
Total current assets	<u>2,765,231</u>

PROPERTY AND EQUIPMENT, net

194,220

OTHER ASSETS

Deposits	4,981
Investments in partnerships	1,571,751
Notes receivable	<u>1,667,531</u>
Total other assets	<u>3,244,263</u>

 Total assets

\$6,203,714

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 347,836
Accrued expenses	36,554
Accrued payroll and payroll taxes	73,507
Deferred revenue	8,400
Notes payable - short-term	<u>50,000</u>
Total current liabilities	516,297

LONG-TERM LIABILITIES

Notes payable	<u>591,167</u>
Total liabilities	<u>1,107,464</u>

NET ASSETS

Without donor restrictions	
Operating	4,476,658
Board Designated	<u>416,160</u>
Total net assets without donor restrictions	4,892,818
With donor restrictions	<u>203,432</u>
Total net assets	<u>5,096,250</u>
Total liabilities and net assets	<u>\$6,203,714</u>

The accompanying notes are an integral part of this statement.

WOMEN'S COMMUNITY REVITALIZATION PROJECT

STATEMENT OF ACTIVITY

FOR THE YEAR ENDED

SEPTEMBER 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT			
Foundation grants	\$ 150	\$289,500	\$ 289,650
Business contributions	-	10,500	10,500
Government grants	22,705	-	22,705
Individual contributions	30,978	-	30,978
Miscellaneous income	64,259	-	64,259
Total public support	<u>118,092</u>	<u>300,000</u>	<u>418,092</u>
REVENUE			
Rental income	50,400	-	50,400
Investment income	96,707	-	96,707
Professional fees	1,099,874	-	1,099,874
Realized loss on investments	(32,701)	-	(32,701)
Unrealized loss on investments	(12,382)	-	(12,382)
Total revenue	<u>1,201,898</u>	<u>-</u>	<u>1,201,898</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>185,505</u>	<u>(185,505)</u>	<u>-</u>
Total public support and revenue	<u>1,505,495</u>	<u>114,495</u>	<u>1,619,990</u>
EXPENSES			
Outreach	242,610	-	242,610
Rental properties	709,404	-	709,404
Development	599,518	-	599,518
Supportive services	201,565	-	201,565
Administrative	129,412	-	129,412
Fundraising	96,919	-	96,919
Total expenses	<u>1,979,428</u>	<u>-</u>	<u>1,979,428</u>
Change in net assets	(473,933)	114,495	(359,438)
NET ASSETS, beginning of year	<u>5,366,751</u>	<u>88,937</u>	<u>5,455,688</u>
NET ASSETS, end of year	<u>\$4,892,818</u>	<u>\$203,432</u>	<u>\$5,096,250</u>

The accompanying notes are an integral part of this statement.

WOMEN'S COMMUNITY REVITALIZATION PROJECT

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED

SEPTEMBER 30, 2019

	Outreach	Rental Properties	Development	Supportive Services	Total Program Expenses	Administrative	Fundraising	Total Expenses
Salaries and wages	\$137,059	\$436,650	\$187,007	\$114,082	\$ 874,798	\$ 78,319	\$45,853	\$ 998,970
Payroll tax expense	15,551	49,546	21,219	12,945	99,261	8,887	5,203	113,351
Employee benefits	24,421	77,802	33,321	20,327	155,871	13,955	8,170	177,996
Conferences	3,820	2,752	1,216	1,190	8,978	494	289	9,761
Professional fees	1,380	8,622	2,566	1,149	13,717	946	461	15,124
Consultants	28,503	24,395	83,475	12,601	148,974	4,493	28,396	181,863
Occupancy	9,023	28,748	12,312	7,511	57,594	5,156	3,019	65,769
Repairs and maintenance	1,288	4,107	1,758	1,073	8,226	747	432	9,405
Telephone	3,446	10,729	4,531	2,764	21,470	1,896	1,111	24,477
Office supplies	2,709	8,242	3,537	2,153	16,641	1,478	866	18,985
Postage	388	1,235	529	323	2,475	220	130	2,825
Printing	1,327	392	168	102	1,989	71	41	2,101
Advertising	690	175	610	46	1,521	31	18	1,570
Publications/memberships	1,910	3,106	1,330	812	7,158	557	576	8,291
Travel	3,951	5,322	3,063	1,378	13,714	905	529	15,148
Insurance	4,474	14,254	6,105	3,724	28,557	2,556	1,497	32,610
Miscellaneous	303	934	414	252	1,903	8,315	101	10,319
Program supplies	1,690	-	-	18,569	20,259	-	-	20,259
Real estate costs	-	9,494	-	-	9,494	-	-	9,494
Development expenses	-	-	<u>235,433</u>	-	<u>235,433</u>	-	-	<u>235,433</u>
Total expenses before depreciation	241,933	686,505	598,594	201,001	1,728,033	129,026	96,692	1,953,751
Depreciation	<u>677</u>	<u>22,899</u>	<u>924</u>	<u>564</u>	<u>25,064</u>	<u>386</u>	<u>227</u>	<u>25,677</u>
Total expenses	<u>\$242,610</u>	<u>\$709,404</u>	<u>\$599,518</u>	<u>\$201,565</u>	<u>\$1,753,097</u>	<u>\$129,412</u>	<u>\$96,919</u>	<u>\$1,979,428</u>

The accompanying notes are an integral part of this statement.

WOMEN'S COMMUNITY REVITALIZATION PROJECT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

SEPTEMBER 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (359,438)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	25,677
Allowance for doubtful accounts	(36,200)
Allowance for disposition of partnership interest	226,411
Unrealized loss on investments	12,382
Increase in	
Grants receivable	(52,319)
Accounts receivable	(52,878)
Notes receivable	(91,085)
Accounts payable	291,007
Accrued expenses	17,216
Decrease in	
Prepaid expenses	<u>1,835</u>
Net cash used for operating activities	<u>(17,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(1,433)
Deferred project costs	(564,234)
Investment in partnerships	122,247
Investment in marketable securities	<u>447,706</u>
Net cash provided by investing activities	<u>4,286</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from note payable	<u>289,661</u>
Net cash provided by financing activities	<u>289,661</u>
Net increase in cash	276,555
CASH, beginning of year	<u>1,169,026</u>
CASH, end of year	<u>\$1,445,581</u>
SUPPLEMENTAL INFORMATION:	
Interest paid	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

WOMEN'S COMMUNITY REVITALIZATION PROJECT

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(1) PROGRAMS AND ACTIVITIES

(a) Nature of Activities

The Women's Community Revitalization Project (WCRP) was organized as a Pennsylvania nonprofit corporation on April 10, 1987, to improve the housing, economic and social conditions of low-income women and their families, particularly women-headed households living in Eastern North Philadelphia. WCRP develops affordable housing, provides supportive services, and advocates for policy change. The Organization undertakes these projects with a parallel goal of developing the leadership skills of low-income women.

(b) Scattered Site Housing

WCRP's first venture consisted of the acquisition and rehabilitation of eight scattered site units requiring moderate rehabilitation for rental to very low-income tenants with children who were either homeless or at risk of homelessness. During the year ended September 30, 1999, the Board decided to convert these units to homeownership through the City of Philadelphia Homeownership Rehabilitation Program. As of September 30, 2002, all of the properties were sold to low-income families.

(c) Villanueva Townhomes

WCRP developed 24 new rental apartments for the use of low-income families referred to as the Villanueva Townhomes. The project was organized in the form of a limited partnership named Somerset Street Associates. WCRP established a nonprofit corporation, Somerset Housing Corporation, as the 1% general partner in this venture. The equity partner had a 99% limited partnership interest in the project and transferred that interest to WCRP effective on April 30, 2009. As of May 2012, these 24 units were included as part of a preservation project of 77 units known as Tillmon Villanueva Limited Partnership. WCRP has established a .01% general partner in this venture and obtained an equity partner that has a 99.99% limited partner interest in the project, which was completed and fully leased in December 2013.

(1) PROGRAMS AND ACTIVITIES (CONT'D)

(d) Child Care Center Project

WCRP developed a two-story child care center on property adjoining the Villanueva Housing Project. The center is owned by WCRP and leased to an established day care provider. During the year ended September 30, 1995, the organization added a third story to the existing child care facility providing child care for a total of 75 children.

(e) Villanueva Townhomes - Phase II

WCRP developed 30 new rental apartments for the use of low-income families referred to as Villanueva Associates. The project was organized in the form of a limited partnership named Villanueva Associates L.P. WCRP established a nonprofit corporation, Eighth Street Development Corporation, as the 1% general partner in this venture. The equity partner had a 99% limited partnership interest in the project. The first tenants moved in on January 15, 1995. As of May 2012, these 30 units became part of a preservation project of 77 units known as the Tillmon Villanueva Limited Partnership. WCRP has established a .01% general partner in this venture and obtained an equity partner that has a 99.99% limited partner interest in the project, which was completed and fully leased in December 2013.

(f) Johnnie Tillmon Townhouses

WCRP developed 23 new rental units for the use of low-income families referred to as the Johnnie Tillmon Townhouses. This project was organized in the form of a limited partnership named Orianna Street Limited Partnership. WCRP established a nonprofit corporation, Orianna Street, Inc., as the 1% general partner in this venture. The equity partner had a 99% limited partnership interest in the project. The first tenants moved in on November 1, 1997. As of May 2012, these 23 units became part of a preservation project of 77 units known as the Tillmon Villanueva Limited Partnership. WCRP has established a .01% general partner in this venture and obtained an equity partner that has a 99.99% limited partner interest in the project, which was completed and fully leased in December 2013.

(1) PROGRAMS AND ACTIVITIES (CONT'D)

(g) Lillia Crippen Townhomes

WCRP developed 26 new units for the use of low-income families referred to as the Lillia Crippen Townhomes. The project was organized in the form of a limited partnership named Targeted Neighborhood Initiative L.P. WCRP established a nonprofit corporation, Targeted Neighborhood Initiative, Inc., as the .01% general partner in this venture. Women and Families Housing Corporation, a nonprofit wholly controlled by WCRP, has a 99.99% limited partner interest in this project as of August 2014, replacing the tax credit investor. The first tenants moved in June 1999.

(h) Lillia Crippen Townhomes Phase II

WCRP developed 20 units of low-income special needs housing referred to as the Lillia Crippen Townhomes Phase II. This project was organized in the form of a limited partnership named TNI 2 Limited Partnership. WCRP established a nonprofit corporation, TNI 2 Development Corporation, as the .01% general partner in this venture. Women and Families Housing Corporation, a nonprofit wholly controlled by WCRP, has a 99.99% limited partner interest in this project as of January, 2017, replacing the tax credit investor. The first tenants moved in June 1999. The first tenants moved in April 2002.

(i) Karen Donnally Townhouses

WCRP developed 32 units of low-income special needs housing referred to as the Karen Donnally Townhouses. This project was organized in the form of a limited partnership named 4th and Diamond Limited Partnership. WCRP established a nonprofit corporation, 4th and Diamond Development Corporation, as the .01% general partner in this venture. The equity investor has a 99.99% limited partner interest in this project. The first tenants moved in April 2005.

(j) Iris Nydia Brown Townhouses

WCRP developed 12 units of low-income special needs housing referred to as the Iris Nydia Brown Townhouses. This project has been organized in the form of a limited partnership named INB Limited Partnership. WCRP established a nonprofit corporation, INB Development Corporation as the .01% general partner in this venture. The equity investor has a 99.99% limited partner interest in this project. The first tenants moved in November 2005.

(1) PROGRAMS AND ACTIVITIES (CONT'D)

(k) Evelyn Sanders Townhouses Phase I

WCRP developed 40 units of low-income special needs housing referred to as the Evelyn Sanders Townhouses. This project has been organized in the form of a limited partnership named Evelyn Sanders, L.P. WCRP established a nonprofit corporation, Evelyn Sanders Development Corporation as the .01% general partner in this venture. The equity investor has a 99.99% limited partner interest in this project. The first tenants moved in June 2009.

(l) Evelyn Sanders Townhouses Phase II

WCRP developed 31 units of low-income housing referred to as the Evelyn Sanders Townhouses Phase II. This project has been organized in the form of a limited partnership named Evelyn Sanders 2, L.P. WCRP established a nonprofit corporation, Evelyn Sanders 2 G.P., Inc. as the .01% general partner in this venture. The equity investor has a 99.99% limited partner interest in this project. The first tenants moved in February 2011.

(m) Tillmon Villanueva Preservation

In 2011, WCRP was awarded tax credits for substantial capital improvements to its three oldest developments (77 units). As a result, these developments have been organized under a new limited partnership, Tillmon Villanueva Limited Partnership. WCRP established a non-profit corporation, Tillmon Villanueva G.P., Inc., to serve as general partner of Tillmon Villanueva Limited Partnership as the .01% general partner in this venture. The equity investor has a 99.99% limited partner interest in this project. Renovation activities began in May 2012 and was completed. The project was fully leased-up in December 2013.

(n) Grace Townhomes

In 2014, WCRP was awarded tax credits for the construction of Grace Townhomes, 36 units of low-income housing in Port Richmond. The project has been organized in the form of a limited partnership named Grace Townhomes, L.P. WCRP established a nonprofit corporation, Grace G.P., Inc., as the .01% general partner in this venture. The equity investor has a 99.99% limited partner interest in this project. Grace Townhomes, which were fully occupied by November 2016, is WCRP's first Community Justice Land Trust development. The families who are tenants will have the option of buying their unit and becoming homeowners at the end of the tax credit compliance period.

(1) PROGRAMS AND ACTIVITIES (CONT'D)

(o) Nicole Hines Townhomes

WCRP was awarded 2019 low income housing tax credits for the construction of Nicole Hines Townhomes, 35 units of low-income housing in Germantown. Financial closing occurred in August, 2019, and the project is under construction. The project has been organized in the form of a limited partnership named Nicole Hines Townhomes Limited Partnership. WCRP established a nonprofit corporation, Nicole Hines G.P., Inc., as the .01% general partner in this venture. The equity investor has a 99.99% limited partner interest in this project.

(p) Development Services

1. As part of its general oversight of the limited partnerships, in 2002 WCRP assumed complete responsibility for the property management of the rental housing it developed and other real estate it owns.
2. In 2010, the Community Justice Land Trust was created as a program of WCRP to hold land for housing, community gardens and commercial projects to be developed as affordable, sustainable community assets by WCRP or its partners. The land for Grace Townhomes and Nicole Hines Townhomes have been placed into the land trust so that these properties remain permanently affordable.
3. In July of 2019, WCRP was awarded an allocation of 9% low income housing tax credits for development of a 33-home site in Point Breeze to be named Mamie Nichols Townhomes.
4. WCRP continued predevelopment of a 4% tax credit preservation deal for the existing Lillia Crippen and Lillia Crippen Phase 2 developments with the goal of substantial capital improvements to those properties. Financial packaging was completed and rehabilitation is projected to begin by the end of the calendar year.
5. WCRP began predevelopment of five (5) homeownership units in Pt. Breeze to be named the Mamie Nichols Homeownership Development. Financial packaging was completed and construction is scheduled to begin in 2020.

(1) PROGRAMS AND ACTIVITIES (CONT'D)

(p) Development Services (Cont'd)

6. WCRP began predevelopment of a 4% tax credit preservation deal for the existing Karen Donnally and Iris Nydia Brown Townhomes developments with the goal of substantial capital improvements to these properties.

(q) Supportive Services

WCRP has created a Supportive Services program to assist its 276 tenant families with personal, family and economic goals through intensive case management, community building and leadership development activities. Due to the prolonged downturn in the economy, the focus of WCRP's supportive services during the year was on supporting tenants in maintaining their housing stability. In addition, WCRP conducted an analysis of changes in tenant income based on more than 14 years of data. The analysis found that tenant income increases 73% over the first four years in WCRP housing.

(r) Outreach and Advocacy

WCRP believes housing alone cannot revitalize a neighborhood and, to that end, has a community outreach and advocacy component to address the issues and concerns of tenants and residents in the community. To date, the Outreach and Advocacy Team (OAT) has conducted open space and greening activities, including the development of 155 greening projects, and has provided community education and leadership development activities.

In 2000, WCRP implemented its Affordable Housing Campaign, which engaged constituents and other organizations in advocating for increased resources for affordable housing for the city's lowest income families.

In 2009, WCRP worked with a coalition of 15 neighborhood based organizations, "Eastern North Philadelphia Coalition," to develop a neighborhood strategic plan as well as a land use plan. In 2010, the Community Justice Land Trust (see above) was established by the Coalition as a program of WCRP as a strategy to develop vacant land for long term affordability.

(1) PROGRAMS AND ACTIVITIES (CONT'D)

(r) Outreach and Advocacy (Cont'd)

In response to the neighborhood plan's priorities, WCRP convened the Campaign to Take Back Vacant Land, expanding its equitable development work to advocate for the City of Philadelphia to support families and build neighborhoods by transforming its acres of blighted, unused land into quality housing, good jobs and fresh food. Forty seven (47) organizations joined this coalition, which was successful in advocating for the creation of a municipal land bank in Philadelphia. The land bank was signed into law in January, 2014.

In summer 2014, WCRP and partners formed the Philadelphia Coalition for Affordable Communities and, in September, publicly launched the Development without Displacement Campaign. The goal of this campaign is to prevent the displacement of low income residents by successfully advocating for the passage of laws that create new resources for affordable housing and other community uses such as urban agriculture. In October of 2018 the Coalition won \$71M for the City's Housing Trust Fund. Membership of the Coalition stands at 62 at the end of FY 2019.

(s) Strategic Planning

In 2019, WCRP's board approved an update to its 5 year strategic plan for 2015-2019. The new organizational strategic plan guides WCRP's work from 2019 through 2021.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements present only the non-profit operations of WCRP. WCRP has ownership of or controlling interest through stock ownership in the general partners of various for-profit real estate limited partnerships. These financial statements do not include consolidation with those entities.

The organization follows Financial Accounting Standards Board (FASB) ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities to prepare its financial statements in accordance with generally accepted accounting standards. Under ASC No. 958, the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Restricted and Unrestricted Support

The organization follows Financial Accounting Standards Board (FASB) ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, in recording contributions received. Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

(c) Estimates

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

(d) Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activity and in the Statement of Functional Expenses. Accordingly, certain administrative and fundraising costs have been allocated to the programs based on usage.

(e) Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of operations and changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

(f) Supplies

Supplies purchased during the program year are charged as current expenditures and those remaining at the end of the program year are not inventoried.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Contributed Services and Facilities

Certain contributed services and facilities were provided to develop and maintain the programs of WCRP, however, the value of this contributed time and facilities is not reflected in these financial statements since it is not susceptible to objective measurement or evaluation.

(h) Property, Renovations and Depreciation

Property contributed and purchases made during the program year relating to property, renovations to property and equipment over \$500 are capitalized using the appraised value or historical cost basis and are depreciated on the straight line basis over the estimated useful lives of the assets, ranging from 5 to 30 years. Expenditures for maintenance and repairs incurred in the ordinary course of operations are expensed.

The cost of capitalized assets as of September 30, 2019, are as follows:

Land	\$ 53,597
Property and improvements	1,001,705
Equipment and furnishings	<u>51,979</u>
	1,107,281
Less accumulated depreciation	<u>(913,061)</u>
	<u>\$ 194,220</u>

(i) Income Taxes

Women's Community Revitalization Project is a nonprofit WCRP exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions to WCRP as provided by the Internal Revenue Code.

(j) Deferred Project Costs

Management has elected to defer costs related to project predevelopment or revision until the development phase is completed.

(k) Cash

Cash is defined as all cash in bank accounts, money market accounts, and cash on hand for purposes of this statement.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(1) Allowance for Doubtful Accounts

WCRP provides an allowance for accounts receivable balances that may be uncollectible. The allowance is based on management's review and estimate of receivables outstanding at year end. There was no allowance required at September 30, 2019.

(m) Board Designated Reserve

The Board of directors has established a reserve fund to assist in long term financial viability of the organization.

(3) INVESTMENT IN PARTNERSHIPS

WCRP has contributed money to its projects to set up rent subsidy reserves and to finance unfunded development costs, property management expenses and other costs.

The amounts invested in the Partnerships are as follows:

TNI2 Limited Partnership	\$ 226,411
4th & Diamond Development Corporation	51,835
INB Limited Partnership	6,238
Evelyn Sanders, L.P.	708,998
Evelyn Sanders II, L.P.	523,671
Tillmon Villanueva Limited Partnership	165,605
Grace Townhomes	<u>115,404</u>
	<u>\$1,798,162</u>

During the year ended September 30, 2019, an allowance for an uncollectible amount of \$226,411 was established because the investment in TNI2 Limited Partnership will be forgiven when the Crippen Preservation project closes on its permanent financing in the subsequent fiscal year. WCRP will not collect the money when TNI2 Limited Partnership is dissolved, but will contribute it to the new development.

(4) NOTES RECEIVABLE

(a) Note Receivable - Tillmon Villanueva

WCRP provided funding of \$545,152 to Tillmon Villanueva Housing Project in the form of a mortgage note. The note receivable bears interest at 6.5% which accrues annually. Repayment of principal and interest is due on the 30th anniversary of the note. The note is secured by the property. At September 30, 2019, the balance totaled \$869,036, including accrued interest of \$323,884.

(4) NOTES RECEIVABLE (CONT'D)

(b) Note Receivable - 4th & Diamond

WCRP provided funding of \$230,693 to 4th and Diamond L.P. in the form of a mortgage note. The note receivable bears interest at 5.08% which accrues monthly. Principal and interest will be payable in full on the 31st anniversary of the loan closing. The note is secured by the property. At September 30, 2019, the balance totaled \$484,724, including accrued interest of \$254,031.

(c) Note Receivable - INB

WCRP provided funding of \$164,953 to INB Limited Partnership in the form of a mortgage note. The note receivable bears interest at 4.7% which accrues annually. Principal and interest will be payable in full on the 31st anniversary of the loan closing. The note is secured by the property. At September 30, 2019, the balance totaled \$313,771, including accrued interest of \$148,818.

(5) NOTES PAYABLE

(a) Predevelopment Recoverable Grant

WCRP obtained a predevelopment loan in the amount of \$26,684 to finance predevelopment of the Lillia Crippen preservation project. The loan is non-interest bearing and is due in December, 2019. The balance due at September 30, 2019, is \$26,684.

(b) Predevelopment Recoverable Grant

WCRP obtained a predevelopment loan in the amount of \$23,316 to finance predevelopment of the Lillia Crippen preservation project. The loan is non-interest bearing and is due in December, 2019. The balance due at September 30, 2019, is \$23,316.

(c) Predevelopment Notes Payable

WCRP obtained a predevelopment loan in the amount of \$20,986. The funds were to assist WCRP in purchasing property and relocating owners/residents related to Evelyn Sanders, L.P. The note bears no interest and will be forgiven in full on its thirtieth anniversary in October 2037. The balance due at September 30, 2019, is \$20,986.

(5) NOTES PAYABLE (CONT'D)

(d) Predevelopment Notes Payable

WCRP obtained a predevelopment loan in the amount of \$48,029. The funds are to assist WCRP in purchasing property and relocating owners/residents related to Evelyn Sanders, L.P. The note bears no interest and will be forgiven in full on its thirtieth anniversary in April 2038. The balance due at September 30, 2019, is \$48,029.

(e) Predevelopment Notes Payable

During the year ended September 30, 2018, WCRP obtained a predevelopment loan from the Corporation for Supportive Housing (CSH) in the amount of \$500,000. The funds are to assist WCRP with predevelopment costs associated with its two (2) planned developments. The note is non-amortizing and bears interest at 6.125% due in full on its second anniversary. The balance due at September 30, 2019, is \$345,312.

(f) Predevelopment Notes Payable

During the year ended September 30, 2019, WCRP obtained a predevelopment loan from Cinnaire Lending Corporation in the amount of \$200,000. The funds are to assist WCRP with predevelopment of the Lillia Crippen preservation project. The note bears interest at 1.0% which is due quarterly. The balance due at September 30, 2019, is \$104,120.

(g) Predevelopment Notes Payable

During the year ended September 30, 2019, WCRP obtained a predevelopment loan from the Institute for Community Economics (ICE) in the amount of \$145,000. The funds are to assist WCRP with predevelopment of the Mamie Nichols Homeownership Development. The note bears interest at 6.0% which is payable monthly. The balance is due in full on the earlier of December 28, 2019 or loan closing. The balance due at September 30, 2019, is \$72,720.

(6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

Emergency fund	\$ 35,515
Outreach and Advocacy	148,334
Supportive and tenant services	13,333
General operating expenses	<u>6,250</u>
	<u>\$203,432</u>

(7) NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors, as follows:

Emergency fund	\$ 18,417
Outreach and Advocacy	90,667
Supportive and tenant services	33,667
Housing development	3,000
General operating expenses	<u>39,750</u>

\$185,501

(8) REVENUE SOURCES

During the year ended September 30, 2019, WCRP received approximately 66% of its revenue from professional fees, and 20% of its revenue from foundation grants.

WCRP earns fees as a developer of affordable housing opportunities in the multifamily real estate market. Because the development process spans multiple years and is subject to regulatory oversight, professional fees related to these endeavors may not be earned until approximately 3-4 years after the development process begins. Accordingly, WCRP's annual revenue stream from housing fluctuates depending on where they are in the process. During the year ended September 30, 2019, WCRP was in the early stages of developing multiple affordable housing opportunities and incurred expenses that will be offset by earned developer fees in subsequent years as the developments are completed.

(9) FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

The financial transaction that potentially subjects the organization's concentrations of credit risk consists of the organization's placement of temporary cash investments. The organization creates a credit risk by having on deposit with a financial institution funds in excess of federally insured limits. At September 30, 2019, the organization had \$412,151 on deposit in excess of federally insured limits with a financial institution.

(10) PENSION PLAN

WCRP has a pension plan covering employees who meet certain eligibility requirements. WCRP has the option of contributing a percentage of the employee's base pay to the plan. Additionally, WCRP has a 403(b) plan where employees may make payroll contributions which may be tax deferred in accordance with the Internal Revenue Code. All funds contributed are 100% vested in the employee's name. No employer contributions were made for year ended September 30, 2019.

(11) COMMITMENTS AND CONTINGENCIES

(a) Rental Lease

In March, 2014, WCRP entered into a non-cancellable lease for office space. Effective August 2014, the lease is for a term of 61 months with a monthly payment of \$3,314 for the initial 12 months, with annual 3% increases. In January, 2019, the lease was renewed for an additional 36 months with annual 3% increases.

Additionally, WCRP will pay a proportionate share of operating expenses beginning at a rate of \$1,078 per month, subject to annual recalculation, and utilities beginning at a rate of \$589 per month, subject to annual recalculation. Rent expense under this lease totaled \$64,988 for the year ended September 30, 2019.

At September 30, 2019, the future minimum payments are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2020	\$ 46,216
2021	47,602
2022	<u>44,833</u>
	<u>\$138,651</u>

(b) Operating Leases

WCRP leases office equipment under an operating lease with a 60 month term at a monthly rate of \$330. Rental payments for the year ended September 30, 2019, totaled \$1,319.

At September 30, 2019, the future minimum payments were as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2020	\$ 3,957
2021	3,957
2022	3,957
2023	3,957
2024	<u>2,638</u>
	<u>\$18,466</u>

(11) COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) Contingent Liability

As developer of several housing projects, WCRP is contingently liable as detailed in the respective partnership and development agreements for operating deficits and reduced tax benefits, should these occur.

(12) SUBSEQUENT EVENTS

Management has evaluated all events through November 20, 2019, the date that these financial statements were available to be issued, and determined that there are no subsequent events that require disclosure.

(13) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects WCRP's financial assets at the Statement of Financial Position date reduced by amounts not available for general use due to donor restrictions or board designations.

Cash	\$1,445,581
Accounts receivable	324,908
Grants receivable	<u>52,319</u>
Subtotal	1,822,808
Less:	
Funds subject to donor restriction	(203,432)
Board designated funds	<u>(416,160)</u>
Financial assets available to meet cash needs within one year	<u>\$1,203,216</u>

WCRP is primarily supported by professional fees including property management fees, development fees and supportive services fees. Grants and contributions also provide a significant portion of WCRP's revenue.