

**SANFORD AFFORDABLE HOUSING
DEVELOPMENT CORPORATION**
Sanford, North Carolina

FINANCIAL AUDIT REPORT

September 30, 2014

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Certified Public Accountant

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Independent Auditor's Report

Board of Directors
Sanford Affordable Housing Development Corporation
Sanford, North Carolina

Report on the Financial Statements

I have audited the accompanying basic financial statements of Sanford Affordable Housing Development Corporation, which comprise the statement of financial position as of September 30, 2014, and the related statement of activities, 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 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 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 Organization'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 Organization'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 Sanford Affordable Housing Development Corporation as of September 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary and Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial information listed in the Table of Contents as Supplementary Information such as the schedule of functional expenses is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated January 16, 2015 on my consideration of Sanford Affordable Housing Development Corporation's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanford Affordable Housing Development Corporation's internal control over financial reporting and compliance.



Phillip C. Jarrell, LLC
Certified Public Accountant

Hazlehurst, Georgia
January 16, 2015

Sanford Affordable Housing Development Corporation

Sanford, North Carolina

Statement of Financial Position

September 30, 2014

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 148,241
Investments	655
Prepaid insurance	17,064
Total current assets	<u>165,960</u>
Noncurrent Assets:	
Property and equipment:	
Land	19,426
Buildings	491,943
Accumulated depreciation	(43,192)
Net property and equipment	<u>468,177</u>
Total noncurrent assets	<u>468,177</u>
TOTAL ASSETS	<u><u>634,137</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	503
Accounts payable - other	17,436
Security Deposits	10,183
Current portion of long-term debt	14,304
Total current liabilities	<u>42,426</u>
Noncurrent Liabilities:	
Notes payable	<u>369,557</u>
Total noncurrent liabilities	<u>369,557</u>
Total liabilities	<u>411,983</u>
Net Assets:	
Unrestricted	
Invested in property and equipment	84,316
Undesignated	137,838
Total unrestricted	<u>222,154</u>
Total net assets	<u>222,154</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 634,137</u></u>

The accompanying notes are an integral part of this statement.

Sanford Affordable Housing Development Corporation

Sanford, North Carolina

Statement of Activities

For the Year Ended September 30, 2014

SUPPORT AND REVENUE

Program revenues:

Tenant Rents	\$ 162,652
Total program revenues	<u>162,652</u>

Other revenues:

Miscellaneous income	10,156
Investment income	<u>53</u>
Total other revenues	<u>10,209</u>
Total revenues	<u>172,861</u>

EXPENSES

Program services:

Development of Affordable Housing	<u>142,534</u>
Total program services	<u>142,534</u>

Supporting services:

General and administrative	77,786
Fundraising	<u>-</u>
Total supporting services	<u>77,786</u>
Total expenses	<u>220,320</u>

DECREASE IN NET ASSETS (47,459)

NET ASSETS - BEGINNING OF THE YEAR 269,613

NET ASSETS - END OF THE YEAR \$ 222,154

The accompanying notes are an integral part of this statement.

Sanford Affordable Housing Development Corporation
Sanford, North Carolina

Statement of Cash Flows

For the Year Ended September 30, 2014

Cash Flows Provided from/(Used by) Operating Activities:	
Decrease in net assets	\$ (47,459)
Adjustments to reconcile decrease in net assets to net cash provided from/(used by) operating activities:	
Depreciation	17,889
(Increase) decrease in tenants accounts receivable	900
(Increase) decrease in prepaid assets	2,807
Increase (decrease) in accounts payable	1,021
Increase (decrease) in security deposits	(2,627)
Net Cash Used by Operating Activities	<u>(27,469)</u>
Cash Flows Provided from Noncapital Financing Activities:	<u>-</u>
Cash Flows Provided from/(Used by) Capital and Related Financing Activities:	
Principal payments on notes payable	(13,590)
Net Cash Used by Capital and Related Financing Activities	<u>(13,590)</u>
Cash Flows Provided from/(Used by) Investing Activities:	
Purchase of investments	(1)
Net Cash Used by Investing Activities	<u>(1)</u>
Net Increase (Decrease) in Cash	(41,060)
Cash and cash equivalents, beginning of year	<u>189,301</u>
Cash and cash equivalents, end of year	<u><u>\$ 148,241</u></u>

The notes to the financial statements are an integral part of this statement.

Sanford Affordable Housing Development Corporation

Sanford, North Carolina

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

NOTE 1 – NATURE OF ACTIVITIES

Organization

Sanford Affordable Housing Development Corporation, ("the Corporation") is a nonprofit corporation organized under the laws of the State of North Carolina for the purpose of providing affordable housing for the residents of Sanford, North Carolina.

Programs

The primary program of the Corporation is to develop and maintain housing units for very-low and low income families in the Sanford area.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES:

Financial Statement Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Not-For-Profit Corporation," the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Restrictions are conditions of use specified by grantors or donors. When restrictions expire, due to passage of time or fulfillment of the purpose of the funds, temporarily restricted net assets are reclassified as unrestricted. At September 30, 2014, the Corporation had unrestricted net assets. In addition, the Corporation is required to present a Statement of Cash Flows.

Income Tax Status

Sanford Affordable Housing Development Corporation is a not-for-profit Corporation exempt from income tax under section 501 (c) (3) of the United States Internal Revenue Code.

Currently, the Corporation's 2010, 2011, and 2012 tax years are open and subject to examination by the Internal Revenue Service. However, the Corporation is not currently under audit nor has the Corporation been contacted by any jurisdictions.

Based on the evaluation of the Corporation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended September 30, 2014.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Capital Assets

Property and equipment are stated at cost if purchased or at fair value at the date of gift if donated, less accumulated depreciation. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Depreciation is provided in amounts sufficient to amortize the cost of property and equipment over the estimated useful life of the assets (ranging from three to twenty-seven and one half years) on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

Sanford Affordable Housing Development Corporation
Sanford, North Carolina

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES: (continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Functional Expense Allocation

The costs of providing various program and supporting services have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefitted based on how employees spent their time and purpose of services.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Corporation's deposits include deposits with financial institutions. The carrying amount of the Corporation's deposits for cash and investments was \$148,896. The total amount of bank balances for cash and investments were \$148,796. All deposits and certificates of deposit were adequately secured by the Corporation's financial institutions with F.D.I.C. coverage. The Corporation's cash and investments consist of checking, money market accounts, and a certificate of deposit. The Corporation's checking and money market accounts are short-term highly liquid investments that are considered cash and cash equivalents.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment is valued at cost if purchased and at fair market value if donated. Depreciation is recorded using the straight-line method over estimated useful lives of 27.5 years for buildings. Depreciation charged to expense during the year was \$17,889.

	Balance at September 30, 2013	Additions	Deletions	Balance at September 30, 2014	Accumulated Depreciation	Net
Land	\$ 19,426	\$ -	\$ -	\$ 19,426	\$ -	\$ 19,426
Buildings	491,943	-	-	491,943	(43,192)	448,751
	<u>\$ 511,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 511,369</u>	<u>\$ (43,192)</u>	<u>\$ 468,177</u>

NOTE 5: LONG-TERM DEBT

On July 12, 2013, the Corporation received proceeds of \$380,000 from a local financial institution for the purchase of the Wilrik Hotel Apartments, a 41 unit apartment building. The Corporation made an additional draw on the loan of \$20,000 by 09/06/13. The note requires the Corporation to make 119 monthly payments of \$2,372 for principal and interest and a final payment of all remaining principal on July 5, 2023. Interest is charged at 3.75%. The debt is secured by the land and building.

Sanford Affordable Housing Development Corporation
Sanford, North Carolina

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 5: LONG-TERM DEBT (continued)

Debt service payments over the life of the note are as follows:

Year	Principal	Interest	Total
2015	14,304	14,160	28,464
2016	14,849	13,615	28,464
2017	15,416	13,048	28,464
2018	16,004	12,460	28,464
2019	16,615	11,849	28,464
2020-2023	306,673	40,816	347,489
Total	\$ 383,861	\$ 105,948	\$ 489,809

Changes in Long-term liabilities:

	Balance			Less Amounts		Noncurrent
	Sept. 30, 2013	Additions	Reductions	Sept. 30, 2014	Due Within One Year	Balance Sept. 30, 2014
Notes Payable	\$ 397,451	\$ -	\$ (13,590)	\$ 383,861	\$ 14,304	\$ 369,557
Total	\$ 397,451	\$ -	\$ (13,590)	\$ 383,861	\$ 14,304	\$ 369,557

NOTE 6: RISK MANAGEMENT

The Corporation carries commercial insurance against certain risks of loss, including property and general liability insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

NOTE 7: CLAIMS AND JUDGMENTS

At September 30, 2014, the Corporation was not a defendant to any lawsuit whose outcome would be material to the financial statements. No provision was made in the audited financial statements for any contingent liabilities. In the opinion of management and the Corporation's attorney, there is no legal matter that will have a materially adverse affect on the Corporation's financial position.

NOTE 8: RELATED PARTY TRANSACTIONS

The Sanford Housing Authority performs all administrative activities of the Corporation. The Corporation paid the Authority \$11,000 for management services during the year ended September 30, 2014. As of September 30, 2014, the Corporation owes the Sanford Housing Authority \$17,436 for other operational expenses paid on behalf of the Corporation.

The Executive Director and one Board member of the Sanford Housing Authority are Board members of the Corporation.

Sanford Affordable Housing Development Corporation
Sanford, North Carolina

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 9: 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 has evaluated the activity of the Corporation through January 16, 2015 (the date the financial statements were available to be issued) 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.

SUPPLEMENTARY INFORMATION

Sanford Affordable Housing Development Corporation

Sandord, North Carolina

Schedule of Functional Expenses

For the Year Ended September 30, 2014

	Program Services		Supporting Services		
	Development of Affordable Housing	Total Program Services	General And Administrative	Fundraising Services	Grand Total
Direct assistance to clients:					
Tenant Services	\$ -	\$ -	\$ -	\$ -	\$ -
Total direct assistance	-	-	-	-	-
Contracted Personnel Expense	3,507	3,507	50,245	-	53,752
Repairs and Maintenance Contracts	27,527	27,527	-	-	27,527
Insurance Expense	25,449	25,449	-	-	25,449
Utilities	25,026	25,026	-	-	25,026
Office expenses	-	-	19,579	-	19,579
Interest Expense	14,874	14,874	-	-	14,874
Materials	13,995	13,995	-	-	13,995
Management fees	11,000	11,000	-	-	11,000
Accounting and audit fees	-	-	7,458	-	7,458
Property Taxes	3,267	3,267	-	-	3,267
Legal	-	-	504	-	504
Depreciation	17,889	17,889	-	-	17,889
	\$ 142,534	\$ 142,534	\$ 77,786	\$ -	\$ 220,320

See auditor's report.

OTHER INFORMATION

Phillip C. Jarrell, LLC

Certified Public Accountant

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Hazlehurst, Georgia 31539

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

Board of Directors
Sanford Affordable Housing Development Corporation
Sanford, North Carolina

I 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 financial statements of Sanford Affordable Housing Development Corporation, which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon January 16, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Sanford Affordable Housing Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanford Affordable Housing Development Corporation's internal control. Accordingly, I do not express an opinion on the effectiveness of Sanford Affordable Housing Development Corporation'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 Sanford Affordable Housing Development Corporation'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanford Affordable Housing Development Corporation's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sanford Affordable Housing Development Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanford Affordable Housing Development Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Phillip C. Jarrell, LLC
Certified Public Accountant

Hazlehurst, Georgia
January 16, 2015

Sanford Affordable Housing Development Corporation
Sanford, North Carolina

September 30, 2014

SCHEDULE OF FINDINGS AND RESPONSES

Section I - Summary of Auditor's Results:

Financial Statements

Type of report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

Section II - Financial Statement Findings:

There were no findings for the year ended September 30, 2014.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings for the year ended September 30, 2013.