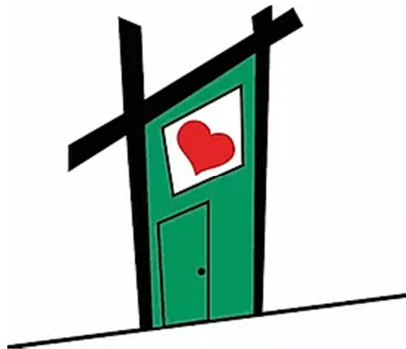


TINY HOUSE COMMUNITY DEVELOPMENT

FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018



TINY HOUSE COMMUNITY DEVELOPMENT

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The Board of Trustees
Tiny House Community Development
Greensboro, North Carolina

Management is responsible for the accompanying financial statements of Tiny House Community Development (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Summarized Comparative Information

The summarized comparative information which is present for 2018 was not audited or reviewed nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on the summarized comparative information.

Duncan Ashe, P.A.

Greensboro, North Carolina
September 10, 2020

Tiny House Community Development
 Statements of Financial Position
 December 31, 2019 and 2018

| <u>Assets</u> | <u>2019</u> | <u>2018</u> |
|--|--------------------------|--------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 17,551 | \$ 11,804 |
| Accounts receivable | 4,771 | - |
| Total current assets | <u>22,322</u> | <u>11,804</u> |
| Property and equipment: | | |
| Property and equipment | 16,366 | 16,239 |
| Land | 27,822 | 146,300 |
| Buildings and improvements | 190,451 | 34,834 |
| Construction in progress: | | |
| Land | 365,630 | 105,300 |
| Buildings and improvements | <u>199,463</u> | <u>116,409</u> |
| | 799,732 | 419,082 |
| Less accumulated depreciation and amortization | <u>(5,855)</u> | <u>(1,910)</u> |
| | <u>793,877</u> | <u>417,172</u> |
| Total assets | <u><u>\$ 816,199</u></u> | <u><u>\$ 428,976</u></u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 29,936 | \$ 2,739 |
| Payroll liabilities | - | 693 |
| Note payable - current portion | <u>9,902</u> | <u>9,628</u> |
| Total current liabilities | <u>39,838</u> | <u>13,060</u> |
| Non-current liabilities: | | |
| Note payable | <u>34,575</u> | <u>41,425</u> |
| Total non-current liabilities | <u>34,575</u> | <u>41,425</u> |
| Total liabilities | <u>74,413</u> | <u>54,485</u> |
| Net assets: | | |
| Without donor restrictions | 741,786 | 374,491 |
| With donor restrictions | <u>-</u> | <u>-</u> |
| Total net assets | <u>741,786</u> | <u>374,491</u> |
| Total liabilities and net assets | <u><u>\$ 816,199</u></u> | <u><u>\$ 428,976</u></u> |

See accompanying notes and independent accountants' compilation report.

Tiny House Community Development
Statement of Activities
Year Ended December 31, 2019
(with comparative totals for the year ended December 31, 2018)

| | Without Donor Restrictions | With Donor Restrictions | 2019 Total | 2018 Total |
|---|----------------------------------|----------------------------|---------------|---------------|
| Support and revenue: | | | | |
| Contributions | \$ 156,116 | - | \$ 156,116 | \$ 113,688 |
| Grants | 15,153 | - | 15,153 | 8,500 |
| Rental income | 8,700 | - | 8,700 | 3,430 |
| Fundraisers, net of expenses | 500 | - | 500 | - |
| In-kind donations | 263,600 | - | 263,600 | - |
| Gain/Loss on disposal of asset | (31,352) | - | (31,352) | - |
| Other income | 1,126 | - | 1,126 | 846 |
| Interest income | 105 | - | 105 | 4 |
| | 413,948 | - | 413,948 | 126,468 |
| Net assets released from restrictions | - | - | - | - |
| Total support and revenue | 413,948 | - | 413,948 | 126,468 |
| Functional expenses: | | | | |
| Program services | 34,647 | - | 34,647 | 7,502 |
| Management and general | 8,630 | - | 8,630 | 8,933 |
| Fundraising | 3,376 | - | 3,376 | 4,607 |
| | 46,653 | - | 46,653 | 21,042 |
| Total functional expenses | 46,653 | - | 46,653 | 21,042 |
| Change in unrestricted net assets | 367,295 | - | 367,295 | 105,426 |
| Net assets at beginning of year | 374,491 | - | 374,491 | 269,065 |
| Net assets at end of year | \$ 741,786 | - | \$ 741,786 | \$ 374,491 |

See accompanying notes and independent accountants' compilation report.

Tiny House Community Development
Statement of Functional Expenses
Year Ended December 31, 2019
(with comparative totals for the year ended December 31, 2018)

| | Program Services | | Supporting Services | | | 2019 Total | 2018 Total |
|--------------------------------|---------------------------|------------------------------|------------------------------|--------------|---------------------------------|------------------|------------------|
| | Tiny House Communities | Total Program Services | Management and General | Fundraising | Total Supporting Services | | |
| Salaries and wages | \$ - | - | - | - | - | \$ - | \$ 1,313 |
| Administrative | 1,112 | 1,112 | 707 | 37 | 744 | 1,856 | 1,349 |
| Advertising | - | - | - | 3,098 | 3,098 | 3,098 | 1,281 |
| Supplies | 10,852 | 10,852 | - | - | - | 10,852 | 3,554 |
| Rent | 3,173 | 3,173 | 167 | - | 167 | 3,340 | - |
| Utilities | 3,788 | 3,788 | 200 | - | 200 | 3,988 | 1,579 |
| Dues and subscriptions | - | - | 2,447 | - | 2,447 | 2,447 | 2,084 |
| Insurance | 363 | 363 | 195 | 9 | 204 | 567 | 1,639 |
| Office supplies | 122 | 122 | 3,947 | 83 | 4,030 | 4,152 | 2,852 |
| Postage | 5 | 5 | 9 | 75 | 84 | 89 | 94 |
| Professional fees | 2,526 | 2,526 | - | - | - | 2,526 | 1,350 |
| Taxes and licenses | 275 | 275 | 24 | 7 | 31 | 306 | - |
| Travel | 916 | 916 | 81 | 21 | 102 | 1,018 | - |
| Meals and Entertainment | 1,450 | 1,450 | 129 | 32 | 161 | 1,611 | 1,848 |
| Miscellaneous | 6,120 | 6,120 | 56 | 14 | 70 | 6,190 | - |
| Interest | - | - | 668 | - | 668 | 668 | 189 |
| Depreciation and amortization | 3,945 | 3,945 | - | - | - | 3,945 | 1,910 |
| | <u>\$ 34,647</u> | <u>34,647</u> | <u>8,630</u> | <u>3,376</u> | <u>12,006</u> | <u>\$ 46,653</u> | <u>\$ 21,042</u> |
| Functional expenses by percent | <u>75%</u> | <u>75%</u> | <u>18%</u> | <u>7%</u> | <u>25%</u> | <u>100%</u> | <u>100%</u> |

See accompanying notes and independent accountants' compilation report.

Tiny House Community Development
 Statements of Cash Flows
 For The Years Ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Change in net assets | 367,295 | 105,426 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 3,945 | 1,910 |
| In-kind donations of land and buildings | (263,600) | - |
| Loss on disposal of land | (31,352) | - |
| (Increase) / decrease in: | | |
| Accounts receivable | (4,771) | - |
| (Decrease) / increase in: | | |
| Accounts payable and accrued expenses | <u>26,504</u> | <u>411</u> |
| Net cash provided (used) by operating activities | <u>98,021</u> | <u>107,747</u> |
| Cash flows from investing activities: | | |
| Purchases and improvements of property and equipment | (124,552) | (191,000) |
| Proceeds from sale of property and equipment | <u>31,352</u> | <u>-</u> |
| Net cash provided (used) by investing activities | <u>(93,200)</u> | <u>(191,000)</u> |
| Cash flows from financing activities: | | |
| Payments on notes | (6,574) | - |
| Proceeds from notes | <u>7,500</u> | <u>51,053</u> |
| Net cash provided (used) by financing activities | <u>926</u> | <u>51,053</u> |
| Net increase (decrease) in cash | 5,747 | (32,200) |
| Cash, cash equivalents, and restricted cash at beginning of year | <u>11,804</u> | <u>44,004</u> |
| Cash, cash equivalents, and restricted cash at end of year | <u><u>17,551</u></u> | <u><u>11,804</u></u> |

See accompanying notes and independent accountants' compilation report.

Tiny House Community Development
Notes to Financial Statements
December 31, 2019

1. Nature of Operations

Tiny House Community Development ("the Organization") was created in 2015 in North Carolina as a 501(c)3 nonprofit organization working to develop tiny house communities throughout North Carolina. These communities will consist of 3-10 units on individual lots. Tiny houses will be leased to residents based on their income and current situation. The Organization will work with local nonprofit housing organizations that will assist in qualifying potential residents to create safe, permanent affordable housing for those experiencing homelessness.

The Organization is currently working with the Cities of Greensboro, High Point, Winston-Salem, and McLeansville to develop tiny house communities for the purpose of being a developer and general contractor. Work is performed under fixed price contracts, as well as other types as may be applicable. The duration of certain contracts may extend over one or more years. The Organization has applied for status as a Service-Disabled Veteran-Owned Small Business under the Veterans Benefits Act of 2003.

From inception through the year May 2018, the Organization was in the development process with the first tiny house completed and renting May 2018. Additional sources of revenue include contributions, grants, fundraising, a recycling center, and planter box sales income.

2. Summary of Significant Accounting Policies

(b) Financial Statement Presentation

The financial statements and notes are representations of Tiny House Community Development management who is responsible for their integrity and objectivity. The Organization has presented the financial statements in accordance with United States generally accepted accounting principles for not-for-profit organizations. In order to observe restrictions which donors place on contributions, grants, and other gifts, all assets, liabilities, support, and revenue are accounted for in two net asset classifications. Net assets without donor restrictions are not subject to donor-imposed stipulations. Net assets with donor restrictions are subject to donor imposed stipulations that will be met either by actions of the Organization or passage of time.

(b) Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

(c) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all demand deposits, money market funds, gift cards, and highly liquid securities with a maturity of three months or less to be cash equivalents.

(d) Inventory

Inventory for goods donated for resale are based on estimated fair value at the time of the donation.

Tiny House Community Development
Notes to Financial Statements
December 31, 2019

(e) Property and Equipment

Property and equipment are recorded at cost; contributed assets are recorded at fair market value at the date of contribution. Depreciation is provided on a straight-line basis over the assets' estimated useful lives. Expenditures for maintenance and repairs that do not improve or extend the useful life of an asset are charged to expense as incurred. Major renewals and betterments are charged to the property accounts. Upon retirement or sale of an asset, the cost and related depreciation are removed from the property accounts, and any gain or loss is recorded.

(f) Contributions

Under generally accepted accounting principles for not-for-profit organizations, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

(g) Donated Materials, Facilities and Services

Donations are recorded as contributions at their fair market value. The statements reflect the amounts only to the extent that such amounts are specified by the donor, and would otherwise have required a cash expenditure.

Volunteers and interns make significant contributions of their time both in the planning and building of homes as well as in serving the nutritional and social welfare of the communities. The value of this contribution is not reflected in these statements since it can not be objectively measured or valued.

(h) Support and Revenue

Support that is restricted by the donor is reported as an increase in net assets with donor-restrictions. If the restrictions expire in the fiscal year in which the contributions are recognized, however, support is reported as net assets without donor restrictions. All other donor-restricted support are reported increased in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, 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.

(i) Expenses

All expenses are stated on the accrual basis and presented in the statement of activities and changes in net assets and the statement of functional expenses.

(j) Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the acOrganizationing financial statements. The Organization is required to file Form 990 annually to retain its tax-exempt status. The Organization accounts for income taxes in accordance with ASC 740, Accounting for Uncertainty in Income Taxes. ASC 740-10 requires the Organization to assess positions taken or expected to be taken in a tax return where there is uncertainty about whether the tax position will ultimately be sustained upon

Tiny House Community Development
Notes to Financial Statements
December 31, 2019

examination. The Organization is unaware of any uncertain tax positions that meet the criteria under ASC 740-10. The Organization's tax filings are subject to audit by federal taxing authorities. The Organization's open audit periods are 2016-2019. To date, the Organization has not undergone any examinations by applicable taxing authorities.

(k) Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

(l) Fair Value of Financial Instruments and Fair Value Measurements

The Organization's financial instruments are cash and cash equivalents and accounts receivable. The recorded values of cash and cash equivalents approximate their fair values based on their short-term nature. There are no assets or liabilities of the Organization that are valued at fair value on a recurring basis.

(m) Advertising and Promotion

The Organization expenses advertising and promotional expenses as they are incurred. Advertising expense amounted to \$3,098 for the year December 31, 2019.

(n) Recent Accounting Pronouncements and Guidance

Effective January 1, 2018, the Organization adopted the requirements of FASB ASU 2016-14 - Not-for-Profit Entities (Topic 958) - Presentation of Financial statement of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about the expenses and investment return.

Effective January 1, 2019, the Organization adopted the requirements of FASB ASU 2016-18 - Statement of Cash Flows (Topic 230): Restricted Cash. The update addresses the diversity of nomenclature, classification, and presentation of changes in restricted cash or restricted cash equivalents in the financial statements and the changes in the statement of cash flows in particular.

The Organization did not hold restricted cash for the periods presented.

Tiny House Community Development
Notes to Financial Statements
December 31, 2019

3. Cash and Cash Equivalents

The Organization had the following cash and cash equivalents at December 31, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> | |
|-------------------|------------------|------------------|--|
| Petty Cash | \$ 19 | \$ 282 | |
| Undeposited Funds | 11,766 | (1,725) | |
| Checking | 4,712 | 4,842 | |
| Money Market | <u>1,054</u> | <u>8,405</u> | |
| | <u>\$ 17,551</u> | <u>\$ 11,804</u> | |

4. Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

5. Availability and Liquidity

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses, however, significant amount of resources are allocated to ongoing projects.

6. Property and Equipment

The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are capitalized at their estimated fair value at the date contributed. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and Equipment are stated on the basis of cost. Repairs are charged to expense as they are incurred. Depreciation expense was \$3,406 and \$1,910 for the years ended December 31, 2019 and 2018, respectively. Depreciation is computed using the straight-line method and the following useful lives:

| | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 25-30 |
| Machinery and equipment | 5-7 |
| Furniture and fixtures | 3-5 |

Tiny House Community Development
Notes to Financial Statements
December 31, 2019

7. Lease Commitment

The Organization leases space, tools, and equipment as needed. All leases are short-term in nature and range from \$70 - \$500 per month.

8. Fair Value of Financial Instruments and Fair Value Measurements

The Organization's financial instruments are cash and cash equivalents, grants receivable, and trade accounts payable. The recorded value of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values based on their short-term nature. There are no assets or liabilities of the Organization that are valued at fair value on a recurring basis.

9. Concentration of Credit Risk

The Organization maintains deposits at two financial institutions, both of which are FDIC insured. At December 31, 2019 and 2018, the Organization had no cash deposits in excess of the federally insured limit of \$250,000 per institution. The Organization considers the risk of loss due to uninsured amounts remote.

10. Note Payable

Details of note payable as of December 31, 2019 and 2018 are as follows:

| <u>4120 Causey St, Greensboro NC</u> | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|
| Note payable to an unrelated individual secured by a deed of trust on the property, bearing a fixed interest rate of 3.04% per annum. A payment of \$943.05 was due on January 2, 2019, followed by 59 consecutive monthly payments of \$921.10 due on the second day of each month, with a final payment of \$920.99 due on January 2, 2024. | \$ <u>44,477</u> | \$ <u>51,053</u> |
| Total | 44,477 | 51,053 |
| Less amount currently due | <u>(9,902)</u> | <u>(9,628)</u> |
| | <u>\$ 34,575</u> | <u>\$ 41,425</u> |

Total estimated maturity of the note payable at December 31 is as follows:

| | |
|------|------------------|
| 2020 | \$ 9,902 |
| 2021 | 10,208 |
| 2022 | 10,522 |
| 2023 | 10,847 |
| 2024 | <u>2,998</u> |
| | <u>\$ 44,477</u> |

Tiny House Community Development
Notes to Financial Statements
December 31, 2019

11. Concentration of Support

The Organization received approximately 49% of its cash contributions from three entities for the year ending December 31, 2019, and 45% of its cash contributions from three different entities for the year ending December 31, 2018.

12. Functional Expenses

The cost of providing program services is summarized on a natural basis of classification in the statements of activities. On a functional basis, expenses are charged directly to program services or management and general categories based on specific identification. Indirect expenses have been allocated based on estimated time and space utilized for the related activity.

13. Subsequent Events

Subsequent events have been reviewed by management through September 10, 2020, which represents the date that the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. Subsequent to December 31, 2019 and prior to issue date of these financials, the Organization applied for, and was awarded, an Economic Injury Disaster Loan ("EIDL") funding totaling \$100,500. In addition, the Organization also applied for, was awarded, a 24 month business loan for \$303,000 for the construction project at Hay Street in High Point, NC. The rapid development and fluidity of the COVID-19 situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.