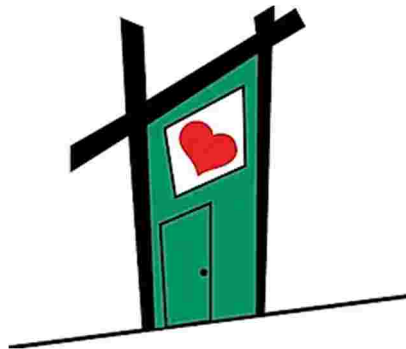


**TINY HOUSE COMMUNITY DEVELOPMENT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**



# TINY HOUSE COMMUNITY DEVELOPMENT

## TABLE OF CONTENTS

Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

We have audited the accompanying financial statements of Tiny House Community Development (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tiny House Community Development as of December 31, 2021, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tiny House Community Development and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tiny House Community Development's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tiny House Community Development's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tiny House Community Development's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Duncan Ashe, P.A.*

Greensboro, North Carolina  
May 19, 2022

Tiny House Community Development  
Statement of Financial Position  
December 31, 2021

Assets

Current assets:	
Cash and cash equivalents	\$ 11,088
Accounts receivable	27,787
Sales tax receivable	<u>7,318</u>
Total current assets	<u>46,193</u>
Property and equipment:	
Land	83,555
Buildings and improvements	703,928
Property and equipment	48,626
Construction in progress:	
Land	309,897
Buildings and improvements	<u>167,240</u>
	1,313,246
Less accumulated depreciation	<u>(32,907)</u>
Net property and equipment	<u>1,280,339</u>
Total assets	<u><u>\$ 1,326,532</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 85,272
Payroll liabilities	12,605
Line of credit	<u>311,916</u>
Total current liabilities	<u>409,793</u>
Non-current liabilities:	
SBA loan	<u>100,400</u>
Total non-current liabilities	<u>100,400</u>
Total liabilities	<u>510,193</u>
Net assets:	
Without donor restrictions	816,339
With donor restrictions	<u>-</u>
Total net assets	<u>816,339</u>
Total liabilities and net assets	<u><u>\$ 1,326,532</u></u>

See accompanying independent auditors' report.

Tiny House Community Development  
Statement of Activities  
Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
Support and revenue:			
Contributions	\$ 90,379	-	\$ 90,379
Grants	126,451	-	126,451
Rental income	21,559	-	21,559
Gain on sale of asset	19,173	-	19,173
Fundraisers, net of expenses	47,380	-	47,380
In-kind donations	4,192	-	4,192
Sales tax reimbursements	19,535	-	19,535
Other income	12,300	-	12,300
Interest income	60	-	60
	<u>341,029</u>	<u>-</u>	<u>341,029</u>
 Net assets released from restrictions	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Total support and revenue	 <u>341,029</u>	 <u>-</u>	 <u>341,029</u>
Functional expenses:			
Program services	284,933	-	284,933
Management and general	31,249	-	31,249
Fundraising	11,793	-	11,793
	<u>327,975</u>	<u>-</u>	<u>327,975</u>
Total functional expenses	<u>327,975</u>	<u>-</u>	<u>327,975</u>
Change in unrestricted net assets	13,054	-	13,054
Net assets at beginning of year	<u>803,285</u>	<u>-</u>	<u>803,285</u>
Net assets at end of year	<u>\$ 816,339</u>	<u>-</u>	<u>\$ 816,339</u>

See accompanying independent auditors' report.

Tiny House Community Development  
Statement of Functional Expenses  
Year Ended December 31, 2021

	<u>Program Services</u>		<u>Supporting Services</u>			<u>Total</u>
	<u>Tiny House Communities</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and wages	\$ 104,139	104,139	15,007	-	15,007	\$ 119,146
Administrative	7,897	7,897	702	175	877	8,774
Advertising	-	-	-	10,245	10,245	10,245
Repairs and maintenance	12,175	12,175	339	85	424	12,599
Building supplies	18,669	18,669	-	-	-	18,669
Rent	7,508	7,508	395	-	395	7,903
Utilities	16,118	16,118	913	39	952	17,070
Dues and subscriptions	-	-	4,949	-	4,949	4,949
Insurance	10,279	10,279	2,064	228	2,292	12,571
Office supplies	509	509	4,295	98	4,393	4,902
Postage	56	56	114	249	363	419
Professional fees	17,696	17,696	1,389	347	1,736	19,432
Taxes and licenses	6,130	6,130	315	136	451	6,581
Payroll taxes	9,186	9,186	-	-	-	9,186
Travel, meals and entertainment	5,350	5,350	476	118	594	5,944
Client assistance	4,061	4,061	-	-	-	4,061
Professional development	4,392	4,392	-	-	-	4,392
Miscellaneous	11,458	11,458	291	73	364	11,822
Interest	8,596	8,596	-	-	-	8,596
Depreciation and amortization	33,998	33,998	-	-	-	33,998
Breakfast for our friends	6,716	6,716	-	-	-	6,716
	<u>\$ 284,933</u>	<u>284,933</u>	<u>31,249</u>	<u>11,793</u>	<u>43,042</u>	<u>\$ 327,975</u>
Functional expenses by percent	<u>85%</u>	<u>85%</u>	<u>11%</u>	<u>4%</u>	<u>15%</u>	<u>100%</u>

See accompanying independent auditors' report.

Tiny House Community Development  
Statement of Cash Flows  
For The Year Ended December 31, 2021

Cash flows from operating activities:	
Change in net assets	13,054
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	33,998
 (Increase) / decrease in:	
Accounts receivable	(29,085)
Prepaid expenses	880
 (Decrease) / increase in:	
Accounts payable and accrued expenses	<u>53,624</u>
Net cash provided (used) by operating activities	<u>72,472</u>
 Cash flows from investing activities:	
Purchases and improvements of property and equipment	(467,185)
Proceeds from sale of property and equipment	<u>20,000</u>
Net cash provided (used) by investing activities	<u>(447,185)</u>
 Cash flows from financing activities:	
Payments on notes	(34,451)
Proceeds from line of credit	<u>311,916</u>
Net cash provided (used) by financing activities	<u>277,465</u>
Net increase (decrease) in cash	(97,248)
Cash, cash equivalents, at beginning of year	<u>108,336</u>
Cash, cash equivalents, cash at end of year	<u><u>11,088</u></u>

See accompanying independent auditor's report.



Tiny House Community Development  
Notes to Financial Statements  
December 31, 2021

1. Nature of Activities

Tiny House Community Development ("the Company") was created in 2015 in Greensboro, North Carolina as a 501(c)3 nonprofit Company working to develop tiny house communities throughout the triad area of North Carolina. The Company has since expanded to High Point. Communities consist of 6-10 units on individual lots. Tiny houses are leased to residents based on their qualifications of HUD's definition of "literally homeless." The Company works diligently with Guilford County Continuum of Care and other local nonprofit housing organizations that assist in qualifying potential residents to create safe, permanent, and affordable housing for those experiencing homelessness.

The Company is currently working within the city limits of Greensboro, High Point and Winston-Salem to develop tiny house communities for the purpose of providing Permanent Supportive Housing. The duration of leases can be for one year or extended over several years.

Since developing and renting the first tiny house in 2018, the Company has developed two communities, with a third community planned for late 2022 or early 2023. Sources of revenue in addition to rental income include individual and corporate contributions, grants and various fundraising projects such as sales of garden boxes and chicken coops and most recently, Styrofoam recycling.

2. Summary of Significant Accounting Policies

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 Company 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 as follows:

Net Assets Without Donor Restrictions:

Net assets without donor restrictions represent gifts received by the Company that are not subject to donor-imposed restrictions and are available for use at the discretion of the Board of Directors.

Net Assets With Donor Restrictions:

Net assets with donor restrictions represent gifts received by the Company that are subject to donor-imposed restrictions for a specific purpose or limited time. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Other temporarily restricted net assets are transferred to unrestricted net assets as the net assets are released from restriction, by the accomplishment of the purpose of the restriction or the expiration of the time placed on the restriction.

Basis of Accounting - The financial statements of the Company have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Company 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.

Tiny House Community Development  
Notes to Financial Statements  
December 31, 2021

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

**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.

**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.

**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.

**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.

In 2021, the Company adopted ASC 606, Revenue from Contracts with Customers, which amended the existing accounting standards for revenue recognition. The adoption of this new revenue standard does not have a significant impact on the amount and timing of revenue recognized in the Company's financial statements. Based on the Company's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

**Income Tax Status** - The Company 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 accompanying financial statements. The Company is required to file Form 990 annually to retain its tax-exempt status. The Company accounts for income taxes in accordance with ASC 740, Accounting for Uncertainty in Income Taxes. ASC 740-10 requires the Company 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 examination. The Company is unaware of any uncertain tax positions that meet the criteria under ASC 740-10. The Company's tax filings are subject to audit by federal taxing authorities. The Corporation's open audit periods are 2016-2019. To date, the Company has not undergone any examinations by applicable taxing authorities.

Tiny House Community Development  
Notes to Financial Statements  
December 31, 2021

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.

3. Concentration of Credit Risk

The Company maintains deposits at two financial institutions, both of which are FDIC insured. At December 31, 2021, the Company had no cash deposits in excess of the federally insured limit of \$250,000 per institution. The Company considers the risk of loss due to uninsured amounts remote.

4. Availability and Liquidity

The Company's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$35,000).

Financial assets at December 31,		<u>2021</u>
Cash and cash equivalents	\$	11,088
Accounts receivable		27,787
Sales tax receivable		<u>7,318</u>
Total financial assets	\$	<u><u>46,193</u></u>

5. 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. Management's review of outstanding balances as of December 31, 2021 indicated that no allowance for doubtful accounts was required, management expects to collect all outstanding receivables.

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 \$34,044 for the year ended December 31, 2021. Depreciation is computed using the straight-line method and the following useful lives:

Tiny House Community Development  
Notes to Financial Statements  
December 31, 2021

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

7. Lease Commitment

The Company 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 Company'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 Company that are valued at fair value on a recurring basis.

9. Note Payable

Details of note payable as of December 31, 2021 are as follows:

Note payable to the United States Small Business Administration secured by all tangible and intangible property that the Company owned or acquired immediately upon the receipt of loan, bearing a fixed interest rate of 2.75% per annum. Payments of principal and interest in the amount of \$430 per month were to be due beginning August 12, 2021. However, payment has been deferred indefinitely by the lender. The loan will mature 30 years from the date of 1st payment.	100,400
Less amount currently due	<u>-</u>
	<u>\$ 100,400</u>

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

2022	\$ -
2023	-
2024	-
2025	-
2026	-
Thereafter	<u>100,400</u>
	<u>\$ 100,400</u>

Tiny House Community Development  
Notes to Financial Statements  
December 31, 2021

10. Line of Credit

In addition to the debt described in Note 9, the Company maintains a line of credit of \$330,000 and \$13,075 with Pinnacle Bank that bears a variable interest rate of prime plus 1 percent that is collateralized by the property at 401 and 407 Hay Street. Payments of interest due on the outstanding balance are payable on a monthly basis, with the outstanding principal and interest due on March 30, 2023. The balance outstanding on the line of credit for the year ended December 31, 2021 was \$311,916.

11. Concentration of Support

The Company received approximately 24% of its support from ESG grants for the year ending December 31, 2021.

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. Advertising Expense

All advertising costs are charged to expense when incurred. Advertising expense for 2021 totaled \$10,245.

14. Subsequent Events

During the year ended December 31, 2021, the Company entered into a management agreement with a third party who collected management fees of 3% of all rent collected. The agreement was terminated in January of 2022.

Subsequent events have been reviewed by management through May 19, 2022, which represents the date that the financial statements were available to be issued.