AID TO DISTRESSED FAMILIES OF
APPALACHIAN COUNTIES, INC.

Oak Ridge, Tennessee

FINANCIAL STATEMENTS

December 31, 2019 and 2018

AID TO DISTRESSED FAMILIES OF APPALACHIAN COUNTIES, INC.

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WOODALLGROUP
CPAs & Advisors

Partners:
Gregg A. Woodall, CPA, CVA, CGMA
Ben Woodall, CPA, MBA

Member of the American Institute of Certified Public Accountants and Tennessee Society of Certified Public Accountants
Member of the National Association of Certified Valuators and Analysts

INDEPENDENT AUDITOR'S REPORT

Board of Directors, Finance Committee and Senior Management
Aid to Distressed Families of Appalachian Counties, Inc.
Oak Ridge, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Aid to Distressed Families of Appalachian Counties, Inc. ("ADFAC") which comprise the statements of financial position as of December 31, 2019 and 2018, the related statements of activities, cash flows and functional expenses for the years 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aid to Distressed Families of Appalachian Counties, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Woodall Group, LLC
Certified Public Accountants
Knoxville, Tennessee
August 28, 2020

AID TO DISTRESSED FAMILIES OF APPALACHIAN COUNTIES, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31,	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 617,644	$ 618,130
Grants Receivable	7,644	50,949
Mortgage Notes Receivable, Due Within One Year - Net	64,179	59,367
Accrued Interest Receivable	2,531	6,318
Prepaid Expenses	888	1,004
Total Current Assets	692,886	735,768
PROPERTY AND EQUIPMENT - NET	185,359	196,227
OTHER ASSETS		
Property Held for Sale	137,545	42,135
Mortgage Notes Receivable, Due After One Year - Net	338,190	385,480
Beneficial Interest in Assets Held by Others	80,616	53,699
Total Other Assets	556,351	481,314
TOTAL ASSETS	$ 1,434,596	$ 1,413,309
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 28,203	$ 17,335
FAHE Loan Payable	23,650	23,650
Total Current Liabilities	51,853	40,985
NET ASSETS		
Without Donor Restrictions	1,153,664	1,250,260
With Donor Restrictions	229,079	122,064
Total Net Assets	1,382,743	1,372,324
TOTAL LIABILITIES AND NET ASSETS	$ 1,434,596	$ 1,413,309

The accompanying notes are an integral part of these financial statements.

AID TO DISTRESSED FAMILIES OF APPALACHIAN COUNTIES, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Contributions and Support	$ 169,757	$ 182,901	$ 352,658
United Way Allocations	79,386	0	79,386
Special Fundraising Events	55,951	0	55,951
In-Kind Contributions	107,353	0	107,353
Total Public Support	412,447	182,901	595,348
REVENUES			
Federal and State Grants	1,750	40,789	42,539
Cities and Counties	32,028	128,877	160,905
Mortgage Fees & Interest	9,506	0	9,506
Interest - Other	2,556	0	2,556
Other	20,529	0	20,529
Total Revenues	66,369	169,666	236,035
NET ASSETS RELEASED FROM RESTRICTIONS	245,552	(245,552)	0
TOTAL PUBLIC SUPPORT AND REVENUES	724,368	107,015	831,383
EXPENSES			
Program Services			
Appalachian Housing Partners	213,864	0	213,864
Household Assistance Program	320,273	0	320,273
School Supplies	132,552	0	132,552
Total Program Services	666,689	0	666,689
Supporting Services			
Management and General	99,729	0	99,729
Fundraising	54,546	0	54,546
Total Supporting Services	154,275	0	154,275
Total Expenses	820,964	0	820,964
CHANGE IN NET ASSETS	(96,596)	107,015	10,419
NET ASSETS, BEGINNING OF YEAR	1,250,260	122,064	1,372,324
NET ASSETS, END OF YEAR	$ 1,153,664	$ 229,079	$ 1,382,743

The accompanying notes are an integral part of these financial statements.

AID TO DISTRESSED FAMILIES OF APPALACHIAN COUNTIES, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Contributions and Support	$ 166,609	$ 176,480	$ 343,089
United Way Allocations	80,610	0	80,610
Special Fundraising Events	41,453	0	41,453
In-Kind Contributions	80,220	0	80,220
Total Public Support	368,892	176,480	545,372
REVENUES			
Federal and State Grants	7,350	122,276	129,626
Cities and Counties	32,065	121,040	153,105
Mortgage Fees & Interest	12,699	0	12,699
Interest - Other	1,682	0	1,682
Other	19,215	0	19,215
Total Revenues	73,011	243,316	316,327
NET ASSETS RELEASED FROM RESTRICTIONS	525,553	(525,553)	0
TOTAL PUBLIC SUPPORT AND REVENUES	967,456	(105,757)	861,699
EXPENSES			
Program Services			
Appalachian Housing Partners	371,364	0	371,364
Household Assistance Program	341,957	0	341,957
School Supplies	116,744	0	116,744
Total Program Services	830,065	0	830,065
Supporting Services			
Management and General	99,439	0	99,439
Fundraising	46,513	0	46,513
Total Supporting Services	145,952	0	145,952
Total Expenses	976,017	0	976,017
CHANGE IN NET ASSETS	(8,561)	(105,757)	(114,318)
NET ASSETS, BEGINNING OF YEAR	1,258,821	227,821	1,486,642
NET ASSETS, END OF YEAR	$ 1,250,260	$ 122,064	$ 1,372,324

The accompanying notes are an integral part of these financial statements.

AID TO DISTRESSED FAMILIES OF APPALACHIAN COUNTIES, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 10,419	$ (114,318)
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	10,868	10,515
(Gain) Loss on Property Held for Sale	6,895	0
Provision for Bad Debts - Mortgage Notes Receivables	18,600	68,523
Change in Discount on Mortgage Notes Receivables	(3,145)	(1,348)
Property Contributed by Donors	0	(2,000)
Net Changes in:		
Accounts & Grants Receivable	43,305	20,881
Accrued Interest Receivable	3,787	(1,771)
Prepaid Expenses	116	(4)
Beneficial Interest in Assets Held by Others	(8,492)	3,751
Accounts Payable and Accrued Liabilities	10,868	(20,196)
Net Cash Flows Provided by (Used in) Operating Activities	93,221	(35,967)
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer to Beneficial Interest in Assets Held by Others	(18,425)	(12,284)
Purchase of Property and Equipment	0	(14,460)
Purchase of Property Held for Sale	0	(24,890)
Proceeds from Sale of Property Held for Sale	2,500	109,000
Construction Costs on Property Held for Sale	(104,805)	(2,609)
Principal Collections of Mortgage Notes Receivable	27,023	44,935
Net Cash Flows Provided by (Used in) Investing Activities	(93,707)	99,692
NET INCREASE IN CASH AND CASH EQUIVALENTS	(486)	63,725
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	618,130	554,405
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 617,644	$ 618,130

The accompanying notes are an integral part of these financial statements.

AID TO DISTRESSED FAMILIES OF APPALACHIAN COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services				Supporting Services			
	Appalachian Housing Partners	Household Assistance Program	School Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Program and Supporting Services
Direct Program Costs & Client Assistance	$ 53,613	203,998	76,455	334,066	0	0	0	334,066
Salaries	74,340	74,800	19,218	168,358	46,901	34,814	81,715	250,073
In-Kind Assistance	6,385	11,423	29,889	47,697	31,903	5,877	37,780	85,477
Payroll Taxes and Employee Benefits	6,449	5,643	1,462	13,554	3,321	3,727	7,048	20,602
In-Kind Rent	8,750	8,750	0	17,500	4,375	0	4,375	21,875
Insurance	345	1,045	1,118	2,508	6,722	0	6,722	9,230
Accounting	5,425	5,425	1,550	12,400	3,100	0	3,100	15,500
Conferences and Travel	1,599	0	0	1,599	0	0	0	1,599
Utilities	4,358	4,474	0	8,832	743	0	743	9,575
Depreciation	10,868	0	0	10,868	0	0	0	10,868
Telephone and Communication	1,559	3,155	0	4,714	1,367	0	1,367	6,081
Vehicle	2,851	0	0	2,851	0	0	0	2,851
Supplies	(111)	467	104	460	2,466	335	2,801	3,261
Office and Computer	1,104	684	0	1,788	1,152	0	1,152	2,940
Property - Repairs & Maintenance, Taxes, Insurance and Utilities	1,241	0	0	1,241	0	0	0	1,241
Miscellaneous	(28)	302	0	274	2,269	43	2,312	2,586
Postage and Shipping	146	0	187	333	2,539	304	2,843	3,176
Advertising	0	0	0	0	197	0	197	197
Memberships and Subscriptions	685	0	59	744	1,154	0	1,154	1,898
Warehouse Rent	1,125	0	0	1,125	375	0	375	1,500
Mileage	0	107	710	817	424	0	424	1,241
Fundraising Expense	0	0	0	0	0	9,446	9,446	9,446
Rental Property Expense	7,665	0	0	7,665	0	0	0	7,665
Rent Expense	0	0	1,800	1,800	0	0	0	1,800
Bad Debt Expense	18,600	0	0	18,600	0	0	0	18,600
Gain/Loss on Sale of Assets	6,895	0	0	6,895	0	0	0	6,895
Endowment Fund Loss	0	0	0	0	(9,279)	0	(9,279)	(9,279)
Total	$ 213,864	$ 320,273	$ 132,552	$ 666,689	$ 99,729	$ 54,546	$ 154,275	$ 820,964

The accompanying notes are an integral part of these financial statements.

AID TO DISTRESSED FAMILIES OF APPALACHIAN COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services				Supporting Services			
	Appalachian Housing Partners	Household Assistance Program	School Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Program and Supporting Services
Direct Program Costs & Client Assistance	$ 163,176	209,037	71,857	444,070	0	0	0	444,070
Salaries	86,606	83,499	16,278	186,383	48,175	30,678	78,853	265,236
In-Kind Assistance	560	13,199	22,791	36,550	16,939	4,222	21,161	57,711
Payroll Taxes and Employee Benefits	9,214	9,523	1,259	19,996	5,440	3,282	8,722	28,718
In-Kind Rent	9,024	9,024	0	18,048	2,461	0	2,461	20,509
Insurance	761	1,873	672	3,306	4,487	0	4,487	7,793
Accounting	5,250	5,465	1,500	12,215	3,000	0	3,000	15,215
Conferences and Travel	1,866	0	0	1,866	65	0	65	1,931
Utilities	4,358	4,368	0	8,726	740	0	740	9,466
Depreciation	3,294	0	0	3,294	690	0	690	3,984
Telephone and Communication	1,546	3,175	0	4,721	1,317	0	1,317	6,038
Vehicle	1,892	0	0	1,892	0	0	0	1,892
Supplies	628	417	0	1,045	3,328	0	3,328	4,373
Office and Computer	1,407	1,955	0	3,362	1,960	0	1,960	5,322
Property - Repairs & Maintenance, Taxes, Insurance and Utilities	4	0	0	4	0	0	0	4
Miscellaneous	104	(111)	0	(7)	1,826	0	1,826	1,819
Postage and Shipping	360	300	61	721	2,172	0	2,172	2,893
Advertising	33	0	0	33	2,132	0	2,132	2,165
Memberships and Subscriptions	701	53	59	813	789	0	789	1,602
Warehouse Rent	1,125	0	0	1,125	375	0	375	1,500
Mileage	0	180	467	647	353	0	353	1,000
Fundraising Expense	0	0	0	0	0	8,331	8,331	8,331
Rental Property Expense	10,932	0	0	10,932	0	0	0	10,932
Rent Expense	0	0	1,800	1,800	0	0	0	1,800
Bad Debt Expense	68,523	0	0	68,523	0	0	0	68,523
Endowment Fund Loss	0	0	0	0	3,190	0	3,190	3,190
Total	$ 371,364	$ 341,957	$ 116,744	$ 830,065	$ 99,439	$ 46,513	$ 145,952	$ 976,017

The accompanying notes are an integral part of these financial statements.

AID TO DISTRESSED FAMILIES OF APPALACHIAN COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities - Aid to Distressed Families of Appalachian Counties, Inc. ("ADFAC') is an independent, not-for-profit agency servicing the basic needs of primarily low-income residents in Anderson County, Tennessee and surrounding Appalachian Counties. ADFAC's goal is to help families become stable and self-sufficient through a variety of direct assistance services. ADFAC's vision is of sustainable, healthy, and viable communities where all families are self-sufficient, productive and free of the need for continued public assistance. ADFAC focuses on addressing the needs of the most vulnerable in our area by striving to provide a comprehensive scope of services with compassion:

- Short term assistance for basic needs;
- Affordable solutions for home rehabilitation, new construction and rental housing;
- Children and youth education services; and
- Education via life coaching and/or referrals.

Accounting Principles - ADFAC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Financial Accounting Standards Board (FASB). The accompanying financial statements are presented on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents - For purposes of the Statements of Cash Flows, ADFAC considers cash in bank, and short-term certificates of deposit with an original maturity of less than 90 days as cash and cash equivalents.

Mortgage Notes Receivable - Mortgage notes receivable (loans) are stated at the amount of unpaid principal, reduced by an allowance for uncollectible mortgages and a discount. Receivables are recorded at present value using a discount rate of 3%. Interest on loans is recognized over the term of the loan and calculated using the simple-interest method on principal amounts outstanding. The allowance for uncollectible mortgage notes receivable is established through a provision for bad debt expense charged to operations. Loans are considered delinquent once payment is 180 days past due. Interest on loans continues to accrue until the loan is paid off, the loan terms have been modified, the loan is charged-off, or collection procedures have been initiated.

Allowance for Uncollectible Mortgage Notes Receivables - The allowance for uncollectible mortgage notes receivables (loans) is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trend in historical loss experience, specific impaired loans and economic conditions. Allowances for impaired loans are generally determined based on the net realizable value of the collateral less costs to sell. Because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near term. The allowance is increased or decreased by a provision for loan losses, which is charged or credited to expense and the allowance is reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses. Loans are charged against the allowance when management believes that the ability to collect the principal is unlikely.

A loan is considered impaired when, based on current information and events, it is probable that ADFAC will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Purchased property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose or time of use. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor restrictions on how long donated assets must be maintained, ADFAC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ADFAC reclassifies temporarily restricted net assets to unrestricted net assets at that time. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in that period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments exceeding $1,000 are capitalized. Property and equipment are depreciated using the double-declining and straight-line methods based upon the following estimated useful lives:

	Years
Office Equipment	3-5
Computer Equipment	5
Vehicles	5
Rental Property	27.5
Leasehold Improvements	27.5

Donor-Imposed Restrictions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Fundraising - The majority of ADFAC's fundraising costs are related to government and non-government grant solicitation costs. Traditional fundraising efforts are conducted primarily by the Executive Director and Development Director, along with assistance by volunteers.

Grants - The Appalachian Housing Partners program receives grant money from various entities for the purpose of assisting low-income first-time homebuyers with an affordable home and for assisting low-income homeowners with repairs or reconstruction. The Household Assistance Program receives grant money from various entities to assist low income clients with payments for utilities and/or rent. The School Supplies program receives grant money to help provide backpacks and school supplies to children in need.

Revenue Recognition - Contributions received are recorded as with or without donor restrictions depending on the existence and nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contribution is recognized. All other donor-restricted net assets are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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".

Description of Programs

Household Assistance Program - ADFAC Inc.'s Household Assistance Program provides aid to families in urgent need with basic survival necessities such as rent/mortgage assistance and provides counseling that promotes self-sufficiency and responsibility. Assistance is provided by contributions and support from individuals and organizations in the local community, private foundations as well as local utility companies and government grants.

Appalachian Housing Partners - ADFAC Inc.'s Appalachian Housing Partners Program provides solutions to housing issues faced by local residents including home repairs, new home builds and rental housing opportunities. Assistance is provided by contributions and support from individuals and organizations in the local community, private foundations as well as federal and state grants.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Programs (Continued)

School Supply Program - ADFAC Inc.'s School Supply Program provides school supplies for lower income K-12 students through a network of partnerships with local schools and volunteer groups. Assistance is provided by contributions and support from individuals and organizations in the local community, and private foundations.

Functional Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among other benefited programs and support services.

All expenses are allocated by actual expense per function except for the following which were allocated as indicated:

Expense	Method of Allocation
In-Kind Rent	Square Footage
Utilities	Square Footage
Rent Expense	Square Footage

Advertising - Advertising costs are expensed as incurred. ADFAC incurred $197 and $2,165 of advertising expenses during the years ended December 31, 2019 and 2018, respectively.

Income Taxes - ADFAC is exempt from federal income tax under Internal Revenue Code 501(c)(3).

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, such as the allowance for uncollectible mortgage notes receivable and depreciable lives of property and equipment, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement - On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements 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 expenses and investment return. ADFAC has adjusted the presentation of these statements accordingly. The ASU has been applied to all periods presented.

Subsequent Events - Management has evaluated subsequent events through August 28, 2020, which is the date the financial statements became available to be issued, and has determined that there are no subsequent events that require disclosure.

NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Subject to expenditure for specified purpose:		
Appalachian Housing Partners	$ 145,281	$ 49,857
Household Assistance Program	69,074	60,673
School Supplies	14,724	11,534
Total Net Assets with Donor Restrictions	$ 229,079	$ 122,064

NOTE 3 – GOVERNING BOARD DESIGNATIONS

The Board of ADFAC has designated, from net assets without donor restrictions, certain funds to be deemed an endowment fund in the amount of $80,616 and $53,699 for the years ended 2019 and 2018, respectively.

NOTE 4 – AVAILABILITY OF FINANCIAL ASSETS

The following reflects ADFAC's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the endowment that could be drawn upon if the governing board approves that action.

Financial Assets at Year-End:	2019	2018
Cash and Cash Equivalents	$ 617,644	$ 618,130
Grants Receivable	7,644	50,949
Mortage Payments Receivable within one year	64,179	59,367
Investments	80,616	53,699
Total Financial Assets	770,083	782,145
Less amounts not available to be used within one year:		
Net assets with donor restrictions	229,079	122,064
Endowment established by the board	80,616	53,699
	309,695	175,763
Financial assets available to meet general expenditures over the next twelve months	$ 460,388	$ 606,382

As part of ADFAC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. ADFAC's management utilizes the annual budget to ensure that financial assets are available to meet all obligations within the budgeted time frame.

NOTE 5 - MORTGAGE NOTES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS

ADFAC helps provide funding for the repair, renovation and building of new homes for qualified elderly, disabled, or low-income families using local, state and federal grants. A portion of the amounts expended on these projects are recorded as low interest mortgage notes receivable to ADFAC with principal and interest repayments being used to fund future rehabilitation projects and construction costs not covered by grant funds. Interest income is recognized and receivables are determined to be delinquent based on the terms of the mortgage agreements entered into with clients. Mortgages are collateralized by a lien on the property. The allowance for uncollectible loans was $72,631 and $131,826 for the years ended December 31, 2019 and 2018, respectively. Additionally, loans receivable are recorded at the present value of the amount expected to be received, using a discount rate of 3%.

Under its Appalachian Housing Partners program, ADFAC may require a portion of the building rehabilitation costs and all single-family developments to be repaid with low interest mortgage loans. These loans are secured by either a first and/or second mortgage lien on single family, owner occupied residential real estate. Mortgage loan transactions during 2019 and 2018 were as follows:

	2019	2018
Principal Balance, Beginning of the Year	$ 594,508	$ 639,443
Balances Charged-Off	(77,794)	0
Principal Collections of Mortgage Notes Receivable	(27,023)	(44,935)
	489,691	594,508
Less: Allowance for Uncollectible Accounts	(72,631)	(131,826)
Less: Discount	(14,691)	(17,835)
Mortgage Notes Receivable - Net, End of the Year	$ 402,369	$ 444,847
Amount Due Within One Year	$ 64,179	$ 59,367
Amount Due After One Year	338,190	385,480
Total	$ 402,369	$ 444,847

NOTE 5 - MORTGAGE NOTES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (Continued)

Loan Quality - Management performs a quarterly evaluation of the allowance for loan losses (ALL). Valuation adjustments may be made necessary based on factors including, but not limited to, the economy, maintenance and general condition of the collateral, and the knowledge management has about a particular situation. In addition, the cost to sell or liquidate the collateral is also estimated when determining the realizable value of the loan. Certain factors in the evaluation are inherently subjective, as they require material estimates that may be susceptible to significant change, including the amounts and timing of future cash flows expected to be received on impaired loans.

The analysis for determining the ALL consists of specific and general components. The specific component addresses specific reserves for impaired loans. A loan is considered impaired when, based on current information and events, it is probable that ADFAC will be unable to collect all the interest and principal payments due according to the originally contracted terms of the loan agreement. Expected cash flows on collateral values discounted for market conditions and selling costs are used to establish specific allocations. The general components include ADFAC's historical loan loss experience and other factors such as local economic and market conditions that have been determined to have an effect on the probability and amount of loss.

The following table represents the aging of the mortgage notes receivables (loans) as of December 31:

	2019	2018
Residential Mortgage Notes Receivable:		
Current	$ 151,026	$ 227,017
31-60 Days Past Due	24,692	85,824
61-90 Days Past Due	0	0
91-180 Days Past Due	102,637	13,785
More than 180 Days Past Due	211,336	267,882
Total	$ 489,691	$ 594,508

The allowance for uncollectible mortgage notes receivable is increased by provision (bad debt) expense and reduced by charge-offs of loans, net of recoveries. The changes in the allowance for uncollectable mortgage notes receivable during 2019 and 2018 are presented below:

	2019	2018
Balance, Beginning of Year	$ 131,826	$ 63,303
Provision for Bad Debts	18,600	68,523
Loan Principal Charged-off	(77,795)	0
Balance, End of Year	$ 72,631	$ 131,826

The following table presents loans that were evaluated for the ALL under the specific reserve (individually) and those that were evaluated under the general reserve (collectively) as of December 31:

	2019	2018
Residential Mortgage Notes Evaluated for Allowance:		
Individually	$ 211,336	$ 267,882
Collectively	278,355	326,626
Total	$ 489,691	$ 594,508
Allowance Established for Loans Evaluated:		
Individually	$ 36,353	$ 86,826
Collectively	36,278	45,000
Total Allowance	$ 72,631	$ 131,826

NOTE 5 - MORTGAGE NOTES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (Continued)

The following table shows additional information about the residential mortgage notes receivable loans considered to be impaired as of December 31:

	2019		2018	
	Specific Allowance	No Specific Allowance	Specific Allowance	No Specific Allowance
Impaired Loans - Mortgage Notes Receivable:				
Unpaid Principal Balance	$ 36,353	$ 174,983	$ 86,826	$ 181,056
Related Allowance	36,353	0	86,826	0

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2015, ADFAC transferred assets to the East Tennessee Foundation ("ETF") to establish an endowment fund. The fund is the property of the ETF, and as such the ETF shall have the ultimate authority and control of all property of the fund and the income derived therefrom, for the charitable purposes of the ETF. Under the terms of ADFAC's agreement with the ETF, at the ETF's discretion, only the net income of the fund, or an amount calculated according to the annual spending rate (a percentage of market value), shall be distributed to ADFAC each year. ADFAC can withdraw all or a portion of the fund, provided that a 75% majority of the governing board of ADFAC and the ETF approve of the withdrawal. No distributions were made during the years ended December 31, 2019 and 2018. In establishing the fund, ADFAC granted variance power to the ETF. That power gives the ETF the right to make fund distributions to another not-for-profit organization of its choice or amend the terms of the agreement as it sees necessary if ADFAC ceases to exist or if the governing board of the ETF votes that support of ADFAC (a) is no longer necessary, (b) is incapable of fulfillment, or (c) is inconsistent with the charitable needs of the East Tennessee community. At December 31, 2019 and 2018, the endowment fund had a value of $80,616 and $53,699, which is reported in the statement of financial position as beneficial interest in assets held by others. The endowment fund does not have any associated donor restrictions as of December 31, 2019 and 2018, consisting of funds designated by the Board of Directors to function as an endowment. As a result, the net assets associated with the endowment fund are classified as board designated.

NOTE 7 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A valuation hierarchy has been established for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels. Level 1 input is quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on ADFAC's assumptions used to measure assets and liabilities at Fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Financial Assets Recorded at Fair Value on a Recurring Basis

Beneficial Interest in Assets Held by Others – ADFAC's beneficial interest in endowment assets held by the East Tennessee Foundation is recorded at fair value, which is estimated as the fair value of the underlying assets. This endowment fund is held in the ETF's long-term commingled investment fund, for which there is no active market. This investment fund is comprised of fixed income, equity, and alternative investments and is reported at fair value using Level 3 inputs. The fair value measurements consider observable data that may include closing prices, calculated net asset per share, pricing models, and discounted cash flows.

NOTE 7 - FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, ADFAC's assets at fair value on a recurring basis as of December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets Held by Others	$ 0	$ 0	$ 80,616	$ 80,616
Total	$ 0	$ 0	$ 80,616	$ 80,616

	2018			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets Held by Others	$ 0	$ 0	$ 53,699	$ 53,699
Total	$ 0	$ 0	$ 53,699	$ 53,699

The table below includes a roll forward of ADFAC's assets measured at fair value on a recurring basis and classified within Level 3 of the valuation hierarchy.

	Beneficial Interest in Assets Held by Others	
	2019	2018
Fair Value, Beginning of Year	$ 53,699	$ 45,166
Transfers from ADFAC	18,425	12,284
Interest and Dividends	356	846
Administrative Fees	(787)	(561)
Net Realized and Unrealized Gains/(Losses) Included in Earnings	8,923	(4,036)
Fair Value, End of Year	$ 80,616	$ 53,699
Net Unrealized Gains (Losses) Included in Earnings	$ 8,288	$ (6,010)

Financial Assets Recorded at Fair Value on a Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis; that is, the assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example when there is evidence of impairment. These include assets that are measured at the lower of cost or market at year-end. Assets measured at fair value on a nonrecurring basis include the following:

Impaired Loans - ADFAC does not record mortgage notes receivables (loans) at fair value on a recurring basis. However, from time to time, a loan is considered impaired in accordance with GAAP and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. If the recorded investment in impaired loans exceeds the measure of fair value, a valuation allowance is established as a component of the allowance for loan losses. The fair value of individually identified impaired loans is measured using both observable and unobservable inputs based on the present value of expected payments or the collateral value. Impaired loans are classified within Level 3 of the valuation hierarchy.

Property Held for Sale - Property held for sale is recorded at fair value on a nonrecurring basis. Fair value measurement is based on management's estimate of the amount that will be realized when the property is sold and is classified within Level 3 of the valuation hierarchy.

NOTE 7 - FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, ADFAC's assets at fair value on a nonrecurring basis as of December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Impaired Loans, Net of Valuation Allowance and Discount	$ 0	$ 0	$ 174,983	$ 174,983
Property Held for Sale	0	0	137,545	137,545
Total	$ 0	$ 0	$ 312,528	$ 312,528

	2018			
	Level 1	Level 2	Level 3	Total
Impaired Loans, Net of Valuation Allowance and Discount	$ 0	$ 0	$ 181,056	$ 181,056
Property Held for Sale	0	0	42,135	42,135
Total	$ 0	$ 0	$ 223,191	$ 223,191

Changes in Fair Value

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. Management evaluates the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to net assets. For the year ended December 31, 2019 there were no transfers in or out of Levels 1, 2, or 3.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2019	2018
Office Equipment	$ 19,983	$ 19,983
Computer Equipment	16,271	16,271
Vehicles	16,470	16,470
Rental Property	169,314	169,314
Land	19,200	19,200
Leasehold Improvement	14,460	14,460
	255,698	255,698
Less: Accumulated Depreciation	(70,339)	(59,471)
Total Net Property and Equipment	$ 185,359	$ 196,227

Depreciation expense was $10,868 and $10,515 for the years ending December 31, 2019 and 2018, respectively.

NOTE 8 - PROPERTY HELD FOR SALE (Continued)

The cost of property held for resale is based on the costs related to the purchase or construction of the property. Such cost is evaluated whenever events or changes in circumstances indicate the carrying amount of property held for sale may not be recoverable. When it is determined that a test for recoverability is necessary, such cost is evaluated by management for impairment based upon third-party appraisals utilizing future estimated cash flows (undiscounted) from each property (primarily sales proceeds). In the event future estimated cash flows are less than the carrying value, a property is designated as impaired. The property available for sale as of December 31, 2019 and 2018 included the following:

	2019	2018
Donated Property Held for Sale	$ 7,850	$ 10,245
Land Held for Sale	24,890	31,890
Houses Available for Sale	104,805	0
Total Property Held for Sale	$ 137,545	$ 42,135

NOTE 9 - DONATED SERVICES AND MATERIALS

ADFAC receives significant amounts of contributed services, facilities and materials. These contributed resources are disclosed in the financial statements under varying criteria, which are explained below and include the following:

	2019	2018
Program Services		
Professional Services	$ 13,620	$ 10,240
Rent	17,501	18,048
Donated Property	0	2,000
Donated Materials	34,077	26,309
Total Program Services	65,198	56,597
Support Services		
Rent	4,375	2,461
Professional Services	5,815	1,120
Donated Materials	31,965	20,042
Total Support Services	42,155	23,623
Total In-Kind Contributions	$ 107,353	$ 80,220

General Services - A substantial number of unpaid volunteers have made significant contributions of their time to develop and implement ADFAC's programs, mainly in the areas of office staffing and fundraising activities. The value of this contributed time is not reflected in these statements because the criteria for recognition of such volunteer effort under FASB ASC 958-605 have not been satisfied.

Donated Services - Many specialists will donate their time to ADFAC for the purpose of aiding in home construction. In addition, ADFAC receives professional services donated for the purpose of help in the Household Assistance Program. ADFAC also receives donated services for Information Technology work related to support services.

Donated Facilities - ADFAC occupies office space at the First Presbyterian Church of Oak Ridge, Tennessee. ADFAC pays no rent for its use of this space.

Donated Materials - ADFAC receives donations consisting of items such as printed materials, toiletries and school supplies that are used to provide assistance to families and children.

NOTE 9 - DONATED SERVICES AND MATERIALS (Continued)

Donated Property - ADFAC will periodically receive donations of land, houses or stock for the purpose of assisting ADFAC's mission. During 2018, ADFAC received an in-kind donation of computer to replace one previously used in the office.

NOTE 10 - RETIREMENT PLAN

In September 2014, the Board of Directors approved a SIMPLE IRA plan that permits the deferral of employees' compensation with an employer matching contribution. The plan document states that all employees with 90 days of service may defer directly to the SIMPLE IRA with a discretionary employer matching contribution of 100% match up to 1% of employee's salary. The SIMPLE IRA accounts were created on January 1, 2015.

ADFAC incurred $1,634 and $6,406 of retirement expense for the years ended December 31, 2019 and 2018, respectively.

NOTE 11 - ECONOMIC CONCENTRATIONS

ADFAC receives a significant amount of funding from various United Way Chapters, the City of Oak Ridge and other local cities. Any reductions of support from these various funding sources could materially impact the amount and level of service provided by ADFAC.