

**INTUNITY**  
**FINANCIAL STATEMENTS**  
December 31, 2023 and 2022



## TABLE OF CONTENTS

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|                                     | Page |
|-------------------------------------|------|
| <b>INDEPENDENT AUDITOR'S REPORT</b> | 1    |
| <b>FINANCIAL STATEMENTS</b>         |      |
| Statements of Financial Position    | 3    |
| Statements of Activities            | 4    |
| Statements of Functional Expenses   | 5    |
| Statements of Cash Flows            | 6    |
| Notes to Financial Statements       | 7    |

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Intunity  
2157 Madison Avenue  
Memphis, TN 38104

### Opinion

We have audited the accompanying financial statements of Intunity (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Intunity as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Intunity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Intunity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's 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 auditor's 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 Intunity'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 Intunity'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.

*Watkins Mikusall, PLLC*

Memphis, Tennessee  
February 28, 2024

# INTUNITY

## STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

|                                                            | 2023         | 2022         |
|------------------------------------------------------------|--------------|--------------|
| <b>Current Assets</b>                                      |              |              |
| Cash                                                       | \$ 59,179    | \$ 229,934   |
| Prepaid expenses                                           | 13,012       | 8,380        |
| Accounts receivable                                        | 264,034      | 224          |
| Investments                                                | 2,080,898    | 1,867,021    |
| Total current assets                                       | 2,417,123    | 2,105,559    |
| Property and equipment, net of accumulated depreciation    | 3,683,775    | 3,758,267    |
| <b>Other Assets</b>                                        |              |              |
| Restricted cash                                            | 754,720      | 617,101      |
| Security deposits                                          | 500          | 500          |
| Total assets                                               | \$ 6,856,118 | \$ 6,481,427 |
| <u>Liabilities and Net Assets</u>                          |              |              |
| <b>Current Liabilities</b>                                 |              |              |
| Accounts payable and accrued expenses                      | \$ -         | \$ 4,970     |
| Unearned rent revenue                                      | 301          | -            |
| Notes payable, current                                     | 50,204       | 50,062       |
| Total current liabilities                                  | 50,505       | 55,032       |
| Notes payable, net of unamortized deferred financing costs | 1,608,931    | 1,656,229    |
| Total liabilities                                          | 1,659,436    | 1,711,261    |
| <b>Net Assets</b>                                          |              |              |
| Without donor restrictions                                 |              |              |
| Undesignated                                               | 2,417,322    | 2,101,089    |
| Designated debt service fund                               | 754,720      | 617,101      |
| Investment in property and equipment, net of related debt  | 2,024,640    | 2,051,976    |
| Total net assets                                           | 5,196,682    | 4,770,166    |
| Total liabilities and net assets                           | \$ 6,856,118 | \$ 6,481,427 |

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

# INTUNITY

## STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2023 and 2022

|                                                           | <u>2023</u>                | <u>2022</u>                |
|-----------------------------------------------------------|----------------------------|----------------------------|
| Revenue and Support                                       |                            |                            |
| Rental revenue                                            | \$ 342,937                 | \$ 328,087                 |
| Grant revenue                                             | 264,034                    | -                          |
| Contributions                                             | 13,697                     | -                          |
| Other revenue                                             | 9,311                      | 113,759                    |
| Total support and revenue                                 | <u>629,979</u>             | <u>441,846</u>             |
| Expenses                                                  |                            |                            |
| Program rental expenses                                   | 367,723                    | 335,315                    |
| General and administration expenses                       | 49,616                     | 62,049                     |
| Total expenses                                            | <u>417,339</u>             | <u>397,364</u>             |
| Net support and revenue over expenses                     | 212,640                    | 44,482                     |
| Net investment income (loss)                              | <u>213,876</u>             | <u>(474,087)</u>           |
| Change in unrestricted net assets                         | 426,516                    | (429,605)                  |
| Net assets without donor restrictions - beginning of year | <u>4,770,166</u>           | <u>5,199,771</u>           |
| Net assets without donor restrictions - end of year       | <u><u>\$ 5,196,682</u></u> | <u><u>\$ 4,770,166</u></u> |

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

## INTUNITY

### STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2023 and 2022

|                              | 2023       |                           |            |
|------------------------------|------------|---------------------------|------------|
|                              | Program    | Management and<br>General | Total      |
| Contract services            | \$ 15,200  | \$ -                      | \$ 15,200  |
| Property management          | 33,547     | -                         | 33,547     |
| Repairs and maintenance      | 54,402     | -                         | 54,402     |
| Insurance                    | 34,537     | 10,648                    | 45,185     |
| Property taxes               | 1,437      | -                         | 1,437      |
| Payroll expenses             | 26,366     | 11,300                    | 37,666     |
| Office expenses              | -          | 3,623                     | 3,623      |
| Miscellaneous                | -          | 1,382                     | 1,382      |
| Rent, parking, and utilities | 4,213      | 1,805                     | 6,018      |
| Professional services        | 45,940     | 19,688                    | 65,628     |
| Travel                       | -          | 1,169                     | 1,169      |
| Interest                     | 9,102      | -                         | 9,102      |
| Depreciation                 | 142,980    | -                         | 142,980    |
|                              | \$ 367,723 | \$ 49,616                 | \$ 417,339 |
|                              | 2022       |                           |            |
|                              | Program    | Management and<br>General | Total      |
| Contract services            | \$ 49,400  | \$ -                      | \$ 49,400  |
| Property management          | 27,650     | -                         | 27,650     |
| Repairs and maintenance      | 77,532     | -                         | 77,532     |
| Insurance                    | 31,126     | 9,756                     | 40,882     |
| Office expenses              | -          | 5,814                     | 5,814      |
| Miscellaneous                | -          | 2,178                     | 2,178      |
| Rent, parking, and utilities | -          | 5,160                     | 5,160      |
| Professional services        | -          | 37,725                    | 37,725     |
| Travel                       | -          | 1,416                     | 1,416      |
| Interest                     | 7,664      | -                         | 7,664      |
| Depreciation                 | 141,293    | -                         | 141,293    |
|                              | \$ 335,315 | \$ 62,049                 | \$ 397,364 |

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

# INTUNITY

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

|                                                                  | 2023       | 2022         |
|------------------------------------------------------------------|------------|--------------|
| Cash Flows Provided By (Used For) Operating Activities:          |            |              |
| Net income                                                       | \$ 426,516 | \$ (429,605) |
| Adjustments to Reconcile Net Income to Net Cash                  |            |              |
| Provided By (Used For) Operating Activities:                     |            |              |
| Depreciation                                                     | 142,980    | 141,293      |
| Amortization of deferred financing costs                         | 2,904      | 2,904        |
| Net investment (income) loss                                     | (213,876)  | 474,087      |
| (Gain) loss on disposal of property and equipment                | (931)      | (103,209)    |
| Increase (Decrease) in Cash and Cash Equivalents:                |            |              |
| Prepaid expenses                                                 | (4,632)    | 5,612        |
| Accounts receivable                                              | (263,810)  | 8,721        |
| Accounts payable and accrued expenses                            | (4,970)    | (23,203)     |
| Unearned rent revenue                                            | 301        | -            |
| Total adjustments                                                | (342,034)  | 506,205      |
| Net cash provided by operating activities                        | 84,482     | 76,600       |
| Cash Flows From (Used For) Investing Activities:                 |            |              |
| Purchases of property and equipment                              | (67,558)   | (59,565)     |
| Proceeds from sale of property and equipment                     | -          | 244,000      |
| Proceeds from sale of investments                                | -          | 50,881       |
| Net cash from (used for) investing activities                    | (67,558)   | 235,316      |
| Cash Flows From (Used For) Financing Activities:                 |            |              |
| Proceeds from issuance of notes payable                          | -          | 84,732       |
| Payments on note payable                                         | (50,060)   | (70,476)     |
| Net withdrawals from (deposits to) restricted cash for financing | (137,619)  | (120,977)    |
| Net cash used for financing activities                           | (187,679)  | (106,721)    |
| Net increase (decrease) in cash and cash equivalents             | (170,755)  | 205,195      |
| Cash and cash equivalents at beginning of the year               | 229,934    | 24,739       |
| Cash and cash equivalents at end of the year                     | \$ 59,179  | \$ 229,934   |
| Supplemental Cash Flow Information:                              |            |              |
| Cash paid during the year for interest                           | \$ 5,698   | \$ -         |

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

# INTUNITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Intunity (the “Organization”) is a not-for-profit corporation chartered to acquire, adapt, maintain, and lease safe, accessible, and affordable housing for eligible persons with intellectual disabilities residing in West Tennessee. These services are provided to class members and other persons with intellectual disabilities in West Tennessee who are served by the Department of Intellectual and Developmental Disabilities and who reside in living arrangements other than those owned or operated by the State of Tennessee. Initial funding came from a disbursement of money (fine funds) on deposit with the United States District Court for the Western District of Tennessee. Five founding board members were appointed by parties to the case. Governance of the Organization was charged to the founding board, and court oversight was limited to addressing funding.

#### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

#### Use of Estimates

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

#### Concentrations and Credit Risks

The Organization’s credit risks primarily relate to cash and cash equivalents. The Organization maintains cash deposits at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to an aggregate of \$250,000.

Investments are exposed to various risks such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with these certain investments, it is at least possible that changes in the values of investments will occur in the near term and such changes could materially affect the Organization’s financial position and changes in its net assets.

#### Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. The Organization has excluded cash and cash equivalents held in investment accounts.

#### Restricted Cash

The Organization maintains a cash account at a financial institution that is restricted by the financial institution for loan payments upon maturity the individual loans.

### Accounts Receivable

Accounts receivable for the year ended December 31, 2023 consists of amounts due from grantors within one year and have been recognized at net realizable value. All amounts have been collected subsequent to year end December 31, 2023, and, therefore, no allowance for credit losses is deemed necessary.

### Investments

Investments are carried at fair market value in the statement of financial position. Net investment income (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

### Property and Equipment

Property and equipment are stated at cost. The Organization capitalizes expenses for property and equipment with a cost of \$500 or greater and provides for depreciation using the straight-line method over the estimated useful lives of the assets ranging from 5 to 30 years. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are charged against operations.

### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets with Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. 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. For each of the years ended December 31, 2023 and 2022, there were no donor-imposed restrictions.

### Revenue and Revenue Recognition

The Organization derives its revenue primarily from tenant rental revenue under short-term operating leases which is recognized when earned. Contributions, including grants, received are recorded as without donor restriction or with donor restrictions depending upon the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

### Functional Expenses

The cost of providing the program and supporting activities have been presented by natural classification by function in the statements of functional expenses. Expenses that are identified with the program or supporting service are charged directly to the appropriate function. For the year ended December 31, 2023 and 2022, allocable costs have been recognized in each function based on the estimated time spent by management attributable to each function.

### Income Taxes

No provision for federal income taxes is required since the Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined to be an organization that is not a private foundation. The Organization files an exempt return in the U.S. federal jurisdiction.

### Fair Value Measurement

The Organization applies GAAP for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a framework for measuring fair value within a hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access. Level 2 includes inputs (other than quoted prices with level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data. Level 3 includes inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining fair values, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

### Date of Management's Review

The Organization evaluated its financial statements for subsequent events through February 28, 2024, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

## NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following on December 30:

|                     | <u>2023</u>         | <u>2022</u>         |
|---------------------|---------------------|---------------------|
| Cash                | \$ 59,179           | \$ 229,934          |
| Accounts receivable | 264,034             | 224                 |
| Investments         | <u>2,080,898</u>    | <u>1,867,021</u>    |
|                     | <u>\$ 2,404,111</u> | <u>\$ 2,097,179</u> |

Normal operating expenses per month are, on average, approximately \$21,000. The Organization maintains an unsecured line of credit for short term cash needs and investment assets to cover liquidity issues above those provided by with operating income.

## NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

For the years ended December 31, 2023 and 2022 all investments are held with the Community Foundation of Greater Memphis (“CFGM”) in the CFGM – Active Pool. The CFGM – Active Pool consists of funds invested in the balanced active pool at the Community Foundation of Greater Memphis (“CFGM”). These funds are valued at the Organization’s proportional share of the market value of the underlying investments held in the pool. CFGM balanced active pool is a fund invested in primarily high-grade corporate and municipal bonds, publicly-traded equity securities and funds, hedged funds, private real estate, U.S. Government, and U.S. Government Agency bonds. Investments held with CFGM are classified as Level 3 for valuation purposes. Although the majority of CFGM’s holdings are invested in assets that are valued by quoted prices in active markets, the Organization does not have access to the CFGM holdings and therefore does not have observable inputs for CFGM. However, the Organization does receive quarterly statements from CFGM which show the fair market value and their portion of the funds.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2023.

The following table is a summary of the activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended December 31:

|                        | <u>2023</u>         | <u>2022</u>         |
|------------------------|---------------------|---------------------|
| Balance, end of year   | \$ 1,867,021        | \$ 2,338,116        |
| Investment return, net | 213,877             | (471,095)           |
| Distributions          | -                   | -                   |
| Balance, end of year   | <u>\$ 2,080,898</u> | <u>\$ 1,867,021</u> |

#### NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following on December 31:

|                                         | <u>2023</u>         | <u>2022</u>         |
|-----------------------------------------|---------------------|---------------------|
| Land                                    | \$ 582,744          | \$ 582,744          |
| Rental buildings                        | 3,801,978           | 3,772,698           |
| Rental buildings furniture and fixtures | 106,900             | 69,648              |
| Construction in process                 | 1,955               | -                   |
|                                         | <u>4,493,577</u>    | <u>4,425,090</u>    |
| Accumulated depreciation                | <u>(809,802)</u>    | <u>(666,823)</u>    |
|                                         | <u>\$ 3,683,775</u> | <u>\$ 3,758,267</u> |

Depreciation expense for the years ended December 31, 2023 and 2022 was \$142,980 and \$141,293, respectively.

#### NOTE 5 – LINE OF CREDIT AND LONG-TERM DEBT

##### Line of Credit

The Organization has unsecured revolving line of credit with a bank for \$100,000 maturing on January 10, 2024. The line of credit is open-ended and payable on demand. Interest is due monthly at the prime rate. There was no draws or outstanding balance as of December 31, 2023 and 2022.

Due on:

|                    |                     |
|--------------------|---------------------|
| March 4, 2025      | \$ 124,832          |
| October 30, 2025   | 192,500             |
| January 10, 2028   | 360,713             |
| January 10, 2029   | 138,002             |
| June 10, 2029      | 61,800              |
| September 10, 2029 | 49,200              |
| December 10, 2029  | 67,500              |
| December 10, 2029  | 61,500              |
| April 10, 2030     | 129,000             |
| April 10, 2030     | 45,000              |
| May 10, 2031       | 55,530              |
|                    | <u>\$ 1,285,577</u> |

## Long-Term Debt

The Organization has eleven notes payable due to a financial institution for the purpose of rental building acquisitions and improvements. The financial institution requires the Organization to make monthly loan payments to a repayment checking account for ten years with final payoff of the loans due by the end of the tenth year. The notes are interest free, secured by the Organization's properties. The notes mature as follows:

Additionally, the Organization has a note payable due to a financial institution for the purpose of rental building acquisitions and improvements. This financial institution requires the Organization to make monthly principal payments of \$3,743 beginning in February 2017 through maturity in January 2027. The note is interest free and secured by the Organization's properties. At December 31, 2023 and 2022, the balance of the note was \$138,002 and \$182,912, respectively.

The Organization has a note payable due to a financial institution for the purpose of working capital to alleviate economic injury caused by disaster related to the COVID-19 pandemic. This financial institution requires the Organization to make monthly principal payments of \$533 beginning in January 2023 through maturity in December 2052. The note bears interest at 2.75% and is secured by the Organization's properties. At December 31, 2023 and 2022, the balance of the note was \$204,382 and \$209,532, respectively.

Interest expense for the years ended December 31, 2023 and 2022 was \$5,698 and \$4,760, respectively.

Future maturities of the notes payable are as follows for the years ending December 31:

|            |                     |
|------------|---------------------|
| 2024       | \$ 50,204           |
| 2025       | 367,683             |
| 2026       | 50,503              |
| 2027       | 9,021               |
| 2028       | 5,909               |
| Thereafter | 1,187,119           |
|            | <u>\$ 1,670,439</u> |

## Deferred Financing Costs

At December 31, 2023 and 2022, notes payable are reported net of unamortized deferred financing costs \$11,306 and \$14,210, respectively. Deferred financing costs are amortized using the straight-line method over the life of the loan which approximates the effective interest method. For each of the years ended December 31, 2023 and 2022, amortization expense totaled was \$2,904 and is included as a component of interest expense on the statement of activities.

## **NOTE 6 – RELATED PARTY TRANSACTION**

Intunity uses contract employees to perform accounting and administrative tasks. The contractors are employed by a member of the board of directors and allocate a portion of time to Intunity. For the year ended December 31, 2023 and 2022, Intunity paid expenses for this work totaling \$7,850 and \$7,025, respectively.