KNOX HOUSING PARTNERSHIP, INC. DBA HOMESOURCE EAST TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2025 AND 2024

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KNOX HOUSING PARTNERSHIP, INC. DBA HOMESOURCE EAST TENNESSEE
ROSTER OF OFFICIALS
DECEMBER 31, 2025

Name	Title
Jackie Mayo	President & Chief Executive Officer
Pete Peterson	Vice President & Chief Financial Officer
Chris Osborn	Asset Manager & Chief Operating Officer
Joshalyn Hundley	Board Chair
Avis B. Andrews-Gary	Vice Chair
Hancen Sale	Secretary & Treasurer

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Knox Housing Partnership, Inc. DBA HomeSource east tennessee

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Knox Housing Partnership, Inc. DBA HomeSource east tennessee, (a not-for-profit corporation), which comprise the consolidated statement of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Knox Housing Partnership, Inc. DBA HomeSource east tennessee as of December 31, 2025 and 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Knox Housing Partnership, Inc. DBA HomeSource east tennessee 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Knox Housing Partnership, Inc. DBA HomeSource east tennessee's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS *and Government 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Knox Housing Partnership, Inc. DBA HomeSource east tennessee'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Knox Housing Partnership, Inc. DBA HomeSource east tennessee'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and State Financial Assistance listed above is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2026 on our consideration of Knox Housing Partnership, Inc. DBA HomeSource east tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Knox Housing Partnership, Inc. DBA HomeSource east tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Knox Housing Partnership, Inc. DBA HomeSource east tennessee's internal control over financial reporting and compliance.

Tarwater & Company, PC

Knoxville, TN
June 3, 2026

KNOX HOUSING PARTNERSHIP, INC. DBA HOMESOURCE EAST TENNESSEE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	$ 1,103,096	$ 1,136,445
Investments	4,861	3,892
Prepaid expenses and other assets	209,897	160,484
Accounts receivables	68,807	109,223
Total current assets	1,386,661	1,410,044
Assets restricted to small dollar lending		
Cash and cash equivalents	60,000	-
Property and equipment, net		
Property and equipment	33,368,726	30,123,378
Accumulated depreciation	(9,480,248)	(8,711,302)
Total property and equipment, net	23,888,478	21,412,076
Other assets		
Loans receivable, net of allowance	486,430	246,158
Replacement reserves	341,976	285,819
Utility deposits	24,000	24,000
Tenant security deposits	180,283	180,433
Total other assets	1,032,689	736,410
Total assets	$ 26,367,828	$ 23,558,530

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

KNOX HOUSING PARTNERSHIP, INC. DBA HOMESOURCE EAST TENNESSEE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Liabilities		
Current liabilities		
Current portion of long-term debt	$ 1,738,771	$ 1,862,289
Lines of credit	77,496	183,849
Accounts payable	172,852	103,776
Accrued expenses	407,990	268,386
Prepaid revenue and escrow deposits	166,546	223,016
Funds held as agent	168,209	45,096
Total current liabilities	2,731,864	2,686,412
Long-term liabilities		
Long-term debt, net of current portion	9,996,719	8,177,717
Deferred and forgivable loans	3,721,339	3,737,226
Tenant security deposits	182,648	195,232
Total long-term liabilities	13,900,706	12,110,175
Total liabilities	16,632,570	14,796,587
Net assets		
Without donor restrictions		
Undesignated	9,507,049	8,623,267
Board designated	168,209	45,096
	9,675,258	8,668,363
With donor restrictions	60,000	93,580
Total net assets	9,735,258	8,761,943
Total liabilities and net assets	$ 26,367,828	$ 23,558,530

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

KNOX HOUSING PARTNERSHIP, INC. DBA HOMESOURCE EAST TENNESSEE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Contributions and grants:			
Rental income	$ 2,737,634	$ -	$ 2,737,634
Government grants	221,637	-	221,637
NeighborWorks America	248,953	-	248,953
Construction revenue	228,549	-	228,549
Program service fees	287,268	-	287,268
Loan principal forgiven	731,411	-	731,411
Project development fees	192,367	-	192,367
Private contributions	225,882	60,000	285,882
Real estate commissions	9,350	-	9,350
Miscellaneous revenue:			
Contribution of nonfinancial assets	339,831	-	339,831
Other income	82,170	-	82,170
Interest income, net	12,482	-	12,482
Gain on sale of property	142,194	-	142,194
Net assets released from restrictions	93,580	(93,580)	-
Total revenues and other support	5,553,308	(33,580)	5,519,728
Expenses			
Program services:			
Home ownership	233,970	-	233,970
Rental	3,012,871	-	3,012,871
Housing development	617,899	-	617,899
Small dollar lending	79,260	-	79,260
Supporting services:			
Management and general	602,413	-	602,413
Total expenses	4,546,413	-	4,546,413
Change in net assets	1,006,895	(33,580)	973,315
Net assets, beginning of year	8,668,363	93,580	8,761,943
Net assets, end of year	$ 9,675,258	$ 60,000	$ 9,735,258

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

KNOX HOUSING PARTNERSHIP, INC. DBA HOMESOURCE EAST TENNESSEE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Contributions and grants:			
Rental income	$ 2,539,768	$ -	$ 2,539,768
Government grants	249,484	-	249,484
NeighborWorks America	243,000	93,580	336,580
Construction revenue	299,157	-	299,157
Program service fees	264,983	-	264,983
Loan principal forgiven	228,438	-	228,438
Project development fees	79,929	-	79,929
Private contributions	52,267	-	52,267
Real estate commissions	39,319	-	39,319
Miscellaneous revenue:			
Contribution of nonfinancial assets	339,058	-	339,058
Other income	46,330		46,330
Interest income, net	6,409	-	6,409
Loss on sale of property	(80,848)	-	(80,848)
Net assets released from restrictions	15,000	(15,000)	-
Total revenues and other support	4,322,294	78,580	4,400,874
Expenses			
Program services:			
Home ownership	394,649	-	394,649
Rental	2,914,849	-	2,914,849
Housing development	647,383	-	647,383
Supporting services:			
Management and general	698,653	-	698,653
Total expenses	4,655,534	-	4,655,534
Change in net assets	(333,240)	78,580	(254,660)
Net assets, beginning of year	9,001,603	15,000	9,016,603
Net assets, end of year	$ 8,668,363	$ 93,580	$ 8,761,943

KNOX HOUSING PARTNERSHIP, INC. DBA HOMESOURCE EAST TENNESSEE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025

	Program Services					Support Services	
	Home Ownership	Rental	Housing Development	Small Dollar Lending	Total Program Services	Management and General	Total
Expenses							
Salaries and related expenses	$ 151,937	$ 386,155	$ 304,027	$ 48,271	$ 890,390	$ 372,102	$ 1,262,492
Employee benefits	10,317	33,247	26,554	5,006	75,124	27,349	102,473
Payroll taxes	11,453	29,020	25,122	3,403	68,998	28,837	97,835
Depreciation	-	773,172	27,201	-	800,373	17,959	818,332
Interest	-	639,560	5,365	-	644,925	-	644,925
Property maintenance and upkeep	3,091	358,842	146,521	57	508,511	10,804	519,315
Insurance	6,677	211,786	19,226	638	238,327	15,683	254,010
Telephone and utilities	3,822	210,972	6,037	284	221,115	4,183	225,298
Property tax	-	121,259	163	-	121,422	-	121,422
Office supplies and expense	10,020	45,457	24,302	5,532	85,311	30,361	115,672
Housing assistance	-	91,935	-	-	91,935	-	91,935
Bad debt	-	33,073	-	-	33,073	29,552	62,625
Local travel and meals	3,689	16,299	13,587	-	33,575	14,120	47,695
Seminars and conferences	29,789	5,097	1,089	4,991	40,966	4,978	45,944
Legal and accounting	1,061	22,346	1,586	6,175	31,168	14,535	45,703
Equipment rental and maintenance	821	19,895	11,844	-	32,560	2,259	34,819
Miscellaneous	59	14,714	2,453	-	17,226	11,896	29,122
Contracted services	1,234	-	2,822	4,903	8,959	17,795	26,754
Credit fees	-	42	-	-	42	-	42
Total expenses	$ 233,970	$ 3,012,871	$ 617,899	$ 79,260	$ 3,944,000	$ 602,413	$ 4,546,413

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

KNOX HOUSING PARTNERSHIP, INC. DBA HOMESOURCE EAST TENNESSEE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program Services				Support Services	
	Home Ownership	Rental	Housing Development	Total Program Services	Management and General	Total
Expenses						
Salaries and related expenses	$ 136,580	$ 374,666	$ 294,901	$ 806,147	$ 308,971	$ 1,115,118
Employee benefits	10,390	38,207	30,678	79,275	32,397	111,672
Payroll taxes	24,640	28,656	24,102	77,398	22,739	100,137
Depreciation	-	805,303	24,421	829,724	15,118	844,842
Interest	-	717,836	3,958	721,794	-	721,794
Property maintenance and upkeep	3,113	444,883	157,048	605,044	9,160	614,204
Insurance	7,670	207,312	15,098	230,080	6,957	237,037
Telephone and utilities	5,860	21,755	6,428	34,043	171,076	205,119
Housing assistance	182,529	-	-	182,529	-	182,529
Property tax	-	117,487	3,085	120,572	-	120,572
Office supplies and expense	12,523	43,703	26,007	82,233	35,634	117,867
Contracted services	2,816	11,919	9,669	24,404	37,729	62,133
Local travel and meals	3,605	20,073	17,621	41,299	14,668	55,967
Legal and accounting	2,462	18,220	1,753	22,435	32,029	54,464
Miscellaneous	526	21,274	15,871	37,671	9,375	47,046
Equipment rental and maintenance	898	23,571	14,081	38,550	1,201	39,751
Bad debt	-	17,418	-	17,418	-	17,418
Seminars and conferences	1,037	2,399	2,662	6,098	1,599	7,697
Credit fees	-	167	-	167	-	167
Total expenses	$ 394,649	$ 2,914,849	$ 647,383	$ 3,956,881	$ 698,653	$ 4,655,534

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

KNOX HOUSING PARTNERSHIP, INC. DBA HOMESOURCE EAST TENNESSEE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash flow from operating activities:		
Change in net assets	$ 973,315	$ (254,660)
Adjustments to reconcile change in net assets to cash flows provided by operating activities:		
Gain (loss) on sale of fixed assets	(142,194)	80,848
Net return on available-for-sale securities	(969)	(898)
Depreciation	818,332	844,842
Forgivable loan principal recognized as revenue	(731,411)	(231,410)
Decrease (increase) contributions and grants receivables	40,416	3,504
Decrease (increase) loans receivable	(240,272)	(138,833)
Decrease (increase) utility deposits	-	(16,428)
Decrease (increase) prepaid expenses and other assets	(49,413)	855
Increase (decrease) accounts payable	69,076	69,128
Increase (decrease) accrued expenses	139,604	36,479
Increase (decrease) prepaid rent	(56,470)	174,963
Increase (decrease) tenant security deposits	(12,584)	27,363
Increase (decrease) funds held as agent	123,113	45,096
Net cash provided by operating activities	930,543	640,849
Cash flow from investing activities:		
Payments for construction in progress projects	(3,782,064)	(1,666,500)
Purchase of property and equipment	(276,612)	(51,913)
Proceeds from sale of property	906,136	1,136,000
Net cash used in investing activities	(3,152,540)	(582,413)
Cash flow from financing activities:		
Proceeds from lines of credit	44,062	90,500
Payments of lines of credit	(150,415)	-
Payments of long-term debt	(636,336)	(1,283,506)
Proceeds from long-term debt	2,331,820	764,425
Proceeds from deferred and forgivable loans	715,524	343,749
Net cash provided by (used in) financing activities	2,304,655	(84,832)
Net increase (decrease) in cash, cash equivalents and restricted cash	82,658	(26,396)
Beginning of period cash, cash equivalents and restricted cash	1,602,697	1,629,093
End of period cash, cash equivalents and restricted cash	$ 1,685,355	$ 1,602,697

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

KNOX HOUSING PARTNERSHIP, INC. DBA HOMESOURCE EAST TENNESSEE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 1,103,096	$ 1,136,445
Restricted cash and cash equivalents	60,000	-
Replacement reserves	341,976	285,819
Tenant security deposits	180,283	180,433
Total cash, cash equivalents and restricted cash	$ 1,685,355	$ 1,602,697
Supplemental disclosures:		
Interest paid	$ 305,479	$ 365,593
Non-cash transactions		
Mortgage loans with below fair value interest rates:		
Interest expense	339,831	339,058
Contribution of nonfinancial assets	(339,831)	(339,058)
Forgivable loan principal recognized as revenue:		
Forgivable loans payable	731,411	228,438
Revenue from forgivable loans	(731,411)	(228,438)

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

1. NATURE OF ORGANIZATION AND OPERATIONS

Knox Housing Partnership, Inc. DBA HomeSource east tennessee (“HomeSource” or the “Organization”) was formed in 1990 as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code to provide affordable housing to low- and moderate-income persons in East Tennessee. Currently, the Organization engages in: first-time homebuyer education; financial capability coaching and foreclosure counseling; single-family and/or multiple housing development through acquisition and rehabilitation or new construction; property and assessment management; general contractor services; and neighborhood revitalization projects. HomeSource is a designated Community Housing Development Organization for the City of Knoxville and Knox County under the U.S. Department of Housing and Urban Development (“HUD”) HOME program. The Organization is also a HUD-certified counseling organization.

The mission of the Organization is to strengthen East Tennessee communities by providing sustainable housing opportunities.

In 1998, the Organization became a chartered NeighborWorks organization affiliated with Neighborhood Reinvestment Corporation (“NeighborWorks America”). The Organization maintains rigorous financial management standards and operational policies and procedures in order to maintain the charter designation. NeighborWorks America organizations receive technical assistance, investment capital, and core operating support from NeighborWorks America. In 2002, the Organization earned the additional designation of HomeOwnership Center from NeighborWorks America.

These consolidated financial statements include the accounts of HomeSource and its subsidiaries, Knox Housing Associates I, LLC (“KHAI”), Tennessee Valley Realty, LLC (“TVR”), Knoxville Aging in Place, Inc. (“KAIP”), and Ascend Financial (“Ascend”).

KHAI (a not-for-profit entity) formed in 2000 to provide low-income individuals with housing and services consistent with the mission of the Organization.

TVR (a not-for-profit entity) formed in 2014 for the purposes of acquiring, selling, and/or transferring real property, listing property for sale and managing rental properties for HomeSource and its subsidiaries.

KAIP (a for-profit entity) formed in 2019 to provide home modification services to elderly persons allowing them to safely age in their current home.

Ascend (a not-for-profit entity) formed in 2025 to provide responsible and affordable financial alternatives to traditional financing to foster a financially empowered community.

As a result of HomeSource’s control, these entities are consolidated in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of HomeSource and its subsidiaries: KHAI, TVR, KAIP, and Ascend. All significant intercompany accounts and transactions have been eliminated.

Basis of Accounting

The Organization prepares its consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all unrestricted highly liquid investment instruments with original maturities of three months or less to be cash equivalents. Cash equivalents do not include tenant security deposits, reserve for replacement, or other reserves, which are presented in noncurrent assets on the Consolidated Statement of Financial Position.

Restricted Cash

Restricted cash consists of funds restricted by restricted replacement reserve funds for KHP and KHAI. These funds are contractually restricted, which differs from donor restricted funds.

Investments

The Organization classifies its investments in equity and debt securities with readily determinable market values as available-for-sale, and they are carried at fair value with realized and unrealized gains and losses included in the Consolidated Statement of Activities. Other investments are carried at the lower of cost or fair value.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounts Receivable and Bad Debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Real Property Held for Resale

Costs incurred to purchase, renovate and construct real property are capitalized and included in the cost of the property. The costs incurred to develop the property on which the houses are built are included as program expenses on the Consolidated Statement of Activities when incurred. Periodically, management compares the accumulated cost of each home to the estimated sales price and reduces the accumulated cost to fair value as needed. The construction costs are capitalized then recognized upon the sale of the homes. Donated property is recorded at estimated fair value on contribution date.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations over the estimated service lives. The Organization typically capitalizes improvements in excess of $3,000 that have a useful life which extends beyond a period of one year or extends the useful of another fixed asset beyond a period of one year. Expenditures for maintenance and repairs that do not meet this criteria are typically charged to expense as incurred. Estimated service lives are as follows:

	Estimated Life	Method
Building	30 - 40 years	Straight-line
Building improvements	5 -10 years	Straight-line
Land improvements	15 years	Straight-line
Furniture, fixtures and equipment	5 - 10 years	Straight-line
Vehicles	5 – 7 years	Straight-line

Impairment of Long-Lived Assets

The Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. There were no impairment losses recognized for the years ended December 31, 2025 and 2024.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Loans Receivable

Loans are reported at amortized cost, which is the unpaid and outstanding principal balances, net of an allowance for doubtful accounts. Loans are allowed for on a case by case basis at management's discretion.

Fair Value of Financial Instruments

Cash and cash equivalents, designated cash reserves, accounts receivable, accrued liabilities, and accounts payable are reflected in the consolidated financial statements at cost, which approximates fair value because of the short-term maturity of those instruments.

Revenue Recognition

Revenues are recognized when services are rendered. The Organization recognizes revenue from fundraising on the day of a fundraising event.

The Organization recognizes contributions when cash, securities, or other assets, an unconditional promise to give, or a notification of a beneficial interest in assets held by another organization are received. Conditional promises to give, that is, those with a measurable performance or other barrier and right of return, are not recognized until the condition on which they depend has been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Rental and other revenue is comprised of all activities related to leasing and operating residential single-family homes and/or multi-family housing. Rental revenue includes revenues from leasing homes and apartments. Other revenue includes revenues from providing certain ancillary services and expense reimbursements, such as reimbursements paid to the Organization from tenants for utilities. Tenants are required to execute lease contracts with payment schedules and terms of the lease. The Organization recognizes rental income on a straight-line basis over the lease term when collectability of lease payments is probable. Revenue for ancillary services and expense reimbursements are recognized throughout the lease period as the services are provided or the related costs are incurred by the Organization. Deferred revenue related to residential single-family and/or multi-family housing revenue consists partially of prepaid rent, which totaled $7,901 and $32,625 as of December 31, 2025 and 2024, respectively.

A portion of rental income is paid in part by the tenant and substantially by a supplement from HUD. The rental supplement is based on an annual recertification of the tenant by HUD. Amounts received are recognized as revenue over the corresponding rental period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Organization's revenue is short-cycle in nature, deriving from transitional housing and grants. Most of the Organization's revenue is derived from the contracts which coincide with the calendar year of the Organization. The Organization typically receives payment in the year of services rendered. Payments received in advance of performance under a contract are reflected in the Consolidated Statement of Financial Position as contract liabilities.

Revenue from Contracts with Customers

A performance obligation is a contractual promise to transfer a distinct good or service, or a bundle of goods or services, to the customer or member, and is the unit of accounting. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization's contracts typically have a single performance obligation.

The Organization's revenue is recognized at the point in time when services are rendered or when qualifying expenditures are made in the performance of cost-reimbursable government contracts and grants.

Contributed Services and Nonfinancial Assets

Contributed services are reflected in the consolidated financial statements at the fair value of the services received. The contribution of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Additionally, a substantial number of volunteers have contributed significant amounts of their time in HomeSource's programs. However, no amounts have been reflected in the accompanying consolidated financial statements for these contributed services because these services do not meet the criteria for recognition as contributed services under GAAP.

Contributions of nonfinancial assets, which may include supplies, equipment, and real property, are recorded at fair value at the date of the contribution. The Organization did not receive any contributions of this nature during 2025 or 2024. See Note 9 for recognition of interest of long-term debts below the fair value rate recognized as contributions of nonfinancial assets.

Advertising

The Organization expenses advertising costs as incurred. For the years ended December 31, 2025 and 2024, advertising costs totaled $5,748 and $39,122, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes

The Organization, except for KAIP, is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service ("IRS") as other than a private foundation. Therefore, any provision for income taxes included in the consolidated financial statements only relates to KAIP. Deferred tax assets related to net operating losses at KAIP are not considered likely to be realized and therefore are not presented in these consolidated financial statements.

The Organization is not taxed on income derived from its exempt functions. However, the Organization is subject to tax on unrelated business income. For the years ended December 31, 2025 and 2024, HomeSource had no unrelated business income.

The Organization is not currently under audit, nor has the Organization been contacted by any jurisdiction. Based on an evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended December 31, 2025 and 2024, and the Organization has accrued no interest or penalties related to uncertain tax positions for the years then ended. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Organization files U.S. Federal and state returns annually, as applicable.

Functional Allocation of Expenses

The costs of providing program and supporting activities have been summarized on a functional basis in these consolidated financial statements. Expenses that can be identified with a specific program or supporting service are allocated directly according to their functional expenditure classification. However, certain categories of expense are attributable to more than one program or supporting function and require allocation on a reasonable basis that is consistently applied. Salaries, benefits, and payroll taxes are allocated on the basis of time and effort records maintained by HomeSource's staff. The salary allocation is also used to allocate occupancy expenses such as depreciation, interest, utilities, trash, communications, and supporting services since it approximates the square footage occupancy based on office assignments and the number of employees for each department. Worker's compensation insurance premiums are distributed to each program and supporting services by specific employee position totals.

A property allocation is used for expenses common to the property management program to distribute costs based on the number of units for each property. The expenses common to property management include certain office and occupancy expenses, salaries, payroll tax, and fringe benefits for employees performing property management administrative work; and supplies, software, local mileage, and other costs specific to the property management (rental) program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement of Operations

The Organization's operating revenues in excess of expenses and transfers includes; (1) all operating revenues and expenses that are an integral part of its programs and supporting activities; (2) net assets released from donor restrictions to support operating expenditures; and (3) any transfers from board-designated and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from both donor-restricted net assets and net assets without donor restrictions.

Leases

The Organization accounts for leases on the Consolidated Statement of Financial Position through recognition of a liability for the discounted present value of future fixed lease payments and a corresponding right-of-use ("ROU") asset. The Organization's accounting for finance leases remained substantially unchanged from its prior accounting for capital leases. The ROU asset recorded at commencement of the lease represents the right to use the underlying asset over the lease term in exchange for the lease payments. Lease with an initial term of 12 months or less that do not have an option to purchase the underlying asset that is deemed reasonably certain to be exercised are not recorded on the Consolidated Statement of Financial Position; rather, rent expense for these leases is recognized on a straight-line basis over the lease term, or when incurred if a month-to-month lease.

The Organization evaluated lease obligations as of December 31, 2025 and 2024. The Organization has not recorded an ROU asset or lease liability as such amounts would not be significant to the consolidated financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

A summary of the Organizations financial assets as of December 31, 2025 and 2024, reduced by amounts not available for general use because of donor-imposed restrictions or certain board designations, within one year of the Consolidated Statement of Financial Position date is as follows:

	2025	2024
Cash and cash equivalents	$ 1,163,096	$ 1,136,445
Investments	4,861	3,892
Accounts receivables	68,807	111,323
Financial assets at end of year	1,236,764	1,251,660
Less assets unavailable for general expenditures within one year:		
Restricted by donors	(60,000)	(15,000)
Board designated assets	(168,209)	(45,096)
CD pledge as collateral for line of credit (Note 8)	-	(70,050)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,008,555	$ 1,121,514

The Organization manages liquidity needed for operations primarily through budgeted monthly inflows and outflows. Cash inflows can be easily predicted since they are comprised mostly of annual grants and rental and subsidy receipts. Cash outflows are planned accordingly so as not to exceed those expected inflows. A minimal amount of excess cash is on hand in the event of unexpected outflows. In addition, the Organization maintains funds in reserve for replacement accounts for planned property improvements.

4. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles provide a fair value hierarchy framework that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The 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.

Level 1 – These are assets and liabilities where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access. Level 1 securities include exchange-traded debt and equity securities for which there are quoted prices in active markets.

Level 2 – These are assets and liabilities where values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

4. FAIR VALUE MEASUREMENTS

Level 3 – These are assets and liabilities for which inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities reflect the Organization's own assumptions in pricing the asset based on the best information available.

In accordance with the fair value hierarchy, the following table presents the fair value of those assets and liabilities required to be measured on a recurring basis as of December 31, 2025 and 2024:

	2025		
	Level 1	Level 2	Level 3
Equity securities	$ 4,861	$ -	$ -

	2024		
	Level 1	Level 2	Level 3
Equity securities	$ 3,892	$ -	$ -

5. LOANS RECEIVABLE

Loans are granted to qualifying low and moderate-income residents of East Tennessee for the purchase of new homes and rehabilitation of existing homes. These loans are approved by management and are made in accordance with grant restrictions. Interest rates range from 0% to the prevailing market rates. Terms range from five years to the lifetime of the resident with some loans due on sale of property or death of the homeowner. Some loans and the related interest are forgiven over a specified number of years. All loans are secured by deeds of trust.

The Organization provides an allowance for uncollectible homeowner loans based on management's evaluation of past loan loss experience, current economic conditions, and adverse situations which may affect individual homeowners' ability to pay. The Organization has an allowance for uncollectible loans of $54,254 and $40,000 as of December 31, 2025 and 2024, respectively.

6. PROPERTY AND EQUIPMENT

A summary of property and equipment of the Organization and its subsidiaries as of December 31, 2025 and 2024 consist of the following:

	2025	2024
Land	$ 2,265,118	$ 2,265,118
Building and improvements	25,552,916	25,296,906
Furniture, fixtures and equipment	93,695	53,892
Vehicles	384,552	391,001
Construction in progress	5,072,445	2,116,461
	33,368,726	30,123,378
Accumulated depreciation	(9,480,248)	(8,711,302)
	$ 23,888,478	$ 21,412,076

Depreciation expense totaled $818,332 and $844,842 for the years ended December 31, 2025 and 2024, respectively.

7. CONSTRUCTION IN PROGRESS

HomeSource acquires housing for rehabilitation and land for new construction for low-income families through a variety of government and private foundation grants, loans, and contributions. Several single-family homes and multi-unit apartment complexes were in various stages of rehabilitation/construction at December 31, 2025 and 2024 with a total accumulated cost of $5,072,445 and $2,116,461, respectively. Costs of $759,207 related to the McPherson projects were reclassified to expense during the year ended December 31, 2025, and are included gain on sale of property on the Consolidated Statement of Activities.

Project Name	Anticipated Total Costs	Cost as of 2025	Cost as of 2024
McPherson - 5 single family units	$ -	$ -	$ 706,460
Normandy - 1 single family unit	230,000	52,184	92,493
Willow Place III - 30 senior housing units	5,978,506	4,010,779	959,869
Larkwood - 1 single family unit	269,000	114,137	-
Holston - 4 rental units	597,000	132,585	-
Granville - 2 single family units	770,000	762,759	357,639
	$ 7,844,506	$ 5,072,444	$ 2,116,461

8. LINES OF CREDIT

The Organization has the following lines of credit available at December 31:

Regions Bank – A $250,000 operating line of credit, with a variable interest rate of Prime plus 0.95% (7.7% as of December 31, 2025). The minimum interest rate will not be less than 4.5%. The line of credit expired September 3, 2023, but has been renewed with terms of Prime plus 0.95% and no less than 3.55% and has a new maturity date of September 3, 2025. The balance owed at December 31, 2025 and 2024 is $0 and $93,349, respectively. In 2024, a certificate of deposit included was cash and cash equivalents valued at $70,050 is pledged as security. Upon expiration of this line of credit, the CD was no longer pledged as security.

Bank of Tennessee – A $200,000 line of credit with a variable interest rate of Prime minus .25% (6.5% as of December 31, 2025). The line of credit matures on December 20, 2025. The outstanding balance is $0 and $500 at December 31, 2025 and 2024, respectively.

SouthEast Bank – A $200,000 line of credit with a variable interest rate of Prime minus 2% (4.75% as of December 31, 2025). The line of credit matures on April 19, 2027. The outstanding balance is $33,434 and $90,000 at December 31, 2025 and 2024, respectively.

WesBanco – A $250,000 line of credit with a variable interest rate at the Prime rate and a floor of 4%. Originating in 2025, this line of credit is due on demand. The outstanding balance is $44,062 and $0 at December 31, 2025 and 2024, respectively.

9. BELOW-MARKET INTEREST RATE LOANS

The Organization receives a number of loans from area banks and local governments that are interest free or have below-market interest rates. GAAP requires that the Organization record interest expense and contribution revenue in connection with these loans. Since most of these below-market interest rate loans have variable interest rates that fluctuate multiple times a year, the Organization calculates the fair value of the contribution each year by determining the difference between the actual interest paid at the stated rate for each loan and the fair value of the loan interest that would have been paid at the market rate in effect when the loan was originated, or the annual rate for variable rate loans, based on the outstanding loan balance during the year. Accordingly, interest expense and contribution revenue without donor restrictions has been recorded for 2025 and 2024 in the consolidated financial statements as $339,831 and $339,058, respectively.

10. MORTGAGES PAYABLE AND LONG-TERM DEBT

A summary of mortgages payable and long-term debt as of December 31, 2025 and 2024 is as follows:

Mortgages payable, obtained to acquire certain rental property:

	2025	2024
City of Knoxville Loans:		
Note payable due in monthly installments of $166, including 3.00% interest through June 2031; secured by 2520 Larkwood Lane.	$ 10,038	$ 11,554
Note payable due in monthly installments of $842, including 1.00% interest through July 2042; secured by Dutch Valley Apartments.	153,952	161,724
Rental properties acquired in 2000 by KHAI, using funding from the City of Knoxville; long-term deferred note dated December 15, 2000; interest-free; principal originally due December 15, 2015; deferred loan was extended until December 2020, at which time HomeSource will begin monthly payments of $933; payment due in full in November 2040; secured by second mortgages on sixteen rental houses.	167,067	177,333
Commercial Bank Loan:		
Note payable due in monthly installments of $5,182, including 1.25% interest with remaining balloon payment of approximately $590,000 due November 2026; secured by Riverbirch Village Apartments.	662,423	715,953

10. MORTGAGES PAYABLE AND LONG-TERM DEBT

FAHE Loan:		
Note payable due in monthly installments of $478, including 5.50% interest with remaining balloon payment of approximately $62,400 due October 2026; secured by 422 Houston Street. Amount was refinanced during 2021 by FAHE with monthly installments of $582, including 5% interest with remaining balloon payment of approximately $27,000 due October 1, 2026.	43,746	48,364
First Bank Loan:		
Note payable due in monthly installments of $2,429, including variable interest (0.75 as of December 31, 2022) with remaining balloon payment of approximately $467,000 due January 2022; secured by Willow Place Apartments. Amount was refinanced during May 2022 by First Bank through June 2037. Note payable due in 240 monthly installments of $13,278, including variable interest at Prime minus 4% (2.75% at December 31, 2025), beginning July 5, 2022 with all remaining unpaid principal and interest due in full on June 5, 2037. The note is secured by Willow Place Apartments.	1,571,732	1,666,989
SmartBank Loan:		
Note payable due in monthly installments of $1,314, including of Prime minus 4% (2.75% as of December 31, 2025), with remaining balloon payment of approximately $190,000 due in November 2037; secured by Countryside Apartments. Loan is expected to be refinanced during 2037 with expected comparable terms.	160,181	170,903

10. **MORTGAGES PAYABLE AND LONG-TERM DEBT**

Pinnacle Bank Loans:

Note payable due in monthly installments of $587, including 0.75% interest with remaining balloon payment of approximately $181,300 due December 2022; secured by Linden Avenue Annex Building. The Note was refinanced during 2022, with monthly installments of $739, including variable interest at Prime minus 4% (2.75% at December 31, 2025), beginning in December 2022, with all remaining and unpaid principal and interest due in full on November 30, 2027.	168,055	171,120
Note payable refinanced in August 2021 due in monthly installments of $4,500, plus variable interest of Prime minus 4% (3.5% as of December 31, 2024) with remaining balloon payment of approximately $531,000 due August 2031; secured by Normandy Chateau Apartments.	-	949,416
Note payable due in monthly installments of $2,500, plus variable interest of Prime minus 4% (3.5% as of December 31, 2024) with remaining ballon payment of approximately $445,000 due August 2036; secured by Normandy Chateau Apartments. The Note was refinanced during 2025, with monthly installments of $5,442 plus variable interest of Prime minus 4% (2.75% at December 31, 2025) due August 2036.	1,303,916	547,500
Note payable due in monthly installments of $3,333, plus variable interest of Prime minus 4% (2.75% as of December 31, 2025) through May 2035; secured by Blueberry Ridge Apartments.	613,491	653,491

10. **MORTGAGES PAYABLE AND LONG-TERM DEBT**

Pinnacle Bank Loans:

Note payable due in monthly installments of $861, including variable interest of Prime minus 4% (2.75% as of December 31, 2025) with remaining balloon payment of approximately $270,500 originally due January 2021; secured by 20 single-family homes owned by KHAI. Note payable was refinanced on a long-term basis during 2025, with a new maturity date in February 2031 and requiring monthly installments of principal and interest totaling $1,719.	252,715	252,715
Note payable due in 149 equal monthly installment principal payments of $8,890 plus variable interest of Prime minus 4% (2.75% as of December 31, 2025) with remaining balloon payment of approximately $840,000 due November 2032; secured by the Village at Holston Place and Riverbirch Village.	1,900,961	2,007,647
Note payable due in 60 equal monthly installment payments of principal plus variable interest of Prime minus 4% (3.5% as of December 31, 2024) totalling $278, with a remaining balloon payment of approximately $95,500 due May 2026; secured by 1518 Iroquois Street.	95,814	95,814

SouthEast Bank Loans:

Note payable due in monthly installments of $857, including 1.25% interest with remaining balloon payment of approximately $145,700 in July 2020; secured by Parktop Apartments. The note payable was refinanced in June 2020 for $180,000, due in monthly installments of $848, including variable interest of Prime less 4% (2.75% as of December 31, 2025), due June 2030.	138,399	146,879

10. **MORTGAGES PAYABLE AND LONG-TERM DEBT**

SouthEast Bank Loans:

Note payable due in monthly installments of $2,210, including variable interest (2.75% as of December 31, 2025) through August 2022, with remaining balloon payment of approximately $378,000 in August 2022 secured by O'Brien Apartments. The note payable was refinanced in October 2022 for $347,455, due in month installments of $2,421, including variable interest of Prime minus 4% (2.75% as of December 31, 2025), due October 2030.	328,026	350,149
Note payable with interest only payments from February 2023 to January 2024. Beginning February 2024, payments are due in monthly installments of $4,593, including variable interest of Prime minus 4% (2.75% as of December 31, 2025) secured by Applewood Apartments. The note was refinanced during 2025 for $1,069,155, with monthly payments of $5,245 including variable interest of Prime minus 4% (2.75% as of December 31, 2025). Upon maturity in November 2035, a balloon payment of approximately $749,000 will be due.	1,061,211	1,115,085
Note payable with interest only payments of 6.5% per annum from June 2024 to May 2025 and secured by Granville Terrace properties. During 2025, the maturity date was extended to July 29, 2026.	492,514	148,591
Bank of Tennessee Loans:		
Note payable with interest only payments of Prime minus 0.5% (6.25% as of December 31, 2025) through October 2026. Starting November 2026, monthly installments of $23,044 of principal and interest of Prime minus 2% are due until October 2041.	2,539,470	579,106
	11,663,711	9,970,333

10. **MORTGAGES PAYABLE AND LONG-TERM DEBT**

Vehicle/Equipment loans

SouthEast Bank Loans:		
Note payable due in monthly installments of $719, including interest of 6.5% through August 2029; secured by multiple vehicles.	28,031	34,585
Note payable due in monthly installments of $533, including interest of 6% through December 2030; secured by 2024 Toyota Rav 4.	23,071	-
Regions Bank Loan:		
Note payable due in monthly installments of $391 beginning in 2021, including 4.20% interest through February 2026; secured by a Ram Promaster 1500 van.	973	6,670
FAHE Loan:		
Note payable due in monthly installments of $375, including 3.76% interest through August 2025; secured by 2016 Chevy Silverado.	-	2,960
Caterpillar Financial Services:		
Note payable due in monthly installments of $639, including 8.489% interest through November 2028; secured by CAT Excavator.	19,704	25,458
Total loans payable	11,735,490	10,040,006
Less: installments due within one year	(1,738,771)	(1,862,289)
Total loans payable, net	$ 9,996,719	$ 8,177,717

10. MORTGAGES PAYABLE AND LONG-TERM DEBT

A summary of future maturities of long-term debt as of December 31, 2025, is as follows:

	Future Maturities
2026	$ 1,738,771
2027	715,696
2028	562,527
2029	565,303
2030	565,587
Thereafter	7,587,606
Total	$ 11,735,490

11. DEFERRED AND FORGIVABLE LOANS

HomeSource, including its wholly owned subsidiary, KHAI, has acquired rental property through deferred and forgivable loans from THDA, City of Knoxville and Knox County. The details of these loans as of December 31, 2025 and 2024 is as follows:

	2025	2024
THDA:		
Construction of Willow Place Apartments; long-term note dated July 18, 2005; note will be fully forgiven at the expiration of the Affordability Period in 2025; secured by Willow Place Apartments.	$ -	$ 500,000
Acquisition and construction of Village at Holston Place; note dated January 30, 2018. The property must maintain rental housing for low income persons defined in the grant agreement for a period of five years. If conditions are met, THDA will forgive 20% of the loan on the anniversary of the note each year.	-	100,000

11. DEFERRED AND FORGIVABLE LOANS

THDA:		
Construction of Willow Place Apartments Phase 3; long-term note dated May 21, 2025; note will be fully forgiven at the expiration of the Affordability Period in 2045; secured by Willow Place Apartments Phase 3.	231,184	-
City of Knoxville:		
Acquisition and rehabilitation of Normandy Chateau Apartments; long-term note dated July 11, 2016; note will be fully forgiven at the expiration of the Affordability Period in January 2027; secured by the third Deed of Trust for Normandy Chateau.	325,000	325,000
Acquisition and construction of six-unit multi-family rental property on Dutch Valley Drive; note will be forgiven after twenty years in May 2031, assuming certain conditions are met; debt is secured by this property.	200,922	200,922
Renovation of the twenty units at Applewood Apartments; note for $300,000 will be forgiven ten years after renovation completion (completion in 2022 with forgiven date in 2032), assuming the terms and conditions of the affordability period are met; debt is secured by this property.	380,000	380,000
Construction of multi-family units at the Village at Holston; City of Knoxville HOME grant for $425,000; long-term note will be fully forgiven twenty years after project completion (completed in 2020 with forgiveness date in 2041) assuming the terms and conditions of the affordability period are met; draws totaling $425,000 have been made as of December 31, 2025 and 2024.	425,000	425,000

11. DEFERRED AND FORGIVABLE LOANS

City of Knoxville:

Construction of multi-family units at the Village at Holston; City of Knoxville Affordable Rental Development grant for $380,000; long-term note will be forgiven 5% per year beginning one year after project completion (completed in 2020 with forgiveness dates annually beginning in 2021) assuming the terms and conditions of the affordability period are met; draws totaling $380,000 have been made as of December 31, 2024 and 2023. $19,000 was forgiven on the anniversary date and was recorded as income in both 2025 and 2024.	285,000	304,000
Construction of housing at 111 Holston Village Way; City of Knoxville HOME grant for $450,000; long-term note shall be forgiven at the end of the affordability period so long as the HOME program requirements are met. In the event that the property is sold to anyone other than a qualifying homebuyer, the entire balance shall be due and payable. The Organization plans to hold the property for rental and follow the restrictive covenants of the note. Draws totaling $65,340 and $0 have been made as of December 31, 2025 and 2024.	65,340	-

Knox County:

$131,701 forgivable loan dated May 2015 to be forgiven over 20 years at an annual amount of $6,585 beginning May 2016; secured by second Deed of Trust on property located at 6008 Atkins Road.	65,850	72,435
$217,346 forgivable loan dated November 2014; to be forgiven over 15 years at an annual amount of $14,490 beginning November 2015; secured by Deed of Trust on property located at 10400 Victoria Lane.	57,959	72,449

11. DEFERRED AND FORGIVABLE LOANS

Knox County:

$217,345 forgivable loan dated November 2014; to be forgiven over 15 years at an annual amount of $14,489 beginning November 2015; secured by Deed of Trust on property located at 10404 Victoria Lane.	57,959	72,448
$133,500 forgivable loan dated October 2015; to be forgiven over 15 years at annual of amount of $8,900 beginning October 2016; secured by Deed of Trust of property located at 9027 Countryside Lane.	44,500	53,400
$133,500 forgivable loan dated October 2015; to be forgiven over 15 years at annual amount of $8,900 beginning October 2016; secured by second Deed of Trust on property located at 9039 Countryside Lane.	44,500	53,400
$282,285 forgivable loan dated February 2017; to be forgiven over 15 years at annual amount of $18,819 beginning March 2018; secured by second Deed of Trust on property located at 6613, 6621, and 6629 O'Brien Road.	131,733	150,552
$804,553 interest-free construction loan for Willow Place Phase 2 additional units dated November 2018; the total amount of draws as of December 31, 2022 was $804,553. The total outstanding balance at completion will be forgiven 1/20 each year beginning one year after the affordability period commencement with $40,228 forgiven and recorded as income during 2023.	643,643	683,870
$700,000 interest-free construction loan for Willow Place Phase 3 additional units dated November 2024. As of December 31, 2024, total draws are $113,668. The total outstanding balance will be forgiven 1/20 each year beginning one year after the affordability period commencement.	532,667	113,668

11. DEFERRED AND FORGIVABLE LOANS

Federal Home Loan Bank of Cincinnati:

$230,082 interest-free loan for Willow Place Phase 2 additional units dated August 2022; the total amount of draws as of December 31, 2025 was $230,082. The total outstanding balance will be forgiven after 15 years provided that all compliance requirements set forth by the Loan Agreement are met.	230,082	230,082
	$ 3,721,339	$ 3,737,226

The total amount of loans forgiven and recorded as income in both 2025 and 2024 is $731,411 and $228,438, respectively.

12. NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with donor's stipulations results in the release of such restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of the Organization. Net assets with donor restrictions are designated by donors for specific purposes. Net assets with donor restrictions consist of support restricted for the following programs at December 31, 2025 and 2024:

	2025	2024
Subject for expenditures for specific purpose:		
Small dollar lending	$ 60,000	$ -
Neighborworks Organization		
Community development programming	-	93,580
Total net assets with donor restrictions	$ 60,000	$ 93,580

13. BOARD DESIGNATED NET ASSETS

The governing board of the Organization has designated net assets without donor restrictions for the following purposes as of December 31, 2025 and 2024, respectively:

	2025	2024
Funds designated to meet fiscal agent obligations (Note 17)	$ 168,209	$ 45,096

14. OPERATING LEASES

The Organization leases office equipment under operating leases. Rent expense under these leases amounted to $7,585 and $7,453 in 2025 and 2024, respectively.

15. FIDELITY BOND COVERAGE

The Organization maintains fidelity bond coverage for employee dishonesty losses sufficient to meet minimum requirements of granting agencies and retirement plan administration. The Organization held $250,000 of coverage at both December 31, 2025 and 2024.

16. RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan covering substantially all employees. The Organization matches 50% of employee contributions up to 6% for each employee contribution, totaling $14,835 and $16,159 during the years ended December 31, 2025 and 2024, respectively. The vesting schedule for participating employees is as follows: 0% for less than two years of service, 25% after two years of service, 50% after three years of service, 75% after four years of service, and 100% after five years of service.

17. FUNDS HELD AS AGENT

The Organization has received cash from NeighborWorks America for the benefit of NeighborWorks Tennessee (“NWTN”) during prior years in which the Organization served as fiscal agent for the Alliance. For the years ended December 31, 2025 and 2024, the Organization made disbursements of $99,047 and $107,117, respectively

18. PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying consolidated financial statements:

Home Ownership – HomeSource provides both pre-purchase and post-purchase housing counseling to first-time homebuyers with low-to-moderate incomes. HomeSource's housing counseling programs include financial literacy education, pre-purchase homebuyer education, as well as loss mitigation and foreclosure counseling. HomeSource receives funding from NeighborWorks and THDA. HomeSource participates with the City of Knoxville, Knox County, and other providers, including banks and foundations, to link customers with appropriate housing assistance programs and opportunities.

Rental – HomeSource owns twenty-eight rental houses and seven apartment complexes for rental to low-income single families and five additional apartment complexes for rental to low-income elderly residents.

Housing Development – HomeSource improves housing conditions and promotes neighborhood revitalization through its housing development program which includes acquisition/rehabilitation of existing structures, new construction of affordable housing units, and energy consulting services.

Small Dollar Lending – HomeSource provides access to alternative financing for individuals living in under-resourced communities to enable them to achieve financial stability and independence.

Management and General – Includes the functions necessary to administer HomeSource's programs, manage the financial and budgetary responsibilities of HomeSource, and seeks to develop new programs within the scope of HomeSource's mission.

19. SUBSEQUENT EVENTS

Events that occur after the consolidated statement of financial position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated activity through June 3, 2026, the date the consolidated financial statements were available to be issued and concluded that no subsequent events, other than the following, have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

- On April 13, 2026, a former tenant of Blueberry Ridge Apartments filed suit against the Organization, alleging negligence. As of the date of these financial statements, no liability has been determined, and it is expected that insurance will cover all claims against the Organization.

20. COMMITMENTS AND CONTINGENCIES

THDA New Start Program

The Organization participates in the THDA New Start Program. Under this program, the Organization, once approved by THDA, originates a 75% loan-to-value mortgage, processes, and closes THDA New Start Program Loans for qualifying homebuyers. THDA purchases the mortgage loan after closing from the Organization, and services the loans on behalf of the Organization during the life of the loan. At December 31, 2025 and 2024, THDA held six such loans with an outstanding principal owed to THDA of $183,757 and $98,930, respectively. However, in the event that the homebuyer defaults on the mortgage, the Organization will be required to foreclose upon the property and pay off the mortgage note at 100% of the outstanding principal balance which THDA holds. In return, the Organization will own the property and have the ability to hold as an asset or sell to another buyer. State-wide, THDA's default rate for the New Start Loan Program is less than 0.5%. Accordingly, it is the opinion of management that in the event of default and repurchase required by the Organization, the fair value of the acquired property would more than offset the repurchase amount; therefore, the Organization has not recorded a liability for these loans in these consolidated financial statements.

21. CONCENTRATIONS

Economic Concentrations

The Organization operates properties in Knoxville and Maryville, Tennessee. Future operations could be affected by changes in the economy or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Concentration of Credit Risk

Financial instruments that expose HomeSource to concentrations of credit and market risk consist primarily of cash, cash equivalents, and loans receivable. Cash and cash equivalents are maintained at high-quality financial institutions and may, at time, exceed federally insured limits. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 at each financial institution. HomeSource has not experienced any losses on such accounts and management believes that the Organization is not exposed to any significant credit risk on its cash and cash equivalents balance. The portfolios of loans receivable are secured by property and do not represent a significant concentration of credit risk.

SUPPLEMENTARY INFORMATION

KNOX HOUSING PARTNERSHIP, INC. DBA HOMESOURCE EAST TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2025

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Subaward Contract Number	Balance 12/31/2024	Receipts	Federal Expenditures	Loans (including forgivable) In (Out)	Balance 12/31/2025	Federal Awards
Federal Awards								
U.S. Department of Housing and Urban Development:								
HOME Investment Partnership Program	14.239							
(Passthrough: Tennessee Housing Development Agency) (THDA) Forgivable Loan Advance		Various	$ 600,000	$ -	$ -	$ (600,000)	$ -	$ 600,000
(Passthrough: City of Knoxville) Loans (forgiven/paid) advanced, net		Various	1,492,646	65,340	-	(7,772)	1,550,214	1,557,986
(Passthrough: Knox County) Loans (forgiven/paid) advanced, net		Various	1,272,222	398,999	-	(112,410)	1,558,811	1,671,221
Total 14.239			3,364,868	464,339	-	(720,182)	3,109,025	3,829,207
Community Development Block Grant (Passthrough: Knox County)	14.218	24-411	-	142,140	(142,140)	-	-	142,140
Housing Counseling Assistance Program (Passthrough: NeighborWorks America)	14.169	HC240011016	-	33,224	(33,224)	-	-	33,224
Section 8 Housing Choice Vouchers (Passthrough: Knoxville Community Development Corporation)	14.871	Various	-	199,899	(199,899)	-	-	199,899
Total HUD			3,364,868	839,602	(375,263)	(720,182)	3,109,025	4,204,470
U.S. Department of the Treasury								
Community Development Financial Institutions Fund (Passthrough: Community Development Financial Institution Fund)	21.020	241TA065137	-	100,000	(93,246)	-	6,754	100,000
COVID-19 Emergency Rental Assistance Program (Passthrough: Tennessee Housing Development Agency)	21.023	ERA-EPP-2023-15	110,746	-	(110,746)	-	-	110,746
Coronavirus State and Local Fiscal Recovery Funds (Passthrough: Tennessee Housing Development Agency)	21.027		-	231,184	-	-	231,184	231,184
NeighborWorks America (Passthrough: Neighborworks Reinvestment Corporation)	21.U01	PL 119-4	-	418,250	(418,250)	-	-	418,250
Total DOT			110,746	749,434	(622,242)	-	237,938	860,180
Total Federal Programs:			$ 3,475,614	$ 1,589,036	$ (997,505)	$ (720,182)	$ 3,346,963	$ 5,064,650
State Assistance								
Tennessee Housing Development Agency								
HOME Investment Partnership Program			$ 600,000	$ -	$ -	$ (600,000)	$ -	$ 600,000
COVID-19 - Emergency Rental Assistance Program			110,746	-	(110,746)	-	-	110,746
Coronavirus State and Local Fiscal Recovery Funds			-	231,184	-	-	231,184	231,184
			$ 710,746	$ 231,184	$ (110,746)	$ (600,000)	$ 231,184	$ 941,930

BASIS OF PRESENTATION

The accompanying Consolidated Schedule of Expenditures of Federal and State Financial Assistance (the "Schedule") includes the federal grant activity of Knox Housing Partnership, Inc. DBA HomeSource east tennessee and its subsidiaries and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of the Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Knox Housing Partnership, Inc. DBA HomeSource east tennessee, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of Knox Housing Partnership, Inc. DBA HomeSource east tennessee.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB's Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the consolidated financial statements.

Knox Housing Partnership, Inc. DBA HomeSource east tennessee has elected not to use the 15-percent de minimis indirect cost rate allowed under the Uniform Guidance.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT LOAN PROGRAM

Knox Housing Partnership, Inc. DBA HomeSource east tennessee has received U.S. Department of Housing and Urban Development Assistance Program Loans (14.239) with outstanding balances at the beginning of the year of $3,364,868, which are included in the federal expenditures presented in the Schedule. Knox Housing Partnership, Inc. DBA HomeSource east tennessee received $464,339 in additional loans during the year.

U.S. DEPARTMENT OF THE TREASURY LOAN PROGRAM

Knox Housing Partnership, Inc. DBA HomeSource east tennessee has received U.S. Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds totaling $231,184 during the year, which are included in the federal expenditures presented in the Schedule.

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

To the Board of Directors
Knox Housing Partnership, Inc. DBA HomeSource east tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Knox Housing Partnership, Inc. DBA HomeSource east tennessee (a not-for-profit corporation), which comprises the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities, functional expense and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 3, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Knox Housing Partnership, Inc. DBA HomeSource east tennessee's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Knox Housing Partnership, Inc. DBA HomeSource east tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Knox Housing Partnership, Inc. DBA HomeSource east tennessee's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Knox Housing Partnership, Inc. DBA HomeSource east tennessee's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Tarwater & Company, PC

Knoxville, TN
June 3, 2026

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Knox Housing Partnership, Inc. DBA HomeSource east tennessee

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited Knox Housing Partnership, Inc. DBA HomeSource east tennessee's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Knox Housing Partnership, Inc. DBA HomeSource east tennessee's major federal programs for the year ended December 31, 2025. Knox Housing Partnership, Inc. DBA HomeSource east tennessee's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Knox Housing Partnership, Inc. DBA HomeSource east tennessee complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Knox Housing Partnership, Inc. DBA HomeSource east tennessee and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Knox Housing Partnership, Inc. DBA HomeSource east tennessee's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Knox Housing Partnership, Inc. DBA HomeSource east tennessee's federal programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Knox Housing Partnership, Inc. DBA HomeSource east tennessee's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Knox Housing Partnership, Inc. DBA HomeSource east tennessee's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Knox Housing Partnership, Inc. DBA HomeSource east tennessee's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Knox Housing Partnership, Inc. DBA HomeSource east tennessee's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Knox Housing Partnership, Inc. DBA HomeSource east tennessee's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of *internal control over compliance* was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Tarwater & Company, PC

Knoxville, TN
June 3, 2026

KNOX HOUSING PARTNERSHIP, INC. DBA HOMESOURCE EAST TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025

SUMMARY OF AUDIT RESULTS

1. The auditors' report expressed an unmodified opinion on the consolidated financial statements of Knox Housing Partnership, Inc. DBA HomeSource east tennessee

2. No material weaknesses or significant deficiencies were identified during the audit of the consolidated financial statements.

3. No instances of noncompliance material to the consolidated financial statements of Knox Housing Partnership, Inc. DBA HomeSource east tennessee were disclosed during the audit.

4. No material weaknesses or significant deficiencies were identified during the audit of the major federal award programs.

5. The auditors' report on compliance for the major federal award programs for Knox Housing Partnership, Inc. DBA HomeSource east tennessee expresses an unmodified opinion.

6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.

7. The programs tested as major programs included:

U.S. Department of Housing and Urban Development	
HOME Investment Partnership Loan	ALN 14.239
U.S. Department of the Treasury	
NeighborWorks America	ALN 21.U01

8. The threshold for distinguishing Type A and B programs was $1,000,000.

9. Knox Housing Partnership, Inc. DBA HomeSource east tennessee did qualify as a low-risk auditee.

FINDINGS – CONSOLIDATED FINANCIAL STATEMENT AUDIT

NONE