Vollintine Evergreen Community Association (VECA) Tax Return for 2017
Report by Chuck Fox, VECA Treasurer
March 10, 2018

Introduction

The VECA 2017 federal tax return, form 990, was submitted to the IRS on February 5, 2018. The 990 provides a financial snapshot of our organization that will be reviewed by the Managing Committee and the VECA board. It is public information, so anyone wanting to know more about VECA can obtain copies from the VECA website. We will also be providing the 990 to our mortgage lender. It is an important document.

The data used in the 990 tax return were generated from the revenue and expenses of the organization. Chuck Fox manages the Regions’ checkbook which includes a number of programs such as Rental Houses and Apartments, the Welcome Center, and the VECA grassroots programs. Mike Kirby and Brian Floyd manage the Cadence checkbook for the V&E Greenline.

Each month Robbie McDermott enters the revenue and expense items into an accounting system and prints the monthly report, which Mike Kirby then converts into the monthly financial report (called the VAS) given to the VECA Board. Chuck Fox reviews the VAS with both the Managing Committee and the VECA Board. After the end of the year, VECA forwarded the raw data to accountant Wilma Vandermeer, who reclassified transactions, if needed, before preparing the 990 return.

Overall Conclusions

The report below reviews the 2017 Internal Revenue Service 990 tax return and also examines trends since 2009. The year 2009 was a low financial point for VECA and volunteers assumed the responsibility over the administration and finances of organization from employees. This came as a result of the end of all grants and funding of employees. The year 2009 was the last time that VECA had employees and the organization is now managed by VECA volunteers. Several findings emerge in this report:

- The yearly 990 report data below shows that over time VECA has improved its financial condition. This is especially impressive given the earlier financial difficulties of the organization and the fact that VECA now depends solely upon volunteers.
- The last few years indicate that VECA has entered a new normal; year-to-year revenues remain relatively stable with some minor improvements, but there are occasional larger changes that are explained in this document.
- In 2017 VECA sold an apartment building and paid off mortgages which altered some of the trends for both income and expenses.
- VECA has financial policies and procedures that drive the way we handle our income and expense information. We have a terrific Board, VECA Treasurer, Managing Committee, volunteer bookkeeper and an accountant who help us report information correctly and in a timely manner.
Findings

The findings are reported in the next pages. The information includes income, mortgages, expenses, cash balance, and volunteers. The data reflects information from 2009 to 2017 and provides interesting trend information about VECA financials.

Figure 1 shows the total revenue from 2009 to 2017. It increased steadily from 2009 to 2012. It then showed a sharp increase in 2013 because of a grant for the V&E Greenline and the miscellaneous income described above. The data in 2015 shows a decrease because the grant and 2012 miscellaneous income were one-time income items. A second grant for the V&E Greenline in 2014 kept the income higher the normal for that year.

Revenue for 2017 showed a significant increase because of the sale of an apartment building. This was a welcomed sale and we will show later the funds from this were used to liquidate several mortgages on other properties.

Overall, Figure 1 is positive in that it shows increasing income over time. The decrease of income in 2014, 2015, and 2016 is not a negative since it reflects one-time revenues in 2013 and 2014.

Figure 2 adds a correction for years in which there were one-time large income entries. The chart removes the two large V&E Greenline grants for 2013 and 2014. Also, in 2013 the refinancing of VECA mortgages required us to show income that came about because a lender reduced our mortgage principal. Our accountant declared that as income and it caused a revenue spike. This amount was reported in the 990 as miscellaneous income. It was done so the actual value of the properties would match the new mortgages. However, to reflect the normal income, we have added some charts that examine the data without miscellaneous income. and it also excludes the one-time miscellaneous income for 2013 due to a write-off of mortgage costs by a lender.

In 2017 VECA sold an apartment building that was a one-time revenue source and that amount was removed from Figure 2 also. This was a positive development which allowed VECA to pay off some other mortgages. The decrease for 2017 reflects the IRS definition for the sale of 795 Maury. It was sold for $135,000 but as per IRS 990, the net sale was for $114,800 (minus $20,000 for ‘cost basis’). Also comparing the 990 forms shows a reduction of $12,000 for Contributions (fundraising events, other contributions). Once you factor those two facts, it is the same as last year.
The results show that normal income 2012 to 2017 was generally the same, and income then showed small but consistent increases.

VECA’s largest revenue source is rent, which is primarily from VECA-owned apartments and houses. Figure 3 shows a steady increase in revenue from 2010 to 2012 and a leveling off from 2012 to 2015. The slight decrease in 2016 is due to the tenant at the Welcome Center moving out in May 2016. The decrease in 2017 was due to no longer collecting rent at the apartment building that was sold and a vacant apartment that was being upgraded. The rental income is especially impressive in that two volunteers managed the rental housing and are responsible for this success of the program.
An impressive change over time has been the liquidation of the unsecured notes that resulted from the problems with the housing programs when there were still employees at VECA. Figure 4 shows there are currently no unsecured notes.

![Figure 4: Unsecured notes](image)

Figure 4: Unsecured notes

Figure 5 shows another impressive change over time, the reduction in the level of secured mortgages. VECA was paying interest only from 2009 to 2012 for the rental apartments and houses so as to not default on the main loan. The major reason for the dramatic reduction from 2012 to 2013 was the reduction of $59,000 of mortgage principal from Quantum Servicing. The reduction of secured mortgages from 2013 to 2016 shows that VECA is paying down principal on all of its mortgages. The data for 2013 and 2015 also reflect six second mortgages with Quantum Servicing having been paid off. The reduction for 2016 reflects the paid off mortgage for (1) of the houses (1810 Hunter).

In 2017 the proceeds from the sale of an apartment building were used to pay off mortgages at that apartment building, the VECA Welcome Center, apartment at 820 Maury and an additional (2) houses (2136 Howell and 2113 Brown). The result was a reduction of secured mortgages to $43,478 from $191,220 the previous year.

Comparing the data from 2009 to 2017 shows an 88 percent decrease of the mortgages, an impressive feat for a volunteer organization.

![Figure 5: Secured Mortgages](image)

Figure 5: Secured Mortgages
Next, the 990 provided ordinary expenses. Figure 6 shows high expenses in 2009 which was the year after volunteers resumed control of the organization and inherited expenses generated by the organization when it had employees. Expenses were also high in 2014 as a result of grant expenditures and expenditures related to refinancing mortgages. Expenses for 2015 and 2016 were relatively low compared several earlier years of higher expenses, but consistent with seven of the years in Figure 7. Actual Expenses were higher in 2017 because VECA paid $135,793 to pay down the mortgages as a result of the sale at 795 Maury. The mortgages which were paid off were the mortgages for 795 Maury, VECA Welcome Center, and apartment at 820 Maury, 2136 Howell, and 2113 Brown. IRS does not consider mortgage pay down as Expenses but rather as reduction in Liabilities.

Next, we displayed the net income called revenue less expenses. This was obtained by subtracting the income from the expenses. Figure 7 shows reasonable variability over time. The worst year for VECA was in 2009 after the organization no longer had employees and there were many left over expenses. Even though there is a lot of variability from 2010 to 2016, the data shows normal changes. For example, a grant may have been received in one year and spent in another, or funds were saved in one year for a mortgage pay down — but paid down in the next year. The significant increase of revenue less expenses in 2017 were due to the sale of the apartment building at 795 Maury.
We calculated the amount of money in our accounts on December 31 of each year. We will call this cash and savings on hand at the end of the year. It includes VECA’s primary bank accounts — Regions for the rental houses and apartments, the Welcome Center and the VECA grassroots programs; and Cadence for the V&E Greenline. In addition, there was an earlier money market fund for VECA and currently there is an emergency fund at Vanguard for the V&E Greenline.

Figure 8 shows a significant improvement in the cash and savings position of VECA. In 2009 it was only $6,686 but by 2017 it was at $60,308. The cash and savings position for 2013 was artificially high since it included grant funds held over from the previous year that were spent in 2014. The decrease in cash for 2017 is because of the money spent in kitchen renovation for (2) apartment units at 820 Maury. Why are cash and savings important? Having sufficient cash and savings provides the ability to respond to unforeseen circumstances. It also reflects good financial management.
Next, the 990 showed VECA’s net assets. This was obtained by subtracting liabilities from assets. Figure 9 shows that net assets increased significantly from 2012 to 2017. One of the major reasons for this was the reduction of $59,000 of mortgage principle from Quantum Servicing and income from the grant funds for the V&E Greenline. If the data were adjusted to reflect the one-time impact of miscellaneous income, the figure would reflect a steady increase of net assets from 2011 to the present. The significant change in 2017 is due to the sale of 795 Maury and the pay down of mortgages for 795 Maury, VECA Welcome Center, apartment at 820 Maury, 2136 Howell, and 2113 Brown (significant reduction of ‘liabilities’).
How can VECA have such an impressive financial performance without employees?

Figure 10 shows the number of volunteers that manage the organization, do financial analysis, manage the rental apartments and houses, maintain the V&E Greenline trail, and implement numerous programs such as blight reduction and public relations. The number of volunteers was relatively stable for 2011 to 2013 ranging from 224 to 278. The increase of volunteers for 2014 was unusually high because of the V&E Greenline which used many volunteers to provide matching in-kind work for a grant. It also recruited a number of youth groups that did clean-ups for both the trail and the V&E Artwalk.

Even though it is lower than in 2014, the data for 2015 to 2017 show more volunteers than in the 2011 to the 2013 time period. It also shows a new normal with a range of 401 to 447 volunteers from 2015 to 2017. However, the data is further informed by examining volunteer hours in Figure 11.
Figure 11 shows the number of volunteer hours. These numbers are not reported in the 990 but help us understand the data in Figure 10. The graph shows the number of volunteer hours were very similar for five of the seven years. The year of 2012 was an outlier with larger volunteer hours to work on the capital needs of the organization. With the exception of 2012, the current norm appears to be over 6,000 hours.

The 2017 volunteer hours of 6,538 are a lot and reflect extensive activity throughout VECA’s programs. These hours translated to 817 work days, 163 work weeks or 3.1 work years. VECA prepares a yearly report that not only shows the volunteer hours by program, but also provides more detail on the nature of those activities.

![Figure 11: Volunteer Hours](image)

**Overall Observations**

The 990-tax return suggests that VECA is doing a good job of complying with IRS requirements. Board members file conflict of interest statements with VECA. The board is given the 990 and this analysis of the 990 by the VECA Treasurer. Document retention and whistleblower policies are in place. The board documents all of its meetings with minutes, and active committees are also doing an effective job of submitting minutes. In addition, the VECA treasurer discusses the 990 with both the Managing Committee and the VECA board.

VECA is running programs that the board and neighborhood residents want, and it is finding a way to pay and manage those programs. The volunteers are to be congratulated for a great job undertaken with limited resources.

For more information or to provide comments, the reader should contact Chuck Fox, VECA Treasurer, 1680 Jackson Ave, Memphis, TN 38107, 901-276-1782, or VECA901@gmail.com.