

**EAST CENTRAL IOWA HOUSING
TRUST FUND**

Financial Statements

June 30, 2022



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FINANCIAL & MANAGEMENT CONSULTING

East Central Iowa Housing Trust Fund

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Independent Auditors' Report

To the Board of Directors of
East Central Iowa Housing Trust Fund
Cedar Rapids, Iowa

Opinion

We have audited the accompanying financial statements of East Central Iowa Housing Trust Fund (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Central Iowa Housing Trust Fund as of June 30, 2022, and the changes in its net assets, functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Central Iowa Housing Trust Fund 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East Central Iowa Housing Trust Fund and its ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtained 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 East Central Iowa Housing Trust Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Central Iowa Housing Trust Fund'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.

Forge Financial & Management Consulting

West Des Moines, Iowa
March 30, 2023

EAST CENTRAL IOWA HOUSING TRUST FUND
Statement of Financial Position
June 30, 2022

Assets

Cash and cash equivalents	\$ 112,788
Accounts receivable	15,477
Notes receivable, net of \$75,693 discount to present value	178,616
Total assets	<u>\$ 306,881</u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ <u>5,218</u>
Total liabilities	<u>5,218</u>

Net assets:

Without donor restrictions	293,263
With donor restrictions	<u>8,400</u>
Total net assets	<u>301,663</u>

Total liabilities and net assets	<u>\$ 306,881</u>
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See accompanying notes to financial statements.

EAST CENTRAL IOWA HOUSING TRUST FUND
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions and support	\$ 27,558	-	27,558
Grant revenue - FHLB	139,914	-	139,914
Grant revenue - IFA	168,560	-	168,560
Miscellaneous income	10,531	-	10,531
Net assets released from restrictions	8,400	(8,400)	-
Total support and revenue	<u>354,963</u>	<u>(8,400)</u>	<u>346,563</u>
Expenses:			
Program services	332,515	-	332,515
Administrative support activities:			
Management and general	29,357	-	29,357
Total expenses	<u>361,872</u>	<u>-</u>	<u>361,872</u>
Change in net assets	<u>(6,909)</u>	<u>(8,400)</u>	<u>(15,309)</u>
Net assets, beginning of year, restated	<u>300,172</u>	<u>16,800</u>	<u>316,972</u>
Net assets, end of year	<u>\$ 293,263</u>	<u>8,400</u>	<u>301,663</u>

See accompanying notes to financial statements.

EAST CENTRAL IOWA HOUSING TRUST FUND
Statement of Functional Expenses
For the Year Ended June 30, 2022

	<u>Program Services - Affordable Housing</u>	<u>Management and General</u>	<u>Total</u>
Grants and awards	\$ 285,531	-	285,531
Loan forgiveness	27,455	-	27,455
Contributions to others	19,529	-	19,529
Administrative services - ECICOG	-	25,992	25,992
Professional fees	-	2,750	2,750
Other administrative expenses	-	615	615
Total expenses	\$ 332,515	29,357	361,872

See accompanying notes to financial statements.

EAST CENTRAL IOWA HOUSING TRUST FUND
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities:	
Change in net assets	\$ (15,309)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Contributions received	
Change in assets and liabilities	
Decrease in accounts receivable	49,457
(Increase) decrease in notes receivable	37,912
Increase (decrease) in accounts payable	<u>(1,484)</u>
Net cash used by operating activities	<u>70,576</u>
 Net change in cash and cash equivalents	 70,576
 Cash and cash equivalents, beginning of year	 <u>42,212</u>
 Cash and cash equivalents, end of year	 \$ <u><u>112,788</u></u>

See accompanying notes to financial statements.

EAST CENTRAL IOWA HOUSING TRUST FUND
Notes to Financial Statements
June 30, 2022

Note 1 – Nature of Business and Significant Accounting Policies

Nature of Activities - East Central Iowa Housing Trust Fund (the Organization) was organized on September 24, 2010 for the purpose of improving the quality of life of residents of the eastern Iowa counties of Jones, Benton, Iowa and Washington by offering innovative and flexible funding in order to expand affordable housing opportunities in those counties. The Organization is supported primarily by governmental grants and contributions. The Organization will make grants and loans to qualifying program participants.

Basis of Presentation - The financial statements of the Organization have been prepared to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets. Donor-imposed restrictions that are met in the same period the contribution was received are reported as unrestricted support.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenue and expenses. Accordingly, actual results could differ from those estimates.

Cash – For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit with maturity dates beyond three months when purchased are not considered to be cash equivalents and are separately stated in the statement of financial position.

Accounts and Grants Receivable - Substantially all receivables are due from governmental agencies, and management therefore does not believe that an allowance for uncollectible amounts is necessary. Uncollectible amounts are charged off as bad debts when there is no reasonable chance of collection.

EAST CENTRAL IOWA HOUSING TRUST FUND
Notes to Financial Statements
June 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Notes Receivable – Notes receivables are non-interest bearing and have been discounted in the accompanying financial statements at various rates ranging from 4.25% to 6.35% based upon prevailing market rates at the inception of the mortgages. Discounts on mortgages are amortized over the life of the agreement ranging from 1 year to 15 years using the effective interest method.

An allowance for losses on uncollectible notes is provided based on management's judgment including such factors as prior collection history, the note recipients' financial condition and ability to repay notes. Uncollectible notes are charged off when there is no reasonable chance of collecting the amount due to the Organization. The Organization has had no experience with uncollectible notes and believes that all notes will be collected in full, therefore, no allowance for losses on uncollectible notes has been recorded.

Contributions - Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. The Organization reports gifts of cash and other assets as with restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Expenses - The costs of providing various program and supporting services have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function.

Advertising – Advertising costs are charged to expense when incurred.

Tax Exempt Status – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides an income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The Internal Revenue Service has not determined that the Organization is a private foundation. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Date of Management Review - Management has evaluated subsequent events through March 30, 2023, the date which the financial statements were available to be issued.

EAST CENTRAL IOWA HOUSING TRUST FUND
Notes to Financial Statements
June 30, 2022

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position dates, comprise of the following:

Financial assets at year-end:	
Cash and cash equivalents	\$ 112,788
Accounts receivable	15,477
Notes receivable	178,616
Total financial assets	<u>306,881</u>
Less those not available to be used for general expenditures within one year:	
Notes receivable	143,614
Cash received with donor restrictions	8,400
	<u>152,014</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>154,867</u>

The Organization has a policy to structure its financial assets to meet its obligations as they come due.

Note 3 – Notes Receivables

The Organization makes loans to other organizations, entities and individuals for the purpose of providing funds to assist with the acquisition, construction or improvement of housing units that will be sold or rented to qualifying individuals and households with income at or below certain percentages of the area median income. The notes are secured by mortgages on the properties. Interest rates on the notes vary from 0% to 3%. Repayable notes are due in monthly or annual payments and are due at various dates between June 1, 2024 and August 15, 2038.

Forgivable notes are eligible for forgiveness generally if the properties are in compliance with the requirements to maintain terms of affordability during the terms of the notes. Eligibility for forgiveness is scheduled at various dates between June 1, 2023 and April 1, 2026. During the year ended June 30, 2022, the Organization made one new loan to a qualifying loan recipient. Loan proceeds paid to qualifying loan recipients totaled \$60,000 during the year. Repayments received on notes totaled \$26,282 during the year, and the Organization earned interest of \$10,427 on certain notes. Three notes were eligible for loan forgiveness of \$37,540 during the year. At June 30, 2022, the Organization had a total of six notes receivable with outstanding balances totaling \$216,769.

EAST CENTRAL IOWA HOUSING TRUST FUND
Notes to Financial Statements
June 30, 2022

Note 3 – Notes Receivables (Continued)

A summary of active notes receivable with outstanding balances at June 30, 2022 is as follows:

Sander Construction	\$	24,926
Briarwood Partners, LLC		49,334
505 Walnut LLC		6,500
505 Walnut LLC		31,549
Victor Senior Housing		57,000
The Fountain Charitable Foundation		<u>85,000</u>
	\$	254,309
Less discount to present value		<u>(75,693)</u>
	\$	<u><u>178,616</u></u>

The following is a schedule, by year, of maturities of notes receivable as of June 30, 2022:

2023	\$	35,002
2024		27,575
2025		21,075
2026		40,357
2027		13,933
Thereafter		<u>116,367</u>
	\$	<u><u>254,309</u></u>

Note 4 – Restrictions on Net Assets

Net assets with restrictions were released from donor restrictions during the year ended June 30, 2022 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Affordable housing projects	\$	<u>8,400</u>
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Net assets with restrictions at June 30, 2022 were available for the following purposes:

Affordable housing projects	\$	<u>8,400</u>
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Note 5 – Significant Concentrations

The Organization received State Housing Trust Fund grant funding from the Iowa Finance Authority in the amount of \$168,560 during the year ended June 30, 2022. The grant revenue represents approximately 48.6% of all revenue and support for the year ended June 30, 2022. Significant changes in the availability of these, or similar grants, could materially affect the revenues and operations of the Organization.

EAST CENTRAL IOWA HOUSING TRUST FUND
Notes to Financial Statements
June 30, 2022

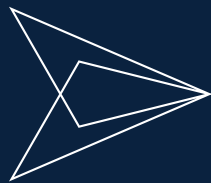
Note 5 – Significant Concentrations (Continued)

The Organization received Affordable Housing Program grant funding from the Federal Home Loan Bank in the amount of \$139,914 during the year ended June 30, 2022. The grant revenue represents approximately 40.4% of all revenue and support for the year ended June 30, 2022. Significant changes in the availability of these, or similar grants, could materially affect the revenues and operations of the Organization.

Note 6 – Prior Period Adjustment

During the current year, management identified that the Organization classified net assets without donor restrictions as net assets with donor restrictions for the June 30, 2021 financial statements. The total amount reclassified from with donor restrictions to without donor restrictions as of July 1, 2021 was \$40,485. Also, notes receivable with zero interest rates did not have an implied contribution recorded. The financial statements have been restated as of July 1, 2021 for this item, resulting in a reduction of previously reported net assets without donor restrictions of \$66,591. In addition, the June 30, 2021 financial statements did not include an amount as revenue that was earned and receivable at June 30, 2021. Management has restated for this error, which resulted in an increase to unrestricted net assets of \$39,014. A summary of the restatements is presented as follows:

	<u>Net Assets</u>	
	Without donor restrictions	With donor restrictions
June 30, 2021 net assets as previously stated	\$ 287,264	57,285
Correction of error in classification of donor restrictions	40,485	(40,485)
Record discount on notes receivable	(66,591)	-
Record FHLB revenue earned and receivable at June 30, 2021	39,014	-
June 30, 2021 net assets, as restated	\$ 300,172	16,800



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