

**HOUSING FUND FOR
LINN COUNTY**

Financial Statements

Year Ended June 30, 2022

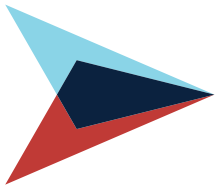


FORGE

FINANCIAL & MANAGEMENT CONSULTING

Housing Fund for Linn County

Contents	Page(s)
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12



FORGE

FINANCIAL & MANAGEMENT CONSULTING

Independent Auditors' Report

To the Board of Directors of
Housing Fund for Linn County
West Des Moines, Iowa

Opinion

We have audited the accompanying financial statements of Housing Fund for Linn County (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statement 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 Housing Fund for Linn County 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 Housing Fund for Linn County 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 Housing Fund for Linn County 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 Housing Fund for Linn County'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 Housing Fund for Linn County'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
May 4, 2023

HOUSING FUND OF LINN COUNTY
Statement of Financial Position
June 30, 2022

Assets

Cash and cash equivalents	\$ 1,365,338
Notes receivable, net of \$481,071 discount to present value	<u>422,988</u>
Total assets	<u>\$ 1,788,326</u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ <u>49,260</u>
Total liabilities	<u>49,260</u>

Net assets:

Without donor restrictions	560,523
With donor restrictions	<u>1,178,543</u>
Total net assets	<u>1,739,066</u>

Total liabilities and net assets	<u>\$ 1,788,326</u>
----------------------------------	---------------------

See accompanying notes to financial statements.

HOUSING FUND OF LINN COUNTY
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			
Donations	\$ 40,175	83,219	123,394
Lobbying contract	10,950	-	10,950
Grant revenue - PATCH program	-	1,262,000	1,262,000
Grant revenue - FHLB	129,755	-	129,755
Grant revenue - IFA	351,322	-	351,322
Interest Income	44,443		44,443
Net assets released from restrictions	1,309,034	(1,309,034)	-
Total support and revenue	<u>1,885,679</u>	<u>36,185</u>	<u>1,921,864</u>
Expenses:			
Program services	1,741,526	-	1,741,526
Administrative support activities:			
Management and general	91,922	-	91,922
Total expenses	<u>1,833,448</u>	<u>-</u>	<u>1,833,448</u>
Change in net assets	<u>52,231</u>	<u>36,185</u>	<u>88,416</u>
Net assets, beginning of year	<u>508,292</u>	<u>1,142,358</u>	<u>1,650,650</u>
Net assets, end of year	<u>\$ 560,523</u>	<u>1,178,543</u>	<u>1,739,066</u>

See accompanying notes to financial statements.

HOUSING FUND OF LINN COUNTY
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services - Affordable Housing	PATCH Program	Management and General	Total
Grants and awards	\$ 393,380	1,309,034	-	1,702,414
Loan forgiveness	39,112	-	-	39,112
Administrative services	-	-	74,762	74,762
Professional fees	-	-	4,425	4,425
Other administrative expenses	-	-	12,735	12,735
Total expenses	\$ 432,492	1,309,034	91,922	1,833,448

See accompanying notes to financial statements.

HOUSING FUND OF LINN COUNTY
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities:	
Change in net assets	\$ 88,416
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Contributions received	
Change in assets and liabilities	12,000
(Increase) decrease in accounts receivable	(52,480)
(Increase) decrease in notes receivable	(5,713)
Increase (decrease) in accounts payable	<u>42,223</u>
Net cash used by operating activities	
Net change in cash and cash equivalents	42,223
Cash and cash equivalents, beginning of year	<u>1,323,115</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,365,338</u></u>

See accompanying notes to financial statements.

HOUSING FUND OF LINN COUNTY, INC.
Notes to Financial Statements
June 30, 2022

Note 1 – Nature of Business and Significant Accounting Policies

Nature of Activities - Housing Fund for Linn County (the Organization) was organized in 2007 for the purpose of improving the quality of life of residents of Linn County, Iowa by offering innovative and flexible funding in order to expand affordable housing opportunities in Linn County. The Organization is supported primarily by governmental grants and contributions. The Organization will make grants and loans to qualifying program participants.

The Organization also has the PATCH program, which is designated to assist with repairs and improvements on homes that were damaged from the derecho.

Basis of Presentation – The financial statements of the organizations 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 net assets without donor restrictions. 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.

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 and Cash Equivalents – 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.

HOUSING FUND OF LINN COUNTY
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 1% to 6.35% based upon prevailing market rates at the inception of the mortgages. Discounts on mortgages amortized over the life of the agreement range from 1 year to 30 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 provided for.

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 support 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.

Net Assets – The Organization's resources are classified into two separate classes of net assets as follows:

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. The Organization's board may designate net assets without restrictions for specific operational purposes from time to time. There were no board designated net assets as of June 30, 2022.

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. The Organization has \$1,178,543 of net assets with donor restrictions as of June 30, 2022.

Revenue from Grants - The Organization records revenue from grants when the conditions for receipt of the grant are met. In the case of a reimbursable grant, the revenue is recognized once expenses meeting the grantor's criteria are incurred.

HOUSING FUND OF LINN COUNTY
Notes to Financial Statements
June 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses - The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated between program and supporting services classifications by management on the basis of estimated time and effort, actual expenses or other factors determined by management.

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 May 4, 2023, the date which the financial statements were available to be issued.

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	\$ 1,365,338
Notes receivable	422,988
Total financial assets	<u>1,788,326</u>
Less those not available to be used for general expenditures within one year:	
Notes receivable	260,766
Net assets with donor restrictions	1,178,543
	<u>1,439,309</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 349,017</u>

Note 3 – Notes Receivable

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 July 5, 2023 and September 30, 2051. 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. The forgivable note is eligible for forgiveness at December 31, 2032.

HOUSING FUND OF LINN COUNTY
Notes to Financial Statements
June 30, 2022

Note 3 – Notes Receivable (Continued)

During the year ended June 30, 2022, the Organization made five new loans to qualifying loan recipients. Loan proceeds paid to qualifying loan recipients totaled \$122,573 during the year. Three loans were repaid or forgiven in full during the year. Repayments received on notes totaled \$67,514 during the year, and the Organization earned interest of \$36,532 on certain notes. Three notes were eligible for and were granted loan forgiveness of \$9,660 during the year. At June 30, 2022, the Organization had a total of 19 notes receivables with outstanding balances totaling \$904,059.

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

3200 Pioneer LLLP	\$ 200,611
Anderson Greene LP	90,686
Anderson Greene LP	183,000
Cedar Valley Habitat for Humanity	19,000
Cedar Valley Habitat for Humanity	4,038
Cedar Valley Habitat for Humanity	27,000
Cedar Valley Habitat for Humanity	20,750
Cedar Valley Habitat for Humanity	12,673
Cedar Valley Habitat for Humanity	40,715
Hope Community Development Association	40,000
Hope Community Development Association	30,000
Hope Community Development Association	24,000
CB Cedar Rapids Housing LLLP	82,260
Matthew 25	15,900
Matthew 25	27,667
Matthew 25	4,800
Matthew 25	8,959
Matthew 25	20,000
Willis Dady Emergency Shelter	52,000
	<u>\$ 904,059</u>
Less discount on notes receivable	<u>(481,071)</u>
	<u>\$ 422,988</u>

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

2023	\$ 162,222
2024	65,935
2025	51,189
2026	48,271
2027	39,257
Thereafter	537,185
	<u>\$ 904,059</u>

HOUSING FUND OF LINN COUNTY
Notes to Financial Statements
June 30, 2022

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:

ARPA – PATCH Program	\$ <u>1,309,034</u>
----------------------	---------------------

Net assets with restrictions at June 30, 2022 were available for the following purposes:

ARPA – PATCH Program	\$ 1,049,072
Winter Shelter Overflow	83,219
Local Match for IFA Grants	<u>46,252</u>
Total	\$ <u>1,178,543</u>

Note 5 – Significant Concentrations

The Organization maintains its cash deposits at Cedar Rapids Bank and Trust. The deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the depository insurance limits may be exceeded. At June 30, 2022, the Organization had cash deposits of \$1,140,624 in excess of depository insurance limits.

The Organization received derecho support (PATCH) funding from the City of Cedar Rapids in the amount of \$1,000,000 during the year ended June 30, 2022. The support revenue represents approximately 53.3% of all revenue and support for the year ended June 30, 2022.

Note 6 – Prior Period Adjustment

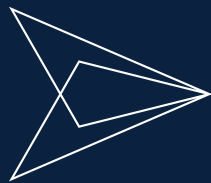
During the current year, management identified that the Organization's financial statements for the year ended June 30, 2021 misclassified whether certain net assets contained donor restrictions. The total amount reclassified from with donor restrictions to without donor restrictions as of July 1, 2021 was \$41,783. The total amount reclassified from without donor restrictions to with donor restrictions was \$46,252.

Management also identified 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 \$488,151. A summary of the restatements is as follows:

HOUSING FUND OF LINN COUNTY
Notes to Financial Statements
June 30, 2022

Note 6 – Prior Period Adjustment (Continued)

	Net Assets	
	Without Donor Restrictions	With Donor Restrictions
June 30, 2021 net assets as previously stated	\$ 1,000,912	1,137,889
Correction of error in classification of donor restrictions	41,783	(41,783)
Restrictions not recorded (restatement)	(46,252)	46,252
Record discount on notes receivable	(488,151)	-
June 30, 2021 net assets, as restated	\$ 508,292	1,142,358



FORGE

FINANCIAL & MANAGEMENT CONSULTING