

EAST CENTRAL IOWA HOUSING TRUST FUND

FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of East Central Iowa Housing Trust Fund (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 11 through 14 is presented for the purpose of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Winkel, Parker & Foster, CPA PC

Iowa City, Iowa
June 25, 2021

FINANCIAL STATEMENTS

EAST CENTRAL IOWA HOUSING TRUST FUND

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

Cash and cash equivalents	\$ 107,790
Accounts Receivable	12,548
Notes receivable	<u>325,518</u>
Total Assets	<u>\$ 445,856</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	<u>\$ 5,134</u>
Net Assets	
Without Donor Restrictions	243,136
With Donor Restrictions	<u>197,586</u>
Total Net Assets	<u>440,722</u>
Total Liabilities and Net Assets	<u>\$ 445,856</u>

See accompanying Notes to Financial Statements.

EAST CENTRAL IOWA HOUSING TRUST FUND

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions and support	\$ -	\$ 273,504	\$ 273,504
Grant revenue	-	546,647	546,647
Return on investment -			
Interest income	247	-	247
Net assets released from restrictions -			
Purpose restrictions accomplished	700,190	(700,190)	-
Total Revenues, Gains and Other Support	700,437	119,961	820,398
Expenses and Losses			
Program Services			
Affordable housing	727,924	-	727,924
Supporting Services			
Management and general	31,007	-	31,007
Total Expenses and Losses	758,931	-	758,931
Change in Net Assets	(58,494)	119,961	61,467
Net Assets, Beginning of Year	301,630	77,625	379,255
Net Assets, End of Year	\$ 243,136	\$ 197,586	\$ 440,722

See accompanying Notes to Financial Statements.

EAST CENTRAL IOWA HOUSING TRUST FUND

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services- Affordable Housing</u>	<u>Management and General</u>	<u>Total Functional Expenses</u>
Grants and awards	\$ 600,469	\$ -	\$ 600,469
Loan forgiveness	127,455	-	127,455
Administrative services	-	24,982	24,982
Professional fees	-	5,425	5,425
Other administrative expenses	-	600	600
Total Expenses	<u>\$ 727,924</u>	<u>\$ 31,007</u>	<u>\$ 758,931</u>

See accompanying Notes to Financial Statements.

EAST CENTRAL IOWA HOUSING TRUST FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from contributors and grantors	\$ 807,603
Interest received	247
Note payments received from program participants	16,045
Notes made to program participants	(160,000)
Cash paid for grants and awards	(600,469)
Cash paid for other operating expenses	<u>(27,914)</u>
Net Cash Provided By Operating Activities	<u>35,512</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
None	-
CASH FLOWS FROM FINANCING ACTIVITIES	
None	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,512
CASH AND CASH EQUIVALENTS, beginning of year	<u>72,278</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 107,790</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH USED IN OPERATING ACTIVITIES

Change in net assets	\$ 61,467
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Effects of changes in operating assets and liabilities:	
Accounts receivable	(12,548)
Notes receivable	(16,500)
Accounts payable	<u>3,093</u>
Net Cash Provided By Operating Activities	<u>\$ 35,512</u>

See accompanying Notes to Financial Statements.

EAST CENTRAL IOWA HOUSING TRUST FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1. DESCRIPTION OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Activities - The East Central Iowa Housing Trust Fund 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.

Financial Statement Presentation - The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows. The Organization does not use fund accounting.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses - The functional expenses are allocated to the programs based on actual expenses incurred, or estimated amounts where actual amounts cannot be determined.

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.

Notes Receivable - 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.

The Organization records contributions (including promises to give) when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of assets or at the time the unconditional promise to give is made. Bequests are recognized as a contribution at the time the will is declared valid, provided that the bequest is unconditional.

An allowance for uncollectible promises to give is provided based on management's judgment including such factors as expected collections, prior collection history, type of contribution and nature of fundraising activity. Uncollectible promises to give are charged off when there is no reasonable chance to collect the promise. Management has deemed that no allowance was necessary due to anticipated collection of all promises to give.

EAST CENTRAL IOWA HOUSING TRUST FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 DESCRIPTION OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4%.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation under Section 509(a)(2).

The Organization is subject to rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's income tax returns. Management is not aware of any tax positions that would have a material effect on the financial statements that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities with full knowledge of the position and all relevant facts. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's income tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge.

The Organization recognizes penalties and interest arising from uncertain tax positions when incurred. No such penalties or interest were recognized during the year ended June 30, 2020.

The Organization files income tax returns with the Internal Revenue Service. The Organization's income tax returns for the years ended June 30, 2017 through 2020 are subject to examination by the taxing authorities generally for a period of three years after they were filed.

NOTE 2. LIQUIDITY AND AVAILABILITY

The Organization has \$120,338 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$107,790 and accounts receivable of \$ 12,548. \$120,338 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

NOTE 3. RESTRICTIONS ON NET ASSETS

Net assets with restrictions were released from donor restrictions during the year ended June 30, 2020 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Affordable housing projects	\$ 669,273
Affordable housing grant administration	<u>30,917</u>
	<u>\$ 700,190</u>

Net assets with restrictions at June 30, 2020 were available for the following purposes:

Affordable housing projects	<u>\$ 197,586</u>
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EAST CENTRAL IOWA HOUSING TRUST FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 4. 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 December 31, 2020 and September 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. Forgivable notes are eligible for forgiveness at various dates between December 31, 2020 and June 19, 2029.

During the year ended June 30, 2020, the Organization made one new loans to qualifying loan recipients. Loan proceeds paid to qualifying loan recipients totaled \$160,000 during the year. Repayments received on notes totaled \$16,045 during the year, and the Organization earned interest of \$0 on certain notes. Four notes were eligible for loan forgiveness of \$127,455 during the year. At June 30, 2020, the Organization had a total of seven notes receivables with outstanding balances totaling \$325,518.

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.

A summary of active notes receivable with outstanding balances at June 30, 2020 is as follows:

Marengo Housing Corporation	\$	45,367
Briarwood Partners, LLC		60,000
Hesson Properties, LLC		17,559
505 Walnut LLC		38,692
505 Walnut LLC		8,900
Victor Senior Housing		60,000
The Fountain Charitable Foundation		95,000
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	\$	<u>325,518</u>

NOTE 5. SIGNIFICANT CONCENTRATIONS

The Organization received State Housing Trust Fund grant funding from the Iowa Finance Authority in the amount of \$445,580 during the year ended June 30, 2020. The grant revenue represents approximately 54.3% of all revenue and support for the year ended June 30, 2020. 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, 2020

NOTE 6. SUBSEQUENT EVENTS

Management has evaluated events through June 25, 2021, the date which the financial statements were available to be issued.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

EAST CENTRAL IOWA HOUSING TRUST FUND

SUPPLEMENTARY INFORMATION

June 30, 2020

Statement of Financial Position detail for
State Housing Trust Fund grants:

ASSETS

	<u>Other</u>	<u>Housing Trust Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ (89,796)	\$ 197,586	\$ 107,790
Accounts receivable	12,548	-	12,548
Notes receivable	325,518	-	325,518
Total Assets	<u>\$ 248,270</u>	<u>\$ 197,586</u>	<u>\$ 445,856</u>

LIABILITIES AND NET ASSETS

Liabilities			
Accounts payable	\$ 5,134	\$ -	\$ 5,134
Total Liabilities	<u>5,134</u>	<u>-</u>	<u>5,134</u>
Net Assets			
Without donor restrictions	243,136	-	243,136
With donor restrictions	-	197,586	197,586
Total Net Assets	<u>243,136</u>	<u>197,586</u>	<u>440,722</u>
Total Liabilities and Net Assets	<u>\$ 248,270</u>	<u>\$ 197,586</u>	<u>\$ 445,856</u>

EAST CENTRAL IOWA HOUSING TRUST FUND

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

Statement of Activities detail for
State Housing Trust Fund grants:

	Other	Housing Trust Fund	Total
Revenues, Gains and Other Support			
Contributions and support			
General contributions and support	\$ -	\$ 273,504	\$ 273,504
Grant revenue			
State Housing Trust Fund grants	-	445,580	445,580
Federal Home Loan Bank	101,067	-	101,067
Return on investment -			
Interest income	247	-	247
Total Revenues, Gains and Other Support	101,314	719,084	820,398
Expenses, Losses and Other Expenditures			
Program Services			
Program expenses	159,718	408,206	567,924
Program loans	-	160,000	160,000
Supporting Services			
Management and general	90	30,917	31,007
Total Expenses, Losses and Other Expenditures	159,808	599,123	758,931
Change in Net Assets	(58,494)	119,961	61,467
Net Assets, Beginning of year	301,630	77,625	379,255
Net Assets, End of year	\$ 243,136	\$ 197,586	\$ 440,722

State Housing Trust Fund Grant #19-LHTF-24		State Housing Trust Fund Grant #20-LHTF-16		State Housing Trust Fund Future Grants		Total
Match Funds	Housing Trust Fund	Match Funds	Housing Trust Fund	Match Funds	Housing Trust Fund	
\$ 34,207	\$ -	\$ 6,056	\$ -	\$ 124,909	\$ -	\$ 273,504
-	113,500	-	-	-	-	445,580
34,207	113,500	6,056	-	124,909	-	719,084
33,242	87,904	-	-	-	-	408,206
-	-	-	-	-	-	160,000
300	5,500	-	-	2,178	-	30,917
33,542	93,404	-	-	2,178	-	599,123
665	20,096	6,056	-	122,731	-	119,961
8,000	-	-	-	28,407	-	77,625
<u>\$ 8,665</u>	<u>\$ 20,096</u>	<u>\$ 6,056</u>	<u>\$ -</u>	<u>\$ 151,138</u>	<u>\$ -</u>	<u>\$ 197,586</u>