

HOUSING FUND FOR LINN COUNTY

FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Housing Fund for Linn County
Cedar Rapids, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Housing Fund for Linn County (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 Housing Fund for Linn County 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

HOUSING FUND FOR LINN COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

Cash and cash equivalents	\$ 147,372
Accounts receivable	64,938
Notes receivable	<u>747,589</u>
Total Assets	<u>\$ 959,899</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	<u>\$ 6,249</u>
Net Assets	
Without donor restrictions	843,305
With donor restrictions	<u>110,345</u>
Total Net Assets	<u>953,650</u>
Total Liabilities and Net Assets	<u>\$ 959,899</u>

See accompanying Notes to Financial Statements.

HOUSING FUND FOR LINN COUNTY

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	\$ 318,922	\$ -	\$ 318,922
Loan forgiveness	9,660	-	9,660
Administrative services	-	60,180	60,180
Professional fees	-	5,675	5,675
Other administrative expenses	-	2,753	2,753
Total Expenses	<u>\$ 328,582</u>	<u>\$ 68,608</u>	<u>\$ 397,190</u>

See accompanying Notes to Financial Statements.

HOUSING FUND FOR LINN COUNTY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from contributors	\$ 64,950
Grant revenue received	351,763
Interest received	23
Note payments received from program participants	75,355
Notes made to program participants	(95,505)
Cash paid for grants and awards	(318,922)
Cash paid for other operating expenses	<u>(67,276)</u>
Net Cash Provided By Operating Activities	<u>10,388</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
None	-
CASH FLOWS FROM FINANCING ACTIVITIES	
None	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,388
CASH AND CASH EQUIVALENTS, beginning of year	<u>136,984</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 147,372</u></u>

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

Change in net assets	\$ 54,484
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Effects of changes in operating assets and liabilities:	
Contribution receivable	(34,938)
Notes receivable	(10,490)
Accounts payable	<u>1,332</u>
Net Cash Provided By Operating Activities	<u><u>\$ 10,388</u></u>

See accompanying Notes to Financial Statements.

HOUSING FUND FOR LINN COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Description of Activities - The Housing Fund for Linn County 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 makes 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.

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 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 and minimal experience with uncollectible unconditional promises to give.

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%.

HOUSING FUND FOR LINN COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Contributions receivable consists of contributions due for current programs that were received after the end of the year.

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 \$212,310 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$147,372 and accounts receivable of \$64,938. \$110,345 of 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	\$ 386,633
Affordable housing grant administration	<u>60,806</u>
	<u>\$ 447,439</u>

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

Affordable housing projects	<u>\$ 110,345</u>
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HOUSING FUND FOR LINN COUNTY

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 November 30, 2020 and December 31, 2048. 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 November 30, 2020 and December 31, 2032.

During the year ended June 30, 2020, the Organization made one new loan to a qualifying loan recipient. Loan proceeds paid to a qualifying loan recipient totaled \$95,505 during the year. One loan was repaid or forgiven in full during the year. Repayments received on notes totaled \$75,356 during the year, and the Organization earned interest of \$23 on certain notes. One note was eligible for loan forgiveness of \$9,660 during the year. At June 30, 2020, the Organization had a total of 17 notes receivable with outstanding balances totaling \$747,589.

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:

Troy Mills – 2009 note	\$ 4,000
Troy Mills – 2010 note	2,807
Habitat – 2010 note	5,400
Habitat – 2013 note	43,000
Habitat – 2014 note	9,390
Habitat – 2015 note	60,755
Habitat – 2018 note	26,750
Matthew 25 – 2012 note	36,000
Matthew 25 – February 2015 note	8,550
Matthew 25 – October 2015 note	14,167
Matthew 25 – 2017 note	20,000
Marion – 2016 repayable note	15,000
Marion – 2016 forgivable note	19,320
3200 Pioneer – 2017 note	215,945
Common Bond – 2017 note	113,000
Willis Dady – 2018 note	58,000
Anderson Green LP – 2017 note	95,505
	<hr/>
	\$ 747,589

HOUSING FUND FOR LINN COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 5. SIGNIFICANT CONCENTRATIONS

The Organization received State Housing Trust Fund grant funding from the Iowa Finance Authority in the amount of \$280,652 during the year ended June 30, 2020. The revenue from these grants represents approximately 62.1% 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.

NOTE 6. SUBSEQUENT EVENTS

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

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

SUPPLEMENTARY INFORMATION

HOUSING FUND FOR LINN COUNTY

SUPPLEMENTARY INFORMATION

June 30, 2020

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

ASSETS

	Other	Housing Trust Fund	Total
Cash and cash equivalents	\$ 37,027	\$ 110,345	\$ 147,372
Accounts receivable	64,938	-	64,938
Notes receivable	747,589	-	747,589
Total Assets	<u>\$ 849,554</u>	<u>\$ 110,345</u>	<u>\$ 959,899</u>

LIABILITIES AND NET ASSETS

Liabilities			
Accounts payable	<u>\$ 6,249</u>	<u>\$ -</u>	<u>\$ 6,249</u>
Net Assets			
Without donor restrictions	843,305	-	843,305
With donor restrictions	-	110,345	110,345
Total Net Assets	<u>843,305</u>	<u>110,345</u>	<u>953,650</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 849,554</u>	<u>\$ 110,345</u>	<u>\$ 959,899</u>

HOUSING FUND FOR LINN COUNTY

SUPPLEMENTARY INFORMATION

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	\$ -	\$ 64,950	\$ 64,950
Grant revenue			
State Housing Trust Fund grants	-	280,652	280,652
Federal Home Loan Bank grants	106,049	-	106,049
Return on investment -			
Interest income	23	-	23
Total Revenues, Gains and Other Support	106,072	345,602	451,674
Expenses, Losses and Other Expenditures			
Program Services			
Program expenses	135,492	193,090	328,582
Program loans	(95,505)	95,505	-
Supporting Services			
Management and general	8,000	60,806	68,806
Total Expenses, Losses and Other Expenditures	47,987	349,401	397,388
Change in Net Assets	58,085	(3,799)	54,286
Net Assets, Beginning of year	793,033	106,133	899,166
Transfer of In-Kind Match Funds	(8,011)	8,011	-
Net Assets, End of year	\$ 843,107	\$ 110,345	\$ 953,452

State Housing Trust Fund Grant #19-LHTF-21		State Housing Trust Fund Grant #20-LHTF-24		State Housing Trust Fund Future Grants		Total
Match Funds	Housing Trust Fund	Match Funds	Housing Trust Fund	Match Funds	Housing Trust Fund	
\$ 22,000	\$ -	\$ 6,445	\$ -	\$ 36,505	\$ -	\$ 64,950
-	108,593	-	-	-	-	280,652
22,000	108,593	6,445	-	36,505	-	345,602
-	71,690	-	-	-	-	193,090
-	-	-	-	-	-	95,505
-	16,496	2,000	4,445	-	-	60,806
-	88,186	2,000	4,445	-	-	349,401
22,000	20,407	4,445	(4,445)	36,505	-	(3,799)
16,700	-	-	-	40,750	-	106,133
1,000	-	-	-	(38,255)	-	8,011
<u>\$ 39,700</u>	<u>\$ 20,407</u>	<u>\$ 4,445</u>	<u>\$ (4,445)</u>	<u>\$ 39,000</u>	<u>\$ -</u>	<u>\$ 110,345</u>