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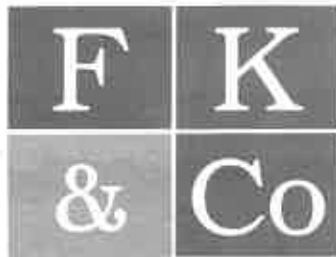
SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

INDEPENDENT AUDITOR'S REPORT  
FINANCIAL STATEMENTS

Year Ended December 31, 2014

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**FALLER, KINCHELOE & CO, PLC**

**Certified Public Accountants**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Southern Iowa COG Housing Trust Fund, Inc.  
Creston, IA

**Report on the Financial Statements**

We have audited the accompanying financial statements of Southern Iowa COG Housing Trust Fund, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2014, 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 Southern Iowa COG Housing Trust Fund, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Faller, Kincheloe & Co., PLC  
Certified Public Accountants

May 15, 2015  
Des Moines, Iowa

FINANCIAL STATEMENTS

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2014

ASSETS

Cash and cash equivalents	\$ 376,708
Grants receivable	204,796
Accounts receivable	64,976
Loans receivable, less allowance for doubtful accounts	347,814
Forgivable loans receivable	<u>337,064</u>

Total assets \$ 1,331,358

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ <u>86,494</u>
Total liabilities	<u>86,494</u>

NET ASSETS

Unrestricted	1,090,664
Temporarily restricted net assets	<u>154,200</u>
Total net assets	<u>1,244,864</u>

Total liabilities and net assets \$ 1,331,358

See accompanying notes to financial statements.

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND SUPPORT</b>			
State grant	\$ -	340,040	340,040
Interest income	11,883	-	11,883
Donations	-	393,709	393,709
Miscellaneous	520	-	520
Net assets released from restrictions	579,549	(579,549)	-
Total revenue and support	<u>591,952</u>	<u>154,200</u>	<u>746,152</u>
<b>EXPENSES</b>			
Program services -			
Housing program	312,015	-	312,015
Supporting services -			
Management and general	24,125	-	24,125
Total expenses	<u>336,140</u>	<u>-</u>	<u>336,140</u>
Changes in net assets	255,812	154,200	410,012
Net assets at beginning of year, as restated	<u>834,852</u>	<u>-</u>	<u>834,852</u>
Net assets at end of year	<u>\$ 1,090,664</u>	<u>154,200</u>	<u>1,244,864</u>

See accompanying notes to financial statements.



SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
 Year Ended December 31, 2014

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
Administration	\$ -	20,010	20,010
Recording fees	-	120	120
Forgivable loans written off	23,711	-	23,711
Insurance	-	1,145	1,145
Professional fees	-	2,850	2,850
Program assistance	<u>288,304</u>	<u>-</u>	<u>288,304</u>
Total expenses	<u>\$ 312,015</u>	<u>24,125</u>	<u>336,140</u>

See accompanying notes to financial statements.

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets -	\$ 410,012
Adjustments to reconcile changes in net assets to net cash provided by operating activities -	
Forgivable loans written off	23,711
Changes in assets and liabilities -	
Increase in grant receivable	(54,455)
Increase in accounts receivable	(64,976)
Increase in accounts payable	86,494
Net cash provided by operating activities	<u>400,786</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments on new loans receivable	(113,032)
Repayments on loans receivable	129,040
Payments for forgivable loans receivable	(124,269)
Net cash used in investing activities	<u>(108,261)</u>
Net increase in cash and cash equivalents	292,525
Cash and cash equivalents at beginning of year	<u>84,183</u>
Cash and cash equivalents at end of year	<u>\$ 376,708</u>

See accompanying notes to financial statements.

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Nature of Activities

Southern Iowa COG Housing Trust Fund, Inc. (Organization) is a nonprofit organization whose mission is to provide decent housing that is affordable to low and moderate income residents throughout the eight Iowa counties of Adair, Adams, Clarke, Decatur, Madison, Ringgold, Taylor and Union.

The Organization receives grant awards from the State of Iowa to operate a Regional Housing Trust Fund. The Regional Housing Trust Fund monies, combined with local match funds, are to be used to fund eligible projects throughout the eight Iowa counties as noted above. To be eligible for these programs, individuals and other organizations have to be below certain income requirements. Assistance is provided to individuals and organizations in the forms of grants, forgivable loans, and repayable loans. Various program requirements exist which document the types of programs, criteria for eligibility for the various programs, and the maximum dollar amount and types of assistance available to individuals and organizations.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred, if measurable.

C. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organization does not have any permanently restricted net assets.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investment instruments with a maturity of three months or less to be cash equivalents.

E. Accounts Receivable

At December 31, 2014, accounts receivable represents amounts due from other governments. All amounts due at December 31, 2014 are considered collectible. Accounts receivable amounts due to the Organization are generally collected within 30 days.

Note 1. Summary of Significant Accounting Policies (continued)

F. Loans Receivable

Loans receivable, which are secured by either a first or second mortgage, are carried at the original loan amount less an estimate for doubtful accounts based on a review of all outstanding amounts on a yearly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of the accounts. Loans receivable are written off when deemed uncollectible. The allowance for doubtful accounts at December 31, 2014 was \$0.

Loans are placed on nonaccrual when management believes that the loans are impaired. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

G. Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

J. Total Column

The total column on the statement of activities and statement of functional expenses is presented to facilitate financial analysis. Data in these columns does not present financial position or results of operation in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

K. Fair Value Measurement

The Organization's financial instruments consist primarily of cash, loans receivable and accounts payable. The carrying amount of cash, loans receivable and accounts payable approximate their fair value due to the short-term nature of such instruments.

Note 1. Summary of Significant Accounting Policies (continued)

L. Income Taxes

The Organization is exempt from income tax under Section 501 (c) 3 of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes.

The organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined that there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal tax returns for fiscal years 2011, and beyond remain subject to examination by the Internal Revenue Service.

Note 2. Loans Receivable

The Organization issues loans through the Local Housing Trust Fund to applicants for special projects. These loans are generally made to the Organizations for the purpose of building homes for qualified homeowners. To qualify, the applicant's income has to be at or below 80% of the median family income in the county where the residence is located. The loan funds are collateralized by real estate mortgages.

At December 31, 2014, this program had a loan receivable balance of \$347,814, and an allowance for doubtful account balance of \$0. At December 31, 2014, no loans were delinquent.

Note 3. Forgivable Loans

The Organization issues loans through the Local Housing Trust Fund to qualified applicants for housing needs of their constituents. To qualify, the individual who benefits from the funds provided by the Organization has to have an income at or below 80% of the median family income in the county where the residence is located. The loans are five or ten years depending on the program, and the principal balance is forgiven over the life of the loan and is based on continued occupancy. The loan funds are collateralized by real estate mortgages.

At December 31, 2014, the forgivable loan balances were \$337,064. If certain conditions are met, these loan balances will be forgiven ratably over the next five to ten years. During the fiscal year, total loan balances forgiven were \$23,711.

Note 4. Related Party

The Southern Iowa Council of Governments provided administrative services for the Organization. A board member of the Organization is also the Executive Director of the Southern Iowa Council of Governments.

At December 31, 2014, the Organization had a liability to the Southern Iowa Council of Governments in the amount of \$19,410. Total expense incurred by the Organization for services provided by the Southern Iowa Council of Governments totaled \$19,410 during the fiscal year.

Note 5. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Organization assumes liability for any deductibles and claims in excess of coverage limitation. There were no claims during the fiscal year.

Note 6. Contingency

The Organization participates in a number of State and Local grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable state and local regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a state or local audit may become a liability to the Organization. The Organization's management believes such revisions or disallowance, if any, will not be material to the Organization.

Note 7. Concentration of Credit Risk

The Organization maintains a cash balance at a local financial institution. Accounts at this institution are insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000. At December 31, 2014, the cash in bank exceeded the FDIC limits by approximately \$127,000. In addition, at times during the year ended December 31, 2014, the cash in bank balances exceeded the FDIC limits.

Note 8. Commitment

In December, 2013 and 2014, the State of Iowa, Iowa Finance Authority committed \$571,168 to the Organization to support the activities of the Local Housing Trust Fund. The Organization must provide 25% local match in order to receive this money from the State of Iowa. As of December 31, 2014, \$480,075 in grant funds, plus 25% local match remains to be spent on this program.

At December 31, 2014, almost all of the \$480,075 in grant funds, plus 25% local match funds, as explained above, has been committed by the Organization to various projects.

Note 9. Subsequent Events

The Organization has evaluated subsequent events through May 15, 2015, the date which the financial statements were available to be issued.

Note 10. Restatement

The beginning net assets have been restated to correct errors in reporting the beginning forgivable loans receivable balance.

The effects of this adjustment is as follows on the Statement of Activities:

	Unrestricted	Temporarily Restricted	Total
Net assets at December 31, 2013, as previously reported	\$ 598,347	-	598,347
Adjustment to reflect the correct balance	236,505	-	236,505
Net assets at January 1, 2014, as restated	\$ 834,852	-	834,852

