

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS

Year Ended December 31, 2017

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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, 2017, 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, 2017, 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.

A handwritten signature in black ink that reads "Faller, Kincheloe & Co., PLC". The signature is written in a cursive, flowing style.

Faller, Kincheloe & Co., PLC

Des Moines, Iowa
August 22, 2018

FINANCIAL STATEMENTS

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

Cash and cash equivalents	\$ 620,779
Grants receivable	110,763
Accounts receivable	22,445
Loans receivable, less allowance for doubtful accounts	330,428
Forgivable loans receivable	<u>254,213</u>

Total assets \$ 1,338,628

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 110,212
Total liabilities	<u>110,212</u>

NET ASSETS

Unrestricted	1,074,216
Temporarily restricted net assets	<u>154,200</u>
Total net assets	<u>1,228,416</u>

Total liabilities and net assets \$ 1,338,628

See accompanying notes to financial statements.

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
State grant	\$ -	203,838	203,838
Interest income	16,533	-	16,533
Donations	-	60,502	60,502
Miscellaneous	1,850	-	1,850
Net assets released from restrictions	264,340	(264,340)	-
Total revenue and support	<u>282,723</u>	<u>-</u>	<u>282,723</u>
EXPENSES			
Program services -			
Housing program	228,583	-	228,583
Supporting services -			
Management and general	20,686	-	20,686
Total expenses	<u>249,269</u>	<u>-</u>	<u>249,269</u>
Changes in net assets	33,454	-	33,454
Net assets at beginning of year	<u>1,040,762</u>	<u>154,200</u>	<u>1,194,962</u>
Net assets at end of year	<u>\$ 1,074,216</u>	<u>154,200</u>	<u>1,228,416</u>

See accompanying notes to financial statements.

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 Year Ended December 31, 2017

	Program Services	Supporting Services	Total Expenses
Administration	\$ -	15,200	15,200
Miscellaneous	-	460	460
Forgivable loans written off	43,996	-	43,996
Insurance	-	1,155	1,155
Professional fees	-	3,871	3,871
Program assistance	184,587	-	184,587
Total expenses	\$ 228,583	20,686	249,269

See accompanying notes to financial statements.

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets -	\$ 33,454
Adjustments to reconcile changes in net assets to net cash used by operating activities -	
Forgivable loans written off	43,996
Changes in assets and liabilities -	
Increase in grant receivable	(25,457)
Increase in accounts receivable	(18,085)
Increase in accounts payable	74,738
Net cash provided by operating activities	<u>108,646</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Issuance of new loans receivable	(100,000)
Repayments on loans receivable	19,106
Repayments on forgivable loans receivable	8,778
Net cash used by investing activities	<u>(72,116)</u>
Net increase in cash and cash equivalents	36,530
Cash and cash equivalents at beginning of year	<u>584,249</u>
Cash and cash equivalents at end of year	<u>\$ 620,779</u>

See accompanying notes to financial statements.

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 affordable housing 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, 2017, accounts receivable represents amounts due from other governments and a non-profit organization. All amounts due at December 31, 2017 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, 2017 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 2014, 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 or rehabilitating 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, 2017, this program had a loan receivable balance of \$330,428, and an allowance for doubtful account balance of \$0. At December 31, 2017, 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, 2017, the forgivable loan balances were \$254,213. 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 \$43,996.

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, 2017, the Organization had a liability to the Southern Iowa Council of Governments in the amount of \$14,600. Total expense incurred by the Organization for services provided by the Southern Iowa Council of Governments totaled \$14,600 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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. Commitment

In December, 2017, the State of Iowa, Iowa Finance Authority committed \$253,673 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, 2017, \$253,673 in grant funds, plus 25% local match remains to be spent on this program.

Note 8. Subsequent Events

The Organization has evaluated subsequent events through August 22, 2018, the date which the financial statements were available to be issued.

In January of 2018, all of the aforementioned (see Note 7) grant funds totaling \$253,673, plus 25% local match funds have been committed by the Organization to various projects.