

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

INDEPENDENT AUDITOR'S REPORT  
FINANCIAL STATEMENTS

Year Ended December 31, 2021

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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

**Opinion**

We have audited the accompanying financial statements of Southern Iowa COG Housing Trust Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows 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 Southern Iowa COG Housing Trust Fund, Inc. as of December 31, 2021, 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.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under these 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 Southern Iowa COG Housing Trust Fund, Inc. and to meet our other ethical responsibilities in accordance with the 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 these 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 Southern Iowa COG Housing Trust Fund, Inc.'s 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 judgement 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.
- Obtain 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 Southern Iowa COG Housing Trust Fund, Inc.'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 Southern Iowa COG Housing Trust Fund, Inc'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.



Faller, Kincheloe & Co., PLC

October 17, 2022

FINANCIAL STATEMENTS

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

Cash and cash equivalents	\$	770,295
Grants receivable		111,038
Accounts receivable		3,758
Loans receivable, less allowance for doubtful accounts		409,972
Forgivable loans receivable		221,000

Total assets \$ 1,516,063

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$	42,973
Total liabilities		<u>42,973</u>

NET ASSETS

Without donor restrictions		<u>1,473,090</u>
Total net assets		<u>1,473,090</u>

Total liabilities and net assets \$ 1,516,063

See accompanying notes to financial statements.

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>			
State grant	\$ 222,030	-	222,030
Interest income	15,742	-	15,742
Donations	102,366	-	102,366
Miscellaneous	1,126	-	1,126
Net assests released from restrictions	154,200	(154,200)	-
Total revenue and support	<u>495,464</u>	<u>(154,200)</u>	<u>341,264</u>
<b>EXPENSES</b>			
Program services -			
Housing program	300,704	-	300,704
Supporting services -			
Management and general	28,655	-	28,655
Total expenses	<u>329,359</u>	<u>-</u>	<u>329,359</u>
Changes in net assets	166,105	(154,200)	11,905
Net assets at beginning of year	<u>1,306,985</u>	<u>154,200</u>	<u>1,461,185</u>
Net assets at end of year	<u>\$ 1,473,090</u>	<u>-</u>	<u>1,473,090</u>

See accompanying notes to financial statements.

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
 Year Ended December 31, 2021

	Program Services	Supporting Services	Total Expenses
Administration	\$ -	22,948	22,948
Miscellaneous	13	600	613
Forgivable loans written off	43,000	-	43,000
Insurance	-	1,105	1,105
Professional fees	-	4,002	4,002
Program assistance	257,691	-	257,691
	\$ 300,704	28,655	329,359
Total expenses			

See accompanying notes to financial statements.



SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

STATEMENT OF CASH FLOWS  
Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 11,905
Adjustments to reconcile changes in net assets to net cash provided by operating activities -	
Forgivable loans written off	43,000
Changes in assets and liabilities -	
Decrease in grant receivable	12,868
Decrease in accounts receivable	24,985
Decrease in accounts payable	<u>(40,126)</u>
Net cash provided by operating activities	<u>52,632</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Repayments on loans receivable	<u>35,981</u>
Net cash provided by investing activities	<u>35,981</u>
Net increase in cash and cash equivalents	88,613
Cash and cash equivalents at beginning of year	<u>681,682</u>
Cash and cash equivalents at end of year	<u>\$ 770,295</u>

See accompanying notes to financial statements.

SOUTHERN IOWA COG HOUSING TRUST FUND, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

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

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Clarification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for Profit Organizations" (the "Guide").

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - This class represents unexpended gifts restricted by donors for specific purposes as well as endowment assets which donors have stipulated, as a condition of the gift, that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income. The income is released from restrictions when expended in accordance with the donor's restrictions. These assets will be released from restrictions when expended in accordance with the donors' specifications. Net assets with donor restrictions may be time or purpose restricted or perpetual in nature.

1. Perpetual in Nature – The Organization has no restricted assets which are perpetual in nature.
2. Purpose Restrictions – Net assets resulting from contributions whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Note 1. Summary of Significant Accounting Policies (continued)

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, 2021, accounts receivable represents amounts due from other governments and non-profits. All amounts due at December 31, 2021 are considered collectible. Accounts receivable amounts due to the Organization are generally collected within 30 days.

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, 2021 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 net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions, including unconditional promises to give, are recorded as made. All contributions are recorded as without donor restrictions 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 contributions are reported as an increase in net assets without donor restrictions or net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 2018 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, 2021, this program had a loan receivable balance of \$409,972, and an allowance for doubtful account balance of \$0. At December 31, 2021, 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, 2021, the forgivable loan balances were \$221,000. 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 \$43,000.

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, 2021, the Organization had a liability to the Southern Iowa Council of Governments in the amount of \$22,948. Total expense incurred by the Organization for services provided by the Southern Iowa Council of Governments totaled \$22,948 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. Net Assets With Donor Restrictions

Net assets with donor restrictions was \$0 at December 31, 2021.

Note 7. Liquidity and Availability

The Organization's financial assets available within one year of the statement of financial position, as shown below, are reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position. Cash at year end that has a restriction until donor release has not been included in cash and cash equivalents.

Cash and cash equivalents	\$ 770,295
Grants receivable	111,038
Accounts receivable	3,758
Loans receivable, current	<u>35,981</u>
	<u>\$ 921,072</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations as they become due. The Organization invests cash in excess of daily requirements in savings accounts.

Note 8. 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 9. Commitment

In December 2021, the State of Iowa, Iowa Finance Authority committed \$298,673 to the Organization to support the activities of the Local Housing Trust Fund. The Organization must provide 15% local match in order to receive this money from the State of Iowa. As of December 31, 2021, \$298,673 in grant funds, plus 15% local match remains to be spent on this program.

Note 10. Subsequent Events

The Organization has evaluated subsequent events through October 17, 2022, the date which the financial statements were available to be issued.

By July 2022, all of the aforementioned (see Note 9) grant funds totaling \$298,673, plus 15% local match funds have been committed by the Organization to various projects.