

SOUTHWEST IOWA HOUSING TRUST FUND  
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019

# SOUTHWEST IOWA HOUSING TRUST FUND

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SOUTHWEST IOWA HOUSING TRUST FUND  
Officials  
June 30, 2020

Board of Directors:

Brad Wright, Chairperson

Mahlon Sorenson, Vice-Chairperson

Stephanie Bowden, Secretary-Treasurer

Pat McCurdy

Chris Hartwig

Trent Svendsen

Kelly Mahlberg  
(Appointed February, 2020)

Paula Danker  
(Resigned November, 2019)

Program Administrator:

John McCurdy

Address

Red Oak, Iowa

Shenandoah, Iowa

Glenwood, Iowa

Atlantic, Iowa

Logan, Iowa

Harlan, Iowa

Harlan, Iowa

Council Bluffs, Iowa

Atlantic, Iowa

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Southwest Iowa Housing Trust Fund  
Atlantic, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Southwest Iowa Housing Trust Fund (an Iowa not-for-profit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to 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 audits. We conducted our audits 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 from 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors  
Southwest Iowa Housing Trust Fund

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Iowa Housing Trust Fund as of June 30, 2020 and 2019, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. As discussed in Note K to the financial statements, the Agency has suffered recurring reductions in operations, decreases in net assets and weakening in its financial position that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note K. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

*Stromer, Bill, CPA & W. P. C.*

Atlantic, Iowa  
February 11, 2021

SOUTHWEST IOWA HOUSING TRUST FUND  
 Statements of Financial Position  
 June 30,

ASSETS

	2020	2019
Current Assets:		
Accounts receivable	\$ --	\$ 16,750
Prepaid expenses	--	1,870
Total current assets	--	18,620
Designated and Restricted Assets	209,951	234,940
Total assets	\$ 209,951	\$ 253,560

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 29,687	\$ 25,627
Accrued compensation and benefits	--	759
Advances from grantors	7,925	7,925
Total current liabilities	37,612	34,311
Net Assets:		
Without donor restrictions	172,339	219,249
Total liabilities and net assets	\$ 209,951	\$ 253,560

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA HOUSING TRUST FUND  
Statements of Activities and Changes in Net Assets  
Year ended June 30,

	2020	2019
Changes in Net Assets Without Donor Restrictions:		
Revenues and Support:		
Revolving Loan Fund	\$ 4,950	\$ 15,970
IFA Home Ownership Assistance	95,050	84,030
IFA Repair Assistance	323,377	73,969
IFA Demolition	--	19,650
Lead Based Paint Stabilization	837	772
Grant administration	25,094	45,171
Local assistance	35,000	40,000
Contract services	--	38,250
Total revenues and support	484,308	317,812
Operating Expenses:		
Salaries	7,700	104,037
Employee benefits	--	30,796
Grant expense	--	175
Contracted services	43,100	--
IFA Home Ownership Assistance	95,050	84,030
IFA Repair Assistance	353,064	73,969
IFA Demolition	28,416	42,549
Lead Based Paint Stabilization	993	616
Mileage	358	3,441
Payroll taxes	665	8,524
Professional fees	--	11,425
Recording fees	--	376
Supplies - office	1,872	17,688
Total expenses	531,218	377,626
Loss from Operations	( 46,910)	( 59,814)
Other Revenue:		
Interest income	--	520
Decrease in Net Assets Without Donor Restrictions	( 46,910)	( 59,294)
Net Assets at Beginning of Year	219,249	278,543
Net Assets at End of Year	\$ 172,339	\$ 219,249

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA HOUSING TRUST FUND  
 Statements of Cash Flows  
 Year ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers and agencies	\$ 501,058	\$ 328,978
Cash paid to suppliers and employees	( 526,047)	( 353,632)
Interest received	--	520
Net cash used in operating activities	<u>( 24,989)</u>	<u>( 24,134)</u>
Cash flows from investing activities:		
Notes receivable advances	( 4,950)	( 15,970)
Notes receivable payments received	<u>16,091</u>	<u>69,052</u>
Net cash provided by investing activities	<u>11,141</u>	<u>53,082</u>
Net increase (decrease) in cash and cash equivalents	( 13,848)	28,948
Cash and cash equivalents at beginning of year	<u>166,074</u>	<u>137,126</u>
Cash and cash equivalents at end of year	<u>\$ 152,226</u>	<u>\$ 166,074</u>
Reconciliation of cash to the balance sheets:		
Cash in designated and restricted assets	<u>\$ 152,226</u>	<u>\$ 166,074</u>
Total cash and cash equivalents at end of year	<u>\$ 152,226</u>	<u>\$ 166,074</u>

The accompanying notes are an integral part of these statements.



SOUTHWEST IOWA HOUSING TRUST FUND  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES

1. Nature of Activities

Southwest Iowa Housing Trust Fund was created in 2005 as a not-for-profit corporation under the provisions of the Iowa Non-Profit Corporation Act, Chapter 504A of the Code of Iowa, and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Agency is to provide safe, affordable housing, and expand housing opportunities in the seven county region it serves. The Agency presently serves the seven-county area of Cass, Fremont, Harrison, Mills, Montgomery, Page, and Shelby Counties. The Agency is governed by a nine member board appointed for three year terms. The Agency is required to file a Form 990 annually, to maintain its exempt status.

2. Measurement Focus and Basis of Accounting

Measurement focus 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 U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

3. Financial Statement Presentation

The Agency 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. However, the Agency has no net assets with donor restrictions as of June 30, 2020 and 2019.

4. Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

5. Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

SOUTHWEST IOWA HOUSING TRUST FUND  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

Unconditional promises to give cash and other assets to the Agency are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts, which are generally considered non-exchange transactions, are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Agency, unless the donor provides more specific directions about the period of its use.

6. Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Cash and Cash Equivalents

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

8. Investments

Investments are stated at fair value in the statement of financial position. Unrealized gains or losses on securities are recorded through the statement of activities and changes in net assets.

Investment income or loss is reported as part of revenues and support unless the income or loss is restricted by donor or law.

9. Accounts Receivable and Notes Receivable

The Agency considers accounts receivable and notes receivable (included in designated and restricted assets on the statements of financial position) to be fully collectible, accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

SOUTHWEST IOWA HOUSING TRUST FUND  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Grant Revenue

Grant proceeds for operating activities are recorded in income as they are earned and are reported as a part of revenues and support. Capital grants are recorded as other revenue. Grant proceeds received but not expended are shown as advances from grantors on the statement of financial position.

NOTE B - RESTRICTED ASSETS

Temporarily restricted assets are available for the purposes indicated below:

	2020	2019
Temporarily Restricted Assets:		
For various grant purposes	\$ 7,925	\$ 7,925

Net assets were released from grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by grantors:

	2020	2019
Purpose of Restrictions Accomplished:		
For various grant purposes	\$ 449,308	\$ 267,256

NOTE C - DESIGNATED AND RESTRICTED ASSETS

Restricted assets are restricted for the purposes listed in Note B. Designated assets have been designated by the Agency's Board of Directors for purposes indicated in the following schedule. These assets remain under the control of the Board of Directors, which may, at its discretion, later use the funds for other purposes.

	2020	2019
Designated Assets:		
Revolving loan fund	\$ 209,951	\$ 234,940
Due to restricted assets	( 7,925)	( 7,925)
	202,026	227,015
Restricted Assets:		
Due from designated assets	7,925	7,925
Total Designated and Restricted Assets	\$ 209,951	\$ 234,940

SOUTHWEST IOWA HOUSING TRUST FUND  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE C - DESIGNATED AND RESTRICTED ASSETS - Continued

The composition of designated and restricted assets is as follows:

	2020	2019
Cash and cash equivalents	\$ 152,226	\$ 166,074
Notes receivable - revolving loan fund	57,725	68,866
	\$ 209,951	\$ 234,940

NOTE D - FAIR VALUE MEASUREMENTS

The Agency's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Agency uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Agency measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 1 or 2 inputs were available to the Agency, therefore, Level 3 inputs were used to value all investments at June 30, 2020 and 2019.

SOUTHWEST IOWA HOUSING TRUST FUND  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE D - FAIR VALUE MEASUREMENTS - Continued

*Level 3 Fair Value Measurements*

The notes receivable are not actively traded and significant other observable inputs are not available. Thus, the fair value of the notes receivable is based on contract value. Management believes these values approximate current fair value.

The following tables set forth, by level within the fair value hierarchy, the Agency's investments at fair value as of June 30, 2020 and 2019:

<u>June 30, 2020</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using: Significant Unobservable Inputs (Level 3)</u>
Notes receivable	\$ <u>57,725</u>	\$ <u>57,725</u>
 <u>June 30, 2019</u>		
Notes receivable	\$ <u>68,866</u>	\$ <u>68,866</u>

The following tables reconcile the beginning and ending balances of fair value measurements for the Agency's Level 3 assets using unobservable inputs for the years ended June 30, 2020 and 2019:

June 30, 2020

Beginning balance	\$ 68,866
Notes receivable advanced	4,950
Collections on notes receivable - revolving loan fund	<u>(16,091)</u>
Ending balance	<u>\$ 57,725</u>

SOUTHWEST IOWA HOUSING TRUST FUND  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE D - FAIR VALUE MEASUREMENTS - Continued

June 30, 2019

Beginning balance	\$	121,948
Notes receivable advanced		15,970
Collections on notes receivable - revolving loan fund	(	19,052)
Collections on note receivable - rehab and resale	(	<u>50,000)</u>
Ending balance	\$	<u>68,866</u>

NOTE E - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Accounts receivables, net	\$ --	\$ 16,750
Working capital investments in prepaid expense	<u>--</u>	<u>1,870</u>
Total financial assets available within one year	<u>\$ --</u>	<u>\$ 18,620</u>

Most of the Agency's grant awards reimburse expenditures as they are incurred to meet liquidity needs.

NOTE F - NEW ACCOUNTING GUIDANCE IMPLEMENTATION

*ASU No. 2018-08*

During the year ended June 30, 2020, the Agency adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. Analysis of the various provisions of this standard resulted in no significant changes in the way the Agency recognizes contributions received.

SOUTHWEST IOWA HOUSING TRUST FUND  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE F - NEW ACCOUNTING GUIDANCE IMPLEMENTATION - Continued

*ASU No. 2014-09*

The Financial Accounting Standards Board (FASB) also issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, the new Topic 606 and Subtopic 340-40 are referred to as the "new guidance."

The Agency adopted the requirements of the new guidance as of July 1, 2019, utilizing the modified retrospective method of transition. Adoption of the new guidance resulted in changes to the Agency's accounting policies for revenue and cost recognition, previously described.

The difference to net service revenue and receivables as of and for the year ended June 30, 2019 under the new guidance as opposed to the prior revenue recognition guidance was determined to be immaterial. Accordingly, no adjustment to beginning net assets was necessary.

NOTE G - FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Agency. Those expenses include personnel costs, professional fees, contracted services, and supplies and other expenses which are allocated based on estimates of time and effort.

Expenses by function classification for the year ended June 30, 2020 consist of the following:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ --	\$ 7,528	\$ 837	\$ 8,365
Professional fees	--	--	--	--
Contracted services	--	38,790	4,310	43,100
Supplies and other	<u>477,881</u>	<u>1,685</u>	<u>187</u>	<u>479,753</u>
	<u>\$ 477,881</u>	<u>\$ 48,003</u>	<u>\$ 5,334</u>	<u>\$ 531,218</u>

SOUTHWEST IOWA HOUSING TRUST FUND  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE G - FUNCTIONAL EXPENSES - Continued

Expenses by function classification for the year ended June 30, 2019 consist of the following:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ --	\$ 129,021	\$ 14,336	\$ 143,357
Professional fees	737	10,688	--	11,425
Supplies and other	<u>205,156</u>	<u>15,919</u>	<u>1,769</u>	<u>222,844</u>
	<u>\$ 205,893</u>	<u>\$ 155,628</u>	<u>\$ 16,105</u>	<u>\$ 377,626</u>

NOTE H - CONCENTRATION OF CREDIT RISK

The Agency grants credit without collateral to its clients, most of whom are area residents and state and local governments and agencies. The mix of accounts, grants and notes receivable at June 30 was as follows:

	<u>2020</u>	<u>2019</u>
Government	--%	20%
Individuals	66	80
State Agencies	<u>34</u>	<u>--</u>
	<u>100%</u>	<u>100%</u>

NOTE I - SUPPORT ORGANIZATION

The Agency has administrative support provided by Southwest Iowa Planning Council (SWIPCO). Support provided by SWIPCO includes providing contracted administrative personnel, collecting revenue and paying expenses of the Agency, and maintaining the accounting records for the Agency.

NOTE J - CONTINGENCIES

Risk Management

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

Subsequent Events

The Agency has evaluated all subsequent events through February 11, 2021, the date the financial statements were available to be issued.



SOUTHWEST IOWA HOUSING TRUST FUND  
Notes to Financial Statements  
June 30, 2020 and 2019

NOTE K - LOSSES AND GOING CONCERN

During the years ended June 30, 2020 and 2019, the Agency has incurred losses from operations, decreases in net assets and weakening in its financial position.

In response to the declining financial position experienced over the last few years, management implemented a financial turnaround plan beginning in 2020 to alleviate these problems and return the Agency to a viable level of operations. The plan includes:

The Agency has been awarded a \$750,000 contract with FHLB to provide housing repair assistance over the next two years. The Agency has contracted with Southwest Iowa Planning Council to provide grant administration with the cost being limited to the grant income received from granting agencies and local support.

NOTE L - MATTERS AFFECTING CURRENT AND SUBSEQUENT YEARS OPERATIONS

On March 11, 2020 the World Health Organization declared the Novel Coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of March 16, 2020 the Agency limited operations per recommendations of the Governor and Department of Public Health and remained limited through June 1, 2020 when the Agency reopened with modification to operations. The Agency cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Agency's financial position, results of operations or cash flows in 2021 and beyond.

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