



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

October 21, 2021

Board of Directors
The Affordable Housing Corporation of Marion, Indiana
812 South Washington Street
Marion, IN 46953

We have reviewed the audit report of The Affordable Housing Corporation of Marion, Indiana which was opined upon by Rea Logan & Co., LLC, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of The Affordable Housing Corporation of Marion, Indiana as of June 30, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Rea Logan & Co., LLC prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**THE AFFORDABLE HOUSING CORPORATION
OF MARION, INDIANA**

FINANCIAL STATEMENTS

JUNE 30, 2019

**THE AFFORDABLE HOUSING CORPORATION
OF MARION, INDIANA**

FINANCIAL STATEMENTS

JUNE 30, 2019

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Member of American Institute and Indiana CPA Society

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS THE AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA MARION, INDIANA

We have audited the accompanying financial statements of The Affordable Housing Corporation of Marion, Indiana (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 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 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 The Affordable Housing Corporation of Marion, Indiana as of June 30, 2019, 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.

Rea Logan & Co., LLC

Marion, Indiana

December 13, 2019

P.O. Box 1059 / 220 South Norton Street / Marion, IN 46952 / (765) 664-2366 / Fax: (765) 664-4644

P.O. Box 317 / 89 West Canal Street / Wabash, IN 46992 / (260) 563-1141 / Fax: (260) 563-4627

825 North Broadway / Peru, IN 46970 / (765) 473-8840 / Fax: (765) 473-8890

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 457,264
Accounts receivable net of allowance for doubtful accounts	99,163
Accrued interest receivable	60,367
Prepaid expenses	33,259
Investments	910,272
Current portion of notes receivable	<u>72,455</u>
Total Current Assets	<u>1,632,780</u>

FIXED ASSETS:

Land, buildings, and equipment	7,256,702
Less accumulated depreciation	<u>3,186,229</u>
Net Fixed Assets	<u>4,070,473</u>

OTHER ASSETS:

Investment in plaza green	8,563
Beneficial interest	5,236
Notes receivable - less current portion	<u>1,910,738</u>
Total Other Assets	<u>1,924,537</u>

TOTAL ASSETS	<u>\$ 7,627,790</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 21,687
Accrued compensated absences	28,068
Accrued payroll and payroll taxes	9,294
Security deposits	25,252
Property tax payable	20,887
Current portion of long-term debt	<u>69,300</u>
Total Current Liabilities	<u>174,488</u>

LONG-TERM LIABILITIES:

Notes payable - less current portion	<u>135,120</u>
Total Liabilities	<u>309,608</u>

NET ASSETS:

Net assets without donor restrictions	6,936,051
Net assets with donor restrictions	<u>382,131</u>
Total Net Assets	<u>7,318,182</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,627,790</u>
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See Accompanying Notes to Financial Statements.

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Combined Total
REVENUES, GAINS AND OTHER SUPPORTS:			
Grants	\$ 1,373,302	\$ -	\$ 1,373,302
Rental income	362,771	-	362,771
Donations	170,244	-	170,244
Fees	226,940	-	226,940
Investment return - net	97,287	-	97,287
Net assets released from restrictions:			
Satisfaction of program requirements	3,115	(3,115)	-
	<u>2,233,659</u>	<u>(3,115)</u>	<u>2,230,544</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT			
EXPENSES AND LOSSES:			
Housing counseling	171,271	-	171,271
Emerson homes	43,879	-	43,879
IFPN helpline	60,809	-	60,809
Springhill homes	213,395	-	213,395
Plaza green apartments	70,172	-	70,172
Land bank	10,889	-	10,889
Modlin building	10,482	-	10,482
Evergreen apartments	91,365	-	91,365
Gallatin apartments	423,814	-	423,814
General and administrative	561,122	-	561,122
	<u>1,657,198</u>	<u>-</u>	<u>1,657,198</u>
TOTAL EXPENSES AND LOSSES			
CHANGES IN NET ASSETS	576,461	(3,115)	573,346
NET ASSETS - July 1, 2018	<u>6,359,590</u>	<u>385,246</u>	<u>6,744,836</u>
NET ASSETS - Ending - June 30, 2019	<u>\$ 6,936,051</u>	<u>\$ 382,131</u>	<u>\$ 7,318,182</u>

See Accompanying Notes to Financial Statements.

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Housing Counseling	Emerson Homes	IFPN Helpline	Springhill Homes	Plaza Green	Land Bank	Modlin Building	EverGreen Homes	Gallatin Apartments	General	Totals
Salary and wages	\$ 93,372	\$ 16,938	\$ 45,102	\$ 38,090	\$ 45,296	\$ 637	\$ 110	\$ 20,702	10,172	\$ 125,385	\$ 395,804
Payroll taxes and fringes	14,611	1,758	6,041	7,137	7,820	50	11	2,077	1,110	19,534	60,149
Travel, meals, and lodging	-	55	-	270	515	-	-	100	25	663	1,628
Program materials and supplies	197	-	-	828	-	-	-	-	-	103	1,128
Credit report fees	382	-	-	-	-	-	-	-	-	-	382
Dues and subscriptions	195	144	-	658	666	-	-	76	-	195	1,934
Professional fees	-	500	-	2,315	-	50	125	-	-	896	3,886
Telephone	37	-	3,266	-	-	-	-	125	-	13	3,441
Postage	1,657	57	-	252	301	-	-	119	107	370	2,863
Maintenance	-	2,904	-	11,759	4,048	4,720	4,624	10,880	7,379	1,438	47,752
Bad debt, net of recoveries	-	2,089	-	1,774	-	-	-	2,460	-	507	6,830
Insurance	-	3,256	-	7,110	-	1,085	-	4,784	-	-	16,235
Indirect cost	16,490	1,913	6,400	10,565	11,526	1,500	-	1,969	2,782	12,992	66,137
Utilities	-	639	-	513	-	-	1,698	1,983	-	-	4,833
Contribution expenses	-	-	-	-	-	-	-	-	-	134,892	134,892
Miscellaneous	300	-	-	-	-	-	-	-	-	6,730	7,030
Property taxes	-	-	-	14,758	-	105	-	-	-	-	14,863
Dan mar blight match	-	-	-	-	-	-	-	-	52,239	-	52,239
Pass-through expense	44,030	-	-	-	-	-	-	-	350,000	208,761	602,791
Depreciation and amortization	-	13,626	-	117,366	-	2,742	3,914	46,090	-	48,643	232,381
Total	\$ 171,271	\$ 43,879	\$ 60,809	\$ 213,395	\$ 70,172	\$ 10,889	\$ 10,482	\$ 91,365	\$ 423,814	\$ 561,122	\$ 1,657,198

See Accompanying Notes to Financial Statement

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash from contributions, grants, programs, and miscellaneous	\$ 2,131,381
Cash paid to suppliers and programs	<u>(2,109,872)</u>
Net Cash Provided by Operating Activities	<u>21,509</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(20,719)
Purchases of fixed assets	<u>(19,416)</u>
Net Cash (Used) by Investing Activities	<u>(40,135)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds on note payable	<u>16,700</u>
Net Cash Provided by Financing Activities	<u>16,700</u>

NET DECREASE IN CASH (1,926)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 459,190

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 457,264

See Accompanying Notes to Financial Statements.

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – ACCOUNTING POLICIES:

Description of Organization – The Affordable Housing Corporation of Marion, Indiana (AHC) is a nonprofit organization that was incorporated on July 24, 1995. It was formed with a mission to provide affordable housing opportunities in Grant County, Indiana to people with financial need. It provides housing, community and economic development projects and social services that benefit low and moderate income persons. Located in Marion, Indiana, it provides housing and community development programs to residents of Grant County (all programs) and other Indiana counties (one or more programs). AHC provides services to beneficiaries through its housing counseling program, down payment assistance program, matched savings account program, small business support program, rental housing, and housing development/rehab program. AHC also serves as the sponsor/developer/administrator/consultant for numerous community development projects owned/operated by other nonprofit entities.

Basis of Accounting – The financial statements of The Affordable Housing Corporation of Marion, Indiana have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other assets and other liabilities.

Basis of Presentation – The Organization reports information regarding its financial position and activities according to two classes of net assets which 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 – Net assets subject to donor-imposed restrictions. Some restrictions are temporary in nature such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Accounting Pronouncements Adopted – In August 2016, the FASB issued ASU No. 2016-14, “Presentation of Financial Statement of Not-for-Profit Entities” (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in services approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that choose to prepare the statement of cashflows using the direct method must also present a reconciliation (the indirect method).

Use of Estimates – Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – ACCOUNTING POLICIES (CONT'D):

Cash and Cash Equivalents – For purpose of the Statement of Financial Position and the Statement of Cash Flows, cash and cash equivalents consist of cash and other highly liquid investments with an initial maturity of three months or less.

Advertising – The Organization's policy is to expense advertising costs as the costs are incurred. There was no advertising expense for the year.

In-kind Contributions – In-kind contributions of services, equipment and supplies are recognized as revenue and expense or capital assets and are recorded at market value on the date received. A substantial number of volunteers donate significant amounts of time in providing the Organization's services; however, the value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

Accounts Receivable and Allowance for Doubtful Accounts – The tenant's accounts receivable discloses the gross amount due from the tenants at June 30, 2019, and does not take into consideration prepaid amounts. The Affordable Housing Corporation of Marion, Indiana provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Organization periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected. Allowance for doubtful accounts for the year ended June 30, 2019 was \$4,352.

Income Taxes – The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under section 509(a)(2). The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's Federal Exempt Organization Income Tax Returns (Form 990) for 2016, and after are subject to examination by the IRS, generally for three years after they were filed.

Restricted Revenue and Support – Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions.

Fixed Assets – Fixed assets are stated at cost or, if donated, at fair value at the date of the gift. Items with a cost or value of \$1,000 or more and a useful life of one year or more are capitalized. The Organization follows the policy of providing depreciation on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets. It is not the Organization's policy to imply time restrictions expiring over the useful life of donated assets. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support. Depreciation expense for the year ended June 30, 2019 was \$232,381.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – ACCOUNTING POLICIES (CONT'D):

Grants – Grants received from the Department of Housing and Urban Development (HUD) and other federal and state grants are recorded as grant revenues. Such revenue is subject to review by HUD and/or other federal and state agencies and may result in disallowance in subsequent periods. Non-federal grants are recognized when expenditures are incurred

Expense Allocations – The general approach of the Organization in allocating cost to particular grants and contracts is as follows:

- a) All allowable direct costs are charged directly to programs, grants, activity, etcetera.
- b) Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base most appropriate to the particular cost being prorated.

All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated to programs, grants, etcetera using a base that results in an equitable distribution.

NOTE 2 – COMPENSATED ABSENCES:

Employees of the Organization are entitled to paid time off for vacation and sick days depending on the job classification and length of service. The Organization has accrued compensated absences of \$28,068 for vacation and sick days as of June 30, 2019.

NOTE 3 – TAX DEFERRED ANNUITY PLAN:

The Organization on December 1, 2004 adopted a tax-deferred annuity plan qualified under 403(b) of the Internal Revenue Code. The plan covers all employees of the Organization. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code. The Organization match was \$14,256 for the year ended June 30, 2019.

NOTE 4 – INVESTMENTS AND FAIR MARKET VALUE MEASUREMENT:

In accordance with the “Fair Value Measurements” topic of the FASB ASC 820, the Organization uses a three level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own valuation assumptions. These inputs reflect management’s judgement about the assumptions that a market participant would use in pricing the asset and are based on the best available information, which has been internally developed.

The Organization’s Level 1 investments in mutual funds are categorized as level one, as they are actively traded and quoted daily.

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4 – INVESTMENTS AND FAIR MARKET VALUE MEASUREMENT (CONT'D):

The Organization's Level 2 investments in certificates of deposits are categorized as level two, as they are not actively traded and quoted on a daily basis.

The Organization's Level 3 investment for its beneficial interest in a community foundation account, is valued based upon information obtained from the community foundation that manages the investments. Annually, management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and information provided by the community foundation.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of a reporting period.

Fair value of assets measured on a recurring basis at June 30, 2019 is as follows:

	<u>Fair Value Measurement June 30, 2019</u>
<u>Level 1:</u> Quoted prices in active markets for identical assets:	
Mutual Funds	\$ 559,630
<u>Level 2:</u> Quoted prices for identical or similar assets in markets that are not actively traded	
Certificates of Deposit	350,642
<u>Level 3:</u> Significant unobservable inputs:	
Beneficial Interest	<u>5,236</u>
Total	<u><u>\$ 915,508</u></u>

Investment returns for the year ended June 30, 2019, consisted of the following:

Interest and dividends	\$ 55,115
Realized gains/(losses)	289
Unrealized gains/(losses)	<u>49,057</u>
Total Investment Return	104,461
Investment expenses	<u>(7,174)</u>
Net Investment Return	<u><u>\$ 97,287</u></u>

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5 – ACCOUNTS RECEIVABLE:

Accounts receivable consists of the following accounts:

Indiana Housing & Community Development Authority	\$ 34,000
Springhill of Marion, L.P.	13,220
Plaza Green Apartments	49,301
Other	6,994
	<u>103,515</u>
Less allowance for doubtful accounts	4,352
Total	<u>\$ 99,163</u>

NOTE 6 – PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

Building and building improvements	\$ 6,764,446
Land	350,588
Furniture and fixtures	70,355
Office equipment	71,313
	<u>7,256,702</u>
Less accumulated depreciation	3,186,229
	<u>\$ 4,070,473</u>

NOTE 7 – BENEFICIAL INTEREST:

The beneficial interest represents funds held by the Community Foundation of Grant County (Foundation) which is the result of an agreement whereby the Organization transferred assets, without variance power, to the foundation and specified itself as the beneficiary of those assets. The Organization is allocated a spendable amount each year, but may only obtain a return of the full value of the assets upon consent of the Foundation. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. While board designated funds would ordinarily be classified as unrestricted net assets, the endowment funds are classified as permanently restricted due to the nature of the fund agreement with the Foundation.

The fund value at June 30, 2019 was \$5,236.

Beneficial interest - beginning of year	\$ 5,301
Investment activity:	
Interest and dividends income	253
Unrealized loss	(16)
Realized gain	(4)
Fees	(298)
Spending transfer	-
Total investment return	<u>(65)</u>
Fair market value at June 30	<u>\$ 5,236</u>

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 7 – BENEFICIAL INTEREST (CONT'D):

Additionally, donors have also contributed funds for the benefit of the Organization to the Foundation. The value of these funds was \$11,420 at June 30, 2019. These assets are not recorded as assets of the Organization, as the Foundation holds variance power.

The Organization is allocated a spendable amount from the funds held at the Community Foundation of Grant County each year. This amount has been distributed to the Organization during the calendar year.

NOTE 8 – NOTES RECEIVABLE:

The detail of the Affordable Housing Corporation notes receivable at year end is set forth below:

<u>Project</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Plaza Green Apartments	\$ -	\$ 500,000	\$ 500,000
Carey Services - Pleasant Woods	-	639,430	639,430
Carey Services - Pleasant Square	-	643,000	643,000
Grants for Grads	69,300	126,600	195,900
Microenterprise Venture Program	<u>3,155</u>	<u>1,708</u>	<u>4,863</u>
Total	<u>\$ 72,455</u>	<u>\$ 1,910,738</u>	<u>\$ 1,983,193</u>

NOTE 9 – NOTE RECEIVABLE – CAREY SERVICES:

The Organization entered into an agreement with another organization, Carey Services, Inc. This agreement is a long-term forgivable note with a maturity in twenty (20) years, June 2033. This note will be forgiven in full at the end of the twenty (20) year period. The receivable value at June 30, 2019 is \$639,430.

The Organization entered into a second agreement with Carey Services, Inc. This agreement is a long-term forgivable note with a maturity in twenty (20) years, June 2039. This note will be forgiven in full at the end of the twenty (20) year period. The receivable value at June 30, 2019 is \$643,000.

NOTE 10 – NOTE RECEIVABLE – PLAZA GREEN APARTMENTS:

The Organization entered into an agreement with another organization, Plaza Green Apartments, L.P. This agreement is a long-term note with a maturity in fifteen (15) years, December 2030. This note will be paid in full at the end of the fifteen (15) year period. The receivable value at June 30, 2019 is \$500,000.

NOTE 11 – CONTINGENCIES:

Federal Grants – In the normal course of operation, the Affordable Housing Corporation receives grant funds from the Department of Housing and Urban Development (HUD). The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is believed to be immaterial.

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 12 – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Noncash Investing and Financing Activities:

Currently the Organization is leasing property to Grace House for Transition and Recovery, Inc. (a nonprofit organization) to operate out of the 2219 and 2221 South Washington Street property. The Organization is also leasing property to the Rescue Mission (a nonprofit organization) to operate out of the 421 and 423 West 4th Street property and Open Heart Women’s Shelter located on West 11th Street. No rent is being charged by the Organization. The fair value of the rent for 2019 was \$134,892. This donation was recorded as rent revenue and contribution expense of the Organization.

NOTE 13 – NOTES PAYABLE:

Affordable Housing Corporation’s obligations under notes payable consist of the following:

0% Note payable to Grant County Economic Growth Council, loan was provided to Affordable Housing Corporation to provide money to graduates of approved colleges, who are currently full-time employees in Grant County, Indiana and are looking to purchase or rent a home. The amount will be forgiven over 5 years from the closing date, as long as the individual does not default on their loan or sell the home before the terms of the loan expires. In this event, the borrower may be obligated to pay back the remaining balance.

	\$ 204,420
Less amounts due within one year	<u>69,300</u>
Balance due after one year	<u><u>\$ 135,120</u></u>

Future minimum principal payments under the notes are as follows:

<u>Due Fiscal</u> <u>Year Ending</u>	<u>Principal</u>
2020	\$ 69,300
2021	53,800
2022	39,800
2023	29,000
2024	<u>12,520</u>
Total	<u><u>\$ 204,420</u></u>

NOTE 14 – GOVERNMENT FUNDS RECEIVED:

The Affordable Housing Corporation received federal funds totaling \$1,275,594 from the following entities:

Department of Housing and Urban Development	\$ 1,235,219
Department of Health and Human Services	<u>40,375</u>
	<u><u>\$ 1,275,594</u></u>

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 15 – LEASES:

In July 2015, the Organization signed a forty-eight month lease for a copier. The monthly lease payment is \$174. Total lease payments for the year ended 2019 were \$2,088.

In June 2019, the Organization signed a new sixty month lease for a copier beginning in July of 2019. The monthly lease payment is \$186. Future estimated payments for the next five years are 2020, \$2,232; 2021, \$2,232; 2022, \$2,232; 2023, \$2,232 and 2024, \$2,232.

NOTE 16 – RELATED PARTIES:

Some employees of the Organization are on boards or consultants with other entities with whom the Organization has business transactions.

NOTE 17 – CONCENTRATION OF CREDIT RISK:

The Organization maintains a cash balance at local banks. These institutions are covered by Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per customer. As of June 30, 2019 the Organization's uninsured balance was \$207,264.

NOTE 18 – LIQUIDITY AND AVAILABILITY:

The following reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position. Amounts appropriated from donor-restricted categories for general expenditures within one year of the date of the statement of financial position are considered available.

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 457,264
Accounts receivable	<u>99,163</u>
Total financial assets at year-end	556,427
Contractual or donor-imposed restrictions:	
Less: amount available at year-end	(382,131)
Add: amount appropriated for next year	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 174,296</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 19 – NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions as of June 30, 2019, comprise the following:

Subject to time or expenditure for specific purpose:	
Emerson homes	\$ 376,895
Restricted in perpetuity:	
Beneficial interest	<u>5,236</u>
Total net assets with donor restrictions	<u><u>\$ 382,131</u></u>

NOTE 20 – NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the year ended June 30, 2019:

Subject to time or expenditure for specific purpose:	
Emerson homes	\$ 3,115

NOTE 21 – SUBSEQUENT EVENTS:

The Organization evaluates events and transaction that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the report date.

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Program - Grantor- Pass Through Agency	CFDA #	Grant ID	Federal Expenditures
Major program:			
Home Investment Partnership Program - Department of Housing and Urban Development - Indiana Housing and Community Development Authority	14.239	CH-017-002	\$ 643,000
Non-major programs:			
Community Development Block Grant - Blight Clearance Department of Housing and Urban Development - Indiana Office of Community and Rural Affairs / City of Marion	14.228	BC-11-100	350,000
Community Development Block Grant - Owner Occupied Rehab Department of Housing and Urban Development - Indiana Housing and Community Development Authority / City of Marion	14.228	HD-017-005	<u>242,219</u>
Total federal expenditures			<u><u>\$ 1,235,219</u></u>

BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Organization under programs of the federal government for the year ended June 31, 2019. The information in the SEFA is presented in accordance with requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

OTHER:

During the year ended June 30, 2019, the Organization did not provide any federal awards to subrecipients. In addition, there were no federal awards expended in the form of non-cash assistance and there were no loan guarantees outstanding or extended during the year ended June 30, 2019.

CERTIFIED PUBLIC ACCOUNTANTS



Member of American Institute and Indiana CPA Society

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

**TO THE BOARD OF DIRECTORS
THE AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
MARION, INDIANA**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the financial statement of The Affordable Housing Corporation of Marion, Indiana (a nonprofit Organization), which comprise the statement of financial position as of June 30, 2019, and the related statement of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of The Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

A part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

P.O. Box 1059 / 220 South Norton Street / Marion, IN 46952 / (765) 664-2366 / Fax: (765) 664-4644

P.O. Box 317 / 89 West Canal Street / Wabash, IN 46992 / (260) 563-1141 / Fax: (260) 563-4627

825 North Broadway / Peru, IN 46970 / (765) 473-8840 / Fax: (765) 473-8890

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS* (CONT'D)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Rea Logan & Co., LLC

Marion, Indiana

December 13, 2019

CERTIFIED PUBLIC ACCOUNTANTS



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**INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**TO THE BOARD OF DIRECTORS
THE AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
MARION, INDIANA**

Report on Compliance for Each Major Federal Program

We have audited The Affordable Housing Corporation of Marion, Indiana's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal programs identified in the summary of auditor's results section accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Report on Internal Control over compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rea Logan & Co., LLC

Marion, Indiana
December 13, 2019

AFFORDABLE HOUSING CORPORATION OF MARION, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Section I - Summary of Audit Results:

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	_____ x _____ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ x _____ none reported
Noncompliance material to financial statements noted?	_____ yes	_____ x _____ no

Federal Awards

Internal controls over major programs:		
Material weakness(es) identified?	_____ yes	_____ x _____ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ x _____ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported as defined by Uniform Guidance [2 CFR 200.516(a)]?	_____ yes	_____ x _____ no

Identification of major program:

CFDA Number
14.239

Name of Federal Program or Cluster
Home Investment Partnership Program

Dollar threshold used to distinguish between type A and B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes _____ x _____ no

Section II - Findings Related to Financial Statements Reported in Accordance With Government Auditing Standards:

None reported

Section III - Findings and Questioned Costs Relating to Federal Awards:

None reported

Section IV - Summary Schedule of Prior Audit Findings:

None reported