

**HOUSING TRUST FUND OF
JOHNSON COUNTY, INC.**

Financial Statements

Year Ended June 30, 2023



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FINANCIAL & MANAGEMENT CONSULTING

Housing Trust Fund of Johnson County, Inc.

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Independent Auditors' Report

To the Board of Directors of
Housing Trust Fund of Johnson County, Inc.
Iowa City, Iowa

Opinion

We have audited the accompanying financial statements of Housing Trust Fund of Johnson County, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities and changes in net assets, cash flows, and functional expenses 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 Housing Trust Fund of Johnson County, Inc. as of June 30, 2023, and the changes in its net assets, functional expenses and its cash flows for the year then ended in conformity 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 those 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 Housing Trust Fund of Johnson County, Inc. and to meet our other ethical responsibilities, in accordance with 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 the 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 Housing Trust Fund of Johnson County, Inc. and its ability to continue as a going concern for 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 judgment 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.
- Obtained 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 Housing Trust Fund of Johnson County, 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 Housing Trust Fund of Johnson County, 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.

Forge Financial and Management Consulting, Inc.

West Des Moines, Iowa
March 22, 2024

HOUSING TRUST FUND OF JOHNSON COUNTY
Statement of Financial Position
June 30, 2023

Assets	
Cash and cash equivalents	\$ 3,643,129
Accrued interest receivable	4,993
Prepaid expenses	3,023
Certificate of deposit	214,050
Notes receivable, net of discount of \$2,502,046	5,299,357
Beneficial interest in assets held in a community foundation	167,885
Property and equipment, net of accumulated depreciation	599
Total assets	\$ 9,333,036
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ 579
Accrued payroll	5,600
Accrued and withheld payroll taxes payable	1,418
Accrued interest payable	27
Refundable advance	200,000
Total liabilities	207,624
Net assets:	
Without donor restrictions	8,269,651
With donor restrictions	855,761
Total net assets	9,125,412
Total liabilities and net assets	\$ 9,333,036

See accompanying notes to financial statements.

HOUSING TRUST FUND OF JOHNSON COUNTY
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions and support:			
Local government support	\$ -	1,456,923	1,456,923
Other contributions and support	10,861	10,000	20,861
Grants:			
State Housing Trust Fund grants	461,118	-	461,118
Federal Home Loan Bank grant	141,568	-	141,568
Miscellaneous income	86	-	86
Interest income	230,818	-	230,818
Net earnings from designated agency endowment fund	13,935	-	13,935
Net assets released from restrictions	754,313	(754,313)	-
Total support and revenue	<u>1,612,699</u>	<u>712,610</u>	<u>2,325,309</u>
Expenses:			
Program services	882,791	-	882,791
Management and general	69,861	-	69,861
Total expenses	<u>952,652</u>	<u>-</u>	<u>952,652</u>
Change in net assets	<u>660,047</u>	<u>712,610</u>	<u>1,372,657</u>
Net assets, beginning of year, restated	<u>7,609,604</u>	<u>143,151</u>	<u>7,752,755</u>
Net assets, end of year	<u>\$ 8,269,651</u>	<u>855,761</u>	<u>9,125,412</u>

See accompanying notes to financial statements.

HOUSING TRUST FUND OF JOHNSON COUNTY
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services - Affordable Housing	Management and General	Total
Salaries and wages	\$ 61,956	29,156	91,112
Employee health insurance	9,689	4,559	14,248
Payroll taxes	4,993	2,350	7,343
Retirement plan contribution	1,474	693	2,167
Worker's compensation	305	144	449
Direct program expenses:			
Housing rehabilitation costs	569,362	-	569,362
Forgiveness of notes receivable	3,750	-	3,750
Other program expenses	226,422	-	226,422
Rent	1,977	5,931	7,908
Office supplies and postage	813	2,441	3,254
Telephone and communications	329	988	1,317
Professional fees	1,211	13,924	15,135
Insurance	-	2,298	2,298
Conferences and travel	510	1,531	2,041
Dues and memberships	-	1,410	1,410
Miscellaneous	-	4,249	4,249
Depreciation	-	187	187
Total expenses	\$ 882,791	69,861	952,652

See accompanying notes to financial statements.

HOUSING TRUST FUND OF JOHNSON COUNTY
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ 1,372,657
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	267
Net earnings of beneficial interest in assets held in a community foundation	(13,935)
Change in assets and liabilities	
(Increase) decrease in accrued interest receivable	(659)
(Increase) decrease in prepaid expense	(507)
(Increase) decrease in notes receivable	(69,155)
Increase (decrease) in accounts payable and accrued expenses	(1,482)
Increase (decrease) in refundable advance	200,000
Net cash used by operating activities	<u>1,487,186</u>
 Cash flows from investing activities:	
Reinvested interest income on certificate of deposit	<u>(889)</u>
Net cash provided by investing activities	<u>(889)</u>
 Net change in cash and cash equivalents	 1,486,297
 Cash and cash equivalents, beginning of year	 <u>2,156,832</u>
 Cash and cash equivalents, end of year	 \$ <u><u>3,643,129</u></u>

See accompanying notes to financial statements.

HOUSING TRUST FUND OF JOHNSON COUNTY
Notes to Financial Statements
June 30, 2023

Note 1 – Nature of Business and Significant Accounting Policies

Nature of Activities – The Housing Trust Fund of Johnson County, Inc. (the Organization) was organized in 2002 exclusively for the purpose of expanding and strengthening efforts to address the housing, shelter and service needs of low-income residents of Johnson County. The Organization is supported primarily by governmental grants and contributions. The Organization makes grants and loans to qualifying program participants.

Basis of Presentation - The financial statements of the Organization have been prepared to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

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 revenue and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit with maturity dates beyond three months are not considered to be cash equivalents and are separately stated in the statement of financial position.

Accounts and Grants Receivable - Substantially all receivables are due from governmental agencies, and management therefore does not believe that an allowance for uncollectible amounts is necessary. Uncollectible amounts are charged off as bad debts when there is no reasonable chance of collection.

Certificates of Deposit – Certificates of deposit bear interest at 0.50% and have maturities ranging from three to nine months, with no material penalties for early withdrawal.

HOUSING TRUST FUND OF JOHNSON COUNTY
Notes to Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Notes Receivable – Notes receivables are non-interest bearing and have been discounted in the accompanying financial statements at various rates ranging from 3.25% to 8.5% based upon prevailing market rates at the inception of the mortgages. Discounts on mortgages are amortized over the life of the agreement ranging from 1 year to 30 years using the effective interest method.

An allowance for losses on uncollectible notes is provided based on management's judgment including such factors as prior collection history, the note recipients' financial condition and ability to repay notes. Uncollectible notes are charged off when there is no reasonable chance of collecting the amount due to the Organization. The Organization has had no experience with uncollectible notes and believes that all notes will be collected in full, therefore, no allowance for losses on uncollectible notes has been recorded.

Property and Equipment – Purchased property and equipment is recorded in the accounts of the Organization at cost. Donated property and equipment is recorded at its estimated fair value on the date contributed to the Organization. Additions and improvements with a cost or value of \$500 or more are capitalized. The cost or value of depreciable property retired or sold is removed from the property accounts and the accumulated depreciation thereon is charged to the accumulated depreciation account. Gain or loss on disposals of property is recorded in the income accounts. Depreciation is computed on the straight-line basis over 5 years for equipment and furnishings.

Contributions - Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. The Organization reports gifts of cash and other assets as net assets with restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

The organization records contributions (including promises to give) when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of assets or at the time the unconditional promise to give is made.

Conditional Grants - A portion of the Organization's revenue is derived from cost-reimbursable and other grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualified expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$741,887 that have not been recognized at June 30, 2023 because qualifying expenditures had not yet been incurred, with an advance payment of \$200,000 recognized in the statement of financial position as a refundable advance at June 30, 2023.

Tax Exempt Status – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides an income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The Internal Revenue Service has not determined that the Organization is a private foundation. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

HOUSING TRUST FUND OF JOHNSON COUNTY, INC.
Notes to Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement - In February 2016, FASB issued ASU 2016-02 – *Leases (Topic 842)* which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard requires a lessee to recognize a right-of-use (ROU) asset and a lease liability on the balance sheet for all leases greater than 12 months. In July 2018, the FASB issued ASU 2018-11, *Leases, Targeted Improvements*, which provides entities with a transition method option to not restate comparative periods presented, but to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Organization adopted these lease accounting standards effective July 1, 2022, and utilized the modified retrospective transition method with no adjustments to comparative periods presented. The Company has elected to carry forward historical lease classification, to not reassess prior conclusions related to initial direct costs, and to not reassess whether any expired or existing contracts are or contain leases. The Organization’s current lease is month-to-month; as a result, there was no effect on net assets at July 1, 2022.

Functional Expenses - The costs of providing various program and supporting services have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. The functional expenses are allocated to the programs based on actual expenses incurred, or estimated amounts where actual amounts cannot be determined.

Date of Management Review - Management has evaluated subsequent events through March 22, 2024, the date which the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position dates, comprise of the following:

Financial assets at year-end:	
Cash and cash equivalents	\$ 3,643,129
Accrued interest receivable	4,993
Certificate of deposit	214,050
Designated agency endowment fund	167,885
Notes receivable	<u>5,299,357</u>
Total financial assets	<u>9,329,414</u>
Less those not available to be used for general expenditures within one year:	
Notes receivable, noncurrent	4,958,772
Certificate of deposit	214,050
Designated agency endowment fund	167,885
Net assets with donor restrictions	<u>855,761</u>
	<u>6,196,468</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,132,946</u>

The Organization has a policy to structure its financial assets to meet its obligations as they come due.

HOUSING TRUST FUND OF JOHNSON COUNTY, INC.
Notes to Financial Statements
June 30, 2023

Note 3 – Notes Receivables

The Organization makes loans to other organizations, entities and individuals for the purpose of providing funds to assist with the acquisition, construction or improvement of housing units that will be sold or rented to qualifying individuals and households with income at or below certain percentages of the area median income. The notes are secured by mortgages on the properties. Interest rates on the notes vary from 0% to 3%. Repayable notes are due in monthly or annual payments and are due at various dates between March 10, 2024 and December 31, 2052.

Forgivable notes are eligible for forgiveness generally if the properties are in compliance with the requirements to maintain terms of affordability during the terms of the notes. Eligibility for forgiveness is scheduled at various dates between June 30, 2025 and April 24, 2050.

During the year ended June 30, 2023, the Organization made seven new loans to qualifying loan recipients. Loan proceeds paid to qualifying loan recipients totaled \$516,213 during the year. Repayments received on notes totaled \$373,264 during the year, and the Organization earned interest of \$71,391 on certain notes. Three notes were eligible for loan forgiveness of \$3,750 during the year. At June 30, 2023, the Organization had a total of 56 notes receivable with outstanding balances totaling \$7,801,403.

The Organization has approved the funding of nine additional loan agreements totaling \$1,897,123. No requests for funds were made by the loan recipients as of June 30, 2023.

A summary of active notes receivable with outstanding balances at June 30, 2023 is as follows:

Iowa Valley Habitat for Humanity	\$ 354,466
The Housing Fellowship	816,860
The Shelter House	2,358,788
Reach for Your Potential	31,875
Unlimited Abilities	94,376
Successful Living	27,730
Iowa City Senior Apartments, LP	126,399
Saddlebrook Meadows Development	19,897
Coral Ridge, LLC	258,872
CHI Penn Oaks LLP	295,111
City of Coralville	23,068
Del Ray Ridge LP	750,096
Coralville Housing Group II, LLC	443,575
IC Housing Group LLP	712,767
Charm Homes, LLC	179,275
Inside Out Reentry Community	75,000
Mayor’s Youth Empowerment Program	50,000
Systems Unlimited	20,924
Total Repayable Notes	\$ <u>6,639,079</u>

HOUSING TRUST FUND OF JOHNSON COUNTY, INC.
Notes to Financial Statements
June 30, 2023

Note 3 – Notes Receivables (Continued)

ISIS Investments, LLC	\$ 9,120
The Shelter House	863,204
Reach for Your Potential	120,000
Saddlebrook Meadows Development	20,000
Inside Out Reentry Community	100,000
Mayor’s Youth Empowerment Program	50,000
Total Forgivable Notes	<u>1,162,324</u>
Total notes receivable	<u>7,801,403</u>
Less discount to present value	<u>2,502,046</u>
Notes receivable, net of discount	<u>\$ 5,299,357</u>

The following is a schedule, by year, of maturities of notes receivable as of June 30, 2023:

2024	\$ 340,585
2025	411,714
2026	396,713
2027	387,153
2028	298,745
Thereafter	<u>5,966,493</u>
	<u>\$ 7,801,403</u>

At June 30, 2023, \$4,078,749 of total loans receivable were with three organizations that are represented on the board of the Organization.

Note 4 - Fair Value Measurement

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

HOUSING TRUST FUND OF JOHNSON COUNTY, INC.
Notes to Financial Statements
June 30, 2023

Note 4 - Fair Value Measurement (Continued)

The following table presents by level, within the fair value hierarchy, the assets at fair value, as of June 30, 2023. Assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

<u>Description</u>	<u>December 31, 2023</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Beneficial interest held in a community foundation	\$ 167,885	-	167,885	-
Total	\$ 167,885	-	167,885	-

Valuation techniques for Level 2 inputs included:

- Beneficial interest in assets held by community foundation is valued using the fair value of underlying investments. The underlying investments are based on prices quoted in active markets.

Note 5 – Restrictions on Net Assets

During the year ended June 30, 2023, support and revenues received were available for the following purposes:

Affordable housing projects	\$ <u>1,466,923</u>
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Net assets with restrictions were released from donor restrictions during the year ended June 30, 2023 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Affordable housing projects	\$ <u>754,313</u>
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Net assets with restrictions at June 30, 2023 consist of the following:

Affordable housing projects	\$ 825,509
Iowa City Cohousing Initiative project	<u>30,252</u>
	\$ <u>855,761</u>

Note 6 – Property and Equipment

Property and equipment at June 30, 2023 consists of the following:

Equipment and furnishings	\$ 1,332
Accumulated depreciation	<u>(733)</u>
	\$ <u>599</u>

HOUSING TRUST FUND OF JOHNSON COUNTY, INC.
Notes to Financial Statements
June 30, 2023

Note 7 – Leases

The Organization leases office space on a month-to-month basis for a monthly rent of \$659. Total rent expense for the year ended June 30, 2023 totaled \$7,908.

Note 8 – Retirement Plan

The Organization established a SIMPLE plan under Section 408(p) of the Internal Revenue Code effective February 1, 2014. Under the plan, the Organization contributes up to 3% of each eligible employee's salary. Employees may also contribute up to the maximum allowable amount as permitted by law. During the year ended June 30, 2023, the Organization contributed \$2,167 to the plan.

Note 9 – Significant Concentrations

The Organization maintains its cash deposits at several local banks and a local credit union. The deposits are insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration up to \$250,000. At times, the depository insurance limits may be exceeded. The Organization does not expect to experience any losses on those amounts.

The Organization received State Housing Trust Fund grant funding from the Iowa Finance Authority in the amount of \$461,118 during the year ended June 30, 2023. The grant revenue represents approximately 19.4% of all revenue and support for the year ended June 30, 2023. Significant changes in the availability of these, or similar grants, could materially affect the revenues and operations of the Organization.

The Organization receives annual support funding from Johnson County and the cities of Iowa City, Coralville and North Liberty. During the year ended June 30, 2023, the Organization received \$1,456,923 from these local governments, and the amount represents 69.8% of all revenue and support of the Organization during the year. Significant changes in the availability of these, or similar grants, could materially affect the revenues and operations of the Organization.

Note 10 – Board-Designated Endowment Fund

The Organization has established a board-designated endowment fund at The Community Foundation of Johnson County (Foundation). The endowment is administered by the Foundation for the benefit of the Organization. Control over the investment or reinvestment of the funds is exercised by the Foundation, however, since the funds were contributed by the Organization, the Organization continues to recognize its interest in the net assets held by the Foundation. The endowments are classified as unrestricted net assets.

The Foundation establishes guidelines for the minimum and maximum percentages of cash, fixed income, and equity securities, and an investment committee monitors and adjusts the allocations periodically. The Foundation will make distributions to the Organization in accordance with the Foundation's spending policy for the year as determined annually by the Foundation's Board of Directors.

In the event that the Organization should decide to terminate or cease to exist as a legal entity, the assets and any income received from those assets shall be redirected to support another charitable agency as determined by the Foundation's Board of Directors. The Organization may also elect to redirect any amounts of assets and/or income from those assets to another charitable agency. The assets may also be returned to the Organization in special circumstances upon request to the Foundation.

HOUSING TRUST FUND OF JOHNSON COUNTY, INC.
Notes to Financial Statements
June 30, 2023

Note 10 – Board-Designated Endowment Fund (Continued)

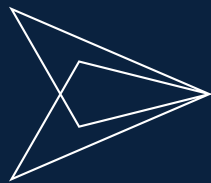
Activity of the Housing Trust Endowment Fund during the year ended June 30, 2023 was as follows:

Balance, June 30, 2022	\$	153,950
Interest and dividend income		3,607
Management fees		(2,538)
Realized and unrealized gains and losses		12,866
Balance, June 30, 2023	\$	<u>167,885</u>

Note 11 – Prior Period Adjustment

During the current year, management identified notes receivable with below market interest rates which did not have an implied contribution recorded. Additionally, it was also determined that accrued interest on notes receivable at June 30 was understated. The financial statements have been restated as of July 1, 2022 for these items, resulting in a reduction of previously recorded net assets without donor restrictions of \$2,426,760, an increase in accrued interest receivable of \$4,164 and an increase in the discount on notes receivable of \$2,430,924. It was also noted that forgiveness was incorrectly recorded on one loan, resulting in an increase in previously reported net assets without donor restrictions and notes receivable of \$25,714. In addition, the June 30, 2022 financial statements overstated net assets with donor restrictions and understated net assets without donor restrictions by \$1,382. A summary of the restatements are presented as follows:

	<u>Net Assets</u>	
	Without donor restrictions	With donor restrictions
June 30, 2022 net assets as previously stated	\$ 10,009,268	144,533
Correction of error in classification of donor restrictions	1,382	(1,382)
Record discount on notes receivable	(2,426,760)	-
Correction of previously forgiven note receivable	25,714	-
June 30, 2022 net assets, as restated	<u>\$ 7,609,604</u>	<u>143,151</u>



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