

UERPC HOUSING, INC.

FINANCIAL REPORT

JUNE 30, 2022

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UERPC HOUSING, INC.

BOARD OF DIRECTORS

June 30, 2022

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Les Askelson	Chair	December 2022
MaryAnn Humpal	Vice Chair	December 2024
Joe Pisney	Director	December 2022
Val Reinke	Director	December 2023
Leon Griebenow	Director	December 2023
Stephanie Fromm	Director	December 2023
Gus Johnson	Director	December 2024
Sandie Graf	Director	December 2024



Hacker Nelson & Co., CPAs

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors
UERPC Housing, Inc.
Decorah, Iowa

Opinion

We have audited the accompanying financial statements of UERPC Housing, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 UERPC Housing, Inc., as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 UERPC Housing, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 U.S. generally accepted accounting principles, 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 UERPC Housing, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UERPC Housing, 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UERPC Housing, 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.

Hacker, Nelson + Co., CPAs

Decorah, Iowa
December 7, 2022

UERPC HOUSING, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2022

	ASSETS				LIABILITIES AND NET ASSETS		
	Rental	NEIRHTF	Total		Rental	NEIRHTF	Total
CURRENT ASSETS				CURRENT LIABILITIES			
Cash, Calmar	\$ 69,829		\$ 69,829	Accounts payable	\$ 2,235	\$ 5,048	\$ 7,283
Cash, Postville	8,054		8,054	Interest payable	183		183
Other cash and cash equivalents		\$ 804,025	804,025	Security deposits	7,345		7,345
				Current portion note payable, Postville	7,447		7,447
Total cash	77,883	804,025	881,908	Deferred revenue		201,611	201,611
OTHER CURRENT ASSETS				Total current liabilities	17,210	206,659	223,869
Accounts receivable		30,284	30,284	LONG-TERM LIABILITIES			
Prepaid expenses	4,060	1,773	5,833	Note payable, Postville, net of current	70,259		70,259
Current portion notes receivable		146,573	146,573				
Allowance for notes receivable		(7,412)	(7,412)	Total long-term liabilities	70,259	-	70,259
Total other current assets	4,060	171,218	175,278	Total liabilities	87,469	206,659	294,128
FIXED ASSETS				NET ASSETS			
Property and equipment, Calmar	183,485		183,485	With donor restrictions		524,245	524,245
Accumulated depreciation, Calmar	(116,178)		(116,178)	Without donor restrictions	170,581	979,315	1,149,896
Property and equipment, Postville	184,765		184,765				
Accumulated depreciation, Postville	(85,965)		(85,965)	Total net assets	170,581	1,503,560	1,674,141
Land, Calmar	5,000		5,000				
Land, Postville	5,000		5,000				
Net fixed assets	176,107	-	176,107				
OTHER ASSETS							
Forgivable loans		524,245	524,245				
Notes receivable, net of current		210,731	210,731				
Total other assets	-	734,976	734,976				
Total assets	\$ 258,050	\$ 1,710,219	\$ 1,968,269	Total liabilities and net assets	\$ 258,050	\$ 1,710,219	\$ 1,968,269

See Notes to Financial Statements.

UERPC HOUSING, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2021

	ASSETS				LIABILITIES AND NET ASSETS		
	Rental	NEIRHTF	Total		Rental	NEIRHTF	Total
CURRENT ASSETS				CURRENT LIABILITIES			
Cash, Calmar	\$ 64,768		\$ 64,768	Accounts payable	\$ 2,717	\$ 4,406	\$ 7,123
Cash, Postville	6,123		6,123	Interest payable	183		183
Other cash and cash equivalents		\$ 727,547	727,547	Security deposits	6,970		6,970
				Current portion note payable, Postville	6,161		6,161
Total cash	70,891	727,547	798,438	Deferred revenue		192,526	192,526
OTHER CURRENT ASSETS				Total current liabilities	16,031	196,932	212,963
Accounts receivable		96,829	96,829	LONG-TERM LIABILITIES			
Prepaid expenses	3,513		3,513	Note payable, Postville, net of current	78,563		78,563
Current portion notes receivable		145,512	145,512				
Allowance for notes receivable		(7,144)	(7,144)	Total long-term liabilities	78,563	-	78,563
Total other current assets	3,513	235,197	238,710	Total liabilities	94,594	196,932	291,526
FIXED ASSETS				NET ASSETS			
Property and equipment, Calmar	183,485		183,485	With donor restrictions		556,298	556,298
Accumulated depreciation, Calmar	(106,708)		(106,708)	Without donor restrictions	176,037	988,950	1,164,987
Property and equipment, Postville	184,765		184,765				
Accumulated depreciation, Postville	(75,315)		(75,315)	Total net assets	176,037	1,545,248	1,721,285
Land, Calmar	5,000		5,000				
Land, Postville	5,000		5,000				
Net fixed assets	196,227	-	196,227				
OTHER ASSETS							
Forgivable loans		556,298	556,298				
Notes receivable, net of current		223,138	223,138				
Total other assets	-	779,436	779,436				
Total assets	\$ 270,631	\$ 1,742,180	\$ 2,012,811	Total liabilities and net assets	\$ 270,631	\$ 1,742,180	\$ 2,012,811

See Notes to Financial Statements.

UERPC HOUSING, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2022 and 2021

	2022			2021			
	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
	Rental	NEIRHTF	Total	Rental	NEIRHTF	Total	
OPERATING REVENUES							
IFA		\$ 84,485	\$ 141,635	\$ 226,120		\$ 127,006	\$ 241,823
Local match		15,905	42,535	58,440		43,362	81,063
Participant match		22,739		22,739		32,517	32,517
Coin machines	\$ 3,328			3,328	\$ 2,831		2,831
Loan interest		2,071		2,071		2,179	2,179
Miscellaneous	40	54		94	323	560	883
Bad debt recovery				-		10,527	10,527
Rent, tenant	101,362			101,362	100,568		100,568
Net assets released from restrictions		216,223	(216,223)	-		233,858	(233,858)
Total operating revenues	104,730	341,477	(32,053)	414,154	103,722	450,009	(81,340)
OPERATING EXPENSES							
Program services	34,353	309,204		343,557	38,717	365,482	404,199
Supporting services:							
Management/general services	75,833	44,234		120,067	75,009	39,004	114,013
Total operating expenses	110,186	353,438	-	463,624	113,726	404,486	-
(Decrease) increase in net assets from operations	(5,456)	(11,961)	(32,053)	(49,470)	(10,004)	45,523	(81,340)
NONOPERATING REVENUE							
Investment income	-	2,326	-	2,326	-	6,579	-
Change in net assets	(5,456)	(9,635)	(32,053)	(47,144)	(10,004)	52,102	(81,340)
NET ASSETS, beginning of year	176,037	988,950	556,298	1,721,285	186,041	936,848	637,638
NET ASSETS, end of year	\$ 170,581	\$ 979,315	\$ 524,245	\$ 1,674,141	\$ 176,037	\$ 988,950	\$ 556,298

See Notes to Financial Statements.

UERPC HOUSING, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Rental	NEIRHTF	Total	Rental	NEIRHTF	Total
EXPENSES						
Program services:						
Depreciation	\$ 20,120		\$ 20,120	\$ 20,298		\$ 20,298
Bad debt expense		\$ 268	268		\$ 136	136
Forgivable loans amortization		229,868	229,868		242,752	242,752
Legal fees	1,012	1,074	2,086	54	205	259
Maintenance/repair	13,221		13,221	18,365		18,365
Revolving loan		55,255	55,255		89,172	89,172
Grant expense			-		700	700
Participant match		22,739	22,739		32,517	32,517
SUPPORTING SERVICES						
Management/general services:						
Advertising				122		122
Contracted services	29,226	39,196	68,422	28,797	33,456	62,253
Insurance	10,114		10,114	8,660		8,660
Miscellaneous	34	614	648	5,032	1,465	6,497
Mortgage interest	2,242		2,242	3,440		3,440
Outside services	6,787		6,787	2,494		2,494
Professional services	1,365	4,424	5,789	934	4,083	5,017
Utilities	26,065		26,065	25,530		25,530
Total expenses	\$ 110,186	\$ 353,438	\$ 463,624	\$ 113,726	\$ 404,486	\$ 518,212

See Notes to Financial Statements.

UERPC HOUSING, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (47,144)	\$ (39,242)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,120	20,298
Allowance for doubtful accounts	268	136
Forgivable loans amortization	229,868	242,752
Changes in:		
Accounts receivable	66,545	5,445
Prepaid expenses	(2,320)	(563)
Accounts payable	160	36
Security deposits	375	733
Deferred revenue	9,085	(5,404)
Net cash provided by operating activities	276,957	224,191
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans made	(306,241)	(344,878)
Collections on loans	119,772	137,960
Net cash used in investing activities	(186,469)	(206,918)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term borrowings	(7,018)	(4,973)
Money borrowed	-	5,000
Net cash (used in) provided by financing activities	(7,018)	27
Net increase in cash	83,470	17,300
CASH, beginning of year	798,438	781,138
CASH, end of year	\$ 881,908	\$ 798,438
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	\$ 2,242	\$ 3,440
Income tax	\$ -	\$ -

See Notes to Financial Statements.

UERPC HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

UERPC Housing, Inc. (the Organization) renders assistance to economically and socially disadvantaged persons in Allamakee, Clayton, Fayette, Howard, and Winneshiek counties in the State of Iowa. The Organization's purpose is to propose, develop, and operate programs and housing projects serving those economically and socially disadvantaged persons and to adhere to all contract or grant conditions and regulations.

The provision to propose, develop, and operate may include but is not limited to the development, redevelopment, rehabilitation, and renovation of single-family and/or multi-family owner-occupied and rental dwellings.

To assist in its activities, the Organization received a grant award designated as the Northeast Iowa Regional Housing Trust Fund (NEIRHTF) serving eligible projects in Allamakee, Clayton, Fayette, Howard, and Winneshiek counties.

a. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

b. Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety days of purchase. For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash.

c. Accounts Receivable

Contributions due in less than one year are recorded at their net realizable value upon receipt. Contributions due in more than one year are recorded at fair value on the date received. Trade accounts receivable are written off as bad debts in the year they are determined to be uncollectible. If the reserve method of accounting for uncollectible accounts were used, it would not have a material effect on the financial statements.

An allowance for doubtful collectability is provided based on management's evaluation of potential uncollectible promises at year-end for notes receivable.

d. Income Taxes

UERPC Housing, Inc. is a nonprofit corporation qualifying for exempt status under Section 501(c)(3) of the Internal Revenue Code and is not required to pay income tax. The Organization files the required annual informational return for organizations exempt from income tax. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2022 and 2021.

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

e. Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

f. Fair Value Measurement

The Organization's financial instruments consist primarily of cash, grants receivable, accounts receivable and accounts payable. The carrying amount of cash, grants receivable, accounts receivable and accounts payable approximate their fair value due to the short-term nature of such instruments.

g. Property and Equipment

Equipment purchased with unrestricted assets is recorded at its original cost and depreciated over its estimated useful life using the straight-line method. Depreciation is reflected on these financial statements as a direct cost. Under the Organization's capitalization policy, any item having a useful life of more than one year and value of \$3,000 or more will be capitalized and depreciated over its useful life.

h. Revenue Recognition and Bad Debts

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an organization to recognize revenue for the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The Organization adopted this ASU on July 1, 2020, using the modified retrospective approach. The impact of adopting this ASU was not material to the Organization's financial statements.

Rental revenues are generated from apartment rental activities and are recognized when the earnings process is substantially complete, and services have been performed. Deferred revenue represents funds received in advance of qualified program expenditures. Recognition of revenue is deferred for accounting purposes until the funds are used for qualified programs.

The Organization had net bad debt expense (recoveries) of \$268 and \$(10,391) for the years ended June 30, 2022 and 2021, respectively.

i. Financial Statement Presentation

The Organization reports 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.

- 1) 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 Board of Directors.
- 2) 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.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

j. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

k. Recent Accounting Pronouncement

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lease assets and liabilities to be recorded on the statements of financial position. Certain qualitative and quantitative disclosures are required, as well as a retrospective recognition and measurement of impacted leases. The new standard is effective for the Organization's year ending June 30, 2023. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements and disclosures.

2. Liquidity and Availability

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

	2022	2021
Cash and cash equivalents	\$ 881,908	\$ 798,438
Accounts receivable	30,284	96,829
Prepaid expenses	5,833	3,513
Current portion of notes receivable	146,573	145,512
Total	\$ 1,064,598	\$ 1,044,292

As part of the Organization's liquidity policy, cash in excess of daily requirements, when available is invested in savings and short-term, highly liquid investments. Financial assets are structured to be available as the Organization's general expenditures, liabilities, and other obligations come due.

3. Accounts Receivable

As of June 30, 2022 and 2021, the Organization had the following outstanding balances in trade accounts receivable.

	2022	2021
Iowa Finance Authority	\$ 12,784	\$ 81,055
FY22 Local Pledges	500	15,000
FY23 Local Pledges	17,000	-
City of Oelwein	-	774
Total	\$ 30,284	\$ 96,829

NOTES TO FINANCIAL STATEMENTS

4. Property and Equipment

All property and equipment are recorded at original cost and depreciable items are being depreciated on the straight-line basis using estimated useful lives. Depreciation expense charged to the accompanying financial statements for the years ended June 30, 2022 and 2021 was \$20,120 and \$20,298, respectively.

The following is a summary of property and equipment at cost, less accumulated depreciation as of June 30, 2022 and 2021:

	2022	2021
Land	\$ 10,000	\$ 10,000
Buildings	127,924	127,924
Building improvements	207,371	207,371
Equipment	32,955	32,955
Total fixed assets	378,250	378,250
Less accumulated depreciation	(202,143)	(182,023)
Net fixed assets	\$ 176,107	\$ 196,227

No interest costs were capitalized during the years ended June 30, 2022 and 2021.

5. Notes Receivable

The Organization issues regular loans through the NEIRHTF to applicants based on their family size and annual income. To qualify, the applicant's income has to be less than 80% of the statewide median family income. Funding limits are set at a maximum of \$10,000 per project with interest rates from 0% to 2%. Matching funds are required for these projects and these matching funds range from 10% to 20% of the project cost. Loan funds are collateralized by real estate mortgages.

The carrying amount of notes receivable is reduced by the valuation of allowance for doubtful accounts. The Organization estimates the allowance based on a percentage of notes receivable outstanding, typically 2%. The administrator of NEIRHTF's accounts may adjust the account to coincide with past experience or expectations. At June 30, 2022 and 2021, the Organization deemed \$7,412 and \$7,144, to become uncollectible, respectively.

As of June 30, 2022 and 2021, the Organization had a regular loan balance of \$357,304 and \$368,650, respectively. The current portion of this balance was \$146,573 and \$145,512 as of June 30, 2022 and 2021, respectively. The current portion includes an overdue amount as of June 30, 2022 and 2021 of \$48,252 and \$35,540, respectively, from applicants behind on payment.

6. Notes Receivable - Forgivable Loans

The Organization issues forgivable loans through the NEIRHTF to qualified applicants whose income is equal to or less than 35% of the statewide median household income. These loans do not require a participant match unless the total project cost exceeds \$5,000. The principal balance is forgiven ratably over the life of the loan and is based on continued occupancy. These loans are secured by a real estate mortgage.

The June 30, 2022 and 2021 forgivable loans receivable balance was \$524,245 and \$556,298, respectively. During the fiscal years 2022 and 2021, the Organization forgave \$229,868 and \$242,752, respectively, of the forgivable loans receivable.

NOTES TO FINANCIAL STATEMENTS

7. **Long-term Debt**

Details of long-term debt as of June 30, 2022 is as follows:

	Balance Due	
	Total	Current
Freedom Bank, Postville, Iowa		
2.625% interest bearing note payable, due \$783.08 per month including interest through August 1, 2032, secured by the property in Postville acquired with the funds. The loan was refinanced to change the interest rate from 3.95% to 2.625% in September 2021.	\$ 77,706	\$ 7,447

Maturities of long-term debt during the years following June 30, 2022 are as follows:

For the year ending June 30,	Amount
2023	\$ 7,447
2024	7,640
2025	7,848
2026	8,151
2027	8,271
2028 - thereafter	38,349
Total	\$ 77,706

Interest expense totaled \$2,242 and \$3,440 for the years ended June 30, 2022 and 2021, respectively.

8. **Deferred Revenue**

Deferred revenue consists of monies received but not earned. The Organization had \$201,611 and \$192,526 of deferred revenue as of June 30, 2022 and 2021, respectively. This amount represents matches received from local governments and businesses for the housing program but not yet used on projects or administration.

The Organization also has security deposits of \$7,345 and \$6,970 as of June 30, 2022 and 2021, respectively, that are held to pay for damages to or cleaning of the apartment upon leaving.

9. **Concentrations of Credit Risk**

The Organization maintains cash balances in two financial institutions. The balances are insured by the FDIC (Federal Deposit Insurance Corporation) or NCUA (The National Credit Union Administration) up to \$250,000 at each institution. At June 30, 2022 and 2021, the Organization's cash balances at Freedom Bank exceeded \$250,000. Management continually monitors the financial condition of the financial institutions along with the cash balances maintained on deposit with them in order to minimize this potential risk.

10. **Concentration of Contribution Revenue**

For the years ended June 30, 2022 and 2021, contributions from the Iowa Finance Authority accounted for 55% and 51%, respectively, of the total revenues to the Organization. The receivable from Iowa Finance Authority was \$12,784 and \$81,055 as of June 30, 2022 and 2021, respectively.

11. Northeast Iowa Regional Housing Trust Fund Grant

The NEIRHTF grant is to provide financing to assist in improving the stock of affordable housing within the counties it serves. NEIRHTF will consider financial assistance in the form of partial or full funding depending on the project and borrower circumstances.

Eligible projects include those that improve the condition of existing housing through rehabilitation and/or repair, help first-time homebuyers purchase housing through down payment assistance, or contribute to the development of affordable housing in Allamakee, Clayton, Fayette, Howard, or Winneshiek counties. All projects funded must serve households with incomes less than 80% of the statewide median family income. At least 30% of the funds will be used to benefit extremely low-income households, defined as households with incomes less than 30% of the statewide median family income.

Other criteria are as follows: a) applicants must occupy the property and maintain the improvements for the life of the loan, b) have title at time of application, and c) taxes and insurance must be current. Financing of projects will be through loans, both forgivable and non-forgivable. Type of loan and interest, if any, is based on borrower's income. Funding limits are \$10,000 per project and \$10,000 for first-time homebuyer assistance. The loan will be due in the event that occupancy or ownership conditions change during the loan term.

To finance the on-going administration of NEIRHTF, grantor requires that award funds used to finance administrative expenses may not exceed 25% of the funds awarded during the first two years of certification for a newly formed fund and may not exceed 10% of the fund award in subsequent years.

Obligation to repay all or a portion of NEIRHTF proceeds received is incurred upon the occurrence of an event of default as outlined in the grant agreement. These events of default include, but are not limited to:

1. Amounts determined by the authority to have been received by grantee without fulfillment of grantee's obligations with respect to such proceeds,
2. Any materially incorrect representation or warranty made by the grantee made under or in connection with the agreement, and
3. Failure to perform or observe any other term, covenant, or agreement contained in the agreement and such failure remains un-remedied for thirty days after written notice has been given to the grantee by the authority.

12. Related Party

The Organization contracts with Upper Explorerland Regional Planning Commission to provide financial management and administrative services including, but not limited to, grant writing services and applying for funding. Fees related to these services for the years ended June 30, 2022 and 2021 amounted to \$68,422 and \$62,099, respectively. Of the 2022 amount, \$29,225 is for services related to rental activities and \$39,197 is for services related to NEIRHTF grant.

Accounts payable as of June 30, 2022 and 2021 includes \$7,123 and \$6,040, respectively, due to Upper Explorerland Regional Planning Commission for management and administration services.

13. Subsequent Events

Subsequent events were evaluated through December 7, 2022, which is the date the financial statements were available to be issued.