

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**LOUISVILLE METRO AFFORDABLE
HOUSING TRUST FUND, INC.**

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Louisville Metro Affordable Housing Trust Fund, Inc.

We have audited the accompanying financial statements of Louisville Metro Affordable Housing Trust Fund, Inc., (a not-for-profit organization) which comprise the statement of financial position as of June 30, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Louisville Metro Affordable Housing Trust Fund, Inc. as of June 30, 2016, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 on our consideration of Louisville Metro Affordable Housing Trust Fund, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Louisville Metro Affordable Housing Trust Fund, Inc.'s internal control over financial reporting and compliance.

Baldwin CPAs, PLLC

Louisville, Kentucky
December 19, 2016

STATEMENT OF FINANCIAL POSITION
LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND, INC.
JUNE 30, 2016

ASSETS

Cash	\$ 193,632
Cash held in escrow	655,329
Grants receivable	28,159
Mortgage loans receivable	200,049
Furniture and equipment, net	<u>195</u>
Total assets	<u><u>\$ 1,077,364</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 8,915
Accrued expenses	<u>26,865</u>
Total liabilities	<u>35,780</u>

NET ASSETS

Unrestricted	394,834
Temporarily restricted	<u>646,750</u>
Total net assets	<u>1,041,584</u>
Total liabilities and net assets	<u><u>\$ 1,077,364</u></u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES
LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND, INC.
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Contributions and grants	\$ 369,159	\$ -	\$ 369,159
Interest income	<u>7,917</u>	<u>-</u>	<u>7,917</u>
Total revenue and support	377,076	-	377,076
Net assets released from restrictions			
Restrictions satisfied by payments	<u>111,650</u>	<u>(111,650)</u>	<u>-</u>
Total revenue, support and reclassifications	<u>488,726</u>	<u>(111,650)</u>	<u>377,076</u>
Expenses:			
Program services	419,485	-	419,485
Management and general	37,392	-	37,392
Fund raising	<u>21,058</u>	<u>-</u>	<u>21,058</u>
Total expenses	<u>477,935</u>	<u>-</u>	<u>477,935</u>
Increase (decrease) in net assets	10,791	(111,650)	(100,859)
Net assets at beginning of year	<u>384,043</u>	<u>758,400</u>	<u>1,142,443</u>
Net assets at end of year	<u>\$ 394,834</u>	<u>\$ 646,750</u>	<u>\$ 1,041,584</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES
LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND, INC.
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>
Salaries	\$ 63,753	\$ 34,988	\$ 17,259	\$ 11,506
Payroll taxes	4,793	2,630	1,298	865
Employee benefits	7,575	4,157	2,051	1,367
Contractor expense	13,716	13,716	-	-
Program expense	351,026	351,026	-	-
Professional fees	9,894	-	9,894	-
Lobbying expense	3,056	-	-	3,056
Marketing and promotions	10,698	5,871	2,896	1,931
Office expense	7,970	4,374	2,158	1,438
Telephone	1,814	996	491	327
Travel	675	370	183	122
Conferences and conventions	616	338	167	111
Insurance expense	1,663	913	450	300
Dues, subscriptions & journals	75	-	75	-
Miscellaneous	417	-	417	-
Depreciation	<u>194</u>	<u>106</u>	<u>53</u>	<u>35</u>
Total expenses	<u>\$ 477,935</u>	<u>\$ 419,485</u>	<u>\$ 37,392</u>	<u>\$ 21,058</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND, INC.
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (100,859)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	194
Cash released from escrow	100,000
Interest earned in escrow	(3,059)
(Increase) decrease in operating assets:	
Grants receivable	(15,677)
Mortgage loans advanced	(61,799)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(25,152)
Net cash provided (used) by operating activities	(106,352)
Net increase (decrease) in cash	(106,352)
Cash at beginning of year	299,984
Cash at end of year	\$ 193,632

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND, INC.
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisville Metro Affordable Housing Trust Fund, Inc. (LAHTF) is a not-for-profit organization, created by the Louisville Jefferson County Metro Council (Metro Council) in 2008 as the way for Louisville to invest additional local public funds to address the affordable housing shortage for working families whose wages are not enough to live in Metro Louisville; for people on fixed incomes like seniors and people with serious disabilities; for young families starting out; and for veterans. A place to call home opens the door to opportunity, and the whole community does better when everyone has a decent place to call home.

The LAHTF facilitates the development and rehabilitation of decent, affordable housing by making grants and loans, providing technical support and enabling builders and developers to construct housing with less financial risk.

Funding is provided by Louisville Metro Government and corporate and individual donations.

Basis of Accounting

The financial statements of LAHTF have been prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with regards to financial statements of Not-for-Profit Organizations. Under this guidance, LAHTF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net assets categories follows:

Unrestricted Net Assets: include the portion of expendable funds that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: include gifts for which donor-imposed restrictions have not been met.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND, INC.
JUNE 30, 2016

Permanently Restricted Net Assets: include amounts which the donor has stipulated that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Estimates

Management uses estimates and assumptions in preparing 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.

Cash

LAHTF considers all checking accounts and money market accounts to be cash equivalents. Cash received with donor-imposed restrictions limiting LAHTF's ability to draw is considered cash for the purposes of the statement of cash flows.

Cash Held in Escrow

Cash held in escrow represents funds made available to LAHTF through a previous budgetary allocation made by the city of Louisville Metro Council. That amount (originally \$1 million) is available in annual disbursements of \$100,000 per year, and earns interest. The interest earned is allowed to accumulate and is available at any time to LAHTF by request. This cash is not included in cash for the purposes of the statement of cash flows.

Grants Receivable

Grants receivable consist primarily of amounts due from reimbursable grants, where the expenditure has already been made, or the program objective has been met, and reimbursement has been requested from the grantor.

Mortgage Loans Receivable

LAHTF makes below-market rate loans to developers of projects containing affordable residential housing units (less than 80% Area Median Income) to be constructed in Louisville through its revolving loan program. These loans have varying terms and security, and interest income is accrued on the unpaid principal balance.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND, INC.
JUNE 30, 2016

Once the units are sold, 50% of the loan must be paid back by the developer from the proceeds. Management feels that no allowance for loan losses is deemed necessary because LAHTF is a secured creditor.

Furniture and Equipment

Furniture and equipment is recorded at cost, or if donated, at the approximate fair value at the date of donation. The cost of furniture and equipment purchased in excess of \$500 is capitalized. Depreciation is computed using primarily the straight-line method over the estimated lives of the assets of 5 to 40 years.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expense Allocation

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to programs and supporting services based on time studies or square footage.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND, INC.
JUNE 30, 2016

Income Tax Status

LAHTF is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, LAHTF 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).

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position.

NOTE 2. CONCENTRATIONS OF CREDIT RISK

Cash - LAHTF maintains its cash balances in several financial institutions in Louisville, Kentucky. The cash balances are insured by the Federal Deposit Insurance Corporation. At various times during the year, the cash balances exceed amounts federally insured. The risk is managed by maintaining all deposits in high quality financial institutions.

Grants Receivable – Concentrations of credit risk with respect to grants receivable are limited due to the nature of the revenues earned, primarily from government grants.

Mortgage Loans Receivable – Significant concentrations exist in the loan receivable account, which are all due from organizations or businesses located in Louisville, Kentucky and invested in the area housing market.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND, INC.
JUNE 30, 2016

NOTE 3. MORTGAGES RECEIVABLE

The following schedule summarizes the payment status of the mortgage loans at June 30:

Maturity	Annual interest rate	Collateral	2016
3/21/2017	2%	Second mortgage on building	\$ 74,950
9/29/2017	2%	Second mortgage on building	15,099
3/10/2018	2%	Second mortgage on building	<u>110,000</u>
Mortgage loans receivable			<u><u>\$ 200,049</u></u>

The annual maturities for each of the next five years are as follows:

June 30, 2017	\$ 74,950
June 30, 2018	<u>125,099</u>
	<u><u>\$ 200,049</u></u>

NOTE 4. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at June 30:

	2016
Furniture and equipment	\$ 971
Less accumulated depreciation	<u>(776)</u>
Land, building and equipment, net	<u><u>\$ 195</u></u>
Depreciation expense	<u><u>\$ 194</u></u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED
LOUISVILLE METRO AFFORDABLE HOUSING TRUST FUND, INC.
JUNE 30, 2016

NOTE 5. RESTRICTIONS ON ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30:

	2016
National mortgage settlement	\$ 46,750
Operations - Metro Louisville	600,000
Total	\$ 646,750

NOTE 6. LEASE

LAHTF leases office space under an operating lease expiring September, 2018. Future minimum lease payments under non-cancelable operating leases at June 30, 2016 are as follows:

June 30, 2017	\$ 3,000
June 30, 2018	750
Total	\$ 3,750

NOTE 7. RETIREMENT PLAN

LAHTF has a relationship with Metropolitan Housing Corporation (MHC), a local not-for-profit which engages in similar programs. It has agreed to serve as the payroll and benefits administrator for LAHTF until such time as LAHTF has sufficient employees on its own to offer comprehensive benefits and payroll. As part of this arrangement, eligible employees of LAHTF are allowed to participate in the SIMPLE IRA plan offered by MHC, a defined contribution plan which includes an employer match. Total expense for the year ended June 30, 2016 was \$2,466.

NOTE 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure in the financial statements through December 19, 2016, which was the date at which the financial statements were available to be issued.

**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***

Board of Directors
Louisville Metro Affordable Housing Trust Fund, Inc.

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 statements of Louisville Metro Affordable Housing Trust Fund, Inc. which comprise the statement of financial position as of June 30, 2016, and the related statements 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 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisville Metro Affordable Housing Trust Fund, Inc.'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 Louisville Metro Affordable Housing Trust Fund, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Louisville Metro Affordable Housing Trust Fund, Inc.'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

As part of obtaining reasonable assurance about whether Louisville Metro Affordable Housing Trust Fund, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baldwin CPAs, PLLC

Louisville, Kentucky
December 19, 2016