

METROPOLITAN HOUSING COALITION, INC.

ANNUAL REPORT

DECEMBER 31 , 2017

METROPOLITAN HOUSING COALITION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Metropolitan Housing Coalition, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of Metropolitan Housing Coalition, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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

To the Board of Directors
Metropolitan Housing Coalition, Inc.
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Auditor's Responsibility (continued)

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 Metropolitan Housing Coalition, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Amick & Company

Louisville, Kentucky
August 16, 2018

METROPOLITAN HOUSING COALITION, INC.

Statements of Financial Position

December 31, 2017 and 2016

ASSETS		
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 112,005	\$ 88,377
Certificates of Deposit	27,585	27,567
Receivables	16,063	16,879
Notes Receivable	600,000	743,944
Notes Receivable - Interest	5,266	-
Refundable Payroll Taxes	2,266	-
Prepaid expenses	2,599	3,224
Total Assets	<u>765,784</u>	<u>879,992</u>
TOTAL ASSETS	<u>\$ 765,784</u>	<u>\$ 879,992</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 938	\$ 138
Accrued expenses	-	-
Notes payable	703,682	798,488
Total Liabilities	<u>704,620</u>	<u>798,625</u>
NET ASSETS		
Unrestricted	48,713	68,914
Permanently restricted	12,452	12,452
Total Net Assets	<u>61,165</u>	<u>81,366</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 765,784</u>	<u>\$ 879,992</u>

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

METROPOLITAN HOUSING COALITION, INC.
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
EARNED REVENUE		
Program revenue	\$ 25,826	\$ 19,656
Interest and investment income	22,181	27,500
LAHTF reimbursements	<u>171,169</u>	<u>101,006</u>
Total Earned Revenue	<u>219,176</u>	<u>148,162</u>
 PUBLIC/PRIVATE SUPPORT		
Corporate and other private	20,500	9,000
Local government	22,000	26,000
Membership dues	55,073	61,017
Annual meeting	<u>23,892</u>	<u>18,038</u>
Total Public/Private Support	<u>121,465</u>	<u>114,055</u>
 TOTAL EARNED REVENUE AND SUPPORT	 <u>340,641</u>	 <u>262,217</u>
 PROGRAM SERVICES		
Programs and events	324,538	265,716
Fundraising	<u>19,501</u>	<u>7,151</u>
Total Program Services	<u>344,039</u>	<u>272,867</u>
 SUPPORTING SERVICES		
Salaries and related expenses	4,628	12,268
Administration	11,838	13,396
Facilities	<u>337</u>	<u>894</u>
Total Supporting Services	<u>16,803</u>	<u>26,558</u>
 TOTAL EXPENSES	 <u>360,842</u>	 <u>299,425</u>
 INCREASE (DECREASE) IN NET ASSETS	 (20,201)	 (37,208)
 NET ASSETS AT BEGINNING OF YEAR	 <u>81,366</u>	 <u>118,574</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 61,165</u>	 <u>\$ 81,366</u>

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

METROPOLITAN HOUSING COALITION, INC.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (20,201)	\$ (37,208)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Increase) decrease in operating assets		
Receivables	(6,716)	38,773
Prepaid expenses	625	(1,371)
Increase (decrease) in operating liabilities		
Accounts payable	800	(13,742)
Accrued expenses	-	-
	<u> </u>	<u> </u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(25,492)</u>	<u>(13,548)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net certificates of deposit redeemed (purchased)	(18)	3,503
New notes awarded	-	(150,000)
Principal payments received on notes receivable	<u>143,944</u>	<u>103,056</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>143,926</u>	<u>(43,441)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in notes payable	<u>(94,806)</u>	<u>(91,375)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(94,806)</u>	<u>(91,375)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,628	(148,364)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>88,377</u>	<u>236,741</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 112,005</u>	<u>\$ 88,377</u>

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

METROPOLITAN HOUSING COALITION, INC .
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Metropolitan Housing Coalition, Inc. (a corporation), is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements. Such principles require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosures of contingent assets and liabilities at the date of the financial statements and amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Nature of Activities

The Metropolitan Housing Coalition, Inc. is a not-for-profit corporation organized in 1991 under the laws of the Commonwealth of Kentucky. The mission of the Coalition is to coalesce Louisville, Kentucky's public and private resources to provide equitable, accessible housing choices for all people through advocacy, public education and support for affordable housing providers.

A significant portion of the Coalition's funding is grants received from the Kentucky Housing Corporation and Metro Louisville. The Coalition also receives membership dues from business and individuals.

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 nonprofit organizations. Under this guidance, the Coalition 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.

METROPOLITAN HOUSING COALITION, INC .
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

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.

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

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets.

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-related support is reported as an increase in temporarily or permanently restricted net assets, depending

METROPOLITAN HOUSING COALITION, INC .
Notes to Financial Statements (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (continued)

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 statements of activities as net assets released from restrictions.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is not classified as a private foundation.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Receivables

Receivables consist of third party reimbursements. The Coalition estimates the amount to be collected based upon historical experience and management evaluation of outstanding receivables. There is no allowance for uncollectible accounts as of December 31, 2017 and 2016.

5.

Notes Receivable

Notes receivable represent amounts due to the Coalition for loans made to housing associations and other nonprofit entities for the acquisition, financing and production of housing to provide safe, decent and affordable housing to low-income residents of Kentucky. These loans have a 1% to 4% interest rate and a two to six year maturity date. A provision for loan losses is not considered necessary. (See Note 2).

METROPOLITAN HOUSING COALITION, INC .
Notes to Financial Statements (Continued)

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire the property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restriction when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Contributed Services

The Organization receives contributed services from various companies. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in their operations. The value of these services has not been recorded.

NOTE 2. NOTES RECEIVABLE

Notes receivable consists of the following:

Lendee	Date of Note	Maturity Date	Interest Rate	Balance	
				2017	2016
New Directions	6/30/2014	6/30/2018	4.00%	350,000	350,000
The Housing Ptrshp	12/5/2012	12/5/2017	4.00%	-	147,956
The Housing Ptrshp	4/22/2014	4/22/2018	4.00%	100,000	98,989
Next Step Network	11/29/2016	11/29/2018	4.00%	<u>150,000</u>	<u>150,000</u>
				<u>\$ 600,000</u>	<u>\$ 746,945</u>

METROPOLITAN HOUSING COALITION, INC .
Notes to Financial Statements (Continued)

NOTE 3. NOTES PAYABLE

The Coalition borrows money from the Kentucky Housing Corporation through the Non-Profit Housing Productions and Repair Program (NHPR). The Coalition in turn loans this money to other housing associations and non-profit organizations. The Coalition receives 40% of the loan amount as an administrative fee. Maturity is 20 years with an interest rate of 1%, payable quarterly, with an annual principal payment of 5%, except for the 2009 and 2010 loans. These two loans also mature in 20 years with an interest rate of 1%; however, they have monthly principal and interest payments of \$995 and \$1,285, respectively.

Date of Note	Original Commitment	Loan Number	Balance	
			2017	2016
7/1/1997	\$ 12,600	8007	\$ -	\$ 630
7/1/1999	278,040	8041	25,511	43,056
7/1/2000	119,250	8073	2,789	8,751
7/1/2001	214,500	8108	42,900	53,625
7/1/2003	108,750	8174	32,625	38,062
7/1/2004	36,000	8215	12,600	14,400
7/1/2005	177,000	8237	70,800	79,650
7/1/2006	223,200	8272	100,440	111,600
7/1/2007	174,948	8297	87,474	96,221
7/1/2009	216,388	8316	134,985	145,520
7/1/2010	<u>279,451</u>	8345	<u>193,558</u>	<u>206,972</u>
	<u>\$ 1,840,127</u>		<u>\$ 703,682</u>	<u>\$ 798,487</u>

Maturities of notes payable are as follows:

2018	\$ 91,225
2019	85,243
2020	74,084
2021	74,084
2022 and after	<u>379,046</u>
	<u>\$ 703,682</u>

Interest expense on notes payable for the years ended December 31, 2017 and 2016 was \$8,731 and \$8,523, respectively.

METROPOLITAN HOUSING COALITION, INC .
Notes to Financial Statements (Continued)

NOTE 4. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income is used to support general activities.

In 2011, Kentucky passed the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA eliminates the requirement to maintain the historic dollar value of donor -restricted endowments and instead focuses on donor intent and spending practices that are prudent for the uses, benefits, purposes and duration for which the endowment fund is established. The Coalition has elected to maintain the historical dollar amount of the endowment as permanently restricted net assets.

The current endowment balance is \$12,454. The Coalition is holding this money in a money market account and because the earnings are so small, the Coalition is including the earnings in unrestricted net assets.

The Coalition has not adopted a spending policy.

NOTE 5. LEASE COMMITMENT

The Coalition leases office space and equipment under month to month operating leases. Lease expense on office space for the years ended December 31, 2017 and 2016 was \$7,950, and \$7,800, respectively.

NOTE 6. RETIREMENT PLAN

The Coalition sponsors a SEP -IRA for its employees. The plan covers all employees of the Coalition. Contributions to the plan for the years ended December 31, 2017 and 2016 amounted to \$7,120 and \$6,628, respectively.

METROPOLITAN HOUSING COALITION, INC .
Notes to Financial Statements (Continued)

NOTE 7. **UNCERTANITIES, CONTINGENCIES AND RISK**

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The Organization's cash investments are placed with high credit quality institutions. The Organization has not experienced any losses in these accounts.

Income Taxes

The Organization's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes. The Organization is no longer subject to examinations by applicable taxing jurisdictions for periods prior to December 31, 2014.

NOTE 8. **SUBSEQUENT EVENTS**

Subsequent events for the Organization have been considered through the date of the Independent Auditors' Report which represents the date which the financial statements were available to be issued.