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**Consolidated Financial Statements
and Other Financial Information**

Midlands Housing Trust Fund

*Years Ended June 30, 2022 and 2021
with Report of Independent Auditors*

Midlands Housing Trust Fund
Consolidated Financial Statements
and Other Financial Information
Years Ended June 30, 2022 and 2021

Contents

Report of Independent Auditors.....	1-3
Audited Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6-7
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	9-16
Other Financial Information	
Consolidating Statements of Financial Position	17
Consolidating Statements of Activities	18

Report of Independent Auditors

Board of Directors
Midlands Housing Trust Fund

Opinion

We have audited the accompanying consolidated financial statements of Midlands Housing Trust Fund (the “Organization”), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Midlands Housing Trust Fund as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Auditors of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirement relating 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States, 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.



Board of Directors
Midlands Housing Trust Fund

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 the Organization'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 the Organization'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.



Board of Directors
Midlands Housing Trust Fund

Report on Other Financial Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying other financial information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the 2022 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2022 consolidated financial statements or to the 2022 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the accompanying other financial information is fairly stated in all material respects in relation to the 2022 consolidated financial statements as a whole.

Baughnigh Pietras & Stomen, P.A.

January 30, 2023

Midlands Housing Trust Fund
Consolidated Statements of Financial Position

	June 30,	
	2022	2021
Assets		
Cash and cash equivalents	\$ 1,287,614	\$ 664,767
Grant receivable	--	1,094,000
Accrued interest receivable	--	22,274
Prepaid expenses and other assets	918	2,328
Loans receivable, net	1,058,204	799,506
Property held for sale	157,439	--
Property and equipment, net of accumulated depreciation of \$6,221 and \$5,000 at June 30, 2022 and 2021 respectively	2,000	3,221
Total assets	\$ 2,506,175	\$ 2,586,096
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 3,216	\$ 1,443
Notes payable	314,221	324,000
Deferred revenue	481,863	1,094,000
Total liabilities	799,300	1,419,443
Net assets:		
Without donor restrictions:		
Board designated	78,225	60,934
Undesignated	1,628,650	1,105,719
Total net assets	1,706,875	1,166,653
Total liabilities and net assets	\$ 2,506,175	\$ 2,586,096

See accompanying notes.

Midlands Housing Trust Fund
Consolidated Statements of Activities

	Years Ending June 30,	
	2022	2021
Revenues, grants, contributions, and other support:		
Grants	\$ 627,137	\$ 100,000
Contributions	2,701	1,382
Program service fees	63,622	72,210
Miscellaneous revenue	3,685	604
Total revenues, grants, contributions and other support	697,145	174,196
Expenses:		
Program services	66,260	35,795
Management and general	82,117	58,944
Fundraising	8,546	6,243
Total expenses	156,923	100,982
Change in net assets	540,222	73,214
Net assets, beginning of year	1,166,653	1,093,439
Net assets, end of year	\$ 1,706,875	\$ 1,166,653

See accompanying notes.

Midlands Housing Trust Fund
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Accounting	\$ 1,142	\$ 304	\$ 76	\$ 1,522
Bank service charges	--	183	--	183
Communication	2,403	641	160	3,204
Community event	--	90	--	90
Consulting	--	12,100	--	12,100
Depreciation	--	1,221	--	1,221
Equipment	6,127	1,634	408	8,169
Insurance	3,071	819	205	4,095
Interest	--	8,008	--	8,008
Licenses and fees	--	648	--	648
Loan loss reserve	21,900	--	--	21,900
Meals	229	--	--	229
Occupancy	5,193	1,385	346	6,924
Other expenses	--	--	472	472
Payroll taxes	2,064	2,784	576	5,424
Postage	--	100	--	100
Professional fees	--	19,499	--	19,499
Salaries	21,812	31,367	6,241	59,420
Staff development	113	30	8	151
Supplies	554	1,239	37	1,830
Travel	252	65	17	334
Other expenses	1,400	--	--	1,400
	\$ 66,260	\$ 82,117	\$ 8,546	\$ 156,923

See accompanying notes.

Midlands Housing Trust Fund
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Accounting	\$ 1,314	\$ 350	\$ 88	\$ 1,752
Bank service charges	--	780	--	780
Communication	1,178	314	79	1,571
Consulting	25,200	23,510	5,040	53,750
Depreciation	--	572	--	572
Dues and subscriptions	1,013	270	68	1,351
Equipment	2,250	600	150	3,000
Insurance	972	259	65	1,296
Interest	--	9,506	--	9,506
Licenses and fees	--	397	--	397
Loan loss reserve, net	(2,951)	--	--	(2,951)
Occupancy	5,193	1,385	346	6,924
Other expenses	--	--	300	300
Postage	--	33	--	33
Professional fees	--	20,534	--	20,534
Public relations	242	65	16	323
Staff development	190	51	13	254
Supplies	840	224	56	1,120
Travel	354	94	22	470
Total	\$ 35,795	\$ 58,944	\$ 6,243	\$ 100,982

See accompanying notes.

Midlands Housing Trust Fund
Consolidated Statements of Cash Flows

	Years Ended June 30,	
	2022	2021
Operating activities:		
Change in net assets	\$ 540,222	\$ 73,214
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,221	779
Change in allowance for loan losses	21,900	(2,951)
Change in operating assets and liabilities:		
Grant receivable	481,863	--
Accrued interest receivable	22,274	(13,630)
Prepaid expenses and other assets	1,410	(1,097)
Accounts payable and accrued expenses	1,773	1,443
Net cash provided by operating activities	1,070,663	57,758
Investing activities:		
Community development loans made	(557,607)	(363,223)
Proceeds from repayment of loans receivable	277,009	454,727
Net cash provided by (used in) investing activities	(280,598)	91,504
Financing activities:		
Proceeds from borrowings on notes payable	1,000	99,000
Principal payments on notes payable	(10,779)	(24,084)
Investment in property held for sale	(157,439)	--
Net cash provided by (used in) financing activities	(167,218)	74,916
Net change in cash and cash equivalents	622,847	224,178
Cash and cash equivalents, beginning of year	664,767	440,589
Total cash and cash equivalents, end of year	\$ 1,287,614	\$ 664,767

See accompanying notes.

Midlands Housing Trust Fund
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

1. Nature of Activities and Summary of Significant Accounting Policies

Midlands Housing Trust Fund (the “Organization”) is a non-profit community development loan fund organized under the laws of the state of South Carolina. The Organization is a revolving loan fund that provides financing, technical assistance, and advocacy for the construction, rehabilitation, and preservation of affordable housing for households earning less than 80 percent of area median income in South Carolina.

Basis of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiary, Midlands Housing Property Holdings, LLC. Midlands Housing Property Holdings, LLC was formed in fiscal 2021 to purchase and renovate low income housing projects. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”).

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 are 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 board of directors.

Net assets with donor restrictions are 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.

Midlands Housing Trust Fund
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Grants and contributions received are recorded with donor restrictions or without donor restrictions, depending upon the existence and/or nature of any donor restrictions. Donor-restricted grants or contributions, whose restrictions are met in the same reporting period in which they are recognized, are reported as increases in net assets without donor restrictions. All other donor-restricted grants and contributions are reported as increases in donor restricted net assets. Donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as “net assets released from restrictions” when donor restrictions are met. All other support that is not received with donor stipulations is considered available for unrestricted use.

Program service fees include revenue from loan origination fees and interest earned on the loans receivable. Revenue for these items is recognized when the services are provided.

Grant revenues are recognized as qualified expenditures are made.

Loans Receivable, net

Loans are stated at the principal amount outstanding, net of the allowance for uncollectible loans. Interest income on loans is accrued at the loan’s stated interest rate on the principal balance outstanding.

The Organization discontinues the accrual of interest when loan payments are delinquent for 90 days, and, in management’s opinion, the timely collection of interest or principal becomes uncertain, unless the loan principal and interest are determined by management to be fully collateralized and in the process of collection. Interest on these loans is recognized when paid by the borrower only if the collection of principal is likely to occur. A non-accrual loan may be reinstated to an accrual status when contractual principal and interest payments are current and collection is reasonably assured.

The allowance for uncollectible loans receivable is based on various factors including prevailing and anticipated economic conditions, diversification and size of the loan portfolio, current financial status and credit standing of the borrowers, the status and level of non-performing assets, historical loss experience, adequacy of collateral, and specific impaired loans.

Midlands Housing Trust Fund
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

The Organization maintains its cash and cash equivalents with high-quality financial institutions. At times, such balances may be in excess of federally insured limits; however, the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

During the years ended June 30, 2022 and 2021, approximately 90% and 57% respectively, of the Organization's revenue came from federal and local grants. A reduction in grant revenue awarded in the future could have a significant adverse impact on the Organization's operations.

The Organization's loans receivable are due from a small number of borrowers. The loans are collateralized by real property, however, failure of any borrower to repay the loan could significantly impact the Organization's financial position.

Cash and Cash Equivalents

The Organization considers all short-term, highly-liquid investments with an original maturity date of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Property Held for Sale

Property held for sale consists of land and a building located in Columbia, South Carolina. The property is currently owned by Midlands Housing Property Holdings and is reported at cost.

Subsequent to year end, the property was sold, which resulted in a gain of approximately \$45,000.

Functional Allocation of Expenses

The costs of providing 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 program, management and general, and fundraising expenses based on estimates made by management.

Midlands Housing Trust Fund
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is a not-for-profit entity that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. However, the Fund may be subject to income taxes for certain unrelated business income. The Organization had no unrelated business income for the years ended June 30, 2022 and 2021. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements. As a result, the Organization did not have a liability for unrecognized tax benefits, interest, or penalties at June 30, 2022 and 2021.

The Organization is no longer subject to federal or state income tax examinations by the tax authorities where the Organization filed returns for fiscal years before 2018.

Board Designated Net Assets

The Organization’s Board of Directors has designated net assets for the following purposes:

Loan loss reserve – Designated 5% of gross loans outstanding held from the Fund’s permanent loan capital for uncollectible loans.

Operations reserve – Designated to ensure the ability to continue the operations of the Fund.

The Organization’s Board of Directors has designated net assets as follows:

	June 30,	
	2022	2021
Loan loss reserve	\$ 63,979	\$ 42,079
Operations reserve	14,246	18,855
Total	\$ 78,225	\$ 60,934

Midlands Housing Trust Fund
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. Loans Receivable, net

The Organization's loans receivable are as follows:

	June 30,	
	2022	2021
Mortgage loans receivable	\$ 1,122,183	\$ 841,585
Less: allowance for uncollectible loans	(63,979)	(42,079)
 Total loans receivable, net	 \$ 1,058,204	 \$ 799,506

The loans receivable are collateralized by real property and personally guaranteed by the borrowers. The interest rates on the Fund's loans receivable vary from 3.5% to 8.0%. The loans are payable in monthly installments of principal and interest, or interest only with a balloon payment at the end of the loan. The loans mature during fiscal years 2022- 2037.

Maturities of principal amounts due from the borrowers for the next five fiscal years and thereafter are as follows:

2023	\$ 750,756
2024	148,275
2025	51,572
2026	9,132
2027	104,247
Thereafter	58,201
	\$ 1,122,183

Midlands Housing Trust Fund
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

3. Debt

Notes payable consist of the following:

	June 30,	
	2022	2021
Unsecured note payable, bearing interest at 2%, payable in quarterly interest payments of \$750 and one balloon payment of \$150,000 due on June 15, 2026.	\$ 150,000	\$ 150,000
Unsecured line of credit, bearing interest at 3.5%, payable in monthly interest payments and one principal payment due by June 21, 2023.	100,000	99,000
Unsecured note payable, bearing interest at 2%, payable in quarterly installments of principal and interest of \$3,950 until July 1, 2026.	64,221	75,000
Total notes payable	\$ 314,221	\$ 324,000

The unsecured line of credit agreement requires that the Organization comply with certain financial covenants relating to operating liquidity. As of June 30, 2022, the Organization was in compliance with the loan covenants.

Principal maturities of notes payable subsequent to June 30, 2022 are as follows:

2023	\$ 114,625
2024	14,919
2025	15,220
2026	165,527
2027	3,930
Total	\$ 314,221

The Organization has another unsecured revolving line of credit in the amount of \$100,000 that matures in February 2023. Interest is payable monthly at the Wall Street Journal's prime rate, with a floor of 5.25%. The amount outstanding on the revolving line of credit was \$0 as of both June 30, 2022 and 2021.

Midlands Housing Trust Fund
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

4. Lease

The Organization leases office space under a month-to-month operating lease agreement. Total rent expense under the agreement was approximately \$7,000 annually for the years ended June 30, 2022 and 2021.

5. Related Parties

A board member of the Organization is also the chief executive officer of a company that had several mortgage loans outstanding as of June 30, 2022 and 2021. The total loan balances outstanding as of June 30, 2022 and 2021 totaled approximately \$249,000 and \$259,000, respectively.

A board member of the Organization is employed by a financial institution used by the Organization during the years ended June 30, 2022 and 2021.

6. CDFI Rapid Response Program

The Organization receives funding under grant agreements that are subject to examination by the grantors. During fiscal 2021, the Organization was awarded a \$1,094,000 grant under the CDFI Rapid Response Program ("CDFI RRP"). The Organization recognized CDFI RRP grant revenues of approximately \$612,000 and \$0 during the years ended June 30, 2022 and 2021, respectively. The Organization has approximately \$482,000 and \$1,094,000 of unearned CDFI RRP grant revenue recorded as a liability in the statement of financial position as of June 30, 2022 and 2021, respectively. The CDFI RRP grant agreement contains certain performance obligations and administrative requirements, including a requirement to expend 90% of the grant funds within the first year of the performance period. The Organization was not in compliance with the 90% requirement as of June 30, 2022 but intends to cure this instance of non-compliance in fiscal 2023, which is within the grace period allowed by the grant. Management believes the Fund has complied with all other grant requirements and any return of grant funding would be insignificant.

7. Liquidity

The Organization has approximately \$898,000 and \$1,245,000 of financial assets available within one year of the statement of financial position date as of June 30, 2022 and 2021 respectively. The financial assets includes approximately \$1,288,000 and \$665,000 of cash as of June 30, 2022 and 2021 respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. On average, the Fund's normal annual operating expenses are approximately \$101,000 and \$100,000 for June 30, 2022 and 2021. Therefore, the Fund has enough liquid financial assets to maintain operations for approximately 9 years for 2022 and 12 years for 2021.

Midlands Housing Trust Fund
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

8. Subsequent Events

The Organization evaluated events and transactions after June 30, 2022 through January 30, 2023, the date the financial statements were available to be issued, for subsequent events and determined that, there were no subsequent events to report, except as disclosed in Note 1.

Other Financial Information

Midlands Housing Trust Fund
Consolidating Statements of Financial Position
June 30, 2022

	Midlands Housing Trust Fund	Midlands Housing Property Holding	Eliminations	Consolidated Organization
Assets				
Cash and cash equivalents	\$ 1,286,925	\$ 689	\$ --	\$ 1,287,614
Accrued interest receivable	2,572	--	(2,572)	--
Prepaid expenses and other current assets	918	--	--	918
Loan receivable, net	1,215,702	--	(157,498)	1,058,204
Property held for sale	--	157,439	--	157,439
Property and equipment, net	2,000	--	--	2,000
Total assets	\$ 2,508,117	\$ 158,128	\$ (160,070)	\$ 2,506,175
Liabilities and Net Assets				
Accounts payable and accrued expenses	\$ 3,216	\$ 2,572	\$ (2,572)	\$ 3,216
Notes payable	314,221	157,398	(157,398)	314,221
Deferred revenue	481,863	--	--	481,863
Total Liabilities	799,300	159,970	(159,970)	799,300
Net assets:				
Without donor restrictions:				
Board designated	78,225	--	--	78,225
Undesignated	1,630,592	(1,842)	(100)	1,628,650
Total net assets	1,708,817	(1,842)	(100)	1,706,875
Total liabilities and net assets	\$ 2,508,117	\$ 158,128	\$ (160,070)	\$ 2,506,175

Midlands Housing Trust Fund
Consolidating Statement of Activities
Year Ended June 30, 2022

	Midlands Housing Trust Fund	Midlands Housing Property Holding, LLC	Eliminations	Consolidated Organization
Revenues, grants, contributions, and other support:				
Grants	\$ 627,137	\$ --	\$ --	\$ 627,137
Contributions	2,701	--	--	2,701
Program service fees	65,971	--	(2,349)	63,622
Miscellaneous revenue	1,878	1,807	--	3,685
Total revenues, grants, contributions and other support	697,687	1,807	(2,349)	697,145
Expenses:				
Program services	\$ 64,860	\$ 1,400	\$ --	\$ 66,260
Management and general	82,117	2,349	(2,349)	82,117
Fundraising	8,546	--	--	8,546
Total expenses	155,523	3,749	(2,349)	156,923
Change in net assets	542,164	(1,942)	--	540,222
Net assets, beginning of year	1,166,653	--	--	1,166,653
Net assets, end of year	\$ 1,708,817	\$ (1,942)	\$ --	\$ 1,706,875