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Financial Statements

Midlands Housing Trust Fund

*Years Ended June 30, 2021 and 2020  
with Report of Independent Auditors*

Midlands Housing Trust Fund  
Financial Statements  
Years Ended June 30, 2021 and 2020

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## Report of Independent Auditors

Board of Directors  
Midlands Housing Trust Fund

We have audited the accompanying financial statements of Midlands Housing Trust Fund, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, 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; 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.

### **Auditors' 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. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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.



Board of Directors  
Midlands Housing Trust Fund

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midlands Housing Trust Fund as of June 30, 2021 and 2020, 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.

*BANKNIGHT PIETRS & STOKER, P.A.*

October 25, 2021

Midlands Housing Trust Fund  
Statements of Financial Position

	June 30,	
	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 664,767	\$ 440,589
Grant receivable	1,094,000	--
Accrued interest receivable	22,274	8,644
Prepaid expenses and other assets	2,328	1,231
Loans receivable, net	799,506	888,059
Property and equipment, net of accumulated depreciation of \$5,000 and \$4,221 at June 30, 2021 and 2020, respectively	3,221	4,000
	<b>\$ 2,586,096</b>	<b>\$ 1,342,523</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 1,443	\$ --
Notes payable	324,000	249,084
Deferred revenue	1,094,000	--
Total liabilities	1,419,443	249,084
Net assets:		
Without donor restrictions:		
Board designated	60,934	65,601
Undesignated	1,105,719	1,027,838
Total net assets	1,166,653	1,093,439
Total liabilities and net assets	\$ 2,586,096	\$ 1,342,523

*See accompanying notes.*

Midlands Housing Trust Fund  
Statement of Activities

	<b>Years Ending June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenues, grants, contributions, and other support:</b>		
Grants	\$ 100,000	\$ 163,126
Contributions	1,382	3,019
Program service fees	72,210	72,992
Miscellaneous revenue	604	714
Total revenues, grants, contributions and other support	174,196	239,851
<b>Expenses:</b>		
Program services	35,795	52,918
Management and general	58,944	52,759
Fundraising	6,243	5,647
Total expenses	100,982	111,324
Change in net assets	73,214	128,527
Net assets, beginning of year	1,093,439	964,912
Net assets, end of year	\$ 1,166,653	\$ 1,093,439

*See accompanying notes.*

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

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
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
<b>Total</b>	<b>\$ 35,795</b>	<b>\$ 58,944</b>	<b>\$ 6,243</b>	<b>\$ 100,982</b>

*See accompanying notes.*



Midlands Housing Trust Fund  
Statement of Functional Expenses  
Year Ended June 30, 2020

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Accounting	\$ 1,029	\$ 274	\$ 69	\$ 1,372
Bank service charges	--	692	--	692
Communication	1,360	363	91	1,814
Consulting	40,889	20,334	4,550	65,773
Depreciation	--	1,000	--	1,000
Dues and subscriptions	235	63	16	314
Equipment	5,182	1,382	345	6,909
Insurance	1,247	332	83	1,662
Interest	--	5,517	--	5,517
Licenses and fees	--	391	--	391
Loan loss reserve, net	(3,810)	--	--	(3,810)
Occupancy	5,193	1,385	346	6,924
Other expenses	--	--	41	41
Postage	--	17	--	17
Professional fees	--	20,585	--	20,585
Public relations	785	209	52	1,046
Staff development	169	45	11	225
Supplies	511	136	34	681
Travel	128	34	9	171
<b>Total</b>	<b>\$ 52,918</b>	<b>\$ 52,759</b>	<b>\$ 5,647</b>	<b>\$ 111,324</b>

*See accompanying notes.*

Midlands Housing Trust Fund  
Statements of Cash Flows

	<b>Years Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating activities:</b>		
Change in net assets	\$ 73,214	\$ 128,527
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	779	1,000
Change in allowance for loan losses	(2,951)	(3,810)
Change in operating assets and liabilities:		
Contribution and grant receivable	--	21,539
Accrued interest receivable	(13,630)	(2,003)
Prepaid expenses and other assets	(1,097)	(731)
Accounts payable	1,443	--
Net cash provided by operating activities	57,758	144,522
<b>Investing activities:</b>		
Community development loans made	(363,223)	(549,269)
Proceeds from repayment of loans receivable	454,727	624,827
Net cash provided by investing activities	91,504	75,558
<b>Financing activities:</b>		
Proceeds from borrowings on notes payable	99,000	--
Principal payments on notes payable	(24,084)	(18,839)
Net cash provided by (used in) financing activities	74,916	(18,839)
Net change in cash and cash equivalents	224,178	201,241
Cash and cash equivalents, beginning of year	440,589	239,348
Total cash and cash equivalents, end of year	\$ 664,767	\$ 440,589

*See accompanying notes.*

Midlands Housing Trust Fund  
Notes to Financial Statements  
June 30, 2021 and 2020

**1. Nature of Activities and Summary of Significant Accounting Policies**

Midlands Housing Trust Fund (the "Fund") is a non-profit community development loan fund organized under the laws of the state of South Carolina. The Fund 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 Accounting**

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

**Financial Statement Presentation**

The Fund reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

**Estimates**

The preparation of 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 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.

Midlands Housing Trust Fund  
Notes to Financial Statements  
June 30, 2021 and 2020

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

**Loans Receivable**

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 Fund 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.

**Concentrations of Credit Risk**

The Fund 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 Fund 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, 2021 and 2020, approximately 57% and 68% respectively, of the Fund's revenue, came from local grants. A reduction in grant revenue awarded in the future could have a significant adverse impact on the Fund's operations.

The Fund'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 Fund's financial statements.

The Fund's grant receivable of \$1,094,000 is due from one organization. Management has not recorded an allowance as of June 30, 2021. The grant is conditional upon the Fund's achievement of certain performance goals, therefore it has been classified as deferred revenue as of June 30, 2021.

Midlands Housing Trust Fund  
Notes to Financial Statements  
June 30, 2021 and 2020

**1. Description of Business and Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

The Fund 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.

**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.

**Income Taxes**

The Fund 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 Fund had no unrelated business income for the years ended June 30, 2021 and 2020. 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 Fund did not have a liability for unrecognized tax benefits, interest, or penalties at June 30, 2021 and 2020.

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

**Board Designated Net Assets**

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

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

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

Midlands Housing Trust Fund  
Notes to Financial Statements  
June 30, 2021 and 2020

**1. Description of Business and Summary of Significant Accounting Policies (continued)**

**Board Designated Net Assets**

The Fund's Board of Directors has designated net assets as follows:

	June 30,	
	2021	2020
Loan loss reserve	\$ 42,079	\$ 46,746
Operations reserve	18,855	18,855
Total	\$ 60,934	\$ 65,601

**2. Loans Receivable**

The Fund's loans receivable are as follows:

	June 30,	
	2021	2020
Mortgage loans receivable	\$ 841,585	\$ 934,805
Less: allowance for uncollectible loans	(42,079)	(46,746)
Total loans receivable, net	\$ 799,506	\$ 888,059

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 are as follows:

2022	\$ 570,513
2023	124,936
2024	43,070
2025	44,074
2026	1,327
Thereafter	57,665
	\$ 841,585

Midlands Housing Trust Fund  
Notes to Financial Statements  
June 30, 2021 and 2020

**3. Debt**

Notes payable consist of the following:

	June 30,	
	2021	2020
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.	99,000	--
Unsecured note payable, bearing interest at 2%, payable in quarterly installments of principal and interest of \$3,950 until July 1, 2026.	75,000	99,084
Total notes payable	\$ 324,000	\$ 249,084

The unsecured line of credit agreement requires that the Fund comply with certain financial covenants relating to operating liquidity. As of June 30, 2021, the Fund was in compliance with the loan covenants.

Principal maturities of notes payable subsequent to June 30, 2021 are as follows:

2022	\$ 10,779
2023	113,625
2024	14,919
2025	15,220
2026	165,527
Thereafter	3,930
Total	\$ 324,000

The Fund has another unsecured revolving line of credit in the amount of \$100,000 that matures in February 2022. 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, 2021 and 2020.

Midlands Housing Trust Fund  
Notes to Financial Statements  
June 30, 2021 and 2020

**4. Lease**

The Fund 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, 2021 and 2020.

**5. Related Parties**

A board member of the Fund is also the chief executive officer of a company that had several mortgage loans outstanding as of June 30, 2021 and 2020. The total loan balances outstanding as of June 30, 2021 and 2020 totaled approximately \$259,000 and \$272,000, respectively.

A board member of the Fund is employed by a financial institution used by the Fund during the years ended June 30, 2021 and 2020.

**6. Contingencies**

The Fund receives funding under grant agreements that are subject to examination by the grantor. Management believes the Fund has complied with all grant agreements and any return of grant funding would be insignificant.

**7. Liquidity**

The Fund has approximately \$1,245,000 of financial assets available within one year of the statement of financial position date, including approximately \$665,000 of cash. 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 \$100,000. Therefore, the Fund has enough liquid financial assets to maintain operations for approximately 12 years.

**8. Subsequent Events**

The Fund evaluated events and transactions after June 30, 2021 through October 25, 2021, the date the financial statements were available to be issued, and determined there were no subsequent events to report during that period.