Financial statements of:

HOUSINGLINK

Years ended
December 31, 2018 and 2017

SDK
Schechter Dokken Kanter
CPAs ■ Business Advisors

Suite 1600
100 Washington Avenue South
Minneapolis, MN 55401-2192

P 612.332.5500 F 612.332.1529
www.sdkcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
HousingLink
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of HousingLink which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities and changes in net assets, cash flows and functional expenses 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 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 HousingLink as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. The ASU did not result in changes in net assets or between net assets with donor restrictions and net assets without donor restrictions. Our opinion is not modified with respect to this matter.

Schechter Dokken Kanter
Andrews + Selcer Ltd.

May 21, 2019

STATEMENTS OF FINANCIAL POSITION

HOUSINGLINK DECEMBER 31

	2018	2017
Assets:		
Cash and cash equivalents	**$ 202,340**	$ 273,096
Short-term investments	**-**	100,000
Accounts receivable	**33,128**	96,113
Grants receivable	**200,000**	20,000
Prepaid expenses	**1,499**	1,949
Total current assets	**436,967**	491,158
Property and equipment, net	**640**	1,337
Capitalized software development	**374,017**	95,395
Total assets	**$ 811,624**	$ 587,890
Liabilities and net assets:		
Accounts payable	**$ 16,753**	$ 16,540
Accrued expenses and other liabilities	**26,976**	26,781
Deferred revenue	**3,283**	5,315
Total current liabilities	**47,012**	48,636
Net assets:		
Without donor restrictions:		
Board designated, operating reserve	**195,000**	328,682
Undesignated	**204,857**	7,462
Total without donor restrictions	**399,857**	336,144
With donor restrictions	**364,755**	203,110
Total net assets	**764,612**	539,254
Total liabilities and net assets	**$ 811,624**	$ 587,890

HOUSINGLINK

	2018		
	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Contracts for services	$ 165,179		$ 165,179
Grants and contributions	427,975	$ 378,000	805,975
In-kind contributions	70,368		70,368
Interest income	1,298		1,298
Miscellaneous income	17,443		17,443
Net assets released from restrictions	216,355	(216,355)	
Total revenue and support	898,618	161,645	1,060,263
Expenses:			
Program services	705,746		705,746
Management and general	103,871		103,871
Fundraising	25,288		25,288
Total expenses	834,905		834,905
Change in net assets	63,713	161,645	225,358
Net assets, beginning	336,144	203,110	539,254
Net assets, ending	$ 399,857	$ 364,755	$ 764,612

2017		
Without donor restrictions	With donor restrictions	Total
$ 188,023		$ 188,023
274,596	$ 300,000	574,596
62,139		62,139
831		831
13,375		13,375
246,561	(246,561)	
785,525	53,439	838,964
680,900		680,900
103,723		103,723
26,257		26,257
810,880		810,880
(25,355)	53,439	28,084
361,499	149,671	511,170
$ 336,144	$ 203,110	$ 539,254

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

HOUSINGLINK

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ 225,358**	$ 28,084
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**697**	2,245
Changes in operating assets and liabilities		
Accounts receivable	**62,985**	(59,851)
Grants receivable	**(180,000)**	30,000
Prepaid expenses	**450**	(797)
Accounts payable	**213**	(1,934)
Accrued expenses and other liabilities	**195**	(1,476)
Deferred revenue	**(2,032)**	430
Net cash provided by (used in) operating activities	**107,866**	(3,299)
Cash flows from investing activities:		
Capitalized software development costs	**(278,622)**	(95,395)
Proceeds from maturity of investments	**100,000**	100,000
Net cash (used in) provided by investing activities	**(178,622)**	4,605
Net change in cash and cash equivalents	**(70,756)**	1,306
Cash and cash equivalents, beginning of year	**273,096**	271,790
Cash and cash equivalents, end of year	**$ 202,340**	$ 273,096

See notes to financial statements.

	2018			
	Program services	Management and general	Fundraising	Total
Employee services	$ 459,639	$ 63,684	$ 11,804	$ 535,127
Occupancy	25,647	3,451	672	29,770
Office supplies	1,110	449	26	1,585
Postage	367	57	434	858
Printing and copying	1,513	54	1,579	3,146
Dues and subscriptions	4,732	137	379	5,248
Professional fees	102,796	28,729	9,524	141,049
Accounting fees	16,440	2,216	430	19,086
Mileage and parking	2,130	63	77	2,270
Education and training	2,325	769	-	3,094
Advertising and marketing	72,893	-	-	72,893
Meeting expenses	274	862	13	1,149
Telecommunication	6,035	506	117	6,658
Miscellaneous expenses	-	1,651	-	1,651
Insurance	2,114	284	55	2,453
Operating and maintenance	7,131	878	162	8,171
Depreciation	600	81	16	697
Total expenses	$ 705,746	$ 103,871	$ 25,288	$ 834,905

2017			
Program services	Management and general	Fundraising	Total
$ 476,734	$ 60,158	$ 11,653	$ 548,545
25,707	3,418	627	29,752
1,561	204	31	1,796
1,252	72	90	1,414
2,143	-	1,877	4,020
4,689	96	436	5,221
77,212	12,076	10,687	99,975
15,986	2,357	574	18,917
2,136	216	15	2,367
207	1,089	-	1,296
48,448	19,234	-	67,682
1,273	1,247	-	2,520
4,257	443	80	4,780
1,234	1,893	-	3,127
1,922	248	45	2,215
14,199	714	95	15,008
1,940	258	47	2,245
$ 680,900	$ 103,723	$ 26,257	$ 810,880

1. Nature of business and significant accounting policies:

Organization:

HousingLink (the Organization) was incorporated in Minnesota and began operations in 1997. The mission is to improve people's lives through information expanding their affordable rental choices. The Organization also provides research services that is used by policymakers and research organizations to shape affordable housing policy in the Twin Cities and the state of Minnesota.

Change in accounting principle:

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, provides additional information about liquidity and availability of resources, and improves the consistency in the type of information provided about expenses and investment return. ASU 2016-14 was implemented in 2018 and has been reflected in the presentation of these financial statements. The ASU has been applied retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions.
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets With Donor Restrictions. The Organization doesn't have any permanently restricted net assets.
- The financial statements include a disclosure about liquidity and availability of resources (Note 2).

Financial statement presentation:

The Organization classifies its net assets, revenues and expenses based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Designated amounts represent those assets which the board has set aside for a particular purpose.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets are limited by donor-restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions.

1. Nature of business and significant accounting policies (continued):

Cash and cash equivalents:

The Organization considers all cash and highly liquid financial instruments purchased with a maturity of three months or less, which are not held for nor restricted by donors, to be cash and cash equivalents. At times, cash and cash equivalents may be in excess of FDIC limits. There were no cash balances in excess of FDIC limits at December 31, 2018 or 2017.

Short-term investments:

Short-term investments included certificates of deposit with an original maturity of three to twelve months. The Organization records investment purchases at cost, or if donated, at fair value on the date of donation.

Receivables and credit policies:

Receivables for fees for service contracts represent amounts due to the Organization for services performed. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. No allowance was deemed necessary as of December 31, 2018 and 2017.

Grants receivable:

Unconditional grants and other promises to give are recognized at net realizable value as revenues in the period received, and as assets, decreases or liabilities or expenses depending on the form of the benefits received. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions and a review of subsequent collections. Promises to give are written off when deemed uncollectable. No allowance was deemed necessary as of December 31, 2018 and 2017. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and equipment:

Expenditures for the acquisition of equipment greater than $3,000 are capitalized at cost, and donated equipment is capitalized at fair value at the date of the gift.

Depreciation of equipment is provided using the straight-line method over the estimated useful lives of the assets, which range from three to five years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts and any remaining gain or loss is included in the statement of activities.

1. Nature of business and significant accounting policies (continued):

Capitalized software development:

Expenditures for software development are capitalized when both the preliminary project stage is completed and it is probable that the software will be used as intended. Capitalized costs include only external direct costs of materials and services utilized in developing or obtaining computer software. Capitalized software will be amortized on a straight-line basis when placed into service over the estimated useful lives of the software, which approximates 5-10 years.

Support and revenue recognition:

Contributions are recognized when cash, securities or other assets are received, or the donor makes a promise to give the Organization that is, in substance, unconditional. Conditional promises to give are not recognized until the condition on which they depend have been substantially met.

Contracts for services consist of grants and contracts that are exchange transactions in which there is a reciprocal transfer of assets or services between the parties involved in the grant or contract. These exchange transactions are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as deferred revenue. Amounts expended but not yet received are classified as receivables.

Donated services and in-kind contributions:

Volunteers contribute significant amounts of time to the Organization's program services, administration and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Advertising costs:

Advertising costs are expended as incurred and were $72,893 and $67,682 for the years ended December 31, 2018 and 2017, respectively.

1. Nature of business and significant accounting policies (continued):

Functional expenses:

The costs of providing the Organization's various programs and supporting services activities have been summarized in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes:

The Organization is exempt from income taxation on activities related to its charitable purposes under the provisions of Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute and has been classified as a public charity under the Internal Revenue Code; therefore, charitable contributions by donors are tax deductible. The Organization is subject to tax on income from any business it conducts which is unrelated to its charitable purposes. Revenue from advertising service revenue is considered unrelated business income. Unrelated business income taxes have been minimal for the years ended December 31, 2018 and 2017.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent events:

Management has evaluated for subsequent events through May 21, 2019, the date the financial statements were available for issuance.

2. Liquidity:

The following represents the Organization's financial assets at December 31, 2018 and 2017:

	2018	2017
Financial assets at year end:		
Cash and cash equivalents	**$ 202,340**	$ 273,096
Accounts receivable	**33,128**	96,113
Grants receivable	**200,000**	20,000
Short-term investments		100,000
Total financial assets	**435,468**	489,209
Less amounts not available to be used within one year:		
Net assets with donor restrictions	**364,755**	203,110
Less net assets with purpose restrictions to be met in less than a year	**(336,755)**	(203,110)
Designated net assets by the board	**195,000**	328,682
	223,000	328,682
Financial assets available to meet general expenditures over the next twelve months	**$ 212,468**	$ 160,527

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, the Organization invests cash in excess of requirements in an interest bearing savings account.

3. Property and equipment, net:

Property and equipment, net consisted of the following at December, 31:

	2018	2017
Furniture and equipment	**$ 49,438**	$ 49,438
Less accumulated depreciation	**(48,798)**	(48,101)
	$ 640	$ 1,337

4. Leases:

The Organization has an operating lease for its office and storage space expiring in 2020.

Future minimum lease payments are as follows:

Years ending December 31	Amount
2019	$ 29,972
2020	10,056
	$ 40,028

Total lease expense, including common area maintenance costs totaled $29,770 and $29,752, for the years ended December 31, 2018 and 2017, respectively.

5. Net assets with donor restrictions:

Net assets with donor restrictions at December 31 consist of the following:

	2018	2017
Housing Hub	**$ 86,755**	$ 128,110
Beyond Backgrounds	**228,000**	
General operations timing restriction	**50,000**	75,000
	$ 364,755	$ 203,110

Net assets were released from restrictions as follows during the years ended December 31:

	2018	2017
Housing Hub	**$ 141,355**	$ 196,561
General operations timing restriction	**75,000**	50,000
	$ 216,355	$ 246,561

6. Board designated, operating reserve:

The Organization's Board of Directors approved the designation of net assets of $195,000 and $328,682 as of December 31, 2018 and 2017, respectively to ensure the stability of the mission, programs and ongoing operations of the Organization and to provide a source of funds for organizational priorities. The board's ultimate goal is to maintain a fund equal to three months of budgeted operating expenses.

7. In-kind contributions:

In-kind contributions are comprised of professional services and materials which are recorded at fair market value at date of donation. Donated services and materials include the following:

	2018	2017
Advertising	**$ 70,368**	$ 62,139

8. Retirement plan:

The Organization has a retirement savings plan, which is intended to satisfy the requirements of Section 401(k) of the Internal Revenue Code. All employees of the Organization are eligible to participate in this plan. This plan is funded by withholdings from the employee's payroll. Employer's contributions are discretionary. There were no employer contributions for the years ended December 31, 2018 and 2017.

9. Concentrations:

Substantially all support and revenue is received from individuals, charitable organizations, foundations and governmental entities; therefore, the continuation of certain programs of the Organization is dependent upon future funding. The Organization's total support derived from two funding sources at December 31, 2018 and 2017, which accounted for approximately 47% and 30%, respectively. The Organizations receivables derived from three and two funding sources at December 31, 2018 and 2017, which accounted for approximately 86% and 75%, respectively.