

*Financial statements of:*

**HOUSINGLINK**

Years ended  
December 31, 2016 and 2015

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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, 2016, and the related statements of activities and changes in net assets 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 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 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, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

The financial statements of HousingLink for the year ended December 31, 2015, were audited by other auditors whose report dated August 1, 2016, expressed an unmodified opinion on those statements.

*Schechter Dokken Kanter  
Andrews + Selzer Ltd.*

May 17, 2017

**HOUSINGLINK**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 271,790	\$ 253,508
Short-term investments	200,000	200,000
Accounts receivable	36,262	14,875
Grants receivable	50,000	-
Prepaid insurance	1,152	1,152
	<u>559,204</u>	<u>469,535</u>
Total current assets	<u>559,204</u>	<u>469,535</u>
Property and equipment, net	<u>3,582</u>	<u>5,828</u>
Total assets	<u>\$ 562,786</u>	<u>\$ 475,363</u>
<b>Liabilities and net assets:</b>		
Accounts payable	\$ 18,474	\$ 8,313
Accrued expenses and other liabilities	28,257	28,860
Deferred revenue	4,885	4,768
	<u>51,616</u>	<u>41,941</u>
Total current liabilities	<u>51,616</u>	<u>41,941</u>
Net assets:		
Unrestricted:		
Board designated	328,682	328,682
Undesignated	32,817	99,340
Total unrestricted net assets	<u>361,499</u>	<u>428,022</u>
Temporarily restricted	<u>149,671</u>	<u>5,400</u>
Total net assets	<u>511,170</u>	<u>433,422</u>
Total liabilities and net assets	<u>\$ 562,786</u>	<u>\$ 475,363</u>

See notes to financial statements.

**HOUSINGLINK**

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	2016		
	Unrestricted	Temporarily restricted	Total
Revenue and support:			
Contracts for service	\$ 152,735		\$ 152,735
Grants and contributions	444,506	156,000	600,506
In-kind contributions	126,384		126,384
Interest income	827		827
Miscellaneous income	11,139		11,139
Net assets released from restrictions	11,729	(11,729)	
	<u>747,320</u>	<u>144,271</u>	<u>891,591</u>
Total revenue and support			
Expenses:			
Program services	680,126		680,126
Management and general	112,130		112,130
Fundraising	21,587		21,587
	<u>813,843</u>		<u>813,843</u>
Total expenses			
Change in net assets	(66,523)	144,271	77,748
Net assets, beginning	428,022	5,400	433,422
Net assets, ending	<u>\$ 361,499</u>	<u>\$ 149,671</u>	<u>\$ 511,170</u>

See notes to financial statements.

STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2016 and 2015

2015		
Unrestricted	Temporarily restricted	Total
\$ 329,835		\$ 329,835
147,094		147,094
125,761		125,761
900		900
12,651		12,651
204,075	(204,075)	
<u>820,316</u>	<u>(204,075)</u>	<u>616,241</u>
690,234		690,234
128,737		128,737
16,255		16,255
<u>835,226</u>		<u>835,226</u>
(14,910)	(204,075)	(218,985)
<u>442,932</u>	<u>209,475</u>	<u>652,407</u>
<u>\$ 428,022</u>	<u>\$ 5,400</u>	<u>\$ 433,422</u>

**HOUSINGLINK**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 77,748	\$ (218,985)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,246	2,246
Changes in operating assets and liabilities		
Accounts receivable	(21,387)	60,086
Grants receivable	(50,000)	190,000
Prepaid expenses	-	(125)
Accounts payable	10,161	4,940
Accrued expenses and other liabilities	(603)	(16,104)
Deferred revenue	117	962
	<u>18,282</u>	<u>23,020</u>
Net cash provided by operating activities	<u>18,282</u>	<u>23,020</u>
Net change in cash and cash equivalents	18,282	23,020
Cash and cash equivalents, beginning of year	<u>253,508</u>	<u>230,488</u>
Cash and cash equivalents, end of year	<u>\$ 271,790</u>	<u>\$ 253,508</u>

See notes to financial statements.



**HOUSINGLINK**

	2016			
	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Employee services	\$ 421,619	\$ 54,144	\$ 15,415	\$ 491,178
Occupancy	26,866	2,328	939	30,133
Office supplies	1,839	564	25	2,428
Postage	380	25	160	565
Printing and copying	683	259	653	1,595
Dues and subscriptions	4,194	413	2	4,609
Professional fees	93,196	10,931	3,203	107,330
Accounting fees	22,933	2,017	750	25,700
Mileage and parking	2,638	38	110	2,786
Education and training	228	1,671	100	1,999
Advertising and marketing	88,042	36,685	-	124,727
Meeting expenses	563	608	-	1,171
Telecommunication	3,288	280	49	3,617
Miscellaneous expenses	449	666	-	1,115
Insurance	1,846	239	42	2,127
Operating and maintenance	9,320	1,088	109	10,517
Depreciation	2,042	174	30	2,246
Total expenses	<u>\$ 680,126</u>	<u>\$ 112,130</u>	<u>\$ 21,587</u>	<u>\$ 813,843</u>

See notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2016 and 2015

2015			
Program services	Management and general	Fundraising	Total
\$ 403,254	\$ 67,148	\$ 11,144	\$ 481,546
22,836	4,343	659	27,838
595	316	7	918
226	86	720	1,032
3,886	-	1,496	5,382
3,211	1,128	278	4,617
106,374	4,962	813	112,149
21,051	4,281	524	25,856
4,606	156	148	4,910
116	640	-	756
92,491	37,575	-	130,066
262	1,043	-	1,305
18,771	3,044	356	22,171
1,726	2,573	35	4,334
1,658	329	15	2,002
7,293	763	42	8,098
1,878	350	18	2,246
<u>\$ 690,234</u>	<u>\$ 128,737</u>	<u>\$ 16,255</u>	<u>\$ 835,226</u>

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.

## 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, 2016.

## Short-term investments:

Short-term investments include 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. Thereafter, investments are reported at their fair values in the statements of financial position.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability. All investments are classified as Level 1 investments at December 31, 2016 and 2015.

## 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, 2016 and 2015.

## Grants receivable and promises to give:

Unconditional grants and other promises to give are recognized at new realizable value as revenues or gains 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, 2016 and 2015. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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

## 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 over the estimated useful lives of the respective assets 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.

## Net assets:

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets available for use in general operations. Unrestricted board designated net assets consist of net assets designated by the board of directors for operating reserve.

*Temporarily restricted net assets* – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization or the passage of time.

The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

*Permanently restricted net assets* – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organization. The Organization did not have a permanently restricted net assets at December 31, 2016 and 2015.

## 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.

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

## 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 expensed as incurred and were \$124,727 and \$130,066 for the years ended December 31, 2016 and 2015, respectively.

## Functional expenses:

The costs of providing the Organization's various programs and supporting services activities have been summarized in the statements of activities. The statement 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 as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that re unrelated to its exempt purpose.

The Organization believes that it has appropriate support for any tax positions taken affecting it 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.

## Reclassifications:

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation. Such changes had no effect on beginning or ending net assets.

## Subsequent events:

Management has evaluated for subsequent events through May 17, 2017, the date the financial statements were available for issuance.

2. Property and equipment, net:

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

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 49,438	\$ 49,438
Less: Accumulated depreciation	<u>(45,856)</u>	<u>(43,610)</u>
	<u>\$ 3,582</u>	<u>\$ 5,828</u>

3. Leases:

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

Future minimum lease payments are as follows:

<u>Years ending December 31</u>	<u>Amount</u>
2017	\$ 28,809
2018	29,385
2019	29,972
2020	<u>10,056</u>
	<u>\$ 98,222</u>

Total lease expense, including common area maintenance costs totaled \$29,442 and \$27,561, for the years ended December 31, 2016 and 2015, respectively.

4. Temporarily restricted net assets:

Temporarily restricted net assets at December 31 consist of the following:

	<u>2016</u>	<u>2015</u>
Housing Hub	\$ 99,671	
General operations timing restriction	50,000	
MATSH/Internet Exposure		\$ 5,400
	<u>\$ 149,671</u>	<u>\$ 5,400</u>

4. Temporarily restricted net assets (continued):

Net assets were released from restrictions as follows during the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Strategic planning	\$ 6,000	
Housing Hub	329	
Technical assistance		\$ 80,000
MATSH/Internet Exposure	5,400	64,075
General operations timing restriction		40,000
Greater MN pilot program		20,000
	<u>\$ 11,729</u>	<u>\$ 204,075</u>

5. 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:

	<u>2016</u>	<u>2015</u>
Advertising	\$ 122,034	\$ 121,661
Audit services	4,100	4,100
Software development	250	
	<u>\$ 126,384</u>	<u>\$ 125,761</u>

6. 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, 2016 and 2015.

7. 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. Approximately 45% of the Organization’s total support and revenue and 85% of the Organization’s receivables as of and for the year ended December 31, 2016 was derived from two funding sources. Approximately 41% of the Organization’s total support and revenue and 73% of the Organization’s receivables as of and for the year ended December 31, 2015, was derived from two funding sources.