

Financial statements of:

HOUSINGLINK

Years ended
December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
HousingLink
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HousingLink, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of HousingLink as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HousingLink and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, on January 1, 2022, the Organization adopted new accounting guidance, Accounting Standards Update No. 2016-02, Leases (Topic 842). As a result of the adoption of the new lease accounting guidance, a lease liability and a right-of-use asset was recorded on the statement of financial position (see Note 3). Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HousingLink's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the 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 auditor's 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 GAAS 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 GAAS, 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 HousingLink'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 HousingLink'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

*Schechter Dokken Kanter
Andrews & Silver Ltd.*

May 26, 2023
Minneapolis, MN

	<u>2022</u>	<u>2021</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 420,444	\$ 697,680
Accounts receivable	25,885	142,240
Grants receivable	125,000	125,000
Prepaid expenses	10,415	3,778
	<u>581,744</u>	<u>968,698</u>
Total current assets		
Right-of-use asset	69,788	-
Capitalized software development	487,184	487,184
	<u>556,972</u>	<u>487,184</u>
Total assets	<u>\$ 1,138,716</u>	<u>\$ 1,455,882</u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$ 19,811	\$ 42,518
Accrued expenses and other liabilities	55,291	61,007
Deferred revenue	4,338	4,690
Lease liability, current	23,640	-
	<u>103,080</u>	<u>108,215</u>
Total current liabilities		
Lease liability, net of current	46,428	-
	<u>149,508</u>	<u>108,215</u>
Total liabilities		
Net assets:		
Without donor restrictions:		
Board designated, reserves	452,625	342,000
Undesignated	343,583	842,667
Total without donor restrictions	<u>796,208</u>	<u>1,184,667</u>
With donor restrictions	193,000	163,000
	<u>989,208</u>	<u>1,347,667</u>
Total net assets		
Total liabilities and net assets	<u>\$ 1,138,716</u>	<u>\$ 1,455,882</u>

HOUSINGLINKSTATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and support:						
Contracts for services	\$ 452,443		\$ 452,443	\$ 1,175,053		\$ 1,175,053
Grants and contributions	100,586	\$ 332,000	432,586	123,591	\$ 277,986	401,577
Paycheck Protection Program loan forgiveness	-	-	-	109,300	-	109,300
In-kind contributions	59,830	-	59,830	46,112	-	46,112
Interest income	794	-	794	1,621	-	1,621
Miscellaneous income	9,426	-	9,426	8,658	-	8,658
Net assets released from restrictions	302,000	(302,000)	-	563,092	(563,092)	-
Total revenue and support	925,079	30,000	955,079	2,027,427	(285,106)	1,742,321
Expenses:						
Program services	1,062,610		1,062,610	1,569,178		1,569,178
Management and general	176,255		176,255	135,976		135,976
Fundraising	74,673		74,673	30,478		30,478
Total expenses	1,313,538		1,313,538	1,735,632		1,735,632
Change in net assets	(388,459)	30,000	(358,459)	291,795	(285,106)	6,689
Net assets, beginning	1,184,667	163,000	1,347,667	892,872	448,106	1,340,978
Net assets, ending	\$ 796,208	\$ 193,000	\$ 989,208	\$ 1,184,667	\$ 163,000	\$ 1,347,667

See notes to financial statements.

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (358,459)	\$ 6,689
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Forgiveness of paycheck protection program loan	-	(109,300)
Changes in operating assets and liabilities:		
Accounts receivable	116,355	222,399
Grants receivable	-	(75,000)
Prepaid expenses	(6,637)	(1,481)
Accounts payable	(22,707)	(65,279)
Accrued expenses and other liabilities	(5,716)	11,982
Deferred revenue	(352)	(12,438)
Right-of-use assets and lease liabilities	280	-
Net cash used in operating activities	<u>(277,236)</u>	<u>(22,428)</u>
Net change in cash and cash equivalents	(277,236)	(22,428)
Cash and cash equivalents, beginning of year	<u>697,680</u>	<u>720,108</u>
Cash and cash equivalents, end of year	<u>\$ 420,444</u>	<u>\$ 697,680</u>

	2022				2021			
	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Employee services	\$ 739,187	\$ 127,453	\$ 23,184	\$ 889,824	\$ 776,149	\$ 106,231	\$ 11,842	\$ 894,222
Occupancy	20,131	3,793	635	24,559	18,637	2,240	302	21,179
Program services	15,114	399	-	15,513	19,220	547	19	19,786
Postage	41	45	-	86	4,368	107	-	4,475
Printing and copying	615	-	2,111	2,726	15,897	-	911	16,808
Dues and subscriptions	4,795	3,002	14	7,811	4,053	179	169	4,401
Professional fees	178,477	25,999	16,574	221,050	612,020	11,840	14,667	638,527
Accounting fees	23,102	3,944	714	27,760	24,537	2,997	667	28,201
Mileage and parking	1,739	376	263	2,378	1,096	12	259	1,367
Education and training	19,295	1,891	-	21,186	530	4,132	-	4,662
Advertising and marketing	31,444	-	30,365	61,809	54,229	-	-	54,229
Meeting expenses	490	1,979	124	2,593	83	727	-	810
Telecommunication	4,510	1,434	95	6,039	2,818	920	15	3,753
Bad debt	7,526	-	-	7,526	-	-	-	-
Miscellaneous expenses	724	4,765	-	5,489	1,622	2,185	1,250	5,057
Insurance	4,294	740	132	5,166	3,432	451	-	3,883
Operating and maintenance	11,126	435	462	12,023	30,487	3,408	377	34,272
Total expenses	<u>\$ 1,062,610</u>	<u>\$ 176,255</u>	<u>\$ 74,673</u>	<u>\$ 1,313,538</u>	<u>\$ 1,569,178</u>	<u>\$ 135,976</u>	<u>\$ 30,478</u>	<u>\$ 1,735,632</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.

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 net 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.

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 restricted by donors, to be cash and cash equivalents. At times, cash and cash equivalents may be in excess of FDIC limits.

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 receivables are written off when deemed uncollectable. No allowance was deemed necessary as of December 31, 2022 and 2021.

1. Nature of business and significant accounting policies (continued):**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, 2022 and 2021. 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.

Change in accounting principle:

On January 1, 2022 the Organization adopted Accounting Standards Update No. 2016-02, Leases (Topic 842). Under this new standard, the Organization's leases with terms of more than twelve months will be required to be recognized as assets and liabilities. The adoption of the new standard resulted in the recording of a right of use asset and lease liability on the Organization's balance sheet (see Note 3).

There was no effect on net position related to the adoption of the standard as of January 1, 2022.

The Organization elected the short-term lease exemption for certain qualifying leases with lease terms of twelve months or less and, accordingly, did not record ROU assets and lease liabilities. These leases with initial terms of less than twelve months are recorded directly to occupancy expense on a straight-line basis over the term of the lease. Rent expense is recognized on a straight-line basis for operating leases over the lease term.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2020-07 (Update), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This update affects the presentation and disclosure of nonfinancial assets. The amendments in this Update require that a Not-for-Profit:

- (1) present contributed nonfinancial assets as a separate line in the statement of activities, apart from contributions of cash and other financial assets, and

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

Change in accounting principle (continued):

(2) disclose:

- a. a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, and
- b. for each category of contributed nonfinancial assets recognized (as identified in (a)):
 - i. qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a not-for-profit will disclose a description of the programs or other activities in which those assets were used.
 - ii. The not-for-profit's policy about monetizing rather than utilizing contributed nonfinancial assets.
 - iii. A description of any donor-imposed restrictions associated with the contributed nonfinancial assets.
 - i. A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, Fair Value Measurement, at initial recognition.
 - ii. The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. This update was implemented in 2022 and has been reflected in the presentation of these financial statements. The update has been applied retrospectively to all periods presented.

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. Unconditional promises are recorded in the statement of financial position when the Organization is notified of the promises. Conditional promises to give are not recognized until the condition upon which they depend have been substantially met.

Contracts for services consist of grants and contracts. The Organization recognizes revenue from these contracts when performance obligations are met when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as deferred revenue. Amounts recognized 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 \$61,809 and \$54,229 for the years ended December 31, 2022 and 2021, 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 statements of functional expenses present the natural classification detail of expenses by function. Expenses which are related to a specific program or supporting service are charged directly to that service. Shared non-specific expenses are allocated based on the payroll allocation for the month. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support services are allocated based on the best estimates of management.

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, 2022 and 2021.

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.

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

Paycheck Protection Program loan:

The Organization received a Paycheck Protection Program loan from the Small Business Administration for \$109,300 on April 21, 2020. The loan was forgiven by the Small Business Administration on April 12, 2021 and included in income in the statement of activities for the year ended December 31, 2021.

Subsequent events:

Management has evaluated for subsequent events through May 26, 2023, the date the financial statements were available for issuance.

2. Liquidity:

The following represents the Organization's financial assets at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 420,444	\$ 697,680
Accounts receivable	25,885	142,240
Grants receivable	<u>125,000</u>	<u>125,000</u>
Total financial assets	<u>571,329</u>	<u>964,920</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	193,000	163,000
Less net assets with purpose restrictions to be met in less than a year	(193,000)	(163,000)
Designated net assets by the board	<u>452,625</u>	<u>342,000</u>
	<u>452,625</u>	<u>342,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 118,704</u>	<u>\$ 622,920</u>

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. Leases:

As of January 1, 2022, the Organization adopted *ASU 2016-12 – Leases* (Topic 842) under the modified retrospective approach and has chosen the transition method of not adjusting comparative periods. Under this standard, the Organization determines if an arrangement is a lease at inception.

3. Leases (continued):

The Organization leases office space under a non-cancellable operating lease. The Organization is also responsible for its share of common area operating expenses, including common area maintenance costs. Total occupancy expense, including common area maintenance costs, was \$24,559 and \$21,179 for the years ended December 31, 2022 and 2021, respectively.

The future minimum lease payments under the noncancelable office space lease with terms greater than one year are listed below as of December 31, 2022:

<u>Year</u>	<u>Amount</u>
2023	\$ 23,640
2024	24,360
2025	<u>25,200</u>
Total minimum lease payments	73,200
Less amount representing interest	<u>(3,132)</u>
Present value of lease liabilities	<u>\$ 70,068</u>

4. Net assets with donor restrictions:

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

	<u>2022</u>	<u>2021</u>
Beyond Backgrounds	\$ 188,000	\$ 163,000
Rental housing database	2,500	-
General operations, timing	<u>2,500</u>	<u>-</u>
	<u>\$ 193,000</u>	<u>\$ 163,000</u>

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

	<u>2022</u>	<u>2021</u>
ERA local government	\$ 5,000	\$ 93,750
Rental housing database	12,500	-
General operations, timing	5,000	5,333
Beyond Backgrounds	<u>279,500</u>	<u>464,009</u>
	<u>\$ 302,000</u>	<u>\$ 563,092</u>

5. Board designated, reserves:

The Organization’s Board of Directors approved the designation of net assets of \$317,625 and \$342,000 as of December 31, 2022 and 2021, 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. In addition, the Organization has an operating reserve of \$75,000 and a risk fund reserve of \$60,000 as of December 31, 2022.

6. In-kind contributions:

In-kind contributions are comprised of professional services and materials which are recorded at fair market value at date of donation. A significant number of advertising services are contributed to the Organization. These donated services that are used in the Organization’s programming are valued at the typically charged rates reported by the individuals or organizations providing the services. Donated services and materials were:

	<u>2022</u>	<u>2021</u>
Advertising	\$ 57,486	\$ 46,112
Legal fees	2,344	-
	<u>\$ 59,830</u>	<u>\$ 46,112</u>

7. 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, 2022 and 2021.

8. Concentrations:

Substantially all support and revenue are 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 was derived from three funding sources for the years ended December 31, 2022 and 2021, which accounted for approximately 49% and 38%, respectively. The Organization’s receivables were from one and three funding sources at December 31, 2022 and 2021, which accounted for approximately 88% and 75%, respectively.

9. Accounts receivable, deferred revenue and contract balances:

Opening and closing balances for contract assets, and accounts receivable arising from contracts with customers include:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Accounts receivable, trade	<u>\$ 25,885</u>	<u>\$ 142,240</u>	<u>\$ 364,639</u>

Contract assets arise when the Organization transfers goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the Organization is able to invoice the customer. There were no contract assets at December 31, 2022, 2021 or January 1, 2021.

Upon receipt of a prepayment from a customer, the Organization recognizes deferred revenue in the amount of the prepayment for its performance obligation to transfer goods and services in the future. The following table provides information about significant changes in deferred revenue for the year ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of year:	\$ 4,690	\$ 17,128
Revenue recognized included in deferred revenue at the beginning of year	(4,690)	(17,128)
Increases in deferred revenue due to cash received during the year	<u>4,338</u>	<u>4,690</u>
Deferred revenue, end of year	<u>\$ 4,338</u>	<u>\$ 4,690</u>