

REGIONAL HOUSING ALLIANCE OF LA PLATA COUNTY

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2017 and 2016

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INDEPENDENT AUDITOR’S REPORT

June 18, 2018

To the Board of Directors
Regional Housing Alliance of La Plata County
Durango, CO 81301

We have audited the accompanying financial statements of the business-type activities of the Regional Housing Alliance of La Plata County (the “Alliance”) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Alliance’s basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audit. We conducted our audit 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Regional Housing Alliance of La Plata County as of December 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Board of Directors
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alliance's basic financial statements. The budget to actual schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budget to actual schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budget to actual schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.

**Regional Housing Alliance of La Plata County
Management's Discussion and Analysis
For the years ended December 31, 2017, 2016 and 2015**

As management of the Regional Housing Alliance of La Plata County (the "Alliance"), we offer readers of the Alliance's financial statements this narrative overview and analysis of the financial activities of the Alliance for the fiscal years ended December 31, 2017, 2016, and 2015. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the Alliance.

Financial Highlights

- In 2017, Regional Housing Alliance went dormant. All employees and assets, except for the Energy Impact Assistance Fund loans and cash, were transferred to HomesFund (formerly La Plata Homes Fund, Inc.). The HomesFund will be providing the homebuyer assistance program (education, counseling, down payment assistance) to the 5-county southwest Colorado region.
- As of December 31, 2017, the Alliance held \$ 299,016 in Energy Impact Assistance Mortgage Receivables and \$ 199,177 in loan cash from payoff s of those mortgages. As restrictions lift on the mortgages and cash, in 2020, the assets will be transferred to HomesFund
- In 2016 and 2015 the Alliance was a multi-jurisdictional housing authority that received operational funds through an intergovernmental agreement between La Plata County, Colorado, the City of Durango, Colorado, the Town of Bayfield, Colorado, and the Town of Ignacio, Colorado.

Overview of the Financial Statements

The financial statements of the Alliance are presented as a special purpose government engaged only in business-type activities.

The *Statement of Net Position* presents information on the Alliance's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Alliance is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the Alliance.

The *Statement of Revenue, Expenses and Changes in Position* reports the changes that have occurred during the year to the Alliance's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* reports the Alliance's cash flows from operating, noncapital financing, capital and investing activities.

FINANCIAL SUMMARY AND ANALYSIS

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

NET POSITION

December 31,	2017	2016	2015
ASSETS			
Current Assets	\$ 279,842	\$ 538,396	\$ 453,125
Mortgage loans receivable, net	299,016	984,465	1,078,751
Other assets	-	16	17
Capital Assets	-	250,470	250,470
<i>Total Assets</i>	\$ 578,858	\$ 1,773,347	\$ 1,782,363
LIABILITIES			
Current Liabilities	-	22,691	12,535
<i>Total Liabilities</i>	-	22,691	12,535
NET POSITION			
Net investment in capital assets	-	250,470	250,470
Restricted for emergencies	2,700	22,500	16,100
Restricted for affordable housing	498,193	1,386,513	1,252,917
Unrestricted	77,965	91,173	250,341
<i>Total Net Position</i>	578,858	1,750,656	1,769,828
<i>Total Liabilities and Net Position</i>	\$ 578,858	\$ 1,773,347	\$ 1,782,363

The largest portion of the Alliance's net position is reflected in shared appreciation second mortgages that were funded primarily by the Energy Impact Assistance Fund. As restrictions on these Energy Impact Assistance mortgages are lifted, these remaining notes receivable are expected to be transferred to HomesFund in 2020.

CHANGES IN NET POSITION

	2017	2016	2015
REVENUES			
Operating Revenues			
Unrestricted revenues			
IGA member contributions	\$52,431	\$285,660	\$285,660
Master agreement income	-	292,680	216,039
Contributions	-	-	12,352
Other	5,350	4,567	4,090
Fee-in-lieu income	-	121,162	12,232
Grants and contributions	-	-	8,656
Interest income and shared appreciation	334	35,218	7,862
	58,115	739,287	546,891
<i>Total Operating Revenues</i>			
	58,115	739,287	546,891
EXPENSES			
Operating Expenses			
Salaries and benefits	-	329,042	277,296
Professional fees	84,597	35,754	37,497
Office and administrative	6,092	55,321	50,231
Contracts with, contributions and grants to HomesFund	-	347,022	100,000
Provision for loan loss reserve	(76,776)	(10,000)	10,000
Other expenses	-	1,320	404
	13,913	758,459	475,428
<i>Total Operating Expenses</i>			
	13,913	758,459	475,428
Non-Operating Expenses			
Contribution of loans and loan funds to HomesFund	965,530	-	-
Loss on disposal of capital asset	250,470	-	-
	1,216,000	-	-
<i>Total Non-Operating Expenses</i>			
	1,216,000	-	-
 <i>Change in Net Position</i>	 (1,171,798)	 (19,172)	 71,463
 Net Position – Beginning of the year	 1,750,656	 1,769,828	 1,698,365
 Net Position – End of the year	 \$578,858	 \$1,750,656	 \$1,769,828

Revenues

The Alliance had three major revenue sources in 2017, 2016 and 2015: (1) contribution revenue; (2) fee-in-lieu income; and (3) payment for staffing and administrative contract services. The Alliance received contribution revenue pursuant to an intergovernmental agreement between La Plata County, the City of Durango, the Town of Bayfield, and the Town of Ignacio. Total intergovernmental funds received in 2017 were \$52,431; in 2016 and 2015 \$285,660 of intergovernmental funds were raised. In accordance with a master agreement in place, the Alliance also receives payment for staffing and administrative contract services provided to HomesFund. Total funds received in payment of these services from the

HomesFund in 2017 were \$0, in 2016 \$292,680, and in 2015 \$ 216,039.

Expenditures

The Alliance's major expenditures in 2017 were Professional Fees paid to HomesFund for the Alliances share of salaries and benefits under the Master Agreement that terminated June 30, 2017.

The Alliance's major expenditures in 2016, and 2015 consisted of salaries, employee benefits, professional fees, and grants to the HomesFund.

BUDGETARY HIGHLIGHTS

The Alliance prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay, in addition to operating and non-operating revenue and contributions.

The 2017 budget was amended to reflect the contribution of loans and loan funds to HomesFund.

- Actual operating revenues received in 2017 was \$9 more than budgeted
- Actual operating expenses, on the budgetary basis, were less than budgeted by \$ 5,597

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of the Alliance's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to: Southwest Colorado Council of Governments, P O Box 963, Durango, CO 81302.

Regional Housing Alliance of La Plata County

STATEMENTS OF NET POSITION

December 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents (Note E)	\$ 80,665	\$ 65,044
Accounts receivable	-	71,320
Restricted cash (Note E)	199,177	398,638
Current portion of mortgage loans receivable	-	3,394
Total current assets	<u>279,842</u>	<u>538,396</u>
Other assets		
Prepaid lease	-	16
Mortgage loans receivable, net (Note F)	299,016	984,465
Capital assets not being depreciated - land (Note G)	-	250,470
Total other assets	<u>299,016</u>	<u>1,234,951</u>
Total assets	<u>\$ 578,858</u>	<u>\$ 1,773,347</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	\$ -	\$ 17,475
Accrued liabilities	-	5,216
Total liabilities	<u>-</u>	<u>22,691</u>
NET POSITION		
Net investment in capital assets	-	250,470
Restricted for emergencies	2,700	22,500
Restricted for lending and affordable housing	498,193	1,386,513
Unrestricted (Note J)	77,965	91,173
Total net position	<u>578,858</u>	<u>1,750,656</u>
Total liabilities and net position	<u>\$ 578,858</u>	<u>\$ 1,773,347</u>

The accompanying notes are an integral part of these statements.

Regional Housing Alliance of La Plata County

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years ended December 31,

	2017	2016
Operating Revenue		
Unrestricted revenue		
Intergovernmental agreement member contributions	\$ 52,431	\$ 285,660
Master agreement income - HomesFund operations	-	292,680
Other	5,350	4,567
Restricted revenue		
Fee-in-lieu income	-	121,162
Interest and shared appreciation	334	35,218
	<u>58,115</u>	<u>739,287</u>
Total operating revenue	58,115	739,287
Operating Expenses		
Salaries and benefits	-	329,041
Professional fees	84,597	35,754
Office and administrative	6,092	55,321
Contracts with, contributions, and grants to HomesFund	-	347,022
Change in loan loss reserve (decrease)	(76,776)	(10,000)
Other expenses	-	1,320
	<u>13,913</u>	<u>758,458</u>
Total operating expenses	13,913	758,458
Operating income (loss)	44,202	(19,171)
Nonoperating expense		
Contribution of loans and loan funds to HomesFund	965,530	-
Loss on disposal of capital asset	250,470	-
	<u>1,216,000</u>	<u>-</u>
Total nonoperating expense	1,216,000	-
Change in net position	(1,171,798)	(19,171)
Net position, beginning of year	1,750,656	1,769,828
Net position, end of year	<u>\$ 578,858</u>	<u>\$ 1,750,657</u>

The accompanying notes are an integral part of these statements.

Regional Housing Alliance of La Plata County

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,

	2017	2016
Cash flows from operating activities		
Cash received from local governments	\$ 52,431	\$ 285,660
Cash received from HomesFund master agreement	71,320	275,494
Cash received from grants and fees in-lieu	-	121,162
Cash received from donations and other operating activities	5,684	39,785
Cash paid to suppliers and others	(108,164)	(422,490)
Cash paid to employees for services	(5,216)	(333,713)
Net cash provided (used) by operating activities	<u>16,055</u>	<u>(34,102)</u>
Cash flows from investing activities		
Restricted loan funds contributed to HomesFund	(231,700)	-
Mortgage loans provided	-	(113,450)
Mortgage principal payments received	31,805	219,540
Net cash provide (used) by investing activities	<u>(199,895)</u>	<u>106,090</u>
Net increase (decrease) in cash	(183,840)	71,988
Cash balance - beginning of year	463,682	391,694
Cash balance - end of year	<u>\$ 279,842</u>	<u>\$ 463,682</u>
Presented on the statement of net position as follows:		
Cash and cash equivalents	\$ 80,665	\$ 65,044
Restricted cash	199,177	398,638
Total cash	<u>\$ 279,842</u>	<u>\$ 463,682</u>
Reconciliation of Change in Net Position to Net Cash From Operating Activities		
Change in net position	\$ 44,202	\$ (19,172)
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Provision for loan loss reserve	(76,776)	(10,000)
Changes in operating assets and liabilities:		
Accounts receivable	71,320	(17,186)
Prepaid expenses	-	2,100
Accounts payable	(17,475)	14,827
Accrued liabilities	(5,216)	(4,671)
Net cash provided (used) by operating activities	<u>\$ 16,055</u>	<u>\$ (34,102)</u>
Noncash Activity		
Contribution of mortgage loans receivable to HomesFund	\$ 733,814	\$ -

The accompanying notes are an integral part of these statements.

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A – ORGANIZATION

Regional Housing Alliance of La Plata County (the Alliance) is a multi-jurisdictional housing authority governed pursuant to provisions of the Colorado Revised Statutes Section 29-1-204.5. The Alliance was created on April 14, 2004, pursuant to an intergovernmental agreement by and among the Board of County Commissioners of La Plata County, Colorado; the City of Durango, Colorado; the Town of Ignacio, Colorado; and the Town of Bayfield, Colorado. The Alliance was established to facilitate the planning, financing, acquisition, construction, management and operation of housing projects or programs pursuant to a multi-jurisdictional plan in order to provide affordable dwelling accommodations to the communities within the jurisdiction of the Alliance.

As part of this master agreement, the Alliance provided staffing and administrative contract services to HomesFund for 2016. Beginning January 1, 2017, HomesFund provided staffing and administrative contract services to the Alliance. The master agreement terminated July 1, 2017. All assets of the Alliance that could be assigned to HomesFund, were transferred to HomesFund in April 2017.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For financial reporting purposes, the Alliance is considered a special-purpose government engaged only in business-type activities. Accordingly, the Alliance's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting, where revenues are recognized when earned and expenses are recorded when an obligation is incurred. The Alliance applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Alliance considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash has been restricted for funds that are required to be used for lending to qualified homebuyers under restrictions from specific funding sources.

Investments

Investments are stated at fair value based on quoted market values with the exception of money market funds and external investment pools which are stated at cost, which is equal to fair value. Unrealized gains and losses are included in the change in net position. Fair values are determined using quoted market prices.

Mortgage Loans Receivable

The Alliance extends loans to qualified homebuyers for second and third liens on homes in order to close the affordability gap. The shared appreciation loans are interest-free, and are due in full, along with a specified percentage of the appreciation of the home when the home is sold, refinanced, transferred, or after 30 years. Amortizing Colorado Department of Housing loans bear an interest rate of 1%, can be deferred for up to five

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

years, and are payable over 30 years. Amortizing loans require regular monthly payments from the borrowers.

The sources of the funding include private corporations, and state and federal governments. The funds are restricted for the purpose of affordable housing under the specific grant requirements. Once restricted funds are loaned to qualified borrowers the funds retain their restriction. When loans are paid off, the cash is available for lending to other qualified borrowers. An allowance for loan losses has been provided at 10% of the outstanding loan balances, plus any negative residual value in loans at year end. Management has determined this calculation to be a reasonable allowance based in the types of loans and the fact repayment will not occur until the loan collateral is sold or ownership is transferred.

Capital Assets

The Alliance capitalizes assets with an individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets which have been contributed are stated at estimated fair value at the date of contribution or at developer's cost. The Alliance held no depreciable capital assets as of December 31, 2017. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Net Position

The Alliance's net position is classified as follows:

Net investment in capital assets - This represents the Alliance's total investment in capital assets, net of any outstanding debt obligations related to those assets. The Alliance had no capital assets or outstanding debt obligations as of December 31, 2017 and no outstanding debt obligations as of December 31, 2016.

Restricted net position - Restricted net position includes resources which the Alliance is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position - Unrestricted net position represents resources derived from general Alliance revenues. The resources are used to conduct the Alliance's operations. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Alliance's policy is to apply restricted net position first.

Compensated Absences

The Alliance allows employees to accumulate unused vacation and sick leave up to specified maximum limits. The Alliance accrues such benefits in the period in which they are earned. The liability for unused benefits is recorded in accrued liabilities under current liabilities. As of December 31, 2016 the Alliance did not have any employees.

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contribution Revenue

Contribution revenue consists of funding provided to the Alliance by La Plata County, Colorado; the City of Durango, Colorado; the Town of Ignacio, Colorado; and the Town of Bayfield, Colorado pursuant to an intergovernmental agreement entered into on October 23, 2007, and subsequently amended November 7, 2008, January 27, 2009, March 7, 2011, January 14, 2014, January 4, 2015, December 15, 2015 and December 7, 2016.

Housing Fee-in-Lieu Payments

The Alliance administers affordable housing funds for its member entities. These policies require that developers provide a portion of affordable/attainable housing as part of all developments. If providing homes on site is not feasible or desirable the developer has the option of paying a fee-in-lieu that is then used to support designated housing programs. Housing fees paid are recorded as revenue when received. The Alliance received housing fee-in-lieu revenue of \$0 and \$121,162 in 2017 and 2016, respectively.

Grants

Grant revenue consists of funding provided to the Alliance by various businesses, private foundations and governmental agencies to assist the Alliance in providing affordable dwelling accommodations. Grant revenue is recorded when amounts become known and due to the Alliance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE C – BUDGETS

The Alliance adheres to the following procedures in establishing its annual budget.

- The Alliance files an annual budget in accordance with State law.
- The budget officer is required to submit a proposed budget to the Board by October 15.
- Public hearings are conducted by the Board to obtain taxpayer comments.
- Expenses may not legally exceed appropriations at the funds level. Board approval is required for changes in the budget.
- Budget appropriations lapse at the end of each year.
- The Alliance adopts budgets on a modified accrual basis.

For the year ended December 31, 2017 the Alliance amended its budget to allow for additional expenditures totaling \$1,232,520.

NOTE D – TAX SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the Amendment), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The Alliance believes it is in compliance with the requirements of the Amendment.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The emergency reserve of \$2,700 is included in restricted net position on the accompanying statement of net position.

The Alliance was de-Bruced by the electors of La Plata County in November 2005 and as such is not subject to the revenue limits imposed in the TABOR amendment.

NOTE E – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

The Colorado Public Deposit Protection Act (PDPA) governs the Alliance's deposits. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal deposit insurance (FDIC) on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to 102% of the uninsured deposits. The Colorado Division of Banking is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE E – CASH AND INVESTMENTS – CONTINUED

At December 31, 2017, the Alliance's cash deposits had carrying and bank balances as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Cash in checking	\$ 279,842	\$ 279,959

At December 31, 2016, the Alliance's cash deposits had carrying and bank balances as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Cash in checking	\$ 463,682	\$ 486,927

All Alliance deposits were covered by depositor's insurance as of December 31, 2017 and 2016.

Restricted cash is for lending purposes and eligible operating expenses, and has been restricted by the grantor.

NOTE F – MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Alliance		
Shared appreciation mortgage loans	\$ 332,240	\$ 978,651
Amortized mortgage loans	–	119,208
Allowance for loan losses	<u>(33,224)</u>	<u>(110,000)</u>
	<u>\$ 299,016</u>	<u>\$ 987,859</u>

During 2017 and 2016, the Alliance transferred \$965,530 and \$7,022, respectively, in mortgage loan payoff proceeds and mortgage loans to HomesFund (see also Note M). This transfer is recorded as contribution expense in the December 31, 2017 and 2016 financial statements.

NOTE G – LAND

As part of the Tamarron Project, a golf course development, the La Plata County government required that a parcel of land be donated to the Alliance and used in the future for affordable dwelling accommodations. The land was valued in the financial statement at \$250,470 as of December 31, 2016. During 2017 the land was returned to La Plata County to be used for future affordable housing projects.

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE I – RESTRICTED NET POSITION

Restricted net position consist of funds received specifically for affordable housing in La Plata County and the emergency reserve as required under TABOR (see Note D). Funds received specifically for affordable housing are to be used for loans to qualified homebuyers under the restrictions of each specific funding source; or in the case of fees in-lieu for affordable housing projects. When the loans have been repaid to the Alliance, the funds remain restricted and are to be used for new lending purposes under the specific grant restrictions.

NOTE J – UNRESTRICTED NET POSITION

The Board of Directors for the Alliance approved \$100,000 of unrestricted net position to be designated as a reserve for future operations. The intent was to have approximately three months of estimated operating expenses designated for this purpose. The Board of Directors approved the elimination of this reserve effective July 1, 2017.

NOTE K – RETIREMENT PLANS

The Alliance has a retirement plan for its employees created in accordance with Internal Revenue Code Section 401(a) (the 401(a) Plan). The 401(a) Plan is administered by Colorado County Officials and Employees Retirement Association. Participation in the 401(a) Plan provides for direct contributions by the Alliance with mandatory employee contributions, and allows employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or death. All property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in the 401(a) Plan for the exclusive benefit of participants and their beneficiaries. The Alliance has no ownership interest in the plan nor is the Alliance liable for losses under the 401(a) Plan. Contributions made by the Alliance for the years ended December 31, 2017 and 2016 were \$0 and \$9,692, respectively. Beginning January 1, 2017 all Alliance employees became employees of HomesFund and the CCOERA plan was terminated.

NOTE L – RISK MANAGEMENT

The Alliance is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. During 2017, the Alliance was a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is an organization created by intergovernmental agreement to provide property, general liability, law enforcement liability, public official's liability, crime coverage, and workers compensation coverage to its members. Settled claims have not exceeded this coverage during 2017 and 2016.

The Alliance pays annual premiums to CIRSA for property, general liability, law enforcement liability, public official's liability, crime coverage and workers compensation coverage. For the coverage provided, CIRSA shall be liable for payment of the applicable self-insured retentions and only to a total annual

Regional Housing Alliance of La Plata County

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE L – RISK MANAGEMENT – CONTINUED

aggregate amount for CIRSA members as a whole of the amount of the applicable CIRSA loss fund for the coverage period. There shall be no aggregate excess coverage over any loss fund.

Coverage in excess of CIRSA's self-insured retentions shall be provided only by the applicable excess insurers and/or reinsurers in applicable excess and reinsurance policies, and shall be payable only by those excess insurers and/or reinsurers. The limits of coverage provided by the excess insurers and/or reinsurers for the coverage period shall be described in the coverage documents issued to the Alliance. Sub-limits, aggregate limits and other limits shall apply as provided in said documents.

NOTE M – SIGNIFICANT FINANCIAL RELATIONSHIP

The following shows the financial activity between Regional Housing Alliance and HomesFund under a Master Service Agreement, for the years ended December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Payments from HomesFund for services provided	\$ –	\$ 292,680
Mortgage loan payoff proceeds to HomesFund	–	(7,022)
Operating grant made to HomesFund	–	(140,000)
Development grant made to HomesFund	–	(80,000)
Professional services contract payment to HomesFund	(43,526)	(120,000)
Mortgage loans and loan funds transferred to HomesFund	(965,512)	–
Receivables from HomesFund at December 31,	\$ –	\$ 70,819
Payables to HomesFund at December 31,	\$ –	\$ (15,520)

As of January 1, 2017 the Alliance no longer contracts with the HomesFund to provide Homebuyer Assistance Program Services. In 2017 the Alliance transferred a majority of its loan assets to HomesFund including \$733,814 in notes receivable and \$231,700 in cash restricted for loan programs. As restrictions on the Alliance's remaining notes receivable are lifted, the remaining notes receivable held by the Alliance are expected to be transferred to HomesFund in 2020.

OTHER SUPPLEMENTARY INFORMATION

Regional Housing Alliance of La Plata County

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
BUDGET AND ACTUAL - BUDGETARY BASIS

For the Year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue				
Unrestricted revenue				
Intergovernmental agreement member contributions	\$ 52,430	\$ 52,430	\$ 52,431	\$ 1
Other	360	5,676	5,350	(326)
Restricted revenue				
Interest	-	-	334	334
Total operating revenue	52,790	58,106	58,115	9
Operating Expenses				
Professional fees	101,335	89,853	84,597	5,256
Office and administrative	6,434	6,434	6,092	342
Transfer of assets to HomesFund	-	965,529	965,530	(1)
Change in loan loss reserve	-	(76,776)	(76,776)	-
Loss on disposal of land	-	250,470	250,470	-
Total operating expenses	107,769	1,235,510	1,229,913	5,597
Change in net position, budgetary basis	<u>\$ (54,979)</u>	<u>\$ (1,177,404)</u>	<u>\$ (1,171,798)</u>	<u>\$ 5,606</u>