

# **Aurora Housing Corporation**



**Audited Consolidated Financial Statements  
With Supplemental Information  
and Single Audit Section  
December 31, 2018 and 2017**



# Aurora Housing Corporation

---

## Table of Contents

<b>Independent Auditor’s Report</b> .....	1
<b>Identification of Lead Auditor</b> .....	3
<b>Financial Statements</b>	
Consolidated Statements of Financial Position .....	4
Consolidated Statements of Activities .....	6
Consolidated Statements of Cash Flows .....	7
Notes to Consolidated Financial Statements .....	9
<b>Supplemental Information</b>	
Consolidating Statement of Financial Position .....	18
Consolidating Statement of Activities .....	19
<b>Single Audit Section</b>	
Schedule of Expenditures of Federal Awards .....	21
<b>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b> .....	23
<b>Independent Auditor’s Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance Required by the <i>Uniform Guidance</i></b> .....	25
<b>Schedule of Findings and Questioned Costs</b> .....	27

## **Independent Auditor's Report**

Board of Directors  
Aurora Housing Corporation  
Aurora, Colorado

### **Report on Financial Statements**

We have audited the accompanying consolidated financial statements of Aurora Housing Corporation, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidated 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 Corporation'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aurora Housing Corporation as of December 31, 2018 and 2017 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters – Other Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2019 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

***Comer, Nowling And Associates, P.C.***

Comer, Nowling And Associates, P.C.  
Indianapolis, Indiana  
August 28, 2019

## **Aurora Housing Corporation**

---

### **Identification of Lead Auditor**

Name: Gregory L. Nowling, CPA  
Title: Partner  
Telephone: (317) 841-3393  
Address: c/o Comer, Nowling And Associates, P.C.  
8606 Allisonville Road Suite 120  
Indianapolis, IN 46250

## Aurora Housing Corporation

---

### Consolidated Statements of Financial Position As of December 31, 2018 and 2017

#### Assets

	2018	2017
<b>Current Assets</b>		
Cash	\$ 267,532	\$ 494,269
Accounts receivable- tenants - dwelling rents	1,941	-
Accounts receivable - miscellaneous	26,435	-
Investments - unrestricted	1,576,643	1,563,344
Prepaid expenses	55,710	44,991
Total current assets	1,928,261	2,102,604
<b>Capital Assets</b>		
Land	12,000	-
Furniture, equipment and machinery - dwellings	-	9,267
Total capital assets	12,000	9,267
Accumulated depreciation	-	(9,239)
Net capital assets	12,000	28
<b>Other Assets</b>		
Construction in progress	4,468	27,577
Accounts receivable - interest	5,222,513	4,575,823
Development fees receivable	284,263	308,873
Due from related entity	96,127	96,127
Investment in partnerships	(515)	(464)
Notes, loans and mortgages receivable	4,800,760	4,800,760
Total other assets	10,407,616	9,808,696
<b>Total Assets</b>	\$ 12,347,877	\$ 11,911,328

## Aurora Housing Corporation

---

### Consolidated Statements of Financial Position (continued) As of December 31, 2018 and 2017

#### Liabilities and Net Assets (Deficit)

	2018	2017
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 831
Total current liabilities	<u>-</u>	<u>831</u>
<b>Long-Term Liabilities</b>		
HOME funds payable	1,787,054	1,787,054
Accrued interest payable	2,545,239	2,249,357
Notes payable	2,200,000	2,200,000
Total long-term liabilities	<u>6,532,293</u>	<u>6,236,411</u>
<b>Total Liabilities</b>	<u>6,532,293</u>	<u>6,237,242</u>
<b>Net Assets (Deficit)</b>		
Net assets (deficit) without donor restrictions	5,815,584	5,674,086
Total net assets (deficit)	<u>5,815,584</u>	<u>5,674,086</u>
<b>Total Liabilities and Net Assets (Deficit)</b>	<u>\$ 12,347,877</u>	<u>\$ 11,911,328</u>

## Aurora Housing Corporation

---

### Consolidated Statements of Activities For the Years Ended December 31, 2018 and 2017

	2018	2017
<b>Operating Revenue</b>		
Government grants	\$ 54,726	\$ 60,732
Other revenue	43,246	26,675
<b>Total Revenue</b>	97,972	87,407
<b>Operating Expenses</b>		
Administrative	211,564	194,484
Tenant services	68,674	61,040
Ordinary maintenance & operations	-	2,288
Interest expense	295,882	277,433
General expenses	13,740	14,230
Total operating expenses	589,860	549,475
<b>Other Income (Expenses)</b>		
Interest income - notes/dev fees receivable	646,690	604,609
Interest income	14,302	9,324
Gain (loss) on sale of property	-	(234,887)
Write off construction in progress	(27,578)	-
Depreciation expense	(28)	(18)
Net other income (expenses)	633,386	379,028
 <b>Change in Net Assets (Deficit) Without Donor Restrictions</b>	 141,498	 (83,040)
<b>Net Assets (Deficit) Without Donor Restrictions, Beginning of Year</b>	5,674,086	5,757,126
<b>Net Assets (Deficit) Without Donor Restrictions, End of Year</b>	\$ 5,815,584	\$ 5,674,086



## Aurora Housing Corporation

### Consolidated Statements of Cash Flows For the Years Ended December 31, 2018 and 2017

	2018	2017
<b>Cash Flows From Operating Activities</b>		
Cash from tenants and other	\$ 83,898	\$ 96,730
Cash paid to vendors and other	(305,528)	(280,948)
Net cash flows (used in) provided by operating activities	(221,630)	(184,218)
<b>Cash Flows From Investing Activities</b>		
Unrestricted investments	(13,299)	(258,909)
Investments in partnerships	51	50
Development fees receivable	24,610	43,999
Pre-development costs receivable	-	363,168
Construction in progress	(4,469)	-
Net sale (purchase) of property	(12,000)	77,255
Net cash flows (used in) provided by investing activities	(5,107)	225,563
<b>Net Increase (Decrease) in Cash</b>	(226,737)	41,345
<b>Cash, Beginning of Year</b>	494,269	452,924
<b>Cash, End of Year</b>	\$ 267,532	\$ 494,269
<b>Cash - unrestricted</b>	\$ 189,188	\$ 416,035
<b>Cash - other restricted</b>	78,344	78,234
<b>Total cash</b>	\$ 267,532	\$ 494,269
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ -	\$ -

## Aurora Housing Corporation

---

### Consolidated Statements of Cash Flows (continued) For the Years Ended December 31, 2018 and 2017

	2018	2017
<b>Reconciliation of change in net assets (deficit) without donor restrictions to net cash (used in) provided by operating activities:</b>		
Change in net assets (deficit) without donor restrictions	\$ 141,498	\$ (83,040)
Adjustment to reconcile change in net assets (deficit) without donor restrictions to net cash (used in) provided by operating activities:		
Depreciation	28	18
Loss (gain) on sale/disposal of assets	27,578	234,887
Changes in assets and liabilities:		
(Increase) decrease in:		
Net receivables	(675,066)	(604,610)
Prepaid assets	(10,719)	3,101
(Decrease) increase in:		
Accounts payable	(831)	(9,194)
Accrued wages/payroll taxes payable	-	(1,445)
Accrued interest payable	295,882	277,433
Accrued liabilities - other	-	(1,368)
Net cash flows (used in) provided by operating activities	\$ (221,630)	\$ (184,218)

# Aurora Housing Corporation

---

## Notes to Consolidated Financial Statements

### Note 1 – Nature of Operations and Summary of Significant Accounting Policies

The Aurora Housing Corporation d/b/a Community Housing Partners – CHP (Corporation) is a 501(c)(3) organization established in 1985 to provide affordable housing to low and moderate-income United States citizens. The Corporation has acquired 90 units of affordable housing from various sources of funds through various ownership structures. The Corporation also provides Rapid Re-housing to homeless families with children through the Community Housing Partners (CHP) program. The CHP program provides case management, affordable housing, and the opportunity for homeless families to make positive changes in their lives. The Corporation also acts in the capacity of developer for creating new affordable units throughout the City of Aurora and the Metropolitan Denver region in accordance with their mission. The Corporation has been designated a Community Housing Development Organization (CHDO) for the City of Aurora, Colorado.

#### **Basis of Accounting and Presentation**

The Corporation uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

#### **Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Per the applicable standards, Aurora Housing Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the net asset classes follows:

*Net assets without donor restrictions* represent the portion of net assets of Aurora Housing Corporation that is not subject to donor-imposed restrictions. Net assets without donor restrictions include expendable funds available for the support of the Corporation. Board designated net assets are net assets without donor restrictions with self-imposed designations by action of the governing board.

*Net assets with donor restrictions* represent contributions and other inflows of assets whose use by Aurora Housing Corporation is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of Aurora Housing Corporation pursuant to those stipulations, or net assets that must be held in perpetuity.

As of December 31, 2018 and 2017, all of the net assets of the Corporation are considered to be net assets without donor restrictions.

#### **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 the reported amounts of assets and liabilities and disclosure of contingent

## **Aurora Housing Corporation**

---

assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. As of December 31, 2018 and 2017, cash consists of checking and savings accounts. As of December 31, 2018 and 2017, there were no cash equivalents.

### **Accounts Receivable**

Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible. No allowance for bad debts was established at December 31, 2018 and 2017, as management utilizes the direct write-off method.

### **Property and Equipment**

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method of depreciation. Depreciation is computed over the estimated useful lives of each individual asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income or loss for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Aurora Housing Corporation policy is to capitalize all fixed assets with a unit value of \$5,000 or more and an estimated useful life of greater than one year.

### **Budget**

The Corporation prepares an annual operating budget using a GAAP basis.

### **Accounting for the Impairment or Disposal of Long-Lived Assets**

Accounting for the Impairment or Disposal of Long-Lived Assets requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As of December 31, 2018 and 2017, the Corporation does not believe there to be any impairment of assets.

### **Basis of Accounting**

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

### **Revenue and Cost Recognition**

Revenues are recognized when earned and costs are expensed when incurred.

## Aurora Housing Corporation

---

### Risks and Uncertainties

The Corporation is subject to various risks and uncertainties in the ordinary course of business that could have adverse impacts on its operating results and financial condition. Future operations could be affected by changes in the economy or other conditions in the geographical area where the property is located or by changes in federal low-income housing subsidies or the demand for such housing.

### Note 2 – Fair Market Value of Investments

Cash and investments at December 31, 2018 and 2017 consist of the following:

	2018	2017
Cash - unrestricted	\$ 189,188	\$ 416,035
Cash - other restricted	78,344	78,234
Subtotal	267,532	494,269
Investments - unrestricted	1,576,643	1,563,344
Total cash and investments	<u>\$ 1,844,175</u>	<u>\$ 2,057,613</u>

The Corporation's unrestricted investments are allocated as follows:

	Certificates of Deposit		Money Market Funds		Total	
	2018	2017	2018	2017	2018	2017
Public Service Credit Union	\$ 260,461	\$ 255,838	\$ -	\$ -	\$ 260,461	\$ 255,838
Key Bank	206,362	203,321	-	-	206,362	203,321
Credit Union of Denver	255,192	250,966	-	-	255,192	250,966
Citywide Banks	-	-	251,307	250,555	251,307	250,555
Bank of the West	-	-	251,097	250,846	251,097	250,846
Westerra Credit Union	-	-	251,308	250,932	251,308	250,932
Wells Fargo	100,916	100,886	-	-	100,916	100,886
Total Unrestricted Investments	<u>\$ 822,931</u>	<u>\$ 811,011</u>	<u>\$ 753,712</u>	<u>\$ 752,333</u>	<u>\$ 1,576,643</u>	<u>\$ 1,563,344</u>

It is the Corporation's practice to hold all investments until maturity to limit the exposure to market change.

The Corporation classifies marketable securities as "held to maturity" if it has the positive intent and ability to hold the securities to maturity. All other marketable securities are classified as "available for sale". As of December 31, 2018 and 2017, all of the Corporation's securities are classified as "available for sale." Securities classified as "available for sale" are carried on the financial statements at fair market value. Realized gains and losses are included in earnings; unrealized holding gains and losses are reported as a separate component of the statement of changes in net assets.

The Statement of Financial Accounting Standard, "Fair Value Measurements", defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Corporation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

## Aurora Housing Corporation

---

This standard establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement the entire fair value measurement in the hierarchy.

The Corporation holds an investment portfolio which consists of Level 1 financial instruments. Investments classified as Level 1 all have publicly traded daily values which may be obtained.

### Note 3 – Property Investments

The Corporation had the following equity investment in property partnerships at December 31, 2018 and 2017:

	2018	2017
Investment in Tollgate	\$ (138)	\$ (120)
Investment in Macon & Moline	(377)	(344)
	\$ (515)	\$ (464)

### Note 4 – Property and Equipment

Changes in fixed assets for the years ended December 31, 2018 and 2017 are as follows:

	Balance 12/31/16	Additions	Deletions	Balance 12/31/17	Additions	Deletions	Balance 12/31/18
Land and Buildings	\$ 29,987	\$ -	\$ 29,987	\$ -	\$ 12,000	\$ -	\$ 12,000
Equipment	9,267	-	-	9,267	-	9,267	-
Total Fixed Assets	39,254	-	29,987	9,267	12,000	9,267	12,000
Less: Accum Deprec.	(9,221)	(18)	-	(9,239)	(28)	(9,267)	-
Net Fixed Assets	\$ 30,033	\$ (18)	\$ 29,987	\$ 28	\$ 11,972	\$ -	\$ 12,000

## Aurora Housing Corporation

---

### Note 5 – Notes Receivable

Notes receivable consist of the following:

Note receivable – Resident at First Avenue, LLLP, payable on September 7, 2036 if not repaid sooner, included interest at 6.90% per annum, compounded annually. The loan is secured by a deed of trust in the property. As of December 31, 2018 and 2017, accrued interest receivable related to this note was \$2,746,534 and \$2,427,254, respectively. \$ 2,200,000

Note receivable – Plaza Townhomes at Macon & Moline, LLLP payable on November 1, 2038 if not repaid sooner, included interest at 5.00% per annum, compounded annually. The loan is secured by a deed of trust on the property. As of December 31, 2018 and 2017, accrued interest receivable related to this note was \$649,611 and \$570,426, respectively. 1,000,000

Note receivable – Plaza Townhomes at Macon and Moline, LLLP payable on June 30, 2036 if not repaid sooner, included interest at 6.00% per annum, compounded annually. The loan is secured by a deed of trust in the property. As of December 31, 2018 and 2017, accrued interest receivable related to this note was \$403,420 and \$357,904, respectively. 400,760

Note receivable – VWC1, LLLP payable on August 1, 2042 if not repaid sooner, included interest at 4.00% per annum, compounded annually. The loan is secured by a deed of trust in the property. As of December 31, 2018 and 2017, accrued interest receivable related to this note was \$202,015 and \$171,168, respectively. 600,000

Note receivable – Plaza Townhomes at Macon and Moline, LLLP payable on June 30, 2036 if not repaid sooner, included interest at 6.00% per annum, compounded annually. The loan is secured by a deed of trust in the property. As of December 31, 2018 and 2017, accrued interest receivable related to this note was \$201,343 and \$178,623, respectively. 200,000

Note receivable – Townhomes at Tollgate Creek, LLLP payable on July 19, 2036 if not repaid sooner, included interest at 11.79% per annum, compounded annually. The loan is secured by a deed of trust in the property. As of December 31, 2018 and 2017, accrued interest receivable related to this note was \$543,550 and \$465,131, respectively. 200,000

Note receivable – Residences at Trolley Park, LLLP payable on June 26, 2036 if not repaid sooner, including interest at 9.125% compounded annually. The loan is secured by a deed of trust in the property. As of December 31, 2018 and 2017, accrued interest receivable related to this note was \$366,595 and \$319,216, respectively. 200,000

\$ 4,800,760

## Aurora Housing Corporation

---

Total interest receivable related to the notes receivable as of December 31, 2018 and 2017 was \$5,113,068 and \$4,489,722, respectively.

### Note 6 – Development Fees Receivable

As of December 31, 2018 and 2017, development fees receivable were as follows:

	<u>2018</u>	<u>2017</u>
Plaza Townhomes at Macon and Moline	\$ 136,926	\$ 161,536
Townhomes at Tollgate Creek	<u>147,337</u>	<u>147,337</u>
	<u>\$ 284,263</u>	<u>\$ 308,873</u>

Total interest receivable related to development fees as of December 31, 2018 and 2017 was \$109,445 and \$86,101, respectively.

### Note 7 – Long-Term Debt

Notes payable consist of the following:

Note payable – Aurora Housing Authority (a related party), loaned \$2,800,000 to the Corporation which was subsequently loaned to Residences at First Avenue LLLP. The note payable is due and payable on January 31, 2036, if not repaid sooner. The note bears interest at 6.90% per annum, compounded annually. It is secured by the deed of trust on the property.

\$ 2,200,000

Long term debt service payments are due as follows:

2019	\$	-
2020		-
2021		-
2022		-
2023		-
Thereafter		<u>2,200,000</u>
		<u>\$ 2,200,000</u>

Accrued interest on notes payable as of December 31, 2018 and 2017 was \$2,545,239 and \$2,249,357, respectively.

### Note 8 – HOME Funds Payable

The Corporation has received HOME Funds through the Home Investment Partnership Act Program in the amounts of \$992,297, \$194,757 and \$600,000 in the years 2006, 2010 and 2011, respectively. These funds were used to provide additional affordable housing. These funds will



## **Aurora Housing Corporation**

---

be forgiven after a period of 30-years from date of inception as long as the Corporation maintains compliance with the HOME Investment Partnership Act Program.

### **Note 9 – Income Taxes**

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is recognized in the consolidated financial statements. It is exempt from income taxes under the provisions of Section 501(a) of the Code.

In the event the Corporation was to lose its tax exempt status, income tax expense for the tax reporting entity would include federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. No such differences existed as of December 31, 2018 and 2017.

The Corporation adopted the standard for *Accounting for Uncertainty in Income Taxes*. The entity recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit is recorded. Federal and state tax authorities (if applicable) generally have the right to examine and audit the previous three years of tax returns filed.

### **Note 10 – Commitments and Contingencies**

The Corporation participates in a number of federal, state and local programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Corporation may be required to reimburse the grantor government.

### **Note 11 – Due From Related Entities**

The Corporation advanced funds to Plaza Townhomes at Macon and Moline in the amount of \$96,127. The repayment of this amount is contingent upon additional equity infusions from the limited partner, available cash flow as permitted within the partnership agreement, and is non-interest bearing. The amount receivable as of December 31, 2018 and 2017 was \$96,127 and \$96,127, respectively.

## Aurora Housing Corporation

---

### Note 12 - Information about Liquidity

The Corporation's main funding sources are government grants and donations. There are no other significant sources of funding. Liquid assets include cash. Aside from the replacement reserve, there are no board designations regarding these assets. In the event of an unanticipated liquidity need, the Corporation can use, with board approval, funds in the replacement reserve.

The following represents financial assets available for cash needs for general expenditures within one year:

	<u>2018</u>	<u>2017</u>
Cash	<u>\$ 189,188</u>	<u>\$ 416,035</u>

### Note 13 – Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Corporation through August 28, 2019, and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

## **Supplemental Information**

# Aurora Housing Corporation

## Consolidating Statement of Financial Position As of December 31, 2018

	AHC Housing Development	Tenant Services	1680 Hanover LLC	H & H Development	Eliminations	Total
<b>Assets</b>						
<b>Current Assets</b>						
Cash	\$ 267,532	\$ -	\$ -	\$ -	\$ -	\$ 267,532
Accounts receivable - tenants - dwelling units	1,941	-	-	-	-	1,941
Accounts receivable - miscellaneous	3,875	22,560	-	-	-	26,435
Investments - unrestricted	1,576,643	-	-	-	-	1,576,643
Prepaid expenses	55,710	-	-	-	-	55,710
Total current assets	1,905,701	22,560	-	-	-	1,928,261
<b>Capital Assets</b>						
Land	-	-	-	12,000	-	12,000
Total capital assets	-	-	-	12,000	-	12,000
Net capital assets	-	-	-	12,000	-	12,000
<b>Other Non-Current Assets</b>						
Construction in process	-	-	-	4,468	-	4,468
Accounts receivable - interest	5,222,513	-	-	-	-	5,222,513
Development fee receivable	284,263	-	-	-	-	284,263
Due from related entity	96,127	-	-	-	-	96,127
Interfund receivable	16,468	-	-	-	(16,468)	-
Investment in partnerships	(515)	-	-	-	-	(515)
Notes, loans and mortgages receivable	4,800,760	-	-	-	-	4,800,760
Total non-current assets	10,419,616	-	-	4,468	(16,468)	10,407,616
<b>Total Assets</b>	<b>\$ 12,325,317</b>	<b>\$ 22,560</b>	<b>\$ -</b>	<b>\$ 16,468</b>	<b>\$ (16,468)</b>	<b>\$ 12,347,877</b>
<b>Liabilities and Net Assets (Deficit)</b>						
<b>Non-Current Liabilities</b>						
HOME funds payable	\$ 1,787,054	\$ -	\$ -	\$ -	\$ -	\$ 1,787,054
Accrued interest payable	2,545,239	-	-	-	-	2,545,239
Interfund payable	-	-	-	16,468	(16,468)	-
Mortgage payable	2,200,000	-	-	-	-	2,200,000
Total non-current liabilities	6,532,293	-	-	16,468	(16,468)	6,532,293
<b>Total Liabilities</b>	<b>6,532,293</b>	<b>-</b>	<b>-</b>	<b>16,468</b>	<b>(16,468)</b>	<b>6,532,293</b>
<b>Net Assets (Deficit)</b>						
Net assets (deficit) without donor restrictions	5,793,024	22,560	-	-	-	5,815,584
Total net assets (deficit)	5,793,024	22,560	-	-	-	5,815,584
<b>Total Liabilities and Net Assets (Deficit)</b>	<b>\$ 12,325,317</b>	<b>\$ 22,560</b>	<b>\$ -</b>	<b>\$ 16,468</b>	<b>\$ (16,468)</b>	<b>\$ 12,347,877</b>

## Aurora Housing Corporation

### Consolidating Statement of Activities For the Year Ended December 31, 2018

	AHC Housing Development	Tenant Services	1680 Hanover LLC	H & H Development	Eliminations	Total
<b>Operating Revenue</b>						
Government grants	\$ -	\$ 54,726	\$ -	\$ -	\$ -	\$ 54,726
Other revenue	19,057	24,189	-	-	-	43,246
Total operating revenue	<u>19,057</u>	<u>78,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,972</u>
<b>Operating Expenses</b>						
Administrative	138,670	68,794	650	3,450	-	211,564
Tenant services	-	68,674	-	-	-	68,674
Interest expense	295,882	-	-	-	-	295,882
General expenses	13,740	-	-	-	-	13,740
Total operating expenses	<u>448,292</u>	<u>137,468</u>	<u>650</u>	<u>3,450</u>	<u>-</u>	<u>589,860</u>
<b>Other Income (Expenses)</b>						
Interest income - notes/dev fees receivable	646,690	-	-	-	-	646,690
Interest income	14,302	-	-	-	-	14,302
Write off construction in progress	-	-	-	(27,578)	-	(27,578)
Depreciation expense	(28)	-	-	-	-	(28)
Net other income (expenses)	<u>660,964</u>	<u>-</u>	<u>-</u>	<u>(27,578)</u>	<u>-</u>	<u>633,386</u>
<b>Change in Net Assets (Deficit) Without Donor Restrictions</b>	<u>\$ 231,729</u>	<u>\$ (58,553)</u>	<u>\$ (650)</u>	<u>\$ (31,028)</u>	<u>\$ -</u>	<u>\$ 141,498</u>

**Single Audit Section**

## Aurora Housing Corporation

---

### Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2018

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA <u>Number</u>	Grant or Identifying <u>Number</u>	Federal <u>Expenditures</u>
Department of Housing and Urban Development:			
HOME Investment Partnership Program	14.239	N/A	\$ 1,787,054
Department of Housing and Urban Development:			
Passed through the City of Aurora: Emergency Shelter Grants Program	14.231	E-17-MC-08-0005	54,726
Total			<u>\$ 1,841,780</u>

#### Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Aurora Housing Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of *Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

#### Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of *Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through identifying numbers are presented where available.

#### Note 3 – HOME Funds

The Corporation has received HOME Funds through the Investment Partnership Act Program. The funds bear no interest and will be forgiven after a period of 30-years from the date of inception as long as the Corporation maintains compliance with the HOME Investment Partnership Act Program. As of December 31, 2018, the HOME funds balance was \$1,787,054.

## **Aurora Housing Corporation**

---

### **Note 4 – Indirect Cost Rate**

The Corporation has elected not to use the 10% indirect cost rate allowed under Uniform Guidance.



**Independent Auditor's Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Board of Directors  
Aurora Housing Corporation  
Aurora, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Aurora Housing Corporation, which comprise the statement of financial position as of December 31, 2018, and the related statements activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon August 28, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Aurora Housing Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Aurora Housing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Aurora Housing Corporation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Aurora Housing Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Aurora Housing Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Aurora Housing Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Aurora Housing Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Comer, Nowling And Associates, P.C.*

Comer, Nowling And Associates, P.C.  
Indianapolis, Indiana  
August 28, 2019

**Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance Required by the *Uniform Guidance***

Board of Directors  
Aurora Housing Corporation  
Aurora, Colorado

**Report on Compliance for Each Major Program**

We have audited Aurora Housing Corporation's compliance with the types of compliance requirements described in the *Uniform Guidance*, that could have a direct and material effect on each of Aurora Housing Corporation's major federal programs for the year ended December 31, 2018. Aurora Housing Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Aurora Housing Corporation's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Aurora Housing Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major program. However, our audit does not provide a legal determination of Aurora Housing Corporation's compliance.

**Opinion on Each Major Program**

In our opinion, Aurora Housing Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified above for the year ended December 31, 2018.

## **Report on Internal Control Over Compliance**

Management of Aurora Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Aurora Housing Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Aurora Housing Corporation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit the attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses* or *significant deficiencies*. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

***Comer, Nowling And Associates, P.C.***

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

August 28, 2019

**Aurora Housing Corporation**

---

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes  No

Significant deficiencies identified? Yes  No

Noncompliance material to financial statements noted? Yes  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? Yes  No

Significant deficiencies identified? Yes  No

Type of auditors report issued: Unmodified

Any audit findings disclosed required to be reported in  
Accordance with the *Uniform Guidance* Yes  No

Identification of major programs audited

CFDA Number(s)  
14.239

Name of Federal Program or Cluster  
HOME Investment Partnership Program

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? Yes  No

**Section II – Financial Statement Findings**

See schedule of findings and questioned costs.

**Section III – Federal Award Findings and Questioned Costs**

See schedule of findings and questioned costs.

**Aurora Housing Corporation**

---

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018**

**For the Year Ended December 31, 2018:**

There were no findings or questioned costs for the year ended December 31, 2018.

**For the Year Ended December 31, 2017:**

There were no findings or questioned costs for the year ended December 31, 2017.