

**Urban Redevelopment Authority
of Pittsburgh**

Housing Opportunity Fund Financial Statements

Year Ended December 31, 2020
with Independent Auditor's Report

MaherDuessel

Pursuing the profession while promoting the public good©
www.md-cpas.com

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

HOUSING OPPORTUNITY FUND

YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Balance Sheet	1
Statement of Revenues, Expenditures, and Changes in Fund Balance	2
Notes to Financial Statements	3

Supplementary Information:

Statement of Administrative Expenses	7
--------------------------------------	---

Independent Auditor's Report

**Board of Directors
Urban Redevelopment
Authority of Pittsburgh**

We have audited the accompanying financial statements of the Urban Redevelopment Authority of Pittsburgh (URA) – Housing Opportunity Fund as of and for the year ended December 31, 2020, and the related notes to the 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the URA – Housing Opportunity Fund as of December 31, 2020, and the changes in its financial position for year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the URA – Housing Opportunity Fund and do not purport to, and do not present fairly the financial position of the URA as of December 31, 2020, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the URA – Housing Opportunity Fund. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Maher Duessel

Pittsburgh, Pennsylvania
June 2, 2021

**URBAN REDEVELOPMENT AUTHORITY
OF PITTSBURGH**

HOUSING OPPORTUNITY FUND

BALANCE SHEET

DECEMBER 31, 2020

Assets	
Cash and investments	\$ 20,412,517
Loans receivable, net	363,619
Other accounts receivable	5,000
	<hr/>
Total Assets	\$ 20,781,136
	<hr/> <hr/>
Liabilities and Fund Balance	
<hr/>	
Liabilities:	
Accounts payable	\$ 9,766
Due to other funds	178,242
	<hr/>
Total Liabilities	188,008
	<hr/>
Deferred Inflows of Resources:	
Unavailable revenue	363,619
	<hr/>
Fund Balance:	
Restricted for program	20,229,509
	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 20,781,136
	<hr/> <hr/>

See accompanying notes to contract financial statements.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

HOUSING OPPORTUNITY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2020

Revenues:

Grant revenue	\$ 10,000,000
Interest income	93,234
Loan repayments	10,157
Other revenue	4,050
	<hr/>
Total revenues	10,107,441

Expenditures:

Administrative	820,668
Urban development - Housing Program	
Down payment/closing cost assistance	705,300
Homeowner assistance	2,352,249
Rental gap	1,301,497
Housing stabilization	1,007,929
For Sale Development	471,283
Demonstration	102,170
Other	6,557
	<hr/>
Total contract expenditures	6,767,653

Net Change in Fund Balance

3,339,788

Fund Balance:

Beginning of year	<hr/> 16,889,721
End of year	<hr/> <hr/> \$ 20,229,509

See accompanying notes to contract financial statements.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

HOUSING OPPORTUNITY FUND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

1. Organization

The Urban Redevelopment Authority of Pittsburgh (URA) was established in 1946 under the Pennsylvania Urban Redevelopment Law. The URA acquires and clears blighted property; initiates rebuilding with the private sector; negotiates with the federal, state, county, and local governments for public funds and facilities; and works to maintain and improve Pittsburgh neighborhoods and business districts. Funding for the URA projects and programs is obtained primarily through revenue bonds and intergovernmental grants.

2. Project Description

In December 2017, the City of Pittsburgh (City) committed \$10 million per year for 12 years, generated from an increase in real estate transfer taxes, to source a Housing Opportunity Fund (HOF). The Mayor appointed a 17-person Advisory Board (Board) to administer the fund in June 2018 and entered into a cooperation agreement with the URA to carry out program objectives. The URA created a new department, the Housing Opportunity Fund Department, to staff this initiative. The HOF staff and the Board created an allocation plan for the 2018 funding and new programs and program guidelines. The HOF programs include:

- Down Payment and Closing Cost Assistance (DPCCAP) provides financing to first-time homebuyers in the City to help make the purchase of a home affordable. This program is designed to help stimulate housing investment in the City by providing financial assistance to potential homebuyers for the purpose of purchasing an existing or newly constructed residential unit.
- Homeowner Assistance Program (HAP) provides financial and technical assistance to eligible homeowners for rehabilitating and improving residential owner-occupied properties citywide.
- Rental Gap Program (RGP) will be used to help fund the creation of new affordable housing and/or preserve existing affordable housing in the City. The HOF RGP provides loans to developers for the creation and/or preservation of affordable units.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

HOUSING OPPORTUNITY FUND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

- Housing Stabilization Program (HSP) provides one-time or short-term (no more than 12 months) funding to help with emergency housing expenses such as rent and utilities. It is designed to assist participants to stabilize their current housing, or facilitate access to appropriate housing, and prevent homelessness. The program will also allow for legal eviction prevention services, including legal consultation and representation for eviction defense and/or related supportive services.
- For-Sale Development Program (FSDP) provides construction financing to developers with non-profit applicants for the substantial rehabilitation or new construction of for-sale housing.

The accompanying financial statements include only the financial position and results of operations of the HOF. These financial statements are not intended to present the financial position and results of operations of the URA.

3. Summary of Significant Accounting Policies

Basis of Accounting/Measurement Focus

The accompanying financial statements have been prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value. The URA categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

HOUSING OPPORTUNITY FUND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

significant unobservable inputs. The investments in Money Market Funds of \$20,412,517 at December 31, 2020 are valued using quoted market prices (Level 1 inputs).

Money market investments are subject to credit risk and are rated Aaa by Moody's at December 31, 2020.

Due to Other Funds

The due to other funds represents amounts owed to the URA Administrative Revolving Fund for administrative costs allocated to HOF.

Loans Receivable

Loans receivable are recognized when the loan is established for loans with terms of thirty years or less. Loan balances are fully offset by unavailable revenue as loan repayments are not considered to be available as current resources. Loans with amortization terms greater than thirty years or which are repayable on a contingent basis such as the sale of the property or completion of development are treated as grants for accounting purposes and recorded as expenditures when disbursed or are fully reserved.

It is the HOF's policy to provide for future losses on loans based on an evaluation of the current loan portfolio, current economic conditions, and such other factors which, in the HOF's judgement, may impact collectability. At December 31, 2020, the total allowance for uncollectible loans, including those repayable on a contingent basis and fully reserved at the time of issuance, was \$3,929,621.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The HOF has only one type of item that qualifies for reporting in this category, unavailable revenue related to long-term loans receivable.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

HOUSING OPPORTUNITY FUND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Fund Balance

The fund balance of the HOF is considered restricted. The restricted fund balance category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are restricted for specific expenditure under agreement with grantors.

4. Program Expenditures

In 2020, the HOF continued to operate all five HOF Programs (Down Payment & Closing Cost Assistance, the Homeowner Assistance Program, the Housing Stabilization Program (HSP), the Rental Gap Program, and the For-Sale Development Program) and disburse the funds in the form of amortizing loans, cash flow loans, deferred loans and/or grants. Additionally, for the HSP program the funds were used to pay social service program administrators via contracts to operate the rental assistance program. Furthermore, a sixth program was created in 2020 called the Demonstration Program. The Program was sourced by 2019 HOF funds and the Demonstration Program helped to increase the capacity of the HSP program when COVID began to affect the economy in the Spring of 2020.

Administrative expenses include costs allocated from the URA and primarily represent personnel costs charged based on actual hours worked on HOF activity.

5. Subsequent Events

In early 2020, an outbreak of a novel strain of coronavirus was identified, and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. The extent of the negative impact of the coronavirus on HOF's operational and financial performance is currently uncertain and cannot be predicted, and will depend on certain developments, including, among others, the duration and spread of the outbreak, its impact on HOF's funders, employees, and vendors, and governmental, regulatory, and other responses to the coronavirus.

SUPPLEMENTARY INFORMATION

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

HOUSING OPPORTUNITY FUND

STATEMENT OF ADMINISTRATIVE EXPENDITURES

YEAR ENDED DECEMBER 31, 2020

Administrative Expenditures:

URA administrative allocation:

Personnel	\$	706,828
Management fees		100,000
Other		3,269
Audits		<u>10,571</u>
Total administrative expenditures	\$	<u><u>820,668</u></u>