



HOUSING HOPE AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2022

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Independent Auditor's Report

To the Board of Directors
Housing Hope
Everett, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Housing Hope and Subsidiaries (collectively, the Agency), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of June 30, 2022, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Report on Summarized Comparative Information

We have previously audited the Agency's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, including comparative totals, shown on pages 53 to 56 is presented for purposes of additional analysis, and is 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.

The information on the community served and donated hours included in Notes 1 and 2, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2023 on our consideration of the Agency'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 solely 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 the effectiveness of the Agency's 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 Agency's internal control over financial reporting and compliance.

Clark Nuber P.S.

Certified Public Accountants
August 4, 2023

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Financial Position June 30, 2022 (With Comparative Totals for 2021)

	2022	2021
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,235,119	\$ 1,451,415
Short-term investments (Note 4)		350,592
Accounts receivable, net of an allowance for doubtful accounts of \$182,555 (\$81,684 - 2021)	273,973	609,094
Grants and contracts receivable	466,882	401,830
Due from affiliates (Note 15)	786,020	797,771
Current portion of notes receivable, accrued interest and developer fees due from affiliates (Note 15)	251,053	466,148
Pledges receivable, current portion (Note 5)	10,756	45,331
Real estate inventory	771,801	675,959
Prepaid expenses and other current assets	109,737	85,083
Total Current Assets	4,905,341	4,883,223
Assets designated by board for long-term reserves and investment in long-term assets (Note 6)	1,919,075	3,167,221
Assets restricted by donors for the acquisition of long-term assets (Note 8)	1,487,489	678,937
Assets restricted by donors for endowments and long-term reserves (Note 8)	8,573,345	6,616,095
Pledges receivable, long-term portion (Note 5)	51,134	23,443
Self-help family loans receivable	365,834	434,683
Restricted reserves and deposits (Note 3)	661,834	412,061
Funds held in trust (Note 16)	33,673	97,488
Land, buildings, and equipment, net (Note 9)	42,661,295	36,359,315
Notes receivable, accrued interest and deferred developer fees due from affiliates, net of current portion (Note 15)	17,601,111	17,451,425
Project development costs (Note 10)	1,144,228	3,266,967
Investment in limited partnerships and limited liability companies	(552)	663,948
Total Assets	\$79,403,807	\$74,054,806
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,048,908	\$ 1,678,457
Deferred revenue	27,399	99,341
Current portion of accrued interest	106,929	108,167
Short-term borrowings (Note 11)	658,561	1,064,450
Current portion of long-term debt (Note 12)	1,736,461	2,495,628
Total Current Liabilities	4,578,258	5,446,043
Accrued long-term expenses	294,859	280,857
Accrued interest on long-term debt	1,797,381	1,525,056
Deferred Rent Liability	1,233,479	775,396
Long-term debt, net of current portion, present value discount, and unamortized financing fees (Note 12)	29,006,370	27,418,195
Total Liabilities	36,910,347	35,445,547
Net Assets:		
Without donor restriction-		
Undesignated	23,345,571	20,609,777
Designated by the Board of Directors (Note 6)	3,031,611	4,403,466
Total without donor restriction	26,377,182	25,013,243
With donor restriction-		
With donor restriction for time or purpose (Note 7)	8,228,554	7,688,549
With donor restriction in perpetuity (Note 7)	7,887,724	5,907,467
Total with donor restriction	16,116,278	13,596,016
Total Net Assets	42,493,460	38,609,259
Total Liabilities and Net Assets	\$79,403,807	\$74,054,806

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Activities For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

	2022			2021
	Without Donor Restriction	With Donor Restriction	Total	
Operating Activities				
Support, Revenue and Gains:				
Contributions	\$ 2,960,269	\$ 726,718	\$ 3,686,987	\$ 2,472,418
In-kind contributions	78,693		78,693	342,324
United Way	210,000		210,000	259,460
Fees and grants from governmental agencies	2,608,530		2,608,530	3,018,567
Program service fees and rents	6,938,976		6,938,976	5,726,844
Management and development fees	455,834		455,834	505,598
Paycheck Protection Plan Loan Forgiveness				1,594,080
Loss on the sale of real estate inventory and other assets				(13,598)
Interest and other income (loss)	(430,802)	(38,656)	(469,458)	2,617,739
Total Operating Support, Revenue and Gains	12,821,500	688,062	13,509,562	16,523,432
Net assets released from restrictions	639,504	(639,504)		
Total Operating Support, Revenue and Gains	13,461,004	48,558	13,509,562	16,523,432
Expenses:				
Housing development	1,071,636		1,071,636	1,105,486
Property management	5,337,237		5,337,237	4,593,456
Social services	4,176,638		4,176,638	4,113,803
HopeWorks	3,918,357		3,918,357	3,241,900
Resource development	496,760		496,760	596,607
Administration	2,009,231		2,009,231	1,778,079
Total Operating Expenses (Including depreciation of \$1,516,646 and \$1,372,062 for 2022 and 2021, respectively)	17,009,859		17,009,859	15,429,331
Change in Net Assets From Operating Activities	(3,548,855)	48,558	(3,500,297)	1,094,101
Nonoperating Activities				
Release of restricted assets - forgivable loan amortization	317,105	(317,105)		
Contributions for the acquisition of long-term assets		1,000,000	1,000,000	
Contribution for endowments		1,980,257	1,980,257	
Net assets released from restriction for the acquisition of long-term assets	191,448	(191,448)		
In-kind contribution of property and other long-term assets	4,404,241		4,404,241	1,300,352
Change in Net Assets From Nonoperating Activities	4,912,794	2,471,704	7,384,498	1,300,352
Change in Net Assets	1,363,939	2,520,262	3,884,201	2,394,453
Net assets, beginning of year	25,013,243	13,596,016	38,609,259	36,214,806
Net Assets, End of Year	\$26,377,182	\$16,116,278	\$42,493,460	\$38,609,259

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

	Program Services					Supporting Services			2022 Total	2021 Total
	Housing Development	Property Management	Social Services	HopeWorks	Total Program Services	Resource Development	Administration	Total Supporting Services		
Personnel:										
Salary and wages	\$ 690,331	\$ 1,209,837	\$ 2,743,621	\$ 1,738,775	\$ 6,382,564	\$ 376,700	\$ 1,378,356	\$ 1,755,056	\$ 8,137,620	\$ 7,061,047
Payroll taxes	78,907	148,570	262,167	197,084	686,728	32,797	118,619	151,416	838,144	782,263
Employee benefits	69,117	94,247	237,322	126,576	527,262	29,279	136,924	166,203	693,465	663,597
Total Personnel	838,355	1,452,654	3,243,110	2,062,435	7,596,554	438,776	1,633,899	2,072,675	9,669,229	8,506,907
Professional fees	15,168	158,917	248,398	61,088	483,571	5,234	83,911	89,145	572,716	753,356
Supplies	61,793	11,607	128,798	131,065	333,263	1,717	24,564	26,281	359,544	260,657
Printing and postage	11,056	8,430	15,405	6,937	41,828	9,573	3,706	13,279	55,107	53,932
Information technology	11,018	86,224	112,396	32,298	241,936	8,234	79,892	88,126	330,062	292,113
Occupancy	32,472	660,574	65,341	682,919	1,441,306	1,493	3,310	4,803	1,446,109	1,251,061
Maintenance and repairs	1,182	467,820	61,322	117,422	647,746	3,362	31,229	34,591	682,337	523,053
Equipment and furniture	8,800	123,538	11,436	65,657	209,431	93	493	586	210,017	162,088
Vehicles	1,218		11,676	73,022	85,916				85,916	62,034
Insurance	5,823	156,832	33,741	41,861	238,257	1,846	405	2,251	240,508	173,837
Education and training	994	3,434	12,675	31,289	48,392	825	10,039	10,864	59,256	35,230
Mileage and travel	3,144	13,805	17,806	2,105	36,860	137	1,529	1,666	38,526	29,440
Client assistance	61,880	29,288	129,501	21,795	242,464	3,077		3,077	245,541	421,021
Interest, taxes and fees	13,980	777,674	22,639	184,862	999,155	10,777	88,701	99,478	1,098,633	1,061,528
Marketing and advertising	4,740	10,817	21,413	44,034	81,004	7,754	6,432	14,186	95,190	50,721
Miscellaneous	13	101,131	3,882	163,502	268,528	3,862	32,132	35,994	304,522	420,291
Total Expenses Before Depreciation	1,071,636	4,062,745	4,139,539	3,722,291	12,996,211	496,760	2,000,242	2,497,002	15,493,213	14,057,269
Depreciation		1,274,492	37,099	196,066	1,507,657		8,989	8,989	1,516,646	1,372,062
	\$1,071,636	\$5,337,237	\$4,176,638	\$3,918,357	\$14,503,868	\$ 496,760	\$ 2,009,231	\$ 2,505,991	\$17,009,859	\$15,429,331

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Cash Flows For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ 3,884,201	\$ 2,394,453
Adjustment to reconcile change in net assets to net cash provided by operating activities-		
Realized and unrealized losses (gains)	1,182,022	(1,877,158)
Contributions for the acquisition of long-term assets	(1,000,000)	(275,093)
Contributions for endowments	(1,980,257)	
In-kind contribution of property and other assets	(4,404,241)	(1,300,352)
Amortization on forgivable loans	(317,105)	(488,264)
Paycheck Protection Program loan forgiveness		(1,594,080)
Loss on sale of real estate inventory and other assets		13,885
Depreciation	1,516,646	1,372,062
Decrease (increase) in assets:		
Accounts receivable	335,121	(347,373)
Grants and contracts receivable	(65,052)	(63,460)
Pledges receivable	6,884	131,288
Prepaid expenses	(24,654)	55,608
Self-help family loans receivable	68,849	27,661
Funds held in trust	63,815	35,457
Due from affiliates	11,751	78,636
Increase (decrease) in liabilities:		
Accounts payable, other accrued expenses and deferred revenue	2,638,079	326,607
Net Cash Provided (Used) by Operating Activities	1,916,059	(1,510,123)
Cash Flows From Investing Activities:		
Purchase of property, equipment and rehabilitation of property	(202,359)	(41,620)
Acquisition of predevelopment costs	(1,865,591)	(3,237,285)
Investment in real estate inventory	(95,842)	(676,806)
Proceeds from sale of real estate inventory		1,298,906
Repayment of notes receivable	2,506,530	1,062,127
Issuance of notes receivable	(2,441,121)	(295,198)
Investment in limited partnerships and limited liability companies	193	675,625
Purchase of short-term investments		(225,792)
Sale of short-term investments	350,592	
Net change in assets whose use is limited or restricted	(1,820,429)	(3,816)
Net Cash Used by Investing Activities	(3,568,027)	(1,443,859)
Cash Flows From Financing Activities:		
Proceeds from issuance of long-term debt	1,294,933	991,166
Repayment of long-term debt	(304,607)	(1,279,578)
Proceeds from short-term borrowings	1,657	400,000
Repayment of short-term borrowings	(407,546)	(409,098)
Contributions received for endowments	1,980,257	
Contributions received for long-term purposes	1,000,000	275,093
Net Cash Provided (Used) by Financing Activities	3,564,694	(22,417)
Net Change in Cash and Cash Equivalents	1,912,726	(2,976,399)
Cash and cash equivalents, beginning of year	2,681,688	5,658,087
Cash and Cash Equivalents, End of Year	\$ 4,594,414	\$ 2,681,688

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Cash Flows (Continued) For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sums to the total of the same such amounts shown in the consolidated statements of cash flows:

Cash and cash equivalents	\$ 2,235,119	\$ 1,451,415
Restricted reserves and deposits	661,834	412,061
Cash portion of assets designated by board for long-term reserves and long-term assets	310,433	284,200
Cash portion of assets restricted for acquisition of long-term assets	<u>1,387,028</u>	<u>534,012</u>
Total Cash, Cash Equivalents and Restricted Cash Shown in the Consolidated Statements of Cash Flows	<u>\$ 4,594,414</u>	<u>\$ 2,681,688</u>
Supplementary Disclosures:		
Cash paid during the year for interest	\$ 79,978	\$ 133,537

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 1 - Organization and Purpose

The consolidated financial statements of Housing Hope and Subsidiaries (collectively, the Agency) include the activities of Housing Hope and its subsidiaries, Building Credits, Housing Hope Properties and HopeWorks Social Enterprises.

Housing Hope was incorporated on November 9, 1987 as a not-for-profit corporation in the State of Washington. Housing Hope's mission is to promote and provide affordable housing and tailored services to reduce homelessness and poverty for residents of Snohomish County and Camano Island. Housing Hope accomplishes this through cooperation with other service agencies and through the direct construction or acquisition and subsequent management of real properties at various sites all located in Snohomish County, State of Washington.

Housing Hope Properties was incorporated on March 23, 1992 as a not-for-profit corporation in the State of Washington to acquire, lease, rehabilitate, construct and otherwise provide decent, safe, sanitary, and affordable housing for extremely low and low-income families and individuals residing in Snohomish County, Washington. Housing Hope Properties' other purposes include providing technical assistance and expanding the capacity of other nonprofit organizations interested in providing, developing, or managing decent, safe, sanitary and affordable housing for extremely low and low-income families and individuals in Snohomish County, Washington. Housing Hope Properties is the Managing Member of Monroe Family Village LLC HopeWorks Station II LLLC, PSP Manager LLC, Possession Sound Properties LLC, Twin Lakes Landing LLC and Twin Lakes Landing LLC. It is also the sole member of TLL Manager LLC. These entities are not consolidated into these financial statements.

Building Credits was incorporated on June 27, 1994, as a not-for-profit corporation in the State of Washington to foster low-income housing through involvement directly or as the general partner/managing member in tax credit entities engaged in the acquisition, development and management of low-income housing. During the year ended June, 30, 2022, Building Credits became the sole member of New Century Village LLC, whose financial statements are consolidated herein.

HopeWorks Social Enterprises (HopeWorks) was incorporated in the State of Washington on January 11, 2011, as a Washington not-for-profit corporation to help low-income, Snohomish County residents achieve self-sufficiency through social enterprises that provide training and pathways to living-wage jobs. HopeWorks operates three social enterprises, Groundworks Landscaping, Renew Home & Decor and Kindred Kitchen.

The Agency provides the following service programs:

Housing Development - The development of new housing units is accomplished through securing land and properties for construction or rehabilitation. During the year ended June 30, 2022, construction continued for the creating of the 60-unit Twin Lakes Landing II project in Marysville. Planning and predevelopment work commenced for two new multifamily rental developments: Edmonds Lutheran Church Field Apartments (52 units, Edmonds) and Scriber Place (52 units, Lynnwood). The agency also continued site work development efforts on the 19-unit Blue Mountain Meadows project in Sultan, which will support two homeownership build groups for the Team HomeBuilding program.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 1 - Continued

Team HomeBuilding - The Team HomeBuilding program is included in the Housing Development column on the consolidated statement of functional expenses. This home ownership program is funded through the United States Department of Agriculture Rural Development (USDA-RD) Sec. 523 Technical Assistance Grant. Additionally, the program participants receive a federally assisted USDA-RD direct Section 502 loan that enables families to use their own labor instead of a down payment to reach their goal of home ownership. Using a collective process of owner-builder home construction, Team HomeBuilding assists groups of 5 to 10 families as they work together to build homes. During the year ended June 30, 2022, the program was engaged in securing future land development.

Property Management - The Agency self-performs property management services for all projects in its multifamily housing portfolio. The property management department is responsible for occupancy, compliance, fiscal management and maintenance at all sites. During the year ended June 30, 2022, households living in Housing Hope facilities (including tax credit properties) totaled 541 in 316 low-income, 219 homeless and 6 emergency shelter units.

Social Services - The Agency provides service enriched permanent affordable housing to help families stabilize, build skills and resources for a better future and ultimately escape poverty. Specific services provided include: family support services, College of Hope adult life skills education program, adult education and employment counseling. During the year ended June 30, 2022, the Agency provided emergency shelter to 52 individuals from 19 households and service enriched homeless housing to 684 individuals from 287 households. The College of Hope program provided 2,058 hours of adult life skills education to 230 individuals.

ChildHope - The ChildHope program is comprised of four individual programs: Tomorrow's Hope Child Development Center, parenting education courses at the College of Hope, Housing Hope's Teen and Young Families Program, and in-home interventions provided by Child and Family Specialists. Each of these programs help homeless and very low-income children recover from early traumas, setting them on the path toward a lifetime of success. During the year ended June 30, 2022, Tomorrow's Hope Child Development Center served 87 children and 93 parents from 63 households. These programs are included in the Social Services column on the consolidated statement of functional expenses.

HopeWorks - HopeWorks provided job training services to 46 homeless or low-income trainees in its three social enterprises: GroundWorks Landscaping Services, ReNew Home and Decor, and Kindred Kitchen (formerly CafeWorks). Upon completion, 75% of graduating HopeWorks trainees were successful in achieving employment or continuing their education post-graduation and 57% of HopeWorks trainees reported being employed or pursuing continuing education at six months after completing their training.

Please note that the program statistics in Note 1 above are for informational purposes and are unaudited.

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies of the Agency are described below:

Principles of Consolidation - The consolidated financial statements present the accounts of Housing Hope, Housing Hope Properties, Building Credits and HopeWorks. These accounts are consolidated as Housing Hope retains a controlling and economic interest in each of the entities. All significant intercompany transactions and balances have been eliminated.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 2 - Continued

The Agency is the General Partner or Managing Member in a number of low-income housing tax credit entities. The Agency reviewed the applicable guidance under accounting principles generally accepted in the United States of America (U.S. GAAP) and concluded that the Limited Partner or Investing Member possesses substantive participating rights and the Agency retains a minority ownership interest which precludes consolidation. The Agency's investment in those limited partnerships and limited liability companies is therefore recorded on the equity method. See Note 15 for further description of the low-income housing tax credit entities.

Basis of Presentation - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP. Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction - Net assets that are not subject to donor-imposed stipulations. All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Agency reports the support as without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Agency and/or the passage of time, or net assets subject to donor-imposed stipulations that will be maintained permanently by the Agency.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For reporting purposes, the Agency considers all investments in highly liquid debt instruments with an original maturity of three months or less, to be cash equivalents, excluding those included in the investment portfolio.

Receivables - Accounts, grants and contracts, and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts, grants and contracts or pledges receivable.

Conditional Contributions and Grants - Conditional contributions and grants are recognized as revenue in the period the conditions have been satisfied. Conditional grants for which conditions had not yet been met totaled approximately \$11,000 and \$420,000 at June 30, 2022 and 2021, respectively.

Self-Help Family Loans Receivable - As of June 30, 2022 and 2021, \$365,834 and \$434,683 outstanding receivables in self-help family loans, respectively, related to the Team Home Building program. If the related property is sold, the funds are repaid by the family owners to the Agency at that time.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 2 - Continued

Investments - Investments in marketable securities with readily determinable fair value are valued at their fair value in the consolidated statement of financial position. Unrealized gains and losses are included in the consolidated statement of activities.

Impairment of Fixed Assets and Real Estate Inventory - The Agency reviews its fixed assets and real estate inventory for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets.

Nonoperating Versus Operating - For purposes of the consolidated statement of activities, the Agency considers revenue related to the forgivable loan proceeds and amortization, contributions for acquisition of long-term assets and the related releases, contributions for endowments, and in-kind contributions of property and other long-term assets to be nonoperating activities.

Land, Buildings and Equipment - Land, buildings and equipment purchased by the Agency are recorded at cost. The Agency follows the practice of capitalizing all expenditures for land, buildings and equipment in excess of \$5,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided on the straight-line method based upon the estimated useful life of the assets as follows:

Buildings and improvements	27.5 - 40 years
Furniture and equipment	3 - 10 years
Vehicles	3 - 7 years

Financing Costs - Financing costs are recorded as a deduction to the related debt liability on the consolidated statement of financial position. Financing costs are amortized over the term of the applicable debt using the straight-line method. U.S. GAAP requires that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization of financing costs is included as a component of interest expense on the consolidated statement of functional expenses.

Real Estate Inventory - As part of normal operations, the Agency purchases land that will be developed as part of the Team HomeBuilding program. This land is recorded at the lower of cost or fair market value. In accordance with U.S. GAAP, there was no impairment losses recognized for the years ended June 30, 2022 and 2021.

Federal Income Taxes - Housing Hope and its subsidiaries have been notified by the Internal Revenue Service that they are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and are not classified as private foundations. Accordingly, no provision for income tax is reflected in these consolidated financial statements.

Retirement Plan - The Agency sponsors a 403(b) tax deferred annuity plan (the Plan). All employees may participate on a voluntary basis, there is no age or service requirement. Housing Hope's Board of Directors may authorize the Agency to match the employee's contribution, up to a given percentage based on years of service. During the years ended June 30, 2022 and 2021, the Agency contributed \$61,490 and \$64,465, respectively, to the Plan.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 2 - Continued

In-Kind Contributions - Throughout the year, the Agency receives in-kind contributions from various sources, including supplies and services from construction contractors. During the year ended June 30, 2022, a substantial number of volunteers, including members of the Board of Directors, donated 1,235 hours (unaudited) to the Agency program services and fund-raising campaigns, with an additional 11,024 hours (unaudited) donated on behalf of the Team HomeBuilding building groups at a total value of \$367,157 (unaudited). However, only donated services that meet the criteria for recognition under U.S. GAAP are reflected in the accompanying consolidated financial statements and at the fair values at the time of donation. The estimated value of such services is recorded as donated service revenue and as a cost of services in program or supporting services on the consolidated statement of functional expenses, or capitalized if applicable, provided either of the following qualifications is met:

- The services received create or enhance nonfinancial assets.
- The services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The following in-kind contributions were recognized in the consolidated financial statements during the year ended June 30:

	<u>2022</u>	<u>2021</u>
Donated goods and services - Tomorrow's Hope Childcare Center	\$ 4,207	\$ 5,836
Donated goods and services - Administration	1,792	4,405
Donated goods and services - College of Hope		300
Donated goods and services - Fundraising		383
Donated goods and services - Housing/Property Management		11,550
Donated property and other assets - New Century Village	4,404,241	
Donated property and other assets - Avondale		1,300,352
Donated goods, services and long-term assets - HopeWorks	2,610	
Donated goods for resale - ReNewWorks	5,088	218,640
Donated software and hardware - Technology		3,900
Donated goods and services - Social Services and Client Assistance	64,996	97,310
	<u>\$ 4,482,934</u>	<u>\$ 1,642,676</u>

The fair value is determined based on similar values in active markets where goods and services are consumed. No in-kind contributions are monetized with the exception of donated goods for resale for ReNewWorks, noted above.

Methods Used for Allocation of Expenses Among Program and Supporting Services - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Agency. Those expenses include, audit fees, depreciation, information technology, insurance, janitorial, office supplies, utilities. Audit fees, depreciation, janitorial, office supplies, and utilities, are allocated based on square footage basis. Information technology is based on a study of specific technology utilized.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 2 - Continued

Vulnerability From Certain Concentrations - The Agency receives fees and grants from federal, state, county, and municipal governments. Approximately 19% and 18% of total public support and revenue without donor restrictions (not including gains and losses generated by the sale of fixed assets and in-kind donations of long-term assets or property) for the years ended June 30, 2022, and 2021, respectively, was received from these grantors. The receipt of governmental funding is subject to audit by various governmental agencies, the outcome of which is not known until the audits are completed. Management is aware of these risks and has contingency plans available.

The Agency invests its excess cash and its endowment funds with financial institutions that, at times, may be in excess of the federally insured limits.

Insurance Pool - Housing Hope is a member of the Non-Profit Insurance Program (the Program) which is a property and liability risk and insurance pooling program for Washington nonprofit corporations authorized by the Revised Code of Washington Section 48.62. A board of directors, elected by membership, governs the Program. The Program contracts with a third-party administrator to conduct the day-to-day administrative, claims and risk management services. Pursuant to the provisions of the Membership Agreement, each member of the Program shall be contingently liable for the liabilities of the Program in the event the assets or insurance of the Program are not sufficient to cover its liabilities. The Program acquires property, general and auto liability, boiler and machinery, management legal liability, and crime insurance coverage for its members.

The Program acquires excess insurance from its insurance broker, Public Risk Underwriters. Liability coverage is purchased to an overall limit of \$5,000,000 per-occurrence with a self-insured retention of \$50,000. Property insurance is subject to a per-occurrence deductible of \$50,000. Members are responsible for the first \$2,500 of the deductible amount of each claim, while the pool is responsible for the remaining \$47,500. Housing Hope is not insured for equipment, breakdown, earthquake and flood coverages. Any actual or projected deficits of the Program shall be financed through retroactive assessments levied against each regular member of the Program in accordance with a cost allocation methodology that is based on each regular member's contribution or assessments to the Program since inception as a proportion of the total of all contributions or assessments to the Program since inception. A member may withdraw from the Program at the end of the Program's fiscal year provided it has given the Program 90 days written notice of its intent to withdraw. Even after termination, a member is still responsible for contribution to the pool for any unresolved, unreported and in-process claims for the period it was a signatory to the Membership Agreement.

Reclassifications - Certain accounts in the June 30, 2021 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in net assets for the year ended June 30, 2021.

Comparative Totals - The consolidated financial information includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Agency's consolidated financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Subsequent Events - The Agency has evaluated subsequent events through August 4, 2023, the date on which the consolidated financial statements were available to be issued.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 3 - Restricted Reserves and Deposits

The Agency is required to maintain cash in certain restricted deposits and funded reserves related to loans outstanding and security deposits held by the Agency's rental properties. All reserves are maintained in the custody of various banks. Restricted reserves and deposits were comprised of the following at June 30:

	<u>2022</u>	<u>2021</u>
WCRA maintenance and operating reserves	\$ 539,570	\$ 259,871
Custodial agreement deposits		29,944
Security deposits	109,201	109,190
Mountain Pacific reserves for Fleming duplexes	<u>13,063</u>	<u>13,056</u>
	<u><u>\$ 661,834</u></u>	<u><u>\$ 412,061</u></u>

Note 4 - Investments

Investments are presented in the consolidated statement of financial position as follows at June 30:

	<u>2022</u>	<u>2021</u>
Short-term investments	\$ -	\$ 350,592
Assets designated by board for long-term reserves and investment in long-term assets	1,608,642	2,532,429
Assets restricted by donors for endowments and long-term reserves	<u>8,573,345</u>	<u>6,616,095</u>
	<u><u>\$ 10,181,987</u></u>	<u><u>\$ 9,499,116</u></u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 4 - Continued

Interest and investment income consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 279,225	\$ 170,951
Realized and unrealized gains (losses)	(1,182,022)	1,877,158
Investment management fees	<u>(39,321)</u>	<u>(35,231)</u>
	<u><u>\$ (942,118)</u></u>	<u><u>\$ 2,012,878</u></u>

Interest and investment income is included in interest and other income in the consolidated statement of activities.

Valuation Techniques - U.S. GAAP requires management to measure the fair value of certain assets and liabilities based on observable and unobservable inputs which may fall into one of the three following categories:

Level 1 - Inputs are based on unadjusted quoted market prices for identical assets or liabilities within active markets;

Level 2 - Inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets; or

Level 3 - Inputs are primarily valued using management's assumptions.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used during the year ended June 30, 2022.

Money Market Funds - Money market funds are valued at cost plus accrued interest, which approximates fair value.

Mutual Funds - Valued at quoted market prices in active markets which represent the net asset value (NAV) of shares held by the Agency at year end.

Marketable Equity Securities - Valued at the closing price reported on the active market on which the securities are traded.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 4 - Continued

Fair Values Measured on a Recurring Basis - Fair values of assets measured on a recurring basis at June 30, 2022, and 2021, were as follows:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 2,169,242	\$ -	\$ -	\$ 2,169,242
Mutual funds-				
Large cap core	417,800			417,800
Large cap growth	197,550			197,550
Large cap value	465,462			465,462
Small/medium cap core	457,062			457,062
Small/medium cap growth	124,096			124,096
Small/medium cap value	338,823			338,823
International	708,413			708,413
Currency	51,360			51,360
Fixed income	914,578			914,578
Other	1,078,345			1,078,345
Total mutual funds	4,753,489			4,753,489
Marketable equity securities-				
Communication Services	204,591			204,591
Consumer Discretionary	548,102			548,102
Consumer Staples	127,666			127,666
Energy	79,438			79,438
Financial	316,452			316,452
Health Care	509,955			509,955
Information Technology	944,437			944,437
Industrials	390,954			390,954
Materials	92,963			92,963
Real Estate	29,904			29,904
Utilities	14,794			14,794
Total marketable equity securities	3,259,256			3,259,256
Total June 30, 2022	\$10,181,987	\$ -	\$ -	\$10,181,987
Total June 30, 2021	\$ 9,499,116	\$ -	\$ -	\$ 9,499,116

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 5 - Pledges Receivable

Pledges receivable at of June 30, are as follow:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 111,217	\$ 153,854
Receivable in one to five years	<u>58,362</u>	<u>86,923</u>
Total pledges receivable	169,579	240,777
Less discounts to net present value	(4,071)	(3,743)
Less allowance for uncollectible pledges receivable	<u>(3,157)</u>	<u>(23,334)</u>
Net Pledges Receivable	<u>\$ 162,351</u>	<u>\$ 213,700</u>

Pledges receivable due in more than one year are discounted at an annual rate of 3.25% for each additional year through the term of the pledge.

Pledges receivable were reported in the consolidated statement of financial position at June 30, are as follows:

	<u>2022</u>	<u>2021</u>
Pledges receivable, current portion	\$ 10,756	\$ 45,331
Pledges receivable, long-term portion	51,134	23,443
Assets restricted by donors for acquisition of long-term assets	<u>100,461</u>	<u>144,926</u>
	<u>\$ 162,351</u>	<u>\$ 213,700</u>

Note 6 - Board Designated Net Assets

In recognition of the need of working capital for growth, reserves and capital expansion, the Agency has made specific designations of its net assets without donor restrictions as of June 30, as follows:

	<u>2022</u>	<u>2021</u>
Working capital and other reserves	\$ 502	\$ 502
Reserve for the replacement or repair of long-term assets	300,698	283,698
Board designated quasi-endowment	<u>2,730,411</u>	<u>4,119,266</u>
	<u>\$ 3,031,611</u>	<u>\$ 4,403,466</u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 6 - Continued

Assets that were designated by the board for long-term reserves and investment in long-term assets consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 310,433	\$ 284,200
Investments	<u>1,608,642</u>	<u>2,883,021</u>
	<u>\$ 1,919,075</u>	<u>\$ 3,167,221</u>

The difference in the assets and the board designated net assets without donor restrictions balance is due to the endowment loan for operating activities (Note 14).

Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Restricted for program services	\$ 467,892	\$ 396,327
Acquisition of long-term assets	1,487,489	678,937
Forgivable loans (Note 13)	5,587,552	5,904,657
Endowment accumulated earnings	685,621	708,628
Endowment corpus	<u>7,887,724</u>	<u>5,907,467</u>
	<u>\$ 16,116,278</u>	<u>\$ 13,596,016</u>

At June 30, 2022 and 2021, the Agency had \$7,887,724 and \$5,907,467 of net assets with donor restrictions in perpetuity, respectively. The income from the investment of these assets may be used to fund operations. See Note 14 for further disclosure of the Agency's endowment funds.

The difference in the assets held and the net assets with donor restrictions are forgivable loans expended for program purposes (Note 13) and net assets restricted for program services which are not long-term in nature.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 7 - Continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Releases were for the following purposes for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Acquisition of long-term assets	\$ 191,448	\$ 295,000
Restricted for program expenses	639,504	948,095
Forgivable loan amortization	<u>317,105</u>	<u>488,264</u>
	<u>\$ 1,148,057</u>	<u>\$ 1,731,359</u>

Note 8 - Assets Restricted by Donors

Assets that were restricted by donors for endowments and long-term reserves consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Investments	<u>\$ 8,573,345</u>	<u>\$ 6,616,095</u>
	<u>\$ 8,573,345</u>	<u>\$ 6,616,095</u>

Assets that were restricted by donors for the acquisition of long-term assets consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,387,028	\$ 534,012
Pledges receivable	<u>100,461</u>	<u>144,925</u>
	<u>\$ 1,487,489</u>	<u>\$ 678,937</u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 9 - Land, Buildings and Equipment

Land, buildings and equipment at June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 9,562,483	\$ 8,512,483
Buildings and improvements	47,024,886	40,374,673
Furniture and equipment	1,856,255	1,794,263
Vehicles	<u>401,443</u>	<u>346,443</u>
	58,845,067	51,027,862
Less accumulated depreciation	<u>(16,183,772)</u>	<u>(14,668,547)</u>
Land, Buildings and Equipment, Net	<u><u>\$ 42,661,295</u></u>	<u><u>\$ 36,359,315</u></u>

Note 10 - Project Development Costs

Predevelopment costs have been incurred for the Twin Lakes Landing II project in Marysville, Everett Church of Christ, Edmonds Lutheran Church and Scriber Field, multi-building projects located in Arlington and Everett, respectively. The accumulated development costs for the projects at June 30, 2022 were \$305,445, \$33,173, \$688,201, and \$90,163 respectively, totaling \$1,116,982. Additionally, costs have been incurred for improvements at HopeWorks. The accumulated improvement costs at June 30, 2022 were \$27,246.

Note 11 - Short-Term Borrowings

UBS Loan Management Account - The Agency has a \$600,000 loan management account intended for operating needs renewed and available at a fixed rate of 3.60%, with a maturity date due upon demand. At June 30, 2022 and 2021, there was an outstanding balance of \$601,657 and \$600,000, respectively. The balance at June 30, 2022 included accrued interest. This loan is secured by the investment accounts at UBS.

Heritage Bank Business Loan - The Agency has a \$500,000 business loan intended for operating needs. The business loan has a variable rate of .50 percentage points over the WSJ Prime Index resulting in a rate initially set at 4.00% (3.25% at June 30, 2021), with a maturity date of February 28, 2022. The business loan was renewed on February 24, 2021 with the limit increased to \$750,000. The business loan has a variable rate of .75 percentage points over the WSJ Prime Index resulting in a rate initially set at 4.50% (5.50% at June 30, 2022). At June 30, 2022 and 2021, there was an outstanding balance of \$0 and \$400,000 respectively. This loan is secured by a Commercial Security Agreement dated February 24, 2021 giving the Lender a security interest in: all inventory, chattel paper, accounts, equipment and general intangible.

JP Morgan Chase Bank LOC - During the year ended June 30, 2022 and 2021, the Agency utilized the LOC for HopeWorks operating needs. The LOC has a variable interest rate of 2.300 percentage points over the Federal Prime Index (5.50% at June 30, 2022), with a maturity date due upon demand. At June 30, 2022 and 2021, there was an outstanding balance of \$56,904 and \$64,450, respectively.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12 - Long-Term Debt

Long-term debt consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
<u>ACQUISITION AND PREDEVELOPMENT LOANS</u>		
<u>US Bank</u>		
<u>Community Development Investment/EQ2 Loan 0000000026</u>		
Community development equity-equivalent debt investment (EQ2) loan to fund the Housing Opportunity Fund (HOF). Initial unsecured 10-year loan at fixed interest rate of 4% paid quarterly with 5 additional 1-year extensions available on request. This has been extended to 2023. (2502)	\$ 150,000	\$ 150,000
<u>Community Frameworks HHP-11-2</u>		
Community Frameworks Self-Help Homeownership Opportunity Program loan to fund eligible expenses of the Hegger Project in Monroe, Washington. 10-year loan secured by deed of trust on real estate with interest at 0%. One third of the loan may be forgiven at the end of the applicable HUD funding cycle. Loan is forgivable at maturity date of December 29, 2024. (2777T)	70,000	70,000
<u>Community Frameworks HHP-12-1</u>		
Community Frameworks Self-Help Homeownership Opportunity Program loan to fund eligible expenses of the Parkwood Estates Project in Arlington, Washington. 10-year loan secured by deed of trust on real estate with interest at 0%. One third of the loan may be forgiven at the end of the applicable HUD funding cycle. Loan is forgivable at maturity date of April 1, 2025. (2777U)	140,000	140,000
<u>Community Frameworks HHP-15-1</u>		
Community Frameworks Self-Help Homeownership Opportunity Program loan to fund eligible expenses of the Siegel Properties Subdivision in Sultan, Washington. 10-year loan secured by deed of trust on real estate with interest at 0%. One third of the loan may be forgiven upon completion of the project. The remaining two thirds of the loan are forgivable at maturity date of June 20, 2027. (2777V)	100,000	100,000
<u>Community Frameworks HHP-16-1</u>		
Community Frameworks Self-Help Homeownership Opportunity Program loan to fund eligible expenses of the Lake Martha Ridge Subdivision in Stanwood, Washington. 10-year loan secured by deed of trust on real estate with interest at 0%. Loan is forgivable at maturity date of March 31, 2027. (2777W)	135,000	135,000

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12 - Continued

	<u>2022</u>	<u>2021</u>
<u>Community Frameworks HHP-18-1</u> Community Frameworks Self-Help Homeownership Opportunity Program loan to fund eligible expenses of the Lake Martha Ridget Subdivision in Stanwood, Washington. 10-year loan secured by deed of trust on real estate with interest at 0%. Loan is forgivable at maturity date of October 2, 2029. (2777W)	120,000	120,000
<u>Community Frameworks HHP-18-2</u> Community Frameworks Self-Help Homeownership Opportunity Program loan to fund eligible expenses of the Blue Mountain Meadows in Sultan, Washington. 10-year loan secured by deed of trust on real estate with interest at 0%. Loan is forgivable at maturity date of December 17, 2031. (2777X)	285,000	
<u>Snohomish County - HOME/ADDL HCD-10-42-5789-048</u> Mortgage payable secured by real property in original amount of \$88,200, and all payments deferred and principal and interest at 0% to be paid at the end of the program when determined, subject to rent restriction covenant agreement. (2778C)	88,200	88,200
<u>Northern Trust LOC</u> Long-Term Unsecured Investment Bond with interest at 1%, compounded annually, with interest paid semi-annually on June 30 and December 31 each year. Par value is due and payable in full on March 9, 2023 along with any unpaid accrued interest. (2414)	1,000,000	1,000,000
<u>Impact Capital Pre-Development Loan - 2018202</u> Predevelopment loan for expenses associated with the predevelopment of the Twin Lakes Landing II project, a new project of 60 affordable rental units in Marysville, WA on land currently owned by Housing Hope. The maximum amount of the loan is \$1,460,240 with interest at 6% and outstanding balance due on November 30, 2021. Loan was assigned to Twin Lake Landing II as part of an asset purchase during the year ended June 30, 2019. The loan was paid in full during the year ended June 30, 2022. (2609)		1,340,117

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12- Continued

	<u>2022</u>	<u>2021</u>
ASPENWOOD		
<u>City of Everett - HTF 2060</u> Note payable secured by real property "2503 Howard - Condo unit #2" in Everett with all payments deferred and principal and interest at 3% due September 27, 2031, subject to a very low-income use provision. (2600E)	200,000	200,000
<u>City of Everett - HOME</u> Note payable secured by real property "2503 Howard - Condo unit #2" in Everett with all payments deferred and principal and interest at 1% due June 1, 2062, subject to a very low-income use provision. (2600G)	198,564	
<u>Boeing Employees' Credit Union Loan 3618961094</u> Note payable secured by Deed of Trust to Boeing Employees' Credit Union on "2503 Howard - Condo unit #2" property in Everett. Due in monthly installments of \$3,116 including principal and interest at 3.38%. Maturity date October 10, 2031 (2600F)	690,953	
AVANTI HOUSE		
<u>State of Washington - OCD HAP 5-92-410-32B</u> Mortgage payable secured by real property "Avanti House" with principal and interest at 0% deferred until 2043 and payments based on cash flow schedule subject to a low-income housing agreement. (2720)	194,653	194,653
AVONDALE		
<u>Pacific Premier Bank</u> Note payable to Pacific Premiere in the original amount of \$860,000; payable in monthly installments of \$4,926 for ten years, including interest at 6%; during 2017 adjusted to lesser of 7% or 125 basis points plus FHLB rate for additional 10 year period, adjusted payment was \$4,554 and rate was decreased to 3.75%; 20-year maturity, amortizing over 30 years; matures December 1, 2026; secured by deed of trust on real property. (2705)	612,615	643,314
<u>Snohomish County - Snoco Home 2005 #3</u> Note payable to Snohomish County under the HOME Investment Partnership Program, original amount \$330,000; non-interest bearing and subject to a rent restriction covenant; matures November 4, 2045; secured by deed of trust on real property. (2706C)	330,000	330,000

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12- Continued

	<u>2022</u>	<u>2021</u>
<u>State of Washington - HTF 06-41104-039</u> Note payable to Washington State Department of Commerce, from HOME Program funds, in the original amount of \$280,000; non-interest bearing and subject to a low-income housing covenant; matures September 30, 2046; secured by deed of trust on real property. (2706S)	280,000	280,000
COMMERCE BUILDING		
<u>Washington Community Reinvestment Association - (WCRA) 2-090323</u> Mortgage payable secured by real property "Commerce Building," original amount of \$880,000, 6.625% interest, monthly principal and interest payments of \$5,635 through May 1, 2035. (2725J)	708,175	728,151
<u>State of Washington Department of Commerce - HAP 5-93-491-9A</u> Mortgage payable secured by real property "Commerce Building," 0% interest, annual principal payments of \$11,900 through March 1, 2046 to be paid from available cash. As part of the CARES Act, payments were deferred on this loan from April 30, 2020 to December 31, 2022. (2725A)	309,400	309,400
<u>Snohomish County - OCHD AHTF 5-93-491-94</u> Mortgage payable secured by real property "Commerce Building," 0% interest, due and payable in full November 23, 2043. Subject to low-income housing covenant. (2725B)	75,000	75,000
<u>Snohomish County - HOME 1993 #3</u> Mortgage payable secured by real property "Commerce Building," 7.69% interest. Principal and interest due and payable in full October 4, 2035. Subject to HOME agreement. (2725G)	165,200	165,200
<u>City of Everett CDBG</u> Mortgage payable secured by real property "Commerce Building," 0% interest, due and payable in full November 14, 2044. (2725H)	50,000	50,000
<u>City of Everett CHIP</u> <u>Commerce Building Rehab - Windows</u> Note payable secured by real property "Commerce Building," with all payments deferred and principal and interest at 3% due and payable November 14, 2044. (2725C)	389,870	389,870

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12 - Continued

	<u>2022</u>	<u>2021</u>
<u>City of Everett</u>		
<u>Energy EECBG/ARRA Commerce Building</u>		
Note payable secured by real property "Commerce Building," with all payments deferred and principal and interest at 3% due and payable November 14, 2044. (2725E)	90,000	90,000
<u>City of Everett CHIP</u>		
<u>Energy EECBG/ARRA Commerce Building - Loan 54167</u>		
Note payable secured by real property "Commerce Building," with all payments deferred and principal and interest at 3% due and payable November 14, 2044. (2726)	395,147	395,147
CROSSROADS		
<u>State of Washington Department of Commerce - HAP 5-92-492-02B</u>		
Note payable secured by real property "Crossroads" with all payments deferred and principal and interest at 0% due and payable on January 13, 2025 subject to low-income housing agreement. As part of the CARES Act, payments were deferred on this loan from April 30, 2020 to December 31, 2022. (2730B)	125,000	125,000
EDMONDS LUTHERAN CHURCH		
<u>Impact Capital</u>		
Loan to purchase a portion of the cost of the acquisition of the Edmonds Lutheran Church property located at 23525 84th Ave W, Edmonds. The short-term non-interest loan of \$80,070 is due and payable on September 30, 2023. (2420)	80,070	
FAIRVIEW APARTMENTS		
<u>Peoples Bank: WSHFC #5042423-00901 Nonprofit Housing Revenue Bond</u>		
Privately placed bond secured by real property "Fairview Apartments" with interest at 2.98% payable in 360 monthly payments of \$5,498 beginning June 30, 2016 through June 1, 2036, and then equal monthly payments with interest at the Adjusted Variable Note Rate through maturity date of June 1, 2046. (2789D)	1,124,883	1,156,350
<u>Housing Authority of Snohomish County</u>		
Note payable secured by real property "Fairview Apartments" with simple interest at 1% accruing until May 31, 2031. Then monthly payments of \$21,016 principal and interest through April 30, 2046 with balloon payment due May 31, 2046. (2789I)	542,370	542,370

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12 - Continued

	<u>2022</u>	<u>2021</u>
FLEMING DUPLEXES		
<u>City of Everett CHIP</u> Note payable secured by real property "Hope Village Duplexes" with all payments deferred and principal and interest at 3% due and payable on August 10, 2027 subject to use as transitional housing. (2604D)	45,183	45,183
<u>Mountain Pacific Bank 129004711</u> Note payable secured by real property "Hope Village Duplexes" due in monthly payments of \$2,618 including principal and interest at 4.5% with a balloon payment of unpaid balance of principal and interest due on February 8, 2042. (2604M)	406,145	418,883
HOPE VILLAGE		
<u>Washington State Department of Commerce - HAP 96-493-201</u> Assigned note payable in the original amount of \$450,000, noninterest bearing, principal payments of \$15,000 due annually beginning December 31, 1998 for next 29 years, matures December 31, 2027, terms are in effect to December 31, 2047, collateralized by investment in real estate. (2745S)	120,000	120,000
<u>City of Everett CDBG</u> Assigned note payable under the Community Development Block Grant Program, noninterest bearing, principal due upon maturity at September 24, 2027, collateralized by investment in real estate. (2745A)	133,000	133,000
<u>City of Everett CDBG</u> Assigned note payable under the Community Development Block Grant Program, noninterest bearing, principal due upon maturity at October 16, 2027, collateralized by investment in real estate. (2745B)	100,200	100,200
<u>Snohomish County HUD</u> Assigned note payable under the HUD Supportive Housing Loan program, noninterest bearing, principal due upon maturity at November 1, 2047, collateralized by investment in real estate. (2745E)	400,000	400,000
<u>Snohomish County OCHD HOME</u> Assigned note payable under the HUD HOME Investment Partnerships Program, noninterest bearing, principal due upon maturity at November 1, 2047, collateralized by investment in real estate. (2745D)	289,000	289,000

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12 - Continued

HOPE VILLAGE II

Pacific Premier Bank

Assigned note payable in the original amount of \$415,000, 5.75% interest with monthly payments including principal and interest of \$2,445 with a balloon payment of the entire unpaid balance of principal and interest due on April 1, 2024. The loan is secured by a deed of trust on real estate "Hope Village II". (2774)

250,467 264,744

Washington State Department of Commerce - DCTED 02-49300-129

Assigned note payable in the original amount of \$210,000, 1.00% interest compounded quarterly with quarterly payments including principal and interest of \$1,594 with the unpaid balance of principal and interest due on July 31, 2043. The loan is secured by a deed of trust on real estate "Hope Village II". (2774A)

138,388 138,388

Snohomish County HOME

Assigned note payable in the original amount of \$135,000, noninterest bearing with the unpaid balance of principal due on August 7, 2053. The loan is secured by a deed of trust on real estate "Hope Village II". (2774B)

135,000 135,000

HOPEWORKS SOCIAL INVESTORS

Collateral backed notes secured by real property "HopeWorks Station", interest only payments made annually at the rate of 2% for 3 years, increasing to 3% for the next 2 years, and increasing to 4% until the maturity date of July 1, 2025 when the principal balance, along with any unpaid interest, is due and payable. A present value discount of \$235,645 has been recognized and reported at June 30, 2022, on the social investor notes due to the below market interest rate loans. (2648)

2,544,000 2,544,000

Collateral backed notes secured by real property "HopeWorks Station", interest only payments made annually at the rate of 2% for 3 years, increasing to 3% for the next 2 years with maturities through date of July 1, 2025, when the principal balance, along with any unpaid interest, is due and payable. A present value discount of \$43,157 has been recognized and reported at June 30, 2022, on the social investor notes due to the below market interest rate loans. (2648)

410,000 410,000

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12 - Continued

	<u>2022</u>	<u>2021</u>
<u>Howarth Trust</u> Collateral backed note secured by real property "HopeWorks Station", interest only payments made annually at the rate of 2% for 3 years, increasing to 3% for the next 2 years, and increasing to 4% until the maturity date of April 1, 2025 when the principal balance, along with any unpaid interest, is due and payable. (2647)	200,000	200,000
<u>Boeing Employees Credit Union</u> Collateral backed note secured by real property "HopeWorks Station", interest only payments made annually at the rate of 2% for 3 years, increasing to 3% for the next 2 years, and increasing to 4% until the maturity date of October 10, 2026 when the principal balance, along with any unpaid interest, is due and payable. A present value discount of \$23,460 has been recognized and reported at June 30, 2022, on the note due to the below market interest rate loan. (2789M)	346,000	346,000
KENNEDY COURT		
<u>CITY OF EVERETT/SNOHOMISH COUNTY HOME LOAN</u> Note payable secured by deed of trust on real property "Kennedy Court Apartments, Everett, WA" with all payments deferred and principal and interest at 3.0% to be paid at the completion of the term of the Amended HOME Loan Agreement on September 30, 2055. (2655B)	573,298	573,298
LINCOLN HILL VILLAGE		
<u>Snohomish County OCHD HOME</u> Note payable secured by real property "Lincoln Hill Village" with all payments deferred and principal and interest at 1% until 2030 then monthly payments of \$2,737 until December 28, 2050. (2520D)	656,842	656,842
<u>State of Washington Department of Commerce - 07-47104-007</u> Note payable secured by real property "Lincoln Hill Village" with \$462,000 deferred until 2018 then annual payments of \$14,000 and \$1,393,654 deferred until 2041 then quarterly payments of \$34,841. All principal and interest at 0% due at April 30, 2051. As part of the CARES Act, payments were deferred on this loan from April 30, 2020 to December 31, 2022. (2520S)	1,841,654	1,841,654

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12 -Continued

	<u>2022</u>	<u>2021</u>
<u>Washington Community Reinvestment Association - (WCRA) 1-</u> Mortgage payable secured by real property "Lincoln Hill Village," original amount \$1,975,000, 7% interest, monthly principal and interest payments of \$13,140 through June 1, 2042. (2520A)	1,694,795	1,732,395
MAPLE LEAF MEADOWS		
<u>State of Washington Department of Commerce - 02-49300-074</u> Note payable secured by real property "Maple Leaf Meadows" with all payments deferred for 25 years with interest at 3% accruing during the deferral period, maturing November 1, 2047. The principal amount including accumulated interest to be amortized for 10 years with interest at 3% with annual payments of \$98,182 beginning 2027 and ending July 31, 2047 subject to a low-income housing agreement. (2602C)	400,000	400,000
<u>Boeing Employees' Credit Union</u> Note Payable secured by Deed of Trust to Boeing Employees' Credit Union on "Maple Leaf Meadows" property. Due in monthly installments of \$10,228 including principal and interest at 3.04%. Maturity date April 10, 2030. (2602F)	2,290,908	2,342,183
MT. BAKER VIEW		
<u>BBCN Bancorp</u> <u>WSHFC #504 STEP Bond - Series 2010</u> Bond secured by real property "Mt. Baker View" due in monthly installments including principal and interest at 4.5%, fiscal agent fees of \$500 per year, and bond issuer fees at .25% calculated annually on the principal balance at July 1st. Current monthly payment including fees is \$6,633. The fiscal agent is U.S. Bank and is privately placed. Maturity date October 1, 2040. (2540B)	947,767	980,331
NEW CENTURY VILLAGE & EXPANSION		
<u>State of Washington Department of Commerce - 02-49300-075</u> Note payable secured by real property "New Century House" with all payments deferred for 25 years with interest at 3% accruing during the deferral period. The principal amount including deferred interest will be amortized for 10 years with annual payments of \$55,227 due and payable on June 1 beginning 2028 and ending May 31, 2037 subject to use as transitional and permanent affordable housing for homeless teen mothers. (2601C)	225,000	225,000

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12 - Continued

	<u>2022</u>	<u>2021</u>
<u>Boeing Employees' Credit Union</u> Note Payable secured by Deed of Trust to Boeing Employees' Credit Union on "New Century Village" property. Due in monthly installments of \$4,301 including principal and interest at 2.7%. Maturity date June 10, 2030. (2601F)	1,008,317	1,031,978
<u>State of Washington Department of Commerce</u> Note payable secured by real property "New Century Village" with annual principal payments of \$24,800 only with interest at 0% until April 30, 2047 subject to a low-income housing agreement. Note payable was transferred to the Agency with the assumption of New Century Village during the year ended June 30, 2022. (2716S)	620,000	
<u>Snohomish County -AHTF 2006 #8</u> Mortgage payable secured by real property "New Century Village," 0% interest, due and payable in full April 30, 2047. Subject to low-income housing covenant. Mortgage payable was transferred to the Agency with the assumption of New Century Village during the year ended June 30, 2022. (2716C)	329,549	
<u>City of Everett CHIP</u> Note payable secured by real property "New Century Village" with all payments deferred and principal and interest at 3% due and payable on April 30, 2047 subject to use as transitional housing. Note payable was transferred to the Agency with the assumption of New Century Village during the year ended June 30, 2022. (2716E)	260,000	
<u>City of Everett - HTF 2060</u> Note payable secured by real property "New Century Village" with all payments deferred and principal and interest at 3% due April 30, 2047, subject to a very low-income use provision. Note payable was transferred to the Agency with the assumption of New Century Village during the year ended June 30, 2022. (2716H)	65,633	
<u>US Bank</u> Note payable secured by Deed of Trust to Boeing Employees' Credit Union on "New Century Village" property. Due in monthly installments of \$3,116 including principal and interest at 3.38%. Maturity date January 1, 2028. Note payable was transferred to the Agency with the assumption of New Century Village during the year ended June 30, 2022. (2600F)	612,142	

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12 - Continued

	<u>2022</u>	<u>2021</u>
PARK PLACE TOWNHOMES		
<u>Mountain Pacific Bank</u> <u>WSHFC #504 STEP Bond - Series 2010</u> Note payable in the original amount of \$1,200,000 secured by real property "Park Place Townhomes" due in monthly payments of \$5,904 including principal and interest at 4%. Maturity date is September 1, 2041. (2789B)	923,256	954,479
PILCHUCK PLACE AND WOODS CREEK VILLAGE		
<u>State of Washington Department of Commerce - HTF 11-47104-005</u> Note payable secured by real property "Woods Creek Village" with all payments deferred until 2043 with interest at 1% compounding quarterly during the deferral period. The principal amount including deferred interest will be amortized for 10 years with quarterly payments of \$17,745 due and payable beginning June 30, 2043 and ending March 31, 2053. (2781B)	500,000	500,000
<u>Snohomish County - HOME HCS 12-42-1201-251</u> Note payable in the original amount of \$600,000 secured by real property "Pilchuck Place Townhomes" with all payments deferred until 2043 with interest accruing during the deferral period at 1%. Monthly payments in an amount to be determined by September 1, 2043, when payments begin, until September 1, 2052. (2782A)	600,000	600,000
<u>Snohomish County - HOME HCS 12-42-1104-251</u> Note payable in the original amount of \$532,141 secured by real property "Woods Creek Village" with all payments deferred until 2043 with interest accruing during the deferral period at 1%. Monthly payments in an amount to be determined by September 1, 2043, when payments begin, until September 1, 2052. (2782B)	532,641	532,641
<u>Washington Community Reinvestment Association</u> <u>(WCRA) B-120364 Nonprofit Housing Revenue Bond, Series 2012</u> Note payable in the original amount of \$1,713,769 secured by real property "Pilchuck Place Townhomes" and "Woods Creek Village Apartments" due in monthly payments of \$9,331 including principal and interest at 5.125%. Maturity date is September 1, 2042. (2783A and 2783B)	1,409,219	1,447,890

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12 - Continued

	<u>2022</u>	<u>2021</u>
SCRIBER FIELD		
<u>Impact Capital</u> Loan to purchase a portion of the cost of the acquisition of the Scriber Field property located in Lynnwood, WA. The short-term non-interest loan of \$31,300 is due and payable on November 30, 2023. (2421)	31,300	
TOMORROW'S HOPE		
<u>Bank of America</u> <u>#003140373 - WSHFC OID#02-01 STEP Bond</u> Original amount of \$860,000 secured by Deed of Trust to Bank of America on "Tomorrow's Hope Childcare Center" property. Due in monthly installments of \$4,496 including principal and interest at 2.708% maturing April 1, 2027. (2752C)	254,685	300,762
<u>CITY OF EVERETT CDBG</u> Note payable secured by real property "Tomorrow's Hope" with all payments deferred and principal and interest at 3% due at maturity date of January 14, 2041. The loan may be forgiven 100% on January 14, 2031 as long as the project continues to operate. (2789J)	45,432	45,432
TWIN LAKES LANDING		
<u>State of Washington Housing Finance Commission - LAP 2013-27</u> Note payable secured by real property "Twin Lakes Landing II" with all payments deferred and principal and interest at 1% due and payable at the maturity date of October 31, 2021. The note was paid in full in October 2021. (2607)		708,525
VISION HOUSE		
<u>State of Washington Department of Commerce - HFU 98-49300-484</u> Note payable secured by real property "Vision House" with annual principal payments of \$169 only with interest at 0% until February 25, 2049 subject to a low-income housing agreement. As part of the CARES Act, payments were deferred on this loan from April 30, 2020 to December 31, 2022. (2575A)	4,890	4,890

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12 - Continued

	<u>2022</u>	<u>2021</u>
WINTER'S CREEK VILLAGE		
<u>Pacific Premiere Bank Loan 5305021083</u> Note payable secured by real property "Sultan 11." Repayment of principal and interest at 6% due in monthly installments of \$3,194 with a balloon payment of unpaid balance of principal and interest due on October 5, 2026. (2788B)	374,171	389,552
<u>Pacific Premiere Bank Loan 5307032435</u> Note payable secured by real property "Sultan 11." Repayment of principal and interest at 6% due in monthly installments of \$1,560 with a balloon payment of unpaid balance of principal and interest due on October 5, 2026. (2788D)	182,674	191,347
<u>State of Washington Department of Commerce - HTF 05-49300-109</u> Note payable secured by real property "Sultan 11" with all payments deferred and principal and interest at 0% due and payable in December 31, 2045. (2788S)	275,000	275,000
<u>Pacific Premere Bank loan 5305021082</u> Note payable secured by real property "Sultan 5-plex" with interest at 5.81% payable in 239 monthly payments of \$1,584 beginning June 5, 2005 and a balloon payment of unpaid balance of principal and interest due on May 5, 2025. (2787A)	170,646	179,326
Total	31,152,102	30,430,495
Less current portion	(1,736,461)	(2,495,628)
Less present value discount	(301,633)	(407,613)
Less unamortized deferred financing fees	(107,638)	(109,059)
Long-Term Debt, Net	<u>\$ 29,006,370</u>	<u>\$ 27,418,195</u>

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 12 - Continued

Principal maturities are as follows:

For the Year Ending June 30,

2023	\$ 1,736,461
2024	714,163
2025	966,284
2026	3,464,425
2027	1,333,871
Thereafter	<u>22,936,898</u>
	<u>\$ 31,152,102</u>

In December 2019, a novel strain of coronavirus (COVID-19) was identified, and the World Health Organization declared the outbreak to constitute a "Public Health Emergency of International Concern." In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 11, 2020, the Agency obtained an unsecured loan under the PPP with a principal balance of \$1,594,080 and an annual interest rate of 1%. On February 3, 2021 the PPP loan was forgiven in full by the lender and the SBA. This amount is reported as gain in the consolidated statement of activities.

The Agency has multiple extremely low interest or noninterest bearing notes held by governmental agencies. If reported, the in-kind contributions and mortgage interest expenses related to these notes would have been approximately \$308,000 and \$327,000 for the years ended June 30, 2022 and 2021, respectively. There is no impact on earnings or on ending net assets as a result of the use of this accounting method. The Agency has elected not to recognize the in-kind contribution on these notes as interest rates are set by the governmental agencies and are representative of the conditions placed on the related notes, resulting in the interests rates not being considered below market due to the additional conditions.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 13 - Forgivable Loans

The Agency received cumulative forgivable loan proceeds of \$9,706,999 through the year ended June 30, 2022, representing a contingent liability. Under terms of the agreements, the facilities funded by these proceeds must be used for the specific purpose intended in the loan documents, generally to renovate, construct or acquire buildings to be used in its operations. The forgivable loans are secured by properties at those sites. As management believes the conditions related to initial entitlement to these funds have been met, the Agency has entitlement to the funds and to use the underlying assets for the expected useful lives. Since these loans are either forgivable or are non-recourse loans with no payments due prior to the expiration of the useful life of the property, the proceeds from these loans have been recognized as revenues with donor restrictions in the year received. The facilities are restricted to be used to continue the mission of the Agency and provide housing for low to very-low income individuals for periods of time expiring through 2066. The restricted balances are being released over the terms of the agreements (Note 7). The full original proceeds, including accrued interest if applicable, are due on demand and in some cases the funders' prorated share of accumulated appreciation would also be due should the Agency sell the property or fall out of compliance with the specified use restriction, thus representing a contingent liability as noted above. As of June 30, 2022, the Agency is in compliance with the restrictions. During the year ended June 30, 2015, the Agency was notified by Community Frameworks that while their loans are forgivable, their intent was to treat these forgivable loans as long-term debt and not as a contribution. Accordingly per agreement with Community Frameworks, the Agency is now reporting all new forgivable loans from Community Frameworks as long term debt and any previous forgivable loans recognized as contributions have ceased release of these restrictions until maturity in accordance with debtor wishes.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 13 - Continued

Remaining restricted balance for forgivable loans are as follows at June 30:

	<u>2022</u>	<u>2021</u>
FAIRVIEW		
<u>Snohomish County</u>		
<u>SCHSD HOME HCD-10-42-1003-113(1)</u>		
Note payable secured by real property "Fairview", the original amount of \$494,933 and all payments deferred and principal and interest at 0% to be forgiven in 2051 subject to the HOME agreement. (2789G)F	\$ 333,213	\$ 344,737
<u>State of Washington</u>		
<u>Department of Commerce 06-94100-055</u>		
Note payable secured by real property "Fairview", the original amount of \$850,000 and all payments deferred and principal and interest at 0% to be forgiven in 2047 subject to use restriction covenant agreement. (2789H)F	556,728	579,071
<u>State of Washington</u>		
<u>Department of Commerce 06-94100-055</u>		
Note payable secured by real property "Fairview", the original amount of \$950,000 and all payments deferred and principal and interest at 0% to be forgiven in 2061 subject to use restriction covenant agreement. (2789F)F	669,830	687,042
HOMEOWNERSHIP ASSISTANCE		
<u>State of Washington Department of Commerce</u>		
<u>Homeownership Assistance 08-94100-010</u>		
Total \$500,000 available, consisting of \$440,000 down payment assistance, \$10,000 administrative and monitoring fees, and 10% developer fee at each draw (\$50,000 maximum). Original amount (less applicable fees) was \$387,630. Agency will also earn 10% admin fee on repayments from the homeowners, with remaining repaid funds to be recycled. 0% interest. Forgivable January 31, 2035. (2778)F	215,498	232,597
HOPE VILLAGE II		
<u>State of Washington - OCD 02-49300-129 (HFT #2)</u>		
Note payable secured by real property "Hope Village II" with original amount of \$130,000 and all payments deferred and principal and interest at 0% to be forgiven in 2044 subject to a use restriction covenant agreement. (2774C)F	112,907	118,304

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 13 - Continued

	<u>2022</u>	<u>2021</u>
HOPEWORKS STATION II		
<u>City of Everett</u> Loan amount not to exceed \$400,000 at 3% simple interest. All payments will be deferred to be forgiven in 2043 subject to a use restriction stated in Loan Terms section of agreement. (2789L)F	330,600	345,800
<u>Snohomish County</u> <u>OCHD HOME 1997#12</u> Mortgage payable secured by real property "East Stanwood Pioneer Homes" with original amount of \$50,000 and all payments deferred and principal and interest at 0% to be forgiven in 2052 subject to HOME agreement. (2515A)F	290	31,250
LINCOLN HILL VILLAGE		
<u>Snohomish County</u> <u>OCHD AHTF HCD-08-11-0803-048</u> Note payable secured by real property "Lincoln Hill Village" all payments deferred and principal and interest at 0% to be forgiven 40 years after the project is placed in service (June 2011), subject to use as affordable housing for very low-income households. Original amount was \$695,928. (2520C)F	365,362	379,281
MAPLE LEAF MEADOWS		
<u>Snohomish County</u> <u>OCHD HOME 2001#4 and 2002#4</u> Note payable secured by real property "Maple Leaf Meadows" with original amount of \$460,000 and all payments deferred and principal and interest at 0% to be forgiven in 2051 subject to a use restriction covenant agreement. (2602D)F	271,387	280,587
MT. BAKER VIEW		
<u>Snohomish County</u> <u>Neighborhood Stabilization Program (NSP-1) Loan</u> Mortgage payable secured by real property "Mount Baker View" with original amount of \$1,084,314 and all payments deferred and principal and interest at 0% to be forgiven in 2050 subject to use as transitional and permanent housing. (2540C)F	766,521	793,629

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 13 - Continued

	<u>2022</u>	<u>2021</u>
NEW CENTURY EXPANSION		
<u>Snohomish County</u> <u>OCHD HOME 2000#6</u> Note payable secured by real property "New Century House" with original amount of \$238,000 and all payments deferred and principal and interest at 0% to be forgiven in 2051 subject to use as HOME assisted units. (2601D)F	140,140	144,900
<u>City of Everett</u> <u>CDBG New Century</u> Note payable secured by real property "New Century House" with original amount of \$160,000 and all principal and interest of 3% simple to be forgiven in 2026 subject to use as transitional housing. (2601G)F	26,880	33,280
<u>City of Everett</u> <u>HOME New Century Expansion</u> Note payable secured by real property "6529 Broadway" with original amount of \$100,000 and all payments deferred and principal and interest at 3% to be forgiven in 2028 subject to HOME rent restriction covenant agreement. (2581)F	23,726	27,726
<u>City of Everett</u> <u>CDBG New Century Village</u> Note payable secured by "New Century Village" at 3% with original amount of \$174,367 and all principal and interest to be forgiven on January 18, 2031 subject to use as housing for low and moderate income households. (2586E)F	59,753	66,728
<u>Snohomish County</u> <u>AHTF Aspenwood</u> Note payable secured by real property "2503 Howard" with original amount of \$278,100 and all payments deferred and principal and interest at 0% to be forgiven in 2047 subject to a use restriction covenant agreement. (2600C)F	168,993	175,946
PARK PLACE TOWNHOMES		
<u>Snohomish County</u> <u>Neighborhood Stabilization Program (NSP-1) Loan</u> Mortgage payable secured by real property "Park Place Townhomes" with original amount of \$1,050,000 and all payments deferred and principal and interest at 0% to be forgiven in 2051 subject to rent restriction covenant agreement. (2789C)F	765,493	791,743

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 13 - Continued

	<u>2022</u>	<u>2021</u>
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-09</u> Note payable with loan agreement at 0% interest secured by 10 lots of real property "French Creek" with original amount of \$150,000. Funds to be repaid with the sale of the French Creek lots to the Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan may be forgiven at the end of the applicable HUD funding cycle. The balance may be forgiven in 2022 contingent on compliance with eligible purposes in the homeownership program. The increase in the value was due to an adjustment in the amortization calculation. (2777F)F	51,250	100,000
<u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-10-1</u> Note payable with loan agreement at 0% interest secured by 13 lots of real property "Monroe Main Street" with original amount of \$195,000. Funds to be repaid with the sale of the Monroe Main Street lots to the Team HomeBuilding families and deposited in a designated Housing Hope revolving fund account for re-use on eligible activities. One-third of the loan may be forgiven at the end of the applicable HUD funding cycle. The balance may be forgiven in 2023 contingent on compliance with eligible purposes in the homeownership program. (2777S)F	117,000	135,000
TOMORROW'S HOPE		
<u>City of Everett</u> <u>CDBG Tomorrow's Hope</u> Promissory note secured by real property "Tomorrow's Hope" with original amount of \$55,900 and all payments deferred and principal and interest at 3% simple to be forgiven in 2026 subject to use as childcare facility for low and moderate income families. (2752A)F	9,391	11,627
<u>Snohomish County</u> <u>OCHD CDBG-F 2001#33</u> Mortgage payable secured by real property "Tomorrow's Hope" with original amount of \$100,000 and all payments deferred and principal and interest at 0% to be forgiven in 2023 subject to use as childcare facility to benefit low-income families. (2752B)F	833	890

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 13 - Continued

	<u>2022</u>	<u>2021</u>
VISION HOUSE		
<u>Snohomish County</u> <u>OCHD HOME 1994#8</u> Mortgage payable secured by real property "Vision House" with original amount of \$108,773 and all payments deferred and principal and interest at 0% to be forgiven in 2046 subject to use as permanent affordable rental housing. (2570A)F	52,998	55,173
<u>Snohomish County</u> <u>OCHD CDBG H&CD 1994#14</u> Mortgage payable secured by real property "Vision House" with original amount of \$30,000 and all payments deferred and principal and interest at 0% to be forgiven in 2039 subject to use as permanent affordable rental housing. (2572A)F	11,858	12,535
WINTER'S CREEK VILLAGE		
<u>Snohomish County</u> <u>AHTF 2003#3 Sultan New Construction</u> Notes payable secured by real property "Sultan 11", with original amount of \$254,281 and all payments deferred and principal and interest at 0% to be forgiven in 2046 subject to use as affordable housing for very low income households. (2788C)F	149,660	156,017
<u>Snohomish County</u> <u>OHCD AHTF 2003#3</u> Note payable secured by real property "Sultan 5-plex" with original amount of \$76,875 and all payments deferred and principal and interest at 0% to be forgiven in 2045 subject to use as low-income housing. (2787C)F	43,950	45,872

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 13 - Continued

	<u>2022</u>	<u>2021</u>
<u>State of Washington</u> <u>Department of Commerce HTF 05-49300-110</u> Note payable secured by real property "Sultan 5-plex" with original amount of \$75,000 and all payments deferred and principal and interest at 0% to be forgiven on May 31, 2045 subject to use as 2 units of permanent rental housing and 3 units of transitional housing for low-income homeless families with children. (2787B)F	43,017	44,892
<u>State of Washington</u> <u>Department of Commerce HTF 11-47104-005</u> Note payable secured by real property "Woods Creek Village" with original amount of \$400,000 and all payments deferred and principal and interest at 0% to be forgiven on March 31, 2053 subject to use as low-income housing. (2781A)F	<u>300,274</u>	<u>310,030</u>
Total Forgivable Loan Remaining Restricted Balance	<u><u>\$ 5,587,552</u></u>	<u><u>\$ 5,904,657</u></u>

Note 14 - Endowments

The Agency's endowments consist of funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of the Agency has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA) as making it advisable for the Agency to track the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as net assets with donor-restrictions - endowment corpus (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions - endowment corpus is classified as net assets with donor restrictions - endowment accumulated earnings until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Agency; and
- The investment policies of the Agency.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 14 - Continued

As of June 30, endowment net assets consisted of the following:

	Without Donor Restriction	With Donor Restriction	Total
Donor restricted endowment funds	\$ -	\$ 8,573,345	\$ 8,573,345
Board designated quasi-endowment funds	2,730,411		2,730,411
Endowment Net Assets, June 30, 2022	<u>\$ 2,730,411</u>	<u>\$ 8,573,345</u>	<u>\$ 11,303,756</u>
Endowment Net Assets, June 30, 2021	<u>\$ 4,119,266</u>	<u>\$ 6,616,095</u>	<u>\$ 10,735,361</u>

Changes to endowment net assets for the year ended June 30, 2022, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, June 30, 2021	\$ 4,119,266	\$ 6,616,095	\$ 10,735,361
Endowment investment return	(816,338)	(20,690)	(837,028)
New contributions	39,093	1,980,257	2,019,350
Appropriation of endowment for expenditure/internal loans	(611,610)	(2,317)	(613,927)
Endowment Net Assets, June 30, 2022	<u>2,730,411</u>	<u>8,573,345</u>	<u>11,303,756</u>
Loans for internal projects	(1,112,536)		(1,112,536)
Net Invested Endowment Net Assets, June 30, 2022	<u>\$ 1,617,875</u>	<u>\$ 8,573,345</u>	<u>\$ 10,191,220</u>

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA suggests the Agency to retain as a fund of perpetual duration. As of June 30, 2022 and 2021, no such deficiencies existed. However, for the year ended June 30, 2017, the Agency's Board approved a resolution to fund internal loans totaling \$1,249,638 of the board designated quasi-endowment. The loans will be repaid according to the Board approved payment plans for each individual loan. As of June 30, 2022 and 2021, the balance on the loan was \$1,112,536 and \$1,236,245, respectively.

Return Objectives and Risk Parameters - The Agency has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Agency must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Agency expects its endowment funds, over time, to provide an average rate of return of approximately 5% over the spending policy. Actual returns in any given year may vary from this amount.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 14 - Continued

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Agency has a policy of appropriating for distribution each year an amount that is determined by the Board of Directors with a target spending rate of approximately 5%. Over the long term, the Agency expects the current spending policy to allow its endowment to continue to maintain the value of the original gifts to the endowment. This is consistent with the Agency's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Note 15 - Affiliations and Related Party

Avondale Housing Limited Partnership - The Agency is affiliated with Avondale Housing Limited Partnership (Avondale LP).

Avondale LP was formed on August 23, 2005, to construct and operate a low-income housing complex in Everett, Washington. The initial partners were Building Credits, as the general partner, and Housing Hope as a limited partner.

Avondale LP was amended on November 1, 2005, when National Equity Fund (NEF) an Illinois investing member replaced Housing Hope as a limited partner. Building Credits had a .01% interest, and NEF had a 99.99% interest.

The Avondale LP has granted Housing Hope an option to purchase the Project after the 15-year compliance period for the low-income housing tax credit. On April 30, 2021 Housing Hope's exercised its option to purchase the Project's assets. The purchase option price was equal to the assumption of all Project liabilities including any liabilities for taxes owed as a part of the dissolution. The fair value of the property and Project assets acquired exceed the amount of Project liabilities assumed by \$1,300,352. This amount is reported as an in-kind contribution in the consolidated statement of activities.

New Century Village Limited Liability Company - The Agency is affiliated with New Century Village Limited Liability Company (New Century Village LLC).

New Century Village LLC was formed on January 13, 2005, to construct and operate a low-income housing complex in Everett, Washington. The initial members were Building Credits, as the managing member, and Housing Hope as a member.

The New Century Village LLC was amended on June 28, 2006, when National Equity Fund (NEF) an Illinois investing member replaced Housing Hope as a member. Building Credits has a .01% interest, and NEF has a 99.99% interest.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 15 - Continued

The New Century Village LLC has granted Housing Hope an option to purchase the Project after the 15-year compliance period for the low-income housing tax credit. If such option is not exercised, the Project may be sold to third parties. On December 31, 2021, Housing Hope's exercised its option to purchase the Project's assets. The purchase option price was equal to the assumption of all Project liabilities including any liabilities for taxes owed as a part of the dissolution. The fair value of the property and Project assets acquired exceed the amount of Project liabilities assumed by \$4,404,241. This amount is reported as an in-kind contribution in the consolidated statement of activities.

Monroe Family Village Limited Liability Company - The Agency is affiliated with Monroe Family Village Limited Liability Company (Monroe Family Village LLC).

Monroe Family Village LLC was formed on January 8, 2013, to construct and operate a low-income housing complex in Monroe, Washington. Housing Hope was the Sole Member at incorporation.

The Monroe Family Village LLC was amended on May 23, 2014 with Housing Hope Properties becoming the Managing Member with 0.01% interest and NEF Assignment Corporation becoming the Investor Member with a 99.99% interest in the LLC.

According to the terms of the Monroe Family Village LLC agreement, Housing Hope Properties and Housing Hope are to receive the following:

- To Housing Hope repayment of Developer Fee. For the years ending June 30, 2022 and 2021, \$41,053 and \$116,053, respectively, of developer fees were reflected in the consolidated financial statements.
- To Housing Hope Loan Funds made to the LLC. For both years ending June 30, 2022 and 2021, \$1,320,000 of loan funds were reflected in the consolidated financial statements.
- To Housing Hope Properties, a company management fee of \$21,855, increasing by 3% each year. For the years ended June 30, 2022 and 2021, \$23,881 and \$23,186, respectively, of partnership management fees were reflected in the consolidated financial statements.
- To Housing Hope Properties, a property management fee of \$31,020, which is \$55 per unit for the additional six months for the 47 unit complex.
- To Housing Hope for reimbursable administrative expenses related to property management salaries, insurance expense, and other miscellaneous expenses. For the years ending June 30, 2022 and 2021, \$73,863 and \$60,695, respectively, of reimbursable expenses were reflected in the consolidated financial statements.

These payments are contingent upon the availability of cash. Each of these entities has guaranteed to fully and faithfully perform all of their obligations under the Monroe Family Village LLC agreement.

The Monroe Family Village LLC has granted to Housing Hope an option to either purchase the assets of the project or to purchase the Investor Members interest in the LLC after expiration of the 15-year compliance period for the low income housing tax credits. If such option is not exercised, the project may be sold to third parties. Consistent with Housing Hope's mission, loan covenants and grant requirements, it is Housing Hope's intention to exercise this option.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 15 - Continued

Twin Lakes Landing Limited Liability Company - The Agency is affiliated with Twin Lakes Landing Limited Liability Company (Twin Lakes Landing LLC).

Twin Lakes Landing LLC was formed on January 22, 2015, to construct and operate a low-income housing complex in Marysville, Washington. Housing Hope Properties was the Sole Member at incorporation.

The Twin Lakes Landing LLC was amended on December 29, 2016 with Housing Hope Properties becoming the Managing Member with 0.01% interest and NEF Assignment Corporation becoming the Investor Member with a 99.99% interest in the LLC.

According to the terms of the Twin Lakes Landing LLC agreement, Housing Hope Properties and Housing Hope are to receive the following:

- To Housing Hope Properties payment of a portion of the Developer Fee. For both years ending June 30, 2022, \$830,425 of developer fees were reflected in the consolidated financial statements.
- To Housing Hope Loan Funds made to the LLC. For both years ending June 30, 2022, \$943,083 of loan funds were reflected in the consolidated financial statements.
- To Housing Hope for reimbursable administrative expenses related to property management salaries, insurance expense, and other miscellaneous expenses. For the years ending June 30, 2022 and 2021, \$159,826 and \$146,352, respectively, of reimbursable expenses were reflected in the consolidated financial statements.
- To Housing Hope Properties, a property management fee of \$33,000, which is \$55 per unit for the additional six months for the 50 unit complex.
- To Housing Hope Properties, a partnership management fee of \$10,300, increasing by 3% each year. For the years ended June 30, 2022 and 2021, \$11,255 and \$10,927, respectively, of partnership management fees were reflected in the consolidated financial statements.

These payments are contingent upon the availability of cash. Each of these entities has guaranteed to fully and faithfully perform all of their obligations under the Twin Lakes Landing LLC agreement.

The Twin Lakes Landing LLC has granted to Housing Hope an option to either purchase the assets of the project or to purchase the Investor Members interest in the LLC after expiration of the 15-year compliance period for the low income housing tax credits. If such option is not exercised, the Project may be sold to third parties. Consistent with Housing Hope's mission, loan covenants and grant requirements, it is Housing Hope's intension to exercise this option.

Twin Lakes Landing II Limited Liability Company - The Agency is affiliated with Twin Lakes Landing II Limited Liability Company (Twin Lakes Landing II LLC).

Twin Lakes Landing II LLC was formed on October 5, 2020, to construct and operate a low-income housing complex in Marysville, Washington. Housing Hope Properties was the Sole Member at incorporation.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 15 - Continued

The Twin Lakes Landing II LLC was amended on September 29, 2021 with Housing Hope Properties becoming the Managing Member with 0.01% interest and NEF Assignment Corporation becoming the Investor Member with a 99.99% interest in the LLC.

According to the terms of the Twin Lakes Landing II LLC agreement, Housing Hope Properties and Housing Hope are to receive the following:

- To Housing Hope Properties payment of a portion of the Developer Fee. For the year ending June 30, 2022, \$264,685 of developer fees was reflected in the consolidated financial statements.
- To Housing Hope Loan Funds made to the LLC. For the year ending June 30, 2022, \$118,000 of loan funds was reflected in the consolidated financial statements.

These payments are contingent upon the availability of cash. Each of these entities has guaranteed to fully and faithfully perform all of their obligations under the Twin Lakes Landing II LLC agreement.

The Twin Lakes Landing II LLC has granted to Housing Hope an option to either purchase the assets of the project or to purchase the Investor Members interest in the LLC after expiration of the 15-year compliance period for the low income housing tax credits. If such option is not exercised, the Project may be sold to third parties. Consistent with Housing Hope's mission, loan covenants and grant requirements, it is Housing Hope's intension to exercise this option.

HopeWorks Station Residential Limited Liability Limited Partnership - The Agency is affiliated with HopeWorks Station Residential Limited Liability Limited Partnership (HopeWorks Station Residential LLLP).

HopeWorks Station Residential LLLP was formed on January 1, 2017, to construct and operate a low-income 65 unit residential project in a condominium unit located in a portion of one building located in, Washington. HopeWorks Station Residential GP LLC was the general partner and Housing Hope Properties was the initial Limited Partner at incorporation. HopeWorks Station Residential GP LLC was not owned by Housing Hope or related entities.

The HopeWorks Station Residential LLLP was amended on May 7, 2018 with the withdrawal of Housing Hope Properties, fully owned by Housing Hope, and the admission of WinCo pin Circle LLLP as the Limited Partner who assigned their Limited Partnership interest to Enterprise Housing Equity Fund I, LLLP with 99.99% interest. HopeWorks Station Residential GP LLC remained the General Partner with a 0.01% interest in the LLLP.

According to the terms of the HopeWorks Station Residential LLLP agreement, Housing Hope Properties and HopeWorks Social Enterprises are to receive the following:

- To HopeWorks Social Enterprise Loan Funds made to the LLLP for the years ending June 30, 2022 and 2021, \$517,319 and \$817,319, respectively, of loan funds were reflected in the consolidated financial statements.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 15 - Continued

- To Housing Hope for reimbursable administrative expenses related to property management salaries, insurance expense, and other miscellaneous expenses. For the years ending June 30, 2022 and 2021, \$53,627 and \$120,597, respectively, of reimbursable expenses were reflected in the consolidated financial statements.
- To Housing Hope Properties, a property management fee of \$35,100 which is \$45 per unit per month for the 65 unit complex.
- To Housing Hope Properties, a partnership management fee of \$36,167, increasing by 3% each year. For the years ended June 30, 2022 and 2021, \$33,568 and \$52,273, respectively, of partnership management fees were reflected in the consolidated financial statements.

These payments are contingent upon the availability of cash. Each of these entities has guaranteed to fully and faithfully perform all of their obligations under HopeWorks Station Residential LLLP the agreement.

The HopeWorks Station Residential LLLP has granted to HopeWorks Station Residential GP LLC, an option to purchase the Limited Partner's interest in the LLC after expiration of the 15-year compliance period for the low income housing tax credits and beginning after the first calendar year following the Credit Period. Additionally, Housing Hope Properties, has first right of refusal to purchase the Project. If such option is not exercised, the Project may be sold to third parties. Consistent with Housing Hope's mission, loan covenants and grant requirements, it is Housing Hope's intention to exercise this option.

HopeWorks Station Enterprises - HopeWorks Station Enterprises is a related party to the Agency.

HopeWorks Station Enterprises was formed on August 4, 2016, to construct and operate a commercial project in a condominium unit located in a portion of one building located in, Washington commonly known as HopeWorks Station II. HopeWorks Station Enterprises is a non-for-profit corporation in the State of Washington.

On May 7, 2018, HopeWorks Station Enterprises closed on the financing of HopeWorks Station II utilizing New Market Tax Credits (NMTC). As the result of this closing, HopeWorks Social Enterprises loaned funds (\$8,517,000) and The Northern Trust Company contributed a net capital contribution of NMTC Equity (\$4,563,000) to TNT - HopeWorks NMTC Fund, LLC (Investment Fund). According to the terms of the loan agreement with TNT - HopeWorks NMTC Fund, LLC, annual interest payments of \$82,410 (prorated for the first year) will be paid on the 10th day of each December with the first payment beginning December 2018 and the last payment at maturity December 2047.

Possession Sound Properties Limited Liability Company - The Agency is affiliated with Possession Sound Properties Landing Limited Liability Company (Possession Sound Properties LLC).

Possession Sound Properties LLC was formed on March 21, 2018, to construct and operate a low-income housing complex in Marysville, Washington. Housing Hope Properties was the Sole Member at incorporation.

LLC becoming the Managing Member with 0.01% interest and NEF Assignment Corporation becoming the Investor Member with a 99.99% interest in the LLC.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 15 - Continued

Possession Sound Properties LLC was amended on December 12, 2018 with Housing Hope Properties withdrawing as the Sole Member and PSP Manager LLC entering as the Sole Member. PSP Manager LLC was amended on April 19, 2019 with Housing Hope Properties becoming the Managing Member with 79% interest and the Archdiocesan Housing Authority becoming a member with 21% interest. Possession Sound Properties LLC was amended on April 19, 2019 with PSP Manager LLC becoming the Managing Member with 0.01% interest and NEF Assignment Corporation becoming the Investor Member with a 99.99% interest in the LLC.

According to the terms of the Possession Sound Properties LLC agreement, Housing Hope Properties and Housing Hope are to receive the following:

- To Housing Hope Loans Funds made to the LLC. For both years ending June 30, 2022 and 2021, \$4,435,573 and \$164,226 of loan funds were reflected in the consolidated financial statements.
- To Housing Hope Properties, a property management fee of \$31,320, which is \$45 per unit per month for the 50 unit complex.
- To Housing Hope Properties, a developer fee of \$655,125 was paid in full in the year ended June 30, 2021.
- To Housing Hope for reimbursable administrative expenses related to property management salaries, insurance expense, and other miscellaneous expenses. For the years ending June 30, 2022 and 2021, \$108,481 and \$75,508, respectively of reimbursable expenses were reflected in the consolidated financial statements.

These payments are contingent upon the availability of cash. Each of these entities has guaranteed to fully and faithfully perform all of their obligations under the Twin Lakes Landing LLC agreement.

The Possession Sound Properties LLC has granted to Housing Hope an option to either purchase the assets of the project or to purchase the Investor Members interest in the LLC after expiration of the 15-year compliance period for the low income housing tax credits. If such option is not exercised, the Project may be sold to third parties. Consistent with Housing Hope's mission, loan covenants and grant requirements, it is Housing Hope's intention to exercise this option.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 15 - Continued

Notes receivable, deferred developer fees and accrued interest due from affiliates and related party are as follows at June 30:

	Notes Receivable	Accrued Interest	Less Current Portion	Total Long- Term Portion
Monroe Family Village	\$ 1,361,053	\$ 552,849	\$ (41,053)	\$ 1,872,849
Twin Lakes Landing	1,773,509	195,429	(30,000)	1,938,938
Twin Lakes Landing II	118,000			118,000
HopeWorks Station Residential	517,319		(180,000)	337,319
HopeWorks Station Enterprises	8,517,000	41,219		8,558,219
Possession Sound Properties	4,599,799	175,987		4,775,786
June 30, 2022 Total	<u>\$ 16,886,680</u>	<u>\$ 965,484</u>	<u>\$ (251,053)</u>	<u>\$ 17,601,111</u>
June 30, 2021 Total	<u>\$ 17,143,680</u>	<u>\$ 773,893</u>	<u>\$ (466,148)</u>	<u>\$ 17,451,425</u>

Other amounts due from affiliates consists of the following at June 30:

	Direct Cost	Partnership Mgmt Fees	June 30, 2022 Total	June 30, 2021 Total
Avondale	\$ 70,848	\$ -	\$ 70,848	\$ 80,177
New Century Village	1,302	6,843	8,145	109,479
Monroe Family Village	73,863	136,583	210,446	173,397
Twin Lakes Landing	159,826	43,447	203,273	178,544
HopeWorks Station Residential	53,627	90,007	143,634	177,036
HopeWorks Station Enterprises	41,193		41,193	
Possession Sound Properties	108,481		108,481	75,508
Due from Other Funds				3,630
June 30, 2022 Total	<u>\$ 509,140</u>	<u>\$ 276,880</u>	<u>\$ 786,020</u>	
June 30, 2021 Total	<u>\$ 492,680</u>	<u>\$ 305,091</u>		<u>\$ 797,771</u>

Note 16 - Self Insurance

The Agency is a member of the 501(c) Agencies Trust (the Trust). The Trust facilitates the utilization by member agencies of the Reimbursement Financing Method of meeting obligations under State unemployment insurance statutes. As of June 30, 2022 and 2021, the Agency had deposits with the Trust of \$33,673 and \$97,488, respectively, which are reported in the consolidated statement of financial position as funds held in trust. As of June 30, 2022 and 2021, the Agency estimated a liability for incurred-but-not-reported unemployment claims of \$18,202 and \$16,184, respectively, which is included in accounts payable and accrued expenses in the consolidated statement of financial position.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 17 - Property Lease Commitments

The Agency is a lessee of the commercial space developed by the lessor for a building commonly known as HopeWorks Station II. The lessor is a related party (HopeWorks Station Enterprises). The Agency was entitled to occupy the property when the Project had been substantially completed by the Lessor. The Project was completed in September 2019. The lease is a noncancelable lease with annual lease payments are due every December and the lease term expires December 31, 2043. Deferred rent liability represents the unamortized portion of deferred lease payments on operating leases for space and is amortized over the life of the lease using the straight-line method.

Future minimum lease payments to be paid are as follows:

For the Year Ending June 30,

2023	\$ 105,000
2024	105,000
2025	105,000
2026	681,000
2027	681,000
Thereafter	<u>11,577,000</u>
	<u><u>\$ 13,254,000</u></u>

Note 18 - Liquidity and Availability of Financial Assets

The Agency regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Agency has various sources of liquidity at its disposal, including cash and cash equivalents, marketable equity securities, and lines of credit. In addition to financial assets available to meet general expenditures over the next 12 months, the Agency operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

The following reflects the Agency's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment and board reserves that could be drawn upon if the governing board approves that action.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 18 - Continued

Financial assets available for general expenditure within one year of the date of the statements of financial position are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,235,119	\$ 1,451,415
Short-term investments		350,592
Accounts, grants and contracts, and pledges receivable	802,745	1,104,697
Due from affiliates	786,020	797,771
Notes receivable, accrued interest and developer fees due from affiliates	17,852,164	17,917,573
Assets designated by board for long-term reserves and investment in long-term assets	1,919,075	3,167,221
Assets restricted by donors for the acquisition of long-term assets	1,487,489	678,937
Assets restricted by donors for endowments and long-term reserves	8,573,345	6,616,095
Self-help family loans receivable	365,834	434,683
Restricted reserves and deposits	<u>661,834</u>	<u>412,061</u>
 Total financial assets	 34,683,625	 32,931,045
 Receivables scheduled to be collected in more than one year	 (17,652,245)	 (18,044,468)
Assets restricted by donors for the acquisition of long-term assets	(1,487,489)	(823,862)
Contractually restricted reserves and deposits	(661,834)	(412,061)
Board reserves	(301,200)	(74,376)
Donor endowment funds	(8,573,345)	(6,616,096)
Quasi-endowment	<u>(2,730,411)</u>	<u>(4,119,266)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 3,277,101</u>	 <u>\$ 2,840,916</u>

Note 19 - Subsequent Events

Subsequent to year end, the agency commenced site work development activities on Blue Mountain Meadows in Sultan. Commencement of site work development activities began January 5, 2023 and will be completed in late June 2023. The site is being developed for 19 single family homes for the agency's Team Homebuilding program.

Subsequent to year end, the Twin Lakes Landing II project was 100% placed in service on March 22, 2023. The construction duration of the 60-unit project in Marysville was 16 months.

Subsequent to year end, Housing Hope signed a purchase and sale agreement on April 24, 2023 to purchase land from the Everett United Church of Christ for a future multifamily development project. The purchase price reflected in the agreement is \$1,782,000.

SUPPLEMENTARY INFORMATION

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Financial Position - Assets June 30, 2022 (With Comparative Totals for 2021)

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2022 Consolidated Total	2021 Consolidated Total
Assets								
Current Assets:								
Cash and cash equivalents	\$ 1,171,304	\$ 231,887	\$ 697,782	\$ 134,146	\$ 2,235,119	\$ -	\$ 2,235,119	\$ 1,204,360
Short-term investments								350,592
Accounts receivable, net	23,521			250,452	273,973		273,973	609,094
Grants and contracts receivable	361,208	40,179	65,495		466,882		466,882	401,830
Due from affiliates	639,259	93,015		53,746	786,020		786,020	797,771
Current portion of notes receivable, accrued interest and deferred developer fees due from affiliates	147,053		104,000		251,053		251,053	466,148
Pledges receivable, current portion	(24,752)		35,508		10,756		10,756	45,331
Real estate inventory			771,801		771,801		771,801	675,959
Prepaid expenses and other current assets	40,917	4,602		64,218	109,737		109,737	85,083
Total Current Assets	2,358,510	369,683	1,674,586	502,562	4,905,341		4,905,341	4,636,168
Assets Whose Use is Limited or Restricted:								
Assets designated by board for long-term reserves and investment in long-term assets	1,531,241	110,499		277,335	1,919,075		1,919,075	3,167,221
Assets restricted by donors for the acquisition of long-term assets	296,675		500,000	690,814	1,487,489		1,487,489	823,862
Assets restricted by donors for endowments and long-term reserves	1,592,818			6,980,527	8,573,345		8,573,345	6,718,225
Loan proceeds restricted for capital projects Restricted reserves and deposits	653,505	8,329			661,834		661,834	412,061
Other Assets:								
Pledges receivable, long-term portion	51,134				51,134		51,134	23,443
Self-help family loans receivable			365,834		365,834		365,834	434,683
Funds held in trust	33,673				33,673		33,673	97,488
Land, building, and equipment, net	32,280,557	7,000,000	852,725	2,528,013	42,661,295		42,661,295	36,359,315
Notes receivable, accrued interest and deferred developer fees due from affiliates, net of current portion	8,034,495		232,297	9,334,319	17,601,111		17,601,111	17,451,425
Project development costs			1,116,981	27,247	1,144,228		1,144,228	3,266,967
Investment in limited partnerships and limited liability companies	2	(214)	(340)		(552)		(552)	663,948
Total Assets	\$46,832,610	\$ 7,488,297	\$ 4,742,083	\$20,340,817	\$79,403,807	\$ -	\$79,403,807	\$74,054,806

See independent auditor's report.

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Financial Position - Liabilities and Net Assets June 30, 2022 (With Comparative Totals for 2021)

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2022 Consolidated Total	2021 Consolidated Total
Liabilities and Net Assets								
Current Liabilities:								
Short-term borrowings	\$ 601,550	\$ -	\$ -	\$ 57,011	\$ 658,561	\$ -	\$ 658,561	\$ 1,064,450
Accounts payable and accrued expenses	1,226,514	19,517	447,432	355,445	2,048,908		2,048,908	1,678,457
Deferred revenue	27,399				27,399		27,399	99,341
Current portion of accrued interest	15,599	91,330			106,929		106,929	108,167
Current portion of long-term debt	1,736,461				1,736,461		1,736,461	2,495,628
Total Current Liabilities	3,607,523	110,847	447,432	412,456	4,578,258		4,578,258	5,446,043
Accrued long-term expenses	294,859				294,859		294,859	280,857
Accrued interest on long-term debt	1,528,475	199,467		69,439	1,797,381		1,797,381	1,525,056
Deferred rent liability				1,233,479	1,233,479		1,233,479	775,396
Long-term debt, net of current portion and unamortized deferred financing fees	21,732,985	1,829,816	2,019,424	3,424,145	29,006,370		29,006,370	27,418,195
Total Liabilities	27,163,842	2,140,130	2,466,856	5,139,519	36,910,347		36,910,347	35,445,547
Net Assets:								
Without donor restriction-								
Undesignated	9,422,760	5,348,167	1,492,746	7,081,898	23,345,571		23,345,571	20,609,777
Designated by the Board of Directors	2,754,256			277,355	3,031,611		3,031,611	4,403,466
Total net assets without donor restriction	12,177,016	5,348,167	1,492,746	7,359,253	26,377,182		26,377,182	25,013,243
With donor restriction-								
With donor restriction for time or purpose	6,584,285		782,481	861,788	8,228,554		8,228,554	7,688,549
With donor restriction in perpetuity	907,467			6,980,257	7,887,724		7,887,724	5,907,467
Total with donor restriction	7,491,752		782,481	7,842,045	16,116,278		16,116,278	13,596,016
Total Net Assets	19,668,768	5,348,167	2,275,227	15,201,298	42,493,460		42,493,460	38,609,259
Total Liabilities and Net Assets	\$46,832,610	\$ 7,488,297	\$ 4,742,083	\$20,340,817	\$79,403,807	\$ -	\$79,403,807	\$74,054,806

See independent auditor's report.

HOUSING HOPE AND SUBSIDIARIES

**Consolidating Statement of Activities
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)**

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2022 Consolidated Total	2021 Consolidated Total
Public Support, Revenues and Gains:								
Public support-								
Contributions	\$ 3,342,409	\$ -	\$ 563,604	\$ 2,761,231	6,667,244	\$ -	\$ 6,667,244	\$ 2,472,418
In-kind contributions	16,770		60,000	1,923	78,693		78,693	342,324
Paycheck Protection Plan Loan Forgiveness								1,594,080
United Way	210,000				210,000		210,000	259,460
Total public support	3,569,179		623,604	2,763,154	6,955,937		6,955,937	4,668,282
Fees and grants from governmental agencies	2,038,387		539,000	31,143	2,608,530		2,608,530	3,018,567
Other revenue, gains and (losses)-								
Program service fees and rents	5,366,541	186,254		1,386,181	6,938,976		6,938,976	5,726,844
Management and development fees	216,149		239,685		455,834		455,834	505,598
Interest and other income (loss)	(98,132)	5		(371,331)	(469,458)		(469,458)	2,617,739
In-kind contribution of property and other assets		4,404,241			4,404,241		4,404,241	1,300,352
Loss on sale of real estate inventory and other assets								(13,598)
Total other revenue	5,484,558	4,590,500	239,685	1,014,850	11,329,593		11,329,593	10,136,935
Total Public Support, Revenue and Gains	\$11,092,124	\$ 4,590,500	\$ 1,402,289	\$ 3,809,147	\$20,894,060	\$ -	\$20,894,060	\$17,823,784

See independent auditor's report.

HOUSING HOPE AND SUBSIDIARIES

Consolidating Statement of Activities (Continued) For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

	Housing Hope	Building Credits	Housing Hope Properties	HopeWorks	Subtotal	Eliminations	2022 Consolidated Total	2021 Consolidated Total
Expenses:								
Salary and wages	\$ 5,938,222	\$ 39,023	\$ 523,770	1,636,605	\$ 8,137,620	\$ -	\$ 8,137,620	\$ 7,061,047
Payroll taxes	581,809	5,158	63,465	187,712	838,144		838,144	782,263
Employee benefits	513,997	3,270	57,277	118,921	693,465		693,465	663,597
Total payroll costs	7,034,028	47,451	644,512	1,943,238	9,669,229		9,669,229	8,506,907
Professional fees	461,490	36,564	13,574	61,088	572,716		572,716	753,356
Supplies	166,364	142	62,319	130,719	359,544		359,544	260,657
Printing and postage	43,669	312	4,189	6,937	55,107		55,107	53,932
Information technology	287,442	1,998	8,326	32,296	330,062		330,062	292,113
Occupancy	709,863	21,125	32,202	682,919	1,446,109		1,446,109	1,251,061
Maintenance and repairs	555,904	7,998	1,013	117,422	682,337		682,337	523,053
Equipment and furniture	135,585		8,775	65,657	210,017		210,017	162,088
Vehicles	11,745		1,218	72,953	85,916		85,916	62,034
Insurance	188,167	6,807	3,673	41,861	240,508		240,508	173,837
Education and training	26,982		985	31,289	59,256		59,256	35,230
Mileage and travel	32,997	280	3,144	2,105	38,526		38,526	29,440
Client assistance	162,270		61,880	21,391	245,541		245,541	421,021
Interest, taxes and fees	860,361	28,868	23,181	186,223	1,098,633		1,098,633	1,061,528
Marketing and advertising	50,369		787	44,034	95,190		95,190	50,721
Miscellaneous	141,001	7	12	163,502	304,522		304,522	420,291
Total expenses before depreciation and amortization	10,868,237	151,552	869,790	3,603,634	15,493,213		15,493,213	14,057,269
Depreciation and amortization	1,245,295		75,285	196,066	1,516,646		1,516,646	1,372,062
Total Expenses	12,113,532	151,552	945,075	3,799,700	17,009,859		17,009,859	15,429,331
Change in net assets	(1,021,408)	4,438,948	457,214	9,447	3,884,201		3,884,201	2,394,453
Net assets beginning of year	20,690,176	909,219	1,818,013	15,191,851	38,609,259		38,609,259	36,214,806
Net Assets, End of Year	\$19,668,768	\$ 5,348,167	\$ 2,275,227	\$15,201,298	\$42,493,460	\$ -	\$42,493,460	\$38,609,259

See independent auditor's report.