



HOUSING HOPE AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2021

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Independent Auditor's Report

To the Board of Directors
Housing Hope
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Housing Hope and Subsidiaries (collectively, the Agency), which comprise the consolidated statement of financial position as of June 30, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Agency's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on 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 50 to 53 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 January 31, 2022 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
January 31, 2022

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Financial Position June 30, 2021 (With Comparative Totals for 2020)

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,204,360 | \$ 2,722,993 |
| Short-term investments (Note 4) | 350,592 | 124,800 |
| Accounts receivable, net of an allowance for doubtful accounts of \$81,684 (\$45,768 - 2020) | 609,094 | 261,721 |
| Grants and contracts receivable | 401,830 | 338,370 |
| Due from affiliates (Note 15) | 797,771 | 876,407 |
| Current portion of notes receivable, accrued interest and developer fees due from affiliates (Note 15) | 466,148 | 1,094,834 |
| Pledges receivable, current portion (Note 5) | 45,331 | 138,592 |
| Real estate inventory | 675,959 | 1,298,059 |
| Prepaid expenses and other current assets | 85,083 | 140,691 |
| Total Current Assets | 4,636,168 | 6,996,467 |
| Assets designated by board for long-term reserves and investment in long-term assets (Note 6) | 3,167,221 | 1,569,709 |
| Assets restricted by donors for the acquisition of long-term assets (Note 8) | 823,862 | 691,929 |
| Assets restricted by donors for endowments and long-term reserves (Note 8) | 6,718,225 | 6,328,766 |
| Loan proceeds restricted for capital projects | | 1,573,061 |
| Pledges receivable, long-term portion (Note 5) | 23,443 | 61,470 |
| Self-help family loans receivable | 434,683 | 462,344 |
| Restricted reserves and deposits (Note 3) | 412,061 | 534,696 |
| Funds held in trust (Note 16) | 97,488 | 132,945 |
| Land, buildings, and equipment, net (Note 9) | 36,359,315 | 32,395,953 |
| Notes receivable, accrued interest and deferred developer fees due from affiliates, net of current portion (Note 15) | 17,451,425 | 17,589,668 |
| Project development costs (Note 10) | 3,266,967 | 2,139,774 |
| Investment in limited partnerships and limited liability companies | 663,948 | 1,339,573 |
| Total Assets | \$ 74,054,806 | \$ 71,816,355 |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,678,457 | \$ 1,872,280 |
| Deferred revenue | 99,341 | 15,535 |
| Current portion of accrued interest | 108,167 | 99,785 |
| Short-term borrowings (Note 11) | 1,064,450 | 1,073,548 |
| Current portion of long-term debt (Note 12) | 2,495,628 | 1,633,154 |
| Total Current Liabilities | 5,446,043 | 4,694,302 |
| Accrued long-term expenses | 280,857 | 243,954 |
| Accrued interest on long-term debt | 1,525,056 | 1,438,646 |
| Deferred Rent Liability | 775,396 | 319,812 |
| Long-term debt, net of current portion, present value discount, and unamortized financing fees (Note 12) | 27,418,195 | 28,904,835 |
| Total Liabilities | 35,445,547 | 35,601,549 |
| Net Assets: | | |
| Without donor restriction- | | |
| Undesignated | 20,609,777 | 19,400,306 |
| Designated by the Board of Directors (Note 6) | 4,403,466 | 2,829,598 |
| Total without donor restriction | 25,013,243 | 22,229,904 |
| With donor restriction- | | |
| With donor restriction for time or purpose (Note 7) | 7,688,549 | 8,077,435 |
| With donor restriction in perpetuity (Note 7) | 5,907,467 | 5,907,467 |
| Total with donor restriction | 13,596,016 | 13,984,902 |
| Total Net Assets | 38,609,259 | 36,214,806 |
| Total Liabilities and Net Assets | \$ 74,054,806 | \$ 71,816,355 |

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Activities For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

| | 2021 | | | 2020 |
|--|------------------------------|---------------------------|---------------------|---------------------|
| | Without Donor Restriction | With Donor Restriction | Total | |
| Operating Activities | | | | |
| Support, Revenue and Gains: | | | | |
| Contributions | \$ 1,286,152 | \$ 911,173 | \$ 2,197,325 | \$ 1,901,437 |
| In-kind contributions | 342,324 | | 342,324 | 253,120 |
| United Way | 259,460 | | 259,460 | 272,500 |
| Fees and grants from governmental agencies | 3,018,567 | | 3,018,567 | 1,996,692 |
| Program service fees and rents | 5,726,844 | | 5,726,844 | 5,771,751 |
| Management and development fees | 505,598 | | 505,598 | 1,873,779 |
| Paycheck Protection Plan Loan Forgiveness | 1,594,080 | | 1,594,080 | |
| (Loss) gain on the sale of real estate inventory and other assets | (13,598) | | (13,598) | 50,335 |
| Interest and other income | 2,461,532 | 156,207 | 2,617,739 | 881,520 |
| Total Operating Support, Revenue and Gains | 15,180,959 | 1,067,380 | 16,248,339 | 13,001,134 |
| Net assets released from restrictions | 948,095 | (948,095) | | |
| Total Operating Support, Revenue and Gains | 16,129,054 | 119,285 | 16,248,339 | 13,001,134 |
| Expenses: | | | | |
| Housing development | 1,105,486 | | 1,105,486 | 932,297 |
| Property management | 4,593,456 | | 4,593,456 | 4,327,341 |
| Social services | 4,113,803 | | 4,113,803 | 4,026,482 |
| HopeWorks | 3,241,900 | | 3,241,900 | 3,092,746 |
| Resource development | 596,607 | | 596,607 | 554,090 |
| Administration | 1,778,079 | | 1,778,079 | 1,732,046 |
| Total Operating Expenses (Including depreciation of \$1,372,062 and \$1,338,922 for 2021 and 2020, respectively) | 15,429,331 | | 15,429,331 | 14,665,002 |
| Change in Net Assets From Operating Activities | 699,723 | 119,285 | 819,008 | (1,663,868) |
| Nonoperating Activities | | | | |
| Release of restricted assets - forgivable loan amortization | 488,264 | (488,264) | | |
| Contributions for the acquisition of long-term assets | | 275,093 | 275,093 | 679,886 |
| Contribution for endowments | | | | 3,365 |
| Net assets released from restriction for the acquisition of long-term assets | 295,000 | (295,000) | | |
| In-kind contribution of property and other assets | 1,300,352 | | 1,300,352 | |
| Change in Net Assets From Nonoperating Activities | 2,083,616 | (508,171) | 1,575,445 | 683,251 |
| Change in Net Assets | 2,783,339 | (388,886) | 2,394,453 | (980,617) |
| Net assets, beginning of year | 22,229,904 | 13,984,902 | 36,214,806 | 37,195,423 |
| Net Assets, End of Year | \$ 25,013,243 | \$13,596,016 | \$38,609,259 | \$36,214,806 |

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

| | Program Services | | | | | Supporting Services | | | 2021 Total | 2020 Total |
|---|------------------------|------------------------|---------------------|---------------------|------------------------------|-------------------------|---------------------|---------------------------------|----------------------|----------------------|
| | Housing Development | Property Management | Social Services | HopeWorks | Total Program Services | Resource Development | Administration | Total Supporting Services | | |
| Personnel: | | | | | | | | | | |
| Salary and wages | \$ 557,646 | \$ 869,054 | \$ 2,662,652 | \$ 1,338,000 | \$ 5,427,352 | \$ 433,722 | \$ 1,199,973 | \$ 1,633,695 | \$ 7,061,047 | \$ 6,852,077 |
| Payroll taxes | 65,625 | 118,423 | 268,452 | 163,224 | 615,724 | 36,648 | 129,891 | 166,539 | 782,263 | 749,758 |
| Employee benefits | 62,776 | 86,755 | 252,026 | 109,207 | 510,764 | 28,639 | 124,194 | 152,833 | 663,597 | 686,313 |
| Total Personnel | 686,047 | 1,074,232 | 3,183,130 | 1,610,431 | 6,553,840 | 499,009 | 1,454,058 | 1,953,067 | 8,506,907 | 8,288,148 |
| Interest, taxes and fees | 14,117 | 744,292 | 28,123 | 106,633 | 893,165 | 9,635 | 158,728 | 168,363 | 1,061,528 | 1,133,749 |
| Occupancy | 27,809 | 534,905 | 42,490 | 640,805 | 1,246,009 | 1,053 | 3,999 | 5,052 | 1,251,061 | 1,121,335 |
| Professional fees | 331,377 | 108,289 | 237,864 | 5,107 | 682,637 | 4,823 | 65,896 | 70,719 | 753,356 | 611,962 |
| Maintenance and repairs | 1,292 | 408,670 | 30,867 | 57,702 | 498,531 | 22,110 | 2,412 | 24,522 | 523,053 | 477,884 |
| Miscellaneous | | 49,600 | 915 | 346,263 | 396,778 | 18,722 | 4,791 | 23,513 | 420,291 | 343,913 |
| Supplies | 1,259 | 19,170 | 178,276 | 50,015 | 248,720 | 2,032 | 9,905 | 11,937 | 260,657 | 267,851 |
| Equipment and furniture | 19,289 | 87,680 | 9,134 | 45,168 | 161,271 | 80 | 737 | 817 | 162,088 | 267,742 |
| Information technology | 5,265 | 63,240 | 143,473 | 14,556 | 226,534 | 15,405 | 50,174 | 65,579 | 292,113 | 223,057 |
| Insurance | 3,170 | 872 | 28,202 | 6,648 | 38,892 | 1,452 | 3,616 | 5,068 | 43,960 | 170,971 |
| Client assistance | | | 173,297 | 51,648 | 224,945 | 502 | 39 | 541 | 225,486 | 131,773 |
| Vehicles | 20 | 130,749 | 4,878 | 56,990 | 192,637 | | 146 | 146 | 192,783 | 66,121 |
| Printing and postage | 10,250 | 4,150 | 13,518 | 4,883 | 32,801 | 17,543 | 3,588 | 21,131 | 53,932 | 60,861 |
| Mileage and travel | 3,639 | 195,535 | 12,045 | 1,772 | 212,991 | 264 | 959 | 1,223 | 214,214 | 55,800 |
| Marketing and advertising | 1,852 | 5,125 | 9,183 | 29,762 | 45,922 | 3,259 | 1,540 | 4,799 | 50,721 | 52,551 |
| Education and training | 100 | 10,761 | 7,267 | 20,969 | 39,097 | 718 | 5,304 | 6,022 | 45,119 | 52,362 |
| Total Expenses Before Depreciation | 1,105,486 | 3,437,270 | 4,102,662 | 3,049,352 | 11,694,770 | 596,607 | 1,765,892 | 2,362,499 | 14,057,269 | 13,326,080 |
| Depreciation | | 1,156,186 | 11,141 | 192,548 | 1,359,875 | | 12,187 | 12,187 | 1,372,062 | 1,338,922 |
| | \$ 1,105,486 | \$ 4,593,456 | \$ 4,113,803 | \$ 3,241,900 | \$ 13,054,645 | \$ 596,607 | \$ 1,778,079 | \$ 2,374,686 | \$ 15,429,331 | \$ 14,665,002 |

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Cash Flows For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ 2,394,453 | \$ (980,617) |
| Adjustment to reconcile change in net assets to net cash provided by operating activities- | | |
| Realized and unrealized gains | (302,309) | (206,860) |
| Contributions for the acquisition of long-term assets | (275,093) | (679,886) |
| Contributions for endowments | | (3,365) |
| In-kind contribution of property and other assets | (1,300,352) | |
| Amortization on forgivable loans | (488,264) | |
| Paycheck Protection Program loan forgiveness | 1,594,080 | |
| Loss (gain) on sale of real estate inventory and other assets | | (50,335) |
| Contributions for the acquisition of long-term assets | 213,171 | |
| Loss on disposal of fixed asset | 13,885 | |
| Depreciation | 1,372,062 | 1,338,922 |
| Financing cost amortization | | 1,421 |
| Decrease (increase) in assets: | | |
| Accounts receivable | (347,373) | 1,132 |
| Grants and contracts receivable | (63,460) | (37,377) |
| Pledges receivable | 131,288 | (11,082) |
| Prepaid expenses | 55,608 | (63,597) |
| Self-help family loans receivable | 27,661 | 50,089 |
| Funds held in trust | 35,457 | (75,540) |
| Due from affiliates | 78,636 | (327,941) |
| Increase (decrease) in liabilities: | | |
| Accounts payable, other accrued expenses and deferred revenue | 326,607 | 1,265,160 |
| Net Cash Provided by Operating Activities | 1,871,977 | 220,124 |
| Cash Flows From Investing Activities: | | |
| Purchase of property, equipment and rehabilitation of property | (254,791) | (1,507,217) |
| Acquisition of predevelopment costs | (3,237,285) | (750,793) |
| Investment in real estate inventory | (676,806) | (2,107,909) |
| Proceeds from sale of real estate inventory | 1,298,906 | 2,113,483 |
| Repayment of notes receivable | 1,062,127 | 548,752 |
| Issuance of notes receivable | (295,198) | (975,350) |
| Investment in limited partnerships and limited liability companies | 675,625 | 197 |
| Purchase of short-term investments | (225,792) | |
| Net change in assets whose use is limited or restricted- | | |
| By board for long-term reserves and investment in long-term assets | (1,574,849) | 284,024 |
| By donors for reserves and investment in long-term assets | (3,816) | 452,994 |
| Net Cash Used by Investing Activities | (3,231,879) | (1,941,819) |
| Cash Flows From Financing Activities: | | |
| Proceeds from issuance of long-term debt | 991,166 | 7,881,080 |
| Repayment of long-term debt | (1,279,578) | (3,343,818) |
| Proceeds from short-term borrowings | 400,000 | 180 |
| Repayment of short-term borrowings | (409,098) | (358,600) |
| Contributions received for endowments | | 3,365 |
| Contributions received for long-term purposes | 275,093 | 679,886 |
| Net Cash (Used) Provided by Financing Activities | (1,616,497) | 4,862,093 |
| Net Change in Cash and Cash Equivalents | (2,976,399) | 3,140,398 |
| Cash and cash equivalents, beginning of year | 5,658,087 | 2,517,689 |
| Cash and Cash Equivalents, End of Year | \$ 2,681,688 | \$ 5,658,087 |

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Consolidated Statement of Cash Flows (Continued) For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| 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 | \$ 1,204,360 | \$ 2,722,993 |
| Restricted reserves and deposits | 412,061 | 534,696 |
| Cash portion of assets designated by board for long-term reserves and long-term assets | 284,200 | 261,537 |
| Cash portion of assets restricted for acquisition of long-term assets | 678,937 | 516,707 |
| Cash portion of assets restricted for endowment and long-term reserves | 102,130 | 49,093 |
| Loan proceeds restricted for capital projects | | <u>1,573,061</u> |
| Total Cash, Cash Equivalents and Restricted Cash Shown in the Consolidated Statements of Cash Flows | <u>\$ 2,681,688</u> | <u>\$ 5,658,087</u> |
| Supplementary Disclosures: | | |
| Cash paid during the year for interest | \$ 133,145 | \$ 133,537 |

See accompanying notes.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 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 very 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 very 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. Building Credits is the managing member of New Century Village LLC, whose financial statements are not 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, 2020, HopeWorks Station II construction was completed. Tax-Credit syndication was completed and rehabilitation started for the Beachwood Apartments, Lervick Family Village, and Oakes Commons. Housing Hope Properties continued the rehabilitation of Beachwood Apartments, Lervick Family Village, and Oakes Commons on behalf of Possession Sound Properties, LLC. Planning and predevelopment work commenced for two new developments, Twin Lakes Landing II and Sequoia Upper Field, while financing is near completion for the refinance and rehabilitation for Maple Leaf Meadows, Aspenwood Apartments and New Century House.

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, 2021, 10 lots were sold to new Team HomeBuilding participants at the Lake Martha Ridge in Stanwood, Washington.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 1 - Continued

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, 2021, 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, 2021, 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, 2021, Tomorrow's Hope Child Development Center served 108 children and 115 parents from 82 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.

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.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 2 - Continued

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 \$420,000 and \$714,924 at June 30, 2021 and 2020, respectively. The Agency expects to satisfy the conditions contained in these grants over the next two fiscal years.

Self-Help Family Loans Receivable - As of June 30, 2021 and 2020, \$434,683 and \$462,344 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 to the Agency at that time.

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.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 2 - Continued

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 to be 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 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, 2021 and 2020.

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, 2021 and 2020, the Agency contributed \$64,465 and \$66,347, respectively, to the Plan.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 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, 2021, a substantial number of volunteers, including members of the Board of Directors, donated 4,128 hours (unaudited) to the Agency program services and fund-raising campaigns, with an additional 16,131 hours (unaudited) donated on behalf of the Team HomeBuilding building groups. 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 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>2021</u> | <u>2020</u> |
|--|---------------------|-------------------|
| Donated goods and services - Tomorrow's Hope Childcare Center | \$ 5,836 | \$ 3,325 |
| Donated goods and services - Administration | 4,405 | 13,620 |
| Donated goods and services - College of Hope | 300 | 670 |
| Donated goods and services - Fundraising | 383 | 2,192 |
| Donated goods and services - Housing/Property Management | 11,550 | 733 |
| Donated property and other assets - Avondale | 1,300,352 | |
| Donated goods, services and long-term assets - HopeWorks | | 61,913 |
| Donated goods for resale - ReNewWorks | 218,640 | 109,683 |
| Donated software and hardware - Technology | 3,900 | 3,311 |
| Donated goods and services - Social Services and Client Assistance | 97,310 | 13,386 |
| Donated social investor imputed interest | | 44,287 |
| | <u>\$ 1,642,676</u> | <u>\$ 253,120</u> |

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.

Vulnerability From Certain Concentrations - The Agency receives fees and grants from federal, state, county, and municipal governments. Approximately 18% and 16% 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, 2021, and 2020, 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.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 2 - Continued

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 carry out 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, 2020 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, 2020.

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, 2020, from which the summarized information was derived.

Subsequent Events - The Agency has evaluated subsequent events through January 31, 2022, 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, 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>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| WCRA maintenance and operating reserves | \$ 259,871 | \$ 169,479 |
| Custodial agreement deposits | 29,944 | 255,226 |
| Security deposits | 109,190 | 96,941 |
| Mountain Pacific reserves for Fleming duplexes | <u>13,056</u> | <u>13,050</u> |
| | <u><u>\$ 412,061</u></u> | <u><u>\$ 534,696</u></u> |

Note 4 - Investments

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

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| Short-term investments | \$ 350,592 | \$ 124,800 |
| Assets designated by board for long-term reserves and investment in long-term assets | 2,532,429 | 1,308,172 |
| Assets restricted by donors for endowments and long-term reserves | <u>6,616,095</u> | <u>6,279,673</u> |
| | <u><u>\$ 9,499,116</u></u> | <u><u>\$ 7,712,645</u></u> |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 4 - Continued

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

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|----------------------------|--------------------------|
| Interest and dividends | \$ 170,951 | \$ 193,140 |
| Realized and unrealized gains | 1,877,158 | 279,397 |
| Investment management fees | <u>(35,231)</u> | <u>(30,442)</u> |
| | <u><u>\$ 2,012,878</u></u> | <u><u>\$ 442,095</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, 2021.

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, 2021

Note 4 - Continued

Fair Values Measured on a Recurring Basis - Fair values of assets measured on a recurring basis at June 30, 2021, and 2020, were as follows:

| | Fair Value Measurements | | | Total |
|------------------------------------|-------------------------|-------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | |
| Money market funds | \$ 301,871 | \$ - | \$ - | \$ 301,871 |
| Mutual funds- | | | | |
| Large cap core | 308,005 | | | 308,005 |
| Large cap growth | 204,760 | | | 204,760 |
| Large cap value | 418,747 | | | 418,747 |
| Small/medium cap core | 423,061 | | | 423,061 |
| Small/medium cap growth | 179,615 | | | 179,615 |
| Small/medium cap value | 465,127 | | | 465,127 |
| International | 1,283,341 | | | 1,283,341 |
| Currency | 87,889 | | | 87,889 |
| Fixed income | 1,165,621 | | | 1,165,621 |
| Other | 1,073,002 | | | 1,073,002 |
| Total mutual funds | 5,609,168 | | | 5,609,168 |
| Marketable equity securities- | | | | |
| Communication Services | 497,322 | | | 497,322 |
| Consumer Discretionary | 739,935 | | | 739,935 |
| Consumer Staples | 119,877 | | | 119,877 |
| Energy | 15,226 | | | 15,226 |
| Financial | 225,536 | | | 225,536 |
| Health Care | 443,443 | | | 443,443 |
| Information Technology | 1,133,539 | | | 1,133,539 |
| Industrials | 243,399 | | | 243,399 |
| Materials | 81,022 | | | 81,022 |
| Real Estate | 80,772 | | | 80,772 |
| Utilities | 8,006 | | | 8,006 |
| Total marketable equity securities | 3,588,077 | | | 3,588,077 |
| Total June 30, 2021 | \$ 9,499,116 | \$ - | \$ - | \$ 9,499,116 |
| Total June 30, 2020 | \$ 7,712,645 | \$ - | \$ - | \$ 7,712,645 |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 5 - Pledges Receivable

Pledges receivable at June 30, 2021, are as follows:

| | | |
|---|-----------|-----------------------|
| Receivable in less than one year | \$ | 153,854 |
| Receivable in one to five years | | <u>86,923</u> |
| Total pledges receivable | | 240,777 |
| Less discounts to net present value | | (3,743) |
| Less allowance for uncollectible pledges receivable | | <u>(23,334)</u> |
| Net Pledges Receivable | \$ | <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.

As of June 30, 2021, pledges receivable were reported in the consolidated statement of financial position as follows:

| | | |
|--|-----------|-----------------------|
| Pledges receivable, current portion | \$ | 45,331 |
| Pledges receivable, long-term portion | | 23,443 |
| Assets restricted by donors for acquisition of long-term assets | | <u>144,926</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>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Working capital and other reserves | \$ 502 | \$ 169,187 |
| Reserve for the replacement or repair of long-term assets | 283,698 | 92,350 |
| Board designated quasi-endowment | <u>4,119,266</u> | <u>2,568,061</u> |
| | \$ 4,403,466 | \$ 2,829,598 |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 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>2021</u> | <u>2020</u> |
|---------------------------|----------------------------|----------------------------|
| Cash and cash equivalents | \$ 284,200 | \$ 261,537 |
| Short Term Investments | 350,592 | 124,800 |
| Investments | <u>2,532,429</u> | <u>1,183,372</u> |
| | <u>\$ 3,167,221</u> | <u>\$ 1,569,709</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>2021</u> | <u>2020</u> |
|---------------------------------|-----------------------------|-----------------------------|
| Restricted for program services | \$ 396,326 | \$ 444,609 |
| Acquisition of long-term assets | 678,937 | 691,929 |
| Forgivable loans (Note 13) | 5,904,657 | 6,392,918 |
| Endowment accumulated earnings | 708,629 | 547,979 |
| Endowment corpus | <u>5,907,467</u> | <u>5,907,467</u> |
| | <u>\$ 13,596,016</u> | <u>\$ 13,984,902</u> |

At June 30, 2021 and 2020, the Agency had \$5,907,467 of net assets with donor restrictions in perpetuity. 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).

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 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>2021</u> | <u>2020</u> |
|---------------------------------|----------------------------|----------------------------|
| Acquisition of long-term assets | \$ 295,000 | \$ 4,478,938 |
| Restricted for program expenses | 948,095 | 1,325,254 |
| Forgivable loan amortization | 488,264 | 308,929 |
| | <u><u>\$ 1,731,359</u></u> | <u><u>\$ 6,113,121</u></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>2021</u> | <u>2020</u> |
|---------------------------|----------------------------|----------------------------|
| Cash and cash equivalents | \$ 102,130 | \$ 49,093 |
| Investments | 6,616,095 | 6,279,673 |
| | <u><u>\$ 6,718,225</u></u> | <u><u>\$ 6,328,766</u></u> |

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

| | <u>2021</u> | <u>2020</u> |
|---------------------------|--------------------------|--------------------------|
| Cash and cash equivalents | \$ 678,937 | \$ 516,707 |
| Pledges receivable | 144,925 | 175,222 |
| | <u><u>\$ 823,862</u></u> | <u><u>\$ 691,929</u></u> |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 9 - Land, Buildings and Equipment

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

| | <u>220</u> | <u>2020</u> |
|---|-----------------------------|-----------------------------|
| Land | \$ 8,512,483 | \$ 7,860,483 |
| Buildings and improvements | 40,374,673 | 35,813,765 |
| Furniture and equipment | 1,794,263 | 1,775,770 |
| Vehicles | <u>346,443</u> | <u>243,841</u> |
| | 51,027,862 | 45,693,859 |
| Less accumulated depreciation | <u>(14,668,547)</u> | <u>(13,297,906)</u> |
| Land, Buildings and Equipment, Net | <u>\$ 36,359,315</u> | <u>\$ 32,395,953</u> |

Note 10 - Project Development Costs

Predevelopment costs have been incurred for the Twin Lakes Landing II project in Marysville, Maple Leaf Meadows, 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, 2021 were \$3,111,149, \$10,610, \$33,173, \$45,040, \$24,330, \$42,655 respectively, totaling \$3,266,957. Additionally, tenant improvement costs have been incurred for Aspenwood. The accumulated tenant improvement costs at June 30, 2021 were \$350,167.

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, 2021 and 2020, there was an outstanding balance of \$600,000 for both years. This loan is secured by the investments 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%. At June 30, 2021 and 2020, there was an outstanding balance of \$400,000. 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, 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 (3.25% at June 30, 2021), with a maturity date due upon demand. At June 30, 2021 and 2020, there was an outstanding balance of \$64,450 and \$73,548, respectively.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 12 - Long-Term Debt

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

| | <u>2021</u> | <u>2020</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 2022. (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 | 105,000 |
| <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 | 210,000 |
| <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 30, 2027. (2777V) | 100,000 | 150,000 |
| <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, 2021

Note 12 - Continued

| | <u>2021</u> | <u>2020</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>HOME/ADDI 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. (2609) | 1,340,117 | 348,950 |
| <u>Rural Community Assistance Corporation-Loan 0937-HH-02</u> Loan to purchase 12 finished lots to be resold to households participating in USDA Mutual Self-Help program commonly known as Lake Martha Ridge. The principal sum up to a maximum of \$966,000 with payments of interest on the unpaid principal. The loan shall bear interest at the rate of 5.25% per annum. All principal and interest was due and payable on loan maturity of November 1, 2020. The loan was paid in full during the year ended June 30, 2021. (2418) | | 563,500 |
| <u>Impact Capital</u> Loan to purchase a portion of the cost of the acquisition of the property located at 85th Drive NW, Stanwood, commonly referred to as Lake Martha Ridge. The loan of \$508,970 shall bear interest at 5.69% per annum with monthly interest payments. The loan was paid in full during the year ended June 30, 2021. | | 305,382 |

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021**

Note 12- Continued

| | 2021 | 2020 |
|--|---------|-----------|
| <u>Small Business Administration (SBA) Paycheck Protection Program (PPP)</u> | | |
| This loan is issued through Heritage Bank made under the rules issued by the SBA who is implementing the PPP loan program. The loan amount of \$1,594,000 is due in 18 monthly consecutive payments of all accrued but unpaid interest payable on each Payment Date, beginning on the Payment Date seven months from the Note Date of April 11, 2020. In the event Borrower receives loan forgiveness under the PPP, Lender may adjust the payment schedule to reduce the payments amounts or reduce the number of payments made. Loan was forgiven in full during the year ended June 30, 2021. | | 1,594,080 |
| 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>Opus 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 6% at June 30, 2021; 20-year maturity, amortizing over 30 years; matures December 1, 2026; secured by deed of trust on real property. Note payable was transferred to the Agency with the assumption of Avondale during the year ended June 30, 2021. (2705) | 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. Note payable was transferred to the Agency with the assumption of Avondale during the year ended June 30, 2021. (2706C) | 330,000 | |
| <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. Note payable was transferred to the Agency with the assumption of Avondale during the year ended June 30, 2021. (2706S) | 280,000 | |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 12- Continued

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| 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) | 728,151 | 746,850 |
| <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 |
| <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 |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 12 - Continued

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| <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 |
| FAIRVIEW APARTMENTS | | |
| <u>Peoples Bank: WSHFC #5042423-201 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) | 1,156,350 | 1,186,808 |
| <u>Peoples Bank Loan 5042423-202</u> Note payable secured by real property "Fairview Apartments" with interest at 4.18% payable in 60 monthly payments of \$556 beginning June 30, 2016 through May 30, 2021. Note was paid in full during the year ended June 30, 2021. (2789E) | | 5,988 |
| <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 |
| 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 |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 12 - Continued

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| <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) | 418,883 | 433,652 |
| 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 |
| <u>Snohomish County Housing Trust Fund</u> Assigned note payable, noninterest bearing, principal due upon maturity at November 1, 2047, collateralized by investment in real estate. (2745F) | 154,800 | 154,800 |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 12 - Continued

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| HOPE VILLAGE II | | |
| <u>Pacific Premiere Bank</u> 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". Note payable was transferred to the Agency with the assumption of Hope Village II during the year ended June 30, 2019. (2774) | 264,744 | 278,212 |
| <u>Washington State Department of Commerce - DCTED 02-49300-129</u> 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". Note payable was transferred to the Agency with the assumption of Hope Village II during the year ended June 30, 2019. (2774A) | 138,388 | 138,388 |
| <u>Snohomish County HOME</u> 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". Note payable was transferred to the Agency with the assumption of Hope Village II during the year ended June 30, 2019. (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 \$320,645 has been recognized and reported at June 30, 2021, on the social investor notes due to the below market interest rate loans. (2648) | 2,544,000 | 2,544,000 |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 12 - Continued

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| 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 June 2024, when the principal balance, along with any unpaid interest, is due and payable. A present value discount of \$58,954 has been recognized and reported at June 30, 2021, on the social investor notes due to the below market interest rate loans. (2648) | 410,000 | 410,000 |
| <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 July 1, 2025 when the principal balance, along with any unpaid interest, is due and payable. A present value discount of \$30,558 has been recognized and reported at June 30, 2021, 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 |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 12 -Continued

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| <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 |
| <u>Washington Community Reinvestment Association - (WCRA) 1-100337</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) | 1,732,395 | 1,767,461 |
| 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) | 2,342,183 | 2,391,896 |
| 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) | 980,331 | 1,011,353 |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 12 - Continued

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| 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 |
| <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) | 1,031,978 | 1,055,000 |
| <u>City of Everett - 2060 HTF Aspenwood</u> Note payable secured by real property "2503 Howard - Condo unit #2" 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 |
| 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) | 954,479 | 984,698 |
| 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 |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 12 - Continued

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| <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 (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) | 1,447,890 | 1,484,633 |
| 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) | 300,762 | 344,879 |
| <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. (2607) Subsequent to year end this was paid in full in October 2021. | 708,525 | 708,525 |

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021**

Note 12 - Continued

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|-----------------------------|
| 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 |
| 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) | 389,552 | 404,040 |
| <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) | 191,347 | 197,278 |
| <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) | 179,326 | 187,504 |
| Total | 30,430,495 | 31,165,857 |
| Less current portion | (2,495,628) | (1,633,154) |
| Less present value discount | (407,613) | (517,388) |
| Less unamortized deferred financing fees | (109,059) | (110,480) |
| Long-Term Debt, Net | <u>\$ 27,418,195</u> | <u>\$ 28,904,835</u> |

Included in the current portion of long-term debt for the year ended June 30, 2021 are predevelopment costs and the State of Washington Housing Finance Commission LAP loan related to Twin Lakes Landing II. Subsequent to year end, both loans were paid in full upon receipt of the funding (Note 19).

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 12 - Continued

Principal maturities are as follows:

For the Year Ending June 30,

| | |
|------------|-----------------------------|
| 2022 | \$ 2,495,628 |
| 2023 | 1,599,186 |
| 2024 | 669,019 |
| 2025 | 423,933 |
| 2026 | 3,721,890 |
| Thereafter | <u>21,520,839</u> |
| | <u><u>\$ 30,430,495</u></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 very 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 \$327,000 and \$203,000 for the years ended June 30, 2021 and 2020, 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.

Note 13 - Forgivable Loans

The Agency received cumulative forgivable loan proceeds of \$9,706,999 through the year ended June 30, 2021, 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, 2021, 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 date in accordance with donor wishes.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 13 - Continued

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

| | <u>2021</u> | <u>2020</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 | | |
| | \$ 344,737 | \$ 356,260 |
| <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 | | |
| | 579,071 | 601,415 |
| <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 | | |
| | 687,042 | 704,254 |
| 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 | | |
| | 232,597 | 249,695 |
| 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 | | |
| | 118,304 | 123,702 |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 13 - Continued

| | <u>2021</u> | <u>2020</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 | 345,800 | 361,000 |
| <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 | 31,250 | 32,219 |
| 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 | 379,281 | 393,609 |
| 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 | 280,587 | 289,787 |
| 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 | 793,629 | 820,737 |
| 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 | 144,900 | 149,660 |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 13 - Continued

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| <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 | 33,280 | 39,680 |
| <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 | 27,726 | 31,726 |
| <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 | 66,728 | 73,702 |
| <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 | 175,946 | 182,898 |
| 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 | 791,743 | 817,993 |
| <u>Community Frameworks SHOP</u> <u>Self-Help Homeownership Project HHP-07-1</u> Note payable with loan agreement at 0% interest secured by 9 lots of real property "Copper Station" with original amount of \$135,000. Funds were repaid with the sale of the Copper Station lots to 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 was forgiven in the year ended June 30, 2021. (2777D)F | | 59,289 |

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021**

Note 13 - Continued

| | 2021 | 2020 |
|---|---------|---------|
| <u>Community Frameworks SHOP</u> | | |
| <u>Self-Help Homeownership Project HHP-08-01</u> | | |
| Note payable with loan agreement at 0% interest secured by 14 lots of real property "Marvin Gardens" with original amount of \$210,000. Funds to be repaid with the sale of the Marvin Gardens lots to 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 was forgiven during the year ended June 30, 2021. (2777P)F | | 113,227 |
| <u>Community Frameworks SHOP</u> | | |
| <u>Self-Help Homeownership Project HHP-08-02</u> | | |
| Note payable with loan agreement at 0% interest secured by 10 lots of real property "Rose Park" with original amount of \$150,000. Funds to be repaid with the sale of the Rose Park 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 was forgiven during the year ended June 30, 2021. (2777R)F | | 87,781 |
| <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 | 100,000 | 81,250 |
| <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 | 135,000 | 156,000 |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 13 - Continued

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| 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 | 11,627 | 13,863 |
| <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 2021 subject to use as childcare facility to benefit low-income families. (2752B)F | 890 | 5,890 |
| 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 | 55,173 | 57,349 |
| <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 | 12,535 | 13,211 |
| 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 | 156,017 | 162,374 |
| <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 | 45,872 | 47,794 |

HOUSING HOPE AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021**

Note 13 - Continued

| | <u>2021</u> | <u>2020</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 | 44,892 | 46,767 |
| <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 | 310,030 | 319,786 |
| Total Forgivable Loan Remaining Restricted Balance | <u>\$ 5,904,657</u> | <u>\$ 6,392,918</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, 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 | \$ - | \$ 6,616,096 | \$ 6,616,096 |
| Board designated quasi-endowment funds | 4,119,266 | | 4,119,266 |
| Endowment Net Assets, June 30, 2021 | <u>\$ 4,119,266</u> | <u>\$ 6,616,096</u> | <u>\$ 10,735,362</u> |
| Endowment Net Assets, June 30, 2020 | <u>\$ 2,568,061</u> | <u>\$ 6,455,446</u> | <u>\$ 9,023,507</u> |

Changes to endowment net assets for the year ended June 30, 2021, are as follows:

| | Without Donor Restriction | With Donor Restriction | Total |
|--|------------------------------|----------------------------|----------------------------|
| Endowment net assets, June 30, 2020 | \$ 2,568,061 | \$ 6,455,446 | \$ 9,023,507 |
| Endowment investment return | 1,855,300 | 156,081 | 2,011,381 |
| New contributions | 6,777 | 6,519 | 13,296 |
| Repayment of internal loans | 27,124 | | 27,124 |
| Appropriation of endowment for expenditure/internal loans | <u>(337,996)</u> | <u>(1,950)</u> | <u>(339,946)</u> |
| Endowment Net Assets, June 30, 2021 | 4,119,266 | 6,616,096 | 10,735,362 |
| Loans for internal projects | <u>(1,236,245)</u> | | <u>(1,236,245)</u> |
| Net Invested Endowment Net Assets, June 30, 2021 | <u>\$ 2,883,021</u> | <u>\$ 6,616,096</u> | <u>\$ 9,499,117</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, 2021 and 2020, 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, 2021 and 2020, the balance on the loan was \$1,236,245 and \$1,259,889, 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, 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.

According to the terms of the Avondale LP agreement, Building Credits and Housing Hope are to receive the following:

- To Building Credits, a partnership management fee of \$7,000, increasing by 3% each year. For the year ended June 30, 2021, \$7,058 of partnership management fees were reflected in the consolidated financial statements.
- To Building Credits, a property management fee of \$9,240, which is \$55 per unit for the additional six months for the 14 unit complex.
- To Housing Hope for reimbursable administrative expenses related to property management salaries, insurance expense, and other miscellaneous expenses. For the year ending June 30, 2021, \$73,119 of reimbursable expenses were reflected in the consolidated financial statements.

These fees are contingent upon the availability of cash. Each of these entities has guaranteed to fully and faithfully perform all of their obligations under the Avondale LP agreement.

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.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 15 - Continued

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.

According to the terms of the New Century Village LLC agreement, Building Credits and Housing Hope are to receive the following:

- To Building Credits, a company management fee of \$10,000, increasing by 3% each year. For the year ended June 30, 2021, \$14,257 of partnership management fees were reflected in the consolidated financial statements.
- To Building Credits, a property management fee of \$16,500, which is \$55 per unit for the additional six months for the 25 unit complex.
- To Housing Hope for reimbursable administrative expenses related to property management salaries, insurance expense, and other miscellaneous expenses. For the year ending June 30, 2021, \$12,779 of reimbursable expenses were reflected in the consolidated financial statements.
- To Housing Hope repayment of loans it has made to the LLC, during the year ended June 30, 2021 all loans were paid in full.
- These fees are contingent upon the availability of cash. Each of these entities has guaranteed to fully and faithfully perform all of their obligations under the New Century Village LLC agreement.

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.

Consistent with Housing Hope's mission, loan covenants and grant requirements, it is Housing Hope's intention to exercise this option. Subsequent to year end, as of December 31, 2021, this option was exercised.

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.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 15 - Continued

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 year ending June 30, 2021, \$116,053 of developer fees were reflected in the consolidated financial statements.
- To Housing Hope Loan Funds made to the LLC. For the year ending June 30, 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 year ended June 30, 2021, \$23,186 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 year ending June 30, 2021, \$60,695 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.

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 the year ending June 30, 2021, \$830,425 of developer fees were reflected in the consolidated financial statements.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 15 - Continued

- To Housing Hope Loan Funds made to the LLC. For the year ending June 30, 2021, \$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 year ending June 30, 2021, \$146,352 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 year ended June 30, 2021, \$10,927 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.

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 year ending June 30, 2021, \$817,319 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 year ending June 30, 2021, \$120,597 of reimbursable expenses were reflected in the consolidated financial statements.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 15 - Continued

- To Housing Hope Properties, a property management fee of \$42,900 which is \$55 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 year ended June 30, 2021, \$52,273 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 intension 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.

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.

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 15 - Continued

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 the year ending June 30, 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 year ending June 30, 2021, \$75,508 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.

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 |
|-------------------------------|-----------------------------|--------------------------|------------------------------|-----------------------------|
| New Century Village | \$ - | \$ 95 | \$ (95) | \$ - |
| Monroe Family Village | 1,436,053 | 470,349 | (116,053) | 1,790,349 |
| Twin Lakes Landing | 1,773,509 | 157,956 | (30,000) | 1,901,465 |
| HopeWorks Station Residential | 817,319 | | (180,000) | 637,319 |
| HopeWorks Station Enterprises | 8,517,000 | 41,219 | | 8,558,219 |
| Possession Sound Properties | 4,599,799 | 104,274 | (140,000) | 4,564,073 |
| June 30, 2021 Total | <u>\$ 17,143,680</u> | <u>\$ 773,893</u> | <u>\$ (466,148)</u> | <u>\$ 17,451,425</u> |
| June 30, 2020 Total | <u>\$ 17,978,441</u> | <u>\$ 706,061</u> | <u>\$ (1,094,834)</u> | <u>\$ 17,589,668</u> |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 15 - Continued

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

| | Direct Cost | Partnership Mgmt Fees | June 30, 2021 Total | June 30, 2020 Total |
|-------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Avondale | \$ 73,119 | \$ 7,058 | \$ 80,177 | \$ 5,214 |
| New Century Village | 12,779 | 96,700 | 109,479 | 144,466 |
| Monroe Family Village | 60,695 | 112,702 | 173,397 | 180,000 |
| Twin Lakes Landing | 146,352 | 32,192 | 178,544 | 416,032 |
| HopeWorks Station Residential | 120,597 | 56,439 | 177,036 | 46,169 |
| Possession Sound Properties | 75,508 | | 75,508 | 84,526 |
| Due from Other Funds | 3,630 | | 3,630 | |
| June 30, 2021 Total | <u>\$ 492,680</u> | <u>\$ 305,091</u> | <u>\$ 797,771</u> | |
| June 30, 2020 Total | | <u>\$ 252,556</u> | | <u>\$ 876,407</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, 2021, the Agency had deposits with the Trust of \$97,488 which are reported in the consolidated statement of financial position as funds held in trust. As of June 30, 2021, the Agency estimated a liability for incurred-but-not-reported unemployment claims of \$16,184, which is included in accounts payable and accrued expenses in the consolidated statement of financial position.

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, | |
| 2022 | \$ 105,000 |
| 2023 | 105,000 |
| 2024 | 105,000 |
| 2025 | 393,000 |
| 2026 | 681,000 |
| Thereafter | <u>11,917,500</u> |
| | <u>\$ 13,306,500</u> |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

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.

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>2021</u> | <u>2020</u> |
|---|--------------------------------|--------------------------------|
| Cash and cash equivalents | \$ 1,204,360 | \$ 2,722,993 |
| Short-term investments | 350,592 | 124,800 |
| Accounts, grants and contracts, and pledges receivable | 1,104,697 | 826,693 |
| Due from affiliates | 797,771 | 876,407 |
| Notes receivable, accrued interest and developer fees due from affiliates | 17,917,573 | 18,684,502 |
| Assets designated by board for long-term reserves and investment in long-term assets | 3,167,221 | 1,569,709 |
| Assets restricted by donors for the acquisition of long-term assets | 823,862 | 691,929 |
| Assets restricted by donors for endowments and long-term reserves | 6,718,225 | 6,328,766 |
| Loan Proceeds restricted for capital projects | | 1,573,061 |
| Self-help family loans receivable | 434,683 | 462,344 |
| Restricted reserves and deposits | <u>412,061</u> | <u>534,696</u> |
| Total financial assets | 32,931,045 | 34,395,900 |
| Receivables scheduled to be collected in more than one year | (18,044,468) | (18,594,490) |
| Assets restricted by donors for the acquisition of long-term assets | (823,862) | (691,929) |
| Contractually restricted reserves and deposits | (412,061) | (534,696) |
| Loan proceeds restricted for capital projects | | (1,573,061) |
| Board reserves | (74,376) | (261,537) |
| Donor endowment funds | (6,616,096) | (6,455,446) |
| Quasi-endowment | <u>(4,119,266)</u> | <u>(2,568,061)</u> |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | <u>\$ 2,840,916</u> | <u>\$ 3,716,680</u> |

HOUSING HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 19 - Subsequent Events

Subsequent to year end, Housing Hope obtained financing for the Twin Lakes Landing II project, as of September 29, 2021 for \$1,553,707.

Subsequent to year end, the Edmonds School Board approved a Lease Agreement for land in Lynnwood for a future multifamily development project. The agreement provides for a 75 year lease term at a price of \$1 per year.

Subsequent to year end, the Investor Member of New Century Village LLC exited the LLC and Building Credits became the sole member of the LLC.

Subsequent to year end, Housing Hope refinanced the loan associated with Aspenwood to fund the rehabilitation of the space. The refinance totaled \$586,790.

Subsequent to year end, Housing Hope signed a purchase and sale agreement on August 30, 2021 to purchase land from the Edmonds Lutheran Church for a future multifamily development project. The purchase price reflected in the agreement is \$1,328,000. This sale is pending close of financing for the tax credit project. This is expected to be late 2022.

SUPPLEMENTARY INFORMATION

HOUSING HOPE AND SUBSIDIARIES

**Consolidating Statement of Financial Position - Assets
June 30, 2021
(With Comparative Totals for 2020)**

| | Housing Hope | Building Credits | Housing Hope Properties | HopeWorks | Subtotal | Eliminations | 2021 Consolidated Total | 2020 Consolidated Total |
|--|----------------------|---------------------|-------------------------------|----------------------|----------------------|--------------|-------------------------------|-------------------------------|
| Assets | | | | | | | | |
| Current Assets: | | | | | | | | |
| Cash and cash equivalents | \$ 78,837 | \$ 80,692 | \$ 512,481 | \$ 532,350 | \$ 1,204,360 | \$ - | \$ 1,204,360 | \$ 2,722,993 |
| Short-term investments | 350,592 | | | | 350,592 | | 350,592 | 124,800 |
| Accounts receivable, net | 146,857 | | 157,912 | 304,325 | 609,094 | | 609,094 | 261,721 |
| Grants and contracts receivable | 356,830 | | 45,000 | | 401,830 | | 401,830 | 338,370 |
| Due from affiliates | 607,725 | 177,493 | | 12,553 | 797,771 | | 797,771 | 876,407 |
| Current portion of notes receivable, accrued interest and deferred developer fees due from affiliates | 466,148 | | | | 466,148 | | 466,148 | 1,094,834 |
| Pledges receivable, current portion | | | | 45,331 | 45,331 | | 45,331 | 138,592 |
| Real estate inventory | 675,959 | | | | 675,959 | | 675,959 | 1,298,059 |
| Prepaid expenses and other current assets | 13,611 | | | 71,472 | 85,083 | | 85,083 | 140,691 |
| Total Current Assets | 2,696,559 | 258,185 | 715,393 | 966,031 | 4,636,168 | | 4,636,168 | 6,996,467 |
| Assets Whose Use is Limited or Restricted: | | | | | | | | |
| Assets designated by board for long-term reserves and investment in long-term assets | 1,984,888 | | | 1,182,333 | 3,167,221 | | 3,167,221 | 1,569,709 |
| Assets restricted by donors for the acquisition of long-term assets | 823,862 | | | | 823,862 | | 823,862 | 691,929 |
| Assets restricted by donors for endowments and long-term reserves | 1,718,225 | | | 5,000,000 | 6,718,225 | | 6,718,225 | 6,328,766 |
| Loan proceeds restricted for capital projects | | | | | | | | 1,573,061 |
| Restricted reserves and deposits | 399,477 | | | 12,584 | 412,061 | | 412,061 | 534,696 |
| Other Assets: | | | | | | | | |
| Pledges receivable, long-term portion | 23,443 | | | | 23,443 | | 23,443 | 61,470 |
| Self-help family loans receivable | | | 434,683 | | 434,683 | | 434,683 | 462,344 |
| Funds held in trust | 97,488 | | | | 97,488 | | 97,488 | 132,945 |
| Land, building, and equipment, net | 35,026,401 | | 1,332,914 | | 36,359,315 | | 36,359,315 | 32,395,953 |
| Notes receivable, accrued interest and deferred developer fees due from affiliates, net of current portion | 8,120,297 | | | 9,331,128 | 17,451,425 | | 17,451,425 | 17,589,668 |
| Project development costs | 2,211,417 | | 1,055,550 | | 3,266,967 | | 3,266,967 | 2,139,774 |
| Investment in limited partnerships and limited liability companies | | 664,093 | (145) | | 663,948 | | 663,948 | 1,339,573 |
| Total Assets | \$ 53,102,057 | \$ 922,278 | \$ 3,538,395 | \$ 16,492,076 | \$ 74,054,806 | \$ - | \$ 74,054,806 | \$ 71,816,355 |

See independent auditor's report.

HOUSING HOPE AND SUBSIDIARIES

**Consolidating Statement of Financial Position - Liabilities and Net Assets
June 30, 2021
(With Comparative Totals for 2020)**

| | Housing Hope | Building Credits | Housing Hope Properties | HopeWorks | Subtotal | Eliminations | 2021 Consolidated Total | 2020 Consolidated Total |
|---|----------------------|---------------------|-------------------------------|----------------------|----------------------|--------------|-------------------------------|-------------------------------|
| Liabilities and Net Assets | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Short-term borrowings | \$ 999,894 | \$ - | \$ - | \$ 64,556 | \$ 1,064,450 | \$ - | \$ 1,064,450 | \$ 1,073,548 |
| Accounts payable and accrued expenses | 1,436,743 | 91,330 | 26,366 | 124,018 | 1,678,457 | | 1,678,457 | 1,872,280 |
| Deferred rent liability | 35,555 | | | 63,786 | 99,341 | | 99,341 | 15,535 |
| Current portion of accrued interest | 46,016 | | | 62,151 | 108,167 | | 108,167 | 99,785 |
| Current portion of long-term debt | 2,495,628 | | | | 2,495,628 | | 2,495,628 | 1,633,154 |
| Total Current Liabilities | 5,013,836 | 91,330 | 26,366 | 314,511 | 5,446,043 | | 5,446,043 | 4,694,302 |
| Accrued long-term expenses | 247,039 | | 33,818 | | 280,857 | | 280,857 | 243,954 |
| Accrued interest on long-term debt | 1,525,056 | | | | 1,525,056 | | 1,525,056 | 1,438,646 |
| Deferred rent liability | | | | 775,396 | 775,396 | | 775,396 | 319,812 |
| Long-term debt, net of current portion and unamortized deferred financing fees | 22,465,630 | | 1,738,434 | 3,214,131 | 27,418,195 | | 27,418,195 | 28,904,835 |
| Total Liabilities | 29,251,561 | 91,330 | 1,798,618 | 4,304,038 | 35,445,547 | | 35,445,547 | 35,601,549 |
| Net Assets: | | | | | | | | |
| Without donor restriction- | | | | | | | | |
| Undesignated | 8,246,059 | 1,574,122 | 1,522,008 | 9,267,588 | 20,609,777 | | 20,609,777 | 19,400,306 |
| Designated by the Board of Directors | 4,403,466 | | | | 4,403,466 | | 4,403,466 | 2,829,598 |
| Total net assets without donor restriction | 12,649,525 | 1,574,122 | 1,522,008 | 9,267,588 | 25,013,243 | | 25,013,243 | 22,229,904 |
| With donor restriction- | | | | | | | | |
| With donor restriction for time or purpose | 6,468,281 | | 296,005 | 924,263 | 7,688,549 | | 7,688,549 | 8,077,435 |
| With donor restriction in perpetuity | 907,467 | | | 5,000,000 | 5,907,467 | | 5,907,467 | 5,907,467 |
| Total with donor restriction | 7,375,748 | | 296,005 | 5,924,263 | 13,596,016 | | 13,596,016 | 13,984,902 |
| Total Net Assets | 20,025,273 | 1,574,122 | 1,818,013 | 15,191,851 | 38,609,259 | | 38,609,259 | 36,214,806 |
| Total Liabilities and Net Assets | \$ 49,276,834 | \$ 1,665,452 | \$ 3,616,631 | \$ 19,495,889 | \$ 74,054,806 | \$ - | \$ 74,054,806 | \$ 71,816,355 |

See independent auditor's report.

HOUSING HOPE AND SUBSIDIARIES

**Consolidating Statement of Activities
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

| | Housing Hope | Building Credits | Housing Hope Properties | HopeWorks | Subtotal | Eliminations | 2021 Consolidated Total | 2020 Consolidated Total |
|--|----------------------|---------------------|-------------------------------|---------------------|----------------------|--------------|-------------------------------|-------------------------------|
| Public Support, Revenues and Gains: | | | | | | | | |
| Public support- | | | | | | | | |
| Contributions | \$ 1,687,673 | \$ - | \$ 255,000 | \$ 529,745 | \$ 2,472,418 | \$ - | \$ 2,472,418 | \$ 2,581,323 |
| In-kind contributions | 187,324 | | 155,000 | | 342,324 | | 342,324 | 253,120 |
| In-kind contribution of long-term assets | | | | | | | | 3,365 |
| Paycheck Protection Plan Loan Forgiveness | 1,594,080 | | | | 1,594,080 | | 1,594,080 | |
| United Way | 259,460 | | | | 259,460 | | 259,460 | 272,500 |
| Total public support | 3,728,537 | | 410,000 | 529,745 | 4,668,282 | | 4,668,282 | 3,110,308 |
| Fees and grants from governmental agencies | 1,939,547 | | 657,720 | 421,300 | 3,018,567 | | 3,018,567 | 1,996,692 |
| Other revenue, gains and (losses)- | | | | | | | | |
| Program service fees and rents | 4,451,260 | | 70,077 | 1,205,507 | 5,726,844 | | 5,726,844 | 5,771,751 |
| Management and development fees | 354,900 | | | 150,698 | 505,598 | | 505,598 | 1,873,779 |
| Interest and other income | 1,233,902 | | | 1,383,837 | 2,617,739 | | 2,617,739 | 881,520 |
| In-kind contribution of property and other assets | 1,300,352 | | | | 1,300,352 | | 1,300,352 | |
| (Loss) gain on sale of real estate inventory and other assets | (13,598) | | | | (13,598) | | (13,598) | 50,335 |
| Total other revenue | 7,326,816 | | 70,077 | 2,740,042 | 10,136,935 | | 10,136,935 | 8,577,385 |
| Total Public Support, Revenue and Gains | \$ 12,994,900 | \$ - | \$ 1,137,797 | \$ 3,691,087 | \$ 17,823,784 | \$ - | \$ 17,823,784 | \$ 13,684,385 |

See independent auditor's report.

HOUSING HOPE AND SUBSIDIARIES

**Consolidating Statement of Activities (Continued)
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

| | Housing Hope | Building Credits | Housing Hope Properties | HopeWorks | Subtotal | Eliminations | 2021 Consolidated Total | 2020 Consolidated Total |
|--|----------------------|---------------------|-------------------------------|----------------------|----------------------|--------------|-------------------------------|-------------------------------|
| Expenses: | | | | | | | | |
| Salary and wages | \$ 5,209,213 | \$ - | \$ 526,901 | \$ 1,324,933 | \$ 7,061,047 | \$ - | \$ 7,061,047 | \$ 6,852,077 |
| Payroll taxes | 556,960 | | 62,988 | 162,315 | 782,263 | | 782,263 | 749,758 |
| Employee benefits | 494,741 | | 61,233 | 107,623 | 663,597 | | 663,597 | 686,313 |
| Total payroll costs | 6,260,914 | | 651,122 | 1,594,871 | 8,506,907 | | 8,506,907 | 8,288,148 |
| Professional fees | 928,085 | | 128,336 | 5,107 | 1,061,528 | | 1,061,528 | 611,962 |
| Supplies | 1,200,028 | | 990 | 50,043 | 1,251,061 | | 1,251,061 | 267,851 |
| Printing and postage | 744,282 | | 8,342 | 732 | 753,356 | | 753,356 | 60,861 |
| Information technology | 495,821 | | 8,546 | 18,686 | 523,053 | | 523,053 | 223,057 |
| Occupancy | (266,254) | | 27,328 | 659,217 | 420,291 | | 420,291 | 1,121,335 |
| Maintenance and repairs | 198,125 | | 1,225 | 61,307 | 260,657 | | 260,657 | 477,884 |
| Equipment and furniture | 117,859 | | 2,666 | 41,563 | 162,088 | | 162,088 | 267,742 |
| Vehicles | 235,103 | | 20 | 56,990 | 292,113 | | 292,113 | 66,121 |
| Insurance | 34,888 | | 2,424 | 6,648 | 43,960 | | 43,960 | 170,971 |
| Education and training | 29,651 | | 100 | 20,970 | 50,721 | | 50,721 | 52,362 |
| Mileage and travel | 220,075 | | 3,639 | 1,772 | 225,486 | | 225,486 | 55,800 |
| Client assistance | 140,387 | | 748 | 51,648 | 192,783 | | 192,783 | 131,773 |
| Interest, taxes and fees | (165,989) | | 11,299 | 208,622 | 53,932 | | 53,932 | 1,133,749 |
| Marketing and advertising | 173,383 | | 1,769 | 39,062 | 214,214 | | 214,214 | 52,551 |
| Miscellaneous | (278,533) | | | 323,652 | 45,119 | | 45,119 | 343,913 |
| Total expenses before depreciation and amortization | 10,067,825 | | 848,554 | 3,140,890 | 14,057,269 | | 14,057,269 | 13,326,080 |
| Depreciation and amortization | 1,178,081 | | 1,433 | 192,548 | 1,372,062 | | 1,372,062 | 1,338,922 |
| Total Expenses | 11,245,906 | | 849,987 | 3,333,438 | 15,429,331 | | 15,429,331 | 14,665,002 |
| Change in net assets | 2,816,714 | | (779,910) | 357,649 | 2,394,453 | | 2,394,453 | (980,617) |
| Net assets beginning of year | 18,137,402 | 1,485,103 | 2,165,935 | 14,426,366 | 36,214,806 | | 36,214,806 | 37,195,423 |
| Net Assets, End of Year | \$ 20,954,116 | \$ 1,485,103 | \$ 1,386,025 | \$ 14,784,015 | \$ 38,609,259 | \$ - | \$ 38,609,259 | \$ 36,214,806 |

See independent auditor's report.