

DHIC, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
DHIC, Inc. and Subsidiaries
Raleigh, NC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of DHIC, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DHIC, Inc. and Subsidiaries as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of certain subsidiaries, which reflect total assets of \$11,206,932 as of December 31, 2021 and total revenues of \$1,797,434 for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of DHIC, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the DHIC, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date of our opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited the DHIC, Inc. and Subsidiaries' 2020 consolidated financial statements. We did not audit the financial statements of certain subsidiaries, which reflect total assets of \$11,435,124 as of December 31, 2020 and total revenues of \$1,705,096 for the year then ended. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, was based solely on the reports of other auditors. Our report, dated June 24, 2021, expressed an unmodified opinion on those audited consolidated financial statements based on our audit and the reports of other auditors. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

FORVIS

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and combining schedules on pages 33 through 48 are presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position and change in net assets of the included companies and are not a required part of the consolidated financial statements. The Schedules of Financial Position and Statements of Activities - NeighborWorks America Capital Funds schedules on pages 49 and 50 are for the purpose of additional analysis and are 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, which, insofar as it relates to certain subsidiaries is based on the reports of other auditors, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

FORVIS,LLP

**High Point, NC
June 29, 2022**

DHIC, Inc. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash, parent company | \$ 2,815,536 | \$ 1,702,270 |
| Cash, subsidiary operations | 7,013,930 | 5,025,619 |
| Cash, subsidiary construction | 1,282,531 | 1,063,206 |
| Designated cash - other | 2,584,371 | 2,182,240 |
| Investments in debt and equity securities, current | 633,880 | 16,061,220 |
| Accounts receivable | 1,058,979 | 631,560 |
| Current portion of notes receivable - second mortgages | 3,517 | 3,621 |
| Inventories | 759,389 | 389,969 |
| Prepaid expenses | 831,591 | 433,496 |
| Total current assets | <u>16,983,724</u> | <u>27,493,201</u> |
| Property and equipment, net | <u>268,339,359</u> | <u>254,503,241</u> |
| Other assets: | | |
| Designated cash - security deposits, operating reserves and escrows | 31,287,370 | 15,726,948 |
| Designated cash - other, noncurrent | 1,433,828 | 1,784,880 |
| Notes receivable - second mortgages, net of current portion | 267,041 | 592,679 |
| Deposits | 452,890 | 155,000 |
| Deferred rent asset | 1,613,808 | 1,639,024 |
| Deferred costs, net | 2,029,614 | 1,715,862 |
| | <u>37,084,551</u> | <u>21,614,393</u> |
| Total assets | <u>\$ 322,407,634</u> | <u>\$ 303,610,835</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 6,343,763 | \$ 3,648,851 |
| Current portion of bonds payable | 80,000 | 11,699,498 |
| Accounts payable and accrued liabilities | 3,334,096 | 6,316,978 |
| Deferred revenue | 258,096 | 212,226 |
| PPP loan payable | - | 416,373 |
| Deferred revenue, MHC | 7,151 | 6,971 |
| Accrued interest payable | 1,753,033 | 2,335,578 |
| Total current liabilities | <u>11,776,139</u> | <u>24,636,475</u> |
| Restricted deposits: | | |
| Tenants' security deposits | <u>1,485,049</u> | <u>1,243,982</u> |
| Long-term liabilities: | | |
| Long-term debt, net of unamortized debt issuance costs, net of current portion | 141,959,890 | 123,166,988 |
| Construction loans payable | 28,765,171 | 24,223,888 |
| Bonds payable | 23,031,244 | 23,032,054 |
| Capital lease note payable | 4,271,601 | 4,039,339 |
| Contract deposit liability | - | 3,250,000 |
| Accrued interest payable | 1,435,847 | 1,091,426 |
| | <u>199,463,753</u> | <u>178,803,695</u> |
| Net assets: | | |
| Without donor restrictions | | |
| Controlling interests | 7,664,806 | 7,312,508 |
| Non-controlling interests | 99,688,600 | 89,398,207 |
| Total net assets without donor restrictions | <u>107,353,406</u> | <u>96,710,715</u> |
| With donor restrictions | <u>2,329,287</u> | <u>2,215,968</u> |
| | <u>109,682,693</u> | <u>98,926,683</u> |
| Total liabilities and net assets | <u>\$ 322,407,634</u> | <u>\$ 303,610,835</u> |

See accompanying notes.

DHIC, Inc. and Subsidiaries
Consolidated Statements of Activities
Year Ended December 31, 2021 and Comparative Totals for Year Ended December 31, 2020

| | 2021 | | 2020 | |
|--|---|--|-----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Support and revenue: | | | | |
| Support: | | | | |
| City of Raleigh | \$ 375,819 | \$ - | \$ 375,819 | \$ 170,325 |
| NeighborWorks unrestricted grants | 560,381 | - | 560,381 | 722,022 |
| Bank and foundation grants | 188,293 | 50,000 | 238,293 | 222,000 |
| PPP loan forgiveness | 736,631 | - | 736,631 | |
| Other support and contributions | 31,355 | 81,769 | 113,124 | 224,557 |
| Wake County | 81,156 | - | 81,156 | - |
| Net assets released from restriction | 18,450 | (18,450) | - | - |
| Total support | <u>1,992,085</u> | <u>113,319</u> | <u>2,105,404</u> | <u>1,338,904</u> |
| Revenue: | | | | |
| Gross rental income - apartment complexes | 21,930,578 | - | 21,930,578 | 19,651,581 |
| Partnership management fees | 3,657 | - | 3,657 | - |
| Homeownership counseling and referral fees | 34,111 | - | 34,111 | 28,939 |
| Loan origination fees | 80,021 | - | 80,021 | 131,250 |
| Other income | 1,176,382 | - | 1,176,382 | 778,969 |
| Unrealized gain on investments | - | - | - | 81,810 |
| Interest income | 176,507 | - | 176,507 | 375,752 |
| Total revenue | <u>23,401,256</u> | <u>-</u> | <u>23,401,256</u> | <u>21,048,301</u> |
| Total support and revenue | <u>25,393,341</u> | <u>113,319</u> | <u>25,506,660</u> | <u>22,387,205</u> |
| Costs and expenses: | | | | |
| Program services: | | | | |
| Real estate development | 488,721 | - | 488,721 | 265,184 |
| Asset management program | 475,036 | - | 475,036 | 463,142 |
| Home ownership program | 1,418,492 | - | 1,418,492 | 1,773,687 |
| Support services program | 359,913 | - | 359,913 | 346,557 |
| Apartment complexes | 29,344,833 | - | 29,344,833 | 25,375,345 |
| Total program services | <u>32,086,995</u> | <u>-</u> | <u>32,086,995</u> | <u>28,223,915</u> |
| Supporting services: | | | | |
| Management and general | 638,408 | - | 638,408 | 652,497 |
| Total costs and expenses | <u>32,725,403</u> | <u>-</u> | <u>32,725,403</u> | <u>28,876,412</u> |
| Change in net assets | (7,332,062) | 113,319 | (7,218,743) | (6,489,207) |
| Capital contributions - noncontrolling interests | 18,076,211 | - | 18,076,211 | 13,925,097 |
| Capital distributions - noncontrolling interests | (51,458) | - | (51,458) | (50,137) |
| Syndication costs - noncontrolling interests | (50,000) | - | (50,000) | - |
| Net assets, beginning | <u>96,710,715</u> | <u>2,215,968</u> | <u>98,926,683</u> | <u>91,540,930</u> |
| Net assets, ending | <u>\$ 107,353,406</u> | <u>\$ 2,329,287</u> | <u>\$ 109,682,693</u> | <u>\$ 98,926,683</u> |

See accompanying notes.

DHIC, Inc. and Subsidiaries
Consolidated Statements of Functional Expenses
Years Ended December 31, 2021 and 2020

| | 2021 | | | | | | Total |
|---|------------------------------------|--------------------------|------------------------|--------------------------|------------------------|----------------------|----------------------|
| | Real Estate Development Activities | Asset Management Program | Home-Ownership Program | Support Services Program | Management and General | Apartment Complexes | |
| Operating expenses: | | | | | | | |
| Salaries and related expenses | \$ 301,871 | \$ 363,551 | \$ 684,389 | \$ 239,448 | \$ 427,923 | \$ 3,356,668 | \$ 5,373,850 |
| Office supplies and expense | 7,749 | 3,450 | 9,831 | 4,083 | 4,480 | 1,459,443 | 1,489,036 |
| Equipment and computer | 13,425 | 9,493 | 9,759 | 7,626 | 21,663 | - | 61,966 |
| Rent, utilities and maintenance | 11,997 | 6,905 | 19,368 | 6,443 | 17,080 | 6,003,867 | 6,065,660 |
| Memberships and publications | 2,120 | 1,020 | 414 | 17 | 18,530 | - | 22,101 |
| Professional fees | 78,921 | 68,681 | 81,738 | 65,603 | 47,611 | 86,900 | 429,454 |
| Audit and accounting fees | - | - | - | - | 48,825 | 299,838 | 348,663 |
| Marketing and advertising | 4,312 | 11,329 | 3,766 | 1,087 | 19,253 | 16,391 | 56,138 |
| Travel and parking | 10,182 | 6,706 | 4,200 | 4,879 | 6,813 | - | 32,780 |
| Events and promotions | 1,061 | 525 | 533 | 266 | 1,885 | - | 4,270 |
| Training and conferences | 1,789 | 315 | 568 | 1,430 | 9,492 | - | 13,594 |
| Corporate tax, insurance and license fees | 20,149 | 3,061 | 5,102 | 2,857 | 4,303 | 870,261 | 905,733 |
| Miscellaneous and bank fees | 9,303 | - | 2,054 | 445 | 3,818 | 366 | 15,986 |
| Contribution expense | - | - | - | - | 4,000 | - | 4,000 |
| Program expense | 18,450 | - | 204,603 | 25,729 | 2,500 | - | 251,282 |
| Development expense | 625 | - | - | - | - | - | 625 |
| Loan forgiveness - LIFT | - | - | 392,167 | - | - | - | 392,167 |
| Partnership management fees | - | - | - | - | - | 1,368,291 | 1,368,291 |
| Interest expense | 6,767 | - | - | - | - | 5,722,466 | 5,729,233 |
| Depreciation and amortization | - | - | - | - | 232 | 9,118,634 | 9,118,866 |
| Bad debt expense | - | - | - | - | - | 110,369 | 110,369 |
| Realized loss on sale of investments | - | - | - | - | - | 16,541 | 16,541 |
| Loss on disposal of assets | - | - | - | - | - | 587,691 | 587,691 |
| Other nonoperating expense | - | - | - | - | - | 327,107 | 327,107 |
| Total operating expenses | <u>\$ 488,721</u> | <u>\$ 475,036</u> | <u>\$ 1,418,492</u> | <u>\$ 359,913</u> | <u>\$ 638,408</u> | <u>\$ 29,344,833</u> | <u>\$ 32,725,403</u> |

| | 2020 | | | | | | Total |
|---|------------------------------------|--------------------------|------------------------|--------------------------|------------------------|----------------------|----------------------|
| | Real Estate Development Activities | Asset Management Program | Home-Ownership Program | Support Services Program | Management and General | Apartment Complexes | |
| Operating expenses: | | | | | | | |
| Salaries and related expenses | \$ 144,734 | \$ 407,488 | \$ 573,315 | \$ 264,226 | \$ 312,412 | \$ 3,406,625 | \$ 5,108,800 |
| Office supplies and expense | 7,372 | 2,353 | 10,801 | 3,659 | 2,128 | 967,402 | 993,715 |
| Equipment and computer | 7,162 | 4,094 | 8,947 | 11,450 | 14,099 | - | 45,752 |
| Rent, utilities and maintenance | 8,128 | 3,241 | 11,723 | 3,241 | 14,287 | 5,405,561 | 5,446,181 |
| Memberships and publications | 45 | 1,029 | 306 | 75 | 14,136 | - | 15,591 |
| Professional fees | 57,937 | 25,535 | 83,861 | 24,207 | 148,757 | 62,833 | 403,130 |
| Audit and accounting fees | - | - | - | - | 53,200 | 301,808 | 355,008 |
| Marketing and advertising | 4,461 | 9,004 | 1,389 | 4,639 | 31,633 | 28,331 | 79,457 |
| Travel and parking | 12,536 | 4,786 | 4,032 | 6,281 | 6,489 | - | 34,124 |
| Events and promotions | 625 | 438 | 1,430 | 296 | 15,047 | - | 17,836 |
| Training and conferences | 412 | 2,550 | 2,001 | 45 | 3,556 | - | 8,564 |
| Corporate tax, insurance and license fees | 6,381 | 2,624 | 5,511 | 2,624 | 18,651 | 699,846 | 735,637 |
| Miscellaneous and bank fees | - | - | 1,871 | - | 8,246 | 1,370 | 11,487 |
| Contribution expense | - | - | - | 5,000 | 8,223 | - | 13,223 |
| Program expense | - | - | - | 20,814 | 523 | - | 21,337 |
| Development expense | 5,283 | - | - | - | - | - | 5,283 |
| Loan forgiveness - LIFT | - | - | 1,068,500 | - | - | - | 1,068,500 |
| Partnership management fees | - | - | - | - | - | 1,618,389 | 1,618,389 |
| Interest expense | 10,108 | - | - | - | - | 4,635,771 | 4,645,879 |
| Depreciation and amortization | - | - | - | - | 1,110 | 7,787,323 | 7,788,433 |
| Bad debt expense | - | - | - | - | - | 88,964 | 88,964 |
| Realized loss on sale of investments | - | - | - | - | - | 48,832 | 48,832 |
| Loss on disposal of assets | - | - | - | - | - | 42,980 | 42,980 |
| Demolition and asbestos abatement | - | - | - | - | - | 279,310 | 279,310 |
| Total operating expenses | <u>\$ 265,184</u> | <u>\$ 463,142</u> | <u>\$ 1,773,687</u> | <u>\$ 346,557</u> | <u>\$ 652,497</u> | <u>\$ 25,375,345</u> | <u>\$ 28,876,412</u> |

See accompanying notes.

DHIC, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Year Ended December 31, 2021 and
Comparative Totals for Year Ended December 31, 2020

(3 pages)

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (7,218,743) | \$ (6,489,207) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 9,118,866 | 7,788,433 |
| Amortization of debt issuance costs | 336,784 | 457,842 |
| Bad debt expense | 110,369 | 88,964 |
| Loan forgiveness - LIFT | 392,167 | 1,068,500 |
| Loss on disposal of fixed assets | 587,691 | 42,980 |
| Realized loss on sale of investments | 16,541 | 48,832 |
| Unrealized gain on investments | 136,271 | (81,810) |
| Imputed interest on capital lease liability | 232,262 | 219,931 |
| Change in assets and liabilities: | | |
| Increase in accounts receivable | (537,788) | (387,033) |
| Increase in inventories | (369,420) | (113,500) |
| (Increase) decrease in prepaid expenses | (398,095) | (9,628) |
| (Increase) decrease in deposits | (2,750) | - |
| (Increase) decrease in deferred rent asset | 25,216 | 25,216 |
| Increase (decrease) in accounts payable and accrued liabilities | (4,651,982) | 87,686 |
| Increase in deferred revenue | 46,050 | 90,589 |
| Increase in accrued interest payable | (268,091) | 517,588 |
| Increase in tenants' security deposits | 241,067 | 122,953 |
| Net cash provided by operating activities | <u>(2,203,585)</u> | <u>3,478,336</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (21,631,794) | (44,562,596) |
| Proceeds from deposit on development project | (3,250,000) | 750,000 |
| Insurance proceeds received | 3,054 | 13,885 |
| Purchase of investments in available-for-sale securities | (5,978,367) | (14,409,960) |
| Proceeds from sale of investments | 21,252,895 | 14,070,552 |
| Payment of deferred costs | (528,620) | (501,386) |
| Additions to notes receivable - second mortgages | (114,600) | (30,000) |
| Principal collections on notes receivable - second mortgages | 48,175 | 37,300 |
| Net cash used by investing activities | <u>(10,199,257)</u> | <u>(44,632,205)</u> |

DHIC, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Year Ended December 31, 2021 and
Comparative Totals for Year Ended December 31, 2020

(3 pages)

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Cash flows from financing activities: | | |
| Proceeds from long-term borrowings | \$ 23,455,513 | \$ 18,975,351 |
| Principal payments on long-term borrowings | (14,143,082) | (8,072,311) |
| Proceeds from construction loans payable | 21,588,450 | 22,068,612 |
| Repayment of construction loans payable | (17,062,951) | (10,393,688) |
| Proceeds from issuance of bonds payable | - | 4,000,000 |
| Payment of debt issuance costs | (182,298) | (958,020) |
| (Refund) payment of refundable lender deposits | (295,140) | 214,420 |
| Syndication costs | (50,000) | - |
| Capital contributions made to partnerships/limited liability companies | 18,076,211 | 13,925,097 |
| Capital distributions paid to limited partners | (51,458) | (50,137) |
| | <u>31,335,245</u> | <u>39,709,324</u> |
| Net cash provided by financing activities | <u>31,335,245</u> | <u>39,709,324</u> |
| Net increase (decrease) in cash and designated cash | 18,932,403 | (1,444,545) |
| Cash and designated cash, beginning of year | <u>27,485,163</u> | <u>28,929,708</u> |
| Cash and designated cash, end of year | <u>\$ 46,417,566</u> | <u>\$ 27,485,163</u> |
| Reconciliation of cash and designated cash to the consolidated statements of financial position: | | |
| Cash, parent company | \$ 2,815,536 | \$ 1,702,270 |
| Cash, subsidiary operations | 7,013,930 | 5,025,619 |
| Cash, subsidiary construction | 1,282,531 | 1,063,206 |
| Designated cash - security deposits, operating reserves and escrows | 31,287,370 | 15,726,948 |
| Designated cash - other | 4,018,199 | 3,967,120 |
| Cash and designated cash, ending | <u>\$ 46,417,566</u> | <u>\$ 27,485,163</u> |

DHIC, Inc. and Subsidiaries
 Consolidated Statements of Cash Flows
 Year Ended December 31, 2021 and
 Comparative Totals for Year Ended December 31, 2020

(3 pages)

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Supplemental disclosure of cash flow information: | | |
| Cash payments for interest, net of interest capitalized | <u>\$ 5,630,573</u> | <u>\$ 3,571,424</u> |
| Supplemental disclosures of noncash investing and financing activities: | | |
| Investment in property and equipment included in accounts payable and accrued expenses | \$ 1,687,688 | \$ 3,288,616 |
| Investment in property and equipment included in accrued interest payable | <u>29,967</u> | <u>99,025</u> |
| | <u>\$ 1,717,655</u> | <u>\$ 3,387,641</u> |
| Acquisition of rental property through bonds payable to seller | <u>\$ -</u> | <u>\$ 6,500,000</u> |
| Acquisition of rental property through capital leases | <u>\$ -</u> | <u>\$ 3,710,969</u> |
| Transfer of assets from inventory to property and equipment | <u>\$ -</u> | <u>\$ 94,886</u> |

Notes to Consolidated Financial Statements

1. Basis of Presentation and Accounting Policies

Organization

DHIC, Inc. (“DHIC”), a non-profit corporation, and its affiliates develop, finance, and/or manage affordable housing for low- to moderate-income residents of North Carolina, with a primary emphasis on Wake County and the greater Research Triangle region. DHIC also works to improve deteriorated or blighted neighborhoods by building new housing and other support facilities. In addition, DHIC provides supportive community services to residents of its housing complexes, including support to seniors and youth summer camp scholarships. It also operates a comprehensive homebuyer counseling program, which includes one-on-one and group counseling classes, and access to down payment assistance programs.

A summary of the significant accounting policies of DHIC, Inc. and Subsidiaries (the “Corporation”) consistently applied in the preparation of the accompanying consolidated financial statements follows.

Basis of accounting

The consolidated financial statements have been prepared on the accrual basis.

Principles of consolidation

The consolidated financial statements include the accounts of DHIC, Inc. and its wholly owned subsidiaries. These wholly owned subsidiaries hold general partner or managing member interests in limited partnerships and/or limited liability companies that own affordable housing projects. The accounts of these wholly owned subsidiaries are included with DHIC, Inc. in the supplemental schedules.

The Corporation presents its consolidated financial statements under FASB ASC 958-810, which requires consolidation of all entities in which DHIC has a controlling financial interest and all not-for profit entities that share board control, and for which an economic interest exists. Under the guidance of Emerging Issues Task Force Issue No. 04-05, Determining whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity when the Limited Partners Have Certain Rights, the consolidated financial statements include the accounts of limited partnership or limited liability companies in which DHIC or one of its wholly owned subsidiaries is the general partner or managing member, but does not hold a majority financial interest. All significant intercompany transactions and balances have been eliminated in the consolidation.

A schedule of the DHIC, Inc. controlled subsidiaries, limited partnerships/liability companies and corresponding ownership percentage at December 31, 2021 is as follows:

| <u>DHIC, Inc.-Controlled Subsidiary</u> | <u>Limited Partnership/ Liability Company</u> | <u>Managing General Partner/ Member Ownership Percentage</u> | <u>Apartment Community</u> | <u>Number of Units</u> |
|---|---|--|----------------------------|----------------------------|
| Ashton Place Managing Member, LLC | Ashton Place Housing, LLC | 90.0000 | Ashton Place | 51* |

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

| <u>DHIC, Inc.-Controlled Subsidiary</u> | <u>Limited Partnership/ Liability Company</u> | <u>Managing General Partner/ Member Ownership Percentage</u> | <u>Apartment Community</u> | <u>Number of Units</u> |
|---|---|--|----------------------------|----------------------------|
| Beacon Ridge Development, Inc. | Beacon Ridge, LLC | 0.0100 | Beacon Ridge | 120 |
| Booker Park North Housing, Inc. | Booker Park North, LLC | 0.0100 | Booker Park North | 72 |
| Booker Park South Housing, Inc. | Booker Park South, LLC | 0.0100 | Booker Park South | 68* |
| Broadstone Walk Development, Inc. | Broadstone Walk, LLC | 0.0100 | Broadstone Walk | 164* |
| Brookridge Affordable Housing Inc. | Brookridge Housing, LLC | 0.0090 | Brookridge | 41 |
| Camden Glen Affordable Housing, Inc. | Camden Glen, LLC | 0.0100 | Emerson Glen | 48 |
| Carlton Place, Inc. | Carlton Place Development, LLC | 0.0090 | Carlton Place | 80 |
| Common Oaks Affordable Housing, Inc. | Wakefield Affordable Housing, LLC | 0.0100 | Wakefield Hills | 80 |
| Creston Commons Development Corporation | Creston Commons II, LLC | 0.0100 | Creston Commons II | 32 |
| Dacian Glen Redevelopment, Inc. | Dacian Glen LLC | 0.0100 | Glenbrook Crossing | 63 |
| Davis Drive Development, Inc. | Willow Creek Seniors, LLC | 0.0100 | Willow Creek | 53 |
| Greenfield Commons Development, Inc. | Greenfield Senior Housing, LLC | 0.0100 | Greenfield Commons | 69 |
| Greenfield Place Development, Inc. | Greenfield Workforce Housing, LLC | 0.0100 | Greenfield Place | 80 |
| Hardee Street Managing Member, LLC | Hardee Street Housing, LLC | 90.0000 | Hardee Street | 132* |
| Maplewood Senior Housing, Inc. | Maplewood Partners, LLC | 0.0034 | Maplewood Square | 32 |
| Meadowcreek Seniors, Inc. | Meadowcreek Commons, LLC | 0.0100 | Meadowcreek Commons | 48 |
| Pennington Grove Senior Housing, Inc. | Pennington Grove, LLC | 0.0100 | Pennington Grove | 83 |
| Pennington Grove Senior Housing II, Inc. | Pennington Grove II, LLC | 0.0090 | Pennington Grove II | 69* |
| Primavera Seniors Housing, Inc. | Primavera Seniors, LLC | 0.0100 | Primavera | 164* |
| ROG Development, Inc. | ROG Preservation, LLC | 0.0100 | University Park | 100 |
| Six Forks Seniors, Inc. | Capital Towers III, LLC | 0.0079 | Capital Towers | 297 |
| Sportsmanship Housing, Inc. | Sportsmanship Crossing, LLC | 90.0000 | Sportsmanship Crossing | 124* |
| Wakefield Senior Housing, Inc. | Wakefield Manor, LLC | 0.0100 | Wakefield Manor | 96 |
| Water Garden Affordable Housing, Inc. | Water Garden Village, LLC | 0.0090 | Water Garden Village | 60 |
| Water Garden Senior Housing, Inc. | Water Garden Park, LLC | 0.0100 | Water Garden Park | 88 |
| Weston Trace Affordable Housing, Inc. | Weston Trace Partners, LLC | 0.0090 | Weston Trace | 48 |
| Willard Street Manager, LLC | Willard Street, LLC | 0.0090 | Willard Street | 82 |

* Units under construction or in pre-development stages

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

The DHIC, Inc.-controlled subsidiaries above are wholly owned by DHIC, Inc., with the exception of Ashton Place Managing Member, LLC, Hardee Street Managing Member, LLC and Willard Street Manager, LLC, which have DHIC, Inc. ownership percentages of 50.00, 50.00 and 90.00, respectively.

Additionally, the consolidated financial statements include the accounts of other non-profit entities that are commonly controlled by DHIC Board members and for which an economic interest exists. These entities are as follows:

- Washington Terrace Redevelopment, Inc.
- Community Revitalization and Preservation Corporation (“CRPC”)
- BFAH, LLC (“BFAH”)
- MacGregor Housing Development Corporation (MacGregor Village II, 32 units)

As of December 31, 2021 and 2020, Washington Terrace Redevelopment, Inc. holds a 0.01% managing member ownership interest in Washington Terrace Affordable Housing, LLC (Village at Washington Terrace, 162 units).

As of December 31, 2021 and 2020, CRPC is the sole member of the following companies:

- Avonlea, LLC (Avonlea, 44 units)
- Bay River Housing, LLC (Bay River, 20 units)
- Beechridge, LLC (Beechridge, 72 units)
- Braebourne Housing, LLC (Madison Glen, 120 units)
- College Park Collaborative, LLC (Washington Terrace, 2 single family homes)
- Creston Commons, LLC (Creston Commons, 48 units)
- Highland Terrace, LLC (Highland Terrace, 80 units)
- Jeffries Ridge, LLC (Jeffries Ridge, 32 units)
- Lennox Chase Development, LLC (Lennox Chase, 37 units)
- MacGregor Housing I, LLC (MacGregor Village I, 48 units)
- Murphey School, LLC (Murphey School, 48 units)
- Prairie, LLC (Prairie Building, 11 units)
- Ripley Station Housing, LLC (Ripley Station, 48 units)
- Santree Commons, LLC (Santree Commons, 24 units)
- Sedgebrook, LLC (Sedgebrook, 32 units)
- The Commons at Highland Village, LLC (Commons at Highland Village, 68 units)

During 2020, Beechridge Housing, LLC and Beechridge II, LLC sold the Beechridge I and II projects (72 units total), to Beechridge, LLC, and all assets and liabilities were assumed by Beechridge, LLC. Beechridge Housing, LLC and Beechridge II, LLC were subsequently dissolved on February 1, 2021.

As of December 31, 2021, CRPC is also the sole member of:

- Cardinal Chase Development, LLC (Cardinal Chase, 48 units)
- Highland Village Limited Partnership (Highland Village, 50 units)
- Tryon Grove, LLC (Tryon Grove, 48 units)

As of December 31, 2021 and 2020, DHIC, Inc. is the managing member of Milner Senior Housing Partners, LLC, with a 50% ownership interest, and Willard Street Developer, LLC, with a 90% ownership interest.

As of December 31, 2021, DHIC, Inc. is also the managing member of Ashton Place Developer, LLC, with a 50% ownership interest and Hardee Street Developer, LLC, with a 50% ownership interest;

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

All inter-company transactions have been eliminated in consolidation. A summary of the eliminations is as follows:

- Development fee income for DHIC incurred by the limited partners/liability companies and capitalized into building costs, net of depreciation expense.
- Partnership management fee income for DHIC and related partnership management fee expense for the limited partnerships/liability companies.
- Rent income and related rent expense between DHIC and one of the limited liability companies.
- Notes receivable and accrued interest receivable for DHIC, and the related notes payable and accrued interest payable of the limited partnerships/liability companies.
- Development fees and partnership management fees receivable for DHIC and the related payables on the limited partnerships/liability companies, and any related bad debt expense.
- Grant income received by DHIC and salaries expense incurred by Washington Terrace Affordable Housing, LLC for payments made by Washington Terrace Affordable Housing, LLC to DHIC to support services salaries.

The consolidated financial statements do not include the accounts of other separate non-profit corporations as noted below, which are affiliated with DHIC through common board members and the providing of managerial, accounting and administrative services by DHIC to the affiliated corporations. There is no economic interest between DHIC and these entities due to regulatory agreements with HUD pertaining to the operation of projects funded under the HUD 202 program.

- Chadwick Apartments, Inc. (Chadwick, 41 units)
- Highland Manor Apartments, Inc. (Highland Manor, 32 units)
- Roanoke Housing Development Corporation (Roanoke Commons and Club Plaza, 65 units)
- WFEH, Incorporated (Turnberry, 41 units)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and certificates of deposit. For purposes of the statement of cash flows, the Corporation considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. All significant balances are insured by the Federal Deposit Insurance Corporation (FDIC).

Designated cash

Designated cash consists of cash that has been internally restricted by the board of directors and management for particular uses, as well as cash accounts whose uses are restricted by the operating and loan agreements of the subsidiaries.

Accounts receivable and notes receivable

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Notes receivable are stated at principal amounts and are collateralized by a deed of trust on the related property and the improvements located thereon. Management reviews each receivable and establishes an allowance for doubtful accounts, when determined necessary, based on historical experience, current economic conditions, and by regularly evaluating individual receivables.

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Tenant receivables for the affordable housing properties are charged to bad debt expense when they are determined to be uncollectible. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method for these receivables is not materially different from the results that would have been obtained under the allowance method.

Inventories

Inventories represent the cost of projects and land under development for purposes of ultimate sale. Inventories are stated at the lower of cost or fair value. The fair value is based on management's best estimate of current market conditions and appraisals.

Fair Value Measurements

The Corporation applies the guidance in Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements & Disclosures* ("ASC 820"), which defines fair value as the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between unrelated market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to their fair value measurement. The three levels of valuation hierarchy are defined as follows:

- Level 1:** Quoted prices for identical assets or liabilities (in active markets).
- Level 2:** Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3:** Unobservable inputs that reflect the Partnership's own assumptions about the inputs used in pricing the assets or liabilities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the valuation methods are determined to be appropriate and consistent within the industry, the use of different methodologies or assumptions to determine the fair value of certain assets and liabilities could result in a different estimate of fair value at the reporting date.

The table below presents amounts at December 31, 2021 for significant items measured at fair value on a recurring basis. The fair value of the Corporation's investments held by Beacon Ridge, LLC are based on "Level 1" inputs.

| | Assets at Fair Value | | |
|--------------------|---|--|--|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Money Market Funds | 633,880 | - | - |
| | <u>\$ 633,880</u> | <u>\$ -</u> | <u>\$ -</u> |

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

The table below presents amounts at December 31, 2020 for significant items measured at fair value on a recurring basis. The fair value of the Corporation's investments in available-for-sale securities held by Capital Towers III, LLC and Beacon Ridge, LLC are based on "Level 2" and "Level 1" inputs, respectively.

| | Assets at Fair Value | | |
|---------------------------|---|--|--|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| U.S. Treasury STRIPS | \$ - | \$ 53,975 | \$ - |
| U.S. Treasury Notes/Bonds | - | 15,559,837 | - |
| Money Market Funds | 447,408 | - | - |
| | <u>\$ 447,408</u> | <u>\$ 15,613,812</u> | <u>\$ -</u> |

Property, equipment and depreciation

Purchased property and equipment are recorded at cost, and donated equipment is recorded at fair market value. The Corporation primarily uses the straight-line method of depreciation over the estimated useful lives of the assets, as follows:

| | |
|----------------------------|----------------|
| Land improvements | 15 to 20 years |
| Buildings and improvements | 30 to 50 years |
| Furnishings and equipment | 3 to 10 years |

Construction, other development costs, and improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

Impairment of long-lived assets

The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. No impairment losses were recognized during the years ended December 31, 2021 and 2020.

Functional allocation of expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities and consolidated statement of functional expenses. Certain costs attributable to more than one program or supporting function have been allocated among the programs and supporting services benefited. Expenses are allocated among program and supporting services on a basis of time and effort (such as salaries and benefits) or square footage (such as depreciation, office and occupancy) or other reasonable and consistent methodology.

Income taxes

DHIC and its non-profit affiliates are not-for-profit corporations pursuant to Section 501(c)(3) of the Internal Revenue Code and, accordingly, are exempt from federal and state income taxes. The income or loss from the limited partnerships/liability companies is reported by the individual partners/members on their income tax returns. Thus, the accompanying consolidated financial statements do not reflect a provision or liability under federal and state income taxes.

Public support and revenue

Public support and revenue are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. If donor-imposed conditions or restrictions expire in the year in which the revenues are recognized, then the revenues are reported as increases in the net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation or law. Expiration of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction on the consolidated statement of activities.

Revenue from government grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreement. Revenue from program service fees is recognized when the service is complete.

Rental income is recognized for residential units as they accrue. Advance receipts of rental income will be deferred until earned. All leases between the Corporation and tenants of the property are operating leases.

Rental revenue attributed to cell tower leases is recognized on a straight-line basis over the lives of the individual lease terms.

Revenue from all home-building activities is recognized upon closing of the sale using the deposit method. During construction, all direct material and labor costs and indirect costs related to acquisition and construction are capitalized, and all customer deposits are treated as liabilities.

DHIC earns fees for development of properties and generally recognizes the fees as earned over the development period pro rata, as stated in the development agreements. Development fees from consolidated subsidiaries are eliminated as intercompany transactions. As of December 31, 2021 and 2020, DHIC estimates that 37% and 34% of its development fees covers related project costs, such as allocated internal salaries and benefits and related overhead, that are ordinarily capitalized, respectively. Therefore, property and equity costs have been reduced by 63% and 66% of the developer fees earned for the years ended December 31, 2021 and 2020, respectively.

Net assets

Net assets of the Corporation and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. The non-controlling interest in net assets without donor restrictions represents the aggregate positive balances of the limited partners or investor members' equity interest in non-wholly owned limited partnerships and limited liability companies that are included in the consolidated financial statements.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation. The donors of these assets permit the Corporation to use all or part of the income earned on related investments for general or specific purposes.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the 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.

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage, bonds, and notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense.

Reclassifications

Certain amounts from the 2020 financial statements have been reclassified to conform to the 2021 presentation. Total net assets and change in net assets are unchanged due to the reclassification.

Subsequent events

The Corporation evaluated the effect subsequent events would have on the consolidated financial statements through June 29, 2022, which is the date the consolidated financial statements were available to be issued.

2. Inventories

Inventory consists of townhomes and land under development for future projects. Total inventories at December 31, 2021 and 2020 consist of the following:

| | <u>2021</u> | <u>2020</u> |
|------------------------|-------------------|-------------------|
| Washington Terrace | \$ 293,209 | \$ 208,373 |
| Sportsmanship Crossing | 398,131 | - |
| Other | <u>68,049</u> | <u>181,596</u> |
| | <u>\$ 759,389</u> | <u>\$ 389,969</u> |

3. Property and Equipment

Property and equipment at December 31, 2021 and 2020 consists of the following:

| | <u>2021</u> | | | <u>2020</u> |
|--|------------------|-----------------------------|-----------------------|-----------------------|
| | <u>DHIC</u> | <u>Housing Entities</u> | <u>Total</u> | <u>Total</u> |
| Land and improvements | \$ - | \$ 68,521,111 | \$ 68,521,111 | \$ 62,355,007 |
| Buildings and improvements | - | 253,533,419 | 253,533,419 | 222,564,004 |
| Furnishings and equipment | 364,687 | 9,837,081 | 10,201,768 | 8,792,683 |
| Construction-in-progress | <u>-</u> | <u>11,138,061</u> | <u>11,138,061</u> | <u>27,117,143</u> |
| | 364,687 | 343,029,672 | 343,394,359 | 320,828,837 |
| Accumulated depreciation | <u>(364,687)</u> | <u>(74,690,313)</u> | <u>(75,055,000)</u> | <u>(66,325,596)</u> |
| Total, net of accumulated depreciation | <u>\$ -</u> | <u>\$ 268,339,359</u> | <u>\$ 268,339,359</u> | <u>\$ 254,503,241</u> |

Depreciation expense amounted to \$8,878,550 and \$7,587,186, respectively, for the years ended December 31, 2021 and 2020.

4. Notes Receivable - Second Mortgages

Notes receivable - second mortgages of DHIC consist of the following at December 31, 2021 and 2020:

LIFT program

On December 22, 2016, DHIC received a grant from Wells Fargo and NeighborWorks America to administer the LIFT mortgage program. LIFT mortgages range from \$2,500 to \$7,500 based on the borrower's down payment contribution level and bear no interest. The mortgages are forgivable over three years in equal parts, annually on the anniversary date of initial closing. If a home is sold, refinanced, transferred, or foreclosed on within the first three years, the unamortized portion of the loan balance becomes due and payable. The notes are secured by deeds of trust on the related homes. Second mortgages made by DHIC under the LIFT program consist of 451 loans at December 31, 2021 and 2020. As of December 31, 2021 and 2020, second mortgages receivable under the LIFT program amounted to \$97,500 and \$466,167, respectively. Loan forgiveness expense for the years ended December 31, 2021 and 2020 amounted to \$392,167 and \$1,068,500, respectively. No allowance for doubtful accounts is considered necessary as of December 31, 2021 and 2020.

Other second mortgage loans

Other second mortgages consist of 17 and 15 homes at December 31, 2021 and 2020, respectively, for which DHIC has provided secondary mortgages. These loans range from \$3,000 to \$20,000 in original loan amount. Loans up to \$5,000 are typically noninterest-bearing notes with no payments due until the home is sold, the loan is refinanced, or 30 years, whichever comes first. Larger loans, which are typically \$15,000, accrue interest at 2%, with monthly payments being made over a 30-year period. During 2021, additional loans were provided under the Affordable Homeownership Program ("AHP"), which provides non-interest bearing notes of up to \$20,000, with no payments required during the loan term. As of December 31, 2021 and 2020, other second mortgage loans, net of an allowance for doubtful accounts, amounted to \$173,058 and \$130,133, respectively.

Maturities of second mortgage loans subsequent to December 31, 2021 are as follows:

| <u>Year Ending December 31,</u> | |
|--|-------------------|
| 2022 | \$ 26,016** |
| 2023 | 40,606 |
| 2024 | 40,669 |
| 2025 | 3,280 |
| 2026 | 3,298 |
| Thereafter | 109,689 |
| * | <u>66,600</u> |
| | 290,158 |
| Allowance for doubtful accounts | <u>(19,600)</u> |
| | <u>\$ 270,558</u> |

* The maturities of these mortgages are undeterminable as of December 31, 2021.

** \$22,499 of this balance is made up of the principal balance of notes receivable under the LIFT program that will be forgiven during 2021, and therefore are not considered to be current assets on the consolidated statement of financial position.

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

5. Designated Cash

Designated cash consists of the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Designated cash - current | | |
| Board-designated reserve fund, Operations | \$ 1,206,151 | \$ 805,068 |
| Board-designated reserve fund, NeighborWorks | 600,000 | 600,000 |
| Grant funds, NeighborWorks | <u>778,220</u> | <u>777,172</u> |
| | <u>\$ 2,584,371</u> | <u>\$ 2,182,240</u> |
| Designated cash - security deposits, reserves and escrows: | | |
| Subsidiaries - reserves, security deposits, tax, insurance and construction escrows | \$ 31,102,550 | \$ 15,542,142 |
| DHIC - external operating reserves | <u>184,820</u> | <u>184,806</u> |
| | <u>\$ 31,287,370</u> | <u>\$ 15,726,948</u> |
| Designated cash - other: | | |
| Escrow deposits | \$ 7,044 | \$ 7,044 |
| Equity equivalent line | 400,000 | 400,000 |
| PPP loan funds | - | 416,373 |
| Washington Terrace and other grant funds | 210,961 | 210,904 |
| Resident resilience fund | 383,746 | 320,427 |
| DHIC - reserves available for priority markets, second mortgages | 315,738 | 316,973 |
| Grant funds - reserved for second mortgages | <u>116,339</u> | <u>113,159</u> |
| | <u>\$ 1,433,828</u> | <u>\$ 1,784,880</u> |

In 2010, the DHIC Board of Directors voted to establish a designated reserve fund. Officers of DHIC are authorized to use the reserve as an internal credit line as long as there is a clear source of repayment. Other more permanent uses of funds (such as for operations, land purchases, or loans to properties) would require prior Board consent. The balance of the board-designated reserve was \$1,806,151 and \$1,405,068 as of December 31, 2021 and 2020, respectively.

6. Deferred Costs

Deferred costs consist of the following as of December 31:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Tax credit fees, net of accumulated amortization of \$1,095,663 in 2021 and \$1,091,052 in 2020 | \$ 2,021,618 | \$ 1,705,199 |
| Prefunded asset management fees, net of accumulated amortization of \$32,004 in 2021 and \$29,337 in 2020 | <u>7,996</u> | <u>10,663</u> |
| | <u>\$ 2,029,614</u> | <u>\$ 1,715,862</u> |

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Tax credit fees are being amortized using the straight-line method over 15 years, the tax credit compliance period. Prepaid asset management fees (Brookridge Housing, LLC only) are expensed over five years. Amortization expense amounted to \$214,868 and \$176,033, respectively, for the years ended December 31, 2021 and 2020.

7. Investments

Available-for-sale debt securities

Available-for-sale debt securities are held by Capital Towers III, LLC and consist of the following as of December 31, 2021:

| | <u>Cost</u> | <u>Gross Unrealized Gains</u> | <u>Gross Unrealized Losses</u> | <u>Fair Value</u> |
|---------------------------|-------------|---------------------------------------|--|-----------------------|
| U.S. Treasury STRIPS | \$ - | \$ - | \$ - | \$ - |
| U.S. Treasury Notes/Bonds | - | - | - | - |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Available-for-sale debt securities are held by Capital Towers III, LLC and consist of the following as of December 31, 2020:

| | <u>Cost</u> | <u>Gross Unrealized Gains</u> | <u>Gross Unrealized Losses</u> | <u>Fair Value</u> |
|---------------------------|----------------------|---------------------------------------|--|-----------------------|
| U.S. Treasury STRIPS | \$ 52,250 | \$ 1,725 | \$ - | \$ 53,975 |
| U.S. Treasury Notes/Bonds | <u>15,425,291</u> | <u>134,546</u> | - | <u>15,559,837</u> |
| | <u>\$ 15,477,541</u> | <u>\$ 136,271</u> | <u>\$ -</u> | <u>\$ 15,613,812</u> |

During the years ended December 31, 2021 and 2020, available-for-sale securities were sold for total proceeds of \$15,509,734 and \$6,225,462, respectively. The gross realized losses on these sales totaled \$16,541 and \$48,832, respectively, for the years ended December 31, 2021 and 2020. For purpose of determining gross realized gains, the cost of securities sold is based on the first-in-first-out method. Net unrealized holding gains on available-for-sale securities amounted to (\$136,271) and \$81,810 for the years ended December 31, 2021 and 2020, respectively.

Equity securities

Investments in equity securities are held by Beacon Ridge, LLC and consist of the following as of December 31, 2021:

| | <u>Cost</u> | <u>Gross Unrealized Gains</u> | <u>Gross Unrealized Losses</u> | <u>Fair Value</u> |
|--------------------|-------------------|---------------------------------------|--|-----------------------|
| Money Market Funds | <u>\$ 633,880</u> | \$ - | \$ - | <u>\$ 633,880</u> |
| | <u>\$ 633,880</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 633,880</u> |

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Investments in equity securities are held by Beacon Ridge, LLC and consist of the following as of December 31, 2020:

| | <u>Cost</u> | <u>Gross Unrealized Gains</u> | <u>Gross Unrealized Losses</u> | <u>Fair Value</u> |
|--------------------|-------------------|---------------------------------------|--|-----------------------|
| Money Market Funds | \$ 447,408 | \$ - | \$ - | \$ 447,408 |
| | <u>\$ 447,408</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 447,408</u> |

During the years ended December 31, 2021 and 2020, securities were sold for total proceeds of \$5,791,895 and \$7,845,090, respectively. There were no gross realized gains or losses on these sales. For purposes of determining realized gains or losses, the cost of securities sold is based on the first-in-first-out method. There is no unrealized gain or loss on the securities as of December 31, 2021 and 2020.

8. Long-Term Debt

Notes payable

Long-term debt at December 31, 2021 and 2020 consists of the following:

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| Noninterest-bearing promissory note payable by DHIC, Inc. to the Town of Cary, with forgiveness of the loan dependent on occurrence of certain events. | \$ 125,000 | \$ 125,000 |
| Unsecured note payable by DHIC, Inc. to Wells Fargo, dated June 14, 2012, with interest-only payments at 2.00% due monthly. All unpaid principal and interest is due and payable at maturity on June 14, 2016, but is deferrable for an additional 24 months. Effective March 23, 2017, the note was modified to extend the maturity date to June 14, 2022. Under the modification, interest-only payments are due quarterly. Effective May 29, 2018, the note was modified to increase the maximum loan amount to \$400,000. | 400,000 | 400,000 |
| Note payable to the City of Raleigh in the maximum amount of \$2,100,000 for the purchase of Washington Terrace, secured by a deed of trust on the property. The loan bears no interest. No payments are due under either loan until their maturity on January 28, 2020, respectively, at which time all outstanding principal and accrued interest shall be due. In 2019, the loan agreement was amended to extend the maturity date to January 28, 2022. In 2021, the loan agreement was modified to extend the maturity date to December 31, 2022. | 301,534 | 301,534 |
| Permanent first mortgage loans payable by various properties bearing interest from 2% to 8%, generally with principal and interest due monthly, to be repaid in full through 2052, secured by deeds of trust on the respective apartment complexes. | 58,072,762 | 44,602,799 |

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| | <u>2021</u> | <u>2020</u> |
|---|------------------------------|-----------------------|
| Local and state loans payable by various properties, bearing interest from 0% to 6%, generally payable monthly, to be repaid in full through 2057, secured by deeds of trust on respective apartment complexes. | 60,930,139 | 55,357,314 |
| Local loans payable by various properties, bearing interest from 0% to 2%, generally payable out of excess cash annually in arrears to be repaid in full through 2058, secured by deeds of trust on respective apartment complexes. | 28,349,440 | 26,867,824 |
| Loan payable by Primavera Seniors, LLC to a prospective investor in the project. The loan bears no interest through June 30, 2021, and bears interest at the LIBOR rate plus 2% thereafter through maturity on December 31, 2021, at which time all principal and accrued interest shall be due. The loan is secured by a Guaranty Agreement. | - | 1,000,000 |
| Less unamortized debt issuance costs | <u>(2,575,222)</u> | <u>(2,543,632)</u> |
| | 145,603,653 | 126,110,839 |
| Less current portion | <u>(5,343,763)</u> | <u>(2,943,851)</u> |
| | <u>\$ 140,259,890</u> | <u>\$ 123,166,988</u> |

Maturities of long-term debt subsequent to December 31, 2021 are as follows:

| <u>Year Ending December 31,</u> | |
|-------------------------------------|------------------------------|
| 2022 | \$ 5,343,763 |
| 2023 | 5,216,580 |
| 2024 | 5,761,611 |
| 2025 | 6,251,788 |
| 2026 | 3,600,466 |
| Thereafter | 76,219,262 |
| * | <u>45,785,405</u> |
| | <u>\$ 148,178,875</u> |

**The future maturity date of this amount is undeterminable as of December 31, 2021.*

Total interest cost incurred was \$3,958,388 and \$3,433,100, respectively, for the years ended December 31, 2021 and 2020. Additionally, debt issuance costs were amortized to interest expense in the amount of \$154,819 and \$128,201 during the years ended December 31, 2021 and 2020, respectively.

Lines of credit

During September 2016, the Corporation obtained a line of credit from First Horizon Bank in the maximum amount of \$1,000,000 with interest only payments at the 30-day LIBOR rate plus 2.30% due monthly. All unpaid principal and interest was originally due and payable at maturity on September 30, 2018. During 2020 the line of credit was amended to extend the maturity date to November 1, 2021. During 2021, the line of credit was amended to extend the maturity date to December 5, 2022. No withdrawals or advances were made under the line of credit during 2020. During 2021, a total of \$1,000,000 was withdrawn. As of December 31, 2021 and 2020, \$1,000,000 and \$0 remained payable, respectively.

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During August 2016, the Corporation obtained a line of credit from First National Bank in the maximum amount of \$500,000 with interest only payments at the Wall Street Journal's prime rate plus 0.5% due monthly. All unpaid principal and interest was originally due and payable at maturity on August 1, 2017. Various amendments have been made annually to extend the maturity date on the line of credit. During 2020 the line of credit was amended to extend the maturity date to November 1, 2021. During 2021, the line of credit was amended to extend the maturity date to November 1, 2022. This line of credit was not used during 2021 or 2020, and no balance remained payable.

The Corporation has also obtained a line of credit from First Citizens Bank in the maximum amount of \$1,500,000 with interest only payments at the Wall Street Journal's prime rate plus 0.5% due monthly. All unpaid principal and interest was originally due and payable at maturity on October 20, 2019. During 2020 the line of credit was amended to extend the maturity date to November 5, 2021. During 2021, the line of credit was amended to extend the maturity date to February 2, 2022. During 2021, no advances or withdrawals were made, and \$705,000 was repaid. During 2020, a total of \$2,100,000 was withdrawn, \$1,395,000 of which was repaid. As of December 31, 2021 and 2020, \$0 and \$705,000, respectively, remained payable.

On December 21, 2021, BHAF, LLC obtained a line of credit from First Citizens Bank in the maximum amount of \$5,000,000 with interest only payments at the Wall Street Journal's prime rate due monthly, commencing on January 21, 2022. All unpaid principal and interest is due and payable at maturity on December 21, 2023. During 2021, a total of \$1,700,000 was withdrawn, all of which remained payable at December 31, 2021.

At December 31, 2021 and 2020, the Corporation was in compliance with its financial covenants.

Bonds payable

(1) Capital Towers III, LLC

To finance a portion of the purchase of the Capital Towers project and certain rehabilitation expenditures in order to qualify for federal tax credits, on June 1, 2019, the Raleigh Housing Authority (the "Housing Authority") issued Series 2019B Multifamily Housing Revenue Bonds in the amount of \$6,500,000. The bond bore interest at 5.75%, compounding annually. No payments were due until the maturity date of June 1, 2021 at which time all unpaid principal and interest was due. Substantially all of Capital Towers III, LLC's property is pledged under the fourth lien deed of trust collateralizing the note. Upon issuance, the Series 2019B Multifamily Housing Revenue Bonds were purchased by Capital Towers, Inc., the previous owner of the project. The Housing Authority then assigned the promissory note and deed of trust securing the bonds to Capital Towers, Inc. The total sales price of the project from Capital Towers, Inc. to Capital Towers III, LLC was \$10,650,000. Capital Towers, Inc. purchased the bonds for \$6,500,000 through simultaneously conveying the project to Capital Towers III, LLC. Of the \$6,500,000 bonds payable to Capital Towers, Inc., \$2,100,000 shall be deemed to be repaid in accordance with the Ground Lease (see Note 12).

Effective on the original maturity date, June 1, 2021, Capital Towers III, LLC entered into an amended and restated promissory note with Capital Towers, Inc. in the amount of \$7,239,348, representing the original principal balance of \$6,500,000, and accrued interest through May 31, 2021, of \$739,348. Interest expense under the original Series 2019B bonds payable amounted to \$239,746 for the period from January 1, 2021 through May 31, 2021, and \$528,805 for the year ended December 31, 2020, inclusive of deferred financing fees amortized to interest expense of \$64,607 and \$155,055, respectively. Accrued interest payable under the original Series 2019B bonds payable amounted to \$0 and \$564,209 at December 31, 2021 and 2020, respectively.

To finance the rehabilitation of the Capital Towers project in order to qualify for federal tax credits, on June 1, 2019, the Raleigh Housing Authority (the "Housing Authority") issued Series 2019A Multifamily Housing Revenue Bonds in the amount of \$15,500,000. The bonds bear interest at an annual rate of 2.77%. Interest only payments are due monthly commencing on July 25, 2019. All remaining principal and accrued interest

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are due in full on the maturity date of July 25, 2040. The bonds are evidenced by a bond loan note. The bond loan note shall be deemed paid if and when conversion to permanent financing occurs, whereby the project obtains the permanent first mortgage loan from Prudential Multifamily Mortgage, LLC. Accrued interest as of December 31, 2021 and 2020 amounted to \$7,156 and \$7,156, respectively. Interest incurred for the years ended December 31, 2021 and 2020 totaled \$468,926 and \$470,119, respectively, of which \$33,613 and \$33,613 represents deferred financing fees amortized to interest expense, respectively. Of this amount, \$456,638 was expensed and \$12,288 was capitalized as a cost of construction during the year ended December 31, 2021, and \$169,644 was expensed and \$266,862 was capitalized as a cost of construction during the year ended December 31, 2020.

The Series 2019A and Series 2018B bonds are governed by a Regulatory Agreement between Capital Towers III, LLC and Raleigh Housing Authority. In accordance with the Regulatory Agreement, Capital Towers III, LLC is required to operate the project as a qualified residential rental project in accordance with IRC Section 142 throughout the low-income housing tax credit compliance period. In addition, the Regulatory Agreement restricts the ability of Capital Towers III, LLC to sell, lease, exchange, assign, convey, transfer, or otherwise dispose of all or substantially all of the project without prior written consent of the Raleigh Housing Authority and the lender.

(2) Beacon Ridge, LLC

To finance the construction of the Beacon Ridge project in order to qualify for federal tax credits, on September 1, 2019, the Raleigh Housing Authority (the "Housing Authority") issued Series 2019 Multifamily Housing Revenue Bonds in the amount of \$14,000,000. The bonds bear interest at an annual rate of 4.85% through the stabilization date, and 4.25% thereafter. Interest only payments are due monthly commencing on November 1, 2019, through the stabilization date, as defined. In addition, a principal payment of \$5,250,000 was due following receipt of the third installment of the investor member's capital contributions, reducing the permanent loan balance to \$8,750,000. Commencing November 1, 2021 and thereafter, projected monthly amortizing payments of principal and interest are due in the amount of \$37,665 through the maturity on October 1, 2059. Substantially all of Beacon Ridge, LLC's property is pledged under the first lien deed of trust collateralizing the note. As of December 31, 2021 and 2020, the outstanding principal on the note payable amounted to \$8,235,891 and \$13,454,419, respectively, net of unamortized debt issuance costs of \$514,109 and \$545,581, respectively. Interest expense for the years ended December 31, 2021 and 2020 was \$505,285 and \$108,855, respective, inclusive of deferred financing fees amortized to interest expense of \$31,472 and \$35,385, respectively. In addition, during the years ended December 31, 2021 and 2020, capitalized interest was incurred in the amount of \$0 and \$655,979, respectively. Accrued interest as of December 31, 2021 and 2020 amounted to \$0 and \$56,583, respectively.

The Series 2019 bonds are governed by a Regulatory Agreement between Beacon Ridge, LLC and Raleigh Housing Authority. In accordance with the Regulatory Agreement, Beacon Ridge, LLC is required to operate the project as a qualified residential rental project in accordance with IRC Section 142 throughout the low-income housing tax credit compliance period. In addition, the Regulatory Agreement restricts the ability of Beacon Ridge, LLC to sell, lease, exchange, assign, convey, transfer, or otherwise dispose of all or substantially all of the project without prior written consent of the Raleigh Housing Authority and the lender.

Balances payable under the bonds at December 31, 2021 are as follows:

| | <u>Total Outstanding</u> | <u>Current Portion</u> | <u>Long-Term Portion</u> |
|---|------------------------------|----------------------------|------------------------------|
| Raleigh Housing Authority, Series 2019A | \$ 15,500,000 | \$ - | \$ 15,500,000 |
| Raleigh Housing Authority, Series 2019 | 8,750,000 | 80,000 | 8,670,000 |
| Less unamortized debt issuance costs | <u>(1,138,756)</u> | <u>-</u> | <u>(1,138,756)</u> |
| | <u>\$ 23,111,244</u> | <u>\$ 80,000</u> | <u>\$ 23,031,244</u> |

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Balances payable under the bonds at December 31, 2020 are as follows:

| | <u>Total Outstanding</u> | <u>Current Portion</u> | <u>Long-Term Portion</u> |
|---|------------------------------|----------------------------|------------------------------|
| Raleigh Housing Authority, Series 2019A | \$ 15,500,000 | \$ - | \$ 15,500,000 |
| Capital Towers, Inc., Series 2019B | 6,500,000 | 6,500,000 | - |
| Raleigh Housing Authority, Series 2019 | 14,000,000 | 5,264,105 | 8,735,895 |
| Less unamortized debt issuance costs | <u>(1,268,448)</u> | <u>(64,607)</u> | <u>(1,203,841)</u> |
| | <u>\$ 34,731,552</u> | <u>\$ 11,699,498</u> | <u>\$ 23,032,054</u> |

PPP Loan

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act provides for the establishment of the Paycheck Protection Program (PPP), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

The Corporation received a PPP loan totaling \$416,373 and has elected to account for the funds received in accordance with ASC Topic 470, Debt. In order to be forgiven, funds from these loans may only be used to satisfy payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on certain other debt obligations. The Corporation believes it has used the proceeds of the loan for qualifying expenses under the PPP. The loan accrues interest at a rate of 1% and has an original maturity date of two years which can be extended to five years by mutual agreement of the Corporation and the lender. Payments are deferred during the deferral period, which began on the loan origination date and extends for 10 months beyond the last day of the Corporation's covered period. Any unforgiven portion of the PPP loan is payable in equal installments of principal and interest from the end of the deferral period through the scheduled maturity date of April 16, 2022. In addition, to the extent the loan is not forgiven, any interest accrued during the deferral period is due on the date of the first payment after the end of the deferral period. The Corporation elected to classify the outstanding balance of the loan as a current liability in the accompanying balance sheet as of December 31, 2020, given it expected to receive forgiveness within the next operating cycle. The Corporation received formal forgiveness of the loan on May 7, 2021. Accordingly, as of December 31, 2021, the conditions of loan forgiveness were substantially met, and the Corporation recognized \$416,373 associated with the forgiveness of the PPP loan as loan forgiveness income.

9. Construction Loans Payable

During the year ended December 31, 2021, two DHIC subsidiaries obtained loans for the construction or renovation of apartment complexes. In addition, two DHIC subsidiaries continued to draw on a construction loan that were obtained during 2020. As of December 31, 2021, the total balance due on these loans amounted to \$28,765,171, net of unamortized debt issuance costs of \$0. Two of the loans bear variable interest at the 30-day LIBOR rate plus 1.65% to 2.5%, one loan bears variable interest at the one-month SOFR rate plus 2.01%, and one bears interest at a fixed rate of 3.1%. The loans have maturity dates through July 2024, and first lien position deeds of trust on the respective projects. Total interest costs incurred during the year ended December 31, 2021 amounted to \$543,296, of which \$187,979 was capitalized and \$355,317 was expensed. Additionally, amortization of debt issuance costs amounted to \$72,431 during the year ended December 31, 2021, of which \$52,273 was amortized to interest expense and \$20,158 was capitalized.

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During the year ended December 31, 2020, three DHIC subsidiaries obtained loans for the construction or renovation of apartment complexes. In addition, one DHIC subsidiary continued to draw on a construction loan that was obtained during 2018. As of December 31, 2020, the total balance due on these loans amounted to \$24,223,888, net of unamortized debt issuance costs of \$97,564. Three of the loans bear variable interest at the 30-day LIBOR rate plus 1.65% to 2.5%, and one loan bears interest at a fixed rate of 3.72%. The loans have maturity dates through June 2030, and first lien position deeds of trust on the respective projects. Total interest costs incurred during the year ended December 31, 2020 amounted to \$352,441, of which \$214,741 was capitalized and \$137,700 was expensed. Additionally, amortization of debt issuance costs amounted to \$111,108 during the year ended December 31, 2020, of which \$103,923 was amortized to interest expense and \$7,185 was capitalized.

The construction loans are presented as long-term liabilities in the consolidated statements of financial position, due to various long-term refinancing arrangements and commitments, or conversion options.

Construction loans payable consist of the following as of December 31:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|----------------------|----------------------|
| Beechridge, LLC | \$ - | \$ 1,087,528 |
| Booker Park South, LLC | 208,628 | - |
| Capital Towers III, LLC | 17,961,815 | 18,416,309 |
| Pennington Grove II, LLC | 5,603,508 | 894,617 |
| Primavera Seniors, LLC | 4,991,220 | - |
| Willard Street, LLC | - | <u>3,922,998</u> |
| | <u>28,765,171</u> | 24,321,452 |
| Less: Unamortized debt issuance costs | - | <u>(97,564)</u> |
| | <u>\$ 28,765,171</u> | <u>\$ 24,223,888</u> |

Maturities of construction loans payable subsequent to December 31, 2021 are as follows:

| <u>Year Ending</u> <u>December 31,</u> | |
|---|----------------------|
| 2022 | \$ 23,565,323 |
| 2023 | 208,628 |
| 2024 | <u>4,991,220</u> |
| | <u>\$ 28,765,171</u> |

10. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2021 and 2020 were restricted to:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Investment in perpetuity, income from which is expendable to support operations: | | |
| AHP Bank Grant Fund | \$ <u>1,845,541</u> | \$ 1,845,541 |
| | <u>1,845,541</u> | 1,845,541 |
| Purpose restricted funds, eligible housing related programs | | |
| Down payment assistance program | <u>100,000</u> | 50,000 |
| Support services, resident resilience fund | <u>383,746</u> | <u>320,427</u> |
| | <u>\$ 2,329,287</u> | <u>\$ 2,215,968</u> |

During 2021 and 2020, \$0 and \$887,390 of capital grant funds and \$0 and \$88,280 of CFRAH grant funds were released from restriction by NeighborWorks America, respectively, resulting in the net decrease in net assets with donor restrictions of \$0 and \$975,670, respectively.

11. Annual Cell Tower Revenue

Capital Towers III, LLC has entered into contractual arrangements with thirteen wireless communication service providers. The lease contracts have staggering maturity dates. Capital Towers III, LLC has allowed these providers to place cellular antenna equipment on the roof of the project. The lessees are responsible for keeping in full force and effect comprehensive general liability insurance policies with respect to bodily injury (including death) and damage to property, the terms of which are defined within the individual lease agreements. The lessees agree that no part of the cellular equipment constructed, erected or placed by the lessees on the building shall be considered as being affixed or part of the building, and will be removed by the lessee upon termination of the contractual agreement.

The expected annual cell tower revenues for which contracts are in place as of December 31, 2021 through each of the next five years are as follows:

| | |
|------|------------|
| 2022 | \$ 177,213 |
| 2023 | 185,121 |
| 2024 | 189,298 |
| 2025 | 193,593 |
| 2026 | 77,673 |

12. Ground Leases

Capital Towers III, LLC

Capital Towers III, LLC entered into a capital lease agreement with Capital Towers, Inc., the previous owner of the Capital Towers project, on June 28, 2019, for the lease of the land of the project. The term of the lease is for a period of 75 years, through June 28, 2094. In accordance with the capital lease agreement, Capital Towers III, LLC agrees to pay Capital Towers, Inc. a total of \$6,250,000, of which \$4,150,000 is included in a rent payment promissory note, and the balance of which is included in the Series B bonds payable to Capital Towers, Inc. (see Note 8 for repayment details). In accordance with the rent payment promissory note, the note is payable to Capital Towers, Inc. (the "Seller"), in the amount of \$4,150,000. No interest shall accrue under the note until June 30, 2022, at which time interest shall accrue at 5.75%, compounding annually. The note shall be repaid from net cash flow, as defined in the agreement. All outstanding principal and interest shall be due and payable July 1, 2041. The loan is secured by a co-fifth lien Deed of Trust on the Capital Towers property. The cost of the land included in the consolidated statements of financial position at December 31, 2021 and 2020 amounted to \$5,810,969 and was determined by the present value of the minimum lease payments at the lease date, inclusive of the \$2,100,000 payable under the Series B bonds. Imputed interest on the capital lease liability for the years ended December 31, 2021 and 2020 amounted to \$232,262 and \$219,931, respectively. All operating expenses, taxes and insurance are to be paid directly by Capital Towers III, LLC, and are not included in the required lease payments. The future minimum lease payments required under the capital lease note, and the present value of the net minimum lease payments as of December 31, 2021 are as follows:

| <u>Year Ending December 31,</u> | | |
|---|----|--------------------|
| 2022 | \$ | - |
| 2023 | | - |
| 2024 | | - |
| 2025 | | - |
| 2026 | | - |
| Thereafter | | <u>12,695,670</u> |
| Net minimum lease payments | | 12,695,670 |
| Less: amount representing interest | | <u>(8,424,069)</u> |
| Present value of net minimum lease payments | | 4,271,601 |
| Less: current maturities of capital lease obligations | | <u>-</u> |
| Long-term capital lease obligations | \$ | <u>4,271,601</u> |

Beacon Ridge, LLC

Beacon Ridge, LLC entered into an operating ground lease agreement with the YMCA of the Triangle Area, Inc. (the "YMCA"), on May 14, 2019 for the lease of the land of the project. The term of the lease is for a period of 65 years, through January 1, 2086. In accordance with the operating lease agreement, Beacon Ridge, LLC paid the YMCA a total of \$1,680,000 in advance for the lease of the premises. Beacon Ridge, LLC is to pay all operating costs, including property taxes, insurance and utilities for the premises throughout the term of the lease. Upon expiration of the lease term, the land and all improvements shall revert to the YMCA. The lease prepayment has been recorded as a deferred rent asset and is being amortized on a straight-line basis over the life of the lease. For each of the years ended December 31, 2021 and 2020, rental expense amounted to \$25,516.

13. Vacation Pay

The vacation policy of DHIC provides for the accumulation of up to 30 days' earned vacation leave, with such leave being fully vested when earned. Accumulated earned vacation at December 31, 2021 and 2020 amounted to \$121,363 and \$123,011, respectively.

14. Retirement Plan

Contributions are determined annually by management based on availability of funds and are applied as a percentage of each covered employee's salary. Contributions totaled \$185,882 and \$171,710 respectively, years ended December 31, 2021 and 2020, of which \$82,660 and \$78,199 remained payable as of December 31, 2021 and 2020, respectively.

15. Affiliated Organizations

The following non-profit corporations are managed by a board of directors appointed by DHIC. DHIC contributes, at no charge to the affiliated corporations, managerial and administrative services necessary for its ordinary operations. These non-profit corporations are organized to develop and finance affordable housing in the state of North Carolina for persons of low and moderate incomes. The financial position and results of operations for the affiliated non-profit corporations presented below have not been included in these consolidated financial statements. Selected financial information of the affiliated non-profit corporations as of December 31, 2021 and 2020, and for the years then ended are as follows:

| | 2021 | | | |
|---|---------------------|----------------------------|-----------------------|---------------------------------------|
| | <u>Total Assets</u> | <u>Accumulated Deficit</u> | <u>Total Revenues</u> | <u>Revenues Over (Under) Expenses</u> |
| Chadwick Apartments, Inc. | \$ 1,249,438 | \$ (925,106) | \$ 264,895 | \$ (73,636) |
| Highland Manor Apartments, Inc. | 1,513,931 | (1,358,092) | 220,071 | (95,532) |
| Roanoke Housing Development Corporation | 1,538,113 | (486,197) | 585,372 | 12,300 |
| WFEH, Incorporated | 1,518,476 | (1,417,145) | 281,282 | (60,996) |
| | 2020 | | | |
| | <u>Total Assets</u> | <u>Accumulated Deficit</u> | <u>Total Revenues</u> | <u>Revenues Over (Under) Expenses</u> |
| Chadwick Apartments, Inc. | \$ 1,326,816 | \$ (851,470) | \$ 276,891 | \$ (11,304) |
| Highland Manor Apartments, Inc. | 1,620,307 | (1,262,560) | 231,181 | (81,060) |
| Roanoke Housing Development Corporation | 1,650,044 | (498,497) | 591,992 | 35,836 |
| WFEH, Incorporated | 1,590,101 | (1,356,149) | 269,432 | (68,903) |

16. Commitments, Contingencies and Guarantees

Operating deficit guarantees

Operating deficit guarantees are commitments to fund future operating deficits of the limited partnerships/liability companies consolidated herein. The guarantees are issued for certain tax credit partnerships and generally are for the 15-year period when the investor is expected to hold its member or limited partner interest, or for shorter periods (for example, until certain debt ratio or breakeven calculations are achieved). A payment under a guarantee would create a receivable from the partnership and any funding call against the guarantee would first be paid from the general partner's (DHIC's) cash funds. As of December 31, 2021 and 2020, DHIC has not experienced any calls on these guarantees.

Construction contracts

The Corporation incurred costs under five separate construction contracts during the year ended December 31, 2021 related to demolition and construction of various apartment projects. As of December 31, 2021, total commitments under these contracts amounted to \$85,159,618, of which \$56,307,837 has been incurred and capitalized. As of December 31, 2021, \$756,297 remained payable under the contracts, and is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

Commitments remaining under the construction contracts at December 31, 2021 are as follows:

| | <u>Total Contract</u> | <u>Total Incurred</u> | <u>Balance Remaining</u> |
|--------------------------|---------------------------|---------------------------|------------------------------|
| Booker Park South, LLC | \$ 9,820,643 | \$ 577,695 | \$ 9,242,948 |
| Capital Towers III, LLC | 26,682,799 | 26,682,799 | - |
| Pennington Grove II, LLC | 8,135,515 | 8,135,515 | - |
| Primavera Seniors, LLC | 23,378,468 | 3,769,635 | 19,608,833 |
| Willard Street, LLC | <u>17,142,193</u> | <u>17,142,193</u> | <u>-</u> |
| | <u>\$ 85,159,618</u> | <u>\$ 56,307,837</u> | <u>\$ 28,851,781</u> |

The Corporation incurred costs under four separate construction contracts during the year ended December 31, 2020 related to demolition and construction of various apartment projects. As of December 31, 2020, total commitments under these contracts amounted to \$67,158,038, of which \$56,213,908 has been incurred and capitalized. As of December 31, 2020, \$4,387,389 remained payable under the contracts, and is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

Commitments remaining under the construction contracts at December 31, 2020 are as follows:

| | <u>Total Contract</u> | <u>Total Incurred</u> | <u>Balance Remaining</u> |
|--------------------------|---------------------------|---------------------------|------------------------------|
| Beacon Ridge, LLC | \$ 16,078,671 | \$ 16,078,671 | \$ - |
| Capital Towers III, LLC | 26,135,269 | 24,176,428 | 1,958,841 |
| Pennington Grove II, LLC | 7,798,072 | 433,906 | 7,364,166 |
| Willard Street, LLC | <u>17,146,026</u> | <u>15,524,903</u> | <u>1,621,123</u> |
| | <u>\$ 67,158,038</u> | <u>\$ 56,213,908</u> | <u>\$ 10,944,130</u> |

COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on the Corporation's future operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the project's customers, employees, and vendors, and governmental, regulatory and private sector responses. The financial statements do not reflect any adjustments as a result of the continuing increase in economic uncertainty.

17. Concentrations

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash deposits in excess of federally insured limits and amounts guaranteed by the United States Government. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash restricted by NeighborWorks is insured by the FDIC and securities evidencing direct obligations of the U.S. government or U.S. government agencies, or obligations guaranteed by either of them.

The Corporation's operations are concentrated in the affordable housing real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the State Housing Agency.

18. Grants and Significant Contributions

On December 22, 2016, the Corporation entered into a down payment assistance program designed to advance the recovery of cities impacted by the housing crisis, known as "LIFT" (Let's Invest for Tomorrow). The program is sponsored by NeighborWorks and funded from the Wells Fargo Foundation to provide second mortgages for qualified and eligible recipients, as defined. The total funding under the program was projected to be \$4,000,000. Down payment assistance ranges from \$2,500 to \$7,500 per eligible recipient. The Corporation receives an administrative fee of \$1,400 per executed loan. Additionally, the Corporation charges the borrowers an origination fee of \$250 per executed loan. The second mortgages bear no interest and will be reduced in equal parts annually on the anniversary of the respective closing dates for three years as forgiveness of the mortgage. If a house sells within the three-year period, the unamortized portion of the loan will be repayable back to the program. All funding under the grant program was received in prior years. As of December 31, 2021 and 2020, 475 and 470 second mortgages totaling \$3,447,000 and \$3,409,500 have been made. During each of the years ended December 31, 2021 and 2020, the Corporation earned origination fees of \$1,250 in connection with these loans.

The Corporation receives grant funds annually from the City of Raleigh (the "City") for general assistance in furthering the mission of the Organization, and for providing homebuyer counseling services to low-income residents of the City, and prospective buyers that are employed by a business located within the borders of the City, seeking to buy a house located within the City. The grants are subject to annual appropriation from the City, and run from a period of July 1st to June 30th, in accordance with the City's fiscal year. For the years ended December 31, 2021 and 2020, the Organization recognized \$108,000 of general administrative grant funds, \$62,025 and \$62,325 of homebuyer counseling grant funds, respectively, and \$205,794 and \$0 of CARES Act

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

grant funds, respectively. As of December 31, 2021 and 2020, \$173,707 and \$86,875, respectively, remained receivable under the grants.

In accordance with a memorandum of understanding dated August 31, 2017, the Washington Terrace Affordable Housing, LLC receives funding under the Strong Families Fund Program (“SFF Program”) from the Corporation for Supportive Housing. An affiliate of the investor member in Washington Terrace Affordable Housing, LLC, NAHT, is a resource provider of the Strong Families Fund. Under the SFF Program, the entity receives funding in the annual amount of the lesser of \$90,000, or the actual costs incurred for resident services coordination. A maximum aggregate amount of \$720,000 has been approved under the grant. Funding for the first two years of the grant (2018 and 2019) is made through equity contributions from the investor member that are released through the social service reserve account. Thereafter, annual payments will be made in whole, or in part, based on satisfactory performance of the SFF Program, including performance measures, and the incurrence of the related resident services coordination expenses. The personnel in charge of performing the resident services coordination role is an employee of DHIC and, accordingly, payments are made to DHIC as reimbursement for personnel costs related to resident services coordination activity that is eligible under the SFF Program. For the years ended December 31, 2021 and 2020, eligible resident services coordination expenses of \$90,000 and \$80,453, respectively, were incurred. As of December 31, 2021 and 2020, \$90,000 and \$0, respectively, remained payable to DHIC.

During 2020, Community Management Corporation (“CMC”), a third-party property management company that manages several of DHIC’s projects, applied for and received a loan through the Paycheck Protection Program (“PPP”) as authorized in the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The related projects reduced payroll and related reimbursements to CMC during the year ended December 31, 2020 in the total amount of \$320,258, which is the portion of the PPP loan proceeds that CMC planned to contribute to the projects in 2021 upon approval of its PPP loan forgiveness application. On May 18, 2021, CMC received formal forgiveness of its PPP loan and contributed the funds to the related projects. Accordingly, forgiveness income of \$320,258 has been recognized for the year ended December 31, 2021 in the consolidated statements of activities.

19. Liquidity and Availability of Resources

The Corporation’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

| | |
|----------------------------|----------------------|
| Cash and cash equivalents | \$ 13,696,368 |
| Accounts receivable | 1,058,979 |
| Notes receivable - current | <u>3,517</u> |
| Total current assets | <u>\$ 14,758,864</u> |

The Corporation manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. The Corporation and subsidiaries maintain financial assets on hand to meet 60 days of normal operating expenses.

Supplementary Information

DHIC, Inc. and Subsidiaries
Consolidating Statement of Financial Position
Year Ended December 31, 2021 and Comparative Totals for December 31, 2020

| | 2021 | | | 2020 | |
|--|----------------------|-----------------------|------------------------|-----------------------------|-----------------------------|
| | DHIC, Inc. | Housing Entities | Eliminations | DHIC, Inc. and Subsidiaries | DHIC, Inc. and Subsidiaries |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash, parent company | \$ 2,815,536 | \$ - | \$ - | \$ 2,815,536 | \$ 1,702,270 |
| Cash, subsidiary operations | - | 7,013,930 | - | 7,013,930 | 5,025,619 |
| Cash, subsidiary construction | - | 1,282,531 | - | 1,282,531 | 1,063,206 |
| Designated cash - board-designated reserve, NeighborWorks | 600,000 | - | - | 600,000 | 600,000 |
| Designated cash - board-designated reserve, operations | 1,206,151 | - | - | 1,206,151 | 805,068 |
| Designated cash - NeighborWorks America | 778,220 | - | - | 778,220 | 777,172 |
| Investments in debt and equity securities, current | - | 633,880 | - | 633,880 | 16,061,220 |
| Development fees receivable, current portion | 1,817,722 | - | (1,817,722) | - | - |
| Management fees receivable, current portion | 247,181 | - | (247,181) | - | - |
| Accounts receivable | 330,564 | 818,415 | (90,000) | 1,058,979 | 631,560 |
| Due from affiliates, current portion | 2,022,115 | 6,100 | (2,028,215) | - | - |
| Current portion of notes receivable - second mortgages | 3,517 | - | - | 3,517 | 3,621 |
| Inventories | 759,389 | - | - | 759,389 | 389,969 |
| Prepaid expenses | 43,305 | 788,286 | - | 831,591 | 433,496 |
| Total current assets | <u>10,623,700</u> | <u>10,543,142</u> | <u>(4,183,118)</u> | <u>16,983,724</u> | <u>27,493,201</u> |
| Property and equipment, net | - | 281,258,934 | (12,919,575) | 268,339,359 | 254,503,241 |
| Other assets: | | | | | |
| Designated cash - security deposits, external reserves and escrows | 184,820 | 31,102,550 | - | 31,287,370 | 15,726,948 |
| Designated cash - priority market, second mortgages and grants | 315,738 | - | - | 315,738 | 316,973 |
| Designated cash - other | 1,001,751 | - | - | 1,001,751 | 1,354,748 |
| Designated cash - NeighborWorks America, noncurrent | 116,339 | - | - | 116,339 | 113,159 |
| Investments in partnerships/limited liability companies | 651,346 | - | (651,346) | - | - |
| Notes receivable - second mortgages, net of current portion | 267,041 | - | - | 267,041 | 592,679 |
| Notes receivable - affiliates | 10,768,332 | - | (10,768,332) | - | - |
| Accrued interest receivable - affiliates | 4,057,052 | - | (4,057,052) | - | - |
| Development fees receivable, long-term portion | 1,882,544 | - | (1,882,544) | - | - |
| Management fees receivable, long-term portion | 377,574 | - | (377,574) | - | - |
| Deposits | - | 452,890 | - | 452,890 | 155,000 |
| Deferred rent asset | - | 1,613,808 | - | 1,613,808 | 1,639,024 |
| Investments in debt and equity securities, noncurrent | - | - | - | - | - |
| Deferred costs, net | - | 2,029,614 | - | 2,029,614 | 1,715,862 |
| Due from affiliates, long-term portion | 1,719,233 | - | (1,719,233) | - | - |
| | <u>21,341,770</u> | <u>35,198,862</u> | <u>(19,456,081)</u> | <u>37,084,551</u> | <u>21,614,393</u> |
| | <u>\$ 31,965,470</u> | <u>\$ 327,000,938</u> | <u>\$ (36,558,774)</u> | <u>\$ 322,407,634</u> | <u>\$ 303,610,835</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| Current liabilities: | | | | | |
| Current portion of long-term debt | \$ 1,400,000 | \$ 5,625,550 | \$ (681,787) | \$ 6,343,763 | \$ 3,648,851 |
| Current portion of bonds payable | - | 80,000 | - | 80,000 | 11,699,498 |
| Accounts payable and accrued liabilities | 640,228 | 11,508,000 | (8,814,132) | 3,334,096 | 6,316,978 |
| Deferred revenue | - | 258,096 | - | 258,096 | 212,226 |
| PPP loan payable | - | - | - | - | 416,373 |
| Deferred revenue, MCH | 7,151 | - | - | 7,151 | 6,971 |
| Accrued interest payable | 778 | 1,752,255 | - | 1,753,033 | 2,335,578 |
| Total liabilities | <u>2,048,157</u> | <u>19,223,901</u> | <u>(9,495,919)</u> | <u>11,776,139</u> | <u>24,636,475</u> |
| Restricted deposits: | | | | | |
| Tenants' security deposits | - | 1,485,049 | - | 1,485,049 | 1,243,982 |
| Long-term liabilities: | | | | | |
| Long-term debt, net of current portion | 125,000 | 151,921,435 | (10,086,545) | 141,959,890 | 123,166,988 |
| Construction loans payable, net of current portion | - | 28,765,171 | - | 28,765,171 | 24,223,888 |
| Bonds payable | - | 23,031,244 | - | 23,031,244 | 23,032,054 |
| Capital lease note payable | - | 4,271,601 | - | 4,271,601 | 4,039,339 |
| Contract deposit liability | - | - | - | - | 3,250,000 |
| Accrued interest payable | - | 5,492,899 | (4,057,052) | 1,435,847 | 1,091,426 |
| | <u>125,000</u> | <u>213,482,350</u> | <u>(14,143,597)</u> | <u>199,463,753</u> | <u>178,803,695</u> |
| Net assets: | | | | | |
| Without donor restrictions | | | | | |
| Controlling interests | 27,463,026 | (6,878,962) | (12,919,258) | 7,664,806 | 7,312,508 |
| Non-controlling interests | - | 99,688,600 | - | 99,688,600 | 89,398,207 |
| Total net assets without donor restrictions | <u>27,463,026</u> | <u>92,809,638</u> | <u>(12,919,258)</u> | <u>107,353,406</u> | <u>96,710,715</u> |
| With donor restrictions | 2,329,287 | - | - | 2,329,287 | 2,215,968 |
| | <u>29,792,313</u> | <u>92,809,638</u> | <u>(12,919,258)</u> | <u>109,682,693</u> | <u>98,926,683</u> |
| | <u>\$ 31,965,470</u> | <u>\$ 327,000,938</u> | <u>\$ (36,558,774)</u> | <u>\$ 322,407,634</u> | <u>\$ 303,610,835</u> |

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Schedule of Assets, Liabilities and Net Assets - DHIC, Inc.
December 31, 2021 and 2020

| ASSETS | 2021 | 2020 |
|--|----------------------|----------------------|
| Current assets: | | |
| Cash, parent company | \$ 2,815,536 | \$ 1,702,270 |
| Designated cash - board-designated reserves, NeighborWorks | 600,000 | 600,000 |
| Designated cash - board-designated reserves, operations | 1,206,151 | 805,068 |
| Designated cash - NeighborWorks America | 778,220 | 777,172 |
| Development fees receivable, current portion | 1,817,722 | 1,586,456 |
| Management fees receivable, current portion | 247,181 | 20,468 |
| Accounts receivable | 330,564 | 144,166 |
| Due from affiliates, current portion* | 2,022,115 | 1,772,495 |
| Current portion of notes receivable - second mortgages | 3,517 | 3,621 |
| Inventories | 759,389 | 389,969 |
| Prepaid expenses | 43,305 | 13,333 |
| Total current assets | <u>10,623,700</u> | <u>7,815,018</u> |
| Property and equipment: | | |
| Property and equipment, net of accumulated depreciation of \$364,687 in 2021 and \$364,455 in 2020 | <u>-</u> | <u>232</u> |
| Other assets: | | |
| Designated cash - external operating reserves | 184,820 | 184,806 |
| Designated cash - second mortgages and grants | 315,738 | 316,973 |
| Designated cash - other | 1,001,751 | 1,354,748 |
| Designated cash - NeighborWorks America, noncurrent | 116,339 | 113,159 |
| Investments in partnerships/limited liability companies | 651,346 | 636,695 |
| Notes receivable - second mortgages, net of current portion | 267,041 | 592,679 |
| Notes receivable - affiliates | 10,768,332 | 10,579,501 |
| Accrued interest receivable - affiliates | 4,057,052 | 3,914,092 |
| Development fees receivable, long-term portion | 1,882,544 | 2,446,767 |
| Management fees receivable, long-term portion | 377,574 | 253,358 |
| Due from affiliates, long-term portion | 1,719,233 | 1,856,020 |
| | <u>21,341,770</u> | <u>22,248,798</u> |
| | <u>\$ 31,965,470</u> | <u>\$ 30,064,048</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 1,400,000 | \$ 705,000 |
| Accounts payable and accrued liabilities | 640,228 | 509,778 |
| Deferred revenue | 7,151 | 6,971 |
| Accrued interest, PPP loan | 778 | 1,233 |
| PPP loan payable | - | 416,373 |
| Total current liabilities | <u>2,048,157</u> | <u>1,639,355</u> |
| Long-term debt | <u>125,000</u> | <u>525,000</u> |
| Net assets: | | |
| Net assets without donor restrictions | 27,463,026 | 25,683,725 |
| Net assets with donor restrictions | 2,329,287 | 2,215,968 |
| | <u>29,792,313</u> | <u>27,899,693</u> |
| | <u>\$ 31,965,470</u> | <u>\$ 30,064,048</u> |

*\$1,772,495 of due from affiliates at December 31, 2020 has been reclassified from long-term assets to current assets in the 2021 financial statements.

DHIC, Inc. and Subsidiaries
Consolidating Schedule of Revenues, Support and Expenses
Year Ended December 31, 2021 and Comparative Totals for December 31, 2020

| | 2021 | | | 2020 | |
|--|---------------------|-----------------------|---------------------|-----------------------------|-----------------------------|
| | DHIC, Inc. | Housing Entities | Eliminations | DHIC, Inc. and Subsidiaries | DHIC, Inc. and Subsidiaries |
| Support and revenue: | | | | | |
| Support: | | | | | |
| City of Raleigh | \$ 375,819 | \$ - | \$ - | \$ 375,819 | \$ 170,325 |
| NeighborWorks unrestricted grants | 560,381 | - | - | 560,381 | 722,022 |
| Bank and foundation grants | 238,293 | - | - | 238,293 | 222,000 |
| PPP-related forgiveness | 416,373 | 320,258 | - | 736,631 | - |
| Other support and contributions | 203,124 | - | (90,000) | 113,124 | 224,557 |
| Wake County | 81,156 | - | - | 81,156 | - |
| Total support | <u>1,875,146</u> | <u>320,258</u> | <u>(90,000)</u> | <u>2,105,404</u> | <u>1,338,904</u> |
| Revenue: | | | | | |
| Gross rental income - apartments | - | 21,960,578 | (30,000) | 21,930,578 | 19,651,581 |
| Project development fees | 1,889,053 | - | (1,889,053) | - | - |
| Partnership management fees | 1,494,012 | - | (1,490,355) | 3,657 | - |
| Homeownership counseling and referral fees | 34,111 | - | - | 34,111 | 28,939 |
| Loan origination fees | 80,021 | - | - | 80,021 | 131,250 |
| Other income | 281,593 | 944,789 | (50,000) | 1,176,382 | 778,969 |
| Unrealized gain on investments | - | - | - | - | 81,810 |
| Interest income | 355,760 | 172,246 | (351,499) | 176,507 | 375,752 |
| Total revenue | <u>4,134,550</u> | <u>23,077,613</u> | <u>(3,810,907)</u> | <u>23,401,256</u> | <u>21,048,301</u> |
| Total support and revenue | <u>6,009,696</u> | <u>23,397,871</u> | <u>(3,900,907)</u> | <u>25,506,660</u> | <u>22,387,205</u> |
| Operating expenses: | | | | | |
| Salaries and related expenses | 2,723,688 | 3,446,668 | (796,506) | 5,373,850 | 5,108,800 |
| Office supplies and expense | 29,593 | 1,459,443 | - | 1,489,036 | 993,715 |
| Equipment and computer | 61,966 | - | - | 61,966 | 45,752 |
| Rent, utilities and maintenance | 91,793 | 6,003,867 | (30,000) | 6,065,660 | 5,446,181 |
| Memberships and publications | 22,101 | - | - | 22,101 | 15,591 |
| Professional fees | 342,554 | 86,900 | - | 429,454 | 403,130 |
| Audit and accounting fees | 48,825 | 299,838 | - | 348,663 | 355,008 |
| Marketing and advertising | 39,747 | 16,391 | - | 56,138 | 79,457 |
| Travel and parking | 32,780 | - | - | 32,780 | 34,124 |
| Events and promotions | 4,270 | - | - | 4,270 | 17,836 |
| Training and conferences | 13,594 | - | - | 13,594 | 8,564 |
| Corporate tax, insurance and license fees | 35,472 | 870,261 | - | 905,733 | 735,637 |
| Miscellaneous and bank fees | 15,620 | 366 | - | 15,986 | 11,487 |
| Contribution expense | 4,000 | - | - | 4,000 | 13,223 |
| Program expense | 251,282 | - | - | 251,282 | 21,337 |
| Development expense | 625 | - | - | 625 | 5,283 |
| Loan forgiveness - LIFT | 392,167 | - | - | 392,167 | 1,068,500 |
| Partnership management fees | - | 2,858,646 | (1,490,355) | 1,368,291 | 1,618,389 |
| Interest expense | 6,767 | 6,073,965 | (351,499) | 5,729,233 | 4,645,879 |
| Depreciation and amortization | 232 | 9,504,613 | (385,979) | 9,118,866 | 7,788,433 |
| Bad debt expense | - | 110,369 | - | 110,369 | 88,964 |
| Realized loss on sale of investments | - | 16,541 | - | 16,541 | 48,832 |
| Loss on disposal of assets | - | 587,691 | - | 587,691 | 42,980 |
| Other nonoperating expense | - | 327,107 | - | 327,107 | 279,310 |
| Total operating expenses | <u>4,117,076</u> | <u>31,662,666</u> | <u>(3,054,339)</u> | <u>32,725,403</u> | <u>28,876,412</u> |
| Excess (deficiency) of support and revenue over (under) costs and expenses | <u>\$ 1,892,620</u> | <u>\$ (8,264,795)</u> | <u>\$ (846,568)</u> | <u>\$ (7,218,743)</u> | <u>\$ (6,489,207)</u> |

DHIC, Inc. and Subsidiaries

Schedule of Revenues, Support and Expenses By Fund - DHIC, Inc.

Year Ended December 31, 2021 and Comparative Totals for December 31, 2020

| | 2021 | | | | | Total | 2020 |
|--|------------------------------------|--------------------------|------------------------|--------------------------|---------------------|---------------------|---------------------|
| | Real Estate Development Activities | Asset Management Program | Home-Ownership Program | Support Services Program | Administrative Fund | | |
| Support and revenue: | | | | | | | |
| Support: | | | | | | | |
| City of Raleigh | \$ 28,080 | \$ 16,200 | \$ 294,819 | \$ 15,120 | \$ 21,600 | \$ 375,819 | \$ 170,325 |
| NeighborWorks unrestricted grants | 345,250 | 31,875 | 87,506 | 33,250 | 62,500 | 560,381 | 722,022 |
| Bank and foundation grants | 34,266 | 19,769 | 129,449 | 28,451 | 26,358 | 238,293 | 222,000 |
| PPP loan forgiveness | - | - | - | - | 416,373 | 416,373 | - |
| Other support and contributions | 2,500 | - | 2,095 | 157,252 | 41,277 | 203,124 | 305,010 |
| Wake County | - | - | 81,156 | - | - | 81,156 | - |
| Total support | <u>410,096</u> | <u>67,844</u> | <u>595,025</u> | <u>234,073</u> | <u>568,108</u> | <u>1,875,146</u> | <u>1,419,357</u> |
| Revenue: | | | | | | | |
| Project development fees | 1,889,053 | - | - | - | - | 1,889,053 | 2,425,892 |
| Partnership management fees | - | 1,494,012 | - | - | - | 1,494,012 | 801,213 |
| Homeownership counseling and referral fees | - | - | 34,111 | - | - | 34,111 | 28,939 |
| Loan origination fees | - | - | 80,021 | - | - | 80,021 | 131,250 |
| Other income | 53,769 | 107,604 | - | - | 120,220 | 281,593 | 359,603 |
| Interest income | 351,499 | - | 1,231 | - | 3,030 | 355,760 | 365,082 |
| Total revenue | <u>2,294,321</u> | <u>1,601,616</u> | <u>115,363</u> | <u>-</u> | <u>123,250</u> | <u>4,134,550</u> | <u>4,111,979</u> |
| Total support and revenue | <u>2,704,417</u> | <u>1,669,460</u> | <u>710,388</u> | <u>234,073</u> | <u>691,358</u> | <u>6,009,696</u> | <u>5,531,336</u> |
| Operating expenses: | | | | | | | |
| Salaries and related expenses | 1,008,377 | 363,551 | 684,389 | 239,448 | 427,923 | 2,723,688 | 2,526,978 |
| Office supplies and expense | 7,749 | 3,450 | 9,831 | 4,083 | 4,480 | 29,593 | 26,313 |
| Equipment and computer | 13,425 | 9,493 | 9,759 | 7,626 | 21,663 | 61,966 | 45,752 |
| Rent, utilities and maintenance | 19,797 | 11,405 | 26,868 | 10,643 | 23,080 | 91,793 | 70,620 |
| Memberships and publications | 2,120 | 1,020 | 414 | 17 | 18,530 | 22,101 | 15,591 |
| Professional fees | 78,921 | 68,681 | 81,738 | 65,603 | 47,611 | 342,554 | 340,297 |
| Audit and accounting fees | - | - | - | - | 48,825 | 48,825 | 53,200 |
| Marketing and advertising | 4,312 | 11,329 | 3,766 | 1,087 | 19,253 | 39,747 | 51,126 |
| Travel and parking | 10,182 | 6,706 | 4,200 | 4,879 | 6,813 | 32,780 | 34,124 |
| Events and promotions | 1,061 | 525 | 533 | 266 | 1,885 | 4,270 | 17,836 |
| Training and conferences | 1,789 | 315 | 568 | 1,430 | 9,492 | 13,594 | 8,564 |
| Corporate tax, insurance and license fees | 20,149 | 3,061 | 5,102 | 2,857 | 4,303 | 35,472 | 35,791 |
| Miscellaneous and bank fees | 9,303 | - | 2,054 | 445 | 3,818 | 15,620 | 10,117 |
| Contribution expense | - | - | - | - | 4,000 | 4,000 | 13,223 |
| Program expense | 18,450 | - | 204,603 | 25,729 | 2,500 | 251,282 | 21,337 |
| Development expense | 625 | - | - | - | - | 625 | 5,283 |
| Loan forgiveness - LIFT | - | - | 392,167 | - | - | 392,167 | 1,068,500 |
| Interest expense | 6,767 | - | - | - | - | 6,767 | 10,108 |
| Depreciation and amortization | - | - | - | - | 232 | 232 | 1,110 |
| Total operating expenses | <u>1,203,027</u> | <u>479,536</u> | <u>1,425,992</u> | <u>364,113</u> | <u>644,408</u> | <u>4,117,076</u> | <u>4,355,870</u> |
| Excess (deficiency) of support and revenue over (under) costs and expenses | <u>\$ 1,501,390</u> | <u>\$ 1,189,924</u> | <u>\$ (715,604)</u> | <u>\$ (130,040)</u> | <u>\$ 46,950</u> | <u>\$ 1,892,620</u> | <u>\$ 1,175,466</u> |

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Assets, Liabilities and Equity - Housing Entities
December 31, 2021 with Comparative Totals for 2020

(5 pages)

| | 2021 | | | | | | | | | | |
|--|------------------------------|---------------------|---------------------------|----------------------|---------------------|---------------------------|---------------------------|----------------------------|-------------------------|----------------------------|---------------------|
| | Ashton Place Housing, LLC | Avonlea, LLC | Bay River Housing, LLC | Beacon Ridge, LLC | Beechridge, LLC | Booker Park North, LLC | Booker Park South, LLC | Braebourne Housing, LLC | Broadstone Walk, LLC | Brookridge Housing, LLC | Camden Glen, LLC |
| ASSETS | | | | | | | | | | | |
| Current assets: | | | | | | | | | | | |
| Cash, subsidiary operations | \$ - | \$ 209,586 | \$ 20,413 | \$ 827,633 | \$ 240,305 | \$ 170,302 | \$ - | \$ 188,533 | \$ - | \$ 43,916 | \$ 101,522 |
| Cash, subsidiary construction | 7,168 | - | - | - | - | - | 2,565 | - | 10,653 | - | - |
| Investments in debt and equity securities, current | - | - | - | 633,880 | - | - | - | - | - | - | - |
| Accounts receivable | - | 8,889 | 1,433 | 102,973 | 36,258 | 497 | - | 33,354 | - | 14,140 | 46,846 |
| Interest receivable | - | - | - | - | - | - | - | - | - | - | - |
| Due from affiliates, current portion | - | - | - | - | - | - | - | - | - | - | - |
| Notes receivable, affiliate | - | - | - | - | - | - | - | - | - | - | - |
| Prepaid expenses and deposits | - | 13,470 | 4,936 | - | 22,031 | 24,180 | - | 40,035 | - | 11,291 | 15,075 |
| Total current assets | <u>7,168</u> | <u>231,945</u> | <u>26,782</u> | <u>1,564,486</u> | <u>298,594</u> | <u>194,979</u> | <u>2,565</u> | <u>261,922</u> | <u>10,653</u> | <u>69,347</u> | <u>163,443</u> |
| Property and equipment, net of accumulated depreciation of \$78,286,085 in 2021 and \$69,170,934 in 2020 | <u>226,783</u> | <u>1,000,387</u> | <u>720,517</u> | <u>19,036,121</u> | <u>3,848,714</u> | <u>9,305,554</u> | <u>1,711,090</u> | <u>4,561,821</u> | <u>2,921,763</u> | <u>2,880,574</u> | <u>6,066,037</u> |
| Other assets: | | | | | | | | | | | |
| Designated cash - security deposits, reserves and escrows | - | 188,810 | 117,214 | 98,606 | 351,369 | 342,195 | - | 706,687 | - | 472,250 | 271,950 |
| Deposits | - | - | - | - | - | - | - | - | - | - | - |
| Deferred rent asset | - | - | - | 1,613,808 | - | - | - | - | - | - | - |
| Investments in limited liability companies | - | - | - | - | - | - | - | - | - | - | - |
| Notes receivable, affiliates | - | - | - | - | - | - | - | - | - | - | - |
| Investments in debt and equity securities, noncurrent | - | - | - | - | - | - | - | - | - | - | - |
| Deferred costs, net | - | - | - | 272,778 | - | 129,592 | - | - | - | 23,290 | 47,032 |
| | <u>-</u> | <u>188,810</u> | <u>117,214</u> | <u>1,985,192</u> | <u>351,369</u> | <u>471,787</u> | <u>-</u> | <u>706,687</u> | <u>-</u> | <u>495,540</u> | <u>318,982</u> |
| | <u>\$ 233,951</u> | <u>\$ 1,421,142</u> | <u>\$ 864,513</u> | <u>\$ 22,585,799</u> | <u>\$ 4,498,677</u> | <u>\$ 9,972,320</u> | <u>\$ 1,713,655</u> | <u>\$ 5,530,430</u> | <u>\$ 2,932,416</u> | <u>\$ 3,445,461</u> | <u>\$ 6,548,462</u> |
| LIABILITIES AND EQUITY (DEFICIT) | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | |
| Current portion of long-term debt | \$ - | \$ 18,910 | \$ 6,000 | \$ - | \$ 94,332 | \$ 67,255 | \$ - | \$ 188,319 | \$ - | \$ - | \$ 26,294 |
| Current portion of bonds payable | - | - | - | 80,000 | - | - | - | - | - | - | - |
| Accounts payable and accrued liabilities | 233,951 | 5,365 | 136,974 | 514,290 | 183,739 | 50,262 | 381,920 | 18,180 | 2,932,416 | 7,814 | 7,380 |
| Deferred revenue | - | 3,183 | 495 | 10,282 | 2,441 | 17,567 | - | 18,597 | - | 3,123 | 829 |
| Accrued interest payable | - | 3,956 | - | 104,348 | 11,863 | 9,187 | 8,210 | 60,279 | - | 492,946 | 6,075 |
| Total current liabilities | <u>233,951</u> | <u>31,414</u> | <u>143,469</u> | <u>708,920</u> | <u>292,375</u> | <u>144,271</u> | <u>390,130</u> | <u>285,375</u> | <u>2,932,416</u> | <u>503,883</u> | <u>40,578</u> |
| Restricted deposits: | | | | | | | | | | | |
| Tenants' security deposits | - | 27,248 | 8,172 | 98,606 | 24,766 | 42,784 | - | 58,900 | - | 17,097 | 30,750 |
| Long-term liabilities: | | | | | | | | | | | |
| Long-term debt, net of unamortized debt issuance costs, net of current portion | - | 1,510,118 | 710,411 | 7,050,734 | 3,493,448 | 5,427,399 | 969,840 | 5,231,778 | - | 2,157,971 | 3,417,831 |
| Construction loans payable | - | - | - | - | - | - | 208,628 | - | - | - | - |
| Bonds payable | - | - | - | 8,155,891 | - | - | - | - | - | - | - |
| Contract deposit liability | - | - | - | - | - | - | - | - | - | - | - |
| Accrued interest payable | - | - | 105,835 | - | - | 2,036 | - | 37,993 | - | - | - |
| Capital lease note payable | - | - | - | - | - | - | - | - | - | - | - |
| | <u>-</u> | <u>1,510,118</u> | <u>816,246</u> | <u>15,206,625</u> | <u>3,493,448</u> | <u>5,429,435</u> | <u>1,178,468</u> | <u>5,269,771</u> | <u>-</u> | <u>2,157,971</u> | <u>3,417,831</u> |
| Equity (deficit) | <u>-</u> | <u>(147,638)</u> | <u>(103,374)</u> | <u>6,571,648</u> | <u>688,088</u> | <u>4,355,830</u> | <u>145,057</u> | <u>(83,616)</u> | <u>-</u> | <u>766,510</u> | <u>3,059,303</u> |
| | <u>\$ 233,951</u> | <u>\$ 1,421,142</u> | <u>\$ 864,513</u> | <u>\$ 22,585,799</u> | <u>\$ 4,498,677</u> | <u>\$ 9,972,320</u> | <u>\$ 1,713,655</u> | <u>\$ 5,530,430</u> | <u>\$ 2,932,416</u> | <u>\$ 3,445,461</u> | <u>\$ 6,548,462</u> |

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Assets, Liabilities and Equity - Housing Entities
December 31, 2021 with Comparative Totals for 2020

(5 pages)

| | 2021 | | | | | | | | | | |
|--|----------------------------|---------------------------------------|--------------------------------------|---------------------------------------|-------------------------|-------------------------------|--------------------|--------------------------------------|---|-------------------------------|--------------------------|
| | Capital Towers III, LLC | Cardinal Chase Development, LLC | Carlton Place Development, LLC | College Park Collaborative, LLC | Creston Commons, LLC | Creston Commons II, LLC | Dacian Glen LLC | Greenfield Senior Housing, LLC | Greenfield Workforce Housing, LLC | Hardee Street Housing, LLC | Highland Terrace, LLC |
| ASSETS | | | | | | | | | | | |
| Current assets: | | | | | | | | | | | |
| Cash, subsidiary operations | \$ 815,900 | \$ 67,316 | \$ 132,531 | \$ 1,006 | \$ 199,004 | \$ 54,231 | \$ 41,347 | \$ 121,365 | \$ 157,335 | \$ - | \$ 121,156 |
| Cash, subsidiary construction | 915,659 | - | - | - | - | - | - | - | - | - | - |
| Investments in debt and equity securities, current | - | - | - | - | - | - | - | - | - | - | - |
| Accounts receivable | 14,505 | 3,604 | 16,345 | - | 63,843 | 5,286 | 24,843 | 2,296 | 18,312 | - | 3,791 |
| Interest receivable | - | - | - | 8,210 | - | - | - | - | - | - | - |
| Due from affiliates, current portion | - | - | 6,100 | - | - | - | - | - | - | - | - |
| Notes receivable, affiliate | - | - | - | - | - | - | - | - | - | - | - |
| Prepaid expenses and deposits | 56,432 | 14,687 | 31,828 | 1,413 | 15,060 | 10,050 | 17,700 | 21,105 | 24,670 | - | 29,070 |
| Total current assets | 1,802,496 | 85,607 | 186,804 | 10,629 | 277,907 | 69,567 | 83,890 | 144,766 | 200,317 | - | 154,017 |
| Property and equipment, net of accumulated depreciation of \$78,286,085 in 2021 and \$69,170,934 in 2020 | 39,896,570 | 2,686,333 | 6,192,924 | 2,013,883 | 2,051,327 | 1,994,772 | 4,192,728 | 9,285,527 | 10,532,500 | 97,723 | 5,684,637 |
| Other assets: | | | | | | | | | | | |
| Designated cash - security deposits, reserves and escrows | 15,836,164 | 180,173 | 464,383 | 3,733 | 322,224 | 187,457 | 501,708 | 302,084 | 413,192 | - | 524,878 |
| Deposits | 155,000 | - | - | - | - | - | - | - | 2,750 | - | - |
| Deferred rent asset | - | - | - | - | - | - | - | - | - | - | - |
| Investments in limited liability companies | - | - | - | - | - | - | - | - | - | - | - |
| Notes receivable, affiliates | - | - | - | 969,840 | - | - | - | - | - | - | - |
| Investments in debt and equity securities, noncurrent | - | - | - | - | - | - | - | - | - | - | - |
| Deferred costs, net | 247,347 | - | - | - | - | - | 12,114 | 105,282 | 113,783 | - | 32,459 |
| | 16,238,511 | 180,173 | 464,383 | 973,573 | 322,224 | 187,457 | 513,822 | 407,366 | 529,725 | - | 557,337 |
| | \$ 57,937,577 | \$ 2,952,113 | \$ 6,844,111 | \$ 2,998,085 | \$ 2,651,458 | \$ 2,251,796 | \$ 4,790,440 | \$ 9,837,659 | \$ 11,262,542 | \$ 97,723 | \$ 6,395,991 |
| LIABILITIES AND EQUITY (DEFICIT) | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | |
| Current portion of long-term debt | \$ - | \$ 29,867 | \$ 66,028 | \$ 838,574 | \$ 1,276,918 | \$ 23,134 | \$ 18,787 | \$ 31,168 | \$ 98,574 | \$ - | \$ 86,531 |
| Current portion of bonds payable | - | - | - | - | - | - | - | - | - | - | - |
| Accounts payable and accrued liabilities | 1,998,076 | 55,622 | 18,158 | 1,545,377 | 67,394 | 5,253 | 13,117 | 433,514 | 324,679 | 97,723 | 7,969 |
| Deferred revenue | 35,419 | 5,264 | 8,157 | - | 7,841 | 2,243 | 362 | 13,169 | 13,457 | - | 1,087 |
| Accrued interest payable | 112,858 | 3,560 | 11,711 | 7,087 | 2,018 | 496 | 3,944 | 18,407 | 10,495 | - | 17,278 |
| Total current liabilities | 2,146,353 | 94,313 | 104,054 | 2,391,038 | 1,354,171 | 31,126 | 36,210 | 496,258 | 447,205 | 97,723 | 112,865 |
| Restricted deposits: | | | | | | | | | | | |
| Tenants' security deposits | 209,976 | 23,475 | 31,306 | 20 | 25,342 | 16,402 | 34,652 | 21,415 | 35,479 | - | 53,293 |
| Long-term liabilities: | | | | | | | | | | | |
| Long-term debt, net of unamortized debt issuance costs, net of current portion | 14,153,923 | 1,948,263 | 3,738,199 | 1,914,699 | 410,000 | 1,317,836 | 3,340,422 | 4,460,077 | 3,920,009 | - | 8,267,919 |
| Construction loans payable | 17,961,815 | - | - | - | - | - | - | - | - | - | - |
| Bonds payable | 14,875,353 | - | - | - | - | - | - | - | - | - | - |
| Contract deposit liability | - | - | - | - | - | - | - | - | - | - | - |
| Accrued interest payable | 242,820 | 300,729 | 474,867 | - | 245,925 | 336,493 | 590,531 | 29,302 | 15,674 | - | 145,162 |
| Capital lease note payable | 4,271,601 | - | - | - | - | - | - | - | - | - | - |
| | 51,505,512 | 2,248,992 | 4,213,066 | 1,914,699 | 655,925 | 1,654,329 | 3,930,953 | 4,489,379 | 3,935,683 | - | 8,413,081 |
| Equity (deficit) | 4,075,736 | 585,333 | 2,495,685 | (1,307,672) | 616,020 | 549,939 | 788,625 | 4,830,607 | 6,844,175 | - | (2,183,248) |
| | \$ 57,937,577 | \$ 2,952,113 | \$ 6,844,111 | \$ 2,998,085 | \$ 2,651,458 | \$ 2,251,796 | \$ 4,790,440 | \$ 9,837,659 | \$ 11,262,542 | \$ 97,723 | \$ 6,395,991 |

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Assets, Liabilities and Equity - Housing Entities
December 31, 2021 with Comparative Totals for 2020

(5 pages)

| | 2021 | | | | | | | | | | |
|--|--------------------------------------|---------------------|-------------------------------|--------------------------|---|-------------------------|--------------------------|--------------------|---------------------|-----------------------|--------------------------|
| | Highland Village Limited Partnership | Jeffries Ridge, LLC | Lennox Chase Development, LLC | MacGregor Housing I, LLC | MacGregor Housing Development Corporation | Maplewood Partners, LLC | Meadowcreek Commons, LLC | Milner Senior, LLC | Murphey School, LLC | Pennington Grove, LLC | Pennington Grove II, LLC |
| ASSETS | | | | | | | | | | | |
| Current assets: | | | | | | | | | | | |
| Cash, subsidiary operations | \$ 147,225 | \$ 20,878 | \$ 50,823 | \$ 93,380 | \$ 62,672 | \$ 50,157 | \$ 23,816 | \$ - | \$ 96,277 | \$ 353,064 | \$ 37,666 |
| Cash, subsidiary construction | - | - | - | - | - | - | - | 305 | - | - | 15,754 |
| Investments in debt and equity securities, current | - | - | - | - | - | - | - | - | - | - | - |
| Accounts receivable | 1,461 | 21,576 | 16,733 | 3,640 | 476 | - | 5,181 | - | 6,202 | 6,943 | 264 |
| Interest receivable | - | - | - | - | - | - | - | - | - | - | - |
| Due from affiliates, current portion | - | - | - | - | - | - | - | - | - | - | - |
| Notes receivable, affiliate | - | - | - | - | - | - | - | - | - | - | - |
| Prepaid expenses and deposits | 15,694 | 8,207 | 8,850 | 14,688 | 9,792 | 10,045 | 15,060 | - | 15,060 | 28,425 | - |
| Total current assets | 164,380 | 50,661 | 76,406 | 111,708 | 72,940 | 60,202 | 44,057 | 305 | 117,539 | 388,432 | 53,684 |
| Property and equipment, net of accumulated depreciation of \$78,286,085 in 2021 and \$69,170,934 in 2020 | 3,428,913 | 240,930 | 1,672,171 | 1,999,345 | 1,085,462 | 2,869,260 | 4,260,923 | 926,014 | 883,512 | 9,991,868 | 10,622,295 |
| Other assets: | | | | | | | | | | | |
| Designated cash - security deposits, reserves and escrows | 351,669 | 238,224 | 335,931 | 342,027 | 214,501 | 183,424 | 346,131 | - | 372,240 | 426,118 | 26,909 |
| Deposits | - | - | - | - | - | - | - | - | - | - | - |
| Deferred rent asset | - | - | - | - | - | - | - | - | - | - | - |
| Investments in limited liability companies | - | - | - | - | - | - | - | - | - | - | - |
| Notes receivable, affiliates | - | - | - | - | - | - | - | - | - | - | - |
| Investments in debt and equity securities, noncurrent | - | - | - | - | - | - | - | - | - | - | - |
| Deferred costs, net | - | - | - | - | - | 9,606 | 22,940 | - | - | 114,471 | 80,122 |
| | 351,669 | 238,224 | 335,931 | 342,027 | 214,501 | 193,030 | 369,071 | - | 372,240 | 540,589 | 107,031 |
| | \$ 3,944,962 | \$ 529,815 | \$ 2,084,508 | \$ 2,453,080 | \$ 1,372,903 | \$ 3,122,492 | \$ 4,674,051 | \$ 926,319 | \$ 1,373,291 | \$ 10,920,889 | \$ 10,783,010 |
| LIABILITIES AND EQUITY (DEFICIT) | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | |
| Current portion of long-term debt | \$ 50,536 | \$ 17,419 | \$ 96,747 | \$ 1,677,285 | \$ 153,706 | \$ 133 | \$ 6,203 | \$ - | \$ 26,898 | \$ 56,008 | \$ 11,003 |
| Current portion of bonds payable | - | - | - | - | - | - | - | - | - | - | - |
| Accounts payable and accrued liabilities | 5,237 | 2,930 | 5,288 | 9,446 | 7,294 | 25,559 | 3,084 | 926,319 | 3,988 | 12,691 | 749,323 |
| Deferred revenue | 82 | 72 | 3,756 | 5,855 | 6,499 | 19 | 1,163 | - | 1,630 | 11,512 | 653 |
| Accrued interest payable | 4,647 | 3,473 | 522,887 | - | - | - | 3,124 | - | 39,333 | 12,529 | 17,486 |
| Total current liabilities | 60,502 | 23,894 | 628,678 | 1,692,586 | 167,499 | 25,711 | 13,574 | 926,319 | 71,849 | 92,740 | 778,465 |
| Restricted deposits: | | | | | | | | | | | |
| Tenants' security deposits | 28,882 | 18,151 | 14,568 | 21,420 | 14,521 | 16,020 | 23,086 | - | 22,962 | 53,415 | 26,909 |
| Long-term liabilities: | | | | | | | | | | | |
| Long-term debt, net of unamortized debt issuance costs, net of current portion | 2,162,196 | 1,400,434 | 1,501,315 | - | 1,930,607 | 1,450,027 | 2,060,557 | - | 2,333,379 | 3,288,652 | 1,620,757 |
| Construction loans payable | - | - | - | - | - | - | - | - | - | - | 5,603,508 |
| Bonds payable | - | - | - | - | - | - | - | - | - | - | - |
| Contract deposit liability | - | - | - | - | - | - | - | - | - | - | - |
| Accrued interest payable | 248,414 | 87,415 | - | 80,318 | 28,740 | 324,856 | - | - | 422,952 | - | - |
| Capital lease note payable | - | - | - | - | - | - | - | - | - | - | - |
| | 2,410,610 | 1,487,849 | 1,501,315 | 80,318 | 1,959,347 | 1,774,883 | 2,060,557 | - | 2,756,331 | 3,288,652 | 7,224,265 |
| Equity (deficit) | 1,444,968 | (1,000,079) | (60,053) | 658,756 | (768,464) | 1,305,878 | 2,576,834 | - | (1,477,851) | 7,486,082 | 2,753,371 |
| | \$ 3,944,962 | \$ 529,815 | \$ 2,084,508 | \$ 2,453,080 | \$ 1,372,903 | \$ 3,122,492 | \$ 4,674,051 | \$ 926,319 | \$ 1,373,291 | \$ 10,920,889 | \$ 10,783,010 |

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Assets, Liabilities and Equity - Housing Entities
December 31, 2021 with Comparative Totals for 2020

(5 pages)

| | 2021 | | | | | | | | | | |
|--|---------------------|------------------------|-----------------------------|-----------------------|------------------------------|-------------------|--------------------------------------|---------------------|-----------------------------------|----------------------|--|
| | Prairie, LLC | Primavera Seniors, LLC | Ripley Station Housing, LLC | ROG Preservation, LLC | Santree Commons Housing, LLC | Sedgebrook, LLC | The Commons at Highland Village, LLC | Tryon Grove, LLC | Wakefield Affordable Housing, LLC | Wakefield Manor, LLC | Washington Terrace Affordable Housing, LLC |
| ASSETS | | | | | | | | | | | |
| Current assets: | | | | | | | | | | | |
| Cash, subsidiary operations | \$ 31,096 | \$ - | \$ 55,778 | \$ 372,228 | \$ 26,058 | \$ 10,199 | \$ 43,716 | \$ 113,342 | \$ 172,962 | \$ 194,525 | \$ 631,821 |
| Cash, subsidiary construction | - | 330,427 | - | - | - | - | - | - | - | - | - |
| Investments in debt and equity securities, current | - | - | - | - | - | - | - | - | - | - | - |
| Accounts receivable | 11,155 | - | 14,627 | 22,987 | 2,534 | 25,270 | 130 | 5,624 | 12,220 | 454 | 179,349 |
| Interest receivable | - | - | - | - | - | - | - | - | - | - | - |
| Due from affiliates, current portion | - | - | - | - | - | - | - | - | - | - | - |
| Notes receivable, affiliate | - | - | - | - | - | - | - | - | - | - | - |
| Prepaid expenses and deposits | 3,452 | - | 14,685 | 40,892 | 7,345 | 8,205 | 21,344 | 14,685 | 27,480 | 27,765 | 50,276 |
| Total current assets | <u>45,703</u> | <u>330,427</u> | <u>85,090</u> | <u>436,107</u> | <u>35,937</u> | <u>43,674</u> | <u>65,190</u> | <u>133,651</u> | <u>212,662</u> | <u>222,744</u> | <u>861,446</u> |
| Property and equipment, net of accumulated depreciation of \$78,286,085 in 2021 and \$69,170,934 in 2020 | <u>891,838</u> | <u>9,328,962</u> | <u>1,338,859</u> | <u>8,811,566</u> | <u>537,083</u> | <u>641,402</u> | <u>3,582,859</u> | <u>1,113,945</u> | <u>5,904,026</u> | <u>6,870,006</u> | <u>24,179,856</u> |
| Other assets: | | | | | | | | | | | |
| Designated cash - security deposits, reserves and escrows | 79,986 | - | 289,249 | 1,053,243 | 148,700 | 226,640 | 569,372 | 448,967 | 562,475 | 635,394 | 1,074,548 |
| Deposits | - | 295,140 | - | - | - | - | - | - | - | - | - |
| Deferred rent asset | - | - | - | - | - | - | - | - | - | - | - |
| Investments in limited liability companies | - | - | - | - | - | - | - | - | - | - | - |
| Notes receivable, affiliates | - | - | - | - | - | - | - | - | - | - | - |
| Investments in debt and equity securities, noncurrent | - | - | - | - | - | - | - | - | - | - | - |
| Deferred costs, net | - | - | - | 101,317 | - | 4,272 | - | - | 8,050 | 13,284 | 294,356 |
| | <u>79,986</u> | <u>295,140</u> | <u>289,249</u> | <u>1,154,560</u> | <u>148,700</u> | <u>230,912</u> | <u>569,372</u> | <u>448,967</u> | <u>570,525</u> | <u>648,678</u> | <u>1,368,904</u> |
| | <u>\$ 1,017,527</u> | <u>\$ 9,954,529</u> | <u>\$ 1,713,198</u> | <u>\$ 10,402,233</u> | <u>\$ 721,720</u> | <u>\$ 915,988</u> | <u>\$ 4,217,421</u> | <u>\$ 1,696,563</u> | <u>\$ 6,687,213</u> | <u>\$ 7,741,428</u> | <u>\$ 26,410,206</u> |
| LIABILITIES AND EQUITY (DEFICIT) | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | |
| Current portion of long-term debt | \$ 14,350 | \$ - | \$ 17,592 | \$ 55,609 | \$ 20,156 | \$ 39,474 | \$ 58,063 | \$ 30,267 | \$ 64,696 | \$ 36,783 | \$ 123,188 |
| Current portion of bonds payable | - | - | - | - | - | - | - | - | - | - | - |
| Accounts payable and accrued liabilities | 8,885 | 874,070 | 4,413 | 44,238 | 144,644 | 121,327 | 5,112 | 8,799 | 21,194 | 17,621 | 232,920 |
| Deferred revenue | - | - | 465 | 24,323 | 79 | 4,324 | 165 | 985 | 7,424 | 5,096 | 13,078 |
| Accrued interest payable | - | - | 3,168 | - | - | 2,331 | 5,716 | 2,696 | - | - | 89,297 |
| Total current liabilities | <u>23,235</u> | <u>874,070</u> | <u>25,638</u> | <u>124,170</u> | <u>164,879</u> | <u>167,456</u> | <u>69,056</u> | <u>42,747</u> | <u>93,314</u> | <u>59,500</u> | <u>458,483</u> |
| Restricted deposits: | | | | | | | | | | | |
| Tenants' security deposits | <u>6,945</u> | <u>-</u> | <u>25,446</u> | <u>22,763</u> | <u>14,380</u> | <u>9,102</u> | <u>39,407</u> | <u>22,922</u> | <u>55,328</u> | <u>30,087</u> | <u>100,128</u> |
| Long-term liabilities: | | | | | | | | | | | |
| Long-term debt, net of unamortized debt issuance costs, net of current portion | 629,595 | 2,614,057 | 1,411,716 | 4,891,974 | 1,053,083 | 1,449,173 | 1,850,814 | 945,832 | 3,961,246 | 4,003,870 | 20,087,357 |
| Construction loans payable | - | 4,991,220 | - | - | - | - | - | - | - | - | - |
| Bonds payable | - | - | - | - | - | - | - | - | - | - | - |
| Contract deposit liability | - | - | - | - | - | - | - | - | - | - | - |
| Accrued interest payable | - | - | 484,055 | - | 80,284 | - | 525,064 | 82,253 | 283,329 | 81,820 | 88,512 |
| Capital lease note payable | - | - | - | - | - | - | - | - | - | - | - |
| | <u>629,595</u> | <u>7,605,277</u> | <u>1,895,771</u> | <u>4,891,974</u> | <u>1,133,367</u> | <u>1,449,173</u> | <u>2,375,878</u> | <u>1,028,085</u> | <u>4,244,575</u> | <u>4,085,690</u> | <u>20,175,869</u> |
| Equity (deficit) | <u>357,752</u> | <u>1,475,182</u> | <u>(233,657)</u> | <u>5,363,326</u> | <u>(590,906)</u> | <u>(709,743)</u> | <u>1,733,080</u> | <u>602,809</u> | <u>2,293,996</u> | <u>3,566,151</u> | <u>5,675,726</u> |
| | <u>\$ 1,017,527</u> | <u>\$ 9,954,529</u> | <u>\$ 1,713,198</u> | <u>\$ 10,402,233</u> | <u>\$ 721,720</u> | <u>\$ 915,988</u> | <u>\$ 4,217,421</u> | <u>\$ 1,696,563</u> | <u>\$ 6,687,213</u> | <u>\$ 7,741,428</u> | <u>\$ 26,410,206</u> |

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Assets, Liabilities and Equity - Housing Entities
December 31, 2021 with Comparative Totals for 2020

(5 pages)

| | 2021 | | | | | | | | 2020 | |
|--|------------------------|---------------------------|----------------------------|---------------------|---------------------------|---|--------------|----------------|----------------|----------------|
| | Water Garden Park, LLC | Water Garden Village, LLC | Weston Trace Partners, LLC | Willard Street, LLC | Willow Creek Seniors, LLC | Community Revitalization and Preservation Corporation | BFAH | Eliminations | Total | 2020 |
| ASSETS | | | | | | | | | | |
| Current assets: | | | | | | | | | | |
| Cash, subsidiary operations | \$ 171,828 | \$ 343,861 | \$ 41,930 | \$ 232,409 | \$ 122,818 | \$ - | \$ - | \$ - | \$ 7,013,930 | \$ 5,025,619 |
| Cash, subsidiary construction | - | - | - | - | - | - | - | - | 1,282,531 | 1,063,206 |
| Investments in debt and equity securities, current | - | - | - | - | - | - | - | - | 633,880 | 16,061,220 |
| Accounts receivable | 535 | 5,298 | 16,111 | 61,292 | 1,138 | - | - | - | 818,415 | 487,394 |
| Interest receivable | - | - | - | - | - | - | - | (8,210) | - | - |
| Due from affiliates, current portion | 44,103 | - | - | - | - | - | - | (44,103) | 6,100 | - |
| Notes receivable, affiliate | - | - | - | - | - | - | 1,700,000 | (1,700,000) | - | - |
| Prepaid expenses and deposits | 32,358 | 25,149 | 14,685 | - | 21,111 | - | - | - | 788,286 | 420,163 |
| Total current assets | 248,824 | 374,308 | 72,726 | 293,701 | 145,067 | - | 1,700,000 | (1,752,313) | 10,543,142 | 23,057,602 |
| Property and equipment, net of accumulated depreciation of \$78,286,085 in 2021 and \$69,170,934 in 2020 | 9,472,487 | 7,058,928 | 4,513,479 | 15,999,985 | 6,137,895 | - | - | (13,220) | 281,258,934 | 266,626,016 |
| Other assets: | | | | | | | | | | |
| Designated cash - security deposits, reserves and escrows | 417,225 | 342,640 | 351,546 | 472,761 | 307,553 | - | - | - | 31,102,550 | 15,542,142 |
| Deposits | - | - | - | - | - | - | - | - | 452,890 | 155,000 |
| Deferred rent asset | - | - | - | - | - | - | - | - | 1,613,808 | 1,639,024 |
| Investments in limited liability companies | - | - | - | - | - | 535,409 | - | (535,409) | - | - |
| Notes receivable, affiliates | - | - | - | - | - | - | - | (969,840) | - | - |
| Investments in debt and equity securities, noncurrent | - | - | - | - | - | - | - | - | - | - |
| Deferred costs, net | 70,231 | 42,990 | 65,828 | 167,258 | 51,212 | - | - | - | 2,029,614 | 1,715,862 |
| | 487,456 | 385,630 | 417,374 | 640,019 | 358,765 | 535,409 | - | (1,505,249) | 35,198,862 | 19,052,028 |
| | \$ 10,208,767 | \$ 7,818,866 | \$ 5,003,579 | \$ 16,933,705 | \$ 6,641,727 | \$ 535,409 | \$ 1,700,000 | \$ (3,270,782) | \$ 327,000,938 | \$ 308,735,646 |
| LIABILITIES AND EQUITY (DEFICIT) | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Current portion of long-term debt | \$ 75,099 | \$ 9,446 | \$ 41,951 | \$ 39,230 | \$ 33,017 | \$ - | \$ - | \$ - | \$ 5,625,550 | \$ 3,518,891 |
| Current portion of bonds payable | - | - | - | - | - | - | - | - | 80,000 | 11,699,498 |
| Accounts payable and accrued liabilities | 77,036 | 48,268 | 130,537 | 717,142 | 5,565 | - | - | (1,744,103) | 11,508,000 | 14,444,427 |
| Deferred revenue | 5,574 | 4,870 | 816 | 16,084 | 56 | - | - | - | 258,096 | 212,226 |
| Accrued interest payable | 10,028 | 11,564 | 5,919 | 132,500 | 9,049 | - | - | (8,210) | 1,752,255 | 2,334,345 |
| Total current liabilities | 167,737 | 74,148 | 179,223 | 904,956 | 47,687 | - | - | (1,752,313) | 19,223,901 | 32,209,387 |
| Restricted deposits: | | | | | | | | | | |
| Tenants' security deposits | 27,205 | 19,988 | 18,837 | 56,659 | 36,235 | - | - | - | 1,485,049 | 1,243,982 |
| Long-term liabilities: | | | | | | | | | | |
| Long-term debt, net of unamortized debt issuance costs, net of current portion | 1,504,500 | 2,491,288 | 2,145,309 | 7,644,399 | 3,318,261 | - | 1,700,000 | (969,840) | 151,921,435 | 132,646,449 |
| Construction loans payable | - | - | - | - | - | - | - | - | 28,765,171 | 24,223,888 |
| Bonds payable | - | - | - | - | - | - | - | - | 23,031,244 | 23,032,054 |
| Contract deposit liability | - | - | - | - | - | - | - | - | - | 3,250,000 |
| Accrued interest payable | - | - | 146,552 | - | 968 | - | - | - | 5,492,899 | 5,005,518 |
| Capital lease note payable | - | - | - | - | - | - | - | - | 4,271,601 | 4,039,339 |
| | 1,504,500 | 2,491,288 | 2,291,861 | 7,644,399 | 3,319,229 | - | 1,700,000 | (969,840) | 213,482,350 | 192,197,248 |
| Equity (deficit) | 8,509,325 | 5,233,442 | 2,513,658 | 8,327,691 | 3,238,576 | 535,409 | - | (548,629) | 92,809,638 | 83,085,029 |
| | \$ 10,208,767 | \$ 7,818,866 | \$ 5,003,579 | \$ 16,933,705 | \$ 6,641,727 | \$ 535,409 | \$ 1,700,000 | \$ (3,270,782) | \$ 327,000,938 | \$ 308,735,646 |

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Revenue, Support, and Expenses - Housing Entities
Years Ended December 31, 2021 and 2020

(7 pages)

| | 2021 | | | | | | | |
|--|------------------------------|--------------|---------------------------|----------------------|--------------------|---------------------------|---------------------------|----------------------------|
| | Ashton Place Housing, LLC | Avonlea, LLC | Bay River Housing, LLC | Beacon Ridge, LLC | Beechridge, LLC | Booker Park North, LLC | Booker Park South, LLC | Braebourne Housing, LLC |
| Support and revenue: | | | | | | | | |
| Support: | | | | | | | | |
| PPP-related forgiveness | \$ - | \$ 10,275 | \$ 5,780 | \$ - | \$ 9,215 | \$ - | \$ - | \$ 25,978 |
| Revenue: | | | | | | | | |
| Net rental income - apartments | - | 386,723 | 113,630 | 1,243,509 | 587,109 | 549,546 | - | 1,261,964 |
| Other income | - | 9,143 | 3,119 | 104,130 | 8,811 | 7,504 | - | 18,609 |
| Unrealized gain on investments | - | - | - | - | - | - | - | - |
| Interest income | - | 147 | 23 | 96 | 193 | 133 | - | 326 |
| Total revenue | - | 396,013 | 116,772 | 1,347,735 | 596,113 | 557,183 | - | 1,280,899 |
| Total support and revenue | - | 406,288 | 122,552 | 1,347,735 | 605,328 | 557,183 | - | 1,306,877 |
| Costs and expenses: | | | | | | | | |
| Salaries and related expenses | - | 74,969 | 41,676 | 112,914 | 155,434 | 90,103 | - | 155,767 |
| Office supplies and expense | - | 18,735 | 6,805 | 21,829 | 20,279 | 40,480 | - | 22,443 |
| Rent, utilities and maintenance | - | 76,365 | 46,671 | 210,288 | 162,850 | 99,595 | - | 401,968 |
| Professional fees | - | - | 126 | 2,728 | 3,332 | 1,969 | - | - |
| Audit and accounting fees | - | 5,145 | 5,145 | 12,500 | 8,000 | 7,910 | - | 5,660 |
| Marketing and advertising | - | - | 140 | 80 | - | 133 | - | 179 |
| Corporate tax, insurance and license fees | - | 11,352 | 4,410 | 23,980 | 25,778 | 27,171 | - | 34,601 |
| Depreciation and amortization | - | 65,621 | 34,634 | 666,033 | 95,240 | 449,419 | - | 170,620 |
| Miscellaneous and bank fees | - | - | - | - | - | - | 48 | - |
| Partnership management fees | - | 106,718 | 13,745 | 103,121 | 32,692 | 67,408 | - | 207,182 |
| Bad debt expense (recoveries) | - | - | 158 | 10,465 | (495) | 1,751 | - | 2,849 |
| Realized loss on sale of investments | - | - | - | - | - | - | - | - |
| (Gain) loss on disposal of assets | - | 1,849 | - | - | 404,878 | - | - | - |
| Other nonoperating expense | - | - | - | - | - | - | - | - |
| Interest expense | - | 52,056 | 4,861 | 577,106 | 92,107 | 107,376 | - | 267,157 |
| Total costs and expenses | - | 412,810 | 158,371 | 1,741,044 | 1,000,095 | 893,315 | 48 | 1,268,426 |
| Excess (deficiency) of support and revenue over costs and expenses | \$ - | \$ (6,522) | \$ (35,819) | \$ (393,309) | \$ (394,767) | \$ (336,132) | \$ (48) | \$ 38,451 |

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Revenue, Support, and Expenses - Housing Entities
Years Ended December 31, 2021 and 2020

(7 pages)

| | 2021 | | | | | | | |
|--|-------------------------|----------------------------|---------------------|----------------------------|---------------------------------------|--------------------------------------|---------------------------------------|-------------------------|
| | Broadstone Walk, LLC | Brookridge Housing, LLC | Camden Glen, LLC | Capital Towers III, LLC | Cardinal Chase Development, LLC | Carlton Place Development, LLC | College Park Collaborative, LLC | Creston Commons, LLC |
| Support and revenue: | | | | | | | | |
| Support: | | | | | | | | |
| PPP-related forgiveness | \$ - | \$ 8,855 | \$ 5,452 | \$ - | \$ - | \$ 13,368 | \$ 2,977 | \$ 8,514 |
| Revenue: | | | | | | | | |
| Net rental income - apartments | - | 223,397 | 376,947 | 1,972,985 | 363,957 | 722,813 | 6,648 | 367,216 |
| Other income | - | 10,697 | 8,245 | 275,732 | 3,619 | 17,095 | 669 | 9,832 |
| Unrealized gain on investments | - | - | - | - | - | - | - | - |
| Interest income | - | 739 | 135 | 162,845 | 239 | 267 | 8,210 | 786 |
| Total revenue | - | 234,833 | 385,327 | 2,411,562 | 367,815 | 740,175 | 15,527 | 377,834 |
| Total support and revenue | - | 243,688 | 390,779 | 2,411,562 | 367,815 | 753,543 | 18,504 | 386,348 |
| Costs and expenses: | | | | | | | | |
| Salaries and related expenses | - | 57,426 | 74,959 | - | 52,604 | 143,784 | 1,448 | 58,011 |
| Office supplies and expense | - | 12,576 | 13,483 | 432,945 | 15,765 | 22,304 | 6,801 | 10,511 |
| Rent, utilities and maintenance | - | 110,950 | 75,553 | 910,605 | 186,694 | 187,044 | 9,053 | 102,395 |
| Professional fees | - | - | 126 | 47,110 | 433 | - | 3,210 | - |
| Audit and accounting fees | - | 6,720 | 8,410 | - | 6,070 | 7,690 | 3,210 | 5,145 |
| Marketing and advertising | - | 810 | 81 | - | 294 | 200 | - | 155 |
| Corporate tax, insurance and license fees | - | 9,399 | 14,712 | 53,313 | 18,026 | 45,096 | 1,003 | 10,927 |
| Depreciation and amortization | - | 162,686 | 193,249 | 950,070 | 113,174 | 253,105 | - | 82,461 |
| Miscellaneous and bank fees | - | - | - | - | - | - | - | - |
| Partnership management fees | - | 19,196 | 23,222 | 322,436 | 26,688 | 55,858 | 2,400 | 83,637 |
| Bad debt expense (recoveries) | - | 307 | 815 | - | 2,281 | 8,677 | 2,681 | 84 |
| Realized loss on sale of investments | - | - | - | 16,541 | - | - | - | - |
| (Gain) loss on disposal of assets | - | 3,881 | - | - | 3,791 | - | - | 7,116 |
| Other nonoperating expense | - | - | - | 136,271 | - | - | - | - |
| Interest expense | - | 44,761 | 78,804 | 1,613,508 | 59,343 | 136,596 | 67,042 | 37,622 |
| Total costs and expenses | - | 428,712 | 483,414 | 4,482,799 | 485,163 | 860,354 | 96,848 | 398,064 |
| Excess (deficiency) of support and revenue over costs and expenses | \$ - | \$ (185,024) | \$ (92,635) | \$ (2,071,237) | \$ (117,348) | \$ (106,811) | \$ (78,344) | \$ (11,716) |

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Revenue, Support, and Expenses - Housing Entities
Years Ended December 31, 2021 and 2020

(7 pages)

| | 2021 | | | | | | | |
|--|-------------------------------|--------------------|--------------------------------------|---|-------------------------------|--------------------------|---|------------------------|
| | Creston Commons II, LLC | Dacian Glen LLC | Greenfield Senior Housing, LLC | Greenfield Workforce Housing, LLC | Hardee Street Housing, LLC | Highland Terrace, LLC | Highland Village Limited Partnership | Jeffries Ridge, LLC |
| Support and revenue: | | | | | | | | |
| Support: | | | | | | | | |
| PPP-related forgiveness | \$ 5,674 | \$ - | \$ - | \$ - | \$ - | \$ 9,675 | \$ 11,612 | \$ 4,690 |
| Revenue: | | | | | | | | |
| Net rental income - apartments | 230,341 | 458,891 | 486,023 | 645,073 | - | 590,341 | 394,764 | 260,912 |
| Other income | 6,613 | 12,112 | 19,336 | 20,069 | - | 24,075 | (7,833) | 3,697 |
| Unrealized gain on investments | - | - | - | - | - | - | - | - |
| Interest income | 220 | 199 | 170 | 216 | - | 602 | 37 | 101 |
| Total revenue | 237,174 | 471,202 | 505,529 | 665,358 | - | 615,018 | 386,968 | 264,710 |
| Total support and revenue | 242,848 | 471,202 | 505,529 | 665,358 | - | 624,693 | 398,580 | 269,400 |
| Costs and expenses: | | | | | | | | |
| Salaries and related expenses | 37,269 | 125,518 | 108,267 | 78,752 | - | 92,635 | 52,805 | 27,959 |
| Office supplies and expense | 10,039 | 12,204 | 15,686 | 26,458 | - | 58,437 | 33,692 | 12,129 |
| Rent, utilities and maintenance | 67,985 | 132,007 | 94,393 | 86,783 | - | 152,510 | 121,081 | 118,143 |
| Professional fees | - | 1,394 | 1,382 | - | - | 7,474 | - | 3,744 |
| Audit and accounting fees | 6,695 | 10,040 | 9,860 | 7,410 | - | - | 9,080 | 5,610 |
| Marketing and advertising | 127 | 585 | 69 | - | - | 2,018 | 976 | - |
| Corporate tax, insurance and license fees | 9,005 | 12,242 | 27,962 | 64,391 | - | 24,033 | 12,732 | 6,429 |
| Depreciation and amortization | 85,263 | 303,571 | 341,771 | 446,339 | - | 238,568 | 123,406 | 22,874 |
| Miscellaneous and bank fees | - | - | - | - | - | - | - | - |
| Partnership management fees | 19,028 | 39,403 | 76,395 | 79,812 | - | 163,759 | 65,541 | 17,864 |
| Bad debt expense (recoveries) | - | 3,619 | - | 5,691 | - | 3,289 | - | 942 |
| Realized loss on sale of investments | - | - | - | - | - | - | - | - |
| (Gain) loss on disposal of assets | 2,825 | 3,644 | - | 15,516 | - | - | 2,137 | - |
| Other nonoperating expense | 20,000 | - | - | - | - | - | - | - |
| Interest expense | 26,256 | 124,650 | 157,847 | 103,061 | - | 93,994 | 57,786 | 48,391 |
| Total costs and expenses | 284,492 | 768,877 | 833,632 | 914,213 | - | 836,717 | 479,236 | 264,085 |
| Excess (deficiency) of support and revenue over costs and expenses | \$ (41,644) | \$ (297,675) | \$ (328,103) | \$ (248,855) | \$ - | \$ (212,024) | \$ (80,656) | \$ 625 |

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Revenue, Support, and Expenses - Housing Entities
Years Ended December 31, 2021 and 2020

(7 pages)

| | 2021 | | | | | | | |
|--|-------------------------------------|-----------------------------|--|----------------------------|--------------------------------|-----------------------|------------------------|--------------------------|
| | Lennox Chase Development, LLC | MacGregor Housing I, LLC | MacGregor Housing Development Corporation | Maplewood Partners, LLC | Meadowcreek Commons, LLC | Milner Senior, LLC | Murphey School, LLC | Pennington Grove, LLC |
| Support and revenue: | | | | | | | | |
| Support: | | | | | | | | |
| PPP-related forgiveness | \$ 8,271 | \$ 10,408 | \$ 7,980 | \$ 7,469 | \$ 9,233 | \$ - | \$ 7,848 | \$ 14,392 |
| Revenue: | | | | | | | | |
| Net rental income - apartments | 198,115 | 291,618 | 191,621 | 207,836 | 306,953 | - | 502,278 | 621,580 |
| Other income | 8,714 | 3,665 | 30,736 | 1,860 | 4,131 | - | 1,301 | 5,008 |
| Unrealized gain on investments | - | - | - | - | - | - | - | - |
| Interest income | 156 | 108 | 313 | 45 | 22 | - | 25 | 225 |
| Total revenue | <u>206,985</u> | <u>295,391</u> | <u>222,670</u> | <u>209,741</u> | <u>311,106</u> | <u>-</u> | <u>503,604</u> | <u>626,813</u> |
| Total support and revenue | <u>215,256</u> | <u>305,799</u> | <u>230,650</u> | <u>217,210</u> | <u>320,339</u> | <u>-</u> | <u>511,452</u> | <u>641,205</u> |
| Costs and expenses: | | | | | | | | |
| Salaries and related expenses | 42,485 | 81,997 | 67,197 | 51,275 | 50,227 | - | 30,804 | 103,997 |
| Office supplies and expense | 27,968 | 10,627 | 7,045 | 15,382 | 26,102 | - | 57,656 | 38,609 |
| Rent, utilities and maintenance | 89,862 | 87,922 | 63,790 | 65,511 | 91,690 | - | 141,122 | 126,422 |
| Professional fees | - | 161 | 298 | - | - | - | 161 | - |
| Audit and accounting fees | 5,145 | 4,790 | 4,910 | 7,640 | 6,830 | - | 5,990 | 7,910 |
| Marketing and advertising | 447 | 1,296 | 10 | 69 | - | - | - | (36) |
| Corporate tax, insurance and license fees | 15,406 | 12,342 | 9,246 | 9,317 | 14,935 | - | 14,811 | 25,984 |
| Depreciation and amortization | 57,169 | 88,540 | 54,606 | 106,377 | 153,790 | - | 63,493 | 317,574 |
| Miscellaneous and bank fees | - | - | - | - | - | - | - | - |
| Partnership management fees | - | 68,171 | 25,868 | 22,764 | 32,638 | - | 85,793 | 62,670 |
| Bad debt expense (recoveries) | 8 | - | 4,600 | 193 | - | - | 4,474 | 1 |
| Realized loss on sale of investments | - | - | - | - | - | - | - | - |
| (Gain) loss on disposal of assets | 1,021 | - | - | 1,820 | 2,193 | - | - | - |
| Other nonoperating expense | - | - | - | - | - | - | - | - |
| Interest expense | 28,660 | 3,684 | 1,789 | 27,104 | 39,369 | - | 103,950 | 121,941 |
| Total costs and expenses | <u>268,171</u> | <u>359,530</u> | <u>239,359</u> | <u>307,452</u> | <u>417,774</u> | <u>-</u> | <u>508,254</u> | <u>805,072</u> |
| Excess (deficiency) of support and revenue over costs and expenses | <u>\$ (52,915)</u> | <u>\$ (53,731)</u> | <u>\$ (16,689)</u> | <u>\$ (90,242)</u> | <u>\$ (97,435)</u> | <u>\$ -</u> | <u>\$ (4,650)</u> | <u>\$ (163,867)</u> |

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Revenue, Support, and Expenses - Housing Entities
Years Ended December 31, 2021 and 2020

(7 pages)

| | 2021 | | | | | | | |
|--|-----------------------------|--------------------|---------------------------|-----------------------------------|-----------------------------|---------------------------------------|--------------------|--|
| | Pennington Grove II, LLC | Prairie, LLC | Primavera Seniors, LLC | Ripley Station Housing, LLC | ROG Preservation, LLC | Santree Commons Housing, LLC | Sedgebrook, LLC | The Commons at Highland Village, LLC |
| Support and revenue: | | | | | | | | |
| Support: | | | | | | | | |
| PPP-related forgiveness | \$ - | \$ - | \$ - | \$ 9,184 | \$ - | \$ 7,674 | \$ 3,085 | \$ 4,850 |
| Revenue: | | | | | | | | |
| Net rental income - apartments | 26,640 | 127,942 | - | 391,661 | 1,230,280 | 183,783 | 286,706 | 505,888 |
| Other income | 2,192 | 196 | - | 15,885 | 6,836 | 5,212 | 6,121 | 6,067 |
| Unrealized gain on investments | - | - | - | - | - | - | - | - |
| Interest income | - | - | - | 129 | 722 | - | 92 | 55 |
| Total revenue | <u>28,832</u> | <u>128,138</u> | <u>-</u> | <u>407,675</u> | <u>1,237,838</u> | <u>188,995</u> | <u>292,919</u> | <u>512,010</u> |
| Total support and revenue | <u>28,832</u> | <u>128,138</u> | <u>-</u> | <u>416,859</u> | <u>1,237,838</u> | <u>196,669</u> | <u>296,004</u> | <u>516,860</u> |
| Costs and expenses: | | | | | | | | |
| Salaries and related expenses | 19,293 | - | - | 31,875 | 194,316 | 37,274 | 50,772 | 87,017 |
| Office supplies and expense | 9,534 | 5,133 | - | 18,400 | 42,232 | 6,614 | 13,704 | 32,112 |
| Rent, utilities and maintenance | 6,018 | 27,120 | - | 183,270 | 235,709 | 82,250 | 111,431 | 128,791 |
| Professional fees | - | 2,362 | - | 7,309 | 376 | - | - | - |
| Audit and accounting fees | 3,500 | 4,985 | - | 5,670 | 15,460 | 7,120 | 5,145 | 8,500 |
| Marketing and advertising | - | - | - | - | 975 | 1,171 | 77 | 1,965 |
| Corporate tax, insurance and license fees | 18,419 | 4,170 | - | 13,126 | 45,125 | 9,733 | 11,516 | 16,458 |
| Depreciation and amortization | 41,227 | 58,063 | - | 124,625 | 319,857 | 52,248 | 71,166 | 148,148 |
| Miscellaneous and bank fees | - | - | 318 | - | - | - | - | - |
| Partnership management fees | 19,312 | 6,068 | - | 42,733 | 331,860 | 19,008 | 19,773 | 40,526 |
| Bad debt expense (recoveries) | - | - | - | 12,329 | 19,931 | 1,173 | 297 | 599 |
| Realized loss on sale of investments | - | - | - | - | - | - | - | - |
| (Gain) loss on disposal of assets | - | - | - | 13,399 | - | - | 9,138 | 1,822 |
| Other nonoperating expense | 50,219 | - | - | - | - | - | - | - |
| Interest expense | 17,216 | 35,053 | - | 53,876 | 180,017 | 16,271 | 31,717 | 101,220 |
| Total costs and expenses | <u>184,738</u> | <u>142,954</u> | <u>318</u> | <u>506,612</u> | <u>1,385,858</u> | <u>232,862</u> | <u>324,736</u> | <u>567,158</u> |
| Excess (deficiency) of support and revenue over costs and expenses | <u>\$ (155,906)</u> | <u>\$ (14,816)</u> | <u>\$ (318)</u> | <u>\$ (89,753)</u> | <u>\$ (148,020)</u> | <u>\$ (36,193)</u> | <u>\$ (28,732)</u> | <u>\$ (55,148)</u> |

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Revenue, Support, and Expenses - Housing Entities
Years Ended December 31, 2021 and 2020

(7 pages)

| | 2021 | | | | | | | |
|--|---------------------|---|-------------------------|---|------------------------------|---------------------------------|-------------------------------------|------------------------|
| | Tryon Grove, LLC | Wakefield Affordable Housing, LLC | Wakefield Manor, LLC | Washington Terrace Affordable Housing, LLC | Water Garden Park, LLC | Water Garden Village, LLC | Weston Trace Partners, LLC | Willard Street, LLC |
| Support and revenue: | | | | | | | | |
| Support: | | | | | | | | |
| PPP-related forgiveness | \$ 6,074 | \$ 14,756 | \$ 18,844 | \$ 25,632 | \$ 15,052 | \$ 11,773 | \$ 9,187 | \$ - |
| Revenue: | | | | | | | | |
| Net rental income - apartments | 383,646 | 655,108 | 692,911 | 1,533,185 | 650,405 | 464,949 | 377,817 | 483,183 |
| Other income | 8,990 | 51,085 | 60,237 | 110,411 | 10,112 | 4,542 | 9,295 | 33,823 |
| Unrealized gain on investments | - | - | - | - | - | - | - | - |
| Interest income | 218 | 660 | 196 | 406 | 265 | 205 | 472 | 12 |
| Total revenue | <u>392,854</u> | <u>706,853</u> | <u>753,344</u> | <u>1,644,002</u> | <u>660,782</u> | <u>469,696</u> | <u>387,584</u> | <u>517,018</u> |
| Total support and revenue | <u>398,928</u> | <u>721,609</u> | <u>772,188</u> | <u>1,669,634</u> | <u>675,834</u> | <u>481,469</u> | <u>396,771</u> | <u>517,018</u> |
| Costs and expenses: | | | | | | | | |
| Salaries and related expenses | 90,023 | 104,585 | 122,480 | 327,058 | 84,098 | 87,761 | 119,218 | 67,871 |
| Office supplies and expense | 14,148 | 68,232 | 46,653 | 18,412 | 22,540 | 46,872 | 12,917 | 72,051 |
| Rent, utilities and maintenance | 109,191 | 138,185 | 176,685 | 236,177 | 195,231 | 108,123 | 80,992 | 85,693 |
| Professional fees | 216 | 492 | - | 1,185 | - | 862 | - | 450 |
| Audit and accounting fees | 7,810 | 9,200 | 9,200 | 7,410 | 9,720 | 9,020 | 8,370 | 7,303 |
| Marketing and advertising | 72 | 2,686 | 965 | 56 | 81 | 180 | 147 | 314 |
| Corporate tax, insurance and license fees | 11,896 | 22,290 | 20,603 | 27,286 | 25,609 | 19,082 | 11,877 | 51,276 |
| Depreciation and amortization | 67,813 | 261,384 | 274,719 | 1,045,883 | 273,586 | 258,317 | 139,932 | 542,936 |
| Miscellaneous and bank fees | - | - | - | - | - | - | - | - |
| Partnership management fees | 127,149 | 7,563 | 54,675 | 136,754 | 43,256 | 80,402 | 29,236 | 51,948 |
| Bad debt expense (recoveries) | 8,468 | 904 | 7 | 10,118 | 138 | 120 | 3,895 | - |
| Realized loss on sale of investments | - | - | - | - | - | - | - | - |
| (Gain) loss on disposal of assets | - | 1,314 | - | - | 18,414 | - | - | 92,933 |
| Other nonoperating expense | - | - | - | 74,963 | - | - | - | 45,654 |
| Interest expense | 42,263 | 165,096 | 137,734 | 694,200 | 33,489 | 68,585 | 117,616 | 222,409 |
| Total costs and expenses | <u>479,049</u> | <u>781,931</u> | <u>843,721</u> | <u>2,579,502</u> | <u>706,162</u> | <u>679,324</u> | <u>524,200</u> | <u>1,240,838</u> |
| Excess (deficiency) of support and revenue over costs and expenses | <u>\$ (80,121)</u> | <u>\$ (60,322)</u> | <u>\$ (71,533)</u> | <u>\$ (909,868)</u> | <u>\$ (30,328)</u> | <u>\$ (197,855)</u> | <u>\$ (127,429)</u> | <u>\$ (723,820)</u> |

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Revenue, Support, and Expenses - Housing Entities
Years Ended December 31, 2021 and 2020

(7 pages)

| | 2021 | | | | Total | 2020 |
|--|---------------------------|---|-------------|-------------------|-----------------------|-----------------------|
| | Willow Creek Seniors, LLC | Community Revitalization and Preservation Corporation | BFAH | Eliminations | | |
| Support and revenue: | | | | | | |
| Support: | | | | | | |
| PPP-related forgiveness | \$ 6,481 | \$ - | \$ - | \$ - | \$ 320,258 | \$ - |
| Revenue: | | | | | | |
| Net rental income - apartments | 403,684 | - | - | - | 21,960,578 | 19,681,581 |
| Other income | 3,096 | - | - | - | 944,789 | 557,996 |
| Unrealized gain on investments | - | - | - | - | - | 81,810 |
| Interest income | 446 | - | - | (8,210) | 172,246 | 362,397 |
| Total revenue | <u>407,226</u> | <u>-</u> | <u>-</u> | <u>(8,210)</u> | <u>23,077,613</u> | <u>20,683,784</u> |
| Total support and revenue | <u>413,707</u> | <u>-</u> | <u>-</u> | <u>(8,210)</u> | <u>23,397,871</u> | <u>20,683,784</u> |
| Costs and expenses: | | | | | | |
| Salaries and related expenses | 52,745 | - | - | - | 3,446,668 | 3,487,078 |
| Office supplies and expense | 32,899 | - | - | - | 1,459,443 | 967,402 |
| Rent, utilities and maintenance | 79,749 | - | - | - | 6,003,867 | 5,405,561 |
| Professional fees | - | - | - | - | 86,900 | 62,833 |
| Audit and accounting fees | 7,910 | - | - | - | 299,838 | 301,808 |
| Marketing and advertising | 69 | - | - | - | 16,391 | 28,331 |
| Corporate tax, insurance and license fees | 23,192 | - | - | - | 870,261 | 699,846 |
| Depreciation and amortization | 185,056 | - | - | - | 9,504,613 | 8,165,603 |
| Miscellaneous and bank fees | - | - | - | - | 366 | 1,370 |
| Partnership management fees | 24,374 | - | - | - | 2,858,646 | 2,419,602 |
| Bad debt expense (recoveries) | - | - | - | - | 110,369 | 88,964 |
| Realized loss on sale of investments | - | - | - | - | 16,541 | 48,832 |
| (Gain) loss on disposal of assets | - | - | - | - | 587,691 | 42,980 |
| Other nonoperating expense | - | - | - | - | 327,107 | 417,940 |
| Interest expense | 80,382 | - | - | - | 6,073,965 | 4,987,498 |
| Total costs and expenses | <u>486,376</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,662,666</u> | <u>27,125,648</u> |
| Excess (deficiency) of support and revenue over costs and expenses | <u>\$ (79,150)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (8,210)</u> | <u>\$ (8,264,795)</u> | <u>\$ (6,441,864)</u> |

See independent auditor's report.

DHIC, Inc. and Subsidiaries
 Schedule of Financial Position and Statement of Activities
 Neighborworks America Capital Funds
 Year Ended December 31, 2021

(2 pages)

| Schedule of Financial Position - December 31, 2021 | Capital Fund | CFRAH Fund (Capital Funding for the Rehabilitation of Affordable Housing) |
|---|---------------------|--|
| Assets: | | |
| Cash | \$ 1,496,368 | \$ - |
| Notes receivable - affiliates | 7,257,705 | - |
| Notes receivable - second mortgages | 31,625 | - |
| Assets released from restriction | <u>(8,785,698)</u> | <u>-</u> |
| Total assets | <u>\$ -</u> | <u>\$ -</u> |
| Net assets | <u>\$ -</u> | <u>\$ -</u> |
| | | |
| Statement of Activities - for the Year Ended December 31, 2021 | Capital Fund | CFRAH Fund |
| Revenue, grants and other support: | | |
| Capital grants - NeighborWorks America | \$ - | \$ - |
| Release of NeighborWorks restricted net assets | <u>-</u> | <u>-</u> |
| Change in net assets | - | - |
| Net assets, beginning of year | <u>-</u> | <u>-</u> |
| Net assets, end of year | <u>\$ -</u> | <u>\$ -</u> |

DHIC, Inc. and Subsidiaries
 Schedule of Financial Position and Statement of Activities
 Neighborworks America Capital Funds
 Year Ended December 31, 2020

(2 pages)

| Schedule of Financial Position - December 31, 2020 | Capital Fund | CFRAH Fund (Capital Funding for the Rehabilitation of Affordable Housing) |
|---|---------------------|--|
| Assets: | | |
| Cash | \$ 1,493,144 | \$ - |
| Notes receivable - affiliates | 7,257,705 | - |
| Notes receivable - second mortgages | 34,849 | - |
| Assets released from restriction | (8,785,698) | - |
| | | |
| Total assets | <u>\$ -</u> | <u>\$ -</u> |
| | | |
| Net assets | <u>\$ -</u> | <u>\$ -</u> |
| | | |
| Statement of Activities - for the Year Ended December 31, 2020 | Capital Fund | CFRAH Fund |
| Revenue, grants and other support: | | |
| Capital grants - NeighborWorks America | \$ - | \$ - |
| Release of NeighborWorks restricted net assets | (887,390) | (88,280) |
| | | |
| Change in net assets | (887,390) | (88,280) |
| Net assets, beginning of year | <u>887,390</u> | <u>88,280</u> |
| | | |
| Net assets, end of year | <u>\$ -</u> | <u>\$ -</u> |