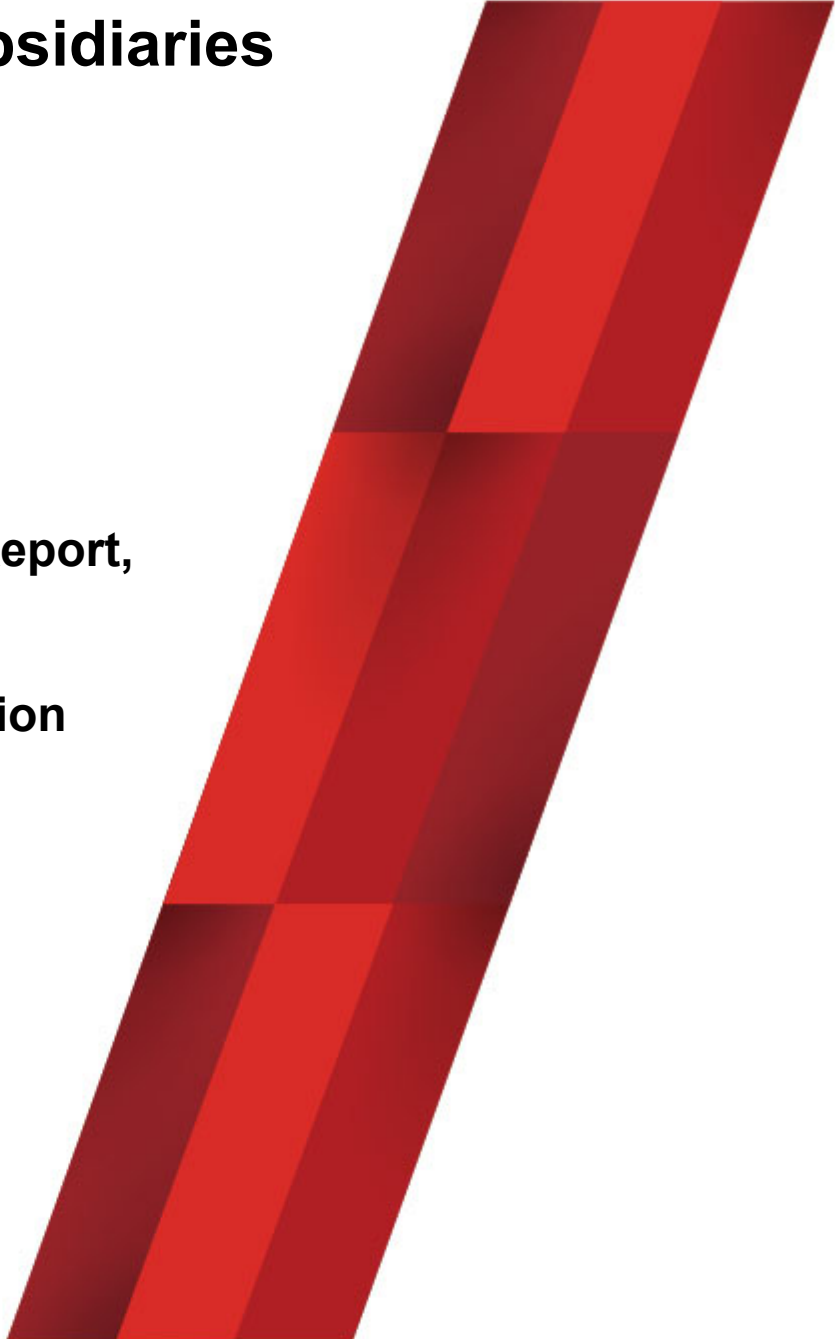


DHIC, Inc. and Subsidiaries

**Independent Auditor’s Report,
Consolidated Financial
Statements, and
Supplementary Information**

December 31, 2022 and 2021



FORVIS, LLP	
Preliminary Draft	
<i>(SUBJECT TO CHANGE)</i>	57040.9-13-ss
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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, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DHIC, Inc. and Subsidiaries as of December 31, 2022, 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 \$3,755,185 as of December 31, 2022 and total revenues of \$453,673 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' 2021 consolidated financial statements. 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 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 29, 2022, 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, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating and Combining schedules, the Schedules of Financial Position and Statements of Activities - NeighborWorks America Capital Funds schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

Other Reporting Required by Government Auditing Standards

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

High Point, NC

**

DHIC, Inc. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2022 and 2021

ASSETS	2022	2021
Current assets:		
Cash, parent company	\$ 3,945,513	\$ 2,815,536
Cash, subsidiary operations	6,339,588	7,013,930
Cash, subsidiary construction	3,780,337	1,282,531
Designated cash - other	3,210,591	2,584,371
Investments in debt and equity securities, current	678,493	633,880
Accounts receivable	2,563,479	1,058,979
Current portion of notes receivable - second mortgages	2,571	3,517
Inventories	828,513	759,389
Prepaid expenses	250,339	831,591
Total current assets	<u>21,599,424</u>	<u>16,983,724</u>
Property and equipment, net	<u>283,059,642</u>	<u>268,339,359</u>
Other assets:		
Designated cash - security deposits, operating reserves and escrows	18,345,038	31,287,370
Designated cash - other, noncurrent	1,027,834	1,433,828
Notes receivable - second mortgages, net of current portion	260,812	267,041
Deposits	297,890	452,890
Operating lease, right-of-use assets, net	1,588,592	-
Finance lease, right-of-use assets, net	5,730,818	-
Deferred rent asset	-	1,613,808
Investments in debt and equity securities, noncurrent	15,398,368	-
Deferred costs, net	2,116,294	2,029,614
	<u>44,765,646</u>	<u>37,084,551</u>
Total assets	<u>\$ 349,424,712</u>	<u>\$ 322,407,634</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 7,478,764	\$ 6,343,763
Current portion of construction loans payable	6,782,308	-
Current portion of bonds payable	90,000	80,000
Accounts payable and accrued liabilities	9,303,011	3,334,096
Deferred revenue	233,386	258,096
Deferred revenue, MHC	-	7,151
Accrued interest payable	2,097,912	1,753,033
Total current liabilities	<u>25,985,381</u>	<u>11,776,139</u>
Restricted deposits:		
Tenants' security deposits	<u>1,542,230</u>	<u>1,485,049</u>
Long-term liabilities:		
Long-term debt, net of unamortized debt issuance costs, net of current portion	162,764,633	141,959,890
Construction loans payable	12,809,353	28,765,171
Bonds payable	22,990,154	23,031,244
Finance lease liability	4,516,838	-
Capital lease note payable	-	4,271,601
Accrued interest payable	1,616,480	1,435,847
	<u>204,697,458</u>	<u>199,463,753</u>
Net assets:		
Without donor restrictions:		
Controlling interests	16,550,444	7,664,806
Non-controlling interests	98,304,691	99,688,600
Total net assets without donor restrictions	<u>114,855,135</u>	<u>107,353,406</u>
With donor restrictions	<u>2,344,508</u>	<u>2,329,287</u>
	<u>117,199,643</u>	<u>109,682,693</u>
Total liabilities and net assets	<u>\$ 349,424,712</u>	<u>\$ 322,407,634</u>

See accompanying notes.

DHIC, Inc. and Subsidiaries
Consolidated Statements of Activities
Year Ended December 31, 2022 and Comparative Totals for Year Ended December 31, 2021

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Support:				
City of Raleigh	\$ 213,092	\$ -	\$ 213,092	\$ 375,819
NeighborWorks unrestricted grants	695,302	-	695,302	560,381
ARPA grant	610,000	-	610,000	-
Bank and foundation grants	281,242	7,500	288,742	238,293
PPP loan forgiveness	-	-	-	736,631
Other support and contributions	-	47,722	47,722	113,124
Wake County	84,212	-	84,212	81,156
Net assets released from restriction	40,001	(40,001)	-	-
Total support	<u>1,923,849</u>	<u>15,221</u>	<u>1,939,070</u>	<u>2,105,404</u>
Revenue:				
Gross rental income - apartment complexes	23,808,479	-	23,808,479	21,930,578
Partnership management fees	-	-	-	3,657
Homeownership counseling and referral fees	22,047	-	22,047	34,111
Loan origination fees	16,800	-	16,800	80,021
Other income	1,046,704	-	1,046,704	1,176,382
Unrealized gain on CPC Land Sale	1,614,643	-	1,614,643	-
Interest income	290,795	-	290,795	176,507
Total revenue	<u>26,799,468</u>	<u>-</u>	<u>26,799,468</u>	<u>23,401,256</u>
Total support and revenue	<u>28,723,317</u>	<u>15,221</u>	<u>28,738,538</u>	<u>25,506,660</u>
Costs and expenses:				
Program services:				
Real estate development	1,296,043	-	1,296,043	488,721
Asset management program	575,977	-	575,977	475,036
Home ownership program	901,565	-	901,565	1,418,492
Support services program	536,705	-	536,705	359,913
Apartment complexes	30,735,671	-	30,735,671	29,344,833
Total program services	<u>34,045,961</u>	<u>-</u>	<u>34,045,961</u>	<u>32,086,995</u>
Supporting services:				
Management and general	962,135	-	962,135	638,408
Total costs and expenses	<u>35,008,096</u>	<u>-</u>	<u>35,008,096</u>	<u>32,725,403</u>
Change in net assets	<u>(6,284,779)</u>	<u>15,221</u>	<u>(6,269,558)</u>	<u>(7,218,743)</u>
Capital contributions - noncontrolling interests	13,844,919	-	13,844,919	18,076,211
Capital distributions - noncontrolling interests	(58,411)	-	(58,411)	(51,458)
Syndication costs - noncontrolling interests	-	-	-	(50,000)
Net assets, beginning	<u>107,353,406</u>	<u>2,329,287</u>	<u>109,682,693</u>	<u>98,926,683</u>
Net assets, ending	<u><u>\$ 114,855,135</u></u>	<u><u>\$ 2,344,508</u></u>	<u><u>\$ 117,199,643</u></u>	<u><u>\$ 109,682,693</u></u>

See accompanying notes.

DHIC, Inc. and Subsidiaries
Consolidated Statements of Functional Expenses
Years Ended December 31, 2022 and 2021

	2022						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	\$ 254,140	\$ 454,277	\$ 655,033	\$ 399,094	\$ 723,030	\$ 3,689,814	\$ 6,175,388
Office supplies and expense	7,655	3,529	13,877	3,830	3,985	1,252,414	1,285,290
Equipment and computer	4,433	44,557	10,120	15,591	3,410	-	78,111
Rent, utilities and maintenance	6,196	3,556	12,066	3,317	4,739	6,684,292	6,714,166
Memberships and publications	645	129	301	-	19,260	-	20,335
Professional fees	78,851	47,751	96,664	42,714	61,060	77,168	404,208
Audit and accounting fees	-	-	-	-	65,190	456,426	521,616
Marketing and advertising	4,232	2,597	3,781	5,788	32,967	16,826	66,191
Travel and parking	16,972	10,662	7,400	9,559	15,702	-	60,295
Events and promotions	4,911	270	1,303	804	2,916	-	10,204
Training and conferences	6,543	4,422	2,974	7,671	10,955	-	32,565
Corporate tax, insurance and license fees	22,772	4,227	7,045	3,945	14,294	919,223	971,506
Miscellaneous and bank fees	4,226	-	3,757	1,291	2,877	181	12,332
Contribution expense	-	-	-	43,101	1,750	-	44,851
Program expense	56,215	-	27,244	-	-	-	83,459
Development expense	818,641	-	-	-	-	-	818,641
Loan forgiveness - LIFT	-	-	60,000	-	-	-	60,000
Partnership management fees	-	-	-	-	-	1,620,000	1,620,000
Interest expense	9,611	-	-	-	-	6,191,537	6,201,148
Depreciation and amortization	-	-	-	-	-	9,718,280	9,718,280
Bad debt expense	-	-	-	-	-	117,815	117,815
Loss (gain) on disposal of assets	-	-	-	-	-	(95,509)	(95,509)
Lease expense	-	-	-	-	-	25,216	25,216
Other nonoperating expense	-	-	-	-	-	61,988	61,988
Total operating expenses	<u>\$ 1,296,043</u>	<u>\$ 575,977</u>	<u>\$ 901,565</u>	<u>\$ 536,705</u>	<u>\$ 962,135</u>	<u>\$ 30,735,671</u>	<u>\$ 35,008,096</u>
	2021						Total
	Real Estate Development Activities	Asset Management Program	Home-Ownership Program	Support Services Program	Management and General	Apartment Complexes	Total
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
Demolition and asbestos abatement	-	-	-	-	-	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>

See accompanying notes.

DHIC, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Year Ended December 31, 2022 and
Comparative Totals for Year Ended December 31, 2021

(3 pages)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (6,269,558)	\$ (7,218,743)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	9,718,280	9,118,866
Amortization of debt issuance costs	311,313	336,784
Non-cash operating lease expense	25,216	-
Bad debt expense	117,815	110,369
Loan forgiveness - LIFT	60,000	392,167
(Gain) loss on disposal of fixed assets	(1,519,134)	587,691
Realized loss on sale of investments	-	16,541
Unrealized gain on investments	-	136,271
Imputed interest on capital lease liability	-	232,262
Compounded interest on finance lease	245,237	-
Change in assets and liabilities:		
Increase in accounts receivable	(482,432)	(537,788)
Increase in inventories	(362,333)	(369,420)
(Increase) decrease in prepaid expenses	581,252	(398,095)
(Increase) decrease in deposits	-	(2,750)
(Increase) decrease in deferred rent asset	-	25,216
Increase (decrease) in accounts payable and accrued liabilities	(322,171)	(1,709,541)
Increase in deferred revenue	(31,861)	46,050
Increase in accrued interest payable	412,199	(268,091)
Increase in tenants' security deposits	57,181	241,067
Net cash provided by operating activities	<u>2,541,004</u>	<u>738,856</u>
Cash flows from investing activities:		
Purchase of property and equipment	(29,452,723)	(24,574,235)
Proceeds from sale of property and equipment	5,220,000	-
Proceeds from deposit on development project	-	(3,250,000)
Insurance proceeds received	129,201	3,054
Purchase of investments in available-for-sale securities	(44,613)	(5,978,367)
Purchase of investments in held-to-maturity securities	(15,398,368)	-
Proceeds from sale of investments	-	21,252,895
Payment of deferred costs	(310,406)	(528,620)
Additions to notes receivable - second mortgages	(82,500)	(114,600)
Principal collections on notes receivable - second mortgages	29,675	48,175
Net cash used by investing activities	<u>(39,909,734)</u>	<u>(13,141,698)</u>

See accompanying notes.

DHIC, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Year Ended December 31, 2022 and
Comparative Totals for Year Ended December 31, 2021

(3 pages)

	<u>2022</u>	<u>2021</u>
Cash flows from financing activities:		
Proceeds from long-term borrowings	\$ 30,312,081	\$ 23,455,513
Principal payments on long-term borrowings	(8,412,398)	(14,143,082)
Proceeds from construction loans payable	15,442,662	21,588,450
Repayment of construction loans payable	(23,518,220)	(17,062,951)
Payments of bonds payable	(85,000)	-
Payment of debt issuance costs	(166,568)	(182,298)
(Refund) payment of refundable lender deposits	241,000	(295,140)
Syndication costs	-	(50,000)
Capital contributions made to partnerships/limited liability companies	13,844,919	18,076,211
Capital distributions paid to limited partners	(58,411)	(51,458)
	<u>27,600,065</u>	<u>31,335,245</u>
Net cash provided by financing activities	27,600,065	31,335,245
Net increase (decrease) in cash and designated cash	(9,768,665)	18,932,403
Cash and designated cash, beginning of year	<u>46,417,566</u>	<u>27,485,163</u>
Cash and designated cash, end of year	<u>\$ 36,648,901</u>	<u>\$ 46,417,566</u>
Reconciliation of cash and designated cash to the consolidated statements of financial position:		
Cash, parent company	\$ 3,945,513	\$ 2,815,536
Cash, subsidiary operations	6,339,588	7,013,930
Cash, subsidiary construction	3,780,337	1,282,531
Designated cash - security deposits, operating reserves and escrows	18,345,038	31,287,370
Designated cash - other	<u>4,238,425</u>	<u>4,018,199</u>
Cash and designated cash, ending	<u>\$ 36,648,901</u>	<u>\$ 46,417,566</u>

DHIC, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Year Ended December 31, 2022 and
Comparative Totals for Year Ended December 31, 2021

(3 pages)

	<u>2022</u>	<u>2021</u>
Supplemental disclosure of cash flow information:		
Cash payments for interest, net of interest capitalized	<u>\$ 5,364,323</u>	<u>\$ 5,630,573</u>
Supplemental disclosures of noncash investing and financing activities:		
Investment in property and equipment included in accounts payable and accrued expenses	\$ 6,291,086	\$ 1,687,688
Investment in property and equipment included in accrued interest payable	<u>113,313</u>	<u>29,967</u>
	<u>\$ 6,404,399</u>	<u>\$ 1,717,655</u>
Insurance proceeds for casualty included in accounts receivable	<u>\$ 1,139,883</u>	<u>\$ -</u>
Transfer of assets from inventory to property and equipment	<u>\$ 293,209</u>	<u>\$ -</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.

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

A schedule of the DHIC, Inc. controlled subsidiaries, limited partnerships/liability companies and corresponding ownership percentage at December 31, 2022 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	0.0090	Ashton Place	51*
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	Stone Glen	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
Common Oaks Affordable Housing, Inc.	Wakefield Affordable Housing, LLC	0.0100	Wakefield Hills	80
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
Milner Senior Housing, Inc.	Milner Senior Housing Partners, LLC	0.0079	Milner Commons	150*
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, 2022 and 2021, 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, 2022 and 2021, 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)
- Cardinal Chase Development, LLC (Cardinal Chase, 48 units)
- College Park Collaborative, LLC (Washington Terrace, 2 single family homes)
- Creston Commons, LLC (Creston Commons, 48 units)
- Creston Commons II, LLC (Creston Commons II, 32 units)
- Highland Terrace, LLC (Highland Terrace, 80 units)
- Highland Village Housing, LLC (Highland Village, 50 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)
- Tryon Grove, LLC (Tryon Grove, 48 units)

As of December 31, 2022, CRPC is also the sole member of:

- Carlton Place Development, LLC (Carlton Place, 80 units)

As of December 31, 2022 and 2021, DHIC, Inc. is the managing member of Willard Street Developer, LLC, with a 90% ownership interest, 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, 2022 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	\$ 678,493	\$ -	\$ -
	<u>\$ 678,493</u>	<u>\$ -</u>	<u>\$ -</u>

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

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 in available-for-sale securities held by 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)
Money Market Funds	\$ 633,880	-	-
	<u>\$ 633,880</u>	<u>\$ -</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, 2022 and 2021.

Leases

At lease inception, the Corporation determines whether an arrangement is or contains a lease. Leases result in the recognition of ROU assets and lease liabilities on the Consolidated Statements of Financial Position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Corporation determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives, as applicable. For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The Corporation uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Corporation uses the risk-free rate of return as the discount rate. ROU assets are calculated as the present value of the lease payments plus initial direct costs, plus any prepayments less any lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Corporation if the option were not exercised. For operating leases, lease expense is recognized on a straight-line basis over the lease term. For finance leases, after lease commencement the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of (1) the end of the useful life of the ROU asset, or (2) the end of the lease term. If the underlying asset is transferred to the Corporation at the end of the lease term (either through a contract provision or purchase option that the Corporation is reasonably certain to exercise), the ROU asset is amortized over the useful life of the underlying asset. Amortization is straight-line unless another basis is more representative of the pattern in which benefit is expected to be derived from the right to use the underlying asset. The Company has elected not to recognize an ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short-term leases is included in lease expense in the consolidated statement of activities.

To the extent a lease arrangement includes both lease and non-lease components, the components are accounted for separately.

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, 2022 and 2021, DHIC estimates that 30% and 37% 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 70% and 63% of the developer fees earned for the years ended December 31, 2022 and 2021, 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.

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.

Change in accounting principle

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Corporation adopted Topic 842 on January 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Corporation elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Corporation has a lease agreement with non-lease components that relate to the lease components. The Corporation elected the practical expedient to account for non-lease components and the lease components to which they relate as a single lease component for all leases. Also, the Corporation elected to keep short-term leases with an initial term of 12 months or less off the balance sheet. The Corporation did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The adoption of Topic 842 resulted in the recording of a cumulative effect adjustment at January 1, 2022 consisting of the recognition of operating ROU assets of \$1,588,592, and a reclassification of land included in the consolidated statement of financial position at December 31, 2021 amounting to \$5,810,696, which was reclassified to a finance ROU asset. The standard did not significantly affect the Corporation's consolidated statements of activities or cash flows.

Subsequent events

The Corporation evaluated the effect subsequent events would have on the consolidated financial statements through **, 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, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Washington Terrace	\$ -	\$ 293,209
Sportsmanship Crossing	389,814	398,131
Bond Portfolio Rehab	208,745	-
Other	<u>229,954</u>	<u>68,049</u>
	<u>\$ 828,513</u>	<u>\$ 759,389</u>

3. Property and Equipment

Property and equipment at December 31, 2022 and 2021 consists of the following:

	2022			2021
	DHIC	Housing Entities	Total	Total
Land and improvements	\$ -	\$ 60,905,088	\$ 60,905,088	\$ 68,521,111
Buildings and improvements	-	251,099,140	251,099,140	253,533,419
Furnishings and equipment	364,687	9,743,890	10,108,577	10,201,768
Construction-in-progress	-	45,240,845	45,240,845	11,138,061
	<u>364,687</u>	<u>366,988,963</u>	<u>367,353,650</u>	343,394,359
Accumulated depreciation	<u>(364,687)</u>	<u>(83,929,321)</u>	<u>(84,294,008)</u>	<u>(75,055,000)</u>
Total, net of accumulated depreciation	<u>\$ -</u>	<u>\$ 283,059,642</u>	<u>\$ 283,059,642</u>	<u>\$ 268,339,359</u>

Depreciation expense amounted to \$9,413,799 and \$8,878,550, respectively, for the years ended December 31, 2022 and 2021.

4. Notes Receivable - Second Mortgages

Notes receivable - second mortgages of DHIC consist of the following at December 31, 2022 and 2021:

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, 2022 and 2021. As of December 31, 2022 and 2021, second mortgages receivable under the LIFT program amounted to \$37,500 and \$97,500, respectively. Loan forgiveness expense for the years ended December 31, 2022 and 2021 amounted to \$60,000 and \$392,167, respectively. No allowance for doubtful accounts is considered necessary as of December 31, 2022 and 2021.

Other second mortgage loans

Other second mortgages consist of 19 and 17 homes at December 31, 2022 and 2021, 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 2022 and 2021, additional loans were provided under the Affordable Homeownership Program ("AHP"), which provides noninterest-bearing notes of up to \$20,000, with no payments required during the loan term. As of December 31, 2022 and 2021, other second mortgage loans, net of an allowance for doubtful accounts, amounted to \$225,883 and \$173,058, respectively.

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Maturities of second mortgage loans subsequent to December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 40,071**
2024	40,123
2025	2,723
2026	2,730
2027	2,785
Thereafter	144,951
*	<u>49,600</u>
	282,983
Allowance for doubtful accounts	<u>(19,600)</u>
	<u>\$ 263,383</u>

* The maturities of these mortgages are undeterminable as of December 31, 2022.

** \$37,500 of this balance is made up of the principal balance of notes receivable under the LIFT program that will be forgiven during 2022, and therefore are not considered to be current assets on the consolidated statement of financial position.

5. Designated Cash

Designated cash consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Designated cash - current		
Board-designated reserve fund, Operations	\$ 1,616,705	\$ 1,206,151
Board-designated reserve fund, NeighborWorks	600,000	600,000
Grant funds, NeighborWorks	<u>993,886</u>	<u>778,220</u>
	<u>\$ 3,210,591</u>	<u>\$ 2,584,371</u>
Designated cash - security deposits, reserves and escrows:		
Subsidiaries - reserves, security deposits, tax, insurance and construction escrows	\$ 18,160,221	\$ 31,102,550
DHIC - external operating reserves	<u>184,817</u>	<u>184,820</u>
	<u>\$ 18,345,038</u>	<u>\$ 31,287,370</u>
Designated cash - other:		
Escrow deposits	\$ 7,044	\$ 7,044
Equity equivalent line	-	400,000
PPP loan funds	-	-
Washington Terrace and other grant funds	211,024	210,961
Resident resilience fund	348,967	383,746
DHIC - reserves available for priority markets, second mortgages	334,994	315,738
Grant funds - reserved for second mortgages	<u>125,805</u>	<u>116,339</u>
	<u>\$ 1,027,834</u>	<u>\$ 1,433,828</u>

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

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 \$2,216,705 and \$1,806,151 as of December 31, 2022 and 2021, respectively.

6. Deferred Costs

Deferred costs consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Tax credit fees, net of accumulated amortization of \$1,317,896 in 2022 and \$1,095,663 in 2021	\$ 2,110,965	\$ 2,021,618
Prefunded asset management fees, net of accumulated amortization of \$34,671 in 2022 and \$32,004 in 2021	<u>5,329</u>	<u>7,996</u>
	<u>\$ 2,116,294</u>	<u>\$ 2,029,614</u>

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 \$223,726 and \$214,868, respectively, for the years ended December 31, 2022 and 2021.

7. Investments

Available-for-sale debt securities

Capital Towers III, LLC previously held U.S. Treasury STRIPS and Notes/Bonds, all of which were liquidated during the year ended December 31, 2021, and were previously classified as available-for-sale debt securities. During the years ended December 31, 2022 and 2021, available-for-sale securities were sold for total proceeds of \$0 and \$15,509,734, respectively. The gross realized losses on these sales totaled \$0 and \$16,541, respectively, for the years ended December 31, 2022 and 2021. For purpose of determining gross realized gains, the cost of securities sold is based on the first-in-first-out method.

Held-to-maturity debt securities

The Corporation has U.S. Government securities of \$15,398,368 and \$0, respectively, as of December 31, 2022 and 2021 that are held by Capital Towers III, LLC, and are classified as investments held to maturity and are carried at amortized cost on the consolidated statements of financial position.

DHIC, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Equity securities

Investments in equity securities are held by Beacon Ridge, LLC and consist of the following as of December 31, 2022:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Money Market Funds	\$ 678,493	\$ -	\$ -	\$ -
	<u>\$ 678,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	\$ 633,880	\$ -	\$ -	\$ 633,880
	<u>\$ 633,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 633,880</u>

During the years ended December 31, 2022 and 2021, securities were sold for total proceeds of \$0 and \$5,791,895, 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, 2022 and 2021.

8. Long-Term Debt

Notes payable

Long-term debt at December 31, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</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

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	<u>2022</u>	<u>2021</u>
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
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.	72,711,186	58,072,762
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.	71,316,145	60,930,139
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.	28,694,255	28,349,440
Less unamortized debt issuance costs	<u>(2,603,189)</u>	<u>(2,575,222)</u>
	170,243,397	145,603,653
Less current portion	<u>(7,478,764)</u>	<u>(5,343,763)</u>
	<u>\$ 162,764,633</u>	<u>\$ 140,259,890</u>

Maturities of long-term debt subsequent to December 31, 2022 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2023	\$ 7,480,585
2024	6,089,138
2025	3,757,290
2026	4,539,532
2027	2,776,889
Thereafter	123,177,416
*	<u>25,025,736</u>
	<u>\$ 172,846,586</u>

*The future maturity date of this amount is undeterminable as of December 31, 2022.

Total interest cost incurred was \$5,058,124 and \$3,958,388, respectively, for the years ended December 31, 2022 and 2021. Additionally, debt issuance costs were amortized to interest expense in the amount of \$202,862 and \$154,819 during the years ended December 31, 2022 and 2021, 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. During 2022, the line of credit was amended to extend the maturity date to December 22, 2023, and to amend the interest rate to the one-month SOFR rate plus 2.41%. During 2022, no advances were made, and \$1,000,000 was repaid. During 2021, advances totaling \$1,000,000 were made, and no amounts were repaid. As of December 31, 2022 and 2021, \$0 and \$1,000,000 remained payable, respectively.

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 2022 or 2021, and no balance remained payable at December 31, 2022 and 2021.

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 2022, the line of credit was amended to extend the maturity date to January 19, 2024. During 2022, advances and repayments amounted to \$250,000 each. During 2021, no advances or withdrawals were made, and \$705,000 was repaid. As of December 31, 2022 and 2021, no balance remained payable.

On December 21, 2021, BHAFF, 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 was repaid during 2022. There were no additional advances made during 2022. As of December 31, 2022 and 2021, no balance remained payable.

At December 31, 2022 and 2021, 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).

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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, inclusive of deferred financing fees amortized to interest expense of \$64,607.

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 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, 2022 and 2021 amounted to \$7,156 and \$7,156, respectively. Interest incurred for each of the years ended December 31, 2022 and 2021 totaled \$468,926, of which \$33,613 per year represents deferred financing fees amortized to interest expense. Of this amount, \$468,926 was expensed and \$0 was capitalized as a cost of construction during the year ended December 31, 2022, and \$456,638 was expensed and \$12,288 was capitalized as a cost of construction during the year ended December 31, 2021.

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 4.20% 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, 2022 and 2021, the outstanding principal on the note payable amounted to \$8,171,188 and \$8,235,891, respectively, net of unamortized debt issuance costs of \$493,812 and \$514,109, respectively. Interest expense for the years ended December 31, 2022 and 2021 was \$416,095 and \$505,285, respectively, inclusive of deferred financing fees amortized to interest expense of \$20,297 and \$31,472, respectively. Accrued interest as of December 31, 2022 and 2021 amounted to \$30,328 and \$0, 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.

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Balances payable under the bonds at December 31, 2022 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	8,665,000	90,000	8,575,000
Less unamortized debt issuance costs	<u>(1,084,846)</u>	<u>-</u>	<u>(1,084,846)</u>
	<u>\$ 23,080,154</u>	<u>\$ 90,000</u>	<u>\$ 22,990,154</u>

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>

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, 2022, 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 in prior years. As of December 31, 2022, the total balance due on these loans amounted to \$19,591,661, net of unamortized debt issuance costs of \$1,050,849. Two of the loans bear fixed interest ranging from 4.25% to 6.82%, one loan bears variable interest at the 30-day ICE LIBOR rate plus 2.25%, and one loan bears variable interest at the one-month SOFR rate plus 2.01%. The loans have maturity dates through August 2041, and first lien position deeds of trust on the respective projects. Total interest costs incurred during the year ended December 31, 2022 amounted to \$493,052, all of which was capitalized. Additionally, amortization of debt issuance costs amounted to \$55,141 during the year ended December 31, 2022, all of which was amortized to interest expense.

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.

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>2022</u>	<u>2021</u>
Booker Park South, LLC	\$ 6,834,796	\$ 208,628
Broadstone Walk, LLC	100,000	-
Capital Towers III, LLC	-	17,961,815
Milner Senior Housing Partners, LLC	50,001	-
Pennington Grove II, LLC	-	5,603,508
Primavera Seniors, LLC	13,657,713	4,991,220
Willard Street, LLC	-	-
	<u>20,642,510</u>	28,765,171
Less: Unamortized debt issuance costs	<u>(1,050,849)</u>	-
	<u>\$ 19,591,661</u>	<u>\$ 28,765,171</u>

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Maturities of construction loans payable subsequent to December 31, 2022 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2023	\$ 6,984,797
2024	-
2025	-
2026	-
2027	-
Thereafter	<u>13,657,713</u>
	<u>\$ 20,642,510</u>

10. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2022 and 2021 were restricted to:

	<u>2022</u>	<u>2021</u>
Investment in perpetuity, income from which is expendable to support operations:		
AHP Bank Grant Fund	<u>\$ 1,845,541</u>	<u>\$ 1,845,541</u>
	1,845,541	1,845,541
Purpose restricted funds, eligible housing related programs		
Down payment assistance program	150,000	100,000
Support services, resident resilience fund	<u>348,967</u>	<u>383,746</u>
	<u>\$ 2,344,508</u>	<u>\$ 2,329,287</u>

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 lease revenue under these operating leases amounted to \$153,333 and \$170,098 for the years ended December 31, 2022 and 2021, respectively, and are included as a component of other income on the consolidated statements of activities.

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The expected annual cell tower revenues for which contracts are in place as of December 31, 2022 through each of the next five years are as follows:

2023	\$	185,121
2024		189,298
2025		193,593
2026		198,009
2027		203,081
Thereafter		<u>175,392</u>
	\$	<u>1,144,494</u>

12. Ground Leases

Capital Towers III, LLC – finance lease

Capital Towers III, LLC entered into a finance 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. 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 cost of the land included in the consolidated statement of financial position at December 31, 2021 amounted to \$5,810,696, 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. This asset was reclassified to a finance lease ROU asset effective January 1, 2022, and is being amortized on a straight-line basis over the remaining lease term.

The future minimum lease payments required under the finance lease note, and the present value of the net minimum lease payments as of December 31, 2022 are as follows:

<u>Year Ending December 31,</u>		
2023	\$	-
2024		-
2025		-
2026		-
2027		-
Thereafter		<u>12,695,670</u>
Net minimum undiscounted lease payments		12,695,670
Less: amount representing interest		<u>(8,178,832)</u>
Present value of net minimum lease payments		4,516,838
Less: current maturities of finance lease obligations		<u>-</u>
Long-term finance lease obligations	\$	<u>4,516,838</u>

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The components of lease expense were as follows for the year ended December 31, 2022:

Finance lease costs	
Amortization of finance lease ROU asset	\$ 80,151
Interest on lease liability	<u>245,237</u>
	<u>\$ 325,388</u>

Beacon Ridge, LLC - operating lease

As described in Note 1, the Company adopted ASU 2016-02, Leases (Topic 842) on January 1, 2022. As of December 31, 2022, Beacon Ridge, LLC has one noncancelable operating lease with an unrelated party for the land on which the Beacon Ridge building resides. The ground lease agreement was entered into with the YMCA of the Triangle Area, Inc. (the "YMCA"), on May 14, 2019. 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 is being amortized on a straight-line basis over the life of the lease. For each of the years ended December 31, 2022 and 2021, amortization amounted to \$25,216.

As of December 31, 2022, the Corporation has no operating leases that have not yet commenced.

Prior to the adoption of ASU 2016-02, Leases (Topic 842) on January 1, 2022, the Corporation followed the accounting guidance under ASC 840 and had a deferred rent asset of \$1,613,808 at December 31, 2021.

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, 2022 and 2021 amounted to \$124,524 and \$121,363, 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 \$232,505 and \$185,882 respectively, for the years ended December 31, 2022 and 2021, of which \$110,629 and \$82,660 remained payable as of December 31, 2022 and 2021, 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, 2022 and 2021, and for the years then ended are as follows:

	2022			
	<u>Total Assets</u>	<u>Accumulated Deficit</u>	<u>Total Revenues</u>	<u>Revenues Over (Under) Expenses</u>
Chadwick Apartments, Inc.	\$ 1,207,809	\$ (962,665)	\$ 274,579	\$ (37,559)
Highland Manor Apartments, Inc.	1,440,599	(1,425,636)	230,589	(67,544)
Roanoke Housing Development Corporation	1,570,765	(460,313)	599,971	25,884
WFEH, Incorporated	1,481,632	(1,453,826)	287,008	(36,681)
	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)

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, 2022 and 2021, 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, 2022 related to demolition and construction of various apartment projects. As of December 31, 2022, total commitments under these contracts amounted to \$108,760,877, of which \$28,955,280 has been incurred and capitalized. As of December 31, 2022, \$6,595,446 remained payable under the contracts, and is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

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Commitments remaining under the construction contracts at December 31, 2022 are as follows:

	<u>Total Contract</u>	<u>Total Incurred</u>	<u>Balance Remaining</u>
Ashton Place Housing, LLC	\$ 11,050,428	\$ 9,000	\$ 11,041,428
Booker Park South, LLC	10,233,704	9,584,075	649,629
Broadstone Walk, LLC	29,967,196	1,293,613	28,673,583
Milner Senior Housing Partners, LLC	34,131,081	1,063,915	33,067,166
Primavera Seniors, LLC	<u>23,378,468</u>	<u>17,004,677</u>	<u>6,373,791</u>
	<u>\$108,760,877</u>	<u>\$ 28,955,280</u>	<u>\$ 79,805,597</u>

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>

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, 2022 and 2021, 475 second mortgages totaling \$3,447,000 have been made. During the years ended December 31, 2022 and 2021, the Corporation earned origination fees of \$0 and \$1,250, respectively, 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, 2022 and 2021, the Organization recognized \$108,000 of general administrative grant funds, \$79,050 and \$62,025 of homebuyer counseling grant funds, respectively, and \$26,042 and \$205,794 of CARES Act grant funds, respectively. As of December 31, 2022 and 2021, \$67,600 and \$173,707, 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, 2022 and 2021, eligible resident services coordination expenses of \$90,000 and \$90,000, respectively, were incurred. As of December 31, 2022 and 2021, \$90,000 and \$90,000, 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	\$ 17,276,029
Accounts receivable	2,563,479
Notes receivable - current	<u>2,571</u>
Total current assets	<u>\$ 19,842,079</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.

Preliminary Draft

Preliminary Draft

Supplementary Information

DHIC, Inc. and Subsidiaries
Consolidating Statement of Financial Position
Year Ended December 31, 2022 and Comparative Totals for December 31, 2021

	2022			2021	
	DHIC, Inc.	Housing Entities	Eliminations	DHIC, Inc. and Subsidiaries	DHIC, Inc. and Subsidiaries
ASSETS					
Current assets:					
Cash, parent company	\$ 3,945,513	\$ -	\$ -	\$ 3,945,513	\$ 2,815,536
Cash, subsidiary operations	-	6,339,588	-	6,339,588	7,013,930
Cash, subsidiary construction	-	3,780,337	-	3,780,337	1,282,531
Designated cash - board-designated reserve, NeighborWorks	600,000	-	-	600,000	600,000
Designated cash - board-designated reserve, operations	1,616,705	-	-	1,616,705	1,206,151
Designated cash - NeighborWorks America	993,886	-	-	993,886	778,220
Investments in debt and equity securities, current	-	678,493	-	678,493	633,880
Development fees receivable, current portion	1,462,925	-	(1,462,925)	-	-
Management fees receivable, current portion	161,380	-	(161,380)	-	-
Accounts receivable	839,790	1,778,144	(90,000)	2,527,934	1,058,979
Interest receivable	-	35,545	-	35,545	-
Due from affiliates, current portion	1,924,752	6,100	(1,930,852)	-	-
Current portion of notes receivable - second mortgages	2,571	-	-	2,571	3,517
Inventories	828,513	-	-	828,513	759,389
Prepaid expenses	40,549	209,790	-	250,339	831,591
Total current assets	<u>12,416,584</u>	<u>12,827,997</u>	<u>(3,645,157)</u>	<u>21,599,424</u>	<u>16,983,724</u>
Property and equipment, net	-	297,409,767	(14,350,125)	283,059,642	268,339,359
Other assets:					
Designated cash - security deposits, external reserves and escrows	184,817	18,160,221	-	18,345,038	31,287,370
Designated cash - priority market, second mortgages and grants	334,994	-	-	334,994	315,738
Designated cash - other	567,035	-	-	567,035	1,001,751
Designated cash - NeighborWorks America, noncurrent	125,805	-	-	125,805	116,339
Investments in partnerships/limited liability companies	497,546	-	(497,546)	-	-
Notes receivable - second mortgages, net of current portion	260,812	-	-	260,812	267,041
Notes receivable - affiliates	10,412,925	-	(10,412,925)	-	-
Accrued interest receivable - affiliates	4,157,279	-	(4,157,279)	-	-
Development fees receivable, long-term portion	2,153,256	-	(2,153,256)	-	-
Management fees receivable, long-term portion	469,885	-	(469,885)	-	-
Deposits	-	297,890	-	297,890	452,890
Deferred rent asset	-	-	-	-	1,613,808
Operating lease, right-of-use assets, net	-	1,588,592	-	1,588,592	-
Finance lease, right-of-use assets, net	-	5,730,818	-	5,730,818	-
Investments in debt and equity securities, noncurrent	-	15,398,368	-	15,398,368	-
Deferred costs, net	-	2,116,294	-	2,116,294	2,029,614
Due from affiliates, long-term portion	332,991	-	(332,991)	-	-
	<u>19,497,345</u>	<u>43,292,183</u>	<u>(18,023,882)</u>	<u>44,765,646</u>	<u>37,084,551</u>
	<u>\$ 31,913,929</u>	<u>\$ 353,529,947</u>	<u>\$ (36,019,164)</u>	<u>\$ 349,424,712</u>	<u>\$ 322,407,634</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Current portion of long-term debt	\$ -	\$ 7,895,764	\$ (417,000)	\$ 7,478,764	\$ 6,343,763
Current portion of construction loans payable	-	6,782,308	-	6,782,308	-
Current portion of bonds payable	-	90,000	-	90,000	80,000
Accounts payable and accrued liabilities	825,970	15,729,991	(7,252,950)	9,303,011	3,334,096
Deferred revenue	-	233,386	-	233,386	258,096
Deferred revenue, MCH	-	-	-	-	7,151
Accrued interest payable	-	2,097,912	-	2,097,912	1,753,033
Total liabilities	<u>825,970</u>	<u>32,829,361</u>	<u>(7,669,950)</u>	<u>25,985,381</u>	<u>11,776,139</u>
Restricted deposits:					
Tenants' security deposits	-	1,542,230	-	1,542,230	1,485,049
Long-term liabilities:					
Long-term debt, net of current portion	125,000	172,635,558	(9,995,925)	162,764,633	141,959,890
Construction loans payable, net of current portion	-	12,809,353	-	12,809,353	28,765,171
Bonds payable	-	22,990,154	-	22,990,154	23,031,244
Accrued interest payable	-	5,773,759	(4,157,279)	1,616,480	1,435,847
Finance lease liability	-	4,516,838	-	4,516,838	-
Capital lease note payable	-	-	-	-	4,271,601
	<u>125,000</u>	<u>218,725,662</u>	<u>(14,153,204)</u>	<u>204,697,458</u>	<u>199,463,753</u>
Net assets:					
Without donor restrictions					
Controlling interests	28,618,451	2,128,003	(14,196,010)	16,550,444	7,664,806
Non-controlling interests	-	98,304,691	-	98,304,691	99,688,600
Total net assets without donor restrictions	<u>28,618,451</u>	<u>100,432,694</u>	<u>(14,196,010)</u>	<u>114,855,135</u>	<u>107,353,406</u>
With donor restrictions	2,344,508	-	-	2,344,508	2,329,287
	<u>30,962,959</u>	<u>100,432,694</u>	<u>(14,196,010)</u>	<u>117,199,643</u>	<u>109,682,693</u>
	<u>\$ 31,913,929</u>	<u>\$ 353,529,947</u>	<u>\$ (36,019,164)</u>	<u>\$ 349,424,712</u>	<u>\$ 322,407,634</u>

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Schedule of Assets, Liabilities and Net Assets - DHIC, Inc.
December 31, 2022 and 2021

ASSETS	2022	2021
Current assets:		
Cash, parent company	\$ 3,945,513	\$ 2,815,536
Designated cash - board-designated reserves, NeighborWorks	600,000	600,000
Designated cash - board-designated reserves, operations	1,616,705	1,206,151
Designated cash - NeighborWorks America	993,886	778,220
Development fees receivable, current portion	1,462,925	1,817,722
Management fees receivable, current portion	161,380	247,181
Accounts receivable	839,790	330,564
Due from affiliates, current portion	1,924,752	2,022,115
Current portion of notes receivable - second mortgages	2,571	3,517
Inventories	828,513	759,389
Prepaid expenses	40,549	43,305
Total current assets	<u>12,416,584</u>	<u>10,623,700</u>
Other assets:		
Designated cash - external operating reserves	184,817	184,820
Designated cash - second mortgages and grants	334,994	315,738
Designated cash - other	567,035	1,001,751
Designated cash - NeighborWorks America, noncurrent	125,805	116,339
Investments in partnerships/limited liability companies	497,546	651,346
Notes receivable - second mortgages, net of current portion	260,812	267,041
Notes receivable - affiliates	10,412,925	10,768,332
Accrued interest receivable - affiliates	4,157,279	4,057,052
Development fees receivable, long-term portion	2,153,256	1,882,544
Management fees receivable, long-term portion	469,885	377,574
Due from affiliates, long-term portion	332,991	1,719,233
	<u>19,497,345</u>	<u>21,341,770</u>
	<u>\$ 31,913,929</u>	<u>\$ 31,965,470</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ -	\$ 1,400,000
Accounts payable and accrued liabilities	825,970	640,228
Deferred revenue	-	7,151
Accrued interest, PPP loan	-	778
Total current liabilities	<u>825,970</u>	<u>2,048,157</u>
Long-term debt	<u>125,000</u>	125,000
Net assets:		
Net assets without donor restrictions	28,618,451	27,463,026
Net assets with donor restrictions	<u>2,344,508</u>	<u>2,329,287</u>
	<u>30,962,959</u>	<u>29,792,313</u>
	<u>\$ 31,913,929</u>	<u>\$ 31,965,470</u>

DHIC, Inc. and Subsidiaries
Consolidating Schedule of Revenues, Support and Expenses
Year Ended December 31, 2022 and Comparative Totals for December 31, 2021

	2022			2021	
	DHIC, Inc.	Housing Entities	Eliminations	DHIC, Inc. and Subsidiaries	DHIC, Inc. and Subsidiaries
Support and revenue:					
Support:					
City of Raleigh	\$ 213,092	\$ -	\$ -	\$ 213,092	\$ 375,819
NeighborWorks unrestricted grants	695,302	-	-	695,302	560,381
ARPA grant	610,000	-	-	610,000	-
Bank and foundation grants	288,742	-	-	288,742	238,293
PPP-related forgiveness	-	-	-	-	736,631
Other support and contributions	137,722	-	(90,000)	47,722	113,124
Wake County	84,212	-	-	84,212	81,156
Total support	<u>2,029,070</u>	<u>-</u>	<u>(90,000)</u>	<u>1,939,070</u>	<u>2,105,404</u>
Revenue:					
Gross rental income - apartments	-	23,838,479	(30,000)	23,808,479	21,930,578
Project development fees	2,683,865	-	(2,683,865)	-	-
Partnership management fees	826,541	-	(826,541)	-	3,657
Homeownership counseling and referral fees	22,047	-	-	22,047	34,111
Loan origination fees	16,800	-	-	16,800	80,021
Other income	421,644	814,865	(189,805)	1,046,704	1,176,382
Gain on sale of land	-	1,614,643	-	1,614,643	-
Interest income	432,739	278,575	(420,519)	290,795	176,507
Total revenue	<u>4,403,636</u>	<u>26,546,562</u>	<u>(4,150,730)</u>	<u>26,799,468</u>	<u>23,401,256</u>
Total support and revenue	<u>6,432,706</u>	<u>26,546,562</u>	<u>(4,240,730)</u>	<u>28,738,538</u>	<u>25,506,660</u>
Operating expenses:					
Salaries and related expenses	3,285,109	3,779,814	(889,535)	6,175,388	5,373,850
Office supplies and expense	32,876	1,252,414	-	1,285,290	1,489,036
Equipment and computer	78,111	-	-	78,111	61,966
Rent, utilities and maintenance	59,874	6,684,292	(30,000)	6,714,166	6,065,660
Memberships and publications	20,335	-	-	20,335	22,101
Professional fees	327,040	77,168	-	404,208	429,454
Audit and accounting fees	65,190	456,426	-	521,616	348,663
Marketing and advertising	49,365	16,826	-	66,191	56,138
Travel and parking	60,295	-	-	60,295	32,780
Events and promotions	10,204	-	-	10,204	4,270
Training and conferences	32,565	-	-	32,565	13,594
Corporate tax, insurance and license fees	52,283	919,223	-	971,506	905,733
Miscellaneous and bank fees	12,151	181	-	12,332	15,986
Contribution expense	44,851	-	-	44,851	4,000
Program expense	83,459	-	-	83,459	251,282
Development expense	818,641	-	-	818,641	625
Loan forgiveness - LIFT	60,000	-	-	60,000	392,167
Partnership management fees	-	2,636,346	(1,016,346)	1,620,000	1,368,291
Interest expense	9,611	6,612,056	(420,519)	6,201,148	5,729,233
Depreciation and amortization	-	10,172,061	(453,781)	9,718,280	9,118,866
Bad debt expense	-	117,815	-	117,815	110,369
Realized loss on sale of investments	-	-	-	-	16,541
Loss (gain) on disposal of assets	-	(95,509)	-	(95,509)	587,691
Lease expense	-	25,216	-	25,216	-
Other nonoperating expense	-	61,988	-	61,988	327,107
Total operating expenses	<u>5,101,960</u>	<u>32,716,317</u>	<u>(2,810,181)</u>	<u>35,008,096</u>	<u>32,725,403</u>
Excess (deficiency) of support and revenue over (under) costs and expenses	<u>\$ 1,330,746</u>	<u>\$ (6,169,755)</u>	<u>\$ (1,430,549)</u>	<u>\$ (6,269,558)</u>	<u>\$ (7,218,743)</u>

DHIC, Inc. and Subsidiaries
Schedule of Revenues, Support and Expenses By Fund - DHIC, Inc.
Year Ended December 31, 2022 and Comparative Totals for December 31, 2021

	2022						2021
	Program Services				Administrative Fund	Total	
	Real Estate Development Activities	Asset Management Program	Home-Ownership Program	Support Services Program			
Support and revenue:							
Support:							
City of Raleigh NeighborWorks unrestricted grants	\$ 28,080	\$ 16,200	\$ 132,092	\$ 15,120	\$ 21,600	\$ 213,092	\$ 375,819
ARPA grant	143,520	82,800	251,302	107,280	110,400	695,302	560,381
Bank and foundation grants	610,000	-	-	-	-	610,000	-
PPP loan forgiveness	64,055	22,012	136,687	36,638	29,350	288,742	238,293
Other support and contributions	-	-	2,750	100,529	34,443	137,722	203,124
Wake County	-	-	84,212	-	-	84,212	81,156
Total support	<u>845,655</u>	<u>121,012</u>	<u>607,043</u>	<u>259,567</u>	<u>195,793</u>	<u>2,029,070</u>	<u>1,875,146</u>
Revenue:							
Project development fees	2,683,865	-	-	-	-	2,683,865	1,889,053
Partnership management fees	-	826,541	-	-	-	826,541	1,494,012
Homeownership counseling and referral fees	-	-	22,047	-	-	22,047	34,111
Loan origination fees	-	-	16,800	-	-	16,800	80,021
Other income	14,162	297,865	-	-	109,617	421,644	281,593
Interest income	420,519	-	3,985	-	8,235	432,739	355,760
Total revenue	<u>3,118,546</u>	<u>1,124,406</u>	<u>42,832</u>	<u>-</u>	<u>117,852</u>	<u>4,403,636</u>	<u>4,134,550</u>
Total support and revenue	<u>3,964,201</u>	<u>1,245,418</u>	<u>649,875</u>	<u>259,567</u>	<u>313,645</u>	<u>6,432,706</u>	<u>6,009,696</u>
Operating expenses:							
Salaries and related expenses	1,053,675	454,277	655,033	399,094	723,030	3,285,109	2,723,688
Office supplies and expense	7,655	3,529	13,877	3,830	3,985	32,876	29,593
Equipment and computer	4,433	44,557	10,120	15,591	3,410	78,111	61,966
Rent, utilities and maintenance	13,996	8,056	19,566	7,517	10,739	59,874	91,793
Memberships and publications	645	129	301	-	19,260	20,335	22,101
Professional fees	78,851	47,751	96,664	42,714	61,060	327,040	342,554
Audit and accounting fees	-	-	-	-	65,190	65,190	48,825
Marketing and advertising	4,232	2,597	3,781	5,788	32,967	49,365	39,747
Travel and parking	16,972	10,662	7,400	9,559	15,702	60,295	32,780
Events and promotions	4,911	270	1,303	804	2,916	10,204	4,270
Training and conferences	6,543	4,422	2,974	7,671	10,955	32,565	13,594
Corporate tax, insurance and license fees	22,772	4,227	7,045	3,945	14,294	52,283	35,472
Miscellaneous and bank fees	4,226	-	3,757	1,291	2,877	12,151	15,620
Contribution expense	-	-	-	43,101	1,750	44,851	4,000
Program expense	-	-	27,244	56,215	-	83,459	251,282
Development expense	818,641	-	-	-	-	818,641	625
Loan forgiveness - LIFT	-	-	60,000	-	-	60,000	392,167
Interest expense	9,611	-	-	-	-	9,611	6,767
Depreciation and amortization	-	-	-	-	-	-	232
Total operating expenses	<u>2,047,163</u>	<u>580,477</u>	<u>909,065</u>	<u>597,120</u>	<u>968,135</u>	<u>5,101,960</u>	<u>4,117,076</u>
Excess (deficiency) of support and revenue over (under) costs and expenses	<u>\$ 1,917,038</u>	<u>\$ 664,941</u>	<u>\$ (259,190)</u>	<u>\$ (337,553)</u>	<u>\$ (654,490)</u>	<u>\$ 1,330,746</u>	<u>\$ 1,892,620</u>

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Assets, Liabilities and Equity - Housing Entities
December 31, 2022 with Comparative Totals for 2021

(5 pages)

	2022										
	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	\$ -	\$ 265,786	\$ 2,134	\$ 853,224	\$ 286,916	\$ 155,468	\$ 21,253	\$ 50,973	\$ -	\$ 44,279	\$ 78,536
Cash, subsidiary construction	133,225	-	-	-	-	-	70,437	-	2,240,871	-	-
Investments in debt and equity securities, current	-	-	-	678,493	-	-	-	-	-	-	-
Accounts receivable	-	12,636	2,396	94,742	1,038	3,728	1,050	56,545	-	4,605	24,214
Interest receivable	-	-	-	-	-	-	-	-	-	-	-
Due from affiliates, current portion	-	-	-	-	-	-	-	-	-	-	-
Notes receivable, affiliate	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and deposits	-	2,694	988	15,175	4,407	4,835	-	8,008	-	2,259	3,014
Total current assets	<u>133,225</u>	<u>281,116</u>	<u>5,518</u>	<u>1,641,634</u>	<u>292,361</u>	<u>164,031</u>	<u>92,740</u>	<u>115,526</u>	<u>2,240,871</u>	<u>51,143</u>	<u>105,764</u>
Property and equipment, net of accumulated depreciation of \$87,978,873 in 2022 and \$78,286,085 in 2021	<u>1,023,049</u>	<u>932,519</u>	<u>685,882</u>	<u>18,415,747</u>	<u>3,665,706</u>	<u>8,866,599</u>	<u>11,626,555</u>	<u>4,453,552</u>	<u>7,819,938</u>	<u>2,733,820</u>	<u>5,878,049</u>
Other assets:											
Designated cash - security deposits, reserves and escrows	-	213,505	124,992	96,743	402,480	383,392	500	802,890	-	477,497	300,233
Deposits	-	-	-	-	-	-	-	-	-	-	-
Deferred rent asset	-	-	-	-	-	-	-	-	-	-	-
Operating lease, right-of-use assets, net	-	-	-	1,588,592	-	-	-	-	-	-	-
Finance lease, right-of-use assets, net	-	-	-	-	-	-	-	-	-	-	-
Investments in limited liability companies	-	-	-	-	-	-	-	-	-	-	-
Notes receivable, affiliates	-	-	-	-	-	-	-	-	-	-	-
Investments in debt and equity securities, noncurrent	-	-	-	-	-	-	-	-	-	-	-
Deferred costs, net	-	-	-	252,337	-	119,129	-	-	-	16,613	41,806
	<u>-</u>	<u>213,505</u>	<u>124,992</u>	<u>1,937,672</u>	<u>402,480</u>	<u>502,521</u>	<u>500</u>	<u>802,890</u>	<u>-</u>	<u>494,110</u>	<u>342,039</u>
	<u>\$ 1,156,274</u>	<u>\$ 1,427,140</u>	<u>\$ 816,392</u>	<u>\$ 21,995,053</u>	<u>\$ 4,360,547</u>	<u>\$ 9,533,151</u>	<u>\$ 11,719,795</u>	<u>\$ 5,371,968</u>	<u>\$ 10,060,809</u>	<u>\$ 3,279,073</u>	<u>\$ 6,325,852</u>
LIABILITIES AND EQUITY (DEFICIT)											
Current liabilities:											
Current portion of long-term debt	\$ -	\$ 19,857	\$ -	\$ -	\$ 96,827	\$ 69,115	\$ -	\$ 200,892	\$ -	\$ -	\$ 27,047
Current portion of bonds payable	-	-	-	90,000	-	-	-	-	-	-	-
Current portion of construction loans payable	-	-	-	-	-	-	6,782,308	-	-	-	-
Accounts payable and accrued liabilities	781,349	8,162	137,483	464,908	119,298	49,006	2,042,209	18,123	1,194,386	5,656	3,469
Deferred revenue	-	1,590	244	17,803	3,314	14,450	-	2,429	-	1,784	4,564
Accrued interest payable	-	3,879	-	95,454	11,907	7,505	13,832	38,764	-	529,687	7,502
Total current liabilities	<u>781,349</u>	<u>33,488</u>	<u>137,727</u>	<u>668,165</u>	<u>231,346</u>	<u>140,076</u>	<u>8,838,349</u>	<u>260,208</u>	<u>1,194,386</u>	<u>537,127</u>	<u>42,582</u>
Restricted deposits:											
Tenants' security deposits	-	27,013	8,777	96,743	30,530	43,970	-	65,181	-	18,036	32,305
Long-term liabilities:											
Long-term debt, net of unamortized debt issuance costs, net of current portion	340,000	1,494,442	710,411	7,051,584	3,404,408	5,360,366	2,815,690	5,034,067	5,985,000	2,159,532	3,345,366
Construction loans payable	-	-	-	-	-	-	-	-	100,000	-	-
Bonds payable, net of unamortized debt issuance costs, net of current portion	-	-	-	8,081,188	-	-	-	-	-	-	-
Contract deposit liability	-	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	110,553	-	-	4,051	-	39,072	1,829	-	-
Finance lease liability	-	-	-	-	-	-	-	-	-	-	-
Capital lease note payable	-	-	-	-	-	-	-	-	-	-	-
	<u>340,000</u>	<u>1,494,442</u>	<u>820,964</u>	<u>15,132,772</u>	<u>3,404,408</u>	<u>5,364,417</u>	<u>2,815,690</u>	<u>5,073,139</u>	<u>6,086,829</u>	<u>2,159,532</u>	<u>3,345,366</u>
Equity (deficit)	<u>34,925</u>	<u>(127,803)</u>	<u>(151,076)</u>	<u>6,097,373</u>	<u>694,263</u>	<u>3,984,688</u>	<u>65,756</u>	<u>(26,560)</u>	<u>2,779,594</u>	<u>564,378</u>	<u>2,905,599</u>
	<u>\$ 1,156,274</u>	<u>\$ 1,427,140</u>	<u>\$ 816,392</u>	<u>\$ 21,995,053</u>	<u>\$ 4,360,547</u>	<u>\$ 9,533,151</u>	<u>\$ 11,719,795</u>	<u>\$ 5,371,968</u>	<u>\$ 10,060,809</u>	<u>\$ 3,279,073</u>	<u>\$ 6,325,852</u>

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DHIC, Inc. and Subsidiaries
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(5 pages)

	2022										
	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	\$ 67,835	\$ 77,514	\$ 122,871	\$ 2,610	\$ 119,162	\$ 81,005	\$ 29,522	\$ 85,916	\$ 115,601	\$ -	\$ 46,444
Cash, subsidiary construction	53,611	-	-	-	-	-	-	-	-	5,816	-
Investments in debt and equity securities, current	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	1,153,615	7,696	7,551	-	8,009	1,837	37,928	1,569	26,347	-	15,216
Interest receivable	35,545	-	-	-	-	-	-	-	-	-	-
Due from affiliates, current portion	-	-	6,100	-	-	-	-	-	-	-	-
Notes receivable, affiliate	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and deposits	13,970	2,938	9,213	922	4,012	2,010	3,540	4,223	5,842	-	5,814
Total current assets	<u>1,324,576</u>	<u>88,148</u>	<u>145,735</u>	<u>3,532</u>	<u>131,183</u>	<u>84,852</u>	<u>70,990</u>	<u>91,708</u>	<u>147,790</u>	<u>5,816</u>	<u>67,474</u>
Property and equipment, net of accumulated depreciation of \$87,978,873 in 2022 and \$78,286,085 in 2021	<u>32,766,761</u>	<u>2,572,657</u>	<u>5,956,624</u>	<u>186,952</u>	<u>1,978,883</u>	<u>1,908,979</u>	<u>3,904,557</u>	<u>8,952,529</u>	<u>10,099,882</u>	<u>822,430</u>	<u>5,478,383</u>
Other assets:											
Designated cash - security deposits, reserves and escrows	1,407,582	178,189	521,594	3,733	360,082	207,904	501,599	344,303	462,771	-	578,496
Deposits	-	-	-	-	-	-	-	-	2,750	-	-
Deferred rent asset	-	-	-	-	-	-	-	-	-	-	-
Operating lease, right-of-use assets, net	-	-	-	-	-	-	-	-	-	-	-
Finance lease, right-of-use assets, net	5,730,818	-	-	-	-	-	-	-	-	-	-
Investments in limited liability companies	-	-	-	-	-	-	-	-	-	-	-
Notes receivable, affiliates	-	-	-	-	-	-	-	-	-	-	-
Investments in debt and equity securities, noncurrent	15,398,368	-	-	-	-	-	-	-	-	-	-
Deferred costs, net	461,339	-	-	-	-	-	6,583	96,509	103,439	-	24,344
	<u>22,998,107</u>	<u>178,189</u>	<u>521,594</u>	<u>3,733</u>	<u>360,082</u>	<u>207,904</u>	<u>508,182</u>	<u>440,812</u>	<u>568,960</u>	<u>-</u>	<u>602,840</u>
	<u>\$ 57,089,444</u>	<u>\$ 2,838,994</u>	<u>\$ 6,623,953</u>	<u>\$ 194,217</u>	<u>\$ 2,470,148</u>	<u>\$ 2,201,735</u>	<u>\$ 4,483,729</u>	<u>\$ 9,485,049</u>	<u>\$ 10,816,632</u>	<u>\$ 828,246</u>	<u>\$ 6,148,697</u>
LIABILITIES AND EQUITY (DEFICIT)											
Current liabilities:											
Current portion of long-term debt	\$ 279,428	\$ 30,559	\$ 69,471	\$ -	\$ 1,123,823	\$ 28,026	\$ 20,195	\$ 32,605	\$ 101,178	\$ -	\$ 90,320
Current portion of bonds payable	-	-	-	-	-	-	-	-	-	-	-
Current portion of construction loans payable	-	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued liabilities	921,912	57,289	19,359	13,997	6,136	3,715	15,178	463,726	216,417	828,246	11,370
Deferred revenue	40,978	504	8,821	-	4,277	1,201	460	2,104	5,516	-	8,017
Accrued interest payable	110,388	3,428	11,751	-	929	457	3,830	20,896	7,657	-	16,977
Total current liabilities	<u>1,352,706</u>	<u>91,780</u>	<u>109,402</u>	<u>13,997</u>	<u>1,135,165</u>	<u>33,399</u>	<u>39,663</u>	<u>519,331</u>	<u>330,768</u>	<u>828,246</u>	<u>126,684</u>
Restricted deposits:											
Tenants' security deposits	208,213	22,832	33,611	-	24,742	14,955	31,735	26,881	35,739	-	51,782
Long-term liabilities:											
Long-term debt, net of unamortized debt issuance costs, net of current portion	29,458,222	1,918,920	3,670,745	-	410,000	1,289,904	3,325,345	4,431,615	3,820,620	-	8,179,543
Construction loans payable	-	-	-	-	-	-	-	-	-	-	-
Bonds payable, net of unamortized debt issuance costs, net of current portion	14,908,966	-	-	-	-	-	-	-	-	-	-
Contract deposit liability	-	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	673,045	318,003	418,923	-	257,555	356,172	639,383	16,001	18,674	-	156,618
Finance lease liability	4,516,838	-	-	-	-	-	-	-	-	-	-
Capital lease note payable	-	-	-	-	-	-	-	-	-	-	-
	<u>49,557,071</u>	<u>2,236,923</u>	<u>4,089,668</u>	<u>-</u>	<u>667,555</u>	<u>1,646,076</u>	<u>3,964,728</u>	<u>4,447,616</u>	<u>3,839,294</u>	<u>-</u>	<u>8,336,161</u>
Equity (deficit)	<u>5,971,454</u>	<u>487,459</u>	<u>2,391,272</u>	<u>180,220</u>	<u>642,686</u>	<u>507,305</u>	<u>447,603</u>	<u>4,491,221</u>	<u>6,610,831</u>	<u>-</u>	<u>(2,365,930)</u>
	<u>\$ 57,089,444</u>	<u>\$ 2,838,994</u>	<u>\$ 6,623,953</u>	<u>\$ 194,217</u>	<u>\$ 2,470,148</u>	<u>\$ 2,201,735</u>	<u>\$ 4,483,729</u>	<u>\$ 9,485,049</u>	<u>\$ 10,816,632</u>	<u>\$ 828,246</u>	<u>\$ 6,148,697</u>

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DHIC, Inc. and Subsidiaries
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(5 pages)

	2022										
	Highland Village Housing, LLC	Jeffries Ridge, LLC	Lennox Chase Development, LLC	MacGregor Housing I, LLC	MacGregor Housing Development Corporation	Maplewood Partners, LLC	Meadowcreek Commons, LLC	Milner Senior Housing Partners, LLC	Murphey School, LLC	Pennington Grove, LLC	Pennington Grove II, LLC
ASSETS											
Current assets:											
Cash, subsidiary operations	\$ 139,866	\$ 58,406	\$ 24,576	\$ 118,746	\$ 23,568	\$ 47,028	\$ 51,241	\$ -	\$ 88,952	\$ 381,679	\$ 177,391
Cash, subsidiary construction	-	-	-	-	-	-	-	759,858	-	-	15,083
Investments in debt and equity securities, current	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	12,367	7,475	8,122	5,033	713	154	1,992	-	6,655	422	3,221
Interest receivable	-	-	-	-	-	-	-	-	-	-	-
Due from affiliates, current portion	-	-	-	-	-	-	-	-	-	-	-
Notes receivable, affiliate	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and deposits	3,138	1,641	1,770	2,938	1,959	2,009	3,014	-	3,012	5,685	2,909
Total current assets	155,371	67,522	34,468	126,717	26,240	49,191	56,247	759,858	98,619	387,786	198,604
Property and equipment, net of accumulated depreciation of \$87,978,873 in 2022 and \$78,286,085 in 2021	3,312,319	217,799	1,669,538	1,921,858	1,098,788	2,773,434	4,125,765	4,503,369	827,345	9,684,700	10,211,100
Other assets:											
Designated cash - security deposits, reserves and escrows	388,077	250,625	263,094	381,314	239,598	188,589	330,706	-	391,639	472,366	362,377
Deposits	-	-	-	-	-	-	-	-	-	-	-
Deferred rent asset	-	-	-	-	-	-	-	-	-	-	-
Operating lease, right-of-use assets, net	-	-	-	-	-	-	-	-	-	-	-
Finance lease, right-of-use assets, net	-	-	-	-	-	-	-	-	-	-	-
Investments in limited liability companies	-	-	-	-	-	-	-	-	-	-	-
Notes receivable, affiliates	-	-	-	-	-	-	-	-	-	-	-
Investments in debt and equity securities, noncurrent	-	-	-	-	-	-	-	-	-	-	-
Deferred costs, net	-	-	-	-	-	6,404	17,542	-	-	104,065	136,499
	388,077	250,625	263,094	381,314	239,598	194,993	348,248	-	391,639	576,431	498,876
	<u>\$ 3,855,767</u>	<u>\$ 535,946</u>	<u>\$ 1,967,100</u>	<u>\$ 2,429,889</u>	<u>\$ 1,364,626</u>	<u>\$ 3,017,618</u>	<u>\$ 4,530,260</u>	<u>\$ 5,263,227</u>	<u>\$ 1,317,603</u>	<u>\$ 10,648,917</u>	<u>\$ 10,908,580</u>
LIABILITIES AND EQUITY (DEFICIT)											
Current liabilities:											
Current portion of long-term debt	\$ 52,000	\$ 18,649	\$ 1,180,315	\$ 1,701,757	\$ 1,930,959	\$ 133	\$ 4,960	\$ -	\$ 28,914	\$ 57,727	\$ 37,324
Current portion of bonds payable	-	-	-	-	-	-	-	-	-	-	-
Current portion of construction loans payable	-	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued liabilities	9,928	6,285	19,100	9,672	91,025	11,784	7,848	1,349,126	7,508	12,300	314,719
Deferred revenue	354	1,304	1,103	114	1,179	45	1,787	-	448	10,044	53
Accrued interest payable	4,250	3,372	551,547	-	-	-	3,145	-	40,179	12,369	4,476
Total current liabilities	66,532	29,610	1,752,065	1,711,543	2,023,163	11,962	17,740	1,349,126	77,049	92,440	356,572
Restricted deposits:											
Tenants' security deposits	29,137	17,146	15,143	21,202	14,186	15,189	25,598	-	27,872	53,427	46,078
Long-term liabilities:											
Long-term debt, net of unamortized debt issuance costs, net of current portion	2,111,313	1,384,154	417,747	48,000	136,000	1,450,598	2,061,084	-	2,305,560	3,235,711	4,271,463
Construction loans payable	-	-	-	-	-	-	-	50,001	-	-	-
Bonds payable, net of unamortized debt issuance costs, net of current portion	-	-	-	-	-	-	-	-	-	-	-
Contract deposit liability	-	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	262,841	92,035	-	5,341	-	351,256	-	-	392,310	-	-
Finance lease liability	-	-	-	-	-	-	-	-	-	-	-
Capital lease note payable	-	-	-	-	-	-	-	-	-	-	-
	2,374,154	1,476,189	417,747	53,341	136,000	1,801,854	2,061,084	50,001	2,697,870	3,235,711	4,271,463
Equity (deficit)	1,385,944	(986,999)	(217,855)	643,803	(808,723)	1,188,613	2,425,838	3,864,100	(1,485,188)	7,267,339	6,234,467
	<u>\$ 3,855,767</u>	<u>\$ 535,946</u>	<u>\$ 1,967,100</u>	<u>\$ 2,429,889</u>	<u>\$ 1,364,626</u>	<u>\$ 3,017,618</u>	<u>\$ 4,530,260</u>	<u>\$ 5,263,227</u>	<u>\$ 1,317,603</u>	<u>\$ 10,648,917</u>	<u>\$ 10,908,580</u>

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	2022										
	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	\$ 48,079	-	\$ 76,878	\$ 447,999	\$ 22,994	\$ 13,041	\$ 155,783	\$ 145,338	\$ 102,184	\$ 156,579	\$ 577,507
Cash, subsidiary construction	-	501,436	-	-	-	-	-	-	-	-	-
Investments in debt and equity securities, current	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	10,068	-	7,929	17,003	7,663	17,421	6,015	2,378	3,317	690	124,718
Interest receivable	-	-	-	-	-	-	-	-	-	-	-
Due from affiliates, current portion	-	-	-	-	-	-	-	-	-	-	-
Notes receivable, affiliate	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and deposits	691	-	2,937	16,512	1,469	1,641	4,268	2,937	5,496	5,554	9,914
Total current assets	<u>58,838</u>	<u>501,436</u>	<u>87,744</u>	<u>481,514</u>	<u>32,126</u>	<u>32,103</u>	<u>166,066</u>	<u>150,653</u>	<u>110,997</u>	<u>162,823</u>	<u>712,139</u>
Property and equipment, net of accumulated depreciation of \$87,978,873 in 2022 and \$78,286,085 in 2021	<u>833,775</u>	<u>23,086,682</u>	<u>1,258,970</u>	<u>8,532,740</u>	<u>484,835</u>	<u>575,056</u>	<u>3,438,268</u>	<u>1,083,401</u>	<u>5,666,003</u>	<u>6,608,565</u>	<u>23,157,456</u>
Other assets:											
Designated cash - security deposits, reserves and escrows	79,080	-	384,261	1,136,001	169,535	232,385	524,332	456,365	617,033	697,719	1,147,093
Deposits	-	295,140	-	-	-	-	-	-	-	-	-
Deferred rent asset	-	-	-	-	-	-	-	-	-	-	-
Operating lease, right-of-use assets, net	-	-	-	-	-	-	-	-	-	-	-
Finance lease, right-of-use assets, net	-	-	-	-	-	-	-	-	-	-	-
Investments in limited liability companies	-	-	-	-	-	-	-	-	-	-	-
Notes receivable, affiliates	-	-	-	-	-	-	-	-	-	-	-
Investments in debt and equity securities, noncurrent	-	-	-	-	-	-	-	-	-	-	-
Deferred costs, net	-	-	-	89,159	-	3,702	-	-	2,800	6,117	270,872
	<u>79,080</u>	<u>295,140</u>	<u>384,261</u>	<u>1,225,160</u>	<u>169,535</u>	<u>236,087</u>	<u>524,332</u>	<u>456,365</u>	<u>619,833</u>	<u>703,836</u>	<u>1,417,965</u>
	<u>\$ 971,693</u>	<u>\$ 23,883,258</u>	<u>\$ 1,730,975</u>	<u>\$ 10,239,414</u>	<u>\$ 686,496</u>	<u>\$ 843,246</u>	<u>\$ 4,128,666</u>	<u>\$ 1,690,419</u>	<u>\$ 6,396,833</u>	<u>\$ 7,475,224</u>	<u>\$ 25,287,560</u>
LIABILITIES AND EQUITY (DEFICIT)											
Current liabilities:											
Current portion of long-term debt	\$ 15,046	-	\$ 18,459	\$ 61,874	\$ 20,717	\$ 39,464	\$ 60,550	\$ 31,982	\$ 71,204	\$ 39,068	\$ 129,659
Current portion of bonds payable	-	-	-	-	-	-	-	-	-	-	-
Current portion of construction loans payable	-	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued liabilities	3,439	5,345,309	13,505	49,130	140,519	123,900	10,286	11,223	21,954	19,987	137,064
Deferred revenue	131	-	169	27,478	263	529	3,317	3,266	11,757	1,953	8,391
Accrued interest payable	2,555	97,652	3,097	14,428	-	2,279	5,716	2,554	-	-	182,120
Total current liabilities	<u>21,171</u>	<u>5,442,961</u>	<u>35,230</u>	<u>152,910</u>	<u>161,499</u>	<u>166,172</u>	<u>79,869</u>	<u>49,025</u>	<u>104,915</u>	<u>61,008</u>	<u>457,234</u>
Restricted deposits:											
Tenants' security deposits	6,465	-	26,791	24,423	15,746	8,824	39,980	23,769	53,760	29,561	104,130
Long-term liabilities:											
Long-term debt, net of unamortized debt issuance costs, net of current portion	617,903	4,240,931	1,397,156	4,833,546	1,031,615	1,413,185	1,792,518	915,617	3,893,238	3,944,009	19,990,588
Construction loans payable	-	12,659,352	-	-	-	-	-	-	-	-	-
Bonds payable, net of unamortized debt issuance costs, net of current portion	-	-	-	-	-	-	-	-	-	-	-
Contract deposit liability	-	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	483,633	-	83,734	-	554,674	90,409	231,814	22,004	-
Finance lease liability	-	-	-	-	-	-	-	-	-	-	-
Capital lease note payable	-	-	-	-	-	-	-	-	-	-	-
	<u>617,903</u>	<u>16,900,283</u>	<u>1,880,789</u>	<u>4,833,546</u>	<u>1,115,349</u>	<u>1,413,185</u>	<u>2,347,192</u>	<u>1,006,026</u>	<u>4,125,052</u>	<u>3,966,013</u>	<u>19,990,588</u>
Equity (deficit)	<u>326,154</u>	<u>1,540,014</u>	<u>(211,835)</u>	<u>5,228,535</u>	<u>(606,098)</u>	<u>(744,935)</u>	<u>1,661,625</u>	<u>611,599</u>	<u>2,113,106</u>	<u>3,418,642</u>	<u>4,735,608</u>
	<u>\$ 971,693</u>	<u>\$ 23,883,258</u>	<u>\$ 1,730,975</u>	<u>\$ 10,239,414</u>	<u>\$ 686,496</u>	<u>\$ 843,246</u>	<u>\$ 4,128,666</u>	<u>\$ 1,690,419</u>	<u>\$ 6,396,833</u>	<u>\$ 7,475,224</u>	<u>\$ 25,287,560</u>

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Assets, Liabilities and Equity - Housing Entities
December 31, 2022 with Comparative Totals for 2021

(5 pages)

	2022									
	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	2021
ASSETS										
Current assets:										
Cash, subsidiary operations	\$ 247,288	\$ 346,480	\$ 46,957	\$ 210,371	\$ 113,608	\$ -	\$ 10,000	\$ -	\$ 6,339,588	\$ 7,013,930
Cash, subsidiary construction	-	-	-	-	-	-	-	-	3,780,337	1,282,531
Investments in debt and equity securities, current	-	-	-	-	-	-	-	-	678,493	633,880
Accounts receivable	-	20,108	5,578	46,354	2,026	-	-	-	1,778,144	818,415
Interest receivable	-	-	-	-	-	-	-	-	35,545	-
Due from affiliates, current portion	-	-	-	-	-	-	-	-	6,100	6,100
Notes receivable, affiliate	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and deposits	6,323	5,037	2,937	17,399	4,736	-	-	-	209,790	788,286
Total current assets	253,611	371,625	55,472	274,124	120,370	-	10,000	-	12,827,997	10,543,142
Property and equipment, net of accumulated depreciation of \$87,978,873 in 2022 and \$78,286,085 in 2021	9,217,961	6,812,019	4,379,031	15,282,997	5,958,692	-	-	(42,752)	297,409,767	281,258,934
Other assets:										
Designated cash - security deposits, reserves and escrows	477,243	385,237	383,851	494,629	338,587	-	-	-	18,160,221	31,102,550
Deposits	-	-	-	-	-	-	-	-	297,890	452,890
Deferred rent asset	-	-	-	-	-	-	-	-	-	1,613,808
Operating lease, right-of-use assets, net	-	-	-	-	-	-	-	-	1,588,592	-
Finance lease, right-of-use assets, net	-	-	-	-	-	-	-	-	5,730,818	-
Investments in limited liability companies	-	-	-	-	-	695,509	-	(695,509)	-	-
Notes receivable, affiliates	-	-	-	-	-	-	-	-	-	-
Investments in debt and equity securities, noncurrent	-	-	-	-	-	-	-	-	15,398,368	-
Deferred costs, net	60,198	35,825	60,342	155,311	45,359	-	-	-	2,116,294	2,029,614
	537,441	421,062	444,193	649,940	383,946	695,509	-	(695,509)	43,292,183	35,198,862
	\$ 10,009,013	\$ 7,604,706	\$ 4,878,696	\$ 16,207,061	\$ 6,463,008	\$ 695,509	\$ 10,000	\$ (738,261)	\$ 353,529,947	\$ 327,000,938
LIABILITIES AND EQUITY (DEFICIT)										
Current liabilities:										
Current portion of long-term debt	\$ 74,289	\$ 9,572	\$ 43,453	\$ 44,555	\$ 33,791	\$ -	\$ -	\$ -	\$ 7,895,764	\$ 5,625,550
Current portion of bonds payable	-	-	-	-	-	-	-	-	90,000	80,000
Current portion of construction loans payable	-	-	-	-	-	-	-	-	6,782,308	-
Accounts payable and accrued liabilities	17,534	9,080	130,526	460,970	4,876	-	10,000	-	15,729,991	11,508,000
Deferred revenue	12,840	11,033	1,236	15,886	650	-	-	-	233,386	258,096
Accrued interest payable	9,344	10,492	5,967	248,570	8,957	-	-	-	2,097,912	1,752,255
Total current liabilities	114,007	40,177	181,182	769,981	48,274	-	10,000	-	32,829,361	19,223,901
Restricted deposits:										
Tenants' security deposits	31,947	20,483	20,235	61,048	37,045	-	-	-	1,542,230	1,485,049
Long-term liabilities:										
Long-term debt, net of unamortized debt issuance costs, net of current portion	1,431,199	2,496,424	2,103,894	7,693,087	3,213,238	-	-	-	172,635,558	151,921,435
Construction loans payable	-	-	-	-	-	-	-	-	12,809,353	28,765,171
Bonds payable, net of unamortized debt issuance costs, net of current portion	-	-	-	-	-	-	-	-	22,990,154	23,031,244
Contract deposit liability	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	188,941	-	4,888	-	-	-	5,773,759	5,492,899
Finance lease liability	-	-	-	-	-	-	-	-	4,516,838	-
Capital lease note payable	-	-	-	-	-	-	-	-	-	4,271,601
	1,431,199	2,496,424	2,292,835	7,693,087	3,218,126	-	-	-	218,725,662	213,482,350
Equity (deficit)	8,431,860	5,047,622	2,384,444	7,682,945	3,159,563	695,509	-	(738,261)	100,432,694	92,809,638
	\$ 10,009,013	\$ 7,604,706	\$ 4,878,696	\$ 16,207,061	\$ 6,463,008	\$ 695,509	\$ 10,000	\$ (738,261)	\$ 353,529,947	\$ 327,000,938

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Revenue, Support, and Expenses - Housing Entities
Years Ended December 31, 2022 and 2021

(7 pages)

	2022							
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue:								
Net rental income - apartments	-	395,156	117,650	1,229,334	601,021	556,812	-	1,288,744
Other income	-	12,864	2,869	79,217	26,123	10,614	1,131	18,683
Gain on sale of land	-	-	-	-	-	-	-	-
Interest income	-	733	118	6,473	821	603	-	1,632
Total revenue	-	408,753	120,637	1,315,024	627,965	568,029	1,131	1,309,059
Total support and revenue	-	408,753	120,637	1,315,024	627,965	568,029	1,131	1,309,059
Costs and expenses:								
Salaries and related expenses	-	60,419	30,119	128,892	113,175	93,052	-	185,330
Office supplies and expense	-	10,064	6,007	32,130	16,988	42,293	12,352	20,897
Rent, utilities and maintenance	-	105,389	68,864	241,797	111,833	127,515	150	425,910
Professional fees	-	182	-	488	20	451	6,156	285
Audit and accounting fees	-	3,495	5,360	13,832	10,070	13,482	-	10,424
Marketing and advertising	-	48	-	-	-	88	-	-
Corporate tax, insurance and license fees	-	11,626	4,533	68,568	19,246	31,302	464	34,710
Depreciation and amortization	-	67,868	34,635	640,815	187,161	449,418	-	173,950
Miscellaneous and bank fees	75	-	-	-	-	-	-	-
Partnership management fees	-	82,282	14,102	107,956	35,649	69,423	5,100	131,994
Bad debt expense (recoveries)	-	(3,614)	1	4,873	20,039	(566)	-	2,558
Realized loss on sale of investments	-	-	-	-	-	-	-	-
(Gain) loss on disposal of assets	-	-	-	-	2,791	-	-	9,795
Lease expense	-	-	-	25,216	-	-	-	-
Other nonoperating expense	-	-	-	-	-	-	-	-
Interest expense	-	51,159	4,718	524,732	104,818	112,713	56,210	256,150
Total costs and expenses	75	388,918	168,339	1,789,299	621,790	939,171	80,432	1,252,003
Excess (deficiency) of support and revenue over costs and expenses	\$ (75)	\$ 19,835	\$ (47,702)	\$ (474,275)	\$ 6,175	\$ (371,142)	\$ (79,301)	\$ 57,056

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Revenue, Support, and Expenses - Housing Entities
Years Ended December 31, 2022 and 2021

(7 pages)

	2022							
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue:								
Net rental income - apartments	-	220,880	388,821	2,700,757	356,607	757,954	-	373,669
Other income	-	11,480	7,143	230,159	6,854	10,712	741	13,415
Gain on sale of land	-	-	-	-	-	-	1,614,643	-
Interest income	-	916	529	235,430	427	1,455	29,532	763
Total revenue	-	233,276	396,493	3,166,346	363,888	770,121	1,644,916	387,847
Total support and revenue	-	233,276	396,493	3,166,346	363,888	770,121	1,644,916	387,847
Costs and expenses:								
Salaries and related expenses	-	57,870	61,231	408,270	54,824	148,130	-	37,293
Office supplies and expense	-	17,273	17,429	147,923	20,286	25,535	12,572	9,899
Rent, utilities and maintenance	-	97,655	138,089	807,773	149,482	204,905	233	97,141
Professional fees	-	-	-	35,654	2,835	-	-	-
Audit and accounting fees	-	12,632	13,882	17,124	10,864	12,674	5,748	4,210
Marketing and advertising	-	1,421	88	2,320	354	1,595	-	70
Corporate tax, insurance and license fees	-	9,955	16,854	64,569	25,516	47,468	510	13,221
Depreciation and amortization	-	164,005	193,214	1,053,417	113,676	248,726	-	76,613
Miscellaneous and bank fees	106	-	-	-	-	-	-	-
Partnership management fees	-	20,104	25,712	224,792	25,198	40,604	2,400	82,796
Bad debt expense (recoveries)	-	7,673	2,204	-	917	7,302	-	7,159
Realized loss on sale of investments	-	-	-	-	-	-	-	-
(Gain) loss on disposal of assets	-	2,059	-	(150,048)	-	2,203	-	1,194
Lease expense	-	-	-	-	-	-	-	-
Other nonoperating expense	-	-	-	-	-	-	-	-
Interest expense	-	44,761	76,935	1,815,796	57,810	135,392	135,561	31,585
Total costs and expenses	106	435,408	545,638	4,427,590	461,762	874,534	157,024	361,181
Excess (deficiency) of support and revenue over costs and expenses	\$ (106)	\$ (202,132)	\$ (149,145)	\$ (1,261,244)	\$ (97,874)	\$ (104,413)	\$ 1,487,892	\$ 26,666

See independent auditor's report.

DHIC, Inc. and Subsidiaries
Consolidating and Combining Schedule of Revenue, Support, and Expenses - Housing Entities
Years Ended December 31, 2022 and 2021

(7 pages)

	2022							
	Creston Commons II, LLC	Dacian Glen LLC	Greenfield Senior Housing, LLC	Greenfield Workforce Housing, LLC	Hardee Street Housing, LLC	Highland Terrace, LLC	Highland Village Housing, LLC	Jeffries Ridge, LLC
Support and revenue:								
Support:								
PPP-related forgiveness	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue:								
Net rental income - apartments	231,887	454,447	496,990	652,000	-	597,515	403,342	267,831
Other income	5,945	17,948	9,047	20,353	-	27,428	2,673	7,869
Gain on sale of land	-	-	-	-	-	-	-	-
Interest income	468	717	755	954	-	2,897	285	484
Total revenue	<u>238,300</u>	<u>473,112</u>	<u>506,792</u>	<u>673,307</u>	<u>-</u>	<u>627,840</u>	<u>406,300</u>	<u>276,184</u>
Total support and revenue	<u>238,300</u>	<u>473,112</u>	<u>506,792</u>	<u>673,307</u>	<u>-</u>	<u>627,840</u>	<u>406,300</u>	<u>276,184</u>
Costs and expenses:								
Salaries and related expenses	33,498	62,689	89,913	66,375	-	77,489	38,563	45,297
Office supplies and expense	9,442	20,524	17,390	33,723	-	39,260	40,861	7,832
Rent, utilities and maintenance	80,888	223,111	130,682	136,263	-	207,687	126,030	86,537
Professional fees	1,837	20,284	324	-	-	-	-	(189)
Audit and accounting fees	4,965	16,122	13,882	13,882	-	12,260	14,134	10,374
Marketing and advertising	65	553	-	-	-	1,668	80	-
Corporate tax, insurance and license fees	9,048	15,475	20,238	34,807	-	25,236	13,487	6,874
Depreciation and amortization	85,793	305,485	341,771	442,962	-	242,810	123,606	23,131
Miscellaneous and bank fees	-	-	-	-	-	-	-	-
Partnership management fees	29,112	39,826	77,512	79,978	-	90,480	48,962	31,600
Bad debt expense (recoveries)	679	70	1,395	609	-	45	-	4,412
Realized loss on sale of investments	-	-	-	-	-	-	-	-
(Gain) loss on disposal of assets	-	3,347	-	-	-	22,397	3,473	-
Lease expense	-	-	-	-	-	-	-	-
Other nonoperating expense	-	-	-	-	-	-	-	-
Interest expense	25,607	106,648	153,071	97,754	-	91,189	56,128	47,236
Total costs and expenses	<u>280,934</u>	<u>814,134</u>	<u>846,178</u>	<u>906,353</u>	<u>-</u>	<u>810,521</u>	<u>465,324</u>	<u>263,104</u>
Excess (deficiency) of support and revenue over costs and expenses	<u>\$ (42,634)</u>	<u>\$ (341,022)</u>	<u>\$ (339,386)</u>	<u>\$ (233,046)</u>	<u>\$ -</u>	<u>\$ (182,681)</u>	<u>\$ (59,024)</u>	<u>\$ 13,080</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, 2022 and 2021

(7 pages)

	2022							
	Lennox Chase Development, LLC	MacGregor Housing I, LLC	MacGregor Housing Development Corporation	Maplewood Partners, LLC	Meadowcreek Commons, LLC	Milner Senior Housing Partners, LLC	Murphey School, LLC	Pennington Grove, LLC
Support and revenue:								
Support:								
PPP-related forgiveness	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue:								
Net rental income - apartments	198,094	298,524	192,528	211,246	315,314	-	519,089	632,012
Other income	9,138	4,868	7,156	3,507	9,497	-	4,251	3,249
Gain on sale of land	-	-	-	-	-	-	-	-
Interest income	509	765	1,209	403	201	-	142	1,414
Total revenue	<u>207,741</u>	<u>304,157</u>	<u>200,893</u>	<u>215,156</u>	<u>325,012</u>	<u>-</u>	<u>523,482</u>	<u>636,675</u>
Total support and revenue	<u>207,741</u>	<u>304,157</u>	<u>200,893</u>	<u>215,156</u>	<u>325,012</u>	<u>-</u>	<u>523,482</u>	<u>636,675</u>
Costs and expenses:								
Salaries and related expenses	60,804	82,329	61,460	44,544	51,198	-	34,688	92,510
Office supplies and expense	16,630	10,627	6,689	18,393	30,974	-	40,170	42,295
Rent, utilities and maintenance	144,216	78,585	59,376	70,289	122,633	-	163,237	141,680
Professional fees	378	202	-	-	-	-	202	-
Audit and accounting fees	5,360	9,504	10,054	13,602	12,751	-	10,764	13,882
Marketing and advertising	-	2,198	16	30	60	-	56	88
Corporate tax, insurance and license fees	8,113	12,849	9,371	9,342	13,389	-	16,661	25,309
Depreciation and amortization	66,420	77,487	50,964	106,841	147,991	-	65,575	317,574
Miscellaneous and bank fees	-	-	-	-	-	-	-	-
Partnership management fees	15,330	36,902	19,313	34,707	38,042	-	85,681	96,066
Bad debt expense (recoveries)	566	-	427	674	1,521	-	1,143	39
Realized loss on sale of investments	-	-	-	-	-	-	-	-
(Gain) loss on disposal of assets	19,066	-	19,211	5,780	5,883	-	10,787	-
Lease expense	-	-	-	-	-	-	-	-
Other nonoperating expense	-	-	-	-	-	-	-	-
Interest expense	28,660	8,427	4,271	27,104	39,792	-	101,855	119,962
Total costs and expenses	<u>365,543</u>	<u>319,110</u>	<u>241,152</u>	<u>331,306</u>	<u>464,234</u>	<u>-</u>	<u>530,819</u>	<u>849,405</u>
Excess (deficiency) of support and revenue over costs and expenses	<u>\$ (157,802)</u>	<u>\$ (14,953)</u>	<u>\$ (40,259)</u>	<u>\$ (116,150)</u>	<u>\$ (139,222)</u>	<u>\$ -</u>	<u>\$ (7,337)</u>	<u>\$ (212,730)</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, 2022 and 2021

(7 pages)

	2022							
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue:								
Net rental income - apartments	525,381	124,597	-	404,964	1,238,845	188,907	290,469	516,943
Other income	21,574	562	-	8,661	4,167	4,275	5,269	3,826
Gain on sale of land	-	-	-	-	-	-	-	-
Interest income	415	136	530	244	6,540	-	407	290
Total revenue	<u>547,370</u>	<u>125,295</u>	<u>530</u>	<u>413,869</u>	<u>1,249,552</u>	<u>193,182</u>	<u>296,145</u>	<u>521,059</u>
Total support and revenue	<u>547,370</u>	<u>125,295</u>	<u>530</u>	<u>413,869</u>	<u>1,249,552</u>	<u>193,182</u>	<u>296,145</u>	<u>521,059</u>
Costs and expenses:								
Salaries and related expenses	71,800	1,789	-	55,600	174,005	40,842	43,017	73,303
Office supplies and expense	37,279	6,413	1,298	11,759	70,337	21,046	13,156	33,596
Rent, utilities and maintenance	114,780	34,384	-	147,171	233,670	52,628	137,588	162,834
Professional fees	-	-	-	202	-	-	2,765	-
Audit and accounting fees	14,002	5,095	-	10,434	-	-	3,495	12,984
Marketing and advertising	-	-	-	-	875	229	80	2,232
Corporate tax, insurance and license fees	16,054	3,235	-	12,552	37,717	5,987	7,177	18,500
Depreciation and amortization	438,137	58,063	-	79,889	290,984	52,248	71,346	149,494
Miscellaneous and bank fees	-	-	-	-	-	-	-	-
Partnership management fees	39,362	10,970	-	84,486	350,772	19,584	21,033	39,504
Bad debt expense (recoveries)	-	-	-	7,993	3,258	110	-	-
Realized loss on sale of investments	-	-	-	-	-	-	-	-
(Gain) loss on disposal of assets	-	-	-	(71,076)	-	-	-	2,058
Lease expense	-	-	-	-	-	-	-	-
Other nonoperating expense	-	-	-	-	-	-	-	-
Interest expense	231,161	36,944	-	53,037	193,028	15,700	31,680	98,009
Total costs and expenses	<u>962,575</u>	<u>156,893</u>	<u>1,298</u>	<u>392,047</u>	<u>1,354,646</u>	<u>208,374</u>	<u>331,337</u>	<u>592,514</u>
Excess (deficiency) of support and revenue over costs and expenses	<u>\$ (415,205)</u>	<u>\$ (31,598)</u>	<u>\$ (768)</u>	<u>\$ 21,822</u>	<u>\$ (105,094)</u>	<u>\$ (15,192)</u>	<u>\$ (35,192)</u>	<u>\$ (71,455)</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, 2022 and 2021

(7 pages)

	2022							
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue:								
Net rental income - apartments	411,284	669,902	713,913	1,541,781	670,741	482,076	384,660	783,387
Other income	1,406	6,563	5,213	124,670	9,876	4,275	6,401	39,773
Gain on sale of land	-	-	-	-	-	-	-	-
Interest income	948	1,115	981	1,200	1,288	1,297	648	729
Total revenue	<u>413,638</u>	<u>677,580</u>	<u>720,107</u>	<u>1,667,651</u>	<u>681,905</u>	<u>487,648</u>	<u>391,709</u>	<u>823,889</u>
Total support and revenue	<u>413,638</u>	<u>677,580</u>	<u>720,107</u>	<u>1,667,651</u>	<u>681,905</u>	<u>487,648</u>	<u>391,709</u>	<u>823,889</u>
Costs and expenses:								
Salaries and related expenses	73,431	93,545	110,143	308,725	117,435	114,628	98,638	136,874
Office supplies and expense	11,643	34,101	55,022	31,408	29,026	31,350	23,419	82,611
Rent, utilities and maintenance	102,194	210,880	196,288	296,727	208,860	115,070	83,552	128,922
Professional fees	328	2,307	-	-	-	-	1,081	1,376
Audit and accounting fees	11,809	15,232	15,242	13,992	15,832	-	14,362	14,732
Marketing and advertising	168	2,179	40	-	-	116	-	46
Corporate tax, insurance and license fees	12,598	23,225	23,800	42,032	27,584	22,028	12,661	63,392
Depreciation and amortization	70,264	263,671	274,845	1,045,884	274,151	256,564	139,934	719,623
Miscellaneous and bank fees	-	-	-	-	-	-	-	-
Partnership management fees	79,457	52,228	55,732	80,594	45,540	62,814	30,015	46,500
Bad debt expense (recoveries)	(237)	(744)	-	41,454	-	851	2,407	2,597
Realized loss on sale of investments	-	-	-	-	-	-	-	-
(Gain) loss on disposal of assets	2,435	-	1,600	-	9,026	2,510	-	-
Lease expense	-	-	-	-	-	-	-	-
Other nonoperating expense	-	-	-	61,988	-	-	-	-
Interest expense	40,758	161,846	134,904	682,890	31,916	64,657	114,854	325,522
Total costs and expenses	<u>404,848</u>	<u>858,470</u>	<u>867,616</u>	<u>2,605,694</u>	<u>759,370</u>	<u>670,588</u>	<u>520,923</u>	<u>1,522,195</u>
Excess (deficiency) of support and revenue over costs and expenses	<u>\$ 8,790</u>	<u>\$ (180,890)</u>	<u>\$ (147,509)</u>	<u>\$ (938,043)</u>	<u>\$ (77,465)</u>	<u>\$ (182,940)</u>	<u>\$ (129,214)</u>	<u>\$ (698,306)</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, 2022 and 2021

(7 pages)

	2022				Total	2021
	Willow Creek Seniors, LLC	Community Revitalization and Preservation Corporation	BFAH	Eliminations		
Support and revenue:						
Support:						
PPP-related forgiveness	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 320,258
Revenue:						
Net rental income - apartments	432,405	-	-	-	23,838,479	21,960,578
Other income	3,420	-	-	-	814,865	944,789
Gain on sale of land	-	-	-	-	1,614,643	-
Interest income	704	-	-	(29,532)	278,575	172,246
Total revenue	<u>436,529</u>	<u>-</u>	<u>-</u>	<u>(29,532)</u>	<u>26,546,562</u>	<u>23,077,613</u>
Total support and revenue	<u>436,529</u>	<u>-</u>	<u>-</u>	<u>(29,532)</u>	<u>26,546,562</u>	<u>23,397,871</u>
Costs and expenses:						
Salaries and related expenses	46,077	-	-	-	3,779,814	3,446,668
Office supplies and expense	32,492	-	-	-	1,252,414	1,459,443
Rent, utilities and maintenance	110,794	-	-	-	6,684,292	6,003,867
Professional fees	-	-	-	-	77,168	86,900
Audit and accounting fees	13,882	-	-	-	456,426	299,838
Marketing and advertising	63	-	-	-	16,826	16,391
Corporate tax, insurance and license fees	21,940	-	-	-	919,223	870,261
Depreciation and amortization	185,056	-	-	-	10,172,061	9,504,613
Miscellaneous and bank fees	-	-	-	-	181	366
Partnership management fees	26,132	-	-	-	2,636,346	2,858,646
Bad debt expense (recoveries)	-	-	-	-	117,815	110,369
Realized loss on sale of investments	-	-	-	-	-	16,541
(Gain) loss on disposal of assets	-	-	-	-	(95,509)	587,691
Lease expense	-	-	-	-	25,216	-
Other nonoperating expense	-	-	-	-	61,988	327,107
Interest expense	79,106	-	-	-	6,612,056	6,073,965
Total costs and expenses	<u>515,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,716,317</u>	<u>31,662,666</u>
Excess (deficiency) of support and revenue over costs and expenses	<u>\$ (79,013)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,532)</u>	<u>\$ (6,169,755)</u>	<u>\$ (8,264,795)</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, 2022

(2 pages)

<u>Schedule of Financial Position - December 31, 2022</u>	<u>Capital Fund</u>	<u>CFRAH Fund (Capital Funding for the Rehabilitation of Affordable Housing)</u>
Assets:		
Cash	\$ 1,693,213	\$ -
Notes receivable - affiliates	7,067,306	-
Notes receivable - second mortgages	25,179	-
Assets released from restriction	<u>(8,785,698)</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>
Net assets	<u>\$ -</u>	<u>\$ -</u>

<u>Statement of Activities - for the Year Ended December 31, 2022</u>	<u>Capital Fund</u>	<u>CFRAH Fund</u>
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, 2021

(2 pages)

<u>Schedule of Financial Position - December 31, 2021</u>	<u>Capital Fund</u>	<u>CFRAH Fund (Capital Funding for the Rehabilitation of Affordable Housing)</u>
Assets:		
Cash	\$ 1,496,368	\$ -
Notes receivable - affiliates	7,257,705	-
Notes receivable - second mortgages	31,625	-
Assets released from restriction	(8,785,698)	-
	<u>\$ -</u>	<u>\$ -</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ -</u>	<u>\$ -</u>
Net assets	<u>\$ -</u>	<u>\$ -</u>

Statement of Activities - for the Year Ended
 December 31, 2021

	<u>Capital Fund</u>	<u>CFRAH Fund</u>
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 Expenditures of Federal Awards
Year Ended December 31, 2022

(2 pages)

<u>Federal Grantor/Pass-through Grantor/Program Title or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Treasury:			
Direct Programs:			
Neighborhood Reinvestment Corporation - Expendable Grants	P.L. 117-103	N/A	295,302
Neighborhood Reinvestment Corporation - Capital Grants	P.L. 117-103	N/A	<u>3,059,900</u>
Total Neighborhood Reinvestment Corporation			<u>3,355,202</u>
Pass-through Programs:			
City of Raleigh, North Carolina:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	73704	<u>610,000</u>
Total U.S. Department of Treasury:			<u>3,965,202</u>
U.S. Department of Housing and Urban Development:			
Pass-through Programs:			
CDBG - Entitlement Grants Cluster			
City of Raleigh, North Carolina:			
Community Development Block Grants/Entitlement Grants	14.218		26,042
Wake County, North Carolina			
Community Development Block Grants/Entitlement Grants	14.218		<u>84,212</u>
Total CDBG - Entitlement Grants Cluster			<u>110,254</u>
Total U.S. Department of Housing and Urban Development:			<u>110,254</u>
Total Expenditures of Federal Awards			<u>\$ 4,075,456</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of DHIC, Inc. and Subsidiaries under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of DHIC, Inc. and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets or cash flows of DHIC, Inc. and Subsidiaries.

The 2022 Schedule of Expenditures of Federal Awards does not include direct and indirect federal awards funded directly to DHIC, Inc.'s consolidated for-profit subsidiaries.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

DHIC, Inc. and Subsidiaries has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of DHIC, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022, and the related consolidated statements of activities, functional activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated *.*.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered DHIC, Inc. and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of DHIC, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of DHIC, Inc. and Subsidiaries' internal control.

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

High Point, NC

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Preliminary Draft

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited DHIC, Inc. and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of DHIC, Inc. and Subsidiaries' major federal programs for the year ended December 31, 2022. DHIC, Inc. and Subsidiaries' major federal programs and the related direct and material compliance requirements are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, DHIC, Inc. and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* 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 relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of DHIC, Inc. and Subsidiaries' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal controls over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts of grant agreements applicable to each major federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on DHIC, Inc. and Subsidiaries' compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about DHIC, Inc. and Subsidiaries' compliance with the requirements of the federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 DHIC, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of DHIC, Inc. and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of DHIC, Inc. and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

High Point, NC

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Preliminary Draft

Schedule of Findings and Questioned Costs

1. Summary of Auditor's Results

- a) An unmodified opinion was issued on whether the consolidated financial statements were prepared in accordance to GAAP.
- b) There were no significant deficiencies or material weaknesses in internal control over financial reporting disclosed by the audit of the financial statements.
- c) The audit did not disclose any instances of noncompliance material to the financial statements.
- d) There were no significant deficiencies or material weaknesses in internal control over compliance with major federal programs disclosed by the audit.
- e) An unmodified opinion was issued on compliance for the major programs.
- f) The audit disclosed no compliance findings required to be reported in accordance with 2 CFR 200.516(a).
- g) The major programs were:
 - U.S. Department of Treasury – Neighborhood Reinvestment Corporation Grants Program (Assistance Listing Number PL 117-103)
 - U.S. Department of Treasury – Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing Number 21.027DHIC)
- h) The dollar threshold used to distinguish between Type A and Type B programs is \$750,000.
- i) The auditee did not qualify as a low-risk auditee.

2. Financial Statement Findings

There were no findings related to the consolidated financial statements required to be reported in accordance with *Government Auditing Standards* for the year ended December 31, 2022.

3. Federal Award Findings and Questioned Costs

There were no findings related to federal awards required to be reported in accordance with 2 CFR 200.516(a) for the year ended December 31, 2022.