



Better Housing Coalition Inc. and Subsidiaries

Consolidated Financial Statements Year Ended December 31, 2021 with Comparative Totals for 2020

Better Housing Coalition Inc. and Subsidiaries

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Independent Auditor's Report

The Board of Directors
Better Housing Coalition Inc. and Subsidiaries
Richmond, Virginia

Opinion

We have audited the accompanying consolidated financial statements of Better Housing Coalition Inc. and Subsidiaries (a Virginia non-profit corporation) (the Company) which comprise the consolidated statements of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, changes in net assets, 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 Better Housing Coalition, Inc. and Subsidiaries as of December 31, 2021, and the results of its operations and its 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 and affiliates which statements reflect total assets of \$29,324,181, as of December 31, 2021 and total support and revenues of \$3,127,592 for the year then ended. Those 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 these entities, is based solely on the reports of the other auditors.

Basis for Opinion

We conducted our audits 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 the Company 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 the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

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 the Company's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Better Housing Coalition's 2020 consolidated financial statements. We did not audit the financial statements of certain subsidiaries and affiliates, which reflect total assets of \$29,858,664 as of December 31, 2020 and total support and revenues of \$3,212,098 for the year then ended. Those 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 22, 2021, expressed an unmodified opinion on those audited consolidated financial statements based on our audit and the reports of other auditors. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, which insofar as it relates to the subsidiaries and affiliates referenced in the third paragraph of this report is based on the reports of other auditors is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

Richmond, Virginia
May 16, 2022

Better Housing Coalition Inc. and Subsidiaries

Consolidated Statement of Financial Position

<i>December 31,</i>	2021	(Comparative Totals) 2020
ASSETS		
Property and equipment:		
Buildings and improvements	\$ 137,164,304	\$ 136,586,504
Land	11,576,391	11,576,391
Furniture, fixtures and equipment	1,695,812	1,565,401
Vehicles	101,504	87,974
Construction in progress	9,947,286	3,590,626
Accumulated depreciation	(51,920,974)	(47,579,162)
Property and equipment, net	108,564,323	105,827,734
Current assets:		
Cash	8,592,478	9,291,598
Cash, restricted	2,651,752	1,171,890
Cash, donor restricted	4,873,513	3,003,034
Short-term investments, donor restricted	365,504	355,956
Short-term investments	206,227	92,666
Restricted deposits	6,673,509	6,052,121
Tenant security deposits held in trust	691,434	625,929
Tenant receivables, net	641,187	327,241
HUD accounts receivable	-	777
Accounts receivable	31,269	99,568
Prepaid assets	264,430	254,299
Total current assets	24,991,303	21,275,079
Other assets:		
Deposits, other	4,783	4,783
Intangible assets, net	99,649	128,593
Total other assets	104,432	133,376
Total assets	\$ 133,660,058	\$ 127,236,189

See accompanying notes to consolidated financial statements.

Better Housing Coalition Inc. and Subsidiaries

Consolidated Statement of Financial Position

<i>December 31,</i>	2021	(Comparative Totals) 2020
LIABILITIES AND NET ASSETS		
Long-term liabilities:		
Mortgage and notes payable, net	\$ 43,250,176	\$ 38,488,506
Deferred revenue, net of current portion	2,759,574	3,009,382
Deferred payment note	1,900,000	1,900,000
Total long-term liabilities	47,909,750	43,397,888
Current liabilities:		
Current maturities of mortgages and notes payable	965,354	1,036,399
Current maturities of deferred revenue	198,989	198,989
Current maturities of lines of credit for construction	3,226,333	5,538,714
Accounts payable	256,753	147,495
Tenant security deposits	665,103	601,292
Miscellaneous current liabilities	835,222	201,393
Total current liabilities	6,147,754	7,724,282
Total liabilities	54,057,504	51,122,170
Net assets:		
Without restrictions:		
Controlling interests	33,304,802	22,935,775
Noncontrolling interests	34,219,561	42,748,562
	67,524,363	65,684,337
With restrictions	12,078,191	10,429,682
Total net assets	79,602,554	76,114,019
Total liabilities and net assets	\$ 133,660,058	\$ 127,236,189

See accompanying notes to consolidated financial statements.

Better Housing Coalition Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended December 31,	2021			(Comparative Totals) 2020
	Without restrictions	With restrictions	Total	Total
Revenues and other support:				
Contributions and philanthropic support	\$ 780,718	\$ 5,071,161	\$ 5,851,879	\$ 4,129,568
Grants and awards	666,226	151,350	817,576	639,344
Other revenue	257,496	-	257,496	1,200,766
Earned fees	646,717	-	646,717	860,148
Interest and investment income	48,431	-	48,431	47,438
Revenue and other support	2,399,588	5,222,511	7,622,099	6,877,264
Revenue (expense), property sales:				
Property sales	1,600,990	-	1,600,990	1,080,800
Subsidies, government	38,671	-	38,671	278,701
Cost of property sales	(1,479,453)	-	(1,479,453)	(1,860,078)
Homebuyer assistance	(4,200)	-	(4,200)	(17,800)
Net revenue (expense) from property sales	156,008	-	156,008	(518,377)
Revenue, rental properties:				
Rental revenue	13,071,725	-	13,071,725	12,979,237
Other tenant revenue	187,123	-	187,123	255,905
Laundry and vending	60,349	-	60,349	65,930
Revenue from rental properties	13,319,197	-	13,319,197	13,301,072
Net assets released from restrictions	3,574,002	(3,574,002)	-	-
Total sales, revenues and other support	19,448,795	1,648,509	21,097,304	19,659,959
Operating expenses:				
Property development activities	12,668,432	-	12,668,432	11,065,907
Community social work	1,006,489	-	1,006,489	1,108,712
Fund development	832,159	-	832,159	797,255
Management and general	412,412	-	412,412	420,871
Management and general	280,926	-	280,926	500,996
Total operating expenses	15,200,418	-	15,200,418	13,893,741
Change in net assets before depreciation and amortization	4,248,377	1,648,509	5,896,886	5,766,218
Depreciation	4,341,813	-	4,341,813	4,091,864
Amortization	80,273	-	80,273	42,755
Change in net assets	\$ (173,709)	\$ 1,648,509	\$ 1,474,800	\$ 1,631,599
Less: Decrease in net assets attributable to non controlling interests	(2,300,282)	-	(2,300,282)	(882,419)
Increase in net assets attributable to Better Housing Coalition	\$ 2,126,573	\$ 1,648,509	\$ 3,775,082	\$ 2,514,018

See accompanying notes to consolidated financial statements.

Better Housing Coalition Inc. and Subsidiaries

Consolidated Schedule of Functional Expenses

Year Ended December 31,	2021						(Comparative Totals) 2020
	Program						
	Rental Properties	Property Development	Community Social Work	Management and General	Fund Development	Total	Total
Personnel and benefits	\$ 2,919,141	\$ 502,418	\$ 805,683	\$ 43,080	\$ 316,057	\$ 4,586,379	\$ 4,515,481
Professional and consulting	670,521	115,952	33,381	108,607	35,429	963,890	405,341
Travel and training	57,537	8,965	2,940	5,785	3,571	78,798	57,857
Advertising and marketing	107,195	30,275	(404)	(5,301)	26,237	158,002	111,273
Interest and financial services	1,917,265	63,207	264	1,806	4,794	1,987,336	1,778,031
Taxes and insurance	1,529,482	33,479	785	5,366	654	1,569,766	1,410,421
Dues, memberships and subscriptions	16,839	9,821	749	3,307	2,714	33,430	54,639
Equipment	164,038	11,843	3,968	12,012	3,444	195,305	151,737
Office	237,298	8,779	13,108	987	5,546	265,718	340,949
Occupancy	36,711	42,548	9,819	67,095	8,182	164,355	144,580
Utilities	1,283,287	7,083	420	2,872	350	1,294,012	1,127,287
Resident services	40,254	17,966	(50,391)	28,331	3,455	39,615	20,327
Board and committee	2,648	2,229	514	3,515	777	9,683	12,295
Property operations	1,990,512	150,411	1,208	3,127	381	2,145,639	1,752,100
Property maintenance and repairs	1,444,571	-	-	-	-	1,444,571	1,729,487
Miscellaneous	103,230	-	-	-	-	103,230	107,312
Telephone and communications	147,903	1,513	10,115	337	821	160,689	174,624
Expenses before depreciation and amortization	12,668,432	1,006,489	832,159	280,926	412,412	15,200,418	13,893,741
Depreciation	4,315,292	23,596	338	2,306	281	4,341,813	4,091,864
Amortization	80,273	-	-	-	-	80,273	42,755
Total depreciation and amortization	4,395,565	23,596	338	2,306	281	4,422,086	4,134,619
Total expenses	\$ 17,063,997	\$ 1,030,085	\$ 832,497	\$ 283,232	\$ 412,693	\$ 19,622,504	\$ 18,028,360

See accompanying notes to consolidated financial statements.

Better Housing Coalition Inc. and Subsidiaries

Consolidated Statement of Changes in Net Assets

<i>Year Ended December 31,</i>	2021			(Comparative Totals) 2020
	Without restrictions	With restrictions	Total	Total
Net assets, beginning of year	\$ 65,684,337	\$ 10,429,682	\$ 76,114,019	\$ 70,153,511
Capital contributions	2,013,735	-	2,013,735	4,328,909
Changes in net assets	(173,709)	1,648,509	1,474,800	1,631,599
Net assets, end of year	\$ 67,524,363	\$ 12,078,191	\$ 79,602,554	\$ 76,114,019

See accompanying notes to consolidated financial statements.

Better Housing Coalition Inc. and Subsidiaries

Consolidated Statement of Cash Flows

Year Ended December 31,	(Comparative Totals)	
	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,474,800	\$ 1,631,599
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,422,086	4,107,544
Interest, debt issuance costs	33,082	27,075
Forgiveness of debt	-	(30,000)
Disposal of intangible	(51,329)	-
Amortization of deferred revenue	(249,808)	(300,051)
Change in assets and liabilities:		
Tenant receivables	(313,946)	42,477
Accounts receivable	68,298	(64,174)
HUD receivables	777	(777)
Prepaid expenses	(10,130)	2,498
Tenant security deposit liability	63,811	46,765
Accounts payable and miscellaneous current liabilities	109,258	(562,472)
Other accruals	633,829	123,618
Net cash provided by operating activities	6,180,728	5,024,102
Cash flows from investing activities:		
Purchase of property and equipment	(7,078,402)	(7,862,381)
Net change in short-term investments/notes receivable	(113,561)	(26,377)
Payments of loan costs and tax credit fees	(80,573)	(165,990)
Net cash used in investing activities	(7,272,536)	(8,054,748)
Cash flows from financing activities:		
Proceeds on lines of credit for construction	3,193,000	4,685,993
Payment on lines of credit for construction	(5,538,714)	(1,356,663)
Proceeds on mortgages and notes payable	9,268,333	1,584,163
Payments on mortgages and notes payable	(4,496,391)	(1,139,722)
Payments on note payable, related party	(493)	(493)
Capital contributions	2,013,735	4,328,909
Net cash provided by financing activities	4,439,470	8,102,187
Net increase in cash	3,347,662	5,071,541
Cash, cash equivalents and restricted cash, beginning of year	20,500,528	15,428,987
Cash, cash equivalents and restricted cash, end of year	\$ 23,848,190	\$ 20,500,528
Reconciliation of cash, cash equivalents and restricted cash balances:		
Cash	\$ 8,592,478	\$ 9,291,598
Cash, restricted	2,651,752	1,171,890
Cash, donor restricted	4,873,513	3,003,034
Short-term investments, donor restricted	365,504	355,956
Restricted deposits	6,673,509	6,052,121
Tenant security deposits held in trust	691,434	625,929
Total cash, cash equivalents and restricted cash	\$ 23,848,190	\$ 20,500,528
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 1,908,722	\$ 1,631,213
Supplement disclosure of non-cash financing activities:		
Conversion of lines of credit to notes payable	\$ -	\$ 11,860,524
PPP loan forgiveness	\$ -	\$ 861,500

See accompanying notes to consolidated financial statements.

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1. Organization and Nature of Business

Better Housing Coalition (the “Coalition”) is a not-for-profit corporation whose mission is to develop affordable housing communities in the Richmond, Virginia, metropolitan area. It serves as a sponsor/developer of both single family and multifamily dwellings in the Richmond metropolitan area. In addition, it provides community social work services to several multifamily housing communities. The Coalition derives its revenues from individual and corporate contributions, grants, fees from real estate development and management activities and rental income including property sales.

2. Summary of Significant Accounting Policies

Basis of accounting

The consolidated financial statements of the Coalition have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America; revenue and gains are recognized when earned, and expenses and losses are recognized when incurred.

Consolidated financial statements

The consolidated financial statements include the accounts of the Coalition, Richmond Affordable Housing Inc., a developer of affordable single-family dwellings, BHC Management Company, organized to operate and maintain the rental properties outlined below, and all of the rental property entities listed below. The Coalition has common control since it has economic interest, as well as the majority voting power on the board of these entities. The consolidated financial statements include the accounts of limited partnership or limited liability companies in which the Coalition or one of its wholly-owned subsidiaries is the general partner or managing member but does not hold a majority financial interest. All material inter-company accounts and transactions have been eliminated in consolidation.

Legal Entity	Known As
Senior housing communities:	
Affordable Residences in Chesterfield, Inc. 1617-1621 Grove Avenue LP*	Rockwood Village Columns on Grove
Market Square Elderly Housing LP*	Market Square
Market Square Elderly Housing LP Phase II*	Market Square II
Market Square Elderly Housing LP Phase III	Market Square Phase III
Market Square V, LLC	Market Square V
Market Square IV LLC	Market Square IV
Nine Mile Road LLC*	Carter Woods Senior Apts
Nine Mile Road II LLC*	Carter Woods Senior Apts Phase II
Richmond Urban Senior Housing, Inc.	Monarch Woods
300 Randolph Street LLC	Randolph Place
1208 North 28th St. LLC	Beckstoffer Seniors
Claiborne Square LLC	Claiborne Square

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Legal Entity	Known As
Multifamily housing communities:	
Affordable Residences in Chesterfield II, Inc.	Winchester Greens
4101 North Avenue LLC	Lincoln Mews
4101 North Avenue II LLC	Lincoln Mews II
North Oak LLC	North Oak
Beckstoffer Lofts LLC*	Beckstoffer Lofts
Richmond Scattered Sites East LLC	Jefferson Mews
Richmond Scattered Sites West LLC	CaryWest
2230 Venable Street, LLC	Goodwyn at Union Hill
Cameo Street LLC	Cameo Street
Commercial properties:	
Winchester Commons LLC*	Winchester Commons I
Winchester Commons II LLC*	Winchester Commons II

*These entities are consolidated in the financials of Richmond Affordable Housing, Inc.

Basis of presentation

In accordance with ASU 2016-14, the Coalition is required to report information regarding its financial position and activities according to two classes of net assets: with restrictions and without restrictions. The consolidated financial statements report amounts separately by class of net assets as follows:

Net assets without restrictions: Net assets that are not subject to donor-imposed stipulations, representing investment of property and equipment and the portion of expendable resources that are available without limitation for support of operations. In addition, they represent resources over which the Board of Directors have discretionary control and are used to carry out operations. If the Board specifies a purpose where none has been stated by the original donor or other providers of funding, such funds are classified as Board designated funds.

Net assets with restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Board and/or passage of time. Net assets with donor restrictions represent resources currently available for use, but expendable only for those operating purposes specified by the donor or other providers of funding.

Recently issued accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). Under ASU 2016-02, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. Upon issuance of ASU 2020-05, the adoption was deferred until annual periods, beginning after December 15, 2021. Management continues to evaluate the potential impact of this ASU on the Coalition's consolidated financial statements.

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Public support and revenue recognition

Public support and revenue are reported as increases in net assets without restrictions unless use of the related assets is limited by donor-imposed restrictions. If the restrictions expire in the year in which the revenues are recognized, then the revenues are reported as increases in net assets without restrictions. Expenses are reported as decreases in net assets without restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or law. Expiration of temporary 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 restrictions.

The Coalition recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. As of December 31, 2021 and 2020, \$5,851,879 and \$4,129,568, respectively, of contributions were received.

Contributions to be received after one year are discounted at an appropriate rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is provided, when necessary, based upon management's judgment considering factors such as prior collection history, type of contribution and nature of fundraising activity. As of December 31, 2021 and 2020 there were no allowance for uncollectible pledge receivable.

Contributions received with donor-imposed restrictions are reported as revenues of the net asset with restrictions unless the restriction expires in the same year in which the revenues are recognized, in which case the revenues are reported as increases in net assets without restrictions. Contributions of land, building and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenues of net assets without restrictions.

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 completed.

The Coalition recognizes revenue from property sales when the property is sold. Costs incurred in connection with property sales are charged to expense upon closing and as such the Coalition satisfies its performance obligation upon closing of the sale of the property. The price is based on the sales contract with an affordable buyer at 80% area medium income who have gone through extensive home ownership classes and assessment of ability to be a successful homeowner. There are no variable considerations present and no financing component. As of December 31, 2021 and 2020, net revenue from property sales was \$156,008 and a loss of \$518,377, respectively.

Rental and commercial income is recognized for property rentals as they accrue. Lease terms are generally one to ten years. Advance receipts of rental income are deferred and classified as unearned revenue until earned. All leases between the real estate projects and the tenants are operating leases. Management has determined that the material revenue stream falls under current ASC 840-Leases and is not within the scope of ASU 2014-09. Income is recognized as revenue when the leasing payments are due on a monthly basis. Total income recognized from

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

rental revenue for the year ended December 31, 2021 and 2020, was \$13,071,725 and \$12,979,237, respectively.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated schedule of functional expenses. Accordingly, certain costs have been allocated as program, management and general, and fund development.

Receivables

Management reviews receivables, and determines if any that are considered to be an uncollectable expense. There was no allowance for doubtful accounts at December 31, 2021 and 2020.

Property and equipment

Property and equipment are stated at cost and depreciated by straight-line and accelerated methods over estimated useful lives which range as follows:

Buildings and improvements	5 - 40 years
Furniture, fixtures and equipment	5 - 15 years
Vehicles	5 years

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in current year's operations.

Impairment of long-lived assets

Long-lived assets and certain intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Coalition reviews applicable intangible assets and long-lived assets on a periodic basis. When events or changes in circumstances indicate an asset may not be recoverable, the Coalition estimates the future cash flows expected to result from the use of the asset. If the sum of the expected undiscounted cash flows is less than the carrying value of the asset, an impairment loss is recognized. The impairment loss is recognized by measuring the difference between the carrying value of the asset group and the fair value of the asset group. The Coalition's estimates of fair values are based on the best information available and require the use of estimates, judgments and projections as considered necessary. The actual results may vary significantly. There were no impairment losses in 2021 and 2020.

Construction in progress

The costs associated with the acquisition and renovation of housing units is included in construction in progress until a unit is sold. Construction in progress of single family homes held for sale at December 31, 2021 and 2020 is \$1,600,990 and \$1,675,480, respectively. Total construction in progress as December 31, 2021 and 2020 was \$9,947,286 and \$3,590,626, respectively. The estimated cost of completion as of December 31, 2021 and 2020 was \$1,633,911, and \$144,000, respectively.

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions.

Fair value of financial instruments

The carrying amounts of cash, short-term investments, escrows and reserves, receivables, prepaid expenses, deposits, account payable, accrued expenses and security deposits approximate fair value because of the short maturities of these instruments. Variable rate loans approximate fair value because of the variable rate. The fair value of the fixed-rate long-term debt was approximately \$43,000,000 and \$38,000,000 at December 31, 2021 and 2020, respectively, which is based on market rates for similar loans.

Donated services

A substantial number of unpaid volunteers have made significant contributions of their time. The value of this contributed time is not reflected as no objective basis is available to measure the value of such services.

Gifts-in kind

Gifts of real estate, professional services, cash and personal property are recorded at their estimated fair market value and recorded as revenue when received.

Cash equivalents

For purposes of the consolidated statement of cash flows, the Coalition considers all unrestricted highly liquid investments with a purchased maturity of three months or less to be cash equivalents.

Income taxes

Better Housing Coalition and its affiliates, Affordable Residences in Chesterfield, Affordable Residences in Chesterfield II, Richmond Affordable Housing and Richmond Urban Senior Housing, are nonprofit charitable organizations other than private foundations, as defined by Internal Revenue Code Section 501(c)(3) and are not subject to federal or Virginia income taxes.

BHC Management Company has been granted tax exempt status under Internal Revenue Code Section 501(c)(4). The Coalition's controlled limited liability partnerships and limited liability companies are subject to federal and state income taxes at the partner and member level. Better Housing Coalition and its non-profit subsidiaries noted above, have a partner or member interest in each of these taxable entities, accordingly, the accompanying consolidated financial statements do not reflect provision of federal or state income taxes.

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Subsequent events

Management has evaluated subsequent events through May 16, 2022, the date the consolidated financial statements were available to be issued.

3. Liquidity and Availability of Financial Assets

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

<i>December 31,</i>	2021	2020
Financial assets, at year end	\$ 24,054,418	\$ 20,593,194
Contractual or organizational imposed restrictions:		
Restricted cash	(2,651,752)	(1,171,890)
Donor-restricted cash	(4,873,513)	(3,003,034)
Donor-restricted investments	(365,504)	(355,956)
Restricted deposits	(6,673,509)	(6,052,121)
Tenant security deposit	(691,434)	(625,929)
Financial assets available to meet cash needs for general expenditures within one year	\$ 8,798,706	\$ 9,384,264

4. Net Assets with Donor Restrictions

The Coalition and its controlled entities have \$12,078,191 and \$10,429,682 in net assets with restrictions as of December 31, 2021 and 2020, respectively. Those restricted net assets consist of the following items detailed in the schedule below:

	2021	2020
Restricted by donors	\$ 5,239,018	\$ 3,358,989
Capital advances from HUD restricted for low income elderly housing	4,914,894	5,146,414
Contributed land from HUD restricted for affordable housing	1,924,279	1,924,279
	\$ 12,078,191	\$ 10,429,682

The Coalition is the beneficiary of an endowment held by the Community Foundation, the distributions from which are restricted to the development of new real estate activities. The value of such distributions is undeterminable, and the determination of future benefits is uncertain and also undeterminable.

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Net assets were released from various donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	2021	2020
Net assets released - Better Housing Coalition	\$ 2,876,090	\$ 500,720
Net assets released - Affordable Residences in Chesterfield and Richmond Urban Senior Housing	231,520	226,477
Net assets released - Richmond affordable Housing	466,392	434,458
Total net assets released from restrictions	\$ 3,574,002	\$ 1,161,655

5. Controlling and Non-Controlling Interests

The change in consolidated net assets without donor restriction attributed to controlling and non-controlling interests is as follows:

	Controlling Interest	Non-Controlling Interest	Total Net Assets Without Donor Restrictions
Balance, January 1, 2020	\$ 20,371,275	\$ 41,367,193	\$ 61,738,468
Contributions and change in net assets	2,564,500	1,381,369	3,945,869
Balance, December 31, 2020	22,935,775	42,748,562	65,684,337
Contributions and change in net assets	10,369,027	(8,529,001)	1,840,026
Balance, December 31, 2021	\$ 33,304,802	\$ 34,219,561	\$ 67,524,363

6. Concentrations

Financial instruments which potentially subject the Coalition to concentrations of credit risk consist of cash and unsecured receivables. The Coalition maintains its cash balances with financial institutions located in Richmond, Virginia. The Coalition places its cash with high credit quality financial institutions. Accounts at the institutions are secured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2021 and 2020, uninsured cash deposits were \$17,107,315 and \$12,736,204, respectively. Management rationally assesses the solvency of the financial institutions.

7. Retirement Plans

On January 1, 1997, the Coalition established a 403(b) retirement plan. Currently, the Coalition matches employee contributions up to 5% of an employee's salary. Employees are eligible for benefits after they are at least 21 years of age and have completed one year of service with at least 1,000 hours and are fully vested after three years of service. The Coalition's contribution to this plan in 2021 and 2020 was \$148,879 and \$156,212, respectively. In 2008, the plan was amended to bring it into compliance with the plan document requirements of the final 403(b) regulations. The plan was also amended in 2008 to allow for up to 2% base contribution for eligible employees effective January 1, 2009. The Coalition contributed 1% of base in 2021 and 2020.

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The Coalition maintains a 457(b) Deferred Compensation Plan for certain eligible employees. At the Board of Directors discretion, the Coalition matches 25% of the employees' contributions up to the Internal Revenue Code limits of \$19,500 or 100% of the employee's compensation. The plan also provides certain catch-up provisions for participants age 50 or over. The amounts contributed by the Coalition vest immediately. The Coalition's contribution to this plan in 2021 and 2020 was \$12,029 and \$10,512, respectively.

The Coalition maintains a 457(f) Deferred Compensation Plan for the CEO. At the Board of Directors discretion, the Coalition matches 25% of the employees' contributions. The amounts contributed by the Coalition vest immediately. The Coalition's contribution to this plan in 2021 and 2020 was \$27,500 and \$7,500, respectively.

The Coalition is also a participating partner agency in a multiple-employer noncontributory defined benefit plan with the United Way of Greater Richmond and Petersburg, the administrator of the plan. Participants in the plan become fully vested after three years of service. The actuarial present value of vested and non-vested accumulated plan benefits and the net assets available for benefits are not determined for the individual entities participating in this multiple-employer plan.

Future benefit accruals in the plan were frozen by the United Way on December 31, 2008 and the plan will be terminated when fully funded. Future contributions will be based on each agency's share of the plan's termination liability. Contributions to the plan began in 2010. The Coalition's contribution to this plan in 2021 and 2020 was \$95,670 and \$100,314, respectively.

All employees who were at least 21 years of age and had completed one year of service with 1,000 hours were enrolled in the defined benefit plan. Employees were vested having either completed three years of service or attaining early retirement age. Employees are eligible for full accrued benefits at age 65. Benefits are actuarially reduced according to age for eligible employees who retire prior to qualifying for full retirement benefits. The annual retirement benefit payable at age 65 is computed as follows: 1.5% of the final average earnings multiplied by the employee's credited service plus .5% of the final average earnings in excess of the social security average multiplied by the total years of credited service up to maximum of 35 years.

8. Restricted Deposits

The Coalition, through its subsidiaries, is required to maintain certain escrow accounts. The following shows the activity in those accounts for 2021 and 2020.

	Beginning Balance January 1, 2021	Additions and Interest	Withdrawals and Transfers	Ending Balance December 31, 2021
Operating reserve	\$ 2,780,527	\$ 359,984	\$ 104,950	\$ 3,035,561
Taxes and insurance reserve	746,713	1,409,827	1,454,660	701,880
Repair and replacement reserve	2,524,881	630,477	219,290	2,936,068
	<u>\$ 6,052,121</u>	<u>\$ 2,400,288</u>	<u>\$ 1,778,900</u>	<u>\$ 6,673,509</u>

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

	Beginning Balance January 1, 2020	Additions and Interest	Withdrawals and Transfers	Ending Balance December 31, 2020
Operating reserve	\$ 2,468,935	\$ 311,592	\$ -	\$ 2,780,527
Taxes and insurance reserve	627,698	1,337,999	1,218,984	746,713
Repair and replacement reserve	2,347,463	790,129	612,711	2,524,881
	\$ 5,444,096	\$ 2,439,720	\$ 1,831,695	\$ 6,052,121

9. Lease Commitments

Effective May 1, 2020, the Coalition entered into a property lease agreement with SNP Properties for office space located at 23 W. Broad St., Suite 100 and 303 and common area and maintenance charges (CAM). The lease is effective for four years through April 30, 2024. Annual base rent and CAM charges increase at a rate of 3%.

Future minimum lease payments due under the lease are as follows for year ending December 31:

2022	\$	131,953
2023		135,912
2024		45,748
	\$	313,613

10. Capital Advances

The Coalition, through a subsidiary, received from the Department of Housing and Urban Development a capital advance of \$4,855,000 for construction of a low-income elderly housing community known as Rockwood Village. The capital advance agreement dated April 1, 1999, bears no interest and is not required to be repaid so long as the housing remains available to eligible very low-income households for a period of 40 years in accordance with Section 202 of the Housing Act of 1959, as amended. The capital advance is secured by a deed of trust on the property. Upon noncompliance with the agreement, the capital advance shall become immediately due and payable at an annual interest rate of 5.75%.

In addition, the Coalition through a subsidiary received a capital advance from the Department of Housing and Urban Development of \$4,321,600 for construction of a low-income elderly housing community known as Monarch Woods. The capital advance agreement dated July 2, 2002, bears no interest and is not required to be repaid as long as the housing remains available to eligible very low income households for a period of 40 years in accordance with Section 202 of the Housing Act of 1959, as amended. The capital advance is secured by a deed of trust on the property. Upon noncompliance with the agreement, the capital advance shall become immediately due and payable at an annual interest rate of 5.75%.

Department of Housing and Urban Development capital advances granted were \$9,176,600, less accumulated depreciation associated with the properties of \$4,261,033, and \$4,029,513 as of December 31, 2021 and 2020, respectively, and are reflected in the Coalition's net assets with restrictions.

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

11. Lines of Credit

Richmond Affordable Housing, Inc. has a construction line of credit with a local bank to build and acquire single family homes. The total amount available under this arrangement is \$4,000,000 for 2021 and 2020. There was no amount outstanding at December 31, 2021 and \$548,159 was outstanding at December 31, 2020. The credit line is secured by deeds of trust on homes under development and/or guaranteed by Better Housing Coalition. Interest rate on this agreement is the Wall Street Journal Prime plus 1%. The balance on the line of credit has a maturity date of October 2022.

Better Housing Coalition has a construction line of credit with a local bank for predevelopment work. The total amount available under this arrangement was \$1,000,000 for 2020 and was increased to \$1,500,000 in 2021. The outstanding balance is \$1,000,000 at December 31, 2021. There was no outstanding balance at December 31, 2020. The credit line is guaranteed by Better Housing Coalition and the interest rate is the Wall Street Journal Prime plus 1%. The line has a maturity date of October 2022.

Better Housing Coalition also has a line of credit with a lending foundation to be used to support the development and/or preservation of affordable housing. The total amount available under this arrangement is \$5,000,000 for 2021 and \$10,000,000 for 2020. The outstanding balance is \$1,080,000 at December 31, 2021. There was no outstanding balance at December 31, 2020. The credit line is guaranteed by Better Housing Coalition and the interest rate is the Wall Street Journal Prime plus 2%. The line has a maturity date of September 2022.

Better Housing Coalition had a working line of credit with a local bank. The total amount available under this arrangement was \$500,000 for 2020. There was no outstanding balance at December 31, 2020. The credit line is guaranteed by Better Housing Coalition and the interest rate is the Wall Street Journal Prime plus 1%. The line had a maturity date of October 2021. This line was not renewed.

In 2021, Better Housing Coalition entered into a predevelopment line of credit with Virginia Housing. The total amount available under this agreement is \$100,000. The total amount outstanding at December 31, 2021 was \$33,333. The line has no interest and matures in February 2024.

In April 2021, Cameo Street LLC entered into a temporary acquisition loan agreement with VCC. The total amount loaned under this agreement was \$1,113,000 with an interest rate of 5.63% maturing in April 2022.

In May 2019, Market Square IV, LLC entered into a loan agreement with BB&T. The loan had a total line of \$6,000,000 with a balance of \$4,990,555 for 2020. The note bears interest at a rate of LIBOR plus 2.75% and matured in May 2021. This loan was converted to a permanent loan during 2021.

12. Letter of Credit Available for Construction

Richmond Affordable Housing, Inc. has a letter of credit with a local bank to build and acquire single family homes and predevelopment work. The total amount available under this arrangement is \$2,000,000 with no amount outstanding as of December 31, 2021 and \$194,658 as of December 31, 2020. The letter of credit fee on this agreement is 1.5% of each letter annually, with a minimum of \$350. The letter of credit is required to be renewed annually.

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

13. Mortgages and Notes Payable, Net

The Coalition, through its various consolidated affiliated organizations and partnerships, has notes payable secured by real estate for rental properties throughout the City of Richmond, Chesterfield County, Petersburg and Henrico County.

	2021	2020
Mortgage notes payable to Virginia Housing Development Authority (VHDA), with principal and interest due ranging from \$3,053 through \$29,031 bearing interest at 0% to 8.25%, maturing from May 2019 - March 2056.	\$ 27,990,952	\$ 28,221,624
Mortgage note payable to Atlantic Union Bank bearing interest at 4% with monthly principal and interest payments of \$47,278 due monthly through April 2023.	8,603,337	8,817,050
Mortgage note payable to Virginia Housing Partnership Revolving Fund, with principal and interest of \$1,601, bearing interest at 2%, maturing January 2024.	38,371	56,615
Mortgage note payable to Federal Home Loan Bank of Atlanta bearing interest at 3%, with monthly principal and interest payments of \$7,143 through June 2026.	373,006	446,165
Mortgage note payable to Virginia Community Capital, Inc. with monthly principal and interest of \$1,848 due monthly, bearing interest at 2%, maturing April 2027.	-	275,594
Note payable to Towne Bank bearing interest at 3.5%, with monthly principal and interest payments of \$16,727, through October 2028.	5,550,000	-
Note payable to Northern Trust Company bearing interest at 2%. Interest is due quarterly. Principal and interest payments are due in full in March 2024.	2,000,000	2,000,000
Note payable to Restoration of Petersburg Community Development Corporation bearing interest at 4.64% with monthly principal and interest payments of \$1,000 through December 2085.	245,288	245,782
	\$ 44,800,954	\$ 40,062,830

The liability of the Coalition under the mortgage notes is limited to the underlying value of the real estate collateralized.

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the mortgage notes. Amortization of debt issuance costs is reported as a component of interest expense over the term of the loan. Unamortized debt issuance costs were \$585,424 and \$537,925

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

as of December 31, 2021 and 2020, respectively. Amortization was \$33,082 and \$27,075 for 2021 and 2020, respectively, and is included in interest expense.

The following are the components of the mortgage payable as shown on the consolidated statement of financial position at December 31, 2021:

	2021	2020
Mortgage payable	\$ 44,800,954	\$ 40,062,830
Unamortized debt issuance costs	(585,424)	(537,925)
	44,215,530	39,524,905
Current portion	(965,354)	(1,036,399)
	\$ 43,250,176	\$ 38,488,506

Aggregate maturities of the long-term debt for future years are as follows:

2022	\$ 965,354
2023	9,180,546
2024	2,819,388
2025	863,494
2026	882,097
Thereafter	30,090,075
	\$ 44,800,954

14. Intangible Assets

The Coalition has certain costs relating to acquiring property which it has capitalized and these costs are being amortized based on the schedule below:

	Term	2021	2020
Tax credits	5 - 37 years	\$ 268,853	\$ 328,469
		268,853	328,469
Accumulated amortization		(169,204)	(199,876)
		\$ 99,649	\$ 128,593

Amortization expense for intangible assets was \$15,524 and \$15,680 for 2021 and 2020, respectively. The Coalition expects amortization expense for each of the next five fiscal years starting 2022 through 2026 to be \$14,102.

15. Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense for 2021 and 2020 was \$158,003 and \$111,273, respectively.

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

16. Related Parties Transactions

Asset management fees

The Coalition is required through a consolidated entity to pay Community Equity Fund XIV, Inc., the investor member, an annual asset management fee. The asset management fee will increase at the rate of 4% each year. Total fees of \$8,205 and \$7,890 were incurred during 2021 and 2020, respectively. \$8,205 and \$7,890 remains payable as of December 31, 2021 and 2020, respectively.

The Coalition is required through a consolidated entity to pay Community Equity Fund XV, LP, the investor member, an annual asset management fee. The asset management fee will increase at a rate of 3% each year. Total fees of \$7,613 and \$7,392 were incurred during 2021 and 2020, respectively. \$7,613 and \$7,392 remains payable as of December 31, 2021 and 2020, respectively.

The Coalition is required through a consolidated entity to pay Community Equity Fund XXIV, LP, the investor member, an annual asset management fee. The asset management fee will increase at a rate of 3% each year. Total fees of \$6,180 and \$2,500 were incurred during 2021 and 2020. \$6,180 and \$2,500 remains payable as of December 31, 2021 and 2020, respectively.

The Coalition is required through a consolidated entity to pay SCPF III, LP, the investor member, an annual asset management fee. The asset management fee has no annual increase. Total fees of \$5,000 were incurred during 2021 and 2020. \$5,000 remains payable as of December 31, 2021 and 2020.

The Coalition is required through consolidated entities to pay NEF Assignment Corporation, the investor member, annual asset management fees. The asset management fees will increase at a rate of 3% each year. Total fees were \$7,563 and \$7,343 for 2021 and 2020, respectively. \$7,563 and \$0 remains payable as of December 31, 2021 and 2020, respectively.

The Coalition is required through consolidated entities to pay Housing Capital Corporation, the investor member, annual asset management fees. Total fees were \$46,781 and \$52,292 for 2021 and 2020, respectively. No fees remain payable as of December 31, 2021 and 2020.

The Coalition is required through a consolidated entity to pay Bank of America CDC Special Holding Company, Inc., the special investor member, an annual asset management fee. The asset management fee will increase at the rate of 3% each year and is payable from future cash flows. Total fees of \$6,304 and \$5,628 were incurred during 2021 and 2020, respectively. No fee remains payable as of December 21, 2021. \$5,628 remains payable as of December 31, 2020.

Investor service fee

The Coalition is required through two consolidated entities to pay Enterprise Community Investment, Inc. annual investor service fees in accordance with the investor services agreements. Total fees of \$15,583 and \$15,056 were incurred during the year ended December 31, 2021 and 2020, respectively. The investor services fees will increase at the rate of 3% and 4% each year to the extent the entities have available cash flow.

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

17. Deferred Revenue

Lincoln Mews II has received a grant of \$4,008,253 as part of Section 1602 Tax Credit Exchange Program of the American Recovery and Reinvestment Act of 2009. Lincoln Mews II must comply with section 1602 by meeting certain requirements, including tenant eligibility and rental charges as restricted in accordance with Internal Revenue Code Section 42. Management has certified that compliance has been met. The total amount of the grant was recorded as deferred revenue and will be amortized over the compliance period. During both 2021 and 2020, \$145,755 was amortized to income. At December 31, 2021 and 2020, deferred revenue was \$2,378,269 and \$2,524,024, respectively. Compliance with these regulations must be maintained in each of the fifteen consecutive years of the compliance period. Failure to maintain compliance could result in default and the recapture of 6.67% of the grant amount for each year of noncompliance.

Claiborne Square, LLC has a grant agreement with VHDA for exchange funds of \$798,510 to be used in the construction of the project. The cash grant provided by VHDA is in exchange for low-income housing tax credits. The grant revenue will be recognized evenly over the 15-year tax credit compliance period. During both 2021 and 2020, \$53,234 was amortized to income. At December 31, 2021 and 2020, deferred revenue was \$239,553 and \$292,787, respectively.

18. Deferred Payment Note

Claiborne Square, LLC has a deferred payment note with VHDA of \$1,900,000 with an interest rate of zero percent. Repayment of the principal shall be deferred through December 31, 2041. Beginning on December 31, 2042, one-twentieth (1/20th) of the principal balance shall be due and payable on December 31 of each year until December 31, 2061, at which time the balance of principal remaining unpaid shall be due and payable.

19. Project Rental Assistance Contracts

The U.S. Department of Housing and Urban Development has contracted with Richmond Urban Senior Housing, Inc. and Affordable Residences in Chesterfield, Inc. to make housing assistance payments on behalf of qualified tenants. For 2021 and 2020, \$538,064 and \$524,526, respectively, was received in assistance payments. The current contracts expire January 31, 2023 and August 31, 2022, respectively, and if not renewed could substantially impact the rental income of the individual properties.

20. Commitments and Contingencies

Except to the extent of \$3,812,590 of guarantees provided by the Better Housing Coalition to various consolidated entities as of December 31, 2021, the creditors of these partnerships and limited liability companies have no further recourse against the Coalition. In addition to \$3,812,590 of guarantees provided by the Coalition to various consolidated entities, there are guarantees for credit adjustments that would be difficult to value.

Richmond Affordable Housing, Inc. has contracted with various builders for the construction of single-family homes. The total contract amount of the construction in-process as of December 31, 2021 and 2020, was \$2,692,621 and \$463,692, respectively, and \$1,633,911 and \$143,745 was outstanding on those contracts at December 31, 2021 and 2020, respectively.

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

21. Rental Income

In June 2018, Winchester Commons I, LLC entered into a rental agreement with Capital Area Health Network. The lease is effective for five years through May 31, 2023. The Organization received \$39,604 and \$38,836 in rental income during 2021 and 2020, respectively.

In July 2016, the Winchester Commons I & II entered into rental agreements with Chesterfield Community Services Board. The leases are effective for three years through June 30, 2024 with the option to renew the lease for an additional three years. The Organization received \$169,492 and \$167,458 in rental income during 2021 and 2020, respectively.

In January 2019, Affordable Residences in Chesterfield II, Inc. entered into a rental agreement with Genesis Learning Center, LLC. The lease is effective for five years through December 31, 2023 with the option to renew the lease for an additional two years. The Organization received \$73,001 and \$70,871 in rental income during 2021 and 2020, respectively.

In August 2018, Richmond Affordable Housing entered into a rental agreement with Wells Fargo Bank. The lease is effective for five years through July 31, 2023 with the option to renew the lease for an additional five years. The Organization received \$41,860 in rental income during both 2021 and 2020.

Expected rental income under these leases for the years subsequent to 2021 is as follows:

2022	\$	332,140
2023		298,772
2024		74,915
	\$	<u>705,827</u>

22. Endowment

The Coalition is the beneficiary of the Hilton W. Goodwyn and Hallie J. Goodwyn fund. Hilton W. Goodwyn Jr. and his wife, Erlene H. Goodwyn in honor of Hilton Goodwyn Jr.'s parents, established the fund solely for the benefit of the Coalition. This \$6,000,000 endowed charitable fund is held within the Community Foundation. It will be administered by them and subject to its governing documents and policies. The spendable income each year shall be available to support "bricks and mortar" capital projects of the Coalition in creating high-quality affordable housing. No amounts shall be used for administration or non-building programs. The Coalition's distribution from the endowment in 2021 and 2020 was \$258,260 and \$249,244, respectively.

During 2020, the Coalition created a \$500,000 endowment. The BHC board of directors designates this endowment for the purpose of sustaining and providing annual income to offset BHC programmatic and core expenses as determined by the board defined spending policy. All donor designated endowment gifts and all undesignated realized bequests and planned gifts will be deposited into this endowment account. During 2021, \$98,661 was donated to the endowment. The value of the endowment in 2021 and 2020 was \$615,829 and \$500,000, respectively. There were no amounts distributed in 2021 or 2020.

Better Housing Coalition Inc. and Subsidiaries

Notes to Consolidated Financial Statements

23. Risks and Uncertainties

On March 11, 2020 the World Health Organization declared the strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide leading to broader global economic uncertainties. As of the date of this filing, we cannot reasonably estimate the length or severity of this pandemic. Because the Coalition's revenue is dependent upon its tenant's ability to pay rent, donors' ability to make contributions, and selling and developing properties, should the pandemic continue, there could be a negative impact to the Coalition's balance sheet, operations, and cash flows in future periods.

The Coalition has applied for and has received, funds under the Paycheck Protection Program in the amount of \$861,500. The application for these funds requires the Coalition to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Coalition. This certification further requires the Coalition to take into account our current business activity and our ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Coalition having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria. On November 17, 2020 the Coalition received approval from SBA the loan is fully forgiven.

Supplementary Information

Better Housing Coalition Inc. and Subsidiaries

Consolidating Statement of Financial Position - December 31, 2021

	Toal LIHTC Multifamily	Extended Use Compliance Multifamily	Other Multifamily	Better Housing Coalition (Parent)	Development	Commercial Rental	Eliminations	Total
ASSETS								
Property and equipment:								
Buildings and improvements	\$ 87,955,298	\$ 13,134,539	\$ 35,181,564	\$ -	\$ 513,911	\$ 1,898,539	\$ (1,519,547)	\$ 137,164,304
Land	6,791,077	282,440	2,689,283	640,000	1,173,591	-	-	11,576,391
Furniture, fixtures and equipment	1,040,790	153,446	173,036	321,010	7,530	-	-	1,695,812
Vehicles	56,005	-	6,127	39,372	-	-	-	101,504
Construction in progress	1,209,737	380,847	24,000	-	8,332,702	-	-	9,947,286
Accumulated depreciation	(26,762,284)	(6,607,899)	(17,112,924)	(269,402)	(416,415)	(752,050)	-	(51,920,974)
Property and equipment, net	70,290,623	7,343,373	20,961,086	730,980	9,611,319	1,146,489	(1,519,547)	108,564,323
Current assets:								
Cash	1,328,883	295,890	320,968	4,964,708	1,567,517	114,512	-	8,592,478
Cash, restricted	792,863	738,582	500,763	615,829	-	3,715	-	2,651,752
Cash, donor restricted	-	-	-	3,884,849	988,664	-	-	4,873,513
Short-term investments, donor restricted	-	-	-	365,504	-	-	-	365,504
Short-term investments	-	-	-	206,227	-	-	-	206,227
Restricted deposits	4,714,694	338,214	1,611,404	-	-	9,197	-	6,673,509
Tenant security deposits held in trust	428,988	52,788	199,357	-	10,301	-	-	691,434
Tenant receivables, net	261,747	18,842	126,653	206,861	-	27,084	-	641,187
HUD accounts receivable	264	-	(264)	-	-	-	-	-
Accounts receivable	8,105	9,138	6,079	2	38,166	-	(30,221)	31,269
Accounts receivable, related party	-	-	-	3,388,677	124,561	-	(3,513,238)	-
Prepaid assets	387,707	283,871	-	19,135	-	-	(426,283)	264,430
Total current assets	7,923,251	1,737,325	2,764,960	13,651,792	2,729,209	154,508	(3,969,742)	24,991,303
Other assets:								
Deposits, other	-	-	-	4,783	-	-	-	4,783
Notes Receivable, related party	-	-	-	13,684,597	4,545,295	-	(18,229,892)	-
Long-term investments, related party	-	-	-	737,157	-	-	(737,157)	-
Intangible assets, net	99,649	-	-	-	-	-	-	99,649
Total other assets	99,649	-	-	14,426,537	4,545,295	-	(18,967,049)	104,432
Total assets	\$ 78,313,523	\$ 9,080,698	\$ 23,726,046	\$ 28,809,309	\$ 16,885,823	\$ 1,300,997	\$ (24,456,338)	\$ 133,660,058

See Independent Auditor's Report.

Better Housing Coalition Inc. and Subsidiaries

Consolidating Statement of Financial Position - December 31, 2021

	Total LIHTC Multifamily	Extended Use Compliance Multifamily	Other Multifamily	Better Housing Coalition (Parent)	Development	Commercial Rental	Eliminations	Total
LIABILITIES AND NET ASSETS								
Long-term liabilities:								
Mortgages and notes payable, net	\$ 29,009,073	\$ 4,230,114	\$ 8,603,337	\$ 2,033,333	\$ -	\$ 373,006	\$ (998,687)	\$ 43,250,176
Deferred revenue, net of current portion	2,502,290	4,823	13,285	73,279	588,853	3,327	(426,283)	2,759,574
Deferred payment note	1,900,000	-	-	-	-	-	-	1,900,000
Total long-term liabilities	33,411,363	4,234,937	8,616,622	2,106,612	588,853	376,333	(1,424,970)	47,909,750
Current liabilities:								
Current maturities of mortgages and notes payable	-	-	-	-	-	-	965,354	965,354
Current maturities of lines of credit for construction	-	-	-	3,193,000	-	-	33,333	3,226,333
Current maturities of deferred revenue	198,989	-	-	-	-	-	-	198,989
Notes payable, related party	9,824,263	3,166,386	-	-	6,758,790	-	(19,749,439)	-
Accounts payable	174,519	29,842	11,833	38,479	32,301	-	(30,221)	256,753
Accounts payable, related party	193,890	124,675	351	788	3,193,534	-	(3,513,238)	-
Tenant security deposits	409,488	50,467	191,133	-	10,300	3,715	-	665,103
Miscellaneous current liabilities	766,333	11,933	56,956	-	-	-	-	835,222
Total current liabilities	11,567,482	3,383,303	260,273	3,232,267	9,994,925	3,715	(22,294,211)	6,147,754
Total liabilities	44,978,845	7,618,240	8,876,895	5,338,879	10,583,778	380,048	(23,719,181)	54,057,504
Total net assets	33,334,678	1,462,458	14,849,151	23,470,430	6,302,045	920,949	(737,157)	79,602,554
Total liabilities and net assets	\$ 78,313,523	\$ 9,080,698	\$ 23,726,046	\$ 28,809,309	\$ 16,885,823	\$ 1,300,997	\$ (24,456,338)	\$ 133,660,058

See Independent Auditor's Report.

Better Housing Coalition Inc. and Subsidiaries

Consolidating Statement of Activities - Year Ended December 31, 2021

	Total LIHTC Multifamily	Extended Use Compliance Multifamily	Other Multifamily	Better Housing Coalition (Parent)	Development	Commercial Rental	Eliminations	Total
Revenues and other support:								
Contributions and philanthropic support	\$ -	\$ -	\$ -	\$ 5,810,816	\$ -	\$ -	\$ 41,063	\$ 5,851,879
Grants and awards	-	-	-	893,467	-	-	(75,891)	817,576
Other revenue	20,417	123	15,506	22,386	75	-	198,989	257,496
Revenue, related party	458,831	22,549	187,585	2,338,552	198,900	12,716	(3,219,133)	-
Earned fees	-	-	-	109,196	632,371	-	(94,850)	646,717
Interest and investment income	2,029	209	101	43,271	1,724	-	1,097	48,431
Total revenue and other support	481,277	22,881	203,192	9,217,688	833,070	12,716	(3,148,725)	7,622,099
Revenue (expenses), property sales:								
Property sales	-	-	-	-	1,600,990	-	-	1,600,990
Subsidies, government	-	-	-	-	-	-	38,671	38,671
Cost of property sales	-	-	-	-	(1,479,453)	-	-	(1,479,453)
Homebuyer assistance	-	-	-	-	(4,200)	-	-	(4,200)
Net revenue (expenses) from property sales	-	-	-	-	117,337	-	38,671	156,008
Revenue, rental properties:								
Rental revenue	7,910,931	1,050,564	3,859,275	-	41,860	209,095	-	13,071,725
Other tenant revenue	50,826	11,008	88,584	-	-	36,705	-	187,123
Laundry and vending	40,966	10,532	8,851	-	-	-	-	60,349
Total revenue from rental properties	8,002,723	1,072,104	3,956,710	-	41,860	245,800	-	13,319,197
Total sales, revenues and other support	\$ 8,484,000	\$ 1,094,985	\$ 4,159,902	\$ 9,217,688	\$ 992,267	\$ 258,516	\$ (3,110,054)	\$ 21,097,304

See Independent Auditor's Report.

Better Housing Coalition Inc. and Subsidiaries

Consolidating Statement of Activities - Year Ended December 31, 2021

	Total LIHTC Multifamily	Extended Use Compliance Multifamily	Other Multifamily	Better Housing Coalition (Parent)	Development	Commercial Rental	Eliminations	Total
Operating expenses:								
Personnel and benefits	\$ 855,958	\$ 100,097	\$ 244,143	\$ 2,911,082	\$ 475,099	\$ -	\$ -	\$ 4,586,379
Professional and consulting	354,019	31,802	181,054	349,756	47,079	180	-	963,890
Travel and training	25,617	3,524	7,694	36,667	5,296	-	-	78,798
Advertising and marketing	65,068	8,097	9,422	41,778	33,637	-	-	158,002
Interest and financial services	1,349,597	200,587	359,803	13,553	62,061	12,560	(10,825)	1,987,336
Taxes and insurance	1,006,550	101,989	393,937	14,938	30,076	22,276	-	1,569,766
Dues, memberships and subscriptions	3,550	522	5,763	15,871	7,724	-	-	33,430
Equipment	94,822	5,181	50,412	40,665	4,225	-	-	195,305
Office	153,126	19,797	43,073	41,393	8,153	176	-	265,718
Occupancy	10	-	10	164,335	-	-	-	164,355
Utilities	988,667	75,282	207,933	7,004	5,262	9,864	-	1,294,012
Resident services	8,701	1,626	69,261	(39,973)	-	-	-	39,615
Board and committee	414	-	-	9,269	-	-	-	9,683
Property operations	1,282,181	158,949	542,733	9,360	148,425	3,991	-	2,145,639
Property maintenance and repairs	895,774	155,218	332,708	214	-	60,657	-	1,444,571
Miscellaneous	102,509	23	698	-	-	-	-	103,230
Related party expenses	656,607	239,246	1,591,055	799,691	-	12,716	(3,299,315)	-
Telephone and communications	81,974	12,006	40,898	24,510	1,301	-	-	160,689
Total operating expenses	7,925,144	1,113,946	4,080,597	4,440,113	828,338	122,420	(3,310,140)	15,200,418
Change in net assets before depreciation and amortization	558,856	(18,961)	79,305	4,777,575	163,929	136,096	200,086	5,896,886
Depreciation	2,882,510	433,246	947,213	5,625	22,133	51,086	-	4,341,813
Amortization	74,051	6,222	-	-	-	-	-	80,273
Change in net assets	\$ (2,397,705)	\$ (458,429)	\$ (867,908)	\$ 4,771,950	\$ 141,796	\$ 85,010	\$ 200,086	\$ 1,474,800

See Independent Auditor's Report.