Better Housing Coalition Inc. and Subsidiaries

Consolidated Financial Statements

Year Ended December 31, 2022 with
Comparative Totals for 2021

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member
of BDO International Limited, a UK company limited by guarantee.

Better Housing Coalition Inc. and Subsidiaries

Contents

Tel: 804-330-3092
Fax: 804-330-7753
www.bdo.com

Williams Mullen Ctr, 200 S 10th St,
Ste 850 Richmond, VA 23219

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, 2022, and the related consolidated statement 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, 2022, 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 $28,564,958, as of December 31, 2022 and total support and revenues of $3,133,033 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 2021 consolidated financial statements. We did not audit the financial statements of certain subsidiaries and affiliates, which 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 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 May 16, 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 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 26, 2022

Better Housing Coalition Inc. and Subsidiaries

Consolidated Statement of Financial Position

December 31,		2022		(Comparative Totals) 2021
ASSETS				
Property and equipment:				
Buildings and improvements	$	**140,777,392**	$	137,164,304
Land		**13,630,276**		11,576,391
Furniture, fixtures and equipment		**1,864,069**		1,695,812
Vehicles		**101,505**		101,504
Construction in progress		**20,236,620**		9,947,286
Accumulated depreciation		**(56,242,013)**		(51,920,974)
Property and equipment, net		**120,367,849**		108,564,323
Current assets:				
Cash		**13,266,680**		8,592,478
Cash, restricted		**1,776,936**		2,651,752
Cash, donor restricted		**1,847,573**		4,873,513
Short-term investments, donor restricted		**375,308**		365,504
Short-term investments		**234,275**		206,227
Restricted deposits		**6,408,869**		6,673,509
Tenant security deposits held in trust		**749,924**		691,434
Tenant receivables, net of $274,481 allowance		**419,366**		641,187
HUD accounts receivable		**20,838**		-
Accounts receivable		**3,173**		31,269
Prepaid assets		**293,182**		264,430
Total current assets		**25,396,124**		24,991,303
Other assets:				
Deposits, other		**4,783**		4,783
Intangible assets, net		**85,546**		99,649
Right of use asset, net		**268,799**		-
Total other assets		**359,128**		104,432
Total assets	$	**146,123,101**	$	133,660,058

See accompanying notes to consolidated financial statements.

Better Housing Coalition Inc. and Subsidiaries

Consolidated Statement of Financial Position

December 31,	2022	(Comparative Totals) 2021
LIABILITIES AND NET ASSETS		
Long-term liabilities:		
Mortgage and notes payable, net	**$ 44,166,645**	$ 43,250,176
Lines of credit for construction, net	**8,226,149**	-
Deferred revenue, net of current portion	**2,684,161**	2,759,574
Deferred payment note	**1,900,000**	1,900,000
Lease liability	**276,915**	-
Total long-term liabilities	**57,253,870**	47,909,750
Current liabilities:		
Current maturities of mortgages and notes payable	**1,128,754**	965,354
Current maturities of deferred revenue	**198,989**	198,989
Current maturities of lines of credit for construction	**-**	3,226,333
Accounts payable	**1,039,907**	256,753
Tenant security deposits	**725,968**	665,103
Miscellaneous current liabilities	**335,938**	835,222
Total current liabilities	**3,429,556**	6,147,754
Total liabilities	**60,683,426**	54,057,504
Net assets:		
Without restrictions:		
Controlling interests	**43,458,238**	33,304,802
Noncontrolling interests	**32,740,600**	34,219,561
	76,198,838	67,524,363
With restrictions	**9,240,837**	12,078,191
Total net assets	**85,439,675**	79,602,554
Total liabilities and net assets	**$ 146,123,101**	$ 133,660,058

See accompanying notes to consolidated financial statements.

Better Housing Coalition Inc. and Subsidiaries

Consolidated Statement of Activities

Year Ended December 31,	2022 Without restrictions	2022 With restrictions	2022 Total	(Comparative Totals) 2021 Total
Revenues and other support:				
Contributions and philanthropic support	**$ 1,987,653**	**$ 2,419,701**	**$ 4,407,354**	$ 5,851,879
Grants and awards	**321,489**	**1,268,771**	**1,590,260**	817,576
In-kind contributions	**725,700**	**-**	**725,700**	-
Other revenue	**18,256**	**-**	**18,256**	257,496
Earned fees	**497,865**	**-**	**497,865**	646,717
Interest and investment income	**18,521**	**-**	**18,521**	48,431
Revenue and other support	**3,569,484**	**3,688,472**	**7,257,956**	7,622,099
Revenue (expense), property sales:				
Property sales	**3,588,485**	**-**	**3,588,485**	1,600,990
Subsidies, government	**90,000**	**-**	**90,000**	38,671
Cost of property sales	**(3,625,551)**	**-**	**(3,625,551)**	(1,479,453)
Homebuyer assistance	**(65,000)**	**-**	**(65,000)**	(4,200)
Net revenue (expense) from property sales	**(12,066)**	**-**	**(12,066)**	156,008
Revenue, rental properties:				
Rental revenue	**13,794,203**	**-**	**13,794,203**	13,071,725
Other tenant revenue	**388,716**	**-**	**388,716**	187,123
Laundry and vending	**50,954**	**-**	**50,954**	60,349
Revenue from rental properties	**14,233,873**	**-**	**14,233,873**	13,319,197
Net assets released from restrictions	**6,525,826**	**(6,525,826)**	**-**	-
Total sales, revenues and other support	**24,317,117**	**(2,837,354)**	**21,479,763**	21,097,304
Operating expenses:				
Rental properties	**13,244,254**	**-**	**13,244,254**	12,668,432
Property development activities	**1,232,012**	**-**	**1,232,012**	1,006,489
Community social work	**785,650**	**-**	**785,650**	832,159
Fund development	**377,559**	**-**	**377,559**	412,412
Management and general	**412,121**	**-**	**412,121**	280,926
Total operating expenses	**16,051,596**	**-**	**16,051,596**	15,200,418
Change in net assets before depreciation and amortization	**8,265,521**	**(2,837,354)**	**5,428,167**	5,896,886
Depreciation	**4,392,141**	**-**	**4,392,141**	4,341,813
Amortization	**14,103**	**-**	**14,103**	80,273
Change in net assets	**$ 3,859,277**	**$ (2,837,354)**	**$ 1,021,923**	$ 1,474,800
Less: Decrease in net assets attributable to non controlling interests	**(2,661,205)**	**-**	**(2,661,205)**	(2,300,282)
Increase in net assets attributable to Better Housing Coalition	**$ 6,520,482**	**$ (2,837,354)**	**$ 3,683,128**	$ 3,775,082

See accompanying notes to consolidated financial statements.

Better Housing Coalition Inc. and Subsidiaries

Consolidated Schedule of Functional Expenses

Year Ended December 31,	2022						(Comparative Totals) 2021
	Program						
	Rental Properties	Property Development	Community Social Work	Management and General	Fund Development	Total	Total
Personnel and benefits	$ 2,819,135	$ 655,014	$ 762,080	$ 132,908	$ 270,111	$ 4,639,248	$ 4,586,379
Professional and consulting	577,280	133,721	28,410	125,986	38,737	904,134	963,890
Travel and training	57,583	23,412	5,688	13,111	3,019	102,813	78,798
Advertising and marketing	96,245	28	3,060	(5,000)	29,589	123,922	158,002
Interest and financial services	1,918,747	97,565	(633)	(4,326)	4,249	2,015,602	1,987,336
Taxes and insurance	1,607,619	48,652	1,561	10,667	1,301	1,669,800	1,569,766
Dues, memberships and subscriptions	14,792	7,174	1,552	7,533	3,797	34,848	33,430
Equipment	149,599	10,284	4,012	10,481	3,210	177,586	195,305
Office	629,795	14,297	4,405	5,055	8,119	661,671	265,718
Occupancy	39,176	45,430	10,487	71,640	8,737	175,470	164,355
Utilities	1,494,389	10,563	440	3,006	367	1,508,765	1,294,012
Resident services	34,277	20,128	(49,407)	28,113	3,428	36,539	39,615
Board and committee	4,348	4,535	1,047	7,152	1,382	18,464	9,683
Property operations	2,298,083	37,319	861	5,883	717	2,342,863	2,145,639
Property maintenance and repairs	1,413,641	47,601	-	-	-	1,461,242	1,444,571
Miscellaneous	(99,451)	75,709	364	1,118	136	(22,124)	103,230
Telephone and communications	188,996	580	11,723	(1,206)	660	200,753	160,689
Expenses before depreciation and amortization	13,244,254	1,232,012	785,650	412,121	377,559	16,051,596	15,200,418
Depreciation	4,297,321	80,419	1,662	11,354	1,385	4,392,141	4,341,813
Amortization	14,103	-	-	-	-	14,103	80,273
Total depreciation and amortization	4,311,424	80,419	1,662	11,354	1,385	4,406,244	4,422,086
Total expenses	$ 17,555,678	$ 1,312,431	$ 787,312	$ 423,475	$ 378,944	$20,457,840	$ 19,622,504

See accompanying notes to consolidated financial statements.

Better Housing Coalition Inc. and Subsidiaries

Consolidated Statement of Changes in Net Assets

Year Ended December 31,	2022			(Comparative Totals) 2021
	Without restrictions	**With restrictions**	**Total**	Total
Net assets, beginning of year	**$ 67,524,363**	**$ 12,078,191**	**$ 79,602,554**	$ 76,114,019
Capital contributions	**4,970,960**	**-**	**4,970,960**	2,013,735
Distributions	**(155,762)**	**-**	**(155,762)**	-
Changes in net assets	**3,859,277**	**(2,837,354)**	**1,021,923**	1,474,800
Net assets, end of year	**$ 76,198,838**	**$ 9,240,837**	**$ 85,439,675**	$ 79,602,554

See accompanying notes to consolidated financial statements.

Better Housing Coalition Inc. and Subsidiaries

Consolidated Statement of Cash Flows

Year Ended December 31,	2022	(Comparative Totals) 2021
Cash flows from operating activities:		
Change in net assets	$ **1,021,923**	$ 1,474,800
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**4,406,244**	4,422,086
Interest, debt issuance costs	**39,711**	33,082
Provision for losses on accounts receivables	**274,481**	-
Disposal of intangible	**-**	(51,329)
Amortization of deferred revenue	**(75,413)**	(249,808)
Change in assets and liabilities:		
Tenant receivables	**(52,657)**	(313,946)
Accounts receivable	**28,095**	68,298
HUD receivables	**(20,838)**	777
Prepaid expenses	**(28,752)**	(10,130)
Tenant security deposit liability	**60,865**	63,811
Accounts payable and miscellaneous current liabilities	**783,153**	109,258
Right of use asset and lease liability, net	**8,116**	-
Other accruals	**(499,284)**	633,829
Net cash provided by operating activities	**5,945,644**	6,180,728
Cash flows from investing activities:		
Purchase of property	**(16,195,665)**	(7,078,402)
Net change in short-term investments/notes receivable	**(28,048)**	(113,561)
Payments of loan costs and tax credit fees	**-**	(80,573)
Net cash used in investing activities	**(16,223,713)**	(7,272,536)
Cash flows from financing activities:		
Proceeds on lines of credit for construction	**7,112,816**	3,193,000
Payment on lines of credit for construction	**(2,113,000)**	(5,538,714)
Proceeds on mortgages and notes payable	**2,000,000**	9,268,333
Payments on mortgages and notes payable	**(959,352)**	(4,496,391)
Distributions	**(155,762)**	-
Payments on note payable, related party	**(493)**	(493)
Capital contributions	**4,970,960**	2,013,735
Net cash provided by financing activities	**10,855,169**	4,439,470
Net increase in cash	**577,100**	3,347,662
Cash, cash equivalents and restricted cash, beginning of year	**23,848,190**	20,500,528
Cash, cash equivalents and restricted cash, end of year	$ **24,425,290**	$ 23,848,190
Reconciliation of cash, cash equivalents and restricted cash balances:		
Cash	$ **13,266,680**	$ 8,592,478
Cash, restricted	**1,776,936**	2,651,752
Cash, donor restricted	**1,847,573**	4,873,513
Short-term investments, donor restricted	**375,308**	365,504
Restricted deposits	**6,408,869**	6,673,509
Tenant security deposits held in trust	**749,924**	691,434
Total cash, cash equivalents and restricted cash	$ **24,425,290**	$ 23,848,190
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ **1,850,623**	$ 1,908,722

See accompanying 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. The Company reports its non-controlling interest in subsidiaries as a separate component of net assets in the consolidated statement of financial position and reports both change in net assets attributable to the non-controlling interest and change in net assets attributable to the Company on the face of the accompanying consolidated statement of activities. All material inter-company accounts and transactions have been eliminated in consolidation.

Legal Entity	Known As
Senior housing communities:	
Affordable Residences in Chesterfield, Inc.	Rockwood Village
1617-1621 Grove Avenue LP*	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

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
Winchester Forest I LLC	Winchester 9
Winchester Forest II LLC	Winchester 4
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 adopted accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (ASC 842). Under ASC 842, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASC 842 is 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. The guidance is effective for fiscal years after December 15, 2021. Management has adopted ASC 842, however has determined it does not have material impact on the 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, 2022 and 2021, $4,407,354 and $5,851,879, 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, 2022 and 2021, there was 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, 2022 and 2021, net loss from property sales was $12,066 and a net revenue of $156,008, 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 rental revenue for the year ended December 31, 2022 and 2021, was $13,794,203 and $13,071,725, 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. As of December 31, 2022, the allowance for doubtful accounts was $274,481. There was no allowance for doubtful accounts at December 31, 2021.

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 2022 and 2021.

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, 2022 and 2021 is $952,706 and $1,600,990, respectively. Total construction in progress as December 31, 2022 and 2021 was $20,236,621 and $9,947,286, respectively. The estimated cost of completion as of December 31, 2022 and 2021, was $56,210,181 and $1,633,911, respectively.

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 $46,000,000 and $43,000,000 at December 31, 2022 and 2021, 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.

Subsequent events

On May 16, 2023, mortgage note payable to Atlantic Union Bank bearing interest at 4% with monthly principal and interest payments of $45,964 due monthly through April 2023 was refinanced in the amount of $8,000,000. The mortgage note payable will be payable in monthly principal and interest payments based on a hypothetical 30-year amortization. All remaining principal and accrued interest shall be due and payable in 10-years. Specific principal and interest payment amounts to be determined by the derivative transaction documents. The loan will have a floating rate of interest based on the one-month CME Term SOFR rate plus 1.95% per annum, with changes becoming effective on the 15th of each calendar month. Affordable Residences in Chesterfield, II (Borrower) will be required to hedge the loan's floating interest expense by entering into an interest rate hedge with the bank contemporaneously with the closing of the loan. The borrower shall maintain the hedge for the full amount and term of the loan. Assuming a hedge was executed with the bank at today's rate, the hedge's fixed rate would be 5.61%. The Coalition is the guarantor of this loan. There are covenants under this refinance agreement and the borrower is in compliance as of the subsequent event date.

Management has evaluated subsequent events through May 26, 2023, 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:

December 31,	**2022**	2021
Financial assets, at year end	**$ 24,659,564**	$ 24,054,418
Contractual or organizational imposed restrictions:		
Restricted cash	**(1,776,936)**	(2,651,752)
Donor-restricted cash	**(1,847,573)**	(4,873,513)
Donor-restricted investments	**(375,308)**	(365,504)
Restricted deposits	**(6,408,869)**	(6,673,509)
Tenant security deposit	**(749,924)**	(691,434)
Financial assets available to meet cash needs for general expenditures within one year	**$ 13,500,954**	$ 8,798,706

4. Net Assets with Donor Restrictions

The Coalition and its controlled entities have $9,240,837 and $12,078,191 in net assets with restrictions as of December 31, 2022 and 2021, respectively. Those restricted net assets consist of the following items detailed in the schedule below:

		2022		2021
Restricted by donors	$	**2,638,498**	$	5,239,018
Capital advances from HUD restricted for low income elderly housing		**4,678,060**		4,914,894
Contributed land from HUD restricted for affordable housing		**1,924,279**		1,924,279
	$	**9,240,837**	$	12,078,191

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.

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

		2022		2021
Net assets released – Better Housing Coalition	$	**6,288,992**	$	2,876,090
Net assets released – Affordable Residences in Chesterfield and Richmond Urban Senior Housing		**236,834**		231,520
Net assets released – Richmond affordable Housing		**-**		466,392
Total net assets released from restrictions	$	**6,525,826**	$	3,574,002

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, 2021	$	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
Contributions and change in net assets		10,153,436		(1,478,961)		8,674,475
Balance, December 31, 2022	**$**	**43,458,238**	**$**	**32,740,600**	**$**	**76,198,838**

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, 2022 and 2021, uninsured cash deposits were $15,558,670 and $17,107,315, 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 2022 and 2021 was $144,788 and $148,879, 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 2022 and 2021.

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 $20,500 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 2022 and 2021 was $8,475 and $12,029, 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 2022 and 2021 was $12,358 and $27,500, 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 2022 was $237,268. Of this amount, $214,810 was paid to fully fund the plan, at which time the plan was terminated. The Coalition's contribution in 2021 was $95,670.

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. 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:

2023	$ 135,912
2024	45,748
	$ 181,660

9. Restricted Deposits

The Coalition, through its subsidiaries, is required to maintain certain escrow accounts. The following shows the activity in those accounts for 2022 and 2021.

	Beginning Balance January 1, 2022	Additions and Interest	Withdrawals and Transfers	**Ending Balance December 31, 2022**
Operating reserve	$ 3,035,561	$ 115	$ 502,874	**$ 2,532,802**
Taxes and insurance reserve	701,880	1,616,665	1,102,877	**1,215,668**
Repair and replacement reserve	2,936,068	487,180	762,849	**2,660,399**
	$ 6,673,509	$ 2,103,960	$ 2,368,600	**$ 6,408,869**

	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
	$ 6,052,121	$ 2,400,288	$ 1,778,900	$ 6,673,509

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 $4,497,867, and $4,261,033 as of December 31, 2022 and 2021, respectively, and are reflected in the Coalition's net assets with restrictions.

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 $2,000,000 for 2022, reduced from $4,000,000 in 2021. The is no amount outstanding at December 31, 2022 and 2021. 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 2023.

Better Housing Coalition has a construction line of credit with a local bank for predevelopment work. The total amount available under this arrangement is $1,500,000. There is no outstanding amount at December 31, 2022. The outstanding balance at December 31, 2021 was $1,000,000. 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 2023.

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. The outstanding balance at December 31, 2022 and 2021 is $3,420,000 and $1,080,000, respectively. The credit line is guaranteed by Better Housing Coalition and the interest rate is the Wall Street Journal Prime plus 1.35%. The line has a maturity date of January 5, 2025.

In June 2022, Winchester Forest I, LLC entered into a construction loan agreement with Virginia Community Capital. The loan has a total line of $800,000 with a balance of $484,646 at December 31, 2022. The note bears interest at 2.25% and matures on June 2024.

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, 2022 and 2021 was $33,333. The note has no interest and matures in February 2024.

In April 2021, Cameo Street LLC entered into a temporary acquisition loan agreement with VCC with an interest rate of 5.63% maturing in April 2022. This loan was fully curtailed in 2022. The total amount outstanding at December 31, 2022 and 2021 was $4,288,170 and $1,113,000, respectively.

In February 2022, Cameo, LLC, LLC entered into a construction loan agreement with Atlantic Union. The loan has a total line of $10,550,000 with a balance of $4,288,170 at December 31, 2022. The note bears interest at 3.85% and matures in August 2024.

12. 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.

	2022	2021
Mortgage notes payable to Virginia Housing Development Authority (VHDA), with principal and interest due ranging from $3,053 through $29,031 bearing interest at 0% to 8.25%, maturing through March 2055.	**$ 27,417,808**	$ 27,990,952
Mortgage note payable to Atlantic Union Bank bearing interest at 4% with monthly principal and interest payments of $45,964 due monthly through June 2033.	**8,380,794**	8,603,337
Mortgage note payable to Virginia Housing Partnership Revolving Fund, with principal and interest of $1,601, bearing interest at 2%, maturing January 2024.	**19,758**	38,371
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.	**297,633**	373,006
Note payable to Towne Bank bearing interest at 3.5%, with monthly principal and interest payments of $16,727, through October 2028.	**5,480,321**	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 and October 2026.	**4,000,000**	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.	**244,795**	245,288
	$ 45,841,109	$ 44,800,954

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 $545,710 and $585,424 as of December 31, 2022 and 2021, respectively. Amortization was $39,711 and $33,082 for 2022 and 2021, 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, 2022:

	2022	2021
Mortgage payable	**$ 45,841,109**	$ 44,800,954
Unamortized debt issuance costs	**(545,710)**	(585,424)
	45,295,399	44,215,530
Current portion	**(1,128,754)**	(965,354)
	$ 44,166,645	$ 43,250,176

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

2023	$ 1,128,754
2024	2,927,567
2025	978,716
2026	3,004,010
2027	990,454
Thereafter	36,811,608
	$ 45,841,109

13. 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 $4,000,000 which is an increase from $2,000,000 in 2021. The total amount outstanding as of December 31, 2022 and 2021 was $2,477,229 and $0, respectively. 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.

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	**2022**	2021
Tax credits	5 – 37 years	**$ 268,853**	$ 268,853
		268,853	268,853
Accumulated amortization		**(183,307)**	(169,204)
		$ 85,546	$ 99,649

Amortization expense for intangible assets was $14,103 and $15,524 for 2022 and 2021, respectively. The Coalition expects amortization expense for each of the next five fiscal years starting 2023 through 2027 to be $14,103.

15. Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense for 2022 and 2021 was $123,921 and $158,003, respectively.

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 $8,534 and $8,205 were incurred during 2022 and 2021, respectively. $8,534 and $8,205 remains payable as of December 31, 2022 and 2021, 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 $7,842 and $7,613 were incurred during 2022 and 2021, respectively. $7,842 and $7,613 remains payable as of December 31, 2022 and 2021, 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 $6,365 and $6,180 was incurred during 2022 and 2021. $6,365 and $6,180 remains payable as of December 31, 2022 and 2021, 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 fee of $5,000 was incurred during 2022 and 2021, respectively. $5,000 remains payable as of December 31, 2022 and 2021.

The Coalition was 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. The investor exited the property in 2021. Total fee was $7,563 for 2021. No fees remain payable as of December 31, 2022.

The Coalition is required through consolidated entities to pay Housing Capital Corporation, the investor member, annual asset management fees. Total fees were $48,184 and $46,781 for 2022 and 2021, respectively. No fees remain payable as of December 31, 2022.

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 $6,687 and $6,304 were incurred during 2022 and 2021, respectively. $6,687 and $- remains payable as of December 31, 2022 and 2021, respectively.

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 $16,128 and $15,583 were incurred during the year ended December 31, 2022 and 2021, 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.

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 2022 and 2021, $145,755 was amortized to income. At December 31, 2022 and 2021, deferred revenue was $2,232,514 and $2,378,269, 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 2022 and 2021, $53,234 was amortized to income. At December 31, 2022 and 2021, deferred revenue was $186,319 and $239,553, 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 2022 and 2021, $540,186 and $538,064, 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 $3,810,580 of guarantees provided by the Better Housing Coalition to various consolidated entities as of December 31, 2022, the creditors of these partnerships and limited liability companies have no further recourse against the Coalition. In addition to $3,810,580 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, 2022 and 2021, was $6,400,000 and $2,700,000, respectively, and $6,400,000 and $1,633,911 was outstanding on those contracts at December 31, 2022 and 2021, respectively.

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 $40,393 and $39,604 in rental income during 2022 and 2021, 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 $172,440 and $169,492 in rental income during 2022 and 2021, 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 $75,115 and $73,001 in rental income during 2022 and 2021, 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 2022 and 2021.

Expected rental income under these leases for the years subsequent to 2022 is as follows:

2023	$	298,772
2024		74,915
	$	373,687

22. Endowment

The Coalition is the beneficiary of the Hilton W. Goodwyn and Hallie J. Goodwyn fund. Hilton W. Goodwyn Jr. and his wife, Erline 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 polices. 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 2022 and 2021 was $288,619 and $258,260, 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 2022 and 2021 was $608,751 and $615,829, respectively.

Supplementary Information

Better Housing Coalition Inc. and Subsidiaries

Consolidating Statement of Financial Position - December 31, 2022

	Total LIHTC Multifamily	Extended Use Compliance Multifamily	Other Multifamily	Better Housing Coalition (Parent)	Development	Commercial Rental	Eliminations	Total
ASSETS								
Property and equipment:								
Buildings and improvements	$ 73,936,165	$ 30,508,560	$ 35,309,764	$ -	$ 513,911	$ 1,898,539	$ (1,389,547)	$ 140,777,392
Land	7,685,120	918,397	2,689,282	1,365,700	971,777	-	-	13,630,276
Furniture, fixtures and equipment	895,189	428,967	173,036	359,346	7,531	-	-	1,864,069
Vehicles	13,530	42,475	6,128	39,372	-	-	-	101,505
Construction in progress	201,067	-	125,499	-	19,910,054	-	-	20,236,620
Accumulated depreciation	(19,700,034)	(16,940,048)	(18,063,152)	(297,095)	(438,548)	(803,136)	-	(56,242,013)
Property and equipment, net	63,031,037	14,958,351	20,240,557	1,467,323	20,964,725	1,095,403	(1,389,547)	120,367,849
Current assets:								
Cash	674,426	670,982	1,012,811	5,996,960	4,801,405	110,096	-	13,266,680
Cash, restricted	-	663,706	500,764	608,751	-	3,715	-	1,776,936
Cash, donor restricted	-	-	-	465,781	1,381,792	-	-	1,847,573
Short-term investments, donor restricted	-	-	-	375,308	-	-	-	375,308
Short-term investments	-	-	-	234,275	-	-	-	234,275
Restricted deposits	3,367,663	1,193,056	1,838,953	-	-	9,197	-	6,408,869
Tenant security deposits held in trust	397,403	137,995	195,325	-	19,201	-	-	749,924
Tenant receivables, net	110,405	10,506	34,218	250,357	90,000	13,880	(90,000)	419,366
HUD accounts receivable	-	16,142	4,696	-	-	-	-	20,838
Accounts receivable	-	19,608	-	4,175,015	127,730	-	(4,319,180)	3,173
Prepaid assets	244,803	415,458	-	48,379	-	-	(415,458)	293,182
Total current assets	4,794,700	3,127,453	3,586,767	12,154,826	6,420,128	136,888	(4,824,638)	25,396,124
Other assets:								
Deposits, other	-	-	-	4,783	-	-	-	4,783
Notes receivable, related party	-	-	-	21,227,625	6,311,753	-	(27,539,378)	-
Long-term investments, related party	-	-	-	735,695	-	-	(735,695)	-
Intangible assets, net	85,546	-	-	-	-	-	-	85,546
Right of use asset, net	47,413	22,451	17,227	181,708	-	-	-	268,799
Total other assets	132,959	22,451	17,227	22,149,811	6,311,753	-	(28,275,073)	359,128
Total assets	$ 67,958,696	$ 18,108,255	$ 23,844,551	$ 35,771,960	$ 33,696,606	$ 1,232,291	$ (34,489,258)	$ 146,123,101

See Independent Auditor's Report.

Better Housing Coalition Inc. and Subsidiaries

Consolidating Statement of Financial Position - December 31, 2022

	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	$ 24,165,530	$ 7,723,632	$ 8,057,609	$ 4,000,000	$ -	$ 219,874	$ -	$ 44,166,645
Lines of credit for construction, net	-	-	-	3,453,333	4,772,816	-	-	8,226,149
Deferred revenue, net of current portion	2,277,697	13,331	13,204	62,280	733,107	-	(415,458)	2,684,161
Deferred payment note	1,900,000	-	-	-	-	-	-	1,900,000
Lease liability	48,125	22,993	17,429	188,368	-	-	-	276,915
Total long-term liabilities	28,391,352	7,759,956	8,088,242	7,703,981	5,505,923	219,874	(415,458)	57,253,870
Current liabilities:								
Current maturities of mortgages and notes payable	504,929	222,881	323,185	-	-	77,759	-	1,128,754
Current maturities of deferred revenue	198,989	-	-	-	-	-	-	198,989
Notes payable, related party	10,172,763	3,214,448	-	-	15,580,412	-	(28,967,623)	-
Accounts payable	255,419	77,536	29,290	99,834	666,576	1,252	(90,000)	1,039,907
Accounts payable, related party	3,053,950	144,170	-	-	1,080,000	2,367	(4,280,487)	-
Tenant security deposits	382,474	129,755	190,824	-	19,201	3,714	-	725,968
Miscellaneous current liabilities	129,701	18,137	188,100	-	-	-	-	335,938
Total current liabilities	14,698,225	3,806,927	731,399	99,834	17,346,189	85,092	(33,338,110)	3,429,556
Total liabilities	43,089,577	11,566,883	8,819,641	7,803,815	22,852,112	304,966	(33,753,568)	60,683,426
Total net assets	24,869,119	6,541,372	15,024,910	27,968,145	10,844,494	927,325	(735,690)	85,439,675
Total liabilities and net assets	$ 67,958,696	$ 18,108,255	$ 23,844,551	$ 35,771,960	$ 33,696,606	$ 1,232,291	$ (34,489,258)	$ 146,123,101

See Independent Auditor's Report.

Better Housing Coalition Inc. and Subsidiaries

Consolidating Statement of Activities - Year Ended December 31, 2022

	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	$ -	$ -	$ -	$ 4,407,354	$ -	$ -	$ -	$ 4,407,354
Grants and awards	-	-	-	1,827,394	-	-	(237,134)	1,590,260
In-kind contributions				725,700				725,700
Other revenue	6,184	2,919	5,570	3,061	467	-	55	18,256
Revenue, related party	98,039	30,759	106,987	1,805,462	160,083	-	(2,201,330)	-
Earned fees	-	-	-	130,000	367,865	-	-	497,865
Interest and investment income	7,786	2,054	-	7,218	-	-	1,463	18,521
Total revenue and other support	112,009	35,732	112,557	8,906,189	528,415	-	(2,436,946)	7,257,956
Revenue (expenses), property sales:								
Property sales	-	-	-	-	3,588,485	-	-	3,588,485
Subsidies, government	-	-	-	-	-	-	90,000	90,000
Cost of property sales	-	-	-	-	(3,625,551)	-	-	(3,625,551)
Homebuyer assistance	-	-	-	-	(65,000)	-	-	(65,000)
Net revenue (expenses) from property sales	-	-	-	-	(102,066)	-	90,000	(12,066)
Revenue, rental properties:								
Rental revenue	6,614,551	3,014,165	3,910,794	-	41,860	212,833	-	13,794,203
Other tenant revenue	167,617	31,783	150,607	-	-	38,709	-	388,716
Laundry and vending	25,848	15,487	9,619	-	-	-	-	50,954
Total revenue from rental properties	6,808,016	3,061,435	4,071,020	-	41,860	251,542	-	14,233,873
Total sales, revenues and other support	$ 6,920,025	$ 3,097,167	$ 4,183,577	$ 8,906,189	$ 468,209	$ 251,542	$ (2,346,946)	$ 21,479,763

See Independent Auditor's Report.

Better Housing Coalition Inc. and Subsidiaries

Consolidating Statement of Activities - Year Ended December 31, 2022

	Total LIHTC Multifamily	Extended Use Compliance Multifamily	Other Multifamily	Better Housing Coalition (Parent)	Development	Commercial Rental	Eliminations	Total
Operating expenses:								
Personnel and benefits	$ 651,589	$ 230,232	$ 263,090	$ 2,923,605	$ 570,732	$ -	$ -	$ 4,639,248
Professional and consulting	216,555	93,466	161,172	379,114	53,827	-	-	904,134
Travel and training	16,524	7,072	8,089	56,029	15,099	-	-	102,813
Advertising and marketing	33,735	20,608	10,318	56,062	3,199	-	-	123,922
Interest and financial services	1,198,697	372,879	355,539	(997)	89,963	10,345	(10,824)	2,015,602
Taxes and insurance	908,384	271,089	419,912	28,528	16,432	25,455	-	1,669,800
Dues, memberships and subscriptions	3,005	1,061	1,252	27,134	2,396	-	-	34,848
Equipment	73,802	21,685	36,411	38,485	3,637	-	-	174,020
Office	90,450	28,847	32,827	37,552	10,372	245	-	200,293
Bad debt	300,909	8,336	151,658	-	475	-	-	461,378
Occupancy	30	-	-	175,440	-	-	-	175,470
Utilities	1,052,354	216,818	223,605	7,330	(23)	8,681	-	1,508,765
Resident services	3,108	1,147	68,459	(38,475)	2,300	-	-	36,539
Board and committee	-	-	-	18,464	-	-	-	18,464
Property operations	1,253,405	439,026	602,447	14,397	29,834	3,754	-	2,342,863
Property maintenance and repairs	898,112	202,719	312,809	-	-	47,602	-	1,461,242
Miscellaneous	(113,444)	516,500	259	155,127	75,000	98,000	(750,000)	(18,558)
Related party expenses	465,509	297,423	346,978	477,674	-	-	(1,587,584)	-
Telephone and communications	71,912	39,423	62,769	25,305	1,344	-	-	200,753
Total operating expenses	7,124,636	2,768,331	3,057,594	4,380,774	874,587	194,082	(2,348,408)	16,051,596
Change in net assets before depreciation and amortization	(204,611)	328,836	1,125,983	4,525,415	(406,378)	57,460	1,462	5,428,167
Depreciation	2,295,181	1,045,820	950,228	27,693	22,133	51,086	-	4,392,141
Amortization	14,103	-	-	-	-	-	-	14,103
Change in net assets	$ (2,513,895)	$ (716,984)	$ 175,755	$ 4,497,722	$ (428,511)	$ 6,374	$ 1,462	$ 1,021,923

See Independent Auditor's Report.