HOUSING PARTNERSHIP NETWORK

AND AFFILIATES

COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Contents
December 31, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors of
The Housing Partnership Network, Inc. and Affiliates:

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of The Housing Partnership Network, Inc. and Affiliates (three Massachusetts corporations, not for profit) (collectively, the Network), which comprise the combined statements of financial position as of December 31, 2021 and 2020, and the related combined statements of activities without donor restrictions, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of The Housing Partnership Network, Inc. and Affiliates as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Combined Financial Statements section of our report. We are required to be independent of the Network 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Network's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the combined 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 combined financial statements.

Auditor's Responsibilities for the Audit of the Combined Financial Statements *(Continued)*

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 combined 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 combined 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 Network'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 combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Network'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.

AAFCPAs, Inc.

Westborough, Massachusetts
April 19, 2022

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statements of Financial Position
December 31, 2021 and 2020

Assets	**2021**	**2020**
Current Assets:		
Cash and cash equivalents	$ 22,635,171	$ 16,143,748
Current portion of accounts and contracts receivable, net	1,146,765	4,576,585
Grants receivable	875,000	832,442
Current portion of loans receivable, net of allowance	6,663,448	13,072,710
Interest receivable	387,272	346,758
Prepaid expenses and other	179,367	227,082
Total current assets	31,887,023	35,199,325
Restricted Deposits	590,612	572,571
Accounts and Contracts Receivable, net of current portion	-	225,000
Loans Receivable, net	46,062,893	24,447,521
Investments in Uncombined Affiliates	8,786,687	9,704,766
Capitalized Costs	387,798	339,988
Property and Equipment, net	58,713	72,357
Total assets	$ 87,773,726	$ 70,561,528
Liabilities and Net Assets		
Current Liabilities:		
Current portion of loans payable	$ -	$ 6,118,181
Current portion of equity equivalent loans payable	500,000	625,000
Accounts payable and accrued expenses	2,128,651	2,147,601
Accrued interest	198,245	201,781
Grants payable to subrecipients	-	769,298
Conditional advances	1,760,671	2,436,325
Deferred income	148,670	7,930
Total current liabilities	4,736,237	12,306,116
Loan Escrows Liability	590,612	572,571
Loans Payable, net of current portion	42,582,727	23,624,546
Equity Equivalent Loans Payable, net of current portion	4,500,000	4,875,000
Total liabilities	52,409,576	41,378,233
Net Assets:		
Without donor restrictions:		
Operating	3,493,971	3,633,509
Lending	14,959,245	12,063,334
Affiliate investments	8,786,687	9,704,766
Total without donor restrictions	27,239,903	25,401,609
With donor restrictions	8,124,247	3,781,686
Total net assets	35,364,150	29,183,295
Total liabilities and net assets	$ 87,773,726	$ 70,561,528

The accompanying notes are an integral part of these combined statements.

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statements of Activities Without Donor Restrictions
For the Years Ended December 31, 2021 and 2020

	2021	2020
Revenues:		
Earned income:		
Program service fees	$ 1,831,362	$ 950,396
Management fees	1,119,661	1,344,735
Membership fees	864,125	665,400
Other revenue	517,983	190,487
Share of income (loss) of affiliates	(766,626)	1,079,914
Net earned income	3,566,505	4,230,932
Financial and related revenue:		
Interest on loans, net	2,455,925	2,490,349
Loan fees	667,737	251,687
Investment income	31,177	130,160
Less - net loan loss recovery (provision)	(574,694)	1,163,759
Less - interest expense	(1,174,606)	(1,284,736)
Net financial and related revenue	1,405,539	2,751,219
Public support:		
Government grants and contracts	6,583,569	2,138,233
Grants and contributions	1,370,553	1,637,175
Net assets released from purpose restrictions	2,211,049	2,854,834
Less - awards to subrecipients	(2,113,257)	(1,726,233)
Total public support	8,051,914	4,904,009
Net revenues	13,023,958	11,886,160
Expenses:		
Program services	7,876,511	8,040,862
General and administrative	2,931,593	2,825,572
Fundraising and communication	377,560	468,574
Total expenses	11,185,664	11,335,008
Changes in net assets without donor restrictions	$ 1,838,294	$ 551,152

Combined Statements of Changes in Net Assets
For the Years Ended December 31, 2021 and 2020

	2021	2020
Net Assets, beginning of year	$ 29,183,295	$ 27,231,977
Changes in net assets without donor restrictions	1,838,294	551,152
Changes in net assets with donor restrictions:		
Grants and contributions	6,553,610	4,255,000
Net assets released from restrictions	(2,211,049)	(2,854,834)
Total changes in net assets with donor restrictions	4,342,561	1,400,166
Changes in net assets	6,180,855	1,951,318
Net Assets, end of year	$ 35,364,150	$ 29,183,295

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Changes in net assets	$ 6,180,855	$ 1,951,318
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	185,507	185,508
Net loan loss provision (recovery)	574,694	(1,163,759)
Share of (income) loss of affiliates	766,626	(1,079,914)
Capital grants	(1,103,101)	(250,000)
Changes in operating assets and liabilities:		
Accounts and contracts receivable	2,254,820	(815,426)
Grants receivable	(42,558)	714,000
Interest receivable	(40,514)	(96,851)
Prepaid expenses and other	47,715	(67,403)
Accounts payable and accrued expenses	(18,950)	(179,097)
Accrued interest	(3,536)	(105,961)
Grants payable to subrecipients	(769,298)	(737,768)
Conditional advances	427,447	48,825
Deferred income	140,740	(119,269)
Loan escrows liability	18,041	(49,005)
Net cash provided by (used in) operating activities	8,618,488	(1,764,802)
Cash Flows from Investing Activities:		
Principal collections on loans receivable	24,082,375	22,826,647
Issuance of loans receivable	(38,463,179)	(13,912,208)
Distributions from uncombined affiliates	155,153	1,013,986
Purchase of property and equipment	-	(94,372)
Purchase of capitalized costs	(219,673)	-
Cash investment in uncombined affiliates	(3,700)	(1,300)
Net cash provided by (used in) investing activities	(14,449,024)	9,832,753
Cash Flows from Financing Activities:		
Proceeds from loans payable	18,340,000	1,000,000
Principal payments on loans payable	(5,500,000)	(7,950,000)
Principal payments on equity equivalent loans payable	(500,000)	-
Capital grants	-	1,000,000
Net cash provided by (used in) financing activities	12,340,000	(5,950,000)
Net Change in Cash, Cash Equivalents and Restricted Cash	6,509,464	2,117,951
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	16,716,319	14,598,368
End of year	$ 23,225,783	$ 16,716,319
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Combined Statements of Financial Position:		
Cash and cash equivalents	$ 22,635,171	$ 16,143,748
Restricted deposits	590,612	572,571
Total cash, cash equivalents and restricted cash	$ 23,225,783	$ 16,716,319
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 1,178,142	$ 1,390,697
Supplemental Disclosure of Non-Cash Transactions:		
Accounts and contracts receivable converted to loans receivable	$ 1,400,000	$ 1,000,000

The accompanying notes are an integral part of these combined statements.

Combined Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Summarized Comparative Totals for the Year Ended December 31, 2020)

	2021												2020
	Program Services								Support Services				
	Counseling and Education	Member Services	Capital Markets	Multifamily Operations	Single Family Operations	Platform Services	Innovation	Total Program Services	General and Administrative	Fundraising and Communication	Total Support Services	Total	Total
Personnel and Related Costs:													
Salaries	$ 299,718	$ 1,112,183	$ 951,812	$ 1,061,509	$ 311,558	$ 264,327	$ 603,617	$ 4,604,724	$ 1,835,259	$ 236,363	$ 2,071,622	$ 6,676,346	$ 6,590,919
Fringe benefits	53,851	199,827	171,013	190,722	55,978	47,492	108,452	827,335	329,743	42,468	372,211	1,199,546	1,182,977
Payroll taxes	18,843	69,922	59,840	66,736	19,587	16,618	37,949	289,495	115,381	14,860	130,241	419,736	451,820
Total personnel and related costs	372,412	1,381,932	1,182,665	1,318,967	387,123	328,437	750,018	5,721,554	2,280,383	293,691	2,574,074	8,295,628	8,225,716
Other:													
Professional fees	29,172	108,249	92,640	103,317	30,324	25,727	58,750	448,179	178,626	23,005	201,631	649,810	783,386
Consulting and service contracts	28,684	106,439	91,091	101,589	29,817	25,297	57,768	440,685	175,639	22,620	198,259	638,944	465,930
Information technology - LaunchPad	-	-	-	-	521,050	-	-	521,050	-	-	-	521,050	569,810
Occupancy	15,115	56,088	48,000	53,532	15,712	13,330	30,441	232,218	92,553	11,920	104,473	336,691	410,348
Depreciation and amortization	8,326	30,903	26,447	29,495	8,657	7,345	16,772	127,945	50,994	6,568	57,562	185,507	185,508
Other	5,346	19,837	16,976	18,933	5,557	4,714	10,766	82,129	32,733	4,216	36,949	119,078	271,300
Office supplies and support	5,277	19,594	16,769	18,702	5,489	4,657	10,634	81,122	32,333	4,164	36,497	117,619	158,545
Insurance	3,259	12,093	10,349	11,542	3,388	2,874	6,563	50,068	19,955	2,570	22,525	72,593	55,585
Travel	3,064	11,372	9,732	10,854	3,186	2,703	6,172	47,083	18,765	2,417	21,182	68,265	52,111
Staff development	2,441	9,060	7,753	8,647	2,538	2,153	4,917	37,509	14,950	1,925	16,875	54,384	37,532
Dues and publications	2,379	8,829	7,556	8,427	2,473	2,098	4,792	36,554	14,569	1,876	16,445	52,999	24,807
Conferences and meetings	2,341	8,687	7,434	8,291	2,434	2,065	4,715	35,967	14,335	1,846	16,181	52,148	78,359
Communications	940	3,490	2,986	3,331	978	829	1,894	14,448	5,758	742	6,500	20,948	16,071
Total operating expenses before general and administrative allocation	478,756	1,776,573	1,520,398	1,695,627	1,018,726	422,229	964,202	7,876,511	2,931,593	377,560	3,309,153	11,185,664	11,335,008
General and Administrative Allocation	170,039	630,984	539,999	602,235	361,820	149,963	342,455	2,797,495	(2,931,593)	134,098	(2,797,495)	-	-
Total operating expenses	$ 648,795	$ 2,407,557	$ 2,060,397	$ 2,297,862	$ 1,380,546	$ 572,192	$ 1,306,657	$ 10,674,006	$ -	$ 511,658	$ 511,658	$ 11,185,664	$ 11,335,008

Combined Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services								Support Services			
	Counseling and Education	Member Services	Capital Markets	Multifamily Operations	Single Family Operations	Platform Services	Innovation	Total Program Services	General and Administrative	Fundraising and Communication	Total Support Services	Total
Personnel and Related Costs:												
Salaries	$ 276,199	$ 1,287,166	$ 1,024,323	$ 521,447	$ 538,253	$ 268,937	$ 623,252	$ 4,539,577	$ 1,694,895	$ 356,447	$ 2,051,342	$ 6,590,919
Fringe benefits	48,309	218,491	174,411	93,204	93,651	50,543	149,810	828,419	294,797	59,761	354,558	1,182,977
Payroll taxes	18,574	84,038	66,667	35,081	36,164	19,546	59,230	319,300	108,187	24,333	132,520	451,820
Total personnel and related costs	343,082	1,589,695	1,265,401	649,732	668,068	339,026	832,292	5,687,296	2,097,879	440,541	2,538,420	8,225,716
Other:												
Professional fees	7,644	14,880	260,571	21,275	10,831	3,148	214,948	533,297	246,221	3,868	250,089	783,386
Consulting and service contracts	14,350	53,310	31,420	142,901	25,866	43,425	40,195	351,467	114,463	-	114,463	465,930
Information technology - LaunchPad	-	-	-	-	569,810	-	-	569,810	-	-	-	569,810
Occupancy	8,395	62,904	54,996	44,292	43,729	17,539	62,269	294,124	100,751	15,473	116,224	410,348
Depreciation and amortization	451	3,558	5,724	935	2,583	35,882	128,476	177,609	7,326	573	7,899	185,508
Other	-	3,721	5,824	-	4,955	-	180,349	194,849	76,451	-	76,451	271,300
Office supplies and support	2,666	24,439	8,811	3,389	434	4,045	888	44,672	112,911	962	113,873	158,545
Insurance	11,325	4,080	23,582	1,658	2,590	1,059	3,933	48,227	6,352	1,006	7,358	55,585
Travel	422	8,939	10,678	8,845	5,682	12	6,572	41,150	8,207	2,754	10,961	52,111
Staff development	-	-	-	-	-	25	-	25	36,917	590	37,507	37,532
Dues and publications	-	16,337	3,617	-	1,908	206	225	22,293	845	1,669	2,514	24,807
Conferences and meetings	31,292	23,123	1,259	9,931	-	200	1,663	67,468	10,303	588	10,891	78,359
Communications	-	5,200	2,275	-	-	600	500	8,575	6,946	550	7,496	16,071
Total operating expenses before general and administrative allocation	419,627	1,810,186	1,674,158	882,958	1,336,456	445,167	1,472,310	8,040,862	2,825,572	468,574	3,294,146	11,335,008
General and Administrative Allocation	139,338	601,075	555,907	293,188	443,772	147,818	488,883	2,669,982	(2,825,572)	155,590	(2,669,982)	-
Total operating expenses	$ 558,965	$ 2,411,261	$ 2,230,065	$ 1,176,146	$ 1,780,228	$ 592,985	$ 1,961,193	$ 10,710,844	$ -	$ 624,164	$ 624,164	$ 11,335,008

The accompanying notes are an integral part of these combined statements.

1. OPERATIONS AND NONPROFIT STATUS

The Housing Partnership Network, Inc. (HPN) is a Massachusetts not-for-profit corporation established in 1990, which serves as a peer network and business alliance for some of the nation's top-performing nonprofit housing developers, owners, lenders, and housing counselors. HPN helps these strong, accomplished organizations increase production and impact through a unique member-driven cooperative that shares knowledge and innovation, pools resources to access the capital markets more efficiently, and shapes policy that reflects and enhances their practice. HPN's mission is defined as follows:

> *"To leverage the individual strengths and mobilize the collective power of our member organizations. Our vision is that all people live in vibrant and inclusive communities where access to affordable homes creates opportunity and economic mobility."*

Combined Affiliates

The Housing Partnership Fund, Inc. (HPF) is a Massachusetts not-for-profit corporation, which was established in 1999 to provide financing to members of HPN for the purchase, rehabilitation and development of housing that is affordable to lower-income families. HPF is the lending affiliate of HPN. Both HPN and HPF have been granted status as Community Development Financial Institutions (CDFI) by the U.S. Department of the Treasury (the Treasury), each qualifying for certain awards and loan support from the Treasury. During 2021, HPN and HPF were awarded $1,826,625 and $2,451,625, respectively, of CDFI Fund grant awards from the Treasury.

Housing Partnership Ventures, Inc. (HPV) is a Massachusetts not-for-profit corporation, which was established in 2004 to support the members of HPN by developing and offering loan products and funding alternatives, including working capital loans, for existing business activities and funds to expand or originate new business lines. HPV is the investing affiliate of HPN. During 2009, HPV established a single-member limited liability company, HPV Holdings, LLC (HPV Holdings), to hold special assets. HPV Holdings has elected to be disregarded as a separate entity from HPV for tax purposes. HPV Holdings held no assets and had no activity as of and for the years ended December 31, 2021 or 2020.

HPN, HPF, and HPV (collectively, the Network) share some common directors. HPN performs all program and administrative functions of HPF and HPV under management contracts (see Note 8).

The combined financial statements include the three nonprofit organizations that comprise the Network. All significant intercompany balances and transactions have been eliminated from the accompanying combined financial statements.

The Network's program services consist of the following:

Counseling and Education

The Network's counseling and education work includes a community of practice and the creation of new businesses to help its members enhance their housing counseling work. Since 1995, HPN has been a pass-through intermediary of Federal Housing and Urban Development's (HUD) Housing Counseling and National Foreclosure Mitigation Counseling Program funds.

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Member Services

The Network's member services focus on peer exchange opportunities including, but not limited to, two national member meetings per year, access to the International Housing Partnership, and financial and capital-related peer exchange through Strength Matters. Member services provide knowledge transfer and sharing of best practices in areas of common interest to our members. During the pandemic, the Network shifted its engagement with members and held virtual meetings and expects to continue those meetings as biannual in-person meetings beginning in 2022.

Capital Markets and Fundraising

The Network's capital markets team raises grants, debt and equity to support the Network's general operating expenses, social enterprises, research and development, and policy innovation among other projects and functions, primarily from corporate investors and corporate and private foundations.

Multifamily Operations

Various member organizations of the Network develop and manage multifamily affordable housing properties. Through peer exchange, capital raise, and social enterprise development, the Network provides support for those members in areas including lending, purchasing, and resident services, among others.

Single Family Operations

The Network's single family programming focuses on creating and expanding access to financing for members' single family for-sale and rental programs, including facilitating the use of New Markets Tax Credits (NMTC) allocations (see Note 3) to expand homeownership opportunities in distressed markets.

Platform Services

The Network provides platform services to its business lines and in support of its emerging social enterprises including raising capital, marketing communications, finance, human resources, and information systems and technology. Services are contracted with individual social enterprises for a fee (see Note 8).

Innovation

The Network's research and development, also known as the Innovation Lab, launches and builds social enterprises that increase members' capacities to fulfill their missions.

Non-Profit Status

HPN, HPF, and HPV are individually exempt from Federal income taxes as organizations formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and are also exempt from state income taxes. Donors may deduct contributions made to these entities within the requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

The Network's combined financial statements have been prepared in accordance with accounting standards and principles generally accepted in the United States of America (U.S. GAAP). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Concentration of Credit Risk

The Network considers all checking, money market, and savings accounts and certificates of deposit with an initial maturity of three months or less to be cash and cash equivalents. Those highly liquid resources that are generally not available for current operations or otherwise restricted are classified as restricted deposits (see Note 4).

The Network maintains its cash balances in high credit quality financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures balances at each financial institution up to certain amounts. At certain times during the year, cash balances may exceed the insured amounts. The Network has not experienced any losses in such accounts. The Network periodically assesses the financial condition of these financial institutions and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Allowance for Doubtful Accounts on Accounts, Contracts and Grants Receivable

An allowance for doubtful accounts is based on collection experience and other circumstances, which may affect the ability of payors and donors to meet their obligations. It is the Network's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The Network had an allowance of $300,000 against certain accounts and contracts receivable as of December 31, 2021 and 2020 (see Note 8).

Loans Receivable

Loans receivable are presented net of allowances for loan losses (see Note 5) and third party loan participations qualifying as note sales under ASC Topic, *Accounting for Transfers and Servicing of Assets and Liabilities*. Loan participations qualify as loan sales if the Network surrenders control over the participated portion of the loan receivable and the participation agreement meets certain other criteria. All of the Network's loan participations qualify for treatment as loan sales (see Note 5).

U.S. GAAP requires nonprofit organizations to record interest expense and contribution revenue in connection with loans payable that are interest free or that have below-market interest rates. Likewise, funds loaned to borrowers at below-market interest rates should also result in imputed revenue and contribution expense. Interest rates on loans payable are disclosed in Note 6. Interest rates on loans receivable are disclosed in Note 5. The Network believes that the benefits derived from below-market rate loans received are passed through to the borrowers via below-market rate loans made, and that there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the accompanying combined financial statements to reflect rate differentials.

The Network considers a loan receivable as impaired when it is probable that interest and/or principal will not be collected according to the contractual terms of the loan receivable agreement. In accordance with guidance provided by ASC Topic, *Impairment (Recoverability) of a Loan*, management employs one of three methods to determine and measure impairment: the Present Value of Future Cash Flow Method; the Fair Value of Collateral Method; and the Observable Market Price of a Loan Method. To perform an impairment analysis, the Network reviews a loan's internally assigned risk rating, its outstanding balance, value of the collateral, guarantors, and a current report of the action being implemented. Based on the nature of the specific loan, one of the impairment methods is chosen and any impairment is determined, based on criteria established for impaired loans.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable (Continued)

A troubled debt restructuring (TDR) occurs when a creditor, for economic or legal reasons related to a borrower's financial condition, grants a concession to the borrower that it would not otherwise consider, such as below-market interest rates, extending the maturity of a loan, or a combination of both. The Network considers all loans modified in a TDR to be impaired. At the time a loan is modified in a TDR, the Network considers several factors in determining whether the loan should accrue interest, including:

- Cash flow necessary to pay the interest,
- Whether the borrower is current on their interest payments, and
- Whether the borrower is expected to perform under the revised terms of the restructuring.

Loan Loss Allowance

The Network follows the *Disclosure About the Credit Quality of Financing Receivables and the Allowance for Credit Losses* standard under U.S. GAAP. This standard requires disclosure about the accounting policies and methodology used to estimate the allowance for loan losses (see Note 5). Provisions are made for estimated loan losses based on management's evaluation of each loan. Loss recoveries are recorded in the year the recovery is known. The allowance for loan losses is established through the net loan loss provision and is charged to operating and non-operating activity based on the character of the underlying loans.

Investments in Uncombined Affiliates

HPN and HPV maintain equity investments in uncombined affiliates where HPN and HPV exercise significant influence over the affiliates' operations (see Note 3). HPN and HPV account for these investments using the equity method. Whether or not HPN and HPV exercise significant influence with respect to an affiliate depends on an evaluation of several factors including, among others, representation on the affiliate's Board of Directors, significance of ownership in the voting securities of the affiliate, and participation in management activities significant to the investee. Under the equity method, the investment is initially recorded at cost and then increased or decreased by the share of income or loss of the affiliate. Distributions of cash reduce the carrying value of the investment.

All other closely held affiliate investments are recorded using the cost method. Under the cost method, an investment is carried at its original cost and cash distributions of profits are reported as income and distributions of the original capital invested reduce the carrying value of the investment.

The Network periodically assesses the carrying balance of all investments in uncombined affiliates for possible impairment. During 2021, there was an impairment taken on HPV's investment in HPNP, LLC (see Note 3).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalized Costs

Capitalized costs include website development costs related to the design and implementation of the Knowledge Center and Ecoguide websites that are used in connection with other social enterprises of the Network. Also included in capitalized costs are the costs incurred in connection with the design and implementation of new financial systems that were completed during 2021. All costs pertaining to these projects were capitalizable and are included in the totals noted below. Capitalized costs, which are amortized using the straight-line method over the following estimated useful lives, consist of the following as of December 31:

	Estimated Useful Lives	2021	2020
Select Ecoguide website	3 years	$ 376,801	$ 376,801
Financial systems	5 years	219,673	-
Knowledge Center website	5 years	176,400	176,400
		772,874	553,201
Less - accumulated amortization		(385,076)	(213,213)
Net capitalized costs		$ 387,798	$ 339,988

Amortization expense related to capitalized costs for the years ended December 31, 2021 and 2020, was $171,863 and $125,600, respectively.

Property and Equipment and Depreciation

The Network capitalizes at cost all significant expenditures for property and equipment with useful lives in excess of one year. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as incurred.

Property and equipment, which are depreciated using the straight-line method over the following estimated useful lives, consist of the following as of December 31:

	Estimated Useful Lives	2021	2020
Furniture and equipment	3 - 5 years	$ 478,290	$ 478,290
Leasehold improvements	Life of lease (see Note 7)	225,651	225,651
		703,941	703,941
Less - accumulated depreciation		(645,228)	(631,584)
Net property and equipment		$ 58,713	$ 72,357

Depreciation expense for the years ended December 31, 2021 and 2020, totaled $13,644 and $59,908, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets without donor restrictions include those net resources of the Network that bear no external restrictions and are generally available for use by the Network. The Network has grouped its net assets without donor restrictions into the following categories:

- *Operating* - represents net assets that are available for operations and bear no external restrictions. Operating net assets also includes property and equipment and capitalized costs.
- *Lending* - represents net assets that are available to support HPF lending.
- *Affiliate investments* - represents the portion of net assets invested in uncombined affiliates (see Note 3).

Net assets with donor restrictions are unexpended financial resources restricted by donors as to the purpose or timing of expenditure. Net assets with donor restrictions as of December 31, 2021 and 2020, are restricted for the following:

	2021	2020
Operating purpose restricted:		
Member Services	$ 3,763,917	$ 515,525
Multifamily Operations	2,015,685	2,272,944
Counseling and Education	427,448	82,342
Innovation	64,096	160,875
Total operating purpose restricted	6,271,146	3,031,686
Capital restricted:		
Revolving Loan Capital - CDFI Capital Magnet	1,853,101	750,000
	$ 8,124,247	$ 3,781,686

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended December 31:

	2021	2020
Operating purpose restricted:		
Multifamily Operations	$ 897,266	$ 27,056
Member Services	576,607	484,476
Counseling and Education	562,394	1,120,413
Innovation	174,782	1,115,655
Capital Markets	-	107,234
Total Network release from restrictions	$ 2,211,049	$ 2,854,834

Revolving loan capital consists of a CDFI Fund Capital Magnet award that is used to make loans to qualified projects. This grant requires that the proceeds be revolved for recurring use during the investment term of the agreement. Accordingly, the expended grant proceeds plus applicable donor-designated accumulations remain in net assets with donor restrictions until depleted by loan losses or until the investment period expires in March 2024.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

The Network records the amount of proceeds of the Capital Magnet award which it has not committed to qualifying projects as conditional advances as mandated by the agreement (see page 13). The Network received Capital Magnet proceeds totaling $2,250,000, of which 5% or $112,500 was recognized as net assets without donor restrictions during 2019. Of the remaining funds, $284,399 and $1,387,500 were not yet committed to qualifying projects as of December 31, 2021 and 2020, respectively, and are included in conditional advances in the accompanying combined statements of financial position. During 2021 and 2020, the Network committed $1,103,101 and $250,000, respectively, to qualifying projects and such amounts are included in net assets with donor restrictions in the accompanying combined statements of financial position. The conditional advance as of December 31, 2021, is expected to be deployed or committed for qualifying projects in 2022.

Fair Value Measurements

The Network follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements,* for qualifying assets and liabilities. Fair value is defined as the price that the Network would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Network uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Network. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Network generally measures revenue for qualifying exchange transactions based on the amount of consideration the Network expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Network satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Network evaluates its management, program service and membership fees (Fee revenue) based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Fee revenue is recognized by the Network for services provided to its members (see Notes 1 and 8) and various third parties. All services are generally provided on an annual basis incident to separate agreements, some of which renew annually at the election of the parties or under aspects of the respective agreements. These agreements specify the compensation for each annual period. Each service is considered a single performance obligation as each service is distinct. The performance obligations under these agreements are satisfied evenly over the year as members or third parties receive the benefits provided as the Network performs the services. Contracts are generally renewable on a calendar-year cycle. Compensation is generally fixed under the relevant agreement, but may contain variable components in the case of certain management services. Fee revenue is only recognized as revenue when collection is assured. Fee revenue received in advance of services being provided is recorded as deferred income in the accompanying combined statements of financial position. Other revenue is recognized when deemed earned.

Financial and related revenue is generally recognized as revenue without donor restrictions as earned or when services are provided. Interest on loans is presented net of amounts collected on behalf of loan participants. Where significant, the Network generally amortizes loan origination fees for loans with terms greater than one year in length over the term of the loans. Unamortized deferred loan fees are included as an adjustment to the carrying value of loans receivable in the accompanying combined statements of financial position. Net loan origination fees of the Network that are not significant are not amortized, but are instead recognized when the loan closes.

In accordance with ASC Subtopic 958-605, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, the Network must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barriers or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Network should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional advance liabilities until such conditions are met. See Note 11 for disclosures of the Network's conditional grants. Government grants and contracts are generally within the scope of Topic 958 as described above.

Contributions and grants without donor restrictions are recognized as revenue when unconditionally received or pledged. Donor restricted grants and contributions with time or purpose restrictions are transferred to net assets without donor restrictions as such gifts are used in accordance with donor restrictions. Net assets with donor capital restrictions are transferred to net assets without donor restrictions once the capital assets are placed into service.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Awards to Subrecipients

Awards to subrecipients represent amounts received from HUD, NeighborWorks® America and other funders which are passed-through to the Network's member organizations under the Network's housing counseling, national foreclosure mitigation counseling, and other programs. These grants are reflected as reductions of contract income and grants and contributions in the accompanying combined statements of activities without donor restrictions. Grants payable to subrecipients represent the unpaid portion of awards to members that were due to be paid as of the combined statements of financial position date.

Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the combined statements of functional expenses. The combined statements of functional expenses present the natural classification detail of expenses by function, including supporting services. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries, fringe benefits and payroll taxes, consulting and service contracts, professional fees, conferences and meetings, occupancy, travel, office supplies and support, communications, depreciation, insurance, and dues and publications, which are allocated based on level of employee effort for each function as based on timesheets.

Income Taxes

The Network accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. The Network has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at December 31, 2021 and 2020. The Network's information returns are subject to examination by the Federal and state jurisdictions.

Estimates

The preparation of combined financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through April 19, 2022, which is the date the combined financial statements were available to be issued. See Note 3 for an event that met the criteria for disclosure in the combined financial statements.

3. UNCOMBINED AFFILIATES

The Network has made investments in and engaged in transactions with certain affiliated entities which were created, with the Network's participation, to carryout mission-related initiatives of the Network and its members. The Network does not maintain a controlling financial interest in any of these affiliates. Therefore, the financial statements of the affiliates are not consolidated or combined with those of the Network.

3. UNCOMBINED AFFILIATES (Continued)

These investments are accounted for on the equity or cost methods (see Note 2) based upon whether the Network exercises significant influence over the operations of the investee affiliate.

HPN's Investments in Uncombined Affiliates

HPN's investments in uncombined affiliates are as follows:

	HPIEx	HPET	Framework	NCST	Sub CDEs	Total
Net investment, December 31, 2019	$ 2,379,806	$ 1,324,279	$ 4,275,323	$ 200,000	$ 7,000	$ 8,186,408
Additional cash investment	-	-	-	-	1,300	1,300
Distribution received	(75,000)	-	(938,986)	-	-	(1,013,986)
Share of income (loss)	53,776	(63,071)	1,012,750	-	-	1,003,455
Net investment, December 31, 2020	2,358,582	1,261,208	4,349,087	200,000	8,300	8,177,177
Additional cash investment	-	-	-	-	3,700	3,700
Distribution received	(100,000)	-	-	-	-	(100,000)
Share of income	11,756	673,874	(1,559,430)	-	-	(873,800)
Net investment, December 31, 2021	$ 2,270,338	$ 1,935,082	$ 2,789,657	$ 200,000	$ 12,000	$ 7,207,077

Housing Partnership Insurance Exchange

Housing Partnership Insurance Exchange (HPIEx) is a for-profit association captive insurance company organized as a reciprocal insurer. HPN is entitled to 10% of income, losses and distributions of HPIEx. HPN also holds one seat on the Board of Directors. HPN operates HPIEx as its Attorney-in-Fact, but may be removed by a majority of other members. HPN accounts for its investment in HPIEx using the equity method (see Note 2).

Housing Partnership Equity Trust

Housing Partnership Equity Trust (a Delaware limited liability company) (HPET) was established to acquire and operate multifamily properties by making joint venture investments with its non-profit members. HPET operates through a controlled subsidiary, Housing Partnership Equity Trust REIT I, LLC (HPET REIT I) that has elected Real Estate Investment Trust (REIT) status with the IRC. HPN had a revolving line of credit agreement with HPET REIT I (see Note 5). Subsequent to December 31, 2021, HPET's Board voted to sell the majority of its interest in HPET REIT I to an unrelated third party, retaining an a non-controlling interest. HPN is the general manager of HPET under a management contract (see Note 8). The management services provided to HPET include coordinating meetings with their members and facilitating meetings with prospective investors. HPN accounts for its investment in HPET using the equity method (see Note 2).

Framework Homeownership, LLC

HPN and one of its members formed Framework Homeownership, LLC (a Delaware limited liability company) (Framework). Framework was established to meet increasing demand for online homeowner counseling and education services; increase the sustainability of HPN member counseling; and achieve a broader vision of embedding homebuyer education into the home purchase process. HPN holds a 50% equity interest in Framework and has one of four voting seats on the Board of Directors. HPN accounts for this investment using the equity method (see Note 2).

3. UNCOMBINED AFFILIATES (Continued)

HPN's Investments in Uncombined Affiliates (Continued)

National Community Stabilization Trust, LLC

HPN and three other non-profit organizations established the National Community Stabilization Trust, LLC (a Delaware limited liability company) (NCST). NCST was established to provide support services to state and local Neighborhood Stabilization Programs (NSP's) to ensure efficient transfer of foreclosed and abandoned properties from financial institutions, in order to promote productive property reuse and neighborhood revitalization. NCST works to stabilize targeted communities through aggregating capital from national, private and philanthropic sources and make financing available to support local efforts focused on the objective of stabilizing communities. HPN holds a Class A 33% interest in NCST and is one of six Board members, but has no authority to appoint other Board members. HPN accounts for its investment in NCST using the cost method (see Note 2).

SubCDEs

HPN applied for and received New Markets Tax Credit (NMTC) allocations totaling $120,000,000 from the CDFI Fund (see Note 1), all of which has been assigned to the SubCDEs (see below) as of December 31, 2021. The NMTC provides economic benefits to tax credit motivated investors through Community Development Entities (CDEs). A CDE is an organization designated by the United States Department of the Treasury to provide investment capital to low-income communities or persons. As part of the NMTC program, HPN received CDE status and established seven sub-CDEs, HPN NMTC I, LLC (SubCDE 1), HPN NMTC II, LLC (SubCDE 2), HPN NMTC III, LLC (SubCDE 3), HPN NMTC IV, LLC (SubCDE 4), HPN NMTC V, LLC (SubCDE 5), HPN NMTC VI, LLC (SubCDE 6), and HPN NMTC VII, LLC (SubCDE 7) (collectively, the SubCDEs), all Delaware limited liability companies formed for the purpose of making loans to or equity investments in companies formed to acquire, rehabilitate and operate real estate development projects. HPN is the managing member of the SubCDEs but has granted material participating rights to the investor of each SubCDE. HPN accounts for its investments in the SubCDEs using the cost method (see Note 2).

HPN made capital contributions as follows in exchange for a 0.01% membership interest in each of the respective SubCDEs noted below:

SubCDE 1	$ 1,500
SubCDE 2	1,500
SubCDE 3	1,000
SubCDE 4	3,000
SubCDE 5	1,300
SubCDE 6	900
SubCDE 7	2,800
	$ 12,000

The SubCDEs have used the proceeds of an unrelated entity's Qualified Equity Investments (QEIs) to make loans to qualified active low-income community businesses (QALICBs). In addition, the SubCDEs paid one-time fees to HPN totaling $925,000 (SubCDEs 6 and 7) and $385,000 (SubCDE 5) for its sub-allocation of NMTCs during the years ended December 31, 2021 and 2020, respectively, which are included in program service fees in the accompanying combined statements of activities without donor restrictions (see Note 8).

3. UNCOMBINED AFFILIATES (Continued)

HPN's Investments in Uncombined Affiliates (Continued)

SubCDEs (Continued)

HPN assigned its NMTC allocations to the SubCDEs as follows:

SubCDE 1	$ 15,000,000
SubCDE 2	15,000,000
SubCDE 3	10,000,000
SubCDE 4	30,000,000
SubCDE 5	13,000,000
SubCDE 6	9,000,000
SubCDE 7	28,000,000
	$ 120,000,000

The terms of the agreements with the SubCDEs' investor members require HPN and the SubCDEs to maintain certain covenants to avoid recapture of the NMTC. As of December 31, 2021 and 2020, HPN and the SubCDEs were in compliance with all covenants that would cause a recapture of NMTC and management expects to maintain compliance throughout the seven-year life of each respective NMTC transaction.

The Investment Funds associated with the SubCDEs described above and on page 18 (Investment Funds) entered into option agreements with HPN and the respective investor members of the Investment Funds, whereby the investor members have the option to sell their respective investor interests in the Investment Funds to HPN for a purchase price of $1,000 (each transaction), in addition to all income taxes and closing costs associated with exercising the options. The investor members have the right to exercise these options at any time during a six-month period beginning at the end of each seven-year NMTC compliance period which end at various dates through 2028. In the event that the investor members do not elect to exercise the put options, HPN has a call option to purchase the interest from the investor members at fair market value as determined by mutual agreements among the parties, at any time during the six-month period following the respective put option period expirations.

HPV's Investments in Uncombined Affiliates

HPV's investments in uncombined affiliates are as follows:

	CSFP	**HPNP**	**DDEIF**	**Total**
Net investment, December 31, 2019	$ 738,745	$ 252,472	$ 459,913	$ 1,451,130
Share of income (loss)	127,758	(36,043)	(15,256)	76,459
Net investment, December 31, 2020	866,503	216,429	444,657	1,527,589
Distribution received	-	(55,153)	-	(55,153)
Share of income (loss)	97,097	28,724	(18,647)	107,174
Net investment, December 31, 2021	$ 963,600	$ 190,000	$ 426,010	$ 1,579,610

3. UNCOMBINED AFFILIATES (Continued)

HPV's Investments in Uncombined Affiliates (Continued)

Charter School Financing Partnership, LLC

HPV established the Charter School Financing Partnership, LLC (a Delaware limited liability company) (CSFP), which is designed to encourage, facilitate, and assist charter schools with financing and all educational related activities. CSFP was formed with Class A and Class B unit investments. Five companies are Class A members of CSFP, while HPV is the Class B member. HPV operates CSFP as its general manager (see Note 8), but may be removed by a majority of Class A members. HPV holds a 50% equity interest in CSFP and holds one seat on the Board of Managers. HPV accounts for its investment in CSFP using the equity method (see Note 2).

HPNP, LLC

HPNP, LLC (formerly, HPN Select, LLC) (a Massachusetts limited liability company) (HPNP) was formed to provide group procurement services to its members throughout the United States. HPV committed to make original capital contributions totaling $1,650,000 to acquire approximately 37% of equity interests of HPNP, of which $1,000,000 resulted from the conversion of a loan and $650,000 was cash. HPNP initiated a raise of a preferred round of capital, whereby HPV made additional contributions totaling $50,000. This preferred capital earned annual interest of 4.5%, cumulative from the date of issuance, and is compounded annually. During 2021, HPV received a distribution equal to its preferred capital contribution and related interest earned. HPV holds one seat on the Board of Members, but may be removed by a majority of members. In addition, HPV provided a loan to HPNP for working capital needs that was repaid during 2021 (see Note 5). The share of income recorded during 2021 includes HPV's share of income totaling $271,645, net of $242,921 of impairment on the December 31, 2021 investment balance. HPV accounts for its investment in HPNP using the equity method (see Note 2).

In June 2021, HPNP sold its active contracts, accounts receivable and other assets for a total maximum purchase price of $6.5 million, of which $2.5 million (net of a purchase price adjustment of $314,186 that was agreed to be remitted back to the buyer) was paid at closing. Subsequent to closing, in October 2021, HPNP received an additional $221,537 that reflected a post-closing revenue adjustment, as defined in the sale agreement. The remaining $4 million is contingent consideration based on meeting revenue targets through 2024. The proceeds of this sale were used to repay all liabilities of HPNP, including its loan from HPV (see Note 5) and management fees owned to HPN (see Note 8), and to make distributions to the members who contributed to the preferred capital raise (see above). After paying any tax obligations, the remaining proceeds will be distributed to members in 2022 as outlined in the operating agreement of HPNP. Upon execution of the sale, HPNP ceased to maintain its core operations and expects to remain in existence through the three-year contingent consideration period, at which time it is expected to liquidate and dissolve.

Develop Detroit Equity Investment Fund, LLC

Develop Detroit Equity Investment Fund, LLC (DDEIF) (a Delaware limited liability company) was formed to provide equity capital to certain Detroit-based housing and real estate development activities. DDEIF operates in conjunction with Develop Detroit, Inc. (see page 22), which controls DDEIF, through an affiliate, as its managing member. HPV made a capital contribution of $500,000 to acquire 49.98% of equity interest in DDEIF. HPV accounts for its investment in DDEIF using the equity method (see Note 2).

3. UNCOMBINED AFFILIATES (Continued)

Financial Information for Equity Method Investee Affiliates

In accordance with the disclosure standards pertaining to ASC Topic, *Investment - Equity Method and Joint Ventures*, the following financial information relates to investee entities for which the Network maintains its investments on the equity method:

	2021				
Entity	Total Assets	Total Liabilities	Total Equity	Total Revenue	Total Expenses
HPIEx	$ 61,194,304	$ 31,368,431	$ 29,825,873	$ 26,502,931	$ 26,385,369
Framework	$ 7,078,929	$ 1,423,453	$ 5,655,476	$ 14,015,207	$ 17,134,068
CSFP	$ 15,663,489	$ 652,224	$ 15,011,265	$ 332,818	$ 155,350
HPET	$ 69,503,564	$ 9,101,718	$ 60,401,846	$ 21,964,475	$ 4,606,033
HPNP	$ 1,176,859	$ 157,056	$ 1,019,803	$ 2,816,279	$ 1,739,545
DDEIF	$ 849,452	$ 64,263	$ 785,189	$ -	$ 37,293

	2020				
Entity	Total Assets	Total Liabilities	Total Equity	Total Revenue	Total Expenses
HPIEx	$ 59,010,329	$ 28,728,478	$ 30,281,851	$ 24,804,472	$ 24,266,709
Framework	$ 10,105,793	$ 1,331,456	$ 8,774,337	$ 15,955,572	$ 13,930,153
CSFP	$ 15,764,235	$ 930,438	$ 14,833,797	$ 457,712	$ 152,950
HPET	$ 57,869,411	$ 8,198,609	$ 49,670,802	$ 2,257,261	$ 2,845,545
HPNP	$ 1,945,995	$ 1,441,652	$ 504,343	$ 1,971,378	$ 2,117,004
DDEIF	$ 927,546	$ 105,064	$ 822,482	$ -	$ 30,512

Relationships with Other Uncombined Affiliates

Community Restoration Corporation

HPN and three other non-profit organizations established the Community Restoration Corporation (a Delaware non-profit corporation) (CRC). CRC was established to conduct activities to help local non-profit organizations and governmental instrumentalities reclaim low-value distressed real properties to improve overall neighborhood stabilization and revitalization efforts. HPN holds one seat on the Board of Directors of CRC. HPN does not hold an equity investment in CRC.

HPF has provided three non-interest bearing loans to CRC to provide capital to remediate and restore specific pools of distressed mortgage notes held by CRC. Payments of principal in an amount equal to surplus funds generated by CRC from mortgage resolution efforts. On each March 31st and September 30th until maturity, CRC makes payments of principal in the amount of surplus funds measured on December 31st and June 30th, respectively. Within ninety days of the date the last mortgage loan is resolved, the member will pay all remaining cash on hand to HPF, at which time the remaining principal balance of the respective loans will be forgiven and written-off. The outstanding principal of these loans totaled $16,709,391 as of December 31, 2020. The loans were funded with grant proceeds HPF received from a donor to support the neighborhood stabilization program of CRC. Due to the uncertainty associated with repayment, HPF reserved the entire principal of each loan when made. During 2021, HPF received payments from CRC totaling $1,367,708 based on surplus funds available (see page 22) and the remaining balance of the loans of $15,341,683 was forgiven and written-off. Since these loans were previously reserved for, the related forgiveness and write-off has no impact on the combined financial statements.

3. UNCOMBINED AFFILIATES (Continued)

Relationships with Other Uncombined Affiliates (Continued)

Community Restoration Corporation (Continued)

During 2020, HPF received $475,536 based on surplus funds measured on June 30, 2020, which was applied to the balance of the loan. This payment was also included in loan loss recovery in the accompanying 2020 combined statement of activities without donor restrictions, as the entire loan balance was reserved at the time of payment (see page 21). In addition, based on surplus funds totaling $1,367,708 calculated on December 31, 2020, HPV removed this portion of the allowance against the loan balance as of December 31, 2020. As a result, $1,367,708 of loan loss recovery was recorded in the accompanying 2020 combined statement of activities without donor restrictions. This payment was received and applied against the loan during 2021.

In accordance with the CRC loan agreements, HPF is required to distribute 50% of loan repayments to NCST. During 2020, HPF awarded NCST grants totaling $921,622 based on the calculated amounts recoverable as of December 31, 2020 (see above). These amounts are included as a reduction of the loan loss recovery in the accompanying combined statements of activities without donor restrictions. As of December 31, 2020, $683,854 of the amounts awarded remained unpaid and are included in grants payable to subrecipients in the accompanying 2020 combined statement of financial position.

Develop Detroit Inc.

Develop Detroit Inc. (Develop Detroit) is a non-profit real estate development company designed to play a major role in the stabilization and revitalization of neighborhoods and communities weakened by the decades-long economic decline in Detroit, Michigan. Sponsored by HPN, Develop Detroit is structured and capitalized as an independent nonprofit. Develop Detroit operates in key neighborhoods and is staffed and governed locally. HPN provides business and financial support to Develop Detroit (see Note 8) and does not hold an equity investment in Develop Detroit. Develop Detroit is in process of implementing plans to become financially independent of the Network.

The Network provided various loans to Develop Detroit for a variety of capital and working capital needs (see Note 5).

4. RESTRICTED DEPOSITS

Restricted deposits consist of cash and certain investments of the Network, which are restricted for use in connection with certain financing agreements of the Network.

Interest and Project Reserves

Pursuant to the facility loan agreement with Develop Detroit (see Note 3), HPF has a right to hold back a portion of the principal drawn down by Develop Detroit to be used as reserves for interest and security on the loan. The interest and security reserves are calculated as 5.5% and 15%, respectively, of the project amount, as defined in the agreement. The balances of these reserves totaled $362,981 and $533,720 at December 31, 2021 and 2020, respectively.

The remaining balance of restricted deposits totaled $227,631 and $38,851 as of December 31, 2021 and 2020, respectively, and pertains to interest and project reserves associated with other HPF loans.

5. LOANS RECEIVABLE

HPN

HPN generally lends to Network members or affiliates and has made intercompany loans to HPF and HPV (see Note 6), as well as real estate purchase loans and development loans to affiliates. HPN's loans receivable consist of the following as of December 31:

	2021	2020
Unsecured loan agreement with HPF, bearing interest at a rate determined annually by HPN (4.33% for 2021 and 2020), which matures in June 2024. This loan and related accrued interest of $58,896 as of December 31, 2021 and 2020, are eliminated from the accompanying combined statements of financial position.	$ 5,322,441	$ 5,322,441
Unsecured loan agreement with HPF, bearing interest at a rate of 2.75%, which is set to expire in September 2029. This loan and related accrued interest of $17,187 as of December 31, 2021 and 2020, are eliminated from the accompanying combined statements of financial position.	2,500,000	2,500,000
Unsecured real estate purchase and development loans to two members as of December 31, 2021 and 2020, bearing interest at rates varying between 4.00% and 5.25% and maturing at various dates through August 2024. Interest on these notes is due in monthly payments through respective maturity. Accrued interest on these loans was $5,705 and $3,445 as of December 31, 2021 and 2020, respectively. During 2021, $500,000 of the balance was repaid upon maturity and an additional loan of $500,000 was disbursed.	1,500,000	1,500,000
Unsecured predevelopment loan to a member bearing interest at a rate of 5.75%, paid monthly in arrears, which matures in September 2023. There was no accrued interest as of December 31, 2021 and 2020.	250,000	250,000
Unsecured loan agreement with HPV that is non-interest bearing and matures in December 2022. This loan is eliminated from the accompanying combined statements of financial position.	250,000	250,000
Unsecured revolving line of credit agreement with HPET REIT I (see Note 3), which allowed for borrowings up to $2,272,727, bearing interest 3.5%, paid quarterly and in arrears. The agreement was set to expire in September 2021, at which time all outstanding principal and interest were repaid. There was no accrued interest as of December 31, 2020.	-	386,364
	9,822,441	10,208,805
Less - allowance for loan losses	(61,250)	(74,773)
	9,761,191	10,134,032
Less - current portion (net of allowance)	(1,215,000)	(886,363)
Total HPN long-term portion	8,546,191	9,247,669

5. LOANS RECEIVABLE (Continued)

HPF

HPF generally lends to members and affiliated entities of HPN and offers various types of loans, including real estate Predevelopment and Acquisition Loans, Single Family NMTC Leverage Source Loans, and Enterprise Development Loans. Loans receivable of HPF consist of the following as of December 31:

	2021	2020
Unsecured enterprise development loans to sixteen and eighteen members, respectively, bearing interest at rates between 4.50% and 6.75%, and maturing at various dates through November 2030. The total outstanding balance of these loans was $25,013,485 and $16,038,795 at December 31, 2021 and 2020, respectively, which is presented net of third-party loan participations of $8,347,747 and $4,000,000, respectively. Each loan requires monthly or quarterly interest-only payments through maturity, at which time the entire principal balance is due. Accrued interest on these loans was $53,521 and $96,986 as of December 31, 2021 and 2020, respectively.	16,665,738	12,038,795
Predevelopment and acquisition/bridge loans to six and eleven members as of December 31, 2021 and 2020, respectively, bearing interest at rates between 4.25% and 6.5%. The total outstanding balance of these loans was $12,797,435 and $11,555,205 at December 31, 2021 and 2020, respectively. The balance as of December 31, 2020, is presented net of third-party loan participations of $1,000,000. These loans require monthly interest-only payments until principal maturity at various dates through April 2024. Predevelopment loans are unsecured and acquisition/bridge loans are secured by the respective properties acquired. Accrued interest on these loans was $194,812 and $71,569 as of December 31, 2021 and 2020, respectively.	12,797,435	10,555,205
Real estate acquisition and bridge loans to nine and ten members, respectively, bearing interest at rates between 4.5% and 6.5%, and maturing at various dates through May 2026. The total outstanding balance of these loans was $10,783,391 and $5,164,949 at December 31, 2021 and 2020, respectively, which is presented net of respective third-party loan participations of $1,007,132 at December 31, 2021. Each loan requires monthly or quarterly interest-only payments through maturity, at which time the entire principal balance is due. All loans are secured by various assets of the members. Accrued interest on these loans was $20,369 and $42,274 as of December 31, 2021 and 2020, respectively.	9,776,259	5,164,949

5. LOANS RECEIVABLE (Continued)

HPF (Continued)

	2021	2020
Leverage source loans to three and one members, respectively, bearing interest at rates between 4.25% and 6.0%, and maturing at various dates through June 2024. The total outstanding balance of these loans was $7,604,000 and $1,500,000 at December 31, 2021 and 2020, respectively, which is presented net of respective third-party loan participations of $2,033,333 and $500,000, respectively. Each loan requires monthly or quarterly interest-only payments through maturity, at which time the entire principal balance is due. All loans are secured by various assets of the members. There was no accrued interest as of December 31, 2021 and 2020.	5,570,667	1,000,000
HPF has enterprise development lines of credits with two and one members with a balances of $5,551,140 and $4,000,000 as of December 31, 2021 and 2020, respectively. These lines of credit bear interest at rates ranging between 6% and 6.75% as of December 31, 2021 and 2020. The balance of these lines of credit are presented net of third party participations of $2,000,000 at December 31, 2021 and 2020. These lines of credit are set to expire at various dates through June 2026 and are secured by the borrower's interest in third party LLCs. Accrued interest was $46,500 and $23,250 as of December 31, 2021 and 2020, respectively.	3,551,140	2,000,000
HPF has a non-revolving line of credit with Develop Detroit (see Note 3) with available borrowings up to a maximum of $10,000,000, bearing interest at rates between 5.5% and 7.2%. The total outstanding balance of this line of credit was $6,708,598 and $6,589,617 at December 31, 2021 and 2020, respectively, which is presented net of respective third-party loan participations of $4,998,465 and $4,905,924, respectively. Under this agreement, each draw will be treated as a separate promissory note with a maturity date of thirty-six months from the date of the draw or permanent financing relating to the specific project, whichever is sooner. Develop Detroit could continue to draw down on this line of credit through November 2023. During 2021 and 2020, there were additional draws on this line totaling $118,981 and $2,300,202, respectively. Interest only on existing draws is due monthly through various maturity dates through November 2023, at which time all remaining outstanding interest and principal relating to each advance are due. This line of credit is secured by a first priority interest on property owned by Develop Detroit and an assignment of leases and rents. Accrued interest was $34,239 and $34,604 as of December 31, 2021 and 2020, respectively.	1,710,133	1,683,693

5. LOANS RECEIVABLE (Continued)

HPF (Continued)

	2021	2020
HPF has an unsecured outstanding permanent acquisition loan receivable, which bears interest payable annually at 0.25%, and matures on January 31, 2042. The acquisition loan and all accrued interest are payable at maturity. Accrued interest was $802 as of December 31, 2021 and 2020.	420,000	420,000
HPF is a participating lender in a NMTC leverage source loan receivable to Develop Detroit (see Note 3) where a CDFI serves as the lead lender. The interest rate is calculated based on the current London Interbank Offered Rate (LIBOR) (0.52% and 0.15% as of December 31, 2021 and 2020, respectively), plus 5%. Interest-only payments were due through the initial maturity date of January 2022, when the principal and any outstanding accrued interest were due. During 2021, the maturity date of the loan was extended to January 2023. Under this agreement, principal payments are due upon the sale of properties financed with this NMTC leverage source loan. This loan is secured by a first security interest in Develop Detroit's interest in SubCDE 3 (see Note 3) and any related distributions made. Accrued interest was $991 and $1,870 as of December 31, 2021 and 2020, respectively.	332,016	455,870
Unsecured predevelopment and acquisition loan with Develop Detroit (see Note 3), which bore interest at 5.5%. This loan required monthly interest-only payments through the maturity date of May 2021, at which time the principal and any outstanding accrued interest were repaid. Accrued interest was $3,705 as of December 31, 2020.	-	750,000
	50,823,388	34,068,512
Net recovery of CRC loans (see Note 3)	-	1,367,708
	50,823,388	35,436,220
Less - allowance for loan losses	(1,715,797)	(1,140,180)
	49,107,591	34,296,040
Less - current portion (net of allowance)	(5,031,781)	(11,986,347)
Total HPF long-term portion	44,075,810	22,309,693

5. LOANS RECEIVABLE (Continued)

HPV

	2021	2020
5% unsecured loan agreement with Develop Detroit (see Note 3), as part of the conversion of outstanding accounts and contracts receivable owed to HPN in the original amount of $1,000,000 (see Note 8). During 2021, an additional $1,400,000 of outstanding accounts and contracts receivables owed to HPN was converted to become part of this loan. Beginning June 2020, interest is due in quarterly installments through December 2024 (maturity), and beginning in December 2022, principal payments of $666,667 are due annually on the last day of the calendar year through maturity, at which time all remaining outstanding interest and principal are due. Principal payments totaling $200,000 were made in both 2021 and 2020. Accrued Interest was $30,333 and $20,000 as of December 31, 2021 and 2020, respectively.	2,000,000	800,000
7.5% loan agreement with HPNP (see Note 3). All outstanding interest and principal were due in June 2021 (maturity), at which time all outstanding principal and interest were repaid. Accrued interest was $48,253 as of December 31, 2020. This loan was secured by all of HPNP's assets.	-	420,000
	2,000,000	1,220,000
Less - allowance for loan losses	(70,000)	(57,400)
	1,930,000	1,162,600
Less - current portion	(666,667)	(200,000)
Total HPV long-term portion	1,263,333	962,600
Total Network	62,645,829	46,865,025
Less - eliminations	(8,072,441)	(8,072,441)
Less - allowance for loan losses	(1,847,047)	(1,272,353)
	52,726,341	37,520,231
Less - current portion (net of allowance)	(6,663,448)	(13,072,710)
Total Network long-term portion	$ 46,062,893	$ 24,447,521

Interest on loans is presented net of interest of $943,073 and $750,609 collected on behalf of loan participants (see Note 2) in 2021 and 2020, respectively.

Impaired Loans and Troubled Debt Restructurings

There were no loans that were deemed to be impaired as of December 31, 2021 and 2020. There have been no loan modifications classified as troubled debt restructurings as of December 31, 2021 and 2020. There were no loans receivable on non-accrual status as of December 31, 2021 or 2020.

Loan Receivable Aging Analysis

There were no past due loans as of December 31, 2021 and 2020.

5. LOANS RECEIVABLE (Continued)

Loan Commitments

The Network had unfunded loan commitments totaling $23,759,192 and $8,267,811 as of December 31, 2021 and 2020, respectively.

Schedule of Repayments

Scheduled principal repayments of gross loans receivable, net of amounts owed to participants as of December 31, 2021, are as follows:

Year	HPN	HPF	HPV	Eliminations	Total
2022	$ 1,250,000	$ 5,238,365	$ 666,667	$ (250,000)	$ 6,905,032
2023	250,000	8,960,244	666,667	-	9,876,911
2024	5,822,441	15,709,128	666,666	(5,322,441)	16,875,794
2025	-	9,390,488	-	-	9,390,488
2026	-	2,551,140	-	-	2,551,140
Thereafter	2,500,000	8,974,023	-	(2,500,000)	8,974,023
Total	$ 9,822,441	$ 50,823,388	$ 2,000,000	$ (8,072,441)	$ 54,573,388

Scheduled principal repayments of gross loans receivable, net of amounts owed to participants as of December 31, 2020, were as follows:

	HPN	HPF	HPV	Eliminations	Total
Total	$ 10,208,805	$ 35,436,220	$ 1,220,000	$ (8,072,441)	$ 38,792,584

Allowance for Loan Losses

The allowance for loan losses is an estimate of expected loan losses as determined by management based on risks perceived at loan inception and adjusted periodically as loans are monitored. The loan loss allowance is based on expected losses as determined under the Network's risk rating system. Loan loss recoveries are recognized when payments are received on previously reserved loans. The loan loss allowance consists of the following:

	HPN	HPF	HPV	Total
Balance, December 31, 2019	$ 75,523	$ 1,394,867	$ 44,100	$ 1,514,490
Loan loss provision (recovery)	(750)	(254,687)	13,300	(242,137)
Balance, December 31, 2020	74,773	1,140,180	57,400	1,272,353
Loan loss provision (recovery)	(13,523)	575,617	12,600	574,694
Balance, December 31, 2021	$ 61,250	$ 1,715,797	$ 70,000	$ 1,847,047

The loan loss recovery for the year ending December 31, 2020 consists of the following:

Loan loss recovery (see above)	$ 242,137
CRC portfolio recovery, net (see page 22)	921,622
	$ 1,163,759

5. LOANS RECEIVABLE (Continued)

Allowance for Loan Losses (Continued)

The Network uses a five number-based credit rating system, with "1" representing the highest quality/lowest risk credits and "5" representing the lowest quality/highest credit risk credits. All loans are evaluated individually. The following table presents the Network's loans receivable balances and related allowance by risk rating at December 31:

		2021		2020	
Category	Risk Rating	Loan Balance	Loan Loss Allowance	Loan Balance	Loan Loss Allowance
Lowest Risk	1	$ 420,000	$ -	$ 420,000	$ -
Above Average	2	4,000,000	80,000	7,266,972	118,000
Satisfactory	3	49,821,373	1,743,806	29,229,741	1,023,041
Below Average	4	332,015	23,241	1,875,871	131,312
Substandard	5	-	-	-	-
		$ 54,573,388	$ 1,847,047	$ 38,792,584	$ 1,272,353

6. LONG-TERM DEBT

Loans Payable

Loans payable consists of the following at December 31:

HPN	2021	2020
Unsecured loan payable to US Bank. This loan bears interest at a rate of 2.72% and is due in quarterly interest-only payments through December 2026 (maturity). All outstanding principal and accrued interest are due at maturity. Accrued interest was $9,256 as of December 31, 2021.	$ 7,000,000	$ -
Unsecured loan payable to the Calvert Social Investment Foundation, Inc. (Calvert). This loan bears interest at a rate of 4.89% and is due in quarterly interest-only payments through October 2023 (maturity). All outstanding principal and accrued interest are due at maturity. Accrued interest was $543 as of December 31, 2021 and 2020.	4,000,000	4,000,000
Unsecured loan payable to Opportunity Finance Network to support the continued capital expansion of HPET (see Note 3). This loan bears interest at a rate of 3% and is due in quarterly interest-only payments through October 31, 2024, at which time additional annual principal payments of $568,182 are due through the maturity date of October 31, 2027. There was no accrued interest as of December 31, 2021 and 2020.	2,272,727	2,272,727

6. LONG-TERM DEBT (Continued)

Loans Payable (Continued)

HPN (Continued)	**2021**	**2020**
Unsecured revolving loan payable to Webster Bank, which allows for borrowings up to $4,000,000. The interest rate on this loan is based on a spread resulting from the one, three, or six month LIBOR, dependent on HPN's selection at the time of each draw on the loan. This loan bore interest at a rate of 2.13% and 2.85% during 2021 and 2020, respectively, and is due in quarterly interest-only payments through July 2023 (maturity). All outstanding principal and accrued interest are due at maturity. Accrued interest was $5,473 and $7,286 as of December 31, 2021 and 2020, respectively.	1,000,000	1,000,000
Unsecured loan payable to US Bank. This loan bore interest at a rate of 4.33% and was due in quarterly interest-only payments through December 2021 (maturity), at which time outstanding principal and accrued interest were repaid. Accrued interest was $60,861 as of December 31, 2020.	-	5,500,000
Total HPN	14,272,727	12,772,727
HPF		
Unsecured loan payable agreement with Charles Schwab, which allows for borrowings up to $30,000,000. This note is due in quarterly interest-only payments equal to the greater of the three-month LIBOR plus 1.75% or 2.5%. All outstanding principal and accrued interest are due on the extended maturity date of July 2025. Accrued interest was $96,875 and $93,633 as of December 31, 2021 and 2020, respectively.	16,500,000	12,000,000
Unsecured loan payable to HPN, bearing interest at a rate determined annually by HPN (4.33% for 2021 and 2020), which matures in June 2024. This loan and related accrued interest of $58,896 as of December 31, 2021 and 2020, has been eliminated from the accompanying combined statements of financial position.	5,322,441	5,322,441
Unsecured loan payable to Chase New Markets Corporation, which allows for borrowings up to $20,000,000. This loan bears interest at a rate of 2% and is due in annual interest-only payments through June 2031 (maturity), at which time all outstanding principal and interest payments are due. Accrued interest was $30,600 as of December 31, 2021.	4,840,000	-

6. LONG-TERM DEBT (Continued)

Loans Payable (Continued)

HPF (Continued)	**2021**	**2020**
Unsecured loan payable to the Kresge Foundation for the purpose of funding member loans. This loan bears interest at a rate of 2% and matures on the tenth anniversary of the initial disbursement of the loan (July 2028). The loan requires interest-only payments through the ninth anniversary of the initial disbursement of the loan, at which time one-half of the outstanding principal is due, with the remaining principal due at maturity. Accrued interest was $15,000 as of December 31, 2021. There was no accrued interest as of December 31, 2020.	3,000,000	3,000,000
Unsecured loan payable to HPN, bearing interest at a rate of 2.75%, which is set to expire in September 2029 (maturity), at which time all outstanding principal and accrued interest are due. This loan and related accrued interest of $17,187 as of December 31, 2021 and 2020, has been eliminated from the accompanying combined statements of financial position.	2,500,000	2,500,000
Unsecured loan payable to Woodforest National Bank. This loan bears interest at a rate of 2.75% and is due in quarterly interest-only payments through March 2024 (maturity), at which time all outstanding principal and interest payments are due. Accrued interest was $3,438 as of December 31, 2021.	2,000,000	-
Unsecured revolving loan agreement with HSBC Bank USA, which allows for borrowings up to $2,500,000. This loan bears interest at a rate of 3.25% and is due in quarterly interest-only payments through January 2024 (extended maturity), at which time all outstanding principal and interest payments are due. Accrued interest was $12,188 as of December 31, 2021 and 2020, respectively.	1,500,000	1,500,000
Unsecured loan payable to CommonBond Communities, a member of HPN. The proceeds of this note were used to make an acquisition loan to this member (see Note 5). This loan bears no interest and all outstanding principal is due on January 31, 2042 (maturity).	420,000	420,000
Unsecured loan payable to an unrelated third party. This loan bears interest at a rate of 2.75% and is due in annual interest-only payments through June 2026 (extended maturity). All outstanding principal and accrued interest are due at maturity. There was no accrued interest as of December 31, 2021 and 2020.	50,000	50,000
Total HPF	36,132,441	24,792,441

6. LONG-TERM DEBT (Continued)

Loans Payable (Continued)

HPV	2021	2020
Non-interesting bearing unsecured loan payable to HPN which matures in December 2022. This loan has been eliminated from the accompanying combined statements of financial position.	250,000	250,000
Total Network	50,655,168	37,815,168
Less - eliminations (see Note 5)	(8,072,441)	(8,072,441)
Total loans payable	42,258,727	29,742,727
Less - current portion (net of eliminations)	-	(6,118,181)
	$ 42,582,727	$ 23,624,546

Certain loans payable contain financial and non-financial covenants with which the Network must comply. As of December 31, 2021 and 2020, the Network was in compliance with these covenants.

Available Credit

The Network had total available credit of $32,660,000 and $22,000,000 as of December 31, 2021 and 2020, respectively.

Equity Equivalent Loans Payable

The Network holds various equity equivalent loans payable and utilizes the proceeds to support the lending activities of HPF and HPV and to make loans to member organizations for the purchase, rehabilitation and development of affordable housing. HPN may prepay these loans in whole or in part at any time without penalty. The balances of the remaining equity equivalent loans payable were as follows at December 31:

HPN	2021	2020
2.75% equity equivalent loan payable (EQ2) to BBVA USA, with quarterly interest-only payments due through September 2029 (maturity), at which time all outstanding principal and unpaid interest are due. Accrued interest was $17,187 as of December 31, 2021 and 2020.	$ 2,500,000	$ 2,500,000
2% equity equivalent loan payable (EQ2) to Wells Fargo, with quarterly interest-only payments due through December 2026, at which time quarterly payments of principal and interest of $185,500 are due through December 2028 (maturity). This EQ2 maybe prepaid in whole or in part at any time without penalty. Accrued interest was $2,583 as of December 31, 2021 and 2020.	1,500,000	1,500,000

6. LONG-TERM DEBT (Continued)

Equity Equivalent Loans Payable (Continued)

HPN (Continued)	**2021**	**2020**
2% equity equivalent loan payable (EQ2) to Wells Fargo, with quarterly interest-only payments due through the initial maturity date of September 2020, at which time HPN executed their option to extend the EQ2 through September 2022 (maturity). During this extension period, principal is payable in eight quarterly installments of $125,000. This EQ2 may be prepaid in whole or in part at any time without penalty. Accrued interest was $2,603 and $5,000 as of December 31, 2021 and 2020, respectively.	500,000	1,000,000
Total HPN	4,500,000	5,000,000
HPF		
2% equity equivalent loan payable (EQ2) to KeyBank National Association (KeyBank), with quarterly interest-only payments due through June 2030 (maturity). This maturity date is rolling maturity that automatically extends annually through June 2030, if HPF satisfactorily performs its obligations under the EQ2 agreement. Accrued interest was $2,500 as of December 31, 2021 and 2020.	500,000	500,000
Total Network	5,000,000	5,500,000
Less - current portion	(500,000)	(625,000)
	$ 4,500,000	$ 4,875,000

Total Maturities of Long-Term Debt

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

Year	Equity Equivalent Loans	Loans Payable	Eliminations	Total
2022	$ 500,000	$ 250,000	$ (250,000)	$ 500,000
2023	-	5,000,000	-	5,000,000
2024	-	9,390,623	(5,322,441)	4,068,182
2025	-	1,488,548	-	1,488,548
2026	-	23,197,816	-	23,197,816
Thereafter	4,500,000	11,328,181	(2,500,000)	13,328,181
Total	$ 5,000,000	$ 50,655,168	$ (8,072,441)	$ 47,582,727

7. LEASES

The Network has a lease agreement for office space in Boston, Massachusetts through May 2027, with monthly payments ranging from $36,809 to $41,447. In addition, the Network leased three workstations in Washington, D.C. under a lease agreement with monthly payments of $2,750 through December 2020. The Network is obligated to make monthly rental payments and is also responsible for its share of real estate taxes and utilities under these agreements.

Total expense under the facility leases was $336,691 and $409,053 for 2021 and 2020, respectively, which is presented net of tenant improvement allowances, and is included in occupancy in the accompanying combined statements of functional expenses.

Future minimum lease payments, excluding real estate taxes and utilities, under these agreements are as follows:

2022	$ 455,783
2023	464,918
2024	474,200
2025	483,659
2026	493,314
Thereafter	207,235
Total	$ 2,579,109

8. OTHER RELATED PARTY TRANSACTIONS

Management Agreements

Certain affiliates (see Note 3) engaged the Network for management services based on various agreements and terms, renewable annually. The majority of the amounts are earned on a cost recovery basis. Management fees earned by the Network are as follows:

	2021	2020
Combined Affiliates:		
HPF	$ 1,564,486	$ 969,438
Uncombined Affiliates:		
HPIEx	700,000	700,000
HPNP	232,618	227,856
Develop Detroit	112,749	294,558
CSFP	64,294	72,000
DDEIF	10,000	10,000
HPET	-	40,321
Total management fees	2,684,147	2,314,173
Less - eliminations	(1,564,486)	(969,438)
Total management fees, net of eliminations	$ 1,119,661	$ 1,344,735

8. OTHER RELATED PARTY TRANSACTIONS (Continued)

Program Service Agreements

Contracted Services and Organizing Sponsor Fees - Develop Detroit

Develop Detroit has an agreement to pay HPN sponsor fees for its efforts and investment in organizing Develop Detroit. This agreement contains a fixed and variable component, whereby Develop Detroit was charged a quarterly fee of $62,500 through December 31, 2018 (the Fixed Fee), and Develop Detroit is also charged an annual payment equal to 25% of Develop Detroit's operating net income (the Variable Fee). Total contracted services and organizing sponsor fees earned by the Network were $356,603 during the year ended December 31, 2020, which is included in program service fees in the accompanying 2020 combined statement of activities without donor restrictions. There were no contracted services and organizing sponsor fees earned by the Network during 2021.

Develop Detroit will be required to make payments under the Variable Fee agreement until the sum of the Fixed Fee and Variable Fee cumulatively reach $1,800,000 or until December 31, 2025, whichever comes first. Cumulative variable and fixed fees totaled $1,333,480 as of December 31, 2021 and 2020.

LaunchPad Licensing and Onboarding Fees

The Network developed and sold the LaunchPad database which was completed to be used commercially within a new social enterprise developed by the Network. During 2021 and 2020, the Network incurred costs totaling $521,050 and $569,810, respectively, related to the LaunchPad project that were reflected as information technology - LaunchPad in the accompanying combined statements of functional expenses. Subsequent to the sale of the LaunchPad database to an unrelated third party, during 2021 and 2020, the Network earned additional licensing and onboarding fees totaling $877,765 and $240,196, respectively, for services provided to its members and to the buyer.

Fees earned under contracted services and organizing sponsor fees, sub-allocation fees (see Note 3), and other fee agreements are reported as program service fees in the accompanying combined statements of activities without donor restrictions and were as follows for the years ended December 31:

	2021	2020
Sub-allocation fees (see Note 3)	$ 925,000	$ 325,000
LaunchPad licensing and onboarding fees charged to members and its buyer (see above)	877,765	240,196
Other third-party program service fees	28,597	28,597
Contracted Services and Organizing Sponsor Fees - Develop Detroit Variable (see above)	-	356,603
Total program service fees	$ 1,831,362	$ 950,396

8. OTHER RELATED PARTY TRANSACTIONS (Continued)

Accounts and Contracts Receivables

Amounts owed to the Network for management and program service fees and contracts are included in accounts and contracts receivable in the accompanying combined statements of financial position and are as follows as of December 31:

	2021	2020
Uncombined Affiliates:		
Develop Detroit	$ 872,779	$ 2,962,230
HPET	337,943	412,943
CSFP	76,936	18,000
HPNP	-	892,103
Third parties	159,107	816,309
	1,446,765	5,101,585
Less - allowance	(300,000)	(300,000)
Total Network	1,146,765	4,801,585
Less - current portion	(1,146,745)	(4,576,585)
Total non-current accounts and contracts receivable	$ -	$ 225,000

The balance due from Develop Detroit (see Note 3) consists of unpaid costs paid for by the Network that will be reimbursed by Develop Detroit in addition to unpaid management and contracted services and organizing sponsor fees incurred (see page 35).

During 2021 and 2020, the Network agreed to defer $1,400,000 and $1,000,000, respectively, of the outstanding accounts and contracts receivable from Develop Detroit (see Note 3 and page 35). HPV converted these amounts to a loan agreement with Develop Detroit as an unsecured 5% note payable with interest due quarterly through the maturity date of December 2024 (see Note 5 for additional terms of the agreement).

HPET and HPN entered into a termination agreement during 2017 whereby HPET agreed to pay HPN $600,000 in lieu of previously contracted management service fees. The termination fee was payable in quarterly installments of $37,500 through December 31, 2018, at which time annual payments of $75,000 were due in 2019, 2020 and 2021. The remainder of the termination fee of $225,000 is due in 2022. Termination fees owed to HPN were $225,000 and $300,000 as of December 2021 and 2020, respectively, which is included in accounts and contracts receivable in the accompanying combined statements of financial position.

9. RETIREMENT PLAN

The Network participates in a group retirement plan for its employees qualified under IRC Section 401(k) (401k Plan) effective August 2011. The Network makes discretionary contributions to eligible employees' retirement funds. The employer matching contribution was 100% of the first 3% contributed by each employee. The Network also contributed a qualified non-elective employer contribution of 5% per payroll to HPN's 401k Plan. Employees are eligible when they reach twenty-one years of age and complete three consecutive months of employment. The Network's contribution totaled $540,824 and $531,461 for 2021 and 2020, respectively, and is included in fringe benefits in the accompanying combined statements of functional expenses.

10. CONTINGENCY

During 2020 and continuing through 2021, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there remains uncertainty around the duration and the impact it will have on the Network's operations and financial position. As a result, the impact COVID-19 will have on the Network's businesses, operating results, cash flows, and financial condition is uncertain. It is management's opinion that the adverse impact, if any, would be manageable.

11. CONDITIONAL AWARDS

Paycheck Protection Program

During 2021 and 2020, the Network applied for, and was awarded, loans of $1,262,300 and $1,031,000, respectively, from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds were used to pay certain payroll costs, including benefits as well as rent and utilities during a covered period as defined in the CARES Act. These funds were subject to be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds would be due over a two-year period with interest at 1%. Any repayment was deferred for a period of ten months from the end of the covered period, when the note, plus interest, would have been due in equal monthly payments through the maturity date as defined by the bank. The forgiveness calculations were subject to review and approval by the lending bank and the Small Business Administration (SBA). In December 2021 and 2020, the entire balance and related interest of the respective loans were forgiven by the lending bank.

The loans have been accounted for as conditional grants under ASC Subtopic 958-605 (see Note 2). These grants were conditional upon certain performance requirements and the incurrence of eligible expenses. Amounts received were recognized as revenue when the Network incurred expenditures in compliance with the loan application and CARES Act requirements. During the years ended December 31, 2021 and 2020, the Network recognized the respective loan balance as grant revenue, which is included in government grants and contracts in the accompanying combined statements of activities without donor restrictions.

Conditional Advances

The Network received grants and contributions that contained donor-imposed conditions that represent barriers that must be overcome as well as a right of return of the assets transferred (see Note 2). The Network recognizes these grants and contributions only when donor-imposed conditions are substantially met. Accordingly, the ending balance of conditional advances included in the accompanying combined statements of financial position pertains to cash received by the Network in advance of meeting the necessary conditions. Conditional advances consist of the following as of December 31:

	2021	2020
CDFI Capital Magnet award (see Note 2)	$ 284,399	$ 1,387,500
Other conditional awards	1,476,272	1,048,825
Conditional advances	$ 1,760,671	$ 2,436,325

In addition to the awards noted above where the Network has received cash in advance of meeting the necessary grant conditions, the Network was also awarded additional conditional pledges of $3,750,000 that are not included in the accompanying combined financial statements as the grant funds pledged have not been received as of December 31, 2021, and the donor-imposed conditions have not been met. The Network expects to satisfy these conditions during 2022 and 2023, at which time revenue will be recognized.

11. CONDITIONAL AWARDS (Continued)

Committed Government Grants and Contracts

The Network maintains contracts with the U.S. Department of Housing and Urban Development (HUD) and NeighborWorks America (NWA) that are renewable annually. During 2021, the Network received awards totaling $2,211,714 commencing in July that contained cost reimbursement conditions that represent a barrier that must be overcome in order to recognize revenue. The Network recognizes these government grants when qualifying costs are incurred. During the year ended December 31, 2021, the Network recognized $857,101 of these government grant awards upon incurring qualifying expenses, which are included in government grants and contracts in the accompanying 2021 combined statement of activities without donor restrictions. The remaining conditional commitment under the contract at December 31, 2021, was $1,354,613, which has not been included in the accompanying combined financial statements.

12. FUNDING AND CONCENTRATIONS

Funding

Contract income from governmental agencies is subject to audit by the respective governmental authorities. In the opinion of management, the results of such audits, if any, will not have a material effect on the combined statements of financial position of the Network as of December 31, 2021 and 2020, or on the combined statements of activities without donor restrictions for the years then ended.

During 2021, the Network received grants of $4,277,530 from the Treasury's CDFI Fund for program expansion (financial assistance and rapid response funds). These grants were reported as operating revenue without donor restrictions in 2021. The Network did not receive grants from the Treasury's CDFI Fund during 2020. In connection with these grants, the Network is required to adhere to specific performance goals and requirements as outlined in the agreements with the Treasury through December 2024. The benchmarks and goals noted in the agreements are not deemed to be barriers in accordance with ASU 2018-08*, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (see Note 2). Failure to adhere to these requirements may result in repayment of Federal assistance received and ineligibility to receive future funding. HPN was in compliance with all benchmarks and goals as of December 31, 2021 and 2020.

Concentrations

As of December 31, 2021, amounts due from the CDFI Fund (see Note 1) represented approximately 71% of grants receivable. In addition, approximately 100% and 96% of the Network's grants receivable are due from two and three donor as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, approximately 84% and 76%, respectively of the Network's accounts and contracts receivable (see Note 8) are due from two payers.

13. LIQUIDITY

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 2), within one year of the combined statements of financial position date, comprise the following at December 31:

	2021	2020
Cash and cash equivalents	$ 22,635,171	$ 16,143,748
Accounts and contracts receivable	1,146,765	4,576,585
Grants receivable	875,000	832,442
Current portion of loans receivable	6,663,448	13,072,710
Interest receivable	387,272	346,758
	31,707,656	34,972,243
Less - cash and grants receivable with donor purpose restrictions (see Note 2)	(6,271,146)	(3,031,686)
Less - conditional advance held in cash (see Note 2)	(1,760,671)	(2,436,325)
Total	$ 23,675,839	$ 34,504,232

The Network's cash management objectives are to ensure that it has sufficient liquidity and resources to carry out the Network's mission. Effective cash management enhances the Network's capacity to increase access to capital for the benefit of low and moderate-income people through the partnerships with its member organizations and businesses, government, and philanthropic institutions.

As part of the Network's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Network aims to maintain working capital balances of at least three months of operating expenses. Management regularly monitors the availability of resources required to manage liquidity, using a variety of reports and practices to manage asset-liability matching and to identify liquidity concerns.

The Network is substantially supported through and generates liquid resources from management fees, program fees, financial revenues related to lending activities, and its share of affiliate distributions. Philanthropic grant and contribution capital is generally utilized by the Network to fund innovation initiatives and these costs can be controlled based on the annual yield of capital raised.

To supplement liquidity for mission-related financing, the Network currently has committed lines of credit which it could further draw upon in the amount of $32,660,000 as December 31, 2021 (see Note 6). This liquidity is primarily available to fund loan commitments of $23,759,192 that were unfunded as of December 31, 2021 (see Note 5).

14. RECLASSIFICATION

Certain amounts in the 2020 combined financial statements have been reclassified to conform with the 2021 presentation.