



**AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

# THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Contents  
December 31, 2022 and 2021

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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 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, 2022 and 2021, 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, 2022 and 2021, 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 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.

#### ***Emphasis of Matter - Adoption of New Accounting Standard***

As discussed in Note 2 to the combined financial statements, effective January 1, 2022, the Network adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-12, *Leases (Topic 842)*, using the alternative transition method which does not require prior periods to be recast. Our opinion is not modified with respect to that matter.

#### ***Responsibilities of Management for the 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 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.

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.

*AAFCPA, Inc.*

Westborough, Massachusetts  
April 13, 2023

**THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES**

Combined Statements of Financial Position  
December 31, 2022 and 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current Assets:		
Cash and cash equivalents	\$ 22,567,797	\$ 22,635,171
Accounts and contracts receivable, net	1,232,444	1,146,765
Grants receivable	664,197	875,000
Current portion of loans receivable, net of allowance	10,173,563	6,663,448
Interest receivable	492,296	387,272
Prepaid expenses and other	237,513	179,367
Total current assets	<u>35,367,810</u>	<u>31,887,023</u>
Restricted Deposits	671,901	590,612
Loans Receivable, net	54,871,024	46,062,893
Investments in Uncombined Affiliates	10,428,946	8,786,687
Right-of-Use Lease Asset - Operating Lease	2,045,204	-
Capitalized Costs	217,985	387,798
Property and Equipment, net	<u>45,104</u>	<u>58,713</u>
Total assets	<u><u>\$ 103,647,974</u></u>	<u><u>\$ 87,773,726</u></u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Current portion of operating lease liability	\$ 464,921	\$ -
Current portion of loans payable	4,000,000	-
Current portion of equity equivalent loans payable	-	500,000
Accounts payable and accrued expenses	1,114,980	2,128,651
Accrued interest	265,733	198,245
Conditional advances	7,301,122	1,760,671
Deferred income	178,670	148,670
Total current liabilities	<u>13,325,426</u>	<u>4,736,237</u>
Loan Escrows Liability	671,901	590,612
Loans Payable, net of current portion	50,082,727	42,582,727
Equity Equivalent Loans Payable, net of current portion	6,500,000	4,500,000
Operating Lease Liability, net of current portion	<u>1,580,283</u>	<u>-</u>
Total liabilities	<u>72,160,337</u>	<u>52,409,576</u>
Net Assets:		
Without donor restrictions:		
Operating	2,651,827	3,493,971
Lending	13,660,791	14,959,245
Affiliate investments	10,428,946	8,786,687
Total without donor restrictions	<u>26,741,564</u>	<u>27,239,903</u>
With donor restrictions	<u>4,746,073</u>	<u>8,124,247</u>
Total net assets	<u>31,487,637</u>	<u>35,364,150</u>
Total liabilities and net assets	<u><u>\$ 103,647,974</u></u>	<u><u>\$ 87,773,726</u></u>

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

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**THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES**

Combined Statements of Activities Without Donor Restrictions  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>		
Earned income:		
Share of income (loss) of affiliates	\$ 2,033,518	\$ (766,626)
Membership fees	1,365,133	864,125
Management fees	1,033,485	1,119,661
Other revenue	625,989	517,983
Program service fees	<u>18,040</u>	<u>1,831,362</u>
Net earned income	<u>5,076,165</u>	<u>3,566,505</u>
Financial and related revenue:		
Interest on loans, net	3,229,194	2,455,925
Loan fees	377,634	667,737
Investment income	17,000	31,177
Less - net loan loss provision	(549,242)	(574,694)
Less - interest expense	<u>(1,525,004)</u>	<u>(1,174,606)</u>
Net financial and related revenue	<u>1,549,582</u>	<u>1,405,539</u>
Public support:		
Grants and contributions	2,642,150	1,370,553
Government grants and contracts	1,399,350	6,583,569
Net assets released from purpose restrictions	5,033,581	2,211,049
Less - awards to subrecipients	<u>(3,675,580)</u>	<u>(2,113,257)</u>
Total public support	<u>5,399,501</u>	<u>8,051,914</u>
Net revenues	<u>12,025,248</u>	<u>13,023,958</u>
<b>Expenses:</b>		
Program services	8,546,769	7,876,511
General and administrative	3,538,107	2,931,593
Fundraising and communication	<u>438,711</u>	<u>377,560</u>
Total expenses	<u>12,523,587</u>	<u>11,185,664</u>
Changes in net assets without donor restrictions	<u>\$ (498,339)</u>	<u>\$ 1,838,294</u>

**THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES**Combined Statements of Changes in Net Assets  
For the Years Ended December 31, 2022 and 2021

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	<b>2022</b>	<b>2021</b>
<b>Net Assets</b> , beginning of year	<u>\$ 35,364,150</u>	<u>\$ 29,183,295</u>
Changes in net assets without donor restrictions	<u>(498,339)</u>	<u>1,838,294</u>
Changes in net assets with donor restrictions:		
Grants and contributions	1,655,407	6,553,610
Net assets released from restrictions	<u>(5,033,581)</u>	<u>(2,211,049)</u>
Total changes in net assets with donor restrictions	<u>(3,378,174)</u>	<u>4,342,561</u>
Changes in net assets	<u>(3,876,513)</u>	<u>6,180,855</u>
<b>Net Assets</b> , end of year	<u><u>\$ 31,487,637</u></u>	<u><u>\$ 35,364,150</u></u>

**THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES**

Combined Statements of Cash Flows  
For the Years Ended December 31, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (3,876,513)	\$ 6,180,855
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	185,471	185,507
Net loan loss provision	549,242	574,694
Share of (income) loss of affiliates	(2,033,518)	766,626
Capital grants	(284,399)	(1,103,101)
Changes in operating assets and liabilities:		
Accounts and contracts receivable	(85,679)	2,254,820
Grants receivable	210,803	(42,558)
Interest receivable	(105,024)	(40,514)
Prepaid expenses and other	(58,146)	47,715
Accounts payable and accrued expenses	(1,013,671)	(18,950)
Accrued interest	67,488	(3,536)
Grants payable to subrecipients	-	(769,298)
Conditional advances	1,977,350	427,447
Deferred income	30,000	140,740
Loan escrows liability	81,289	18,041
Net cash provided by (used in) operating activities	<u>(4,355,307)</u>	<u>8,618,488</u>
<b>Cash Flows from Investing Activities:</b>		
Principal collections on loans receivable	16,744,387	24,082,375
Issuance of loans receivable	(29,611,875)	(38,463,179)
Distributions from uncombined affiliates	3,272,731	155,153
Purchase of capitalized costs	(2,049)	(219,673)
Cash investments in uncombined affiliates	(2,881,472)	(3,700)
Net cash used in investing activities	<u>(12,478,278)</u>	<u>(14,449,024)</u>
<b>Cash Flows from Financing Activities:</b>		
Capital grants	3,847,500	-
Proceeds from loans payable	21,500,000	18,340,000
Principal payments on loans payable	(10,000,000)	(5,500,000)
Proceeds from equity equivalent loans payable	2,000,000	-
Principal payments on equity equivalent loans payable	(500,000)	(500,000)
Net cash provided by financing activities	<u>16,847,500</u>	<u>12,340,000</u>
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	13,915	6,509,464
<b>Cash, Cash Equivalents and Restricted Cash:</b>		
Beginning of year	23,225,783	16,716,319
End of year	<u>\$ 23,239,698</u>	<u>\$ 23,225,783</u>
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Combined Statements of Financial Position:</b>		
Cash and cash equivalents	\$ 22,567,797	\$ 22,635,171
Restricted deposits	671,901	590,612
Total cash, cash equivalents and restricted cash	<u>\$ 23,239,698</u>	<u>\$ 23,225,783</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 1,457,516</u>	<u>\$ 1,178,142</u>
<b>Supplemental Disclosure of Non-Cash Transactions:</b>		
Non-cash operating lease assets and liabilities obtained in exchange for new or modified leases	<u>\$ 2,467,187</u>	<u>\$ -</u>
Accounts and contracts receivable converted to loans receivable	<u>\$ -</u>	<u>\$ 1,400,000</u>



THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statement of Functional Expenses  
For the Year Ended December 31, 2022  
(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	2022											2021	
	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	\$ 291,409	\$ 1,081,349	\$ 925,424	\$ 1,032,080	\$ 302,921	\$ 256,999	\$ 586,883	\$ 4,477,065.0	\$ 1,784,379	\$ 229,810	\$ 2,014,189	\$ 6,491,254	\$ 6,676,346
Fringe benefits	58,120	215,668	184,570	205,842	60,416	51,257	117,050	892,923	355,883	45,834	401,717	1,294,640	1,199,546
Payroll taxes	17,660	65,533	56,083	62,547	18,358	15,575	35,567	271,323	108,138	13,927	122,065	393,388	419,736
Total personnel and related costs	367,189	1,362,550	1,166,077	1,300,469	381,695	323,831	739,500	\$ 5,641,311.0	2,248,400	289,571	2,537,971	8,179,282	8,295,628
Other:													
Professional fees	49,406	183,332	156,897	174,979	51,357	43,572	99,500	759,043	302,524	38,962	341,486	1,100,529	649,810
Consulting and service contracts	46,336	171,940	147,148	164,106	48,166	40,864	93,318	711,878	283,726	36,541	320,267	1,032,145	638,944
Travel	25,837	95,874	82,049	91,505	26,857	22,786	52,034	396,942	158,205	20,375	178,580	575,522	68,265
Occupancy	21,345	79,206	67,785	75,597	22,188	18,824	42,987	327,932	130,700	16,833	147,533	475,465	336,691
Conferences and meetings	15,373	57,045	48,819	54,446	15,980	13,558	30,960	236,181	94,132	12,123	106,255	342,436	52,148
Other	8,723	32,357	27,692	30,883	9,064	7,691	17,551	133,961	185,100	6,877	191,977	325,938	119,078
Depreciation and amortization	8,324	30,897	26,442	29,489	8,655	7,345	16,769	127,921	50,984	6,566	57,550	185,471	185,507
Office supplies and support	5,652	20,986	17,960	20,030	5,879	4,988	11,390	86,885	34,630	4,460	39,090	125,975	117,619
Insurance	3,456	12,825	10,976	12,241	3,593	3,048	6,961	53,100	21,163	2,726	23,889	76,989	72,593
Staff development	2,485	9,222	7,893	8,802	2,583	2,192	5,005	38,182	15,218	1,960	17,178	55,360	54,384
Dues and publications	1,498	5,560	4,758	5,306	1,557	1,321	3,017	23,017	9,174	1,182	10,356	33,373	52,999
Communications	678	2,516	2,153	2,401	705	598	1,365	10,416	4,151	535	4,686	15,102	20,948
Information technology - LaunchPad	-	-	-	-	-	-	-	-	-	-	-	-	521,050
Total operating expenses before general and administrative allocation	556,302	2,064,310	1,766,649	1,970,254	578,279	490,618	1,120,357	8,546,769	3,538,107	438,711	3,976,818	12,523,587	11,185,664
General and Administrative Allocation	219,049	812,839	695,633	775,803	227,702	193,185	441,150	3,365,361	(3,538,107)	172,746	(3,365,361)	-	-
Total operating expenses	\$ 775,351	\$ 2,877,149	\$ 2,462,282	\$ 2,746,057	\$ 805,981	\$ 683,803	\$ 1,561,507	\$ 11,912,130	\$ -	\$ 611,457	\$ 611,457	\$ 12,523,587	\$ 11,185,664

**THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES**

Combined Statement of Functional Expenses  
For the Year Ended December 31, 2021

	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	\$ 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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
Communications	940	3,490	2,986	3,331	978	829	1,894	14,448	5,758	742	6,500	20,948
Information technology - LaunchPad	-	-	-	-	521,050	-	-	521,050	-	-	-	521,050
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
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

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 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 (see pages 14 and 15).

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, 2022 or 2021.

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). All significant intercompany balances and transactions have been eliminated from the accompanying combined financial statements.

#### Program Services

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.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 1. OPERATIONS AND NONPROFIT STATUS (Continued)

#### Program Services (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 successfully transitioned back to biannual in-person meetings beginning in 2022.

##### Capital Markets

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. This team deploys investment capital through its CDFI lending business and New Markets Tax Credit (NMTC) program.

##### 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.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 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).

#### Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance Accounting Standards Codification (ASC) 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities in the combined statement of financial position.

The Network elected to adopt Topic 842 on January 1, 2022, using the alternative transition method provided in Accounting Standards Update (ASU) 2018-11. Under this transition method, financial information related to years prior to adoption were as originally reported under Topic 840. The adoption of Topic 842 did not impact net assets as of January 1, 2022. The Network elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Network to carry forward the historical lease classification as operating leases. The Network also elected to combine lease and non-lease components and to exclude short-term leases from combined statement of financial position. The Network did not elect the hindsight practical expedient in determining the lease term for the existing leases as of January 1, 2022.

The most significant impact of adoption was the recognition of operating lease assets and liabilities of \$2,467,187 (see Note 7), while the standard did not have any impact on the Network's combined statements of activities without donor restrictions, changes in net assets, or cash flows. As part of adoption, the Network also modified its control procedures and processes, none of which materially affected the internal controls over financial reporting.

During 2022, the Network also adopted the FASB's ASU 2016-01, *Financial Instruments - Overall (Topic 825): Recognition and Measurements of Financial Assets and Financial Liabilities*, removing the requirement to disclose the fair value of the Network's combined financial assets and liabilities. The Network adopted this standard using the retrospective approach for all periods presented.

#### 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, 2022 and 2021 (see Note 8).

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Loans Receivable

Loans receivable are presented net of allowances for loan losses (see Note 5 and below) 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.

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.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments in Uncombined Affiliates

The Network maintains equity investments in uncombined affiliates where they exercise significant influence over the affiliates' operations (see Note 3). The Network accounts for these investments using the equity method. Whether or not the Network 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. There were no impaired investments as of December 31, 2022. During 2021, there was an impairment taken on HPV's investment in HPNP, LLC (see Note 3).

#### 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. 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:

	<b>Estimated Useful Lives</b>	<b>2022</b>	<b>2021</b>
Select Ecoguide website	3 years	\$ 376,801	\$ 376,801
Financial systems	5 years	221,722	219,673
Knowledge Center website	5 years	<u>176,400</u>	<u>176,400</u>
		774,923	772,874
Less - accumulated amortization		<u>(556,938)</u>	<u>(385,076)</u>
Net capitalized costs		<u>\$ 217,985</u>	<u>\$ 387,798</u>

Amortization expense related to capitalized costs for the years ended December 31, 2022 and 2021, was \$171,862 and \$171,898, respectively.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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:

	<b>Estimated Useful Lives</b>	<b>2022</b>	<b>2021</b>
Furniture and equipment	3 - 5 years	\$ 478,290	\$ 478,290
Leasehold improvements	Life of lease (see Note 7)	<u>225,651</u>	<u>225,651</u>
		703,941	703,941
Less - accumulated depreciation		<u>(658,837)</u>	<u>(645,228)</u>
Net property and equipment		<u>\$ 45,104</u>	<u>\$ 58,713</u>

Depreciation expense for the years ended December 31, 2022 and 2021, totaled \$13,609 for each respective year.

#### Leases

The Network assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of twelve months or less are not recorded on the combined statement of financial position. Lease expense is recognized by the Network on a cash basis which approximates a straight-line basis over the lease term.

ROU assets represent the Network's right to use an underlying asset for the lease term and lease liabilities represent the Network's obligation to make lease payments arising from the lease. Operating ROU lease assets and operating lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Network uses the implicit rate when it is readily determinable. Since the Network's operating lease does not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate at lease commencement (January 1, 2022, the adoption date). The operating lease ROU assets also include any lease payments made and exclude lease incentives. The Network's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

For leases where it is the lessee, the Network accounts for lease payments (lease component) and common area expense reimbursements (non-lease component) as one lease component under Topic 842. The Network also includes the non-components of its leases, such as the reimbursement of utilities, insurance, and real estate taxes, within this lease component. These amounts are included in occupancy on the Network's combined statements of functional expenses (see Note 7).



## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

### 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, 2022 and 2021, are restricted for the following:

	<u>2022</u>	<u>2021</u>
Operating purpose restricted:		
Multifamily Operations	\$ 1,428,782	\$ 2,015,685
Member Services	654,767	3,763,917
Counseling and Education	525,024	427,448
Innovation	-	64,096
	<u>2,608,573</u>	<u>6,271,146</u>
Capital restricted:		
Revolving Loan Capital - CDFI Capital Magnet	<u>2,137,500</u>	<u>1,853,101</u>
	<u>\$ 4,746,073</u>	<u>\$ 8,124,247</u>

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:

	<u>2022</u>	<u>2021</u>
Operating purpose restricted:		
Member Services	\$ 3,115,149	\$ 576,607
Multifamily Operations	1,061,913	897,266
Counseling and Education	714,423	562,394
Innovation	<u>142,096</u>	<u>174,782</u>
	<u>\$ 5,033,581</u>	<u>\$ 2,211,049</u>

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 for the 2019 award and March 2027 for the 2022 award.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 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 14). 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. During 2022, the Network received another Capital Magnet Fund award of \$4,050,000 of which 5% or \$202,500 was recognized as net assets without donor restrictions during 2022. The total available funds remaining of \$3,847,500 and \$284,399, were not committed to qualifying projects as of December 31, 2022 and 2021, respectively, and were included in conditional advances in the accompanying combined statements of financial position. During 2022 and 2021, the Network committed \$284,399 and \$1,103,101, 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, 2022, is expected to be deployed or committed for qualifying projects by 2024.

#### 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.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 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 10 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.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 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.

#### 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, 2022 and 2021. 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 13, 2023, which is the date the combined financial statements were available to be issued. See Note 11 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.

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.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

### 3. UNCOMBINED AFFILIATES (Continued)

#### HPN's Investments in Uncombined Affiliates

HPN's investments in uncombined affiliates are as follows:

	<u>HPIEx</u>	<u>HPET</u>	<u>Framework</u>	<u>NCST</u>	<u>Sub CDEs</u>	<u>Total</u>
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 (loss)	<u>11,756</u>	<u>673,874</u>	<u>(1,559,430)</u>	<u>-</u>	<u>-</u>	<u>(873,800)</u>
Net investment, December 31, 2021	2,270,338	1,935,082	2,789,657	200,000	12,000	7,207,077
Share of income (loss)	(287,746)	2,422,602	(225,453)	-	-	1,909,403
Distribution received	<u>-</u>	<u>(3,272,731)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,272,731)</u>
Net investment, December 31, 2022	<u>\$ 1,982,592</u>	<u>\$ 1,084,953</u>	<u>\$ 2,564,204</u>	<u>\$ 200,000</u>	<u>\$ 12,000</u>	<u>\$ 5,843,749</u>

#### ***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. During 2022, HPET's Board voted to sell the majority of its interest in HPET REIT I to an unrelated third party, retaining a non-controlling interest. As a result of the sale, HPET received cash proceeds of approximately \$25 million, of which HPN received cash distribution of \$3,272,731 during 2022. HPN holds a 20% equity interest and 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).

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 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 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, 2022. During 2022, HPN received an additional NMTC allocation of \$45,000,000, none of which has been assigned to the SubCDEs as of December 31, 2022. Additional SubCDEs are expected to be created in 2023 to facilitate the deployment of this NMTC allocation. 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	<u>2,800</u>
	<u>\$ 12,000</u>

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 3. UNCOMBINED AFFILIATES (Continued)

#### HPN's Investments in Uncombined Affiliates (Continued)

##### *SubCDEs* (Continued)

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) for its sub-allocation of NMTCs during the year ended December 31, 2021, which is included in program service fees in the accompanying 2021 combined statement of activities without donor restrictions (see Note 8). There were no sub-allocation fees earned by HPN during 2022.

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	<u>28,000,000</u>
	<u>\$ 120,000,000</u>

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, 2022 and 2021, 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 19 (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.

#### HPF's Investment in Uncombined Affiliates

##### *CAG Members Fund I LLC*

CAG Members Fund I LLC (CAG I) (a Delaware limited liability company) was formed as a special purpose entity (holding company), that serves as the sole member of CAG National Fund I LLC (operating entity), that was created to increase the affordable housing supply, expand opportunities for homeownership and rental housing, and revitalize communities. HPF committed total capital of \$1,500,000 to acquire a 17% equity interest in CAG I and holds one of four voting seats on the Board of Managers. During 2022, HPF made an initial capital contribution of \$1,356,472. The initial capital raised by CAG I is entitled to a preferred annual return of 7% payable based on available cash flow, cumulative from the date of issuance, and is compounded monthly. There was no preferred distribution due in 2023 based on 2022 cash flow. HPF accounts for its investment in CAG I using the equity method (see Note 2).

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

### 3. UNCOMBINED AFFILIATES (Continued)

#### HPV's Investments in Uncombined Affiliates

HPV's investments in uncombined affiliates are as follows:

	<u>CSFP</u>	<u>HPNP</u>	<u>DDEIF</u>	<u>CAG II</u>	<u>Total</u>
Net investment, December 31, 2020	\$ 866,503	\$ 216,429	\$ 444,657	\$ -	\$ 1,527,589
Distribution received	-	(55,153)	-	-	(55,153)
Share of income (loss)	<u>97,097</u>	<u>28,724</u>	<u>(18,647)</u>	<u>-</u>	<u>107,174</u>
Net investment, December 31, 2021	963,600	190,000	426,010	-	1,579,610
Initial cash investment	-	-	-	1,525,000	1,525,000
Share of income (loss)	<u>38,562</u>	<u>100,139</u>	<u>(14,586)</u>	<u>-</u>	<u>124,115</u>
Net investment, December 31, 2022	<u>\$ 1,002,162</u>	<u>\$ 290,139</u>	<u>\$ 411,424</u>	<u>\$ 1,525,000</u>	<u>\$ 3,228,725</u>

#### ***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. 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).



## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 3. UNCOMBINED AFFILIATES (Continued)

#### HPV's Investments in Uncombined Affiliates (Continued)

##### *HPNP, LLC (Continued)*

During 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. During 2022, HPNP met the criteria to earn \$375,000 of contingent consideration. The proceeds of this sale were used to repay all liabilities of HPNP, including its loan from HPV (see Note 5) and management fees owed to HPN (see Note 8), and to make distributions to the members who contributed to the preferred capital raise (see above). After paying any final obligations, the remaining proceeds will be distributed to members 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 ending in 2024, 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 (see page 24), 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).

##### *CAG Members Fund II LLC*

CAG Members Fund II LLC (CAG II) (a Delaware limited liability company) was formed as a special purpose entity (holding company), that serves as the sole member of CAG National Fund II LLC (operating entity), that was created to increase the affordable housing supply, expand opportunities for homeownership and rental housing, and revitalize communities. HPV committed total capital of \$1,618,265 to acquire a 30% equity interest in CAG II and holds one of three voting seats on the Board of Managers. During 2022, HPV made an initial capital contribution of \$1,525,000. The initial capital raised by CAG II is entitled to a preferred annual return of 8% payable based on available cash flow, cumulative from the date of issuance, and is compounded monthly. There was no preferred distribution due in 2023 based on 2022 cash flow. HPV accounts for its investment in CAG II using the equity method (see Note 2).

HPN holds a 5% interest in one of the three members of CAG II (Community Aggregators Group II LLC, who has a 28% interest in CAG II) and accounts for this investment using the cost method (see Note 2). During 2022, HPN made an initial capital contribution of \$5.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

### 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:

Entity	2022				
	Total Assets	Total Liabilities	Total Equity	Total Revenue	Total Expenses
HPIEx	\$ 61,344,624	\$ 40,039,850	\$ 21,304,774	\$ 33,861,239	\$ 36,738,702
HPET	\$ 5,248,477	\$ 25,070	\$ 5,223,407	\$ 12,643,499	\$ 525,679
Framework	\$ 5,659,350	\$ 454,783	\$ 5,204,567	\$ 5,751,237	\$ 6,202,142
CSFP	\$ 15,261,497	\$ 32,280	\$ 15,229,217	\$ 357,859	\$ 139,907
HPNP	\$ 791,281	\$ -	\$ 791,281	\$ 403,526	\$ 632,048
DDEIF	\$ 815,977	\$ 64,960	\$ 751,017	\$ -	\$ 34,172
CAG I	\$ 24,965,700	\$ 16,739,493	\$ 8,226,207	\$ 1,171,407	\$ 1,058,545
CAG II	\$ 11,819,623	\$ 6,692,985	\$ 5,126,638	\$ -	\$ -

  

Entity	2021				
	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
HPET	\$ 69,503,564	\$ 9,101,718	\$ 60,401,846	\$ 21,964,475	\$ 4,606,033
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
HPNP	\$ 1,176,859	\$ 157,056	\$ 1,019,803	\$ 2,816,279	\$ 1,739,545
DDEIF	\$ 849,452	\$ 64,263	\$ 785,189	\$ -	\$ 37,293

#### 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 31<sup>st</sup> and September 30<sup>th</sup> until maturity, CRC makes payments of principal in the amount of surplus funds measured on December 31<sup>st</sup> and June 30<sup>th</sup>, 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 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 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.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 3. UNCOMBINED AFFILIATES (Continued)

#### Relationships with Other Uncombined Affiliates (Continued)

##### *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 will decrease based on interest payments made by Develop Detroit and totaled \$71,384 and \$362,981 at December 31, 2022 and 2021, respectively.

The remaining balance of restricted deposits totaled \$600,517 and \$227,631 as of December 31, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Unsecured loan agreement with HPF, bearing interest at a rate determined annually by HPN (2.72% and 4.33% for 2022 and 2021, respectively), which matures in June 2024. This loan and related accrued interest of \$33,997 and \$58,896 as of December 31, 2022 and 2021, which are eliminated from the accompanying combined statements of financial position.	\$ 5,322,441	\$ 5,322,441

# THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

## 5. LOANS RECEIVABLE (Continued)

### HPN (Continued)

	<u>2022</u>	<u>2021</u>
Unsecured real estate purchase and development loans to two members as of December 31, 2022 and 2021, bearing interest at rates varying between 4.00% and 5.55% and maturing at various dates through November 2026. Interest on these notes is due in monthly payments through respective maturity. Accrued interest on these loans was \$15,336 and \$5,705 as of December 31, 2022 and 2021, respectively. During 2022, both notes outstanding at December 31, 2021, were fully repaid and two additional loans totaling \$2,821,653 were disbursed.	2,821,653	1,500,000
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, 2022 and 2021, are eliminated from the accompanying combined statements of financial position.	2,500,000	2,500,000
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, 2022 and 2021.	250,000	250,000
Unsecured loan agreement with HPV that was non-interest bearing and matured in December 2022 at which time the loan was fully repaid. This loan was eliminated from the accompanying combined statements of financial position as of December 31, 2021.	-	250,000
	10,894,094	9,822,441
Less - allowance for loan losses	(107,508)	(61,250)
	10,786,586	9,761,191
Less - current portion (net of allowance)	(241,250)	(1,215,000)
Total HPN long-term portion	<u>\$ 10,545,336</u>	<u>\$ 8,546,191</u>

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 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:

	<u>2022</u>	<u>2021</u>
Unsecured enterprise development loans to twenty-five and sixteen members, respectively, bearing interest at rates between 4.25% and 6.75%, and maturing at various dates through November 2030. The total outstanding balance of these loans was \$60,791,481 and \$25,013,485 at December 31, 2022 and 2021, respectively, which is presented net of third-party loan participations of \$27,037,114 and \$8,347,747, 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 \$142,420 and \$53,521 as of December 31, 2022 and 2021, respectively.	\$ 33,754,367	\$ 16,665,738
Predevelopment and acquisition/bridge loans to ten and six members as of December 31, 2022 and 2021, respectively, bearing interest at rates between 3.625% and 8.09%. The total outstanding balance of these loans was \$25,740,897 and \$12,797,435 at December 31, 2022 and 2021, respectively. The balance as of December 31, 2022, is presented net of third-party loan participations of \$8,208,000. There were no participations as of December 31, 2021. Each loan requires monthly or quarterly interest-only payments through maturity at various dates through November 2025, at which time the entire principal balance is due. Predevelopment loans are unsecured and acquisition/bridge loans are secured by the respective properties acquired. Accrued interest on these loans was \$183,598 and \$194,812 as of December 31, 2022 and 2021, respectively.	17,532,897	12,797,435
Real estate acquisition and bridge loans to four and nine members, respectively, bearing interest at rates between 4.5% and 6%, and maturing at various dates through May 2026. The total outstanding balance of these loans was \$6,810,979 and \$10,783,391 at December 31, 2022 and 2021, respectively, which is presented net of third-party loan participations of \$1,007,132 at December 31, 2021. There were no participations as of December 31, 2022. 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 \$30,270 and \$20,369 as of December 31, 2022 and 2021, respectively.	6,810,979	9,776,259

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 5. LOANS RECEIVABLE (Continued)

#### HPF (Continued)

	2022	2021
Leverage source loans to three members, bearing interest at rates between 5% and 6% and maturing at various dates through June 2026. The total outstanding balance of these loans was \$2,696,133 and \$7,604,000 at December 31, 2022 and 2021, respectively, which is presented net of respective third-party loan participations of \$73,334 and \$2,033,333, 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. Accrued interest on these loans was \$6,709 as of December 31, 2022. There was no accrued interest as of December 31, 2021.	2,622,799	5,570,667
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 at December 31, 2022 and 2021, which is presented net of respective third-party loan participations of \$4,998,465 for both years. 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 2022. During 2022 there were no additional draws on this line. During 2021, there were additional draws on this line totaling \$118,981. 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 \$58,754 and \$34,239 as of December 31, 2022 and 2021, respectively.	1,710,133	1,710,133
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, 2022 and 2021.	420,000	420,000

# THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

## 5. LOANS RECEIVABLE (Continued)

### HPF (Continued)

	<u>2022</u>	<u>2021</u>
HPF has enterprise development lines of credits with one and two members with a balance of \$184,715 and \$5,551,140 as of December 31, 2022 and 2021, respectively. These lines of credit bear interest at 6% as of December 31, 2022 and 2021. The balance of these lines of credit are presented net of third party participations of \$2,000,000 at December 31, 2021. The remaining line of credit is set to expire in April 2023 and is secured by the borrower's interest in a third party LLC. There was no accrued interest as of December 31, 2022. Accrued interest was \$46,500 as of December 31, 2021.	184,715	3,551,140
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 was calculated based on the current London Interbank Offered Rate (LIBOR) (0.52% as of December 31, 2021), plus 5%. Interest-only payments were due through January 2023 (maturity), when principal and any outstanding accrued interest were due. Under this agreement, principal payments were due upon the sale of properties financed with this NMTC leverage source loan. This loan was secured by a first security interest in Develop Detroit's interest in SubCDE 3 (see Note 3) and any related distributions made. During 2022, the remaining balance of the loan was repaid. Accrued interest was \$991 as of December 31, 2021.	-	332,016
	63,035,890	50,823,388
Less - allowance for loan losses	(2,242,114)	(1,715,797)
	60,793,776	49,107,591
Less - current portion (net of allowance)	(9,265,646)	(5,031,781)
Total HPF long-term portion	<u>\$ 51,528,130</u>	<u>\$ 44,075,810</u>

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

### 5. LOANS RECEIVABLE (Continued)

#### HPV

	<u>2022</u>	<u>2021</u>
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. 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 of \$666,667 and \$200,000 were made during the years ended December 31, 2022 and 2021, respectively. Accrued interest was \$54,407 and \$30,333 as of December 31, 2022 and 2021, respectively.	\$ 1,333,333	\$ 2,000,000
Less - allowance for loan losses	<u>(46,667)</u>	<u>(70,000)</u>
	1,286,666	1,930,000
Less - current portion	<u>(666,667)</u>	<u>(666,667)</u>
Total HPV long-term portion	<u>619,999</u>	<u>1,263,333</u>
Total Network	75,263,317	62,645,829
Less - eliminations	<u>(7,822,441)</u>	<u>(8,072,441)</u>
Less - allowance for loan losses	<u>(2,396,289)</u>	<u>(1,847,047)</u>
	65,044,587	52,726,341
Less - current portion (net of allowance)	<u>(10,173,563)</u>	<u>(6,663,448)</u>
Total Network long-term portion	<u>\$ 54,871,024</u>	<u>\$ 46,062,893</u>

Interest on loans is presented net of interest of \$1,291,167 and \$943,073 collected on behalf of loan participants (see Note 2) in 2022 and 2021, respectively.

#### Impaired Loans and Troubled Debt Restructurings

There were no loans that were deemed to be impaired as of December 31, 2022 and 2021. There have been no loan modifications classified as troubled debt restructurings as of December 31, 2022 and 2021. There were no loans receivable on non-accrual status as of December 31, 2022 or 2021.

#### Loan Receivable Aging Analysis

There were no past due loans as of December 31, 2022 and 2021.

#### Loan Commitments

The Network had unfunded loan commitments totaling \$7,647,650 and \$23,759,192 as of December 31, 2022 and 2021, respectively.



## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

### 5. LOANS RECEIVABLE (Continued)

#### Schedule of Repayments

Scheduled principal repayments of gross loans receivable, net of amounts owed to participants as of December 31, 2022, are as follows:

<u>Year</u>	<u>HPN</u>	<u>HPF</u>	<u>HPV</u>	<u>Eliminations</u>	<u>Total</u>
2023	\$ 250,000	\$ 9,642,623	\$ 666,667	\$ -	\$ 10,559,290
2024	5,644,094	11,877,104	666,666	(5,322,441)	12,865,423
2025	-	17,406,911	-	-	17,406,911
2026	2,500,000	4,178,508	-	-	6,678,508
2027	-	-	-	-	-
Thereafter	<u>2,500,000</u>	<u>19,930,744</u>	<u>-</u>	<u>(2,500,000)</u>	<u>19,930,744</u>
Total	<u>\$ 10,894,094</u>	<u>\$ 63,035,890</u>	<u>\$ 1,333,333</u>	<u>\$ (7,822,441)</u>	<u>\$ 67,440,876</u>

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

Total	<u>\$ 9,822,441</u>	<u>\$ 50,823,388</u>	<u>\$ 2,000,000</u>	<u>\$ (8,072,441)</u>	<u>\$ 54,573,388</u>
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#### 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:

	<u>HPN</u>	<u>HPF</u>	<u>HPV</u>	<u>Total</u>
Balance, December 31, 2020	\$ 74,773	\$ 1,140,180	\$ 57,400	\$ 1,272,353
Loan loss provision (recovery)	<u>(13,523)</u>	<u>575,617</u>	<u>12,600</u>	<u>574,694</u>
Balance, December 31, 2021	61,250	1,715,797	70,000	1,847,047
Loan loss provision (recovery)	<u>46,258</u>	<u>526,317</u>	<u>(23,333)</u>	<u>549,242</u>
Balance, December 31, 2022	<u>\$ 107,508</u>	<u>\$ 2,242,114</u>	<u>\$ 46,667</u>	<u>\$ 2,396,289</u>

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

### 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:

Category	Risk Rating	2022		2021	
		Loan Balance	Loan Loss Allowance	Loan Balance	Loan Loss Allowance
Lowest Risk	1	\$ 420,000	\$ -	\$ 420,000	\$ -
Above Average	2	1,000,000	20,000	4,000,000	80,000
Satisfactory	3	65,270,876	2,323,789	49,821,373	1,743,806
Below Average	4	750,000	52,500	332,015	23,241
Substandard	5	-	-	-	-
		<u>\$ 67,440,876</u>	<u>\$ 2,396,289</u>	<u>\$ 54,573,388</u>	<u>\$ 1,847,047</u>

### 6. LONG-TERM DEBT

#### Loans Payable

Loans payable consists of the following at December 31:

HPN	2022	2021
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 \$16,400 and \$9,256 as of December 31, 2022 and 2021, respectively.	\$ 7,000,000	\$ 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, 2022 and 2021.	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, 2022 and 2021.	2,272,727	2,272,727

# THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

## 6. LONG-TERM DEBT (Continued)

### Loans Payable (Continued)

HPN (Continued)	2022	2021
Unsecured revolving loan payable to Webster Bank, which allows for borrowings up to \$4,000,000 through July 2027. The interest rate on this loan is based on a spread resulting from the one, three, or six month secured overnight financing rate (SOFR), dependent on HPN's selection at the time of each draw on the loan. This loan bore interest at a rate of 2.13% during both 2022 and 2021, and interest on outstanding principal is due in quarterly payments through July 2027 (maturity). All outstanding principal and accrued interest were paid during 2022. Accrued interest was \$5,473 as of December 31, 2021. This loan is guaranteed by HPF.	-	1,000,000
Total HPN	13,272,727	14,272,727
HPF		
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 2029 at which time a \$5,000,000 principal is due all remaining outstanding principal and interest is due in June 2030 (maturity). Accrued interest was \$53,433 and \$30,600 as of December 31, 2022 and 2021, respectively. This loan is guaranteed by HPN.	9,340,000	4,840,000
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 Federal fund rate plus 1.25% or 3.5%, whichever is greater. All outstanding principal and accrued interest are due on the extended maturity date of September 2027. Accrued interest was \$139,802 and \$96,875 as of December 31, 2022 and 2021, respectively. This loan is guaranteed by HPN.	7,500,000	16,500,000
Unsecured loan payable to HPN, bearing interest at a rate determined annually by HPN (2.72% and 4.33% for 2022 and 2021, respectively), which matures in June 2024. This loan and related accrued interest of \$33,997 and \$58,896 as of December 31, 2022 and 2021, respectively, has been eliminated from the accompanying combined statements of financial position.	5,322,441	5,322,441
Unsecured loan payable to Opportunity Finance Network, bearing interest at a rate of 3% and quarterly interest-only payments are due through February 2032 (maturity), at which time all outstanding principal and accrued interest are due. There was no accrued interest as of December 31, 2022 and 2021. This loan is guaranteed by HPN.	5,000,000	-

**THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES**Notes to Combined Financial Statements  
December 31, 2022 and 2021**6. LONG-TERM DEBT (Continued)****Loans Payable (Continued)**

<b>HPF (Continued)</b>	<b>2022</b>	<b>2021</b>
3% loan payable to Bank of America, with quarterly interest-only payments due through March 2029, at which time annual payments of \$1,250,000 plus interest are due through March 2032 (maturity). Accrued interest was \$13,151 as of December 31, 2022. This loan is secured by all assets acquired with proceeds from the loan. This loan is guaranteed by HPN.	5,000,000	-
Non-interest bearing unsecured loan payable to the Laura and John Arnold Foundation for the purpose of making loans to members. The loan matures in June 2032, at which time all outstanding principal is due.	5,000,000	-
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. There was no accrued interest as of December 31, 2022. Accrued interest was \$15,000 as of December 31, 2021.	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, 2022 and 2021, has been eliminated from the accompanying combined statements of financial position.	2,500,000	2,500,000
Unsecured loan payable agreement with Ripple Impact Capital, LLC, which allows for borrowings up to \$5,000,000. This loan bears interest at a rate of 2% with quarterly interest-only payments due through April 2028, at which time a principal payment of \$1,000,000 is due. An additional principal payment of \$2,000,000 (if outstanding) is due in April 2029 and remaining balance of principal and interest is due in April 2030 (maturity). The maturity date of the \$2,000,000 and the final maturity can be extended an additional two years if requested and approved by lender. Accrued interest was \$110 as of December 31, 2022. This loan is guaranteed by HPN.	2,000,000	-

# THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

## 6. LONG-TERM DEBT (Continued)

### Loans Payable (Continued)

HPF (Continued)	2022	2021
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 October 2024 (extended maturity), at which time all outstanding principal and interest payments are due. Accrued interest was \$9,583 and \$12,188 as of December 31, 2022 and 2021. This loan is guaranteed by HPN.	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. Accrued interest was \$441 as of December 31, 2022. There was no accrued interest as of December 31, 2021.	50,000	50,000
Total HPF	48,632,441	36,132,441
<b>HPV</b>		
Non-interest bearing unsecured loan payable to HPN which matured and was fully repaid in December 2022. This loan has been eliminated from the accompanying combined statements of financial position as of December 31, 2021.	-	250,000
Total Network	61,905,168	50,655,168
Less - eliminations (see Note 5)	(7,822,441)	(8,072,441)
Total loans payable	54,082,727	42,258,727
Less - current portion (net of eliminations)	(4,000,000)	-
	<u>\$ 50,082,727</u>	<u>\$ 42,582,727</u>

Certain loans payable contain financial and non-financial covenants with which the Network must comply. As of December 31, 2022 and 2021, the Network was compliant with all debt covenants with the exception of one financial related covenant, however received a waiver during 2022.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 6. LONG-TERM DEBT (Continued)

#### Available Credit

The Network had total available credit of \$41,160,000 and \$32,660,000 as of December 31, 2022 and 2021, 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	<u>2022</u>	<u>2021</u>
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, 2022 and 2021.	\$ 2,500,000	\$ 2,500,000
2% equity equivalent loan payable (EQ2) to Wells Fargo, with quarterly interest-only payments due through June 2032, at which time quarterly payments of principal of \$250,000 plus interest are due through June 2034 (maturity). This EQ2 maybe prepaid in whole or in part at any time without penalty. Accrued interest was \$10,000 as of December 31, 2022.	2,000,000	-
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 of \$187,500 plus interest 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, 2022 and 2021.	1,500,000	1,500,000
2% equity equivalent loan payable (EQ2) to Wells Fargo, with quarterly interest-only payments due through September 2022 (maturity), at which time the ECQ was repaid. Accrued interest was \$2,603 as of December 31, 2021.	-	500,000
Total HPN	<u>6,000,000</u>	<u>4,500,000</u>

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

### 6. LONG-TERM DEBT (Continued)

#### Equity Equivalent Loans Payable (Continued)

HPF	2022	2021
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, 2022 and 2021.	500,000	500,000
Total Network	6,500,000	5,000,000
Less - current portion	-	(500,000)
	<u>\$ 6,500,000</u>	<u>\$ 4,500,000</u>

#### Total Maturities of Long-Term Debt

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

Year	Equity Equivalent Loans	Loans Payable	Eliminations	Total
2023	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000
2024	-	9,390,623	(5,322,441)	4,068,182
2025	-	568,182	-	568,182
2026	-	7,618,182	-	7,618,182
2027	750,000	9,568,181	-	10,318,181
Thereafter	<u>5,750,000</u>	<u>30,760,000</u>	<u>(2,500,000)</u>	<u>34,010,000</u>
Total	<u>\$ 6,500,000</u>	<u>\$ 61,905,168</u>	<u>\$ (7,822,441)</u>	<u>\$ 60,582,727</u>

### 7. OPERATING LEASE

The Network has a lease agreement for office space located in Boston, Massachusetts that expires in May 2027. The monthly base rent ranges from \$36,809 to \$41,447. The Network is obligated to make monthly rental payments and is also responsible for its share of real estate taxes and utilities under this operating lease agreement (CAM charges).

In accordance with Topics 840 and 842, *Leases* (Topic 840 was applied through December 31, 2021, at which time Topic 842 was adopted by the Network under the alternative transition method), Network records rent expense for the operating lease on a cash basis which approximates the straight-line basis over the term of the lease. CAM charges are variable and were \$19,682 and \$14,647 for the years ended December 31, 2022 and 2021, respectively. Base rent of \$455,783 and \$322,044 was recognized for the years ended December 31, 2022 and 2021, respectively, and was included with CAM charges as occupancy expense in the accompanying combined statements of functional expenses.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 7. OPERATING LEASE (Continued)

As a result of the adoption of the new lease accounting guidance under ASC Topic 842, *Leases*, as of January 1, 2022, the Network recognized an operating lease obligation of \$2,467,187, which represents the net present value of the remaining operating lease payments discounted utilizing the risk-free discount rate (1.37%), according to the Network's elected policy. The Network also recognized a ROU asset - operating lease of \$2,467,187 as a result of the adoption of Topic 842. There is a five-year option to renew the office lease, which was not considered when assessing the value of the ROU asset - operating lease asset because the Network is not reasonably certain that it will exercise its option to renew the lease. As of December 31, 2022, the ROU asset - operating lease asset had a balance of \$2,045,204, as shown in noncurrent assets in the accompanying combined statement of financial position; the operating lease liability is included in other current liabilities (\$464,921), and other long-term liabilities (\$1,580,283). Total cash paid for amounts included in the measurement of operating lease liabilities was \$455,783 for the year ended December 31, 2022. As of December 31, 2022, there were no material leases that have been executed by the Network, but did not yet commence.

Future minimum cash lease payments for the non-cancellable portion of the lease, excluding CAM charges, are as follows as of June 30, 2022:

2023	\$ 464,921
2024	474,217
2025	483,659
2026	493,314
2027	<u>207,215</u>
Total payments	2,123,326
Less - discount to present value	<u>(78,122)</u>
Net present value of remaining lease payments	2,045,204
Less - current portion	<u>(464,921)</u>
Operating lease obligation, net	<u>\$ 1,580,283</u>

The following is a schedule of future minimum lease payments for the non-cancellable lease portion of the lease, excluding CAM charges, in accordance with Topic 840 as of December 31, 2021:

2022	\$ 455,783
2023	464,921
2024	474,217
2025	483,659
2026	493,314
Thereafter	<u>207,215</u>
Total	<u>\$ 2,579,109</u>



## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 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:

	<u>2022</u>	<u>2021</u>
Combined Affiliates:		
HPF	\$ 2,354,134	\$ 1,564,486
Uncombined Affiliates:		
HPIEx	750,000	700,000
HPET	101,850	-
HPNP	69,804	232,618
Develop Detroit	34,417	112,749
CSFP	67,414	64,294
DDEIF	<u>10,000</u>	<u>10,000</u>
Total management fees	3,387,619	2,684,147
Less - eliminations	<u>(2,354,134)</u>	<u>(1,564,486)</u>
Total management fees, net of eliminations	<u>\$ 1,033,485</u>	<u>\$ 1,119,661</u>

#### ***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). There were no contracted services and organizing sponsor fees earned by the Network in 2022 or 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, 2022 and 2021.

#### ***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, the Network incurred costs totaling \$521,050 related to the LaunchPad project that were reflected as information technology - LaunchPad in the accompanying combined statements of functional expenses. During 2021, the Network earned additional licensing and onboarding fees totaling \$877,765 for services provided to its members and to the buyer. There were no additional licensing and onboarding fees earned or related costs incurred by the Network during 2022.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 8. OTHER RELATED PARTY TRANSACTIONS (Continued)

#### Management Agreements (Continued)

Fees earned under LaunchPad licensing and onboarding agreements, 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:

	<u>2022</u>	<u>2021</u>
Other third-party program service fees	\$ 18,040	\$ 28,597
Sub-allocation fees (see Note 3)	-	925,000
LaunchPad licensing and onboarding fees charged to members and its buyer (see page 38)	<u>-</u>	<u>877,765</u>
Total program service fees	<u>\$ 18,040</u>	<u>\$ 1,831,362</u>

#### 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:

	<u>2022</u>	<u>2021</u>
Uncombined Affiliates:		
Develop Detroit	\$ 1,290,021	\$ 872,779
CSFP	32,280	76,936
HPET	5,132	337,943
Third parties	<u>205,011</u>	<u>159,107</u>
	1,532,444	1,446,765
Less - allowance	<u>(300,000)</u>	<u>(300,000)</u>
Total Network	<u>\$ 1,232,444</u>	<u>\$ 1,146,765</u>

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 38).

### 9. RETIREMENT PLAN

The Network participates in a group retirement plan for its employees qualified under IRC Section 401(k) (401k Plan). 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 \$521,873 and \$540,824 for 2022 and 2021, respectively, and is included in fringe benefits in the accompanying combined statements of functional expenses.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 10. CONDITIONAL AWARDS

#### Employee Retention Tax Credit

The Employee Retention Tax Credit (ERTC) was first established by the CARES Act and was extended and expanded by the Consolidated Appropriations Act (CAA) and American Rescue Plan (ARP). ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first \$10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first \$10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and December 31, 2021 (2021 ERTC).

The Network qualified for the 2021 ERTC and submitted all necessary paperwork to request the funds, and therefore, accounted for it as conditional grants under ASC Subtopic 958-605. These grants were conditional upon certain performance requirements and meeting certain eligibility criteria of the Federal program. In the opinion of management, these conditions were met as of December 31, 2022, and therefore, \$659,197 of 2021 ERTC was recognized and is included in government grants and contracts in the accompanying 2022 combined statement of activities. As of December 31, 2022, the full amount has not been received and is included in grants receivable in the accompanying 2022 combined statement of financial position.

#### Paycheck Protection Program

During 2021, the Network applied for, and was awarded, a loan of \$1,262,300, 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 calculation was subject to review and approval by the lending bank and the Small Business Administration (SBA). In December 2021, the entire balance and related interest of the loan was forgiven by the lending bank.

The loan has been accounted for as a conditional grant under ASC Subtopic 958-605 (see Note 2). This grant was 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 year ended December 31, 2021, the Network recognized the full loan balance as grant revenue, which is included in government grants and contracts in the accompanying 2021 combined statement 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.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 10. CONDITIONAL AWARDS (Continued)

#### Conditional Advances (Continued)

Conditional advances consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
CDFI Capital Magnet award (see Note 2)	\$ 3,847,500	\$ 284,399
Other conditional awards	<u>3,453,622</u>	<u>1,476,272</u>
Conditional advances	<u>\$ 7,301,122</u>	<u>\$ 1,760,671</u>

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 \$693,000 that are not included in the accompanying combined financial statements as the grant funds pledged have not been received as of December 31, 2022, and the donor-imposed conditions have not been met. The Network expects to satisfy these conditions during 2023 and 2024 which time revenue will be recognized.

#### 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 2021 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 years ended December 31, 2022 and 2021, the Network recognized \$459,653 and \$857,101, respectively, of these government grant awards upon incurring qualifying expenses, which are included in government grants and contracts in the accompanying combined statements of activities without donor restrictions. The remaining conditional commitment under the contracts at December 31, 2022 and 2021, were \$894,960 and \$1,354,613, respectively, which have not been included in the accompanying combined financial statements.

### 11. 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, 2022 and 2021, 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 for financial assistance or rapid response programs during 2022. In February 2023, the Network was awarded a financial assistance award of \$660,000 which will be included in revenue without donor restrictions in the 2023 combined statement of activities without donor restrictions. 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 HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 11. FUNDING AND CONCENTRATIONS (Continued)

#### Funding (Continued)

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, 2022 and 2021.

#### Concentrations

As of December 31, 2022 and 2021, amounts due from the Federal government through the ERTC program (see Note 10) and the CDFI fund represented substantially all of grants receivable.

As of December 31, 2022 and 2021, approximately 84% of the Network's accounts and contracts receivable (see Note 8) are due from one and two payers, respectively.

### 12. 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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 22,567,797	\$ 22,635,171
Accounts and contracts receivable	1,232,444	1,146,765
Grants receivable	664,197	875,000
Current portion of loans receivable	10,173,563	6,663,448
Interest receivable	<u>492,296</u>	<u>387,272</u>
	35,130,297	31,707,656
Less - cash and grants receivable with donor purpose restrictions (see Note 2)	(2,608,573)	(6,271,146)
Less - conditional advance held in cash (see Note 2)	<u>(7,301,122)</u>	<u>(1,760,671)</u>
Total	<u>\$ 25,220,602</u>	<u>\$ 23,675,839</u>

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.

## THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Notes to Combined Financial Statements  
December 31, 2022 and 2021

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### 12. LIQUIDITY (Continued)

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 \$41,160,000 as December 31, 2022 (see Note 6). This liquidity is primarily available to fund loan commitments of \$7,647,650 that were unfunded as of December 31, 2022 (see Note 5) in addition to future loan commitments made by the Network.