HOUSING PARTNERSHIP NETWORK

AND AFFILIATES

COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

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December 31, 2023 and 2022

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50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Auditor's Report

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

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, 2023 and 2022, 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, 2023 and 2022, 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.

We did not audit the financial statements of Framework Homeownership, LLC (a Delaware limited liability company), which statements reflect total assets constituting 3% of combined total assets at December 31, 2023, and total revenues constituting 12% of combined net operating revenues for the year ended December 31, 2023. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Framework Homeownership, LLC, is based solely on the report of the other auditor.

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, 2023, the Network adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* 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.

AAFCPAs, Inc.

Boston, Massachusetts
May 30, 2024

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statements of Financial Position
December 31, 2023 and 2022

Assets	**2023**	**2022**
Current Assets:		
Cash and cash equivalents	$ 37,012,590	$ 22,567,797
Accounts and contracts receivable, net of allowance for credit losses of $300,000 as of December 31, 2023 and 2022	789,623	1,232,444
Grants receivable	1,232,455	664,197
Current portion of loans receivable, net of allowance for credit losses of $233,200 and $385,727 as of December 31, 2023 and 2022, respectively	10,274,517	10,173,563
Interest receivable	630,752	492,296
Prepaid expenses and other	688,158	237,513
Total current assets	50,628,095	35,367,810
Loans Receivable, net of current portion and allowance for credit losses of $3,089,704 and $2,010,562 as of December 31, 2023 and 2022, respectively	83,864,122	54,871,024
Restricted Deposits	362,877	671,901
Investments in Affiliates	6,228,091	10,428,946
Right-of-Use Lease Asset - Operating Lease	1,608,302	2,045,204
Capitalized Costs	138,087	217,985
Property and Equipment, net	31,461	45,104
Total assets	$ 142,861,035	$ 103,647,974
Liabilities and Net Assets		
Current Liabilities:		
Current portion of operating lease liability	$ 474,217	$ 464,921
Current portion of loans payable	4,568,182	4,000,000
Accounts payable and accrued expenses	3,227,672	1,114,980
Accrued interest	523,432	265,733
Conditional advances	4,994,139	7,301,122
Deferred income	148,670	178,670
Total current liabilities	13,936,312	13,325,426
Loan Escrows Liability	362,877	671,901
Loans Payable, net of current portion	73,674,545	50,082,727
Equity Equivalent Loans Payable	7,500,000	6,500,000
Credit Loss Liability - Unfunded Commitments	345,545	-
Operating Lease Liability, net of current portion	1,134,085	1,580,283
Total liabilities	96,953,364	72,160,337
Net Assets:		
Without donor restrictions:		
Operating	15,023,011	2,651,827
Lending	16,710,136	13,660,791
Affiliate investments	6,228,091	10,428,946
Total without donor restrictions	37,961,238	26,741,564
With donor restrictions	7,946,433	4,746,073
Total net assets	45,907,671	31,487,637
Total liabilities and net assets	$ 142,861,035	$ 103,647,974

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

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statements of Activities Without Donor Restrictions
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues:		
Earned income:		
Homebuyer education course fees	$ 3,591,218	$ -
Program service fees	1,825,274	18,040
Membership fees	1,277,109	1,365,133
Management fees	959,017	1,033,485
Other revenue	395,702	625,989
Share of income (loss) of affiliates	(1,070,779)	2,033,518
Net earned income	6,977,541	5,076,165
Financial and related revenue:		
Interest on loans, net	4,544,822	3,229,194
Loan fees	755,306	334,810
Investment income	713,907	59,824
Less - provision for credit losses - unfunded loans	(266,693)	-
Less - provision for credit losses - funded loans	(1,848,285)	(549,242)
Less - interest expense	(2,243,352)	(1,525,004)
Net financial and related revenue	1,655,705	1,549,582
Public support:		
Grants and contributions	15,145,590	2,642,150
Government grants and contracts	1,866,889	1,399,350
Net assets released from purpose restrictions	6,115,898	5,033,581
Less - awards to subcontractors	(1,671,425)	(3,675,580)
Total public support	21,456,952	5,399,501
Net operating revenues	30,090,198	12,025,248
Operating Expenses		
Program services	14,226,066	8,546,769
General and administrative	4,606,946	3,538,107
Fundraising and communication	430,839	438,711
Total operating expenses	19,263,851	12,523,587
Changes in net assets without donor restrictions from operations	10,826,347	(498,339)
Non-Operating Expense:		
Forgiveness of accounts and contracts receivable	(880,816)	-
Changes in net assets without donor restrictions	$ 9,945,531	$ (498,339)

Combined Statements of Changes in Net Assets
For the Years Ended December 31, 2023 and 2022

	2023	**2022**
Net Assets, beginning of year	$ 31,487,637	$ 35,364,150
Cumulative adjustment from adoption of new credit loss standard	842,818	-
Acquisition of remaining ownership in affiliate	2,631,325	-
Acquisition payment to seller	(2,200,000)	-
Changes in net assets without donor restrictions	9,945,531	(498,339)
Changes in net assets with donor restrictions:		
Grants and contributions	9,316,258	1,655,407
Net assets released from restrictions	(6,115,898)	(5,033,581)
Total changes in net assets with donor restrictions	3,200,360	(3,378,174)
Changes in net assets	13,145,891	(3,876,513)
Net Assets, end of year	$ 45,907,671	$ 31,487,637

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Changes in net assets	$ 13,145,891	$ (3,876,513)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	93,541	185,471
Provision for credit losses - funded loans	1,848,285	549,242
Provision for credit losses - unfunded loans	266,693	-
Share of (income) loss of affiliates	1,070,779	(2,033,518)
Lending capital grants	(4,450,000)	(284,399)
Forgiveness of accounts and contracts receivable	880,816	-
Changes in operating assets and liabilities:		
Accounts and contracts receivable	(437,995)	(85,679)
Grants receivable	(568,258)	210,803
Interest receivable	(138,456)	(105,024)
Prepaid expenses and other	77,955	(58,146)
Accounts payable and accrued expenses	1,648,752	(1,013,671)
Accrued interest	257,699	67,488
Conditional advances	(1,006,983)	1,977,350
Deferred income	(30,000)	30,000
Loan escrows liability	(309,024)	81,289
Net cash provided by (used in) operating activities	12,349,695	(4,355,307)
Cash Flows from Investing Activities:		
Principal collections on loans receivable	17,739,017	16,744,387
Issuance of loans receivable	(47,759,684)	(29,611,875)
Cash proceeds from affiliate acquisition	5,130,869	-
Distributions from affiliates	866,075	3,272,731
Purchase of capitalized costs	-	(2,049)
Cash investments in affiliates	(300,203)	(2,881,472)
Net cash used in investing activities	(24,323,926)	(12,478,278)
Cash Flows from Financing Activities:		
Lending capital grants	3,150,000	3,847,500
Proceeds from loans payable	42,160,000	21,500,000
Principal payments on loans payable	(18,000,000)	(10,000,000)
Proceeds from equity equivalent loans payable	1,000,000	2,000,000
Acquisition payment to seller	(2,200,000)	-
Principal payments on equity equivalent loans payable	-	(500,000)
Net cash provided by financing activities	26,110,000	16,847,500
Net Change in Cash, Cash Equivalents and Restricted Cash	14,135,769	13,915
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	23,239,698	23,225,783
End of year	$ 37,375,467	$ 23,239,698
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Combined Statements of Financial Position:		
Cash and cash equivalents	$ 37,012,590	$ 22,567,797
Restricted deposits	362,877	671,901
Total cash, cash equivalents and restricted cash	$ 37,375,467	$ 23,239,698
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 1,985,653	$ 1,457,516
Supplemental Disclosure of Non-Cash Transactions:		
Non-cash operating lease assets and liabilities obtained in exchange for new or modified leases	$ -	$ 2,467,187

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

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Summarized Comparative Totals for the Year Ended December 31, 2022)

	2023													2022
	Program Services									Support Services				
	Counseling and Education	Peer Exchange	Capital Markets	Multifamily Operations	Single Family Operations	Platform Services	Innovation	Homeowner-ship and Economic Mobility	Total Program Services	General and Administrative	Fundraising and Communication	Total Support Services	Total	Total
Personnel and Related Costs:														
Salaries	$ 401,325	$ 1,667,562	$ 1,616,168	$ 437,054	$ 53,218	$ 337,233	$ 1,120,727	$ 964,661	$ 6,597,948	$ 2,518,172	$ 285,611	$ 2,803,783	$ 9,401,731	$ 6,491,254
Fringe benefits	68,966	291,029	276,582	74,218	8,920	57,950	188,980	189,597	1,156,242	412,158	48,367	460,525	1,616,767	1,294,640
Payroll taxes	26,641	107,616	106,851	28,969	3,810	22,565	75,296	73,888	445,636	160,306	19,301	179,607	625,243	393,388
Total personnel and related costs	496,932	2,066,207	1,999,601	540,241	65,948	417,748	1,385,003	1,228,146	8,199,826	3,090,636	353,279	3,443,915	11,643,741	8,179,282
Other:														
Consulting and service contracts	895,453	154,417	23,000	85,392	220,763	183,335	664,358	35,937	2,262,655	474,159	30,310	504,469	2,767,124	1,032,145
Direct program costs - homeownership	-	-	-	-	-	-	-	1,365,390	1,365,390	-	-	-	1,365,390	-
Professional fees	7,497	39,123	63,999	33,954	83,995	8,425	109,746	161,187	507,926	476,002	4,985	480,987	988,913	1,100,529
Conferences and meetings	1,043	511,725	3,070	6,604	1,064	1,649	12,059	42,822	580,036	27,461	-	27,461	607,497	342,436
Occupancy	22,213	100,712	79,513	33,839	5,156	23,424	126,228	-	391,085	170,770	15,091	185,861	576,946	475,465
Travel	30,239	114,883	73,999	59,856	3,266	9,855	28,830	42,526	363,454	71,125	19,345	90,470	453,924	575,522
Other	4,024	14,925	12,773	14,245	14,543	3,548	8,276	122,153	194,487	55,715	-	55,715	250,202	325,938
Office supplies and support	92	23,037	6,898	1,367	51	2,937	2,008	71,612	108,002	97,037	2,274	99,311	207,313	125,975
Insurance	25,412	7,024	31,508	2,419	371	1,685	7,584	29,051	105,054	12,130	1,089	13,219	118,273	76,989
Staff development	-	3,800	60	-	-	31	-	9,600	13,491	97,225	-	97,225	110,716	55,360
Depreciation and amortization	2,232	10,366	8,222	3,529	540	37,723	11,203	-	73,815	17,459	2,267	19,726	93,541	185,471
Dues and publications	550	27,197	17,038	124	750	145	220	-	46,024	7,836	1,599	9,435	55,459	33,373
Communications	1,800	4,570	4,750	600	-	1,901	1,200	-	14,821	9,391	600	9,991	24,812	15,102
Total operating expenses before general and administrative allocation	1,487,487	3,077,986	2,324,431	782,170	396,447	692,406	2,356,715	3,108,424	14,226,066	4,606,946	430,839	5,037,785	19,263,851	12,523,587
General and Administrative Allocation	467,546	967,470	730,613	245,850	124,611	217,636	740,761	977,037	4,471,525	(4,606,946)	135,421	(4,471,525)	-	-
Total operating expenses	$ 1,955,033	$ 4,045,456	$ 3,055,044	$ 1,028,020	$ 521,058	$ 910,042	$ 3,097,476	$ 4,085,461	$ 18,697,591	$ -	$ 566,260	$ 566,260	$ 19,263,851	$ 12,523,587

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services								Support Services			
	Counseling and Education	Peer Exchange	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	$ 291,409	$ 1,081,349	$ 925,424	$ 1,032,080	$ 302,921	$ 256,999	$ 586,883	$ 4,477,065	$ 1,784,379	$ 229,810	$ 2,014,189	$ 6,491,254
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
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
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	2,248,400	289,571	2,537,971	8,179,282
Other:												
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
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
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
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
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
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
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
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
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
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
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
Communications	678	2,516	2,153	2,401	705	598	1,365	10,416	4,151	535	4,686	15,102
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
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

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

1. OPERATIONS AND TAX 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 Note 2).

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. 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, 2023 or 2022.

Framework Homeownership, LLC (Framework) is a Delaware limited liability company, which was formed by HPN and one of its members. 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 held a 50% equity interest in Framework and had one of four voting seats on the Board of Director and was accounted for under the equity method as of December 31, 2022. On January 1, 2023, HPN acquired the remaining 50% interest in Framework and, as a result, Framework is now consolidated in the 2023 combined financial statements (see Note 3).

HPN, HPF, HPV and Framework (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.

1. OPERATIONS AND TAX STATUS (Continued)

Program Services (Continued)

Peer Exchange

The Network's peer exchange opportunities include, but are not limited to, two national member meetings per year, several member virtual meetings for community of practice areas including chief executive officers (CEOs), chief financial officers (CFOs), chief operating officers (COOs), HR professionals, multifamily developers and other areas of focus, access to the International Housing Partnership, and financial and capital-related peer exchange through Strength Matters. Peer Exchange provides knowledge transfer and sharing of best practices in areas of common interest to our members in both virtual, biannual in-person meetings.

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 that launches and builds social enterprises that increase members' capacities to fulfill their missions.

Homeownership and Economic Mobility

A part of their acquisition of Framework in 2023, the Network added a homeownership program to help further the mission of its members by promoting and advancing successful homeownership throughout the country. The program is designed to make sure that both first time homebuyers and repeat homebuyers are making the best financial and housing decisions for their lives.

1. OPERATIONS AND TAX STATUS (Continued)

Tax 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.

Framework is taxed as a partnership for income tax purposes. Items of income, loss, credits, or deductions arising from the partnership are reported by the partners on their respective informational tax returns (both partners are tax-exempt entities); accordingly, the accompanying combined financial statements do not reflect any provisions or credits for income taxes for this entity.

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 Pronouncement

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the combined financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Network that were most impacted and subject to the guidance in Topic 326 were loans receivable. The Network adopted the standard effected January 1, 2023, using the modified retrospective method.

The impact of adoption of ASC Topic 326 on the Network's combined statement of financial position as of January 1, 2023, was as follows:

	As Previously Reported	Effect of Adoption	As Adjusted
Allowance for credit losses	$ -	$ 1,474,619	$ 1,474,619
Allowance for loan losses	$ 2,396,289	$ (2,396,289)	$ -
Credit loss liability - unfunded commitments	$ -	$ 78,852	$ 78,852
Net assets without donor restrictions	$ 31,487,637	$ 842,818	$ 32,330,455

Results for reporting periods beginning after January 1, 2023, are presented under ASC Topic 326.

In connection with the adoption of ASU 2016-13 noted above, on January 1, 2023, the Network also adopted ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* (ASU 2022-02), removing the recognition and measurement guidance on troubled debt restructurings for creditors and enhancing disclosures provided about certain modifications or receivables to debtors experiencing financial difficulty.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Concentration of Credit Risk

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

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

Grants Receivables and Allowance

Unconditional promises to give that are expected to be collected within one year are recorded at the date the promise is received and are included in grants receivable (see Note 5). Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows net of an allowance for doubtful accounts. An allowance for doubtful grants receivable is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible. There was no allowance deemed necessary as of December 31, 2023 and 2022.

Accounts and Contracts Receivable and Allowance for Credit Losses

Accounts and contracts receivable are presented net of the Network's allowance for credit losses as of December 31, 2023, and allowance for doubtful accounts as of December 31, 2022. Beginning on January 1, 2023, the Network accounts for credit losses under Topic 326 using an expected credit loss impairment model for financial instruments. The Network's expected credit allowance methodology for accounts receivable is developed using historical experience, present economic conditions, and other relevant factors management considers relevant to estimate expected credit losses. Management performs ongoing evaluations of the Network's existing and potential customer's creditworthiness. Prior to the adoption of Topic 326, an allowance for potentially uncollectible accounts was recorded based upon management's analysis of specific accounts and their estimate of accounts may be uncollectable. The Network had an allowance for credit losses (doubtful accounts) of $300,000 as of December 31, 2023 and 2022 (see Note 8).

Loans Receivable

Loans receivable are presented net of allowances for credit losses (see Note 5 and pages 12 and 13) 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).

Below-Market Rate Loans

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Below-Market Rate Loans (Continued)

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.

Allowance for Credit Losses

Allowance for Credit Losses – General

The allowance for credit losses represents management's judgement of an estimated amount of lifetime expected losses that may be incurred on outstanding loans at the combined statement of financial position date. This estimate is based on the risk characteristics of the loan portfolio, historical losses and defaults, an expectation of supportable future economic conditions, and payment performance of the Network's borrowers. The allowance is measured and recorded upon the initial recognition of a financial asset. The allowance is then reduced by charge-offs (net of recoveries of previous losses), and is increased and decreased by a provision (recovery) for credit losses, which is recorded as a current period expense (revenue). Such allowance is based on credit losses over the contractual term of the loan adjusted for expected prepayments.

In connection with the adoption of ASU 2016-13, the Network made an accounting policy election to exclude interest receivable from the measurement of the allowance for credit losses and implemented a non-accrual policy to reverse any accrued, uncollected interest income as loans are moved to non-accrual status. The Network considers the length of time without payment from the borrower and other triggering events when determining that a loan should be moved to nonaccrual status and no longer recognize interest revenue on the loan.

Allowance for Credit Losses – Performing Loans

The methodology for estimating the allowance for loans that are deemed to be performing includes a collective quantified reserve, a collective qualitative reserve, and individual allowances on specific credits. Loans are pooled into segments based on similar characteristics of borrowers, contract terms, collateral types, types of associated industries, and business purposes of the loans. Management of the Network has concluded that all performing loans will be characterized as one pool when calculating allowance for credit losses as they are deemed to have similar risk characteristics. The Network utilizes applicable data available to recognize expected losses based on changes in the behavior of the portfolio in response to interest rates and economic conditions, the composition of the loan portfolio and the financial condition of the respective borrowers, future additions to the allowance may be necessary.

The Network applies the weighted-average remaining life to maturity (WARM) method to estimate the collective quantified component of the allowance. The WARM methodology utilizes the Network historical default and loss experience adjusted for future economic forecasts. The Network has elected to utilize a ten-year lookback period for the WARM method calculation based on a lending portfolio that is comprised of amortizing loans to borrowers with maturities up to ten years from the date of issuance. The reasonable and supportable forecast period represents one-to-two-year economic outlook (as of December 31, 2023) for the applicable economic variables. At the end of the one-year reasonable and supportable forecast period, assumption variables start to revert to the ten-year average of historical values over the lifetime of the loans. Management of the Network considered significant factors that could affect the expected future collectability of the amortized cost basis of the portfolio and determined that the primary factors are Federal interest rate fluctuation and changes to the Consumer Pricing Index. See Note 5 for disclosure of the Network's qualitative reserve factor as of the adoption date (January 1, 2023) and December 31, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses (Continued)

Collateral Dependent Financial Assets

Loans that do not share the risk characteristics of performing loans (see previous page) are evaluated on an individual basis and are considered to be collateral dependent financial assets. When management determines that the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. There were three loans evaluated on an individual basis as of December 31, 2023 (see Note 5). There were no loans evaluated on an individual basis as of the adoption date of January 1, 2023.

Off-Balance Sheet Credit Exposures

Unfunded lending commitments are reviewed to determine if they are considered unconditionally cancellable. The Network establishes reserves for unfunded commitments that do not meet that criteria as a liability in the combined statement of financial position. Changes to the liability are reflected as provision for credit losses - unfunded loans in the 2023 combined statement of activities without donor restrictions. The allowance for credit losses for unfunded lending commitments is estimated using the same methodologies as portfolio loans, taking into consideration management's assumption of the likelihood that funding will occur. See Note 5 for a summary of unfunded loan commitment and the related credit loss liability.

Legacy Disclosure – Allowance for Loan Losses

As of December 31, 2022, the Network followed the accounting and disclosure standards pertaining to ASC Topic, *Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* standard under U.S. GAAP. This standard required disclosure on the accounting policies and methodology used to estimate the allowance for loan losses (see Note 5).

The allowance for loan losses was an amount that management believed would be adequate to absorb expected losses on existing loans receivable that may have become uncollectible (see Note 5). Management evaluated loan collectability through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, realizable values of collateral, and current economic conditions that may have affected the borrower's ability to repay.

Loan loss recoveries consist of recovery of the initial loan loss reserve applied to loans receivable recognized when loans are repaid in full by the borrower or upon management's periodic assessment of the loan portfolio. Conversely, additional provision for loan losses may be recognized upon management's assessment that additional reserves are necessary based upon a review of the performance of the loan portfolio (see Note 5).

Investments in Affiliates

The Network maintains equity investments in 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Affiliates (Continued)

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 affiliates for possible impairment. There were no impaired investments as of December 31, 2023 and 2022.

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:

	Estimated Useful Lives	2023	2022
Select Ecoguide website	3 years	$ 376,801	$ 376,801
Financial systems	5 years	221,722	221,722
Knowledge Center website	5 years	176,400	176,400
		774,923	774,923
Less - accumulated amortization		(636,836)	(556,938)
Net capitalized costs		$ 138,087	$ 217,985

Amortization expense related to capitalized costs for the years ended December 31, 2023 and 2022, was $79,898 and $171,862, respectively.

Property and Equipment and Depreciation

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

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

	Estimated Useful Lives	2023	2022
Furniture and equipment	3 - 5 years	$ 478,290	$ 478,290
Leasehold improvements	Life of lease (see Note 7)	225,651	225,651
		703,941	703,941
Less - accumulated depreciation		(672,480)	(658,837)
Net property and equipment		$ 31,461	$ 45,104

Depreciation expense for the years ended December 31, 2023 and 2022, totaled $13,643 and $13,609, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the straight-line basis over the lease term.

Right-of-Use (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. 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 in the accompanying combined statements of functional expenses (see Note 7).

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.

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 include property and equipment and capitalized costs.

- *Lending* - represents net assets that are available to support HPF lending as lending that takes place at HPN and HPF is primarily funded with liabilities that source the issuance of loans receivable and, as a result, there is no equity generated by the lending activities of these entities.

- *Affiliate investments* - represent the portion of net assets invested in affiliates (see Note 3).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

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, 2023 and 2022, are restricted for the following:

	2023	2022
Programmatic purpose restricted:		
Innovation	$ 2,229,376	$ -
Counseling and Education	895,850	525,024
Multifamily Operations	541,507	1,428,782
Peer Exchange	273,942	654,767
Total programmatic purpose restricted	3,940,675	2,608,573
Lending purpose restricted:		
Revolving Loan Capital - CDFI Capital Magnet	3,437,500	2,137,500
Loan Capital - CDFI Equitable Recovery Program (ERP)	568,258	-
Total lending purpose restricted	4,005,758	2,137,500
	$ 7,946,433	$ 4,746,073

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:

	2023	2022
Programmatic purpose restricted:		
Multifamily Operations	$ 1,487,274	$ 1,061,913
Counseling and Education	649,174	714,423
Innovation	448,625	142,096
Peer Exchange	380,825	3,115,149
Total programmatic purpose restricted	2,965,898	5,033,581
Lending purpose restricted:		
Loan Capital - CDFI Equitable Recovery Program (ERP)	3,150,000	-
	$ 6,115,898	$ 5,033,581

Revolving loan capital consists of CDFI Fund Capital Magnet awards that are used to make loans to qualified projects. These grants require that the proceeds be revolved for recurring use during the investment term of the agreements. 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 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. During 2019, 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 $2,547,500 and $3,847,500 were not committed to qualifying projects as of December 31, 2023 and 2022, respectively, and are included in conditional advances in the accompanying combined statements of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net assets with donor restrictions (Continued)

During 2023 and 2022, the Network committed $1,300,000 and $284,399, respectively, to qualifying projects and such amounts were added to net assets with donor restrictions in the accompanying combined statements of financial position. The conditional advance as of December 31, 2023, is expected to be deployed or committed for qualifying projects during 2024.

During 2023, the Network was awarded $3,718,258 under the CDFI Fund's Equitable Recovery Program (ERP). During 2023, the Network expended a total of $3,150,000 by utilizing the funds as capital for issuing loans receivable to borrowers as prescribed in the agreement. The remaining unspent balance of this CDFI Fund award totaling $568,258 is included in net assets with donor restrictions in the accompanying combined statements of financial position as of December 31, 2023, and is expected to be deployed or committed for qualifying projects during 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.

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) and homebuyer education course 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. Deferred income of $148,670 and $178,670 as of December 31, 2023 and 2022, respectively, relates to fee revenue.

Homebuyer education course fees are derived from selling homebuyer education to consumers and through contracts with several companies. Each contract is considered a single performance obligation as each service is distinct. The performance obligations under these contracts are satisfied upon the transfer of control, which is at the point of sale. Homebuyer education course fees received in advance of the transfer of control are recorded as deferred income in the accompanying combined statements of financial position. There was no deferred income related to homebuyer education course fees as of December 31, 2023.

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.

Other revenue is recognized when deemed earned.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

Awards to Subcontractors

Awards to subcontractors 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 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, 2023 and 2022. The Network's information returns are subject to examination by the Federal and state jurisdictions.

Combined Statements of Activities Without Donor Restrictions

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and expenses in the accompanying combined statements of activities without donor restrictions. Non-operating expenses included in the accompanying combined statements of activities without donor restrictions are limited to forgiveness of accounts and contracts receivable.

Subsequent Events

Subsequent events have been evaluated through May 30, 2024, which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined financial statements.

3. INVESTMENTS IN 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, other than Framework beginning in 2023 (see Note 1). 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.

HPN's Investments in Affiliates

HPN's investments in affiliates are as follows:

	HPIEx	HPET	Framework	NCST	Sub CDEs	Total
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	-	(3,272,731)	-	-	-	(3,272,731)
Net investment, December 31, 2022	1,982,592	1,084,953	2,564,204	200,000	12,000	5,843,749
Gain on acquisition of remaining ownership of affiliate	-	-	431,325	-	-	431,325
Cash investment	-	-	-	-	4,500	4,500
Share of income (loss)	(1,160,978)	(145,889)	581,898	-	-	(724,969)
Distribution received	-	(693,675)	-	-	-	(693,675)
Net investment, December 31, 2023	$ 821,614	$ 245,389	$ 3,577,427	$ 200,000	$ 16,500	$ 4,860,930

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 operated through a controlled subsidiary, Housing Partnership Equity Trust REIT I, LLC (HPET REIT I) that 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. During 2023, HPET's Board voted to sell its remaining interest in HPET REIT I to an unrelated third party resulting in an additional cash distribution to HPN of $693,675. In addition, during 2023, HPN received a sponsor fee of $386,231 for its role in establishing HPET, which is included in grants and contributions in the accompanying 2023 combined statement of activities without donor restrictions. Upon winding down HPET, during 2024, HPN expects to receive a final liquidating distribution of approximately $300,000. 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).

3. INVESTMENT IN AFFILIATES (Continued)

HPN's Investments in Affiliates (Continued)

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 ownership counseling and education services; increase the sustainability of HPN member counseling; and achieve a broader vision of embedded homebuyer education to the home purchase process. HPN held a 50% equity interest in Framework and had one of four voting seats on the Board of Directors. HPN accounted for this investment using the equity method through December 31, 2022.

On January 1, 2023, HPN acquired the remaining 50% interest in Framework and simultaneously assigned 0.01% of their interest in Framework to HPV. HPN acquired the remaining 50% interest in Framework for $2,200,000 which was taken by the seller as a final distribution during 2023. Based on the fair value of the assets and liabilities of Framework at the time of acquisition, HPN recognized a gain on the acquisition of $431,325, which was eliminated in the accompanying combined financial statements. Subsequent to this acquisition, HPN now holds a controlling 99.99% interest in Framework and, as a result, beginning on January 1, 2023, Framework is included in the combined financial statements of the Network. The balance of HPN's investment in Framework is eliminated in the accompanying 2023 combined statement of financial position.

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 $165,000,000 from the CDFI Fund (see Note 1), all of which has been assigned to the SubCDEs (see below) as of December 31, 2023. 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 nine 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), HPN NMTC VII, LLC (SubCDE 7), HPN NMTC VIII, LLC (SubCDE 8) and HPN NMTC IX, LLC (SubCDE 9) (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).

3. INVESTMENT IN AFFILIATES (Continued)

HPN's Investments in Affiliates (Continued)

SubCDEs (Continued)

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

SubCDE 1	$ 1,500
SubCDE 2	1,500
SubCDE 3	1,000
SubCDE 4	3,000
SubCDE 5	1,300
SubCDE 6	900
SubCDE 7	2,800
SubCDE 8	2,400
SubCDE 9	2,100
	$ 16,500

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 (3% of QEI) to HPN totaling $1,350,000 (SubCDEs 8 and 9) for its sub-allocation of NMTCs during the year ended December 31, 2023, which is included in program service fees in the accompanying 2023 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	28,000,000
SubCDE 8	24,000,000
SubCDE 9	21,000,000
	$ 165,000,000

The terms of the agreements with the SubCDEs' investor members require HPN and the SubCDEs to maintain certain covenants to avoid recapture of the NMTC. As of December 31, 2023 and 2022, 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.

3. INVESTMENT IN AFFILIATES (Continued)

HPN's Investments in Affiliates (Continued)

SubCDEs (Continued)

The Investment Funds associated with the SubCDEs described on pages 21 and 22 (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 ends at various dates through 2030. 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 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 were no preferred distributions due in 2024 or 2023 based on 2023 and 2022 cash flow, respectively. During 2023, HPF recognized its share of income of $119,142, which is included in share of income (loss) of affiliates in the accompanying 2023 combined statement of activities without donor restrictions. There was no 2023 cash flow to distribute despite profits recognized as the surplus was electively reinvested by CAG I. HPF accounts for its investment in CAG I using the equity method (see Note 2). HPF's investment in CAG I was $1,475,614 and $1,356,472 as of December 31, 2023 and 2022, respectively.

HPV's Investments in Affiliates

HPV's investments in affiliates are as follows:

	CSFP	HPNP	DDEIF	CAG II	CAG III	Total
Net investment, December 31, 2021	$ 963,600	$ 190,000	$ 426,010	$ -	$ -	$ 1,579,610
Cash investment	-	-	-	1,525,000	-	1,525,000
Share of income (loss)	38,562	100,139	(14,586)	-	-	124,115
Net investment, December 31, 2022	1,002,162	290,139	411,424	1,525,000	-	3,228,725
Cash investment	-	-	-	-	295,703	295,703
Share of income (loss)	34,551	98,358	(15,963)	-	-	116,946
Distribution received	-	(172,400)	-	-	-	(172,400)
Net investment, December 31, 2023	$ 1,036,713	$ 216,097	$ 395,461	$ 1,525,000	$ 295,703	$ 3,468,974

3. INVESTMENT IN AFFILIATES (Continued)

HPV's Investments in Affiliates (Continued)

Charter School Financing Partnership, LLC

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

HPNP, LLC

HPNP, LLC (formerly, HPN Select, LLC) (a Massachusetts limited liability company) (HPNP) was formed to provide group procurement services to its members throughout the United States. HPV committed to make original capital contributions totaling $1,650,000 to acquire approximately 37% of equity interests of HPNP, of which $1,000,000 resulted from the conversion of a loan and $650,000 was cash. HPNP initiated a raise of a preferred round of capital, whereby HPV made additional contributions totaling $50,000. This preferred capital earned annual interest of 4.5%, cumulative from the date of issuance, and is compounded annually. All preferred capital and related interest earned were repaid as distributions during 2021. HPV holds one seat on the Board of Members, but may be removed by a majority of members. HPV accounts for its investment in HPNP using the equity method (see Note 2).

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. 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 both 2023 and 2022, HPNP met the criteria to earn $375,000 of contingent consideration. During 2023, HPV received a distribution of $172,400. 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 Note 8), which controls DDEIF, through an affiliate as its managing member. HPV made a capital contribution of $500,000 to acquire 49.98% of equity interest in DDEIF. HPV accounts for its investment in DDEIF using the equity method (see Note 2).

3. INVESTMENT IN AFFILIATES (Continued)

HPV's Investments in Affiliates (Continued)

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 were no preferred distributions due in 2024 or 2023 based on 2023 and 2022 cash flow, respectively. HPV accounts for its investment in CAG II using the equity method (see Note 2). There was no share of income or loss recognized during 2023 or 2022 as there was no material profit or loss activity in either year (see below).

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.

CAG Members Fund III LLC

CAG Members Fund III LLC (CAG III) (a Delaware limited liability company) was formed as a special purpose entity (holding company), that serves as the sole member of CAG National Fund III 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 $350,000 to acquire an 8.17% equity interest in CAG III and holds one of three voting seats on the Board of Managers. During 2023, HPV made an initial capital contribution of $295,703. The initial capital raised by CAG III 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 2024 based on 2023 cash flow. HPV accounts for its investment in CAG III using the equity method as it is deemed to exercise significant include over CAG III (see Note 2). There was no share of income or loss recognized during 2023 as there was no material profit or loss activity (see below).

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:

	2023				
Entity	**Total Assets**	**Total Liabilities**	**Total Equity**	**Total Revenue**	**Total Expenses**
HPIEx	$ 56,893,577	$ 48,299,817	$ 8,593,760	$ 34,841,980	$ 46,451,557
HPET	$ 1,028,549	$ 12,130	$ 1,016,419	$ -	$ 730,907
CSFP	$ 15,965,582	$ 90,809	$ 15,874,773	$ 780,945	$ 135,389
HPNP	$ 576,638	$ 16,311	$ 560,327	$ 375,000	$ 106,754
DDEIF	$ 818,615	$ 99,523	$ 719,092	$ -	$ 31,925
CAG I	$ 16,101,811	$ 7,166,847	$ 8,934,964	$ 13,894,319	$ 13,185,562
CAG II	$ 7,816,078	$ 2,690,820	$ 5,125,258	$ -	$ 1,380
CAG III	$ 2,592,451	$ -	$ 2,592,451	$ -	$ -

3. INVESTMENT IN AFFILIATES (Continued)

Financial Information for Equity Method Investee Affiliates (Continued)

	2022				
Entity	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	$ 463,821	$ 5,195,529	$ 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	$ -	$ -

4. RESTRICTED DEPOSITS

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

Loan Escrow Liability

Pursuant to the various loan receivable agreements, the Network has the right to hold back a portion of the principal drawdowns in escrow on behalf of the borrowers. Loan escrows' liability consist of cash held by the Network that is restricted in connection with these certain financing agreements. The entire balance of restricted cash consisted of loan escrow funds held for borrowers as of December 31, 2023 and 2022.

5. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

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:

	2023	2022
Unsecured loan agreement with HPF, bearing interest at a rate determined annually by HPN (2.72% for 2023 and 2022), which matures in September 2026. There was no accrued interest as of December 31, 2023. Accrued interest was $33,997 of December 31, 2022. This loan and accrued interest are eliminated from the accompanying combined statements of financial position as of December 31, 2023 and 2022.	$ 10,322,441	$ 5,322,441

5. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

HPN (Continued)

	2023	2022
Unsecured real estate purchase and development loans to two members as of December 31, 2023 and 2022, bearing interest at rates varying between 5.5% 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 $6,357 and $15,336 as of December 31, 2023 and 2022, respectively.	3,000,000	2,821,653
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, 2023 and 2022, are eliminated from the accompanying combined statements of financial position.	2,500,000	2,500,000
Unsecured predevelopment loan to a member which bore at a rate of 5.75%, paid monthly in arrears until maturity in September 2023, at which time the loan was repaid in full. There was no accrued interest as of December 31, 2022.	-	250,000
	15,822,441	10,894,094
Less - allowance for credit losses	(66,600)	(107,508)
	15,755,841	10,786,586
Less - current portion (net of allowance for credit losses)	(488,900)	(241,250)
Total HPN long-term portion	15,266,941	10,545,336

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:

	2023	2022
Unsecured enterprise development loans to thirty-five and twenty-five members, respectively, bearing interest at rates between 4.5% and 6.75%, and maturing at various dates through November 2030. The total outstanding balance of these loans was $108,418,188 and $60,791,481 at December 31, 2023 and 2022, respectively, which is presented net of third-party loan participations of $42,066,294 and $27,037,114, 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 $375,117 and $142,420 as of December 31, 2023 and 2022, respectively.	$ 66,351,894	$ 33,754,367

5. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

HPF (Continued)

	2023	**2022**
Real estate acquisition and bridge loans to eight and four members as of December 31, 2023 and 2022, respectively, bearing interest at rates between 5% and 7.08%, and maturing at various dates through June 2027. The total outstanding balance of these loans was $11,033,454 and $6,810,979 at December 31, 2023 and 2022, respectively. There were no participations as of December 31, 2023 and 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 $58,277 and $30,270 as of December 31, 2023 and 2022, respectively.	11,033,454	6,810,979
Leverage source loans to three members as of both December 31, 2023 and 2022, bearing interest at rates between 6.25% and 7%, and maturing at various dates through June 2026. The total outstanding balance of these loans was $9,160,000 and $2,696,133 at December 31, 2023 and 2022, respectively, which was presented net of respective third-party loan participations of $73,334 at December 31, 2022. There were no participations as of December 31, 2023. 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 $8,264 and $6,709 as of December 31, 2023 and 2022, respectively.	9,160,000	2,622,799
Predevelopment and acquisition/bridge loans to seven and ten members as of December 31, 2023 and 2022, respectively, bearing interest at rates between 3.625% and 6%. The total outstanding balance of these loans was $13,114,777 and $25,740,897 at December 31, 2023 and 2022, respectively, which is presented net of third-party loan participations of $9,208,000 and $8,208,000, respectively. Each loan requires monthly or quarterly interest-only payments through maturity at various dates through September 2026, 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 $74,791 and $183,598 as of December 31, 2023 and 2022, respectively.	3,906,777	17,532,897

5. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

HPF (Continued)

	2023	2022
HPF has a non-revolving line of credit with Develop Detroit (see Note 8) with available borrowings up to a maximum of $10,000,000, bearing interest at rates between 4% and 7.2%. The total outstanding balance of this line of credit was $7,004,550 and $6,708,598 at December 31, 2023 and 2022, respectively, which is presented net of respective third-party loan participations of $4,998,465 for both years. Develop Detroit could continue to draw down on this line of credit through June 2023. Interest only on existing draws was due monthly through an extended maturity date of May 2025, 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 $59,774 and $58,754 as of December 31, 2023 and 2022, respectively.	2,006,085	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, 2023 and 2022.	420,000	420,000
HPF has enterprise development lines of credit with two members and one member, respectively, bearing interest at rates between 4.50% and 4.75%. The outstanding balance of these lines of credit was of $250,000 and $184,715 as of December 31, 2023 and 2022, respectively, and is due in December 2024. There were no participations as of December 31, 2023 and 2022. There was no accrued interest as of December 31, 2023 and 2022.	250,000	184,715
	93,128,210	63,035,890
Less - allowance for credit losses	(3,226,704)	(2,242,114)
	89,901,506	60,793,776
Less - current portion (net of allowance for credit losses)	(9,459,613)	(9,265,646)
Total HPF long-term portion	80,441,893	51,528,130

5. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

HPV

	2023	2022
5% unsecured loan agreement with Develop Detroit (see Note 3), as part of the conversion of outstanding accounts and contracts receivable owed to HPN. Interest is due in quarterly installments through the extended maturity date of December 2027 (maturity), and beginning in June 2024, principal payments of $166,666 are due semi-annually in June and December of each year through maturity, at which time all remaining outstanding interest and principal are due. There were no principal payments made in 2023. Principal payments of $666,667 were made during the year ended December 31, 2022. Accrued interest was $47,370 and $54,407 as of December 31, 2023 and 2022, respectively.	$ 1,333,333	$ 1,333,333
Less - allowance for credit losses	(29,600)	(46,667)
	1,303,733	1,286,666
Less - current portion (net of allowance for credit losses)	(326,004)	(666,667)
Total HPV long-term portion	977,729	619,999
Total Network	110,283,984	75,263,317
Less - eliminations	(12,822,441)	(7,822,441)
Less - allowance for credit losses	(3,322,904)	(2,396,289)
	94,138,639	65,044,587
Less - current portion (net of allowance for credit losses)	(10,274,517)	(10,173,563)
Total Network long-term portion	$ 83,864,122	$ 54,871,024

Interest on loans is presented net of interest of $2,407,176 and $1,291,167 collected on behalf of loan participants (see Note 2) in 2023 and 2022, respectively.

5. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Loan Commitments

The Network had unfunded loan commitments totaling $15,565,101 and $3,577,447 as of December 31, 2023 and 2022, respectively. In accordance with Topic 326, the Network has recorded credit loss liabilities related to these unfunded commitments, which are summarized as follows:

	HPN	HPF	HPV	Total
Credit loss liability - unfunded commitments, December 31, 2022	$ -	$ -	$ -	$ -
Cumulative adjustment from adoption of new credit loss standard	4,497	74,355	-	78,852
Provision for credit losses - unfunded loans	95,403	171,290	-	266,693
Credit loss liability - unfunded commitments, December 31, 2023	$ 99,900	$ 245,645	$ -	$ 345,545

Schedule of Repayments

Scheduled principal repayments of gross loans receivable, net of amounts owed to participants as of December 31, 2023, are as follows:

Year	HPN	HPF	HPV	Eliminations	Total
2024	$ 500,000	$ 9,674,384	$ 333,333	$ -	$ 10,507,717
2025	-	18,503,680	333,333	-	18,837,013
2026	12,822,441	23,620,479	333,333	(10,322,441)	26,453,812
2027	-	5,523,070	333,334	-	5,856,404
2028	-	6,408,793	-	-	6,408,793
Thereafter	2,500,000	29,397,804	-	(2,500,000)	29,397,804
Total	$ 15,822,441	$ 93,128,210	$ 1,333,333	$ (12,822,441)	$ 97,461,543

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

	HPN	HPF	HPV	Eliminations	Total
Total	$ 10,894,094	$ 63,035,890	$ 1,333,333	$ (7,822,441)	$ 67,440,876

Nonaccrual Loans

A loan receivable is placed on nonaccrual status at the time any principal or interest payments become more than 90 days delinquent (no payments received by the Network). Interest accrued but not received for a loan receivable placed on nonaccrual is reversed against interest revenue. There were no loans on nonaccrual status as of December 31, 2023 or 2022.

5. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Allowance for Credit Losses

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the lack of collectability of a loan balance is confirmed.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in interest rates or other relevant factors. After the reasonable and supportable forecast period, the Network's model reverts to historical loss trends. As described below and on page 33, management has analyzed its loan portfolio into two groups of (1) performing loans and (2) loans considered collateral dependent financial assets. Each group utilizes a different method of arriving at its allowance for credit losses.

Current Loans under WARM Method

The Network's historical average annual loss rate for the most recent ten-year period is 0.50% as of both the adoption date (January 1, 2023) and as of December 31, 2023. The historical credit loss rate already factors in prepayment history, which management expects to remain unchanged. Based on the historical average annual loss rates of 0.50%, the Network's lifetime historical loss rate before any qualitative adjustments is calculated at 1.97% as of both the adoption date (January 1, 2023) and December 31, 2023 (see below). To adjust the lifetime loss rate to reflect the effects of changes in current economic conditions and forecasted changes in portfolio performance, management had applied a positive 25 basis-point qualitative reserve factor (Q-Factor) to the quantified lifetime loss rate as of both the adoption date (January 1, 2023) and December 31, 2023 (see below).

Management believes this methodology most faithfully reflects the expected credit losses for the segment of the loan portfolio which is performing without any signs of weakness or deterioration. Management is using a loss rate method adjusted for prepayments that are probable. This assessment is an estimation technique that is most practical and relevant to the Network's current circumstances. Based on the various accounting policy elections made by the Network in connection with the application of the WARM method (see Note 2), the rate used to calculate the allowance for credit losses applied to the amortized cost basis of loans receivable was comprised of the following inputs:

	Adoption Date (January 1, 2023)	December 31, 2023
Average Annual Loss Rate	0.50%	0.50%
Lifetime Historical Loss Rate (before Q-Factor)	1.97%	1.97%
Q-Factor Adjustment	.25	.25
Allowance for Credit Losses - Rate	2.22%	2.22%

5. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Allowance for Credit Losses (Continued)

Credit Loss Activity

A summary of the activity within the allowance for credit losses is follows for the years ended December 31:

	HPN	HPF	HPV	Total
Allowance for loan losses, December 31, 2021	$ 61,250	$ 1,715,797	$ 70,000	$ 1,847,047
Loan loss provision (recovery)	46,258	526,317	(23,333)	549,242
Allowance for loan losses, December 31, 2022	107,508	2,242,114	46,667	2,396,289
Cumulative adjustment from adoption of new credit loss standard	(40,908)	(863,261)	(17,501)	(921,670)
Provision for credit losses - funded loans	-	1,847,851	434	1,848,285
Allowance for credit losses, December 31, 2023	$ 66,600	$ 3,226,704	$ 29,600	$ 3,322,904

The Network had no write-offs of loan principal during 2023 or 2022.

Collateral Dependent Financial Assets

The Network monitors credit quality indicators on an on-going basis to determine if any of their loans need to be evaluated separately. Once a loan is over 120 days past due or significant concessions have been made to the borrower and collection from traditional methods is deemed unlikely, each asset is assessed individually under the practical expedient for collateral dependent financial assets. When incorporating extensions granted to lenders, there were no past due loans as of December 31, 2023. The credit quality indicators assessed by management include security of the loan, debt service coverage, current and leverage ratios of the borrower, customer concentrations of the borrower, credit history of ownership of the borrower, and collateral coverage.

As of December 31, 2023, there were three loans with collective balances totaling $1,599,022 that were evaluated on an individual basis by borrower and an additional provision of $1,194,755 was recorded to correctly present these loans at the value that the Network anticipates that they will collect. Although these loans required the Network to make concessions to the borrowers, interest payments have been current and, as a result, these loans are not on nonaccrual status. Included in the summary table of credit loss activity (see above) is provision for credit losses – funded loans of the $1,194,755 related to these individually evaluated loans and the remaining amount of $653,530 pertains to current loans with credit losses calculated under the WARM method.

5. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Allowance for Credit Losses (Continued)

Credit Quality Indicators

Allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The loan products offered by the Network that are deemed to be performing are measured on one collective pool basis to determine the allowance for credit losses. The summary table on the previous page is presented on an entity-by-entity basis despite the same allowance for credit loss rate being applied to each entity's loans (absent the three individually evaluated loans described previously). The Network monitors credit quality indicators on a quarterly basis to determine if any of their loans need to be evaluated separately from their core loan pool. The credit quality indicators assessed by management include security of the loan, debt service coverage, current and leverage ratios of the borrower, customer concentrations of the borrower, credit history of ownership of the borrower, and collateral coverage.

Legacy Disclosures - Credit Quality Indicators

Prior to the adoption of ASU 2016-13, management derived its loan loss allowance utilizing a risk rating system. The Network utilized 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 were individually evaluated and put into a risk rating category with assigned percentages based on credit risk. The following table presents the Network's loan receivable balances and related allowance by risk rating at December 31, 2022:

Category	Risk Rating	Loan Balance	Loan Loss Allowance
Lowest Risk	1	$ 420,000	$ -
Above Average	2	1,000,000	20,000
Satisfactory	3	65,270,876	2,323,789
Below Average	4	750,000	52,500
Substandard	5	-	-
		$ 67,440,876	$ 2,396,289

Legacy Disclosures - Impaired Loans and Troubled Debt Restructurings

Prior to the adoption of ASU 2016-13, the Network identified a loan as impaired when it was probable that interest and/or principal would not be collected according to the contractual terms of the loan agreement. This was further defined as delinquent payments for ninety plus days and entering foreclosure or bankruptcy. In accordance with ASC Topic, *Receivables - Troubled Debt Restructurings by Creditors*, management employed 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 reviewed its outstanding balance, value of the collateral, and a current report of the action being implemented. Based on the nature of the specific loan and borrower, one of the impairment methods was chosen and any impairment was determined, based on criteria established for impaired loans.

In accordance with ASC Topic, *Impairment (Recoverability) of a Loan*, a troubled debt restructuring (TDRs) occurred when the creditor granted a concession related to the borrower's financial difficulties that the creditor otherwise would not consider. There were no loans that were deemed to be impaired as of December 31, 2022. There have been no loan modifications classified as troubled debt restructurings as of December 31, 2022.

6. LONG-TERM DEBT

Loans Payable

Loans payable consists of the following at December 31:

HPN	**2023**	**2022**
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 $17,729 and $16,400 as of December 31, 2023 and 2022, respectively.	$ 7,000,000	$ 7,000,000
Unsecured loan payable to US Bank. This loan bears interest at a rate of 5.37% and is due in monthly interest-only payments through August 2028 (maturity). All outstanding principal and accrued interest are due at maturity. Accrued interest was $18,501 as of December 31, 2023.	4,000,000	-
Unsecured loan payable to Opportunity Finance Network. 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, 2023 and 2022.	2,272,727	2,272,727
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 the extended maturity date of October 2024 (maturity). HPN made an unscheduled principal payment of $2,000,000 during 2023. All outstanding principal and accrued interest are due at maturity. Accrued interest was $278 and $543 as of December 31, 2023 and 2022, respectively.	2,000,000	4,000,000
Total HPN	15,272,727	13,272,727
HPF		
Unsecured loan payable to Chase New Markets Corporation. 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 payment is due; all remaining outstanding principal and interest are due in June 2030 (maturity). Accrued interest was $102,222 and $53,433 as of December 31, 2023 and 2022, respectively. This loan is guaranteed by HPN.	20,000,000	9,340,000

6. LONG-TERM DEBT (Continued)

Loans Payable (Continued)

HPF (Continued)	**2023**	**2022**
Unsecured loan payable agreement with Charles Schwab, which allows for borrowings up to $30,000,000. This note is due in quarterly interest-only payments equal to the 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 June 2028. Accrued interest was $279,107 and $139,802 as of December 31, 2023 and 2022, respectively. This loan is guaranteed by HPN.	13,500,000	7,500,000
Unsecured loan payable to HPN, bearing interest at a rate determined annually by HPN (2.72% for 2023 and 2022), which matures in September 2026. There was no accrued interest as of December 31, 2023. Accrued interest was $33,997 as of December 31, 2022. The balance of this loan and accrued interest are eliminated from the accompanying combined statements of financial position.	10,322,441	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, 2023 and 2022. This loan is guaranteed by HPN.	5,000,000	5,000,000
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 $37,808 and $13,151 as of December 31, 2023 and 2022, respectively. This loan is secured by all assets acquired with proceeds from the loan. This loan is also guaranteed by HPN.	5,000,000	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	5,000,000
Unsecured loan payable agreement with a third-party family office. 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 is due in April 2029 and the 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 $208 and $110 as of December 31, 2023 and 2022, respectively. This loan is guaranteed by HPN.	5,000,000	2,000,000

6. LONG-TERM DEBT (Continued)

Loans Payable (Continued)

HPF (Continued)	**2023**	**2022**
Unsecured revolving loan agreement with HSBC Bank USA. This loan bears interest at a rate of 3.25% and is due in quarterly interest-only payments through February 2027 (extended maturity), at which time all outstanding principal and interest payments are due. Accrued interest was $8,611 and $9,583 as of December 31, 2023 and 2022, respectively. This loan is guaranteed by HPN.	4,000,000	1,500,000
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. Accrued interest was $15,123 as of December 31, 2023. There was no accrued interest as of December 31, 2022.	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, 2023 and 2022, has been eliminated in the accompanying combined statements of financial position.	2,500,000	2,500,000
Unsecured loan payable to Woodforest National Bank. This loan bears interest at a rate of 2.75% and is due in quarterly interest-only payments through March 2024 (maturity), at which time all outstanding principal and interest payments are due. HPF is in process of negotiating an extension with the lender. Accrued interest was $2,597 as of December 31, 2023. There was no accrued interest as of December 31, 2022.	2,000,000	2,000,000
Unsecured non-interest bearing 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

6. LONG-TERM DEBT (Continued)

Loans Payable (Continued)

HPF (Continued)	**2023**	**2022**
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 (maturity). All outstanding principal and accrued interest are due at maturity. Accrued interest was $441 as of December 31, 2023 and 2022.	50,000	50,000
Total HPF	75,792,441	48,632,441
Total Network	91,065,168	61,905,168
Less - eliminations (see Note 5)	(12,822,441)	(7,822,441)
Total loans payable	78,242,727	54,082,727
Less - current portion (net of eliminations)	(4,568,182)	(4,000,000)
	$ 73,674,545	$ 50,082,727

Certain loans payable contain financial and non-financial covenants with which the Network must comply. As of December 31, 2023, the Network was compliant with all debt covenants.

Available Credit

The Network had a total available credit of $16,500,000 and $41,160,000 as of December 31, 2023 and 2022, 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 (EQ2) were as follows at December 31:

HPN	**2023**	**2022**
2.75% 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, 2023 and 2022.	$ 2,500,000	$ 2,500,000
2% 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, 2023 and 2022.	2,000,000	2,000,000

6. LONG-TERM DEBT (Continued)

Equity Equivalent Loans Payable (Continued)

HPN (Continued)	**2023**	**2022**
2% 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, 2023 and 2022.	1,500,000	1,500,000
3% EQ2 to US Bank, with quarterly interest-only payments due through September 2026 (maturity), at which time all outstanding principal and unpaid interest are due. This maturity date is a rolling maturity that automatically extends annually through September 2029, if HPN satisfactorily performs its obligation under the EQ2 agreement. This EQ2 maybe prepaid in whole or in part at any time without penalty. Accrued interest was $8,537 as of December 31, 2023.	1,000,000	-
Total HPN	7,000,000	6,000,000
HPF		
2% EQ2 to KeyBank National Association (KeyBank), with quarterly interest-only payments due through June 2030 (maturity). This maturity date is a rolling maturity that automatically extends annually through June 2033, if HPF satisfactorily performs its obligations under the EQ2 agreement. Accrued interest was $2,500 as of December 31, 2023 and 2022.	500,000	500,000
Total Network	$ 7,500,000	$ 6,500,000

Total Maturities of Long-Term Debt

Maturities of all long-term debt as of December 31, 2023, are as follows:

Year	Equity Equivalent Loans	Loans Payable	Eliminations	Total
2024	$ -	$ 4,568,182	$ -	$ 4,568,182
2025	-	568,182	-	568,182
2026	1,000,000	17,940,623	(10,322,441)	8,618,182
2027	750,000	6,068,181	-	6,818,181
2028	750,000	20,000,000	-	20,750,000
Thereafter	5,000,000	41,920,000	(2,500,000)	44,420,000
Total	$ 7,500,000	$ 91,065,168	$ (12,822,441)	$ 85,742,727

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 842, *Leases*, the 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 $112,025 and $19,682 for the years ended December 31, 2023 and 2022, respectively. Base rent of $464,921 and $455,783 was recognized for the years ended December 31, 2023 and 2022, respectively, and is included with CAM charges as occupancy expense in the accompanying combined statements of functional expenses.

As a result of the adoption of 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 operation 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 because the Network is not reasonably certain that is will exercise its option to renew the lease. As of December 31, 2023 and 2022, the ROU asset - operating lease has a balance of $1,608,302 and $2,045,204, respectively, as shown in noncurrent assets in the accompanying combined statements of financial position; the operating lease liability is included in other current liabilities ($474,217 and $464,921 as of December 31, 2023 and 2022, respectively), and other long-term liabilities ($1,134,085 and $1,580,283 as of December 31, 2023 and 2022, respectively). Total cash paid for amounts included in the measurement of the operating lease liabilities was $464,921 and $455,783 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, 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 December 31, 2023:

2024	$ 474,217
2025	483,659
2026	493,314
2027	207,215
Total payments	1,658,405
Less - discount to present value	(50,103)
Net present value of remaining lease payments	1,608,302
Less - current portion	(474,217)
Operating lease obligation, net	$ 1,134,085

8. RELATED PARTY TRANSACTIONS

Management Agreements

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

	2023	2022
Combined Affiliates:		
HPF	$ 2,635,423	$ 2,354,134
Uncombined Affiliates:		
HPIEx	750,000	750,000
HPNP	97,918	69,804
CSFP	58,529	67,414
HPET	42,570	101,850
DDEIF	10,000	10,000
Develop Detroit	-	34,417
Total management fees	3,594,440	3,387,619
Less - eliminations	(2,635,423)	(2,354,134)
Total management fees, net of eliminations	$ 959,017	$ 1,033,485

Contracted Services and Organizing Sponsor Fees - Develop Detroit

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 and does not hold an equity investment in Develop Detroit. The Network provided various loans to Develop Detroit for a variety of capital and working capital needs (see Note 5).

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 2023 or 2022.

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, 2023 and 2022.

8. RELATED PARTY TRANSACTIONS (Continued)

Program Services Fees

Sub-allocation fees (see Note 3) and other fee agreements are reported as program service fees in the accompanying combined statements of activities without donor restrictions and were as follows for the years ended December 31:

	2023	2022
Sub-allocation fees - NMTC (see Note 3)	$ 1,350,000	$ -
Other third-party program service fees	475,274	18,040
Total program service fees	$ 1,825,274	$ 18,040

Accounts and Contracts Receivable

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:

	2023	2022
Third parties	$ 482,519	$ 205,011
Uncombined Affiliates:		
Develop Detroit	307,290	1,290,021
HPIEx	200,000	-
CSFP	90,809	32,280
HPET	9,005	5,132
	1,089,623	1,532,444
Less - allowance for credit losses	(300,000)	(300,000)
Total Network	$ 789,623	$ 1,232,444

During 2023, the Network agreed to forgive accounts and contracts receivable owed from one of its uncombined affiliates totaling $880,816, which is reflected as forgiveness of accounts and contracts receivable in the accompanying 2023 combined statement of activities without donor restrictions.

Prior to the adoption of Topic 326, the Network maintained a general reserve of approximately 20% of the balance of accounts and contracts receivable in accordance with their policy related to the application of allowance for doubtful accounts and contracts receivable. Based on the lack of historical loss data available related to the Network's accounts and contracts receivable under Topic 326, the Network relied on the forgiveness event in 2023 (see above) to determine that an allowance for credit losses related to the remaining balance owed from the customer that received the forgiveness was necessary as of December 31, 2023. The Network determined that the $300,000 allowance for credit losses as of December 31, 2023, approximates the remaining balance owed from this customer. In addition, as a result of a detailed assessment of collection history by customer, the Network determined that no further adjustment was needed to the allowance for credit losses, therefore, no provision for credit losses related to accounts and contracts receivable was recorded during 2023.

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 $660,322 and $521,873 for 2023 and 2022, respectively, and is included in fringe benefits in the accompanying combined statements of functional expenses.

10. CONDITIONAL AWARDS

Employee Retention Tax Credit

The Employee Retention Tax Credit (ERTC) was first established by the Coronavirus Aid, Relief, and Economic Security Act (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 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 without donor restrictions. As of December 31, 2023 and 2022, the full amount has not been received and, therefore, is included in grants receivable in the accompanying combined statements of financial position.

Conditional Advances

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

Conditional advances consist of the following as of December 31:

	2023	2022
CDFI Capital Magnet award (see Note 2)	$ 2,547,500	$ 3,847,500
Other conditional awards	2,446,639	3,453,622
Conditional advances	$ 4,994,139	$ 7,301,122

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 $251,000 that are not included in the accompanying combined financial statements as the grant funds pledged have not been received as of December 31, 2023, and the donor-imposed conditions have not been met. The Network expects to satisfy these conditions during 2024, at which time revenue will be recognized.

10. CONDITIONAL AWARDS (Continued)

Committed Government Grants and Contracts

The Network maintains contracts with the U.S. Department of Housing and Urban Development (HUD) and NeighborWorks America (NWA) that are renewable annually. The Network received awards totaling $2,523,643 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, 2023, 2022 and 2021, the Network recognized $1,206,889, $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. There is no remaining conditional commitment under the contracts at December 31, 2023. The remaining conditional commitment under the contracts at December 31, 2022, was $894,960, which was not included in the accompanying 2022 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, 2023 and 2022, or on the combined statements of activities without donor restrictions for the years then ended.

Concentrations

As of December 31, 2023 and 2022, 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, 2023 and 2022, approximately 70% and 84% of the Network's accounts and contracts receivable (see Note 8) are due from four and one payer(s), 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:

	2023	2022
Cash and cash equivalents	$ 37,012,590	$ 22,567,797
Accounts and contracts receivable	789,623	1,232,444
Grants receivable	1,232,455	664,197
Current portion of loans receivable	10,274,517	10,173,563
Interest receivable	630,752	492,296
	49,939,937	35,130,297
Less - cash and grants receivable with donor programmatic purpose restrictions (see Note 2)	(3,940,675)	(2,608,573)
Less - cash and grants receivable with donor lending purpose restrictions (see Note 2)	(568,258)	-
Less - conditional advance held in cash (see Note 10)	(4,994,139)	(7,301,122)
Total	$ 40,436,865	$ 25,220,602

12. LIQUIDITY (Continued)

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 grants and contributions are utilized by the Network to fund innovation initiatives and programs and these costs can be controlled based on the annual yield of capital raised.

To supplement liquidity for mission-related financing, the Network currently has a committed line of credit which it could further draw upon in the amount of $16,500,000 as December 31, 2023 (see Note 6). The liquidity generated from this committed line of credit, combined with the collection of loans receivable due in 2024, is available to fund loan commitments of $15,565,101 that were unfunded as of December 31, 2023 (see Note 5), in addition to future loan commitments made by the Network.