HOUSING PARTNERSHIP NETWORK

AND AFFILIATES

COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Contents
December 31, 2019 and 2018

AAFCPAs
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Independent Auditor's Report

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

We have audited the accompanying combined financial statements of The Housing Partnership Network, Inc. and Affiliates (three Massachusetts corporations, not for profit), which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities without donor restrictions, changes in net assets, cash flows and operating functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Housing Partnership Network, Inc. and Affiliates as of December 31, 2019 and 2018, 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.

AAFCPAs, Inc.

Boston, Massachusetts
April 22, 2020

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statements of Financial Position
December 31, 2019 and 2018

Assets	**2019**	**2018**
Current Assets:		
Cash and cash equivalents	$ 13,976,792	$ 11,375,232
Current portion of accounts and contracts receivable, net	3,774,713	4,127,147
Grants receivable	1,546,442	2,157,442
Current portion of loans receivable, net of allowance for loan loss	14,104,072	7,677,471
Interest receivable	249,907	249,787
Prepaid expenses and other	159,679	251,817
Total current assets	33,811,605	25,838,896
Restricted Deposits	621,576	621,576
Accounts and Contracts Receivable, net of current portion	1,211,446	397,590
Loans Receivable, net of current portion and allowance for loan loss	29,245,217	29,175,842
Investments in Uncombined Affiliates	9,637,538	9,455,496
Capitalized Costs	465,588	976,400
Property and Equipment, net	37,893	79,731
Total assets	$ 75,030,863	$ 66,545,531
Liabilities and Net Assets		
Current Liabilities:		
Grants payable to subrecipients	$ 585,444	$ 1,283,842
Current portion of loans payable	2,518,181	1,000,000
Accounts payable	1,378,861	628,180
Accrued expenses	1,255,579	1,357,581
Conditional advance	1,637,500	-
Deferred income	127,199	187,687
Total current liabilities	7,502,764	4,457,290
Loan Escrows Liability	621,576	621,576
Loans Payable, net of current portion	35,174,546	30,891,991
Equity Equivalent Loans Payable	4,500,000	3,000,000
Total liabilities	47,798,886	38,970,857
Net Assets:		
Without donor restrictions:		
Operating	15,212,919	14,027,684
Affiliate investments	9,637,538	9,455,496
Total without donor restrictions	24,850,457	23,483,180
With donor restrictions	2,381,520	4,091,494
Total net assets	27,231,977	27,574,674
Total liabilities and net assets	$ 75,030,863	$ 66,545,531

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, 2019 and 2018

	2019	2018
Operating Revenues:		
Earned income:		
Share of income of affiliates	$ 3,561,990	$ 5,015,005
Management fees	1,486,194	4,152,798
Membership fees	915,079	854,660
Program service fees	711,283	1,334,790
Other revenue	189,784	275,866
Net earned income	6,864,330	11,633,119
Financial and related revenue:		
Interest on loans, net	2,181,266	1,549,571
Loan fees	325,267	216,317
Investment income	142,029	36,782
Less - interest expense	(1,390,537)	(1,018,793)
Less - net loan loss provision	(395,748)	(501,116)
Net financial and related revenue	862,277	282,761
Grants and contributions:		
Grants and contributions	2,080,522	435,998
Government grants and contracts	1,546,697	1,585,404
In-kind services	-	82,041
Net assets released from purpose restrictions	2,104,373	4,031,591
Less - awards to subrecipients	(1,400,086)	(806,268)
Total grants and contributions	4,331,506	5,328,766
Net operating revenue	12,058,113	17,244,646
Operating Expenses:		
Program services	9,976,724	10,389,765
General and administrative	2,897,066	2,741,991
Fundraising and communication	289,979	251,166
Total operating expenses	13,163,769	13,382,922
Changes in net assets without donor restrictions from operations	(1,105,656)	3,861,724
Non-Operating Revenue:		
Grant of founder's stock in affiliate	1,000,000	-
Loan loss recovery, net of grants to affiliate	326,080	1,625,956
Share of losses of affiliates	(29,948)	(142,490)
Net assets released from capital restrictions	1,176,801	200,000
Total non-operating revenue	2,472,933	1,683,466
Changes in net assets without donor restrictions	$ 1,367,277	$ 5,545,190

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

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statements of Changes in Net Assets
For the Years Ended December 31, 2019 and 2018

	2019	2018
Net Assets, beginning of year	$ 27,574,674	$ 22,572,634
Changes in net assets without donor restrictions	1,367,277	5,545,190
Changes in net assets with donor restrictions:		
Grants and contributions	1,071,200	2,511,640
Capital grants	500,000	1,176,801
Net assets released from restrictions	(3,281,174)	(4,231,591)
Total changes in net assets with donor restrictions	(1,709,974)	(543,150)
Changes in net assets	(342,697)	5,002,040
Net Assets, end of year	$ 27,231,977	$ 27,574,674

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

		2019	2018
Cash Flows from Operating Activities:			
Changes in net assets		$ (342,697)	$ 5,002,040
Adjustments to reconcile changes in net assets to net cash used in operating activities:			
Depreciation and amortization		177,276	75,938
Provision for bad debt		-	(300,000)
Grant of founder's stock in affiliate		(1,000,000)	-
Capital grants		(500,000)	(1,176,801)
Net loan loss provision (recovery)		69,668	(1,124,840)
Share of income of affiliates, net		(3,532,042)	(4,872,515)
Changes in operating assets and liabilities:			
Accounts and contracts receivable		(186,422)	(1,504,437)
Grants receivable		611,000	977,687
Interest receivable		(120)	(172,678)
Prepaid expenses and other		92,138	(107,466)
Grants payable to subrecipients		(1,024,478)	(232,575)
Accounts payable		750,681	347,162
Accrued expenses		(102,002)	57,281
Deferred income		(60,488)	175,002
Loan escrows liability		-	153,469
Net cash used in operating activities		(5,047,486)	(2,702,733)
Cash Flows from Investing Activities:			
Principal payments on loans receivable		5,182,673	7,547,760
Distributions from affiliates		4,625,000	3,550,000
Purchase of property and equipment		(47,825)	(6,416)
Cash investment in affiliates		-	(704,000)
Purchase of capitalized costs		(376,801)	(976,400)
Sale of capitalized costs		500,000	-
Issuance of loans receivable		(11,672,237)	(20,623,535)
Net cash used in investing activities		(1,789,190)	(11,212,591)
Cash Flows from Financing Activities:			
Proceeds from loans payable		11,850,736	24,626,823
Capital grants		2,137,500	1,176,801
Principal payments on loans payable		(4,550,000)	(8,927,558)
Net cash provided by financing activities		9,438,236	16,876,066
Net Change in Cash, Cash Equivalents and Restricted Cash		2,601,560	2,960,742
Cash, Cash Equivalents and Restricted Cash:			
Beginning of year		11,996,808	9,036,066
End of year		$ 14,598,368	$ 11,996,808
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Combined Statements of Financial Position:			
Cash and cash equivalents		$ 13,976,792	$ 11,375,232
Restricted deposits		621,576	621,576
Total cash, cash equivalents and restricted cash		$ 14,598,368	$ 11,996,808
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest		$ 1,387,528	$ 835,083
Supplemental Disclosure of Non-Cash Information:			
Accounts and contracts and loans receivable converted to investment in affiliates		$ 275,000	$ 25,000
Accounts and contracts receivable related to sale of capitalized costs		$ 300,000	$ -

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

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statement of Operating Functional Expenses
For the Year Ended December 31, 2019
(With Summarized Comparative Totals for the Year Ended December 31, 2018)

	2019												2018
	Program Services								Support Services				
	Counseling and Education	Member Services	Capital Markets	Multifamily Operations	Single Family Operations	Platform Services	Research and Development	Total Program Services	General and Administrative	Fundraising and Communication	Total Support Services	Total	Total
Personnel and Related Costs:													
Salaries	$ 69,467	$ 931,897	$ 1,045,384	$ 328,055	$ 541,546	$ 318,389	$ 1,062,681	$ 4,297,419	$ 1,549,704	$ 213,457	$ 1,763,161	$ 6,060,580	$ 6,850,028
Fringe benefits	11,096	146,989	162,796	51,534	84,079	49,923	167,547	673,964	315,252	33,713	348,965	1,022,929	1,179,471
Payroll taxes	4,535	60,113	69,092	22,249	35,357	20,996	68,477	280,819	101,737	14,281	116,018	396,837	451,813
Total personnel and related costs	85,098	1,138,999	1,277,272	401,838	660,982	389,308	1,298,705	5,252,202	1,966,693	261,451	2,228,144	7,480,346	8,481,312
Other:													
Information technology - LaunchPad	-	-	-	-	-	-	1,924,051	1,924,051	-	-	-	1,924,051	703,659
Consulting and service contracts	7,610	81,785	157,424	30,975	122,899	168,039	47,927	616,659	201,151	170	201,321	817,980	1,428,807
Professional fees	786	26,792	183,819	41,219	98,821	3,887	115,943	471,267	149,461	2,355	151,816	623,083	916,352
Conferences and meetings	298	520,377	8,582	10,783	2,755	190	8,586	551,571	25,286	835	26,121	577,692	485,458
Occupancy	1,200	58,044	70,007	69,205	142,850	21,875	52,068	415,249	82,994	12,630	95,624	510,873	465,459
Travel	1,828	107,582	52,592	18,842	19,224	6,819	60,030	266,917	62,668	5,463	68,131	335,048	302,445
Office supplies and support	-	30,178	7,164	3,197	5,375	5,590	18,528	70,032	185,386	2,954	188,340	258,372	126,314
Depreciation and amortization	262	12,161	17,884	4,112	6,471	22,211	64,804	127,905	47,019	2,352	49,371	177,276	75,938
Staff development	-	1,165	1,194	76,757	1,421	95	506	81,138	79,096	611	79,707	160,845	116,468
Other	-	20,018	20,895	-	-	73	56,403	97,389	53,886	-	53,886	151,275	109,459
Insurance	91	3,686	27,407	1,898	1,904	1,562	25,121	61,669	7,095	811	7,906	69,575	69,570
Communications	10	5,636	4,017	210	144	400	2,008	12,425	32,558	201	32,759	45,184	72,299
Dues and publications	-	18,153	3,187	4,257	900	-	1,753	28,250	3,773	146	3,919	32,169	29,382
Total operating expenses before general and administrative allocation	97,183	2,024,576	1,831,444	663,293	1,063,746	620,049	3,676,433	9,976,724	2,897,066	289,979	3,187,045	13,163,769	13,382,922
General and Administrative Allocation	27,423	571,296	516,798	187,169	300,169	174,966	1,037,419	2,815,241	(2,897,066)	81,825	(2,815,241)	-	-
Total operating expenses	$ 124,606	$ 2,595,872	$ 2,348,242	$ 850,462	$ 1,363,915	$ 795,015	$ 4,713,852	$ 12,791,965	$ -	$ 371,804	$ 371,804	$ 13,163,769	$ 13,382,922

THE HOUSING PARTNERSHIP NETWORK, INC. AND AFFILIATES

Combined Statement of Operating Functional Expenses
For the Year Ended December 31, 2018

	Program Services								Support Services			
	Counseling and Education	Member Services	Capital Markets	Multifamily Operations	Single Family Operations	Platform Services	Research and Development	Total Program Services	General and Administrative	Fundraising and Communication	Total Support Services	Total
Personnel and Related Costs:												
Salaries	$ 192,020	$ 889,416	$ 820,957	$ 479,083	$ 1,986,974	$ 210,598	$ 703,013	$ 5,282,061	$ 1,391,826	$ 176,141	$ 1,567,967	$ 6,850,028
Fringe benefits	31,316	134,106	127,672	77,788	329,728	34,722	136,144	871,476	278,938	29,057	307,995	1,179,471
Payroll taxes	12,317	53,118	49,229	30,757	121,727	13,708	53,793	334,649	105,910	11,254	117,164	451,813
Total personnel and related costs	235,653	1,076,640	997,858	587,628	2,438,429	259,028	892,950	6,488,186	1,776,674	216,452	1,993,126	8,481,312
Other:												
Information technology - LaunchPad	-	-	-	-	-	-	703,659	703,659	-	-	-	703,659
Consulting and service contracts	495	104,414	192,838	88,881	42,105	162,500	622,674	1,213,907	214,900	-	214,900	1,428,807
Professional fees	3,846	15,212	267,092	18,034	97,951	2,569	236,100	640,804	273,359	2,189	275,548	916,352
Conferences and meetings	42,586	392,747	3,998	15,425	5,519	1,997	6,454	468,726	14,326	2,406	16,732	485,458
Occupancy	18,447	60,129	52,322	43,503	119,248	13,310	46,360	353,319	99,808	12,332	112,140	465,459
Travel	5,522	91,018	39,761	43,075	14,350	4,956	50,667	249,349	39,840	13,256	53,096	302,445
Office supplies and support	182	31,747	3,832	2,811	1,602	262	2,700	43,136	83,053	125	83,178	126,314
Depreciation and amortization	2,094	7,827	12,683	7,476	14,941	1,666	6,781	53,468	20,932	1,538	22,470	75,938
Staff development	-	-	-	-	182	-	40,831	41,013	75,455	-	75,455	116,468
Other	-	-	17,647	-	13,277	-	343	31,267	78,192	-	78,192	109,459
Insurance	774	2,832	23,436	2,671	5,579	639	27,467	63,398	5,578	594	6,172	69,570
Communications	388	4,428	4,164	3,354	407	314	5,616	18,671	53,128	500	53,628	72,299
Dues and publications	338	15,302	2,411	-	2,357	320	134	20,862	6,746	1,774	8,520	29,382
Total operating expenses before general and administrative allocation	310,325	1,802,296	1,618,042	812,858	2,755,947	447,561	2,642,736	10,389,765	2,741,991	251,166	2,993,157	13,382,922
General and Administrative Allocation	79,966	464,422	416,943	209,460	710,162	115,329	680,989	2,677,271	(2,741,991)	64,720	(2,677,271)	-
Total operating expenses	$ 390,291	$ 2,266,718	$ 2,034,985	$ 1,022,318	$ 3,466,109	$ 562,890	$ 3,323,725	$ 13,067,036	$ -	$ 315,886	$ 315,886	$ 13,382,922

1. OPERATIONS AND NONPROFIT STATUS

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

> *"To build affordable homes, better futures, and vibrant communities for low and moderate-income people through partnerships with its member organizations and businesses, government, and philanthropic institutions."*

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.

Housing Partnership Ventures, Inc. (HPV) is a Massachusetts not-for-profit corporation, which was established in 2004 to support the members of HPN by developing and offering loan products and funding alternatives, including working capital loans, for existing business activities and funds to expand or originate new business lines. HPV is the investing affiliate of HPN. During 2009, HPV established a single-member limited liability company, HPV Holdings, LLC (HPV Holdings) to hold special assets. HPV Holdings has elected to be disregarded as a separate entity from HPV for tax purposes. HPV Holdings held no property at December 31, 2019 or 2018.

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

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

The Network's program services consist of the following:

Counseling and Education

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

Member Services

The Network's member services focus on peer exchange opportunities including, but not limited to, two national member meetings per year, access to the International Housing Partnership, and financial and capital-related peer exchange through Strength Matters. Member services provide knowledge transfer and sharing of best practices in areas of common interest to our members.

1. OPERATIONS AND NONPROFIT STATUS (Continued)

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.

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).

Research and Development

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

Non-Profit Status

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

Revenue from Contracts with Customers

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On January 1, 2019, the Network adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2019 (the practical expedient elected). Results for reporting periods beginning after January 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Network's historic accounting under Topic 605.

There were no material changes in the timing of recognition of revenue and, therefore, there was no adjustment to the opening balance of net assets without donor restrictions. The Network does not expect the adoption of the new revenue standard to have a significant impact on its changes in net assets on an ongoing basis.

Contributions Received and Contributions Made

On January 1, 2019, the Network adopted FASB's ASU 2018-08*, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Network adopted ASU 2018-08 using a modified prospective method effective January 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of January 1, 2019. As a result, the 2018 combined financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of January 1, 2019.

Restricted Cash

In 2019, the Network adopted FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the combined statement of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the combined statement of cash flows. This ASU has been applied retrospectively to all periods presented.

The adoption of ASU 2016-18 resulted in the following changes to the Network's cash flow classification for the year ended December 31, 2018:

Combined Statement of Cash Flows	2018 As Previously Reported	Effect of Adoption	2018 As Adjusted
Operating activities	$ (2,704,401)	$ 1,668	$ (2,702,733)
Investing activities	(15,510,032)	4,297,441	(11,212,591)
Financing activities	21,021,706	(4,145,640)	16,876,066
Net change in cash and restricted cash	$ 2,807,273	$ 153,469	$ 2,960,742

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). For the purpose of the combined statements of cash flows, cash and restricted cash includes cash and cash equivalents and restricted deposits with an initial maturity of three months or less.

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

Allowance for Doubtful Accounts on Accounts, Contracts and Grants Receivable

An allowance for doubtful accounts is based on collection experience and other circumstances, which may affect the ability of payors and donors to meet their obligations. It is the Network's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The Network had an allowance of $300,000 against certain accounts and contracts receivable as of December 31, 2019 and 2018 (see Note 8).

Loans Receivable

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

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

The Network considers a loan receivable as impaired when it is probable that interest and/or principal will not be collected according to the contractual terms of the loan receivable agreement. In accordance with guidance provided by ASC Topic, *Impairment (Recoverability) of a Loan*, management employs one of three methods to determine and measure impairment: the Present Value of Future Cash Flow Method; the Fair Value of Collateral Method; and the Observable Market Price of a Loan Method. To perform an impairment analysis, the Network reviews a loan's internally assigned risk rating, its outstanding balance, value of the collateral, guarantors, and a current report of the action being implemented. Based on the nature of the specific loan, one of the impairment methods is chosen and any impairment is determined, based on criteria established for impaired loans. There were no loans that were deemed to be impaired as of December 31, 2019 or 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable (Continued)

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

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

There have been no loan modifications classified as a TDR as of December 31, 2019 and 2018.

Loan Loss Allowance

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

Investments in Uncombined Affiliates

HPN and HPV maintain equity investments in uncombined affiliates where HPN and HPV exercise significant influence over the affiliates' operations (see Note 3). HPN and HPV account for these investments using the equity method. Whether or not HPN and HPV exercise significant influence with respect to an affiliate depends on an evaluation of several factors including, among others, representation on the affiliate's Board of Directors, significance of ownership in the voting securities of the affiliate, and participation in management activities significant to the investee. Under the equity method, the investment is initially recorded at cost and then increased or decreased by the share of income or loss of the affiliate. Distributions of cash reduce the carrying value of the investment. For investments in affiliates with stabilized operations and an expectation of current dividends, the Network records its share of income (loss) of affiliates as operating revenue in the accompanying combined statements of activities without donor restrictions. The Network records its share of income (loss) of affiliates in formation or start-up as part of non-operating revenue (expense).

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.

The Network periodically assesses the carrying balance of all investments in uncombined affiliates for possible impairment. No impairment losses for investments in affiliates were recognized in 2019 and 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalized Costs

Capitalized costs consist of database and website development costs related to the design and implementation of the LaunchPad database and Knowledge Center and Select Ecoguide websites. The LaunchPad database was completed during 2019 to be used commercially within a new social enterprise developed by HPN. The total capitalizable costs incurred related to the LaunchPad database were $800,000. During 2019 and 2018, the Network incurred additional costs totaling $1,924,051 and $703,659, respectively, related to the LaunchPad project that were funded by donors and not eligible to be capitalized. These costs are included in the accompanying combined statements of operating functional expenses. During 2019, the Network sold the LaunchPad database to an unrelated third party for a purchase price of $800,000, excluding additional consulting fees for services that are expected to be provided by the Network to the buyer in 2020 and 2021. The Knowledge Center and Select Ecoguide websites were both completed in 2019 and will be used in connection with other social enterprises of the Network. All costs pertaining to the respective website projects were capitalizable and included in the totals noted below. Amortization expense related to capitalized costs for the year ended December 31, 2019, was $87,613.

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	2019	2018
Select Ecoguide website	5 years	$ 376,801	$ -
Knowledge Center website	5 years	176,400	176,400
LaunchPad database	5 years	-	800,000
		553,201	976,400
Less - accumulated amortization		(87,613)	-
Net capitalized costs		$ 465,588	$ 976,400

Property and Equipment and Depreciation

The Network capitalizes all significant expenditures for property and equipment with useful lives in excess of one year at cost. 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	2019	2018
Furniture and equipment	3 - 5 years	$ 473,736	$ 425,909
Leasehold improvements	Life of lease (see Note 7)	135,833	209,933
		609,569	635,842
Less - accumulated depreciation		(571,676)	(556,111)
Net property and equipment		$ 37,893	$ 79,731

During 2019, the Network wrote off $74,100 of leasehold improvements that were fully depreciated as of December 31, 2019. Depreciation expense for the years ended December 31, 2019 and 2018, totaled $89,663 and $75,938, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

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

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

Net assets with donor restrictions are unexpended financial resources restricted by donors as to the purpose or timing of expenditure. All net assets with donor restrictions as of December 31, 2019 and 2018, are restricted for the following:

	2019	**2018**
Operating purpose restricted:		
Research and Development	$ 1,181,530	$ 2,128,603
Counseling and Education	592,756	200,000
Capital Markets	107,234	551,090
Member Services	-	35,000
Total operating purpose restricted	1,881,520	2,914,693
Capital restricted:		
Revolving Loan Capital - CDFI Capital Magnet	500,000	-
LaunchPad database	-	800,000
Select Ecoguide website	-	376,801
Total capital restricted	500,000	1,176,801
	$ 2,381,520	$ 4,091,494

During 2018, HPN spent $800,000 of the above 2018 research and development funds on capitalized costs related to the LaunchPad database (see page 13). In accordance with the placed-in-service approach adopted by the Network as part of ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, these restricted grant funds were released from donor restrictions in 2019 when the database was placed into service (see below).

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:

	2019	**2018**
Operating purpose restricted:		
Research and Development	$ 1,278,273	$ 2,657,919
Capital Markets	443,856	693,061
Counseling and Education	247,244	200,000
Member Services	135,000	165,000
Multifamily Operations	-	200,000
Single Family (Framework)	-	94,093
HPF	-	21,518
Total operating purpose restricted	2,104,373	4,031,591
Capital restricted:		
LaunchPad database	800,000	-
Select Ecoguide website	376,801	-
Framework	-	200,000
Total capital restricted	1,176,801	200,000
Total Network release	$ 3,281,174	$ 4,231,591

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

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

The Network records the amount of proceeds of the CDFI Capital Magnet award, which it has not committed to qualifying projects, as conditional advances as mandated by the agreement (see page 16). During 2019, the Network received CDFI Capital Magnet proceeds totaling $2,250,000, of which 5% or $112,500 was recognized as net assets without donor restrictions during 2019 and is included in government grants and contracts in the accompanying 2019 combined statement of activities without donor restrictions. Due to timing of the awards, $1,637,500 of the remaining funds were not yet committed to qualifying projects as of December 31, 2019, and are reported as a conditional advance in the accompanying 2019 combined statement of financial position. During 2019, the Network committed $500,000 to qualifying projects and such amounts are included in net assets with donor restrictions in the accompanying 2019 combined statement of financial position. The conditional advance as of December 31, 2019, is expected to be deployed or committed for qualifying projects in future periods.

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)

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 operating expenses in the accompanying combined statements of activities without donor restrictions. All other revenue or expense is reported as non-operating.

Revenue Recognition

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

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

Financial and related revenue is generally recognized as revenue without donor restrictions as earned or when services are provided. Interest on loans is presented net of interest expense of $840,250 and $400,369 collected on behalf of loan participants (see Note 5) in 2019 and 2018, respectively. 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 are not significant and are not amortized.

In accordance with ASC Sub Topic 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 (see page 15). Indicators of a barrier include measurable performance-related barrier or other measurable barrier, 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Services

During 2018, an organization contributed services to HPN in support of various aspects of its operations. These services are reflected in the accompanying 2018 combined financial statements based upon the estimated value assigned to them by the donating organization. The value of these donated services was $82,041 for the year ended December 31, 2018, and is included in operating revenue in the accompanying 2018 combined statement of activities without donor restrictions and in communications and other expenses in the accompanying 2018 combined statement of operating functional expenses. There were no donated services provided to HPN in 2019.

Awards to Subrecipients

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

Funding and Concentrations

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, 2019 and 2018, or on the combined statements of activities without donor restrictions for the years then ended.

During 2019 and 2018, the Network received grants of $714,000 and $1,125,000, respectively, from the Treasury's CDFI Fund for program expansion. These grants were reported as operating revenue without donor restrictions in 2019 and 2018. In connection with these grants, the Network is required to adhere to specific performance goals and requirements as outlined in the agreements with the Treasury through December 2022. The benchmarks and goals noted in the agreements are not deemed to be barriers in accordance with ASU 2018-08*, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Failure to adhere to these requirements may result in repayment of Federal assistance received and ineligibility to receive future funding. HPN was in compliance with all benchmarks and goals as of December 31, 2019 and 2018.

As of December 31, 2019, and 2018, amounts due from the Treasury represented approximately 57% and 52%, respectively, of grants receivable. In addition, approximately 40% and 46% of the Network's grants receivable is due from one donor as of December 31, 2019 and 2018, respectively.

As of December 31, 2019, and 2018, approximately 78% and 83% of the Network's accounts and contracts receivable (see Note 8) are due from three and four payers, respectively.

Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the combined statements of operating functional expenses. The combined statements of operating 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018. The Network's information returns are subject to examination by the Federal and state jurisdictions.

Estimates

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

Subsequent Events

Subsequent events have been evaluated through April 22, 2020, which is the date the combined financial statements were available to be issued. Events that met the criteria for disclosure have been disclosed in the combined financial statements (see Notes 5, 6, 8 and 10).

3. UNCOMBINED AFFILIATES

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

HPN's Investments in Uncombined Affiliates

HPN's investments in uncombined affiliates are as follows:

	HPIEx	HPET	Framework	NCST	Sub CDEs	Total
Net investment, December 31, 2017	$ 2,070,537	$ -	$ 3,831,398	$ 200,000	$ 3,000	$ 6,104,935
Additional cash investment	-	-	200,000	-	4,000	204,000
Distribution received	(50,000)	-	(3,500,000)	-	-	(3,550,000)
Share of income	475,323	-	4,507,540	-	-	4,982,863
Net investment, December 31, 2018	2,495,860	-	5,038,938	200,000	7,000	7,741,798
Additional cash investment	-	250,000	-	-	-	250,000
Founder's stock grant	-	1,000,000	-	-	-	1,000,000
Transfer of investment from HPV	-	294,916	-	-	-	294,916
Distribution received	(125,000)	-	(4,500,000)	-	-	(4,625,000)
Share of income (loss)	8,946	(220,637)	3,736,385	-	-	3,524,694
Net investment, December 31, 2019	$ 2,379,806	$ 1,324,279	$ 4,275,323	$ 200,000	$ 7,000	$ 8,186,408

3. UNCOMBINED AFFILIATES (Continued)

HPN's Investments in Uncombined Affiliates (Continued)

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

During 2012, HPV and twelve HPN members established the Housing Partnership Equity Trust (a Delaware limited liability company) (HPET). HPET was established to acquire and operate multifamily properties by making joint venture investments with its non-profit members. HPET operates through a controlled subsidiary, Housing Partnership Equity Trust REIT I, LLC (HPET REIT I) that has elected Real Estate Investment Trust (REIT) status with the IRC. HPN has a revolving line of credit agreement with HPET REIT I (see Note 5). HPN held one seat on the Board of Directors of HPET, and through 2017, 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.

In February 2019, HPV transferred all shares and control in HPET to HPN (see page 21). In addition, during April 2019, HPN converted $250,000 of its loan receivable from HPET REIT I into an equity contribution as part of a capital raise from existing shareholders (see Note 5). Also, during 2019, HPET awarded a "good-faith" founder's stock bonus to HPN that was made in the form of $1,000,000 of nonvoting stock. HPN accounts for its investment in HPET using the equity method (see Note 2).

Framework Homeownership, LLC

During 2012, HPN and one of its members formed Framework Homeownership, LLC (a Delaware limited liability company) (Framework). Framework was established to meet increasing demand for online homeowner counseling and education services; increase the sustainability of HPN member counseling; and achieve a broader vision of embedding homebuyer education into the home purchase process. HPN holds a 50% equity interest in Framework and has one of four voting seats on the Board of Directors. HPN made a cash contribution of $200,000 during 2018. HPN accounts for this investment using the equity method (see Note 2).

National Community Stabilization Trust, LLC

During 2008, 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 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).

During 2018, HPN received an $80,000 fee from NCST (see Note 8) as a result of restructuring NCST's operating agreement. The fee is included in program service fees in the accompanying 2018 combined statement of activities without donor restrictions. HPN was paid $40,000 of this fee during 2018 and the remaining $40,000 during 2019.

3. UNCOMBINED AFFILIATES (Continued)

HPN's Investments in Uncombined Affiliates (Continued)

SubCDEs

HPN applied for and received New Markets Tax Credit (NMTC) allocations totaling $70,000,000 from the CDFI Fund (see Note 1). 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 four sub-CDEs, HPN NMTC I, LLC (SubCDE 1), HPN NMTC II, LLC (SubCDE 2), HPN NMTC III, LLC (SubCDE 3) and HPN NMTC IV, LLC (SubCDE 4) (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.

During 2018, HPN made capital contributions of $1,000 and $3,000 to SubCDE 3 and SubCDE 4, respectively, in exchange for a 0.01% membership interest in SubCDE 3 and SubCDE 4. During 2017, HPN made capital contributions of $1,500 (each) to SubCDE 1 and SubCDE 2 in exchange for a 0.01% membership interest in SubCDE 1 and SubCDE 2. HPN accounts for its investments in the SubCDEs using the cost method (see Note 2).

The SubCDEs have used the proceeds of an unrelated entity's Qualified Equity Investments (QEIs) to make loans to qualified active low-income community businesses (QALICBs). In addition, the SubCDEs paid one-time fees to HPN totaling $1,000,000 ($250,000 from SubCDE 3 and $750,000 from CDE 4) for its sub-allocation of NMTCs, during the year ended December 31, 2018, which is included in program service fees in the accompanying 2018 combined statement of activities without donor restrictions.

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

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, 2019 and 2018, HPN and the SubCDEs were in compliance with all covenants that would cause a recapture of NMTC and management expects to maintain compliance throughout the seven-year life of each respective NMTC transaction.

The Investment Funds associated with the SubCDEs described above and on page 19 (Investment Funds) entered into option agreements with HPN and the respective investor members of the Investment Funds, whereby the investor members have the option to sell their respective investor interests in the Investment Funds to HPN for a purchase price of $1,000 (each transaction), in addition to all income taxes and closing costs associated with exercising the options. The investor members have the right to exercise these options at any time during a six-month period beginning at the end of each seven-year NMTC compliance period which end at various dates through 2025. 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.

3. UNCOMBINED AFFILIATES (Continued)

HPV's Investments in Uncombined Affiliates

HPV's investments in uncombined affiliates are as follows:

	CSFP	HPET	HPN Select	DDEIF	Total
Net investment, December 31, 2017	$ 656,431	$ 307,792	$ 334,823	$ -	$ 1,299,046
Initial cash investment	-	-	-	500,000	500,000
Additional cash investment	-	-	25,000	-	25,000
Share of income (loss)	45,018	(12,876)	(116,004)	(26,486)	(110,348)
Net investment, December 31, 2018	701,449	294,916	243,819	473,514	1,713,698
Transfer of investment to HPN	-	(294,916)	-	-	(294,916)
Additional cash investment	-	-	25,000	-	25,000
Share of income (loss)	37,296	-	(16,347)	(13,601)	7,348
Net investment, December 31, 2019	$ 738,745	$ -	$ 252,472	$ 459,913	$ 1,451,130

Charter School Financing Partnership, LLC

During 2007, 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 also holds one seat on the Board of Managers. HPV accounts for its investment in CSFP using the equity method (see Note 2).

Housing Partnership Equity Trust

During 2012, HPV and twelve HPN members established the Housing Partnership Equity Trust (a Delaware limited liability company) (HPET). HPET was established to acquire and operate multifamily properties by making joint venture investments with its non-profit members. HPET operates through a controlled subsidiary, Housing Partnership Equity Trust REIT I, LLC (HPET REIT I) that has elected Real Estate Investment Trust (REIT) status with the IRC. HPV accounted for its investment in HPET using the equity method (see Note 2). In February 2019, HPV transferred all shares in HPET to HPN (see page 19).

HPN Select, LLC

During 2015, HPN Select, LLC (HPN Select) (a Massachusetts limited liability company) was formed to provide group procurement services to its members throughout the United States. HPV committed to make original capital contributions totaling $1,500,000 to acquire 33% of equity interests of HPN Select, of which $1,000,000 resulted from the conversion of a loan and $500,000 was cash. During 2019 and 2018, HPV made additional contributions of $25,000 each year by converting a portion of its outstanding accounts and contracts receivable from HPN Select (see Note 8). HPV accounts for its investment in HPN Select using the equity method (see Note 2).

In addition, HPV provided a loan to HPN Select for working capital needs, which allows for borrowings up to $735,000 (see Note 5).

3. UNCOMBINED AFFILIATES (Continued)

HPV's Investments in Uncombined Affiliates (Continued)

Develop Detroit Equity Investment Fund, LLC

During 2018, Develop Detroit Equity Investment Fund (DDEIF) (a Delaware limited liability company) was formed in order to provide equity capital to certain Detroit-based housing and real estate development activities. DDEIF operates in conjunction with Develop Detroit, Inc. (see page 24), which controls DDEIF, through an affiliate, as its managing member. During 2018, 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).

Affiliates' Financial Information

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:

2019

Entity	Total Assets	Total Liabilities	Total Equity	Total Revenue	Total Expenses
HPIEx	$ 55,623,367	$ 26,676,129	$ 28,947,238	$ 24,475,220	$ 24,385,757
Framework	$ 9,574,808	$ 962,419	$ 8,612,389	$ 16,723,539	$ 9,410,888
CSFP	$ 15,921,984	$ 1,392,949	$ 14,529,035	$ 458,806	$ 135,142
HPET	$ 63,587,400	$ 9,475,282	$ 54,112,118	$ 4,920,870	$ 3,951,589
HPN Select	$ 2,194,656	$ 1,569,687	$ 624,969	$ 2,060,777	$ 2,126,827
DDEIF	$ 928,641	$ 75,647	$ 852,994	$ -	$ 27,202

2018

Entity	Total Assets	Total Liabilities	Total Equity	Total Revenue	Total Expenses
HPIEx	$ 52,632,694	$ 25,036,202	$ 27,596,492	$ 24,280,539	$ 19,527,316
Framework	$ 11,398,884	$ 1,259,266	$ 10,139,618	$ 15,558,353	$ 6,543,273
CSFP	$ 15,988,847	$ 1,783,476	$ 14,205,371	$ 383,631	$ 147,131
HPET	$ 62,737,142	$ 10,507,264	$ 52,229,878	$ 1,106,013	$ 3,235,255
HPN Select	$ 2,199,440	$ 1,733,421	$ 466,019	$ 1,841,643	$ 2,474,346
DDEIF	$ 916,316	$ 36,120	$ 880,196	$ -	$ 19,456

Relationships with Other Uncombined Affiliates

Community Restoration Corporation

During 2011, HPN and three other non-profit organizations established the Community Restoration Corporation (a Delaware non-profit corporation) (CRC). CRC was established to conduct activities to help local non-profit organizations and governmental instrumentalities reclaim low-value distressed real properties to improve overall neighborhood stabilization and revitalization efforts. HPN holds one seat on the Board of Directors of CRC. HPN does not hold an equity investment in CRC.

3. UNCOMBINED AFFILIATES (Continued)

Relationships with Other Uncombined Affiliates (Continued)

Community Restoration Corporation (Continued)

HPF has provided three non-interest bearing loans to CRC to provide capital to remediate and restore specific pools of distressed mortgage notes held by CRC. The outstanding principal of these loans totaled $17,184,927 and $20,233,883 as of December 31, 2019 and 2018, respectively. The loans were funded with grant proceeds HPF received from a donor to support the neighborhood stabilization program of CRC.

Payments of principal in an amount equal to surplus funds generated by CRC from mortgage resolution efforts will commence ninety days following the first June 30th or December 31st after 75% of the mortgage loans have been resolved and CRC has cash on hand of at least 150% of the budgeted expenditures for the mortgage loans that have not been resolved. Thereafter, on each March 31st and September 30th until maturity, CRC will make payments of principal in the amount of surplus funds measured on December 31st and June 30th, respectively.

Within ninety days of the date the last mortgage loan is resolved, the member will pay all remaining cash on hand to HPF.

During 2019, HPF received $652,160 based on surplus funds measured on June 30, 2019, which was applied to the balance of the loan. This payment is also included in loan loss recovery in the accompanying 2019 combined statement of activities without donor restrictions, as the entire loan balance was reserved at the time of payment (see below). In addition, based on surplus funds totaling $2,396,796 calculated on December 31, 2018, HPV removed this portion of the allowance against the loan balance as of December 31, 2018. As a result, $2,396,796 of loan loss recovery was recorded in the accompanying 2018 combined statement of activities without donor restrictions. This payment was received and applied against the loan during 2019.

During 2018, HPF also received $855,116 based on surplus funds measured on June 30, 2018, which was applied to the balance of the loan. This payment is also included in loan loss recovery in the accompanying 2018 combined statement of activities without donor restrictions, as the entire loan balance was reserved at the time of payment (see below).

In accordance with the CRC loan agreements, HPF is required to distribute 50% of loan repayments to NCST. During 2019 and 2018, HPF awarded NCST grants totaling $326,080 and $1,625,956 based on the calculated amounts recoverable as of December 31, 2019 and 2018 (see above). These amounts are included as a reduction of the loan loss recovery within non-operating revenue in the accompanying combined statements of activities without donor restrictions. As of December 31, 2018, $1,198,398 of the amounts awarded remained unpaid and was included in grants payable to subrecipients in the accompanying 2018 combined statement of financial position.

If CRC is in full compliance with the loan documents, upon resolution of all mortgage loans and repayment of any remaining cash on hand, HPF will forgive any remaining unpaid principal. If by the maturity date, all mortgage loans have not been resolved, any remaining principal is due and payable to HPF. Given the uncertainty associated with repayment, except for balances that are known to be collected in the subsequent year (see above), HPF has reserved the remaining principal balance of the loans at December 31, 2019 and 2018.

3. UNCOMBINED AFFILIATES (Continued)

Relationships with Other Uncombined Affiliates (Continued)

Develop Detroit Inc.

Develop Detroit Inc. (Develop Detroit) is a non-profit real estate development company designed to play a major role in the stabilization and revitalization of neighborhoods and communities weakened by the decades-long economic decline in Detroit, Michigan. Sponsored by HPN, Develop Detroit is structured and capitalized as an independent nonprofit. Develop Detroit operates in key neighborhoods and is staffed and governed locally. HPN provides business and financial support to Develop Detroit (see Note 8).

Develop Detroit entered into a facility loan agreement with HPF to borrow up to $10,000,000 on a non-revolving basis, to finance its real estate and affordable rental housing projects in Detroit. The facility loan bears interest at 5.5%. Pursuant to the facility loan agreement, the proceeds will be disbursed from HPF to Develop Detroit from time-to-time through January 2021. Each disbursement is evidenced by a separate promissory note and the maturity date for each loan will not exceed three years. As of December 31, 2019 and 2018, the facility loan has an outstanding balance totaling $4,789,415 and $3,789,415, respectively (see Note 5).

4. RESTRICTED DEPOSITS

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

Interest and Project Reserve

Pursuant to the facility loan agreement with Develop Detroit (see Note 3), HPF has a right to hold back a portion of the principal drawn down by Develop Detroit to be used as reserves for interest and security on the loan. The interest and security reserves are calculated as 5.5% and 15%, respectively, of the project amount, as defined in the agreement. The balances of these reserves totaled $621,576 at December 31, 2019 and 2018.

5. LOANS RECEIVABLE

HPN

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

	2019	2018
HPF entered into an unsecured loan agreement with HPN, bearing interest at a rate determined annually by HPN (4.33% and 0% for 2019 and 2018, respectively), which matures in June 2024. This loan and related accrued interest of $58,896 as of December 31, 2019, is eliminated from the accompanying combined statements of financial position. There was no accrued interest as of December 31, 2018.	$ 5,322,441	$ 5,322,441
HPF entered into an unsecured loan agreement with HPN, bearing interest at a rate of 2.75%, which is set to expire in September 2029. This loan and related accrued interest of $2,989 is eliminated from the accompanying 2019 combined statement of financial position.	2,500,000	-

5. LOANS RECEIVABLE (Continued)

HPN (Continued)

	2019	2018
Real estate purchase and development loans to three and four members as of December 31, 2019 and 2018, respectively, bearing interest at rates varying between 4.00% and 6.25% and maturing at various dates through June 2022. Interest on these notes is due in monthly payments through respective maturity. Accrued interest on these loans was $5,514 and $23,088 as of December 31, 2019 and 2018, respectively. The three loans outstanding as of December 31, 2019, are unsecured.	1,975,000	4,250,000
$2,272,727 unsecured revolving line of credit agreement with HPET REIT I (see Note 3), bearing interest at 4% annually through May 2018, at which time the rate was reduced to 3.5%, paid quarterly and in arrears. The agreement is set to expire in June 2020. During 2019, $250,000 of this loan was converted to an equity contribution in HPET as part of a capital raise from existing shareholders (see Note 3).	386,364	1,136,364
HPV entered into an unsecured, non-interest bearing loan agreement with HPN which expires in December 2022. This loan is eliminated from the accompanying combined statements of financial position.	250,000	250,000
	10,433,805	10,958,805
Less - allowance for loan losses	(75,523)	(158,523)
	10,358,282	10,800,282
Less – current portion	(861,364)	-
Total HPN long-term portion	$ 9,496,918	$ 10,800,282

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:

	2019	2018
Unsecured enterprise development loans to sixteen and fourteen members, respectively, bearing interest at rates between 4.50% and 6.75%, and maturing at various dates through October 2026. The total outstanding balance of these loans was $21,821,205 and $19,000,000 at December 31, 2019 and 2018, respectively, which is presented net of third-party loan participations of $4,000,000 and $4,104,167, respectively. Each loan requires monthly or quarterly interest-only payments through maturity, at which time the entire principal balance is due.	$ 17,821,205	$ 14,895,833

5. LOANS RECEIVABLE (Continued)

HPF (Continued)

	2019	2018
Real estate acquisition and bridge loans to nine and five members, respectively, bearing interest at rates between 5.25% and 7.03%, and maturing at various dates through July 2028. The total outstanding balance of these loans was $20,805,686 and $11,756,185 at December 31, 2019 and 2018, respectively, which is presented net of respective third-party loan participations of $4,733,333. 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.	16,072,353	7,022,852
Unsecured predevelopment and acquisition/bridge loans to two and one members as of December 31, 2019 and 2018, respectively, which bear interest at 6.5%. The total outstanding balance of theses loans was $3,000,000 and $2,500,000 at December 31, 2019 and 2018, respectively, which is presented net of a third-party loan participation of $500,000. These loans require monthly interest-only payments at various dates through November 2020, at which time the entire principal balance is due.	2,500,000	2,000,000
HPF has an enterprise development line of credit agreement with one member with a balance of $4,000,000 and $3,250,000 as of December 31, 2019 and 2018, respectively. This line of credit bears interest at 6.75% and 5.5% as of December 31, 2019 and 2018, respectively. The balance of this line of credit is presented net of third party participations of $2,000,000 and $1,625,000 at December 31, 2019 and 2018, respectively. This line of credit is set to expire in May 2023 and is secured by the borrower's interest in third party LLCs.	2,000,000	1,625,000
HPF is a participating lender in a NMTC leverage source loan receivable where The Reinvestment Fund (TRF) serves as the lead lender. The interest rate is calculated based on the current London Interbank Offered Rate (LIBOR) (1.71% and 2.35% as of December 31, 2019 and 2018, respectively), plus 5%. Under this agreement, principal payments are due upon the sale of properties financed with this NMTC leverage source loan. Interest-only payments are due through the maturity date of October 2020 when the principal and any outstanding accrued interest become due. This loan is secured by a first security interest in the borrower's interest in SubCDE 3 (see Note 3) and any related distributions made.	990,439	1,250,000
5.5% non-revolving line of credit with Develop Detroit (see Note 3) with available borrowings up to a maximum of $10,000,000. The total outstanding balance of this line of credit was $4,289,415 and $3,789,415 at December 31, 2019 and 2018, respectively, which is presented net of respective third-party loan participations of $3,336,212 and $2,273,649, respectively. Under this agreement, each draw will be treated as a separate promissory note with a maturity date of thirty-six months from the date of the draw or permanent financing relating to the specific project, whichever is sooner. Develop Detroit can continue to draw down on this line of credit through January 2021. During 2019 and 2018, there were additional draws on this line totaling $500,000 and $1,000,000, respectively. Interest only on existing draws is due monthly through various maturity dates, 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.	953,203	1,515,766

5. LOANS RECEIVABLE (Continued)

HPF (Continued)

	2019	2018
HPF is a participating lender in a NMTC leverage source loan receivable to Develop Detroit (see Note 3) where TRF serves as the lead lender. The interest rate is calculated based on the current London Interbank Offered Rate (LIBOR) (1.71% and 2.35% as of December 31, 2019 and 2018, respectively), plus 5%. Interest-only payments are due through the maturity date of May 2021 when the principal and any outstanding accrued interest are due. Under this agreement, principal payments are due upon the sale of properties financed with this NMTC leverage source loan. This loan is secured by a first security interest in Develop Detroit's interest in SubCDE 3 (see Note 3) and any related distributions made.	615,215	724,444
Unsecured predevelopment and acquisition loan with Develop Detroit (see Note 3), which bear interest at 5.5%. This loan requires monthly interest-only payments through January 2021, at which time the principal and any outstanding accrued interest is due.	500,000	-
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.	420,000	420,000
	41,872,415	29,453,895
Net recovery of CRC loans (see Note 3)	-	2,396,796
	41,872,415	31,850,691
Less - allowance for loan losses	(1,394,867)	(908,769)
	40,477,548	30,941,922
Less - current portion (net of allowance)	(13,242,708)	(7,677,471)
Total HPF long-term portion	$ 27,234,840	$ 23,264,451

HPV

HPV has a loan receivable from HPN Select (see Note 3) for borrowings up to $735,000. The note is secured by a life insurance policy on the life of the President of HPN Select and all of HPN Select's assets. The note bears interest at 7.5% per annum through July 1, 2022 (maturity). All outstanding principal and accrued interest on this note are due at maturity. The principal balance outstanding on the note receivable was $630,000 and $735,000 at December 31, 2019 and 2018, respectively, and is included in long-term loans receivable in the accompanying combined statements of financial position. The allowance for loan losses related to this loan was $44,100 and $51,450 for the years ended December 31, 2019 and 2018, respectively.

Loan Commitments

The Network has agreed to defer $1,000,000 of the outstanding accounts receivable from Develop Detroit (see Notes 3 and 8) as of December 31, 2019. In April 2020, HPV committed to lend Develop Detroit $1,000,000 as an unsecured 5% note payable with interest due quarterly through the maturity date of April 2025. These funds will be used to repay the $1,000,000 deferred by the Network (see Note 8). Annual principal payments of $200,000 will be due on the last day of each calendar year through maturity, at which time all remaining principal and accrued interest will become due.

The Network has other unfunded loan commitments totaling $10,825,592 as of December 31, 2019.

5. LOANS RECEIVABLE (Continued)

Schedule of Repayments

Scheduled principal repayments of gross loans receivable, net of amounts owed to participants as of December 31, 2019, are as follows:

Year	HPN	HPF	HPV	Eliminations	Total
2020	$ 861,364	$ 13,697,106	$ -	$ -	$ 14,558,470
2021	500,000	10,818,417	-	-	11,318,417
2022	1,250,000	5,250,000	630,000	(250,000)	6,880,000
2023	-	4,450,000	-	-	4,450,000
2024	5,322,441	2,050,000	-	(5,322,441)	2,050,000
Thereafter	2,500,000	5,606,892	-	(2,500,000)	5,606,892
Total	$10,433,805	$ 41,872,415	$ 630,000	$ (8,072,441)	$ 44,863,779

Scheduled principal repayments of gross loans receivable, net of amounts owed to participants as of December 31, 2018, were as follows:

	HPN	HPF	HPV	Eliminations	Total
Total	$ 10,958,805	$ 31,850,691	$ 735,000	$(5,572,441)	$ 37,972,055

Allowance for Loan Losses

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

	HPN	HPF	HPV	Total
Balance, December 31, 2017	$ 113,750	$ 503,876	$ -	$ 617,626
Loan loss provision	44,773	404,893	51,450	501,116
Balance, December 31, 2018	158,523	908,769	51,450	1,118,742
Loan loss provision (recovery)	(83,000)	486,098	(7,350)	395,748
Balance, December 31, 2019	$ 75,523	$ 1,394,867	$ 44,100	$ 1,514,490

5. LOANS RECEIVABLE (Continued)

Allowance for Loan Losses (Continued)

The Network uses a five number-based credit rating system, with "1" representing the highest quality/lowest risk credits and "5" representing the lowest quality/highest credit risk credits. During 2019, the Network implemented a new credit rating system in 2019, replacing the four number sale previously used. The 2018 amounts below have been converted to be presented in accordance with the new credit rating system.

The following table presents the Network's loans receivable balances and related allowance by risk rating at December 31:

		2019		2018	
Category	Risk Rating	Loan Balance	Loan Loss Allowance	Loan Balance	Loan Loss Allowance
Lowest Risk	1	$ 420,000	$ -	$ 2,396,796	$ -
Above Average	2	7,975,000	159,500	6,170,000	115,000
Satisfactory	3	34,223,564	1,197,825	27,945,815	1,003,742
Below Average	4	2,245,215	157,165	1,459,444	-
Substandard	5	-	-	-	-
		$ 44,863,779	$ 1,514,490	$ 37,972,055	$ 1,118,742

6. LONG-TERM DEBT

Loans Payable

Loans payable consists of the following at December 31:

HPN	2019	2018
Unsecured loan payable to US Bank. This loan bears interest at a rate of 4.33% and is due in quarterly interest-only payments through December 2021 (maturity). All outstanding principal and accrued interest are due at maturity.	$ 5,500,000	$ 5,500,000
Unsecured loan payable to the Calvert Social Investment Foundation, Inc. (Calvert). This loan bears interest at a rate of 4.89% and is due in quarterly interest-only payments through October 2023 (maturity). All outstanding principal and accrued interest are due at maturity.	4,000,000	4,000,000
Unsecured loan payable to Opportunity Finance Network to support the continued capital expansion of HPET (see Note 3). This loan bears interest at a rate of 3% and is due in quarterly interest-only payments through October 31, 2020, at which time additional annual principal payments of $568,181 are due through the maturity date of October 31, 2023.	2,272,727	2,272,727
Unsecured revolving loan payable to Webster Bank, which allows for borrowings up to $4,000,000. The interest rate on this loan is based on a spread resulting from the one, three, or six month LIBOR, dependent on HPN's selection at the time of each draw on the loan. This loan bore interest at a rate 4.6% and 4.9% during 2019 and 2018, respecitvley, and is due in quarterly interest-only payments through July 2023 (maturity). All outstanding principal and accrued interest are due at maturity.	1,000,000	1,000,000
Total HPN	12,772,727	12,772,727

6. LONG-TERM DEBT (Continued)

Loans Payable (Continued)

HPF	**2019**	**2018**
Unsecured loan payable agreement with Charles Schwab, which allows for borrowings up to $20,000,000. During 2019, this note was increased for borrowing up to $25,000,000. This note is due in quarterly interest-only payments equal to the greater of the three-month LIBOR plus 1.75% or 2.75%. All outstanding principal and accrued interest are due at maturity. All outstanding principal and accrued interest are due on the extended maturity date of December 2024.	18,000,000	15,500,000
Unsecured loan payable to HPN, bearing interest at a rate determined annually by HPN (4.33% and 0% for 2019 and 2018, respectively), which allows for borrowings up to $6,000,000 for the purpose of providing permanent working capital to support community development lending. All outstanding principal is due in June 2024 (maturity). This loan has been eliminated from the accompanying combined statements of financial position.	5,322,441	5,322,441
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.	3,000,000	2,149,264
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 is due. This loan has been eliminated from the accompanying combined statements of financial position.	2,500,000	-
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 January 2023 (maturity), at which time all outstanding principal and interest payments are due.	1,500,000	-
Unsecured loan payable to Capital One Bank for the purpose of providing permanent working capital to support community development lending. This loan bears interest at a rate of 2% and is due in quarterly interest-only payments through January 2020 (maturity), at which time the remaining balance of principal and accrued interest was repaid. During 2019, HPF made an unscheduled principal payment of $50,000.	950,000	1,000,000
Unsecured loan payable to CommonBond Communities, a member of HPN. The proceeds of this note were used to make an acquisition loan to this member (see Note 5). This loan bears no interest and all outstanding principal is due on January 31, 2042 (maturity).	420,000	420,000

6. LONG-TERM DEBT (Continued)

Loans Payable (Continued)

HPF (Continued)	**2019**	**2018**
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 2021 (maturity). All outstanding principal and accrued interest are due at maturity.	50,000	50,000
Total HPF	31,742,441	24,441,705
HPV		
Non-interesting bearing unsecured loan payable to HPN which matures in December 2022. This loan has been eliminated from the accompanying combined statements of the financial position.	250,000	250,000
Total Network	44,765,168	37,464,432
Less - eliminations	(8,072,441)	(5,572,441)
Total long-term debt	36,692,727	31,891,991
Less - current portion	(1,518,181)	(1,000,000)
	$ 35,174,546	$ 30,891,991

The Network had total available credit of $10,677,559 as of December 31, 2019.

Certain loans payable contain financial and non-financial covenants with which the Network must comply. As of December 31, 2019 and 2018, the Network was in compliance with these covenants.

Equity Equivalent Loans Payable

HPN

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

	2019	**2018**
Wells Fargo Community Investment Holdings (Wells Fargo)	$ 2,500,000	$ 2,500,000
BBVA USA	2,500,000	-
Total	$ 5,000,000	$ 2,500,000

There are two loans payable to Wells Fargo in the amounts of $1,000,000 and $1,500,000, maturing in September 2020 and December 2028, respectively, and bearing a fixed interest rate of 2% per annum. The $1,000,000 note is due in quarterly interest-only payments until maturity, when remaining interest and principal are due. HPN may prepay these loans in whole or in part at any time without penalty. HPN has the option to extend this loan for an additional two years by delivering a written request to Wells Fargo thirty days prior to the maturity date. During the extention period, principal is payable in eight quarterly installments of $125,000. The $1,500,000 loan is due in quarterly interest-only payments through December 2026, after which time, quarterly principal plus interest payments of $185,500 are due through maturity.

6. LONG-TERM DEBT (Continued)

Equity Equivalent Loans Payable (Continued)

HPN (Continued)

There is one loan payable to BBVA USA, maturing in September 2029, which bears fixed interest at a rate of 2.75% per annum. The loan is due in quarterly interest-only payments through maturity, at which time all outstanding principal and unpaid interest are due.

HPF

As part of a since terminated syndicated line of credit agreement with seven participating financial institutions, the participants were obligated to provide equity equivalent loans to HPF equal to 10% of their participation in the line of credit, some of which have been repaid.

The balance of the remaining unsecured equity equivalent loan payable to KeyBank National Association (KeyBank) was $500,000 at December 31, 2019 and 2018. Interest on the KeyBank equity equivalent loan is 2%. The KeyBank note has rolling maturity date that automatically extends annually through June 2029 if HPF satisfactorily performs its obligations under the note agreement.

Total Maturities of Long-Term Debt

Maturities of all long-term debt as of December 31, 2019, are as follows:

Year	Equity Equivalent Loans	Loans Payable	Eliminations	Total
2020	$ 1,000,000	$ 1,518,181	$ -	$ 2,518,181
2021	-	6,118,182	-	6,118,182
2022	-	818,181	(250,000)	568,181
2023	-	7,068,183	-	7,068,183
2024	-	23,322,441	(5,322,441)	18,000,000
Thereafter	4,500,000	5,920,000	(2,500,000)	7,920,000
Total	$ 5,500,000	$ 44,765,168	$ (8,072,441)	$ 42,192,727

7. LEASES

The Network has a lease agreement for office space in Boston, Massachusetts through February 2020. In July 2019, the Network signed an extension to this agreement which extended the lease through May 2027, with monthly payments ranging from $36,809 to $41,447. The Network recognizes rent expense under the lease on a straight-line basis over the term of the lease in accordance with ASC Topic, *Leases*. Accrued rent was $41,617 as of December 31, 2019 and 2018, and is included in accrued expenses in the accompanying combined statements of financial position. The Network also leases space in Washington D.C. under a lease agreement which expires in June 2020, with monthly payments ranging from $9,827 to $10,848. The Network is obligated to pay monthly rental payments and is also responsible for its share of real estate taxes and utilities under these agreements.

Total expense under the facility leases was $496,074 and $403,160 for 2019 and 2018, respectively, and is included in occupancy in the accompanying combined statements of operating functional expenses.

7. LEASES (Continued)

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

2020	$ 584,772
2021	479,860
2022	477,783
2023	464,918
2024	474,200
Thereafter	1,076,462
Total	$ 3,557,995

8. OTHER RELATED PARTY TRANSACTIONS

Management Agreements

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

	2019	2018
Combined Affiliates:		
HPF	$ 773,483	$ 482,936
Uncombined Affiliates:		
HPIEx	700,000	865,000
Develop Detroit	258,428	340,831
HPN Select	209,507	314,795
Framework	141,955	2,451,275
HPET	80,841	105,841
CSFP	71,980	72,000
DDEIF	23,483	3,056
Total management fees	2,259,677	4,635,734
Less - eliminations	(773,483)	(482,936)
Total management fees, net of eliminations	$ 1,486,194	$ 4,152,798

Program Service Agreements

Contracted Services and Organizing Sponsor Fees - Develop Detroit

Develop Detroit has an agreement to pay HPN sponsor fees for its efforts and investment in organizing Develop Detroit. This agreement contains a fixed and variable component, whereby Develop Detroit was charged a quarterly fee of $62,500 through December 31, 2018 (the Fixed Fee), and Develop Detroit is also charged an annual payment equal to 25% of Develop Detroit's operating net income (the Variable Fee).

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 $976,877 and $910,002 as of December 31, 2019 and 2018, respectively.

8. OTHER RELATED PARTY TRANSACTIONS (Continued)

Program Service Agreements (Continued)

Other Fees - HPET

HPN earned a program service fee from HPET totaling $210,000 for the year ended December 31, 2018, which is included in program service fees in the accompanying 2018 combined statement of activities without donor restrictions. There were no program service fees earned during 2019.

In December 2017, HPET and HPN entered into a termination agreement whereby HPET agreed to pay HPN $600,000 in lieu of previously contracted management service fees. The termination fee is payable in quarterly installments of $37,500 beginning in 2018 through 2021.

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

	2019	2018
LaunchPad licensing and onboarding fees charged to members (see Note 2)	$ 610,724	$ -
Contracted Services and Organizing Sponsor Fees - Develop Detroit Variable (see page 33)	66,875	49,330
Other third-party program service fees	33,684	45,460
Sub-allocation fees (see Note 3)	-	1,000,000
Contracted Services and Organizing Sponsor Fees - Develop Detroit Fixed (see page 33)	-	250,000
Other fees - HPET (see page 33)	-	210,000
Other fees - NCST (see Note 3)	-	80,000
	711,283	1,634,790
Less - provision for valuation allowance	-	(300,000)
Total program service fees	$ 711,283	$ 1,334,790

Accounts and Contracts Receivables

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

	2019	2018
Combined Affiliates:		
HPF	$ 450,503	$ 267,140
Uncombined Affiliates:		
Develop Detroit	3,029,644	2,008,575
HPN Select	745,389	858,787
HPET	487,943	613,429
HPIEx	175,000	-
CSFP	106,933	98,840
Framework	35,878	618,719
NCST	-	40,000
Third parties	705,372	586,387
	5,736,662	5,091,877
Less - allowance	(300,000)	(300,000)
Total accounts and contracts receivable	5,436,662	4,791,877
Less - eliminations	(450,503)	(267,140)
Total Network	4,986,159	4,524,737
Less - current portion	(3,774,713)	(4,127,147)
Total accounts and contracts receivable	$ 1,211,446	$ 397,590

8. OTHER RELATED PARTY TRANSACTIONS (Continued)

Accounts and Contracts Receivables (Continued)

The balance due from Develop Detroit (see Note 3) consists of unpaid costs paid for by the Network that will be reimbursed by Develop Detroit in addition to unpaid management and contracted services and organizing sponsor fees incurred (see page 33).

The Network has agreed to defer $1,000,000 of the outstanding receivables due from Develop Detroit as of December 31, 2019, as it was in process of finalizing a formal loan commitment for this portion of the balance (see Note 5).

In addition, the Network agreed to defer $61,446 and $97,590 as of December 31, 2019 and 2018, respectively, of the outstanding receivables due from HPN Select.

Also included in the non-current portion of accounts and contracts receivable as of December 31, 2019 and 2018, is $150,000 and $300,000, respectively, of termination fee payments owed from HPET in accordance with the agreement (see page 33).

9. RETIREMENT PLAN

The Network participates in a group retirement plan for its employees qualified under IRC Section 401(k) (Insperity 401k Plan) effective August 2011. The Network makes discretionary contributions to eligible employees' retirement funds. The employer matching contribution was 100% of the first 3% contributed by each employee. The Network also contributed a qualified non-elective employer contribution of 5% per payroll to HPN's 401k Plan. Employees are eligible when they reach twenty-one years of age and complete three consecutive months of employment. The Network's contribution totaled $478,952 and $570,601 for 2019 and 2018, respectively, and is included in fringe benefits in the accompanying combined statements of operating functional expenses.

10. SUBSEQUENT EVENT

In March 2020, the COVID-19 coronavirus pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. The economic conditions created by the pandemic may impact the Network's members and their ability to pay the Network's fee revenues and the loans receivable of the Network. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on the Network, its operations, pipeline of loan closings and financing commitments for projects currently in development, and future financial statements. The accompanying combined financial statements, including loan loss allowances (see Note 5), have not been adjusted for any potential financial effects that may occur in the future related to the current uncertainty.

Management of the Network is monitoring these events and their borrowers closely to assess the financial impact of the situation and determine appropriate courses of action. As of the date of this report, the Network is unable to accurately predict how the Coronavirus will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.

In April 2020, the Network applied for and was awarded $1,031,000 of Paycheck Protection Program (PPP) loan funds from the Small Business Administration (SBA) through the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. These loan funds are subject to be forgiven provided that the Network expends the proceeds on qualifying costs within eight weeks of receipt, as defined in the agreement.

11. 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:

	2019	2018
Cash and cash equivalents	$ 13,976,792	$ 11,375,232
Current portion of accounts and contracts receivable	3,774,713	4,127,147
Grants receivable	1,546,442	2,157,442
Current portion of loans receivable	14,104,072	7,677,471
Interest receivable	249,907	249,787
	33,651,926	25,587,079
Less - cash and grants receivable with donor restrictions (see Note 2)	(2,381,520)	(4,091,494)
Less - conditional advance held in cash (see Note 2)	(1,637,500)	-
Total	$ 29,632,906	$ 21,495,585

The Network's cash management objectives are 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 management fees, program fees, financial revenues related to lending activities, and its share of affiliate income. As a result of the Network's investments in uncombined affiliates, it received cash distributions of $4,625,000 and $3,550,000 during the years ended December 31, 2019 and 2018, respectively. Philanthropic grant and contribution capital is generally utilized by the Network to fund innovation initiatives and these costs can be controlled based on the annual yield of capital raised.

To supplement liquidity for mission-related financing, the Network currently has three committed lines of credit which it could further draw upon in the amount of $10,677,559 as of December 31, 2019 (see Note 6).

12. RECLASSIFICATION

Certain amounts in the 2018 combined financial statements have been reclassified to conform with the 2019 presentation.