THE HOUSING FUND, INC. AND SUBSIDIARIES

NASHVILLE, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2022 AND 2021

THE HOUSING FUND, INC. AND SUBSIDIARIES

NASHVILLE, TENNESSEE

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AND
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Housing Fund, Inc. and Subsidiaries
Nashville, Tennessee

OPINION

We have audited the accompanying consolidated financial statements of The Housing Fund, Inc. and Subsidiaries (collectively, the "Agency") which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITY OF MANAGEMENT FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

KraftCPAs PLLC • Certified Public Accountants and Consultants
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AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of consolidated financial statements.
- Conclude whether, in our judgement, there are any conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audits.

OTHER INFORMATION

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities on pages 30-33 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

KraftCPAs PLLC

Nashville, Tennessee
June 30, 2023

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 15,007,514	$ 8,654,329
Cash and cash equivalents, designated for federal programs	2,631,164	2,310,913
Accounts receivable	84,291	60,793
Government grants receivable	112,597	22,158
Accrued interest on loans receivable	108,379	169,079
Loans receivable:		
Down payment assistance loans, net	8,001,487	7,669,523
Flood assistance loans, net	807,138	925,011
Development loans, net	6,543,346	10,529,302
Shared equity loans, net	2,313,666	1,619,839
Prepaid expenses and other assets	397,285	148,740
Tax, insurance and mortgage escrow reserves	353,274	378,397
Property, furniture and equipment, net	4,527,679	3,472,254
Land and improvements for the Community Land Trust Program	492,614	636,551
TOTAL ASSETS	$ 41,380,434	$ 36,596,889
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 490,789	$ 360,596
Accrued expenses	322,111	296,395
Grants payable	1,237,291	654,766
Mortgage loans payable - Laurel House Apartments, net	1,654,370	2,242,694
Deferred revenue	2,057,396	1,945,723
Notes payable - investment partners	21,235,313	17,368,548
TOTAL LIABILITIES	26,997,270	22,868,722
NET ASSETS		
Without donor restrictions	13,160,350	12,535,862
With donor restrictions	1,222,814	1,192,305
TOTAL NET ASSETS	14,383,164	13,728,167
TOTAL LIABILITIES AND NET ASSETS	$ 41,380,434	$ 36,596,889

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND GAINS:		
Public support:		
Federal, state and local government grants	$ 2,004,029	$ 380,304
Grants from private institutions	705,664	575,716
Revenues:		
Service and administrative fees	309,293	336,348
Rental income - Laurel House Apartments	474,717	436,302
Interest income:		
Loans	896,511	698,943
Other	25,091	4,500
Other	109,945	96,474
TOTAL REVENUES AND GAINS WITHOUT DONOR RESTRICTIONS	4,525,250	2,528,587
Net assets released from restrictions:		
Expiration of time and purpose restrictions	1,469,491	1,231,101
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	1,469,491	1,231,101
TOTAL REVENUES, GAINS, AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	5,994,741	3,759,688
EXPENSES		
Program services:		
Lending	2,060,144	1,114,553
Community impact	2,004,360	1,360,741
Laurel House Apartments	559,974	608,097
Supporting services:		
Management and general	745,775	527,411
TOTAL EXPENSES	5,370,253	3,610,802
INCREASE IN NET ASSETS WITHOUT DONOR RESTICTIONS	624,488	148,886
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Donor restricted contributions	1,500,000	2,250,000
Net assets released from restrictions	(1,469,491)	(1,231,101)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	30,509	1,018,899
INCREASE IN NET ASSETS	654,997	1,167,785
NET ASSETS - BEGINNING OF YEAR	13,728,167	12,560,382
NET ASSETS - END OF YEAR	$ 14,383,164	$ 13,728,167

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022					2021				
	Program Services			Supporting Services		Program Services			Supporting Services	
	Lending	Community Impact	Laurel House Apartments	Management and General	Total	Lending	Community Impact	Laurel House Apartments	Management and General	Total
Payroll and related costs	$ 796,590	$ 279,149	$ 40,019	$ 512,190	$ 1,627,948	$ 526,023	$ 242,822	$ 46,517	$ 404,076	$ 1,219,438
Provision (recovery) for uncollectible loans	(120,231)	-	-	-	(120,231)	150,367	-	-	-	150,367
Advertising	5,566	19,713	120	29,935	55,334	5,536	12,532	82	62,986	81,136
Community impact grants	927,508	1,598,714	-	-	2,526,222	-	997,494	-	-	997,494
Depreciation and amortization	28,761	10,763	151,651	9,882	201,057	22,913	13,927	146,438	12,580	195,858
Interest	259,734	-	18,316	5,055	283,105	270,628	-	14,551	-	285,179
Occupancy	45,326	19,421	-	4,025	68,772	39,612	15,099	-	6,400	61,111
Professional fees	6,208	2,936	40,151	108,673	157,968	12,951	12,033	39,809	27,242	92,035
Servicing fees	33,449	-	-	605	34,054	16,242	905	-	-	17,147
Repairs and maintenance	-	-	105,155	-	105,155	-	-	145,590	-	145,590
Property taxes	-	-	157,224	-	157,224	-	-	174,402	-	174,402
Office expense and miscellaneous	77,233	73,664	47,338	75,410	273,645	70,281	65,929	40,708	14,127	191,045
	$ 2,060,144	$ 2,004,360	$ 559,974	$ 745,775	$ 5,370,253	$ 1,114,553	$ 1,360,741	$ 608,097	$ 527,411	$ 3,610,802

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	$ 654,997	$ 1,167,785
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	181,084	181,191
Amortization of loan costs	19,973	14,667
Loss on sale of Community Land Trust properties	105,376	-
Accrued interest added to notes payable - investment partners	42,087	22,638
Provision for uncollectible loans	(120,231)	150,367
Non-cash contribution: forgiveness of accrued interest and note payable - investment partners	(489,914)	(417,025)
(Increase) decrease in:		
Accounts receivable	(23,498)	63,109
Accrued interest on loans receivable	60,700	(14,922)
Prepaid expenses and other assets	(248,545)	(19,112)
Tax, insurance and mortgage escrow reserves	25,123	(88,715)
(Decrease) increase in:		
Accounts payable	130,193	37,088
Accrued expenses	25,716	(38,129)
Grants payable	582,525	654,766
Deferred revenue	111,673	1,805,266
Net adjustments	311,823	2,351,189
NET CASH PROVIDED BY OPERATING ACTIVITIES	966,820	3,518,974
INVESTING ACTIVITIES		
Acquisition of property, furniture and equipment	(1,236,509)	(195,989)
Acquisition and construction paid for Community Land Trust properties	(381,439)	-
Proceeds from sales of Community Land Trust properties	420,000	-
Down payment assistance loans made	(1,532,367)	(1,735,414)
Principal repayments on down payment assistance loans	1,200,664	1,253,531
Principal repayments on flood assistance loans	172,095	209,302
Development loans made	(4,819,726)	(6,241,342)
Principal repayments on development loans	8,907,682	3,961,962
Shared equity loans made	(775,787)	(115,057)
Principal repayments on shared equity loans	45,708	46,207
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,000,321	(2,816,800)
FINANCING ACTIVITIES		
Principal payments on mortgage loans payable - Laurel House Apartments	(608,297)	(65,214)
Proceeds from notes payable - investment partners	8,126,000	1,195,267
Principal payments on notes payable - investment partners	(3,811,408)	(3,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,706,295	1,127,053
INCREASE IN CASH AND CASH EQUIVALENTS	6,673,436	1,829,227
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	10,965,242	9,136,015
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 17,638,678	$ 10,965,242
ADDITIONAL CASH FLOW INFORMATION:		
Interest paid	$ 275,000	$ 307,212

See accompanying notes to consolidated financial statements.

NOTE 1 - GENERAL

The Housing Fund, Inc. ("THF") was organized in 1996 as a Tennessee not-for-profit corporation. Its stated mission is to "provide resources and creative leadership to help individuals and communities create and maintain affordable and healthy places in which low to moderate income people live." THF is designated as a Community Development Financial Institution ("CDFI") by the U.S. Department of Treasury.

Laurel House Apartments GP, Inc. ("Laurel House GP") was organized in 2002 as a for-profit corporation and is a wholly owned subsidiary of THF. Laurel House GP owns 1/10 of 1% as general partner of Laurel House 2001, L.P., a limited partnership that was also organized in 2002. Laurel House 2001, L.P. acquired certain real estate for the construction and operation of Laurel House Apartments (the "Laurel House project"), a 48-apartment unit development, with parking availability, 10,000 square feet of retail space, and offices for THF. The Laurel House project was funded in part through a Tax Increment Financing loan ("TIF"), provided by THF, in the amount of $700,000. Additional funding for the Laurel House project came from proceeds of the sale of federal low-income housing tax credits. Effective December 31, 2018, the limited partners of Laurel House 2001, L.P. transferred their 99.99% ownership interest directly to The Housing Fund, Inc, as a condition of the original partnership agreement. Effective December 31, 2018, The Housing Fund is 100% owner of Laurel House 2001, L.P. through its 1/10 of 1% ownership held by Laurel House GP and 99.99% ownership held directly.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying consolidated financial statements for the years ended September 30, 2022 and 2021, include the accounts of The Housing Fund, Inc. and its subsidiaries: Laurel House Apartments GP, Inc. and Laurel House 2001, L.P. (collectively the "Agency"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of presentation

The accompanying consolidated financial statements present the financial position and change in net assets of the Agency on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

Resources are classified as net assets without donor restrictions and net assets with donor restrictions, based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Agency's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Agency did not have any net assets with donor restrictions that are perpetual in nature as of September 30, 2022 or 2021.

Donor/grantor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Consolidated Statements of Activities.

Contributions and support

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

The Agency also receives grant revenue from federal, state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as deferred revenue. Deferred revenue for grant funds received but not expended amounted to $2,057,396 at September 30, 2022 ($1,945,723 at September 30, 2021).

The Agency reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rental income

Rental income from residential apartments is recognized as rent becomes due. Rental payments received in advanced are deferred until earned.

Rental income from retail leases is recognized on the straight-line basis over the life of the leases. The excess of rental income recognized over the amount received is included in accounts receivable.

Federal loan awards

Federal awards received by the Agency that include an obligation to repay loaned amounts back to the awarding agency are included in notes payable until such amounts are repaid by the Agency. Federal loan awards are considered expended when the loan disbursements are made to eligible recipients.

Cash and cash equivalents and designated cash

Cash and cash equivalents include demand deposits and money market funds with banks. Cash equivalents also include bank certificates of deposit that can be liquidated without significant penalty or restriction (including accrued interest).

Cash and cash equivalents designated for federal programs consists of discretely managed accounts maintained to comply with contractual requirements imposed by grantors and may be used only for the purpose of funding loans.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Statement of Financial Position that sum to the total in the Consolidated Statement of Cash Flows as of September 30:

	2022	2021
Cash and cash equivalents	$ 15,007,514	$ 8,654,329
Cash and cash equivalents, designated for federal programs	2,631,164	2,310,913
Cash, cash equivalents and restricted cash	$ 17,638,678	$ 10,965,242

Accounts receivable and government grants receivable

Accounts receivable and government grants receivable are deemed to be fully collectible by management. No allowance for bad debts is considered necessary.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for uncollectible loans

The allowance for uncollectible loans is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using historical loan loss experience, the nature and volume of the portfolio, information about specific borrower situations, estimated collateral values, and current economic conditions. The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component is based on historical loss experience adjusted for current factors. The entire allowance is available for any loan that, in management's judgment, should be charged off.

A loan receivable is considered impaired when, based on current information, it is probable that all amounts of principal and interest due will not be collected according to the terms of the loan agreement. The allowance for uncollectible loans is established by charges to program services expense and is maintained at an amount which management believes adequate to absorb losses on existing loans. Uncollectible loans are charged to the allowance account in the period such determination is made. Recoveries of the allowance for uncollectible loans due to repayment of loans is recorded as income in the period of recovery.

Property, furniture and equipment

Property, furniture and equipment are reported at cost at the date of purchase, or at estimated fair value at the date of gift to the Agency. The Agency's policy is to capitalize purchases with a cost of $200 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows: 20 years or the life of the lease, if shorter, for leasehold improvements, 10-40 years for building and building improvements, 3 years for computer equipment and 5-7 years for furniture and fixtures.

Debt issuance costs

Debt issuance costs are presented on the Consolidated Statements of Financial Position as a direct reduction from the carrying amount of the related mortgage loans payable - Laurel House Apartments. Amounts are amortized on a straight-line basis over the term of the related mortgage and included in amortization expense on the Consolidated Statements of Functional Expenses. Amortization of loan costs will be $12,612 per year for the years ending 2023 through 2024 and $7,356 for the year ending 2025.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

THF qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

THF files a U.S. Federal Form 990 for organizations exempt from income tax and U.S. Federal Form 990-T for organizations exempt from income tax with unrelated business. Laurel House GP is a for-profit corporation and files a Federal Form 1120 and a Tennessee Franchise and Excise tax return. Laurel House 2001, L.P. is a partnership and files a Federal Form 1065. Laurel House 2001, L.P. files a certificate of exemption from Tennessee Franchise and Excise tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing THF's, Laurel House GP's and Laurel House 2001, L.P.'s income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying consolidated financial statements.

Program and supporting services

The following programs and supporting services are included in the accompanying consolidated financial statements:

Lending - includes a down payment assistance-lending program, a community development loan program and a shared equity homeownership program designed to assist low to moderate income individuals in acquiring or maintaining their primary residence and to assist not-for-profit and for-profit developers in increasing the supply of decent and affordable housing for low and moderate income individuals throughout Tennessee. The community rehabilitation efforts were designed to help preserve home ownership by assisting with repairs for homes that had become unsafe to inhabit. The community recovery initiative was designed as a response to the Nashville, TN, tornado damage and COVID-19 relief efforts.

Community impact - includes the Community Land Trust and Housing Resiliency Fund. Through the Community Land Trust program, the Agency is developing residential properties that will be sold to qualifying homeowners. The qualifying homeowner enters a land lease agreement with the Agency to reduce the initial housing prices. In 2021, THF launched the Housing Resiliency Fund. This program provides payments of property taxes on behalf of qualified residents living in certain zip codes. These payments are made directly to mortgage companies or to the local Trustee's office in Nashville (if property taxes are not escrowed) to help offset increased property taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services (continued)

Laurel House Apartments - is a 48-unit apartment rental development, with low-income requirements for residents, located in Nashville, Tennessee, with parking availability and approximately 12,000 square feet of retail space.

Management and general - includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or fund-raising activity, including costs associated with providing coordination and articulation of the Agency's program strategy, business management, general recordkeeping, budgeting and related purposes.

Allocation of functional expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated amount more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

The expenses that are allocated include payroll and related costs, advertising, depreciation and amortization, occupancy, professional fees, office expense and miscellaneous and are allocated on the basis of estimated time and effort expended on those activities or programs.

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on the results of activities or net assets as previously reported.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent authoritative accounting guidance

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides an optional transition method allowing the standard to be applied at the adoption date. In March 2019, the FASB issued ASU 2019-01, Leases (Topic 842) Codification Improvements, which exempts entities from having to provide the interim disclosures required by Accounting Standards Codification ("ASC") 250-10-50-3 in the fiscal year in which an organization adopts the new leases standard.

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Agency expects to adopt the guidance retrospectively at the beginning of the period of adoption, October 1, 2022, through a cumulative-effect adjustment, and will not apply the new standard to comparative periods presented.

The new standard provides a number of practical expedients. Upon adoption, the Agency expects to elect all the practical expedients available.

The Agency is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent authoritative accounting guidance (continued)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial instruments. The existing incurred loss model will be replaced with a current expected credit loss (CECL) model for both originated and acquired financial instruments carried at amortized cost and off-balance sheet credit exposures, including loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in leases and most receivables. Recognized amortization cost financial assets will be presented at the net amount expected to be collected through an allowance for credit losses. Expected credit losses on off-balance-sheet credit exposures will be recognized through a liability. Unlike current guidance, which requires certain favorable changes in expected cash flows to be accreted into interest income, both favorable and unfavorable changes in expected credit losses (and, therefore, the allowance) will be recognized through credit loss expense as they occur. With the exception of purchased financial assets with a more than insignificant amount of credit deterioration since origination, for which the initial allowance will be added to the purchase price of the assets, the initial allowance on financial assets subject to the scope (whether originated or acquired) will be recognized through credit loss expense. Expanded disclosures will also be required. The ASU is effective for fiscal years beginning after December 15, 2022. The Agency is currently evaluating the impact of adoption of the new standard on its consolidated financial statements.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. This ASU was issued to clarify and improve areas of guidance related to recently issued financial instrument standards on credit losses, hedging, recognition and measurement. The amendments related to ASC 326 are effective for annual reporting periods beginning after December 31, 2022, and the amendments related to ASC 815 are effective for annual reporting periods beginning after December 15, 2022, for the Agency. The Agency is currently evaluating the effect this guidance will have on its consolidated financial statements.

In May 2019, the FASB issued ASU 2019-05, *Credit Losses (Topic 326): Targeted Transition Relief*. This ASU provides entities that have certain instruments within the scope of Subtopic 326-20, *Financial Instruments - Credit Losses - Measured at Amortized Cost*, with an option to irrevocably elect the fair value option in Subtopic 825-10, *Financial Instruments - Overall*, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326. For entities that have not yet adopted ASU 2016-13, the ASU is effective when they implement the credit losses standard. The Agency is currently evaluating the effect that this guidance will have on its consolidated financial statements.

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*. This ASU provides narrow-scope improvements to Topic 326. For entities that have not yet adopted ASU 2016-13 as of November 26, 2019, the effective date for ASU 2016-11 are the same as the effective dates and transition requirements in ASU 2016-13. As such, the ASU is effective for annual reporting periods after December 15, 2022 for the Agency.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events occurring after reporting date

The Agency has evaluated events and transactions that occurred between September 30, 2022 and June 30, 2023, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position, comprise the following as of September 30:

	2022	2021
Cash and cash equivalents	$ 15,007,514	$ 8,654,329
Accounts receivable	84,291	60,793
Government grants receivable	112,597	22,158
Accrued interest on loans receivable	108,379	169,079
Current maturities on loans receivable	2,389,560	6,674,118
Total financial assets	17,702,341	15,580,477
Less amounts not available to be used within one year:		
Board designated for future lending	11,392,000	13,488,000
Security deposits held	14,600	14,800
Net assets with donor restrictions	1,222,814	1,192,305
Financial assets available to meet general expenditures over the next twelve months	$ 5,072,927	$ 885,372

The Housing Fund, Inc. plans to utilize unrestricted funds to support the preservation and creation of affordable housing and provide down payment assistance to low- and moderate-income communities. Lending projections for fiscal year 2023 include approximately $7,400,000 ($9,973,000 was projected for 2022) in development loans and $2,427,500 ($2,240,000 was projected for 2022) in consumer loans such as down payment assistance loans to qualifying individually and $1,564,500 ($1,275,000 projected in 2022) in shared equity lending.

In addition to the financial assets above, The Housing Fund, Inc. has one line of credit arrangement available with financial institutions to meet lending goals in 2023. This includes a line of credit for $1,500,000 with interest at prime rate minus 4%.

NOTE 4 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS

Down payment assistance loans

Down payment assistance loans, secured by a second deed of trust on the applicable properties, are made to homebuyers from unrestricted funds. These loans range from $1,000 to $35,000 and consist of the following as of September 30:

	2022	2021
Interest-bearing loans with interest at rates from 2% to 8%, for terms of 5 to 30 years	$ 4,863,600	$4,584,353
Non-interest bearing loans that are payable upon the sale of the property	3,621,194	3,549,621
	8,484,794	8,133,974
Less: allowance for uncollectible loans	(483,307)	(464,451)
Total	$ 8,001,487	$ 7,669,523

Flood assistance loans

Flood assistance loans, secured by the repaired property through a second or third deed of trust, are made to homeowners through federal grants. These loans range from approximately $1,000 to $20,000 and consist of the following as of September 30:

	2022	2021
Interest-bearing loans with interest rate at 4%, requiring monthly payments for terms of 5 to 25 years	$ 42,255	$ 50,031
Non-interest bearing loans that are payable upon the sale of the property	1,014,629	1,198,949
	1,056,884	1,248,980
Less: allowance for uncollectible loans	(249,746)	(323,969)
Total	$ 807,138	$ 925,011

NOTE 4 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Development loans

Development loans consist of the following as of September 30:

	2022	2021
Loans to developers for the development of affordable housing and other community development projects, ranging from approximately $1,000 to $1,300,000 as of September 30, 2022, for terms of 0 to 180 months, with interest at rates from 3.50% to 9.25%; used to finance construction of single-family homes for sale and rental units in low to moderate income neighborhoods and other community development projects. Principal and interest are payable at the earlier of maturity or the date the project is sold.	$ 6,788,059	$ 10,878,133
Less: allowance for uncollectible loans	(244,713)	(348,831)
Total	$ 6,543,346	$ 10,529,302

Shared equity loans

Shared equity loans are offered through a homeownership program to provide qualified homebuyers with funds up to 25% of the home's purchase price. Shared equity loan principal plus a portion of the home's appreciation are repayable upon the sale of home by borrower; however, these loans are assumable by future buyers eligible under the shared equity program. Funds disbursed to borrowers are recorded at cost. Borrowers agree to certain restrictions on their use and resale of the property. Shared equity loans consist of the following as of September 30:

	2022	2021
Non-interest bearing loans that are payable upon the sale of the property	$ 2,432,873	$ 1,702,794
Less: allowance for uncollectible loans	(119,207)	(82,955)
Total	$ 2,313,666	$ 1,619,839

NOTE 4 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans

Activity in the allowance for uncollectible loans was as follows as of and for the year ended September 30, 2022:

	Down payment assistance	Flood assistance	Development	Shared equity
Allowance for uncollectible loans:				
Beginning balance	$ 464,451	$ 323,969	$ 348,831	$ 82,955
Charge-offs	(4,609)	(24,000)	-	-
Recoveries	23,726	-	(2,118)	-
Provisions for uncollectible loans	(261)	(54,223)	(102,000)	36,252
Ending balance	$ 483,307	$ 245,746	$ 244,713	$ 119,207
Ending balance: collectively evaluated for impairment	$ 483,307	$ 245,746	$ 244,713	$ 119,207
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -

	Down payment assistance	Flood assistance	Development	Shared equity
Loans:				
Ending balance	$ 8,484,794	$ 1,056,884	$ 6,788,059	$ 2,432,873
Ending balance: collectively evaluated for impairment	$ 8,484,794	$ 1,056,884	$ 6,788,059	$ 2,432,873
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -

NOTE 4 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans (continued)

Activity in the allowance for uncollectible loans was as follows as of and for the year ended September 30, 2021:

Allowance for uncollectible loans:				
Beginning balance	$ 356,754	$ 364,563	$ 236,575	$ 77,512
Charge-offs	780	-	(263)	-
Recoveries	33,951	-	-	(33)
Provisions for uncollectible loans	72,966	(40,594)	112,519	5,476
Ending balance	$ 464,451	$ 323,969	$ 348,831	$ 82,955
Ending balance: collectively evaluated for impairment	$ 464,451	$ 323,969	$ 348,831	$ 82,955
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -
Loans:				
Ending balance	$ 8,133,974	$ 1,248,980	$ 10,878,133	$ 1,702,794
Ending balance: collectively evaluated for impairment	$ 8,133,974	$ 1,248,980	$ 10,878,133	$ 1,702,794
Ending balance: individually evaluated for impairment	$ -	$ -	$ -	$ -

The Agency's policies relevant to each loan portfolio's allowance for uncollectible loans are as follows:

Down payment assistance loans - The Agency reserves ranged from 5% - 6.50% of the total loan portfolio during the years ended September 30, 2022 and 2021. The allowance for uncollectible loans is calculated at the end of each quarter based on outstanding loan balances.

Flood assistance loans - For loans to owner occupied single family homes a reserve of 25% is used for the entire portfolio of loans for the provision for loan losses.

NOTE 4 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans (continued)

Development loans - The Agency utilizes a risk rating system to monitor the credit quality of the Agency's development loan portfolio. Loans are assigned level 1-5 or X based on the following risk rating descriptions:

Rating	**Percent Reserved**	**Description**
1	1%	At least 4 of the following: • Experienced developer, proven track record in property type • Strong financial sponsorship given risks • Successful prior business with THF • Collateral is a THF first mortgage and located in middle TN • Loan made with no exceptions to policy
2	2%	All of the following: • Experienced developer, proven track record in property type • Adequate financial sponsorship given risk • Collateral may be something other than THF first mortgage • Loan made with no more than one exception to policy
3	3%	• Developer has limited experience in property type, and/or little experience with THF • Experienced developer with property type, THF loan in subordinate position • Adequate financial strength given level of experience • Collateral real estate, but may be outside Middle TN • Loan may have an exception to policy with compensating factors
4	4%	• New developer • Developer with limited experience with THF having a subordinate lien position
5	5%	Watchlist: Existing loan relationships that have a level of heightened risk to THF, Borrower is responsive and proactive in addressing risk(s)
X	Individually determined	Borrower is either not responsive to THF concern or ineffective in managing heightened risk. THF sets reserve based on anticipated loss

NOTE 4 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans (continued)

Development loans, summarized by risk rating, are as follows:

	2022	2021
Rating 1	$ 671,474	$ 715,053
Rating 2	-	-
Rating 3	6,045,838	10,143,332
Rating 4	-	-
Rating 5	70,747	19,748
Rating X	-	-
	$ 6,788,059	$ 10,878,133

Shared equity loans - The Agency reserves approximately 5% of the total loan portfolio. The allowance for uncollectible loans is calculated at the end of each quarter based on outstanding loan balances.

NOTE 5 - PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consist of the following as of September 30:

	2022	2021
Land	$ 825,000	$ 400,000
Building and building improvements	6,483,959	5,686,714
Computer equipment	151,220	136,956
Furniture and fixtures	41,671	41,671
	7,501,850	6,265,341
Less: accumulated depreciation	(2,974,171)	(2,793,087)
Total	$ 4,527,679	$ 3,472,254

In 2023, the Agency is completing renovations on the Laurel House project and office space to be utilized by the Agency. Total renovation budget for both projects is approximately $1,600,000.

NOTE 6 - COMMUNITY LAND TRUST PROGRAM

Through the Community Land Trust program, the Agency is developing residential properties that will be sold to qualifying families. The qualifying homeowner enters a land lease agreement with the Agency to reduce the initial housing prices. Land and development of the properties are recorded at cost. When the property is sold to a qualifying homeowner, the Agency sells the structure only and retains a ground lease on the property to ensure continued affordability of the property.

The Community Land Trust consists of the following as of September 30:

	2022	2021
Land	$ 485,900	$ 485,900
Improvement costs	6,714	150,651
Total	$ 492,614	$ 636,551

NOTE 7 - MORTGAGE LOANS PAYABLE - LAUREL HOUSE APARTMENTS

Mortgage loans payable - Laurel House Apartments consists of the following as of September 30:

	2022	2021
Mortgage payable to a financial institution, payable in monthly principal payments of $3,761, plus interest at a variable rate (2.25% at September 30, 2022) through March 2025 with a final balloon payment of $1,574,120 due April 2025; secured by substantially all the Laurel House 2001, L.P. assets which had a net book value of approximately $3,200,000 at September 30, 2022.	$ 1,686,950	$ 1,732,082
Mortgage payable to a financial institution payable in monthly principal payments of $2,886 including interest at the rate of 2.5% per annum through March 2025 with a final balloon payment of $488,070 due April 2025; secured by substantially all the Laurel House 2001, L.P. The Agency paid off the loan in March 2022.	-	563,165
	1,686,950	2,295,247
Less: unamortized debt issuance costs	(32,580)	(52,553)
Mortgage loans payable-Laurel House Apartments, net of unamortized debt issuance costs	$ 1,654,370	$ 2,242,694

NOTE 7 - MORTGAGE LOANS PAYABLE - LAUREL HOUSE APARTMENTS (CONTINUED)

Annual principal maturities of the mortgage loans payable - Laurel House Apartments as of September 30, 2022 follows:

Year ending September 30:	
2023	$ 45,132
2024	45,132
2025	1,596,686
	$ 1,686,950

The mortgage agreements require the maintenance of certain financial and non-financial covenants. The Agency was in compliance with all covenants as of September 30, 2022.

NOTE 8 - NOTES PAYABLE - INVESTMENT PARTNERS

A summary of notes payable to financial institutions and other lenders as of September 30, 2022 and 2021 follows:

		2022				2021		
Institutional Lenders	Original Issues	Principal Balance Drawn	Accrued Interest	Total Balance	Amount Available To Be Drawn	Principal Balance Drawn	Accrued Interest	Total Balance
U.S. Bank [2]	$ 2,000,000	$ 2,000,000	$ -	$ 2,000,000	$ -	$ 2,000,000	$ -	$ 2,000,000
Citizens Bank	100,000	600,000	-	600,000	-	300,000	-	300,000
Regions Bank of Tennessee	3,700,000	3,200,000	-	3,200,000	500,000	3,700,000	-	3,700,000
SunTrust Bank	3,500,000	3,500,000	290,677	3,790,677	-	3,500,000	243,148	3,743,148
Pinnacle Bank	4,805,000	4,805,000	-	4,805,000	-	1,250,000	-	1,250,000
Synovus	350,000	350,000	-	350,000	-	350,000	-	350,000
F & M Bank [1]	300,000	300,000	41,636	341,636	-	300,000	81,452	381,452
CapStar	1,250,000	1,250,000	-	1,250,000	-	1,250,000	-	1,250,000
First Horizon Bank	2,645,267	2,500,000	-	2,500,000	145,267	2,645,267	-	2,645,267
Truxton Trust	600,000	600,000	-	600,000	-	600,000	17,980	617,980
Renasant Bank	100,000	100,000	-	100,000	-	100,000	37,519	137,519
Cumberland Bank and Trust [1]	100,000	100,000	-	100,000	-	100,000	-	100,000
First Financial Bank [1]	100,000	100,000	-	100,000	-	100,000	38,182	138,182
First Farmers & Merchants Bank	500,000	500,000	-	500,000	-	500,000	-	500,000
ServisFirst Bank	100,000	100,000	-	100,000	-	100,000	-	100,000
Wilson Bank & Trust	100,000	100,000	-	100,000	-	100,000	-	100,000
PNC Bank	500,000	500,000	-	500,000	-	-	-	-
Self-Directed IRA Services and other	70,000	298,000	-	298,000	-	55,000	-	55,000
Total Notes Payable - Investment Partners		$ 20,903,000	$ 332,313	$ 21,235,313	$ 645,267	$ 16,950,267	$ 418,281	$ 17,368,548

1 - Funding available for Clarksville/Montgomery County, Tennessee operations.

2 - Includes $250,000 funding available for Clarksville/Montgomery County, Tennessee operations.

NOTE 8 - NOTES PAYABLE - INVESTMENT PARTNERS (CONTINUED)

Loans from various financial institutions generally mature in one to ten years (maturities range from November 2021 - June 2030 as of September 30, 2022), accrue interest at rates from 0% to 2.50% annually, and are unsecured and subordinated. Certain loans contain automatic extension provisions that can renew indefinitely. Some loans permit the accrued interest to be added to the principal balance annually; the other loans require the interest to be paid monthly, quarterly or annually. Accrued interest added to principal balances amounted to $42,08The Hous7 in 2022, and $22,638 in 2021.

Annual principal maturities of notes payable - investment partners are as follows:

Year ending September 30:	
2023	$ 2,750,000
2024	1,988,246
2025	2,308,431
2026	3,116,636
2027	2,142,000
Thereafter	8,930,000
	$ 21,235,313

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30:

	2022	2021
Housing Resiliency Program	$ 1,222,814	$ 1,192,305
	$ 1,222,814	$ 1,192,305

In November 2020, the Agency received a $2,250,000 grant for the Housing Resiliency Program which was recognized as revenue during the September 30, 2021 fiscal year. As part of the program, the Agency provides financial support to low- and moderate-income homeowners in specific neighborhoods to mitigate increases in property taxes. During the year ended September 30, 2022, the Agency utilized $1,192,305 for the program ($1,057,695 in 2021).

In November 2021, the Agency received a $1,350,000 grant for the Housing Resiliency Program which was recognized as revenue during the September 30, 2022 fiscal year. As part of the program, the Agency provides financial support to low- and moderate-income homeowners in specific neighborhoods to mitigate increases in property taxes. During the year ended September 30, 2022, the Agency utilized $127,187 for the program with $1,222,814 remaining in net assets with donor restrictions.

NOTE 10 - LEASES

Laurel House 2001, L.P.'s residential apartments are leased to tenants for one-year terms. On February 18, 2001, the Partnership entered into two 20-year, triple net leases for the 12,000 square feet of retail space. The Housing Fund, Inc. rents approximately 4,300 square feet of the retail space, rental income and expense between the entities is eliminated in the consolidated financial statements. The retail leases provide for scheduled rent increases every five years and include two, five-year renewal options. The lease terms began June 1, 2004. The excess of rental income recognized on a straight-line basis over the amount received is included in accounts receivable and amounted to $22,674 at September 30, 2022 ($34,741 at September 30, 2021).

Future minimum rental receipts to be received under the retail leases, excluding the amount from The Housing Fund, Inc., are as follows:

Year ending September 30:	
2023	$ 47,741
2024	31,827
	$ 79,568

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Agency has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to the grantor.

Laurel House 2001, L.P. is required to utilize the housing complex as low-income housing pursuant to Internal Revenue Code Section 42 until 2034.

NOTE 12 - RELATED PARTY TRANSACTIONS

Four of the Agency's board members are senior officers with financial institutions or other lenders with which the Agency has outstanding loans totaling $14,295,677 at September 30, 2022 (five board members totaling $11,095,267 at September 30, 2021).

NOTE 13 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to concentrations of credit risk consist of cash and cash equivalents and loans receivable. Loans receivable are widely dispersed throughout Middle Tennessee to mitigate credit risk.

The Agency maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Agency's cash balance, from time to time, may exceed statutory limits. The Agency has not experienced any losses in such accounts and considers this to be a normal business risk.

The Agency also maintains cash and cash equivalents in an investment account at a brokerage company. This investment consists of a money market fund. Generally, the balance is not insured by the FDIC or any other governmental agency and is subject to investment risk, including the risk of loss of principal. Investors are provided limited protection by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to $500,000. The SIPC does not insure against market risk.

Outstanding development loans to three developers comprised 55% of the total of such loans at September 30, 2022 (four developers comprised 48% in 2021).

NOTE 14 - CONTRACTED SERVICES AND EMPLOYEE BENEFIT PLANS

Contracted services

The Housing Fund Inc.'s staff is employed under a Professional Employer Organization ("PEO") agreement with LBMC Employment Partners and reports solely to the Agency's Board of Directors. The Agency reimburses LBMC Employment Partners for the salaries and related fringe benefits, which include Social Security and Medicare taxes, insurance and employee benefit plan costs.

Laurel House 2001, L.P. contracts with a management company to manage the property. Laurel House 2001, L.P. reimburses the management company for certain employee salaries. In addition, management fees of 5% of gross revenue collected are paid to the management company.

Employee benefit plans

All staff members of The Housing Fund, Inc. are eligible to participate in the LBMC Employment Partners, LLC 401(k) Profit Sharing Plan with a match of 100% of the first 3% of contributions and 50% of the next 2% of contributions. Total contributions amounted to $25,965 and $23,703 for the years ended September 30, 2022 and 2021, respectively.

NOTE 15 - FLOOD CONTRACT TERMINATION

On May 20, 2010 THF entered into an agreement with MDHA to administer the "We Are Home" program. Under the agreement, THF was allowed up to $2,300,000 in grant funds from MDHA to provide flood repair assistances to homeowners impacted by the May 2010 floods in Nashville. Termination provisions under the agreement allow for MDHA to terminate the agreement any time, at the convenience of MDHA, by a notice in writing from MDHA to THF specifying the effective day thereof, at least thirty days before the effective date of such termination. Program income provisions under the agreement allowed for THF to use loan proceeds and repayments for future eligible activities. Therefore, a liability was not recorded at the time of the original agreement. On January 13, 2015, MDHA notified THF that they elected to terminate the contract without cause effective April 30, 2015. At the time of contract termination, there was $1,048,716 in flood assistance loans held by THF that would be returned to MDHA. A flood contract payable was recorded on the Consolidated Statement of Financial Position for the amount to be returned to MDHA. Payable to MDHA at September 30, 2022 and 2021 was $217,520 and is included in accrued expenses on the Consolidated Statements of Financial Position.

NOTE 16 - PAYCHECK PROTECTION PROGRAM LOAN

On April 19, 2020, THF was the recipient of a $142,025 loan under the Paycheck Protection Program ("PPP"). The PPP, established as a part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act, provides for loans to small businesses to pay up to 24 weeks of payroll costs and benefits, interest on mortgages, rent and utilities. The funds are available in the form of a loan which is fully forgivable if at least 60% of the funds are used for payroll costs and other conditions are met. Any unforgiven funds will convert to a note with a 1.0% interest rate and payable over 24 months. The loan was forgiven on April 28, 2021 and recorded as federal grant income on the Consolidated Statements of Activities.

On February 16, 2021, THF received a second draw PPP loan in the amount of $145,267. The loan is forgivable under similar provisions as the first PPP loan. The loan was forgiven on November 3, 2021 and recorded it as federal grant income on the Consolidated Statements of Activities.

ADDITIONAL INFORMATION

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2022

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Laurel House 2001, L.P.	Consolidating Entries	Consolidated
ASSETS					
Cash and cash equivalents, undesignated	$ 14,593,991	$ -	$ 413,523	$ -	$ 15,007,514
Cash and cash equivalents, designated for federal programs	2,631,164	-	-	-	2,631,164
Accounts receivable	118,838	-	26,314	(60,861)	84,291
Government grants receivable	112,597	-	-	-	112,597
Accrued interest on loans receivable	108,379	-	-	-	108,379
Loans receivable:					
Down payment assistance loans receivable, net	8,001,487	-	-	-	8,001,487
Flood assistance loans receivable, net	807,138	-	-	-	807,138
Development loans receivable, net	7,085,762	-	-	(542,416)	6,543,346
Shared equity loans receivable, net	2,313,666	-	-	-	2,313,666
Prepaid expenses and other assets	385,923	-	11,362	-	397,285
Tax, insurance and mortgage escrow reserves	-	-	353,274	-	353,274
Property, furniture and equipment, net	1,309,694	-	3,217,985	-	4,527,679
Land and improvements for the Community Land Trust Program	492,614	-	-	-	492,614
Investment in subsidiary	1,793,006	-	-	(1,793,006)	-
Investment in limited partnership	-	200,000	-	(200,000)	-
TOTAL ASSETS	$ 39,754,259	$ 200,000	$ 4,022,458	$ (2,596,283)	$ 41,380,434
LIABILITIES					
Accounts payable	$ 324,116	$ -	$ 227,534	$ (60,861)	$ 490,789
Accrued expenses	316,979	-	5,132	-	322,111
Grants payable	1,237,291	-	-	-	1,237,291
Mortgage loans payable - Laurel House Apartments, net	-	-	2,196,786	(542,416)	1,654,370
Deferred revenue	2,057,396	-	-	-	2,057,396
Notes payable - investment partners	21,235,313	-	-	-	21,235,313
TOTAL LIABILITIES	25,171,095	-	2,429,452	(603,277)	26,997,270
NET ASSETS					
Without donor restrictions	13,360,350	200,000	1,593,006	(1,993,006)	13,160,350
With donor restrictions	1,222,814	-	-	-	1,222,814
TOTAL NET ASSETS	14,583,164	200,000	1,593,006	(1,993,006)	14,383,164
TOTAL LIABILITIES AND NET ASSETS	$ 39,754,259	$ 200,000	$ 4,022,458	$ (2,596,283)	$ 41,380,434

<u>THE HOUSING FUND, INC. AND SUBSIDIARIES</u>

<u>CONSOLIDATING STATEMENT OF FINANCIAL POSITION</u>

<u>SEPTEMBER 30, 2021</u>

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Laurel House 2001, L.P.	Consolidating Entries	Consolidated
ASSETS					
Cash and cash equivalents, undesignated	$ 8,383,998	$ -	$ 270,331	$ -	$ 8,654,329
Cash and cash equivalents, designated for federal programs	2,310,913	-	-	-	2,310,913
Accounts receivable	84,320	-	37,324	(60,851)	60,793
Government grants receivable	22,158	-	-	-	22,158
Accrued interest on loans receivable	169,079	-	-	-	169,079
Loans receivable:					
Down payment assistance loans receivable, net	7,669,523	-	-	-	7,669,523
Flood assistance loans receivable, net	925,011	-	-	-	925,011
Development loans receivable, net	10,529,302	-	-	-	10,529,302
Shared equity loans receivable, net	1,619,839	-	-	-	1,619,839
Prepaid expenses and other assets	145,059	-	3,681	-	148,740
Tax, insurance and mortgage escrow reserves	-	-	378,397	-	378,397
Property, furniture and equipment, net	122,591	-	3,349,663	-	3,472,254
Land and improvements for the Community Land Trust Program	636,551	-	-	-	636,551
Investment in subsidiary	1,766,641	-	-	(1,766,641)	-
Investment in limited partnership	-	200,000	-	(200,000)	-
TOTAL ASSETS	$ 34,384,985	$ 200,000	$ 4,039,396	$ (2,027,492)	$ 36,596,889
LIABILITIES					
Accounts payable	$ 196,528	$ -	$ 224,929	$ (60,861)	$ 360,596
Accrued expenses	291,263	-	5,132	-	296,395
Grants Payable	654,766	-	-	-	654,766
Mortgage loans payable - Laurel House Apartments, net	-	-	2,242,694	-	2,242,694
Deferred revenue	1,945,723				1,945,723
Notes payable - investment partners	17,368,548	-	-	-	17,368,548
TOTAL LIABILITIES	20,456,828	-	2,472,755	(60,861)	22,868,722
NET ASSETS					
Without donor restrictions	12,735,852	200,000	1,566,641	(1,966,631)	12,535,862
With donor restrictions	1,192,305	-	-	-	1,192,305
TOTAL NET ASSETS	13,928,157	200,000	1,566,641	(1,966,631)	13,728,167
TOTAL LIABILITIES AND NET ASSETS	$ 34,384,985	$ 200,000	$ 4,039,396	$ (2,027,492)	$ 36,596,889

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Laurel House 2001, L.P.	Consolidating Entries	Consolidated
SUPPORT AND REVENUES					
Public support:					
Federal, state and local government grants	$ 2,004,029	$ -	$ -	$ -	$ 2,004,029
Grants from private institutions	2,205,664	-	-	-	2,205,664
Revenues:					
Service and administrative fees	309,293	-	-	-	309,293
Rental income - Laurel House Apartments	-	-	536,304	(61,587)	474,717
Interest income:					
Loans	896,511	-	-	-	896,511
Other	25,091	-	-	-	25,091
Other	59,910	-	50,035	-	109,945
Gain on investment in subsidiaries	26,365	-	-	(26,365)	-
TOTAL SUPPORT AND REVENUES	5,526,863	-	586,339	(87,952)	6,025,250
EXPENSES					
Program services:					
Lending	2,100,055	-	-	(39,911)	2,060,144
Community impact	2,019,576	-	-	(15,216)	2,004,360
Laurel House Apartments	-	-	559,974	-	559,974
Supporting services:					
Management and general	752,225	-	-	(6,450)	745,775
TOTAL EXPENSES	4,871,856	-	559,974	(61,577)	5,370,253
CHANGE IN NET ASSETS	655,007	-	26,365	(26,375)	654,997
NET ASSETS - BEGINNING OF YEAR	13,928,157	200,000	1,566,641	(1,966,631)	13,728,167
NET ASSETS - END OF YEAR	$ 14,583,164	$ 200,000	$ 1,593,006	$ (1,993,006)	$ 14,383,164

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Laurel House 2001, L.P.	Consolidating Entries	Consolidated
SUPPORT AND REVENUES					
Public support:					
Federal, state and local government grants	$ 380,304	$ -	$ -	$ -	$ 380,304
Grants from private institutions	2,825,716	-	-	-	2,825,716
Revenues:					
Service and administrative fees	336,348	-	-	-	336,348
Rental income - Laurel House Apartments	-	-	497,889	(61,587)	436,302
Interest income:					-
Loans	698,943	-	-	-	698,943
Other	4,500	-	-	-	4,500
Other	23,809	-	45,901	26,764	96,474
Loss on investment in subsidiaries	(64,307)	-	-	64,307	-
TOTAL SUPPORT AND REVENUES	4,205,313	-	543,790	29,484	4,778,587
EXPENSES					
Program services:					
Lending	1,154,474	-	-	(39,921)	1,114,553
Community impact	1,375,957	-	-	(15,216)	1,360,741
Laurel House Apartments	-	-	608,097	-	608,097
Supporting services:					
Management and general	533,861	-	-	(6,450)	527,411
TOTAL EXPENSES	3,064,292	-	608,097	(61,587)	3,610,802
CHANGE IN NET ASSETS	1,141,021	-	(64,307)	91,071	1,167,785
NET ASSETS - BEGINNING OF YEAR	12,787,136	200,000	1,630,948	(2,057,702)	12,560,382
NET ASSETS - END OF YEAR	$ 13,928,157	$ 200,000	$ 1,566,641	$ (1,966,631)	$ 13,728,167