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Housing

Development

Fund

AND AFFILIATES

COMBINED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Contents
June 30, 2022 and 2021

AAFCPAs
great minds | great hearts

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Independent Auditor's Report

To the Board of Directors of
Housing Development Fund, Inc. and Affiliates:

Opinion

We have audited the combined financial statements of Housing Development Fund, Inc. (a Connecticut corporation, not for profit) and Affiliates (collectively, the Organization), which comprise the combined statements of financial position as of June 30, 2022 and 2021, and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of Housing Development Fund, Inc. and Affiliates as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information shown on pages 29 through 32 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

AAFCPAs, Inc.

Westborough, Massachusetts
October 19, 2022

HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Combined Statements of Financial Position
June 30, 2022 and 2021

Assets	**2022**	**2021**
Current Assets:		
Cash and cash equivalents	$ 8,834,272	$ 8,297,963
Accounts and other receivables	19,708	80,328
Interest receivable	137,757	133,513
Prepaid expenses and other	126,427	114,668
Current portion of construction in progress	8,908,992	-
Current portion of loans receivable	1,525,306	4,266,187
Total current assets	19,552,462	12,892,659
Other Assets:		
Restricted deposits	3,094,176	5,327,508
Loans receivable, net	31,462,363	31,858,192
Property and equipment, net	1,226,236	1,262,116
Construction in progress, net of current portion	-	4,381,057
Total other assets	35,782,775	42,828,873
Total assets	$ 55,335,237	$ 55,721,532
Liabilities and Net Assets		
Current Liabilities:		
Current portion of notes payable	$ 515,804	$ 2,936,645
Accounts payable, accrued expenses and other	356,760	398,620
Accrued interest payable	89,865	96,579
Current portion of conditional grant advances	3,157,679	-
Accounts payable - construction	375,030	81,128
Total current liabilities	4,495,138	3,512,972
Other Liabilities:		
Conditional grant advances, net of current portion	177,186	3,340,926
Notes payable, net	22,638,194	21,992,694
Total other liabilities	22,815,380	25,333,620
Total liabilities	27,310,518	28,846,592
Net Assets:		
Without donor restrictions:		
Operating	9,058,476	5,434,669
Board designated	16,655,974	17,347,774
Net investment in real estate	987,003	2,046,382
Total without donor restrictions	26,701,453	24,828,825
With donor restrictions	1,323,266	2,046,115
Total net assets	28,024,719	26,874,940
Total liabilities and net assets	$ 55,335,237	$ 55,721,532

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

HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Combined Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Support:						
Earned revenue:						
Financial revenue:						
Interest income - loans	$ 1,140,417	$ -	$ 1,140,417	$ 1,235,401	$ -	$ 1,235,401
Loan related fees	332,884	-	332,884	316,750	-	316,750
Investment return	122,408	-	122,408	(120,681)	-	(120,681)
Recovery of loans receivable previously written off	75,010	-	75,010	-	-	-
Interest income - bank deposits	43,099	-	43,099	34,147	-	34,147
Less - interest expense	(466,917)	-	(466,917)	(412,669)	-	(412,669)
Less - net loan loss recovery	136,131	-	136,131	50,984	-	50,984
Net financial revenue	1,383,032	-	1,383,032	1,103,932	-	1,103,932
Fee for service revenue	126,300	-	126,300	233,500	-	233,500
Rental revenue	49,981	-	49,981	55,207	-	55,207
Miscellaneous revenue	-	-	-	1,850	-	1,850
Total earned revenue	1,559,313	-	1,559,313	1,394,489	-	1,394,489
Public support:						
Grants and contributions	3,121,786	-	3,121,786	4,688,389	500,000	5,188,389
Donated services	-	-	-	89,500	-	89,500
Net assets released from restrictions	294,094	(294,094)	-	320,241	(320,241)	-
Total public support	3,415,880	(294,094)	3,121,786	5,098,130	179,759	5,277,889
Total operating revenues and support	4,975,193	(294,094)	4,681,099	6,492,619	179,759	6,672,378
Operating Expenses:						
Program services	1,610,207	-	1,610,207	1,816,605	-	1,816,605
General and administrative	623,089	-	623,089	513,994	-	513,994
Fundraising and communication	282,686	-	282,686	261,445	-	261,445
Total operating expenses	2,515,982	-	2,515,982	2,592,044	-	2,592,044
Changes in net assets from operations	2,459,211	(294,094)	2,165,117	3,900,575	179,759	4,080,334
Non-Operating Revenue (Expense):						
Capital grants, net	-	-	-	855,872	-	855,872
Loss on sale of property and equipment	-	-	-	(9,120)	-	(9,120)
Impairment of construction in progress	(1,015,338)	-	(1,015,338)	-	-	-
Net assets released from perpetual restrictions	428,755	(428,755)	-	414,344	(414,344)	-
Total non-operating revenue (expense)	(586,583)	(428,755)	(1,015,338)	1,261,096	(414,344)	846,752
Changes in net assets	1,872,628	(722,849)	1,149,779	5,161,671	(234,585)	4,927,086
Net Assets:						
Beginning of year	24,828,825	2,046,115	26,874,940	19,667,154	2,280,700	21,947,854
End of year	$ 26,701,453	$ 1,323,266	$ 28,024,719	$ 24,828,825	$ 2,046,115	$ 26,874,940

HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Combined Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Changes in net assets	$ 1,149,779	$ 4,927,086
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	35,880	30,405
Unrealized (gain) loss on investments	(74,886)	161,011
Loan loss recovery	(136,131)	(50,984)
Deferred origination fees	11,913	(32,445)
Capital grants	-	(855,872)
Loss on sale of property and equipment	-	9,120
Impairment of construction in progress	1,015,338	-
Changes in operating assets and liabilities:		
Accounts and other receivables	60,620	(49,631)
Interest receivable	(4,244)	(27,351)
Prepaid expenses and other	(11,759)	(31,748)
Accounts payable, accrued expenses and other	(41,860)	(21,286)
Accrued interest payable	(6,714)	5,602
Conditional grant advances, net of current portion	(6,061)	(25,173)
Net cash provided by operating activities	1,991,875	4,038,734
Cash Flows from Investing Activities:		
Principal payments on loans receivable	9,472,582	5,156,100
Issuance of loans receivable	(6,211,654)	(4,540,773)
Purchases of investments	-	(48,285)
Acquisition of property and equipment	-	(38,018)
Payments for construction in progress	(5,249,371)	(4,154,049)
Proceeds from sale of property and equipment	-	371,495
Net cash used in investing activities	(1,988,443)	(3,253,530)
Cash Flows from Financing Activities:		
Proceeds from notes payable	4,356,598	1,587,465
Principal payments on notes payable	(6,131,939)	(468,591)
Capital grants and conditional advances	-	2,808,217
Net cash provided by (used in) financing activities	(1,775,341)	3,927,091
Net Change in Cash, Cash Equivalents and Restricted Cash	(1,771,909)	4,712,295
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	12,334,983	7,622,688
End of year	$ 10,563,074	$ 12,334,983
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Combined Statements of Financial Position:		
Cash and cash equivalents	$ 8,834,272	$ 8,297,963
Restricted deposits	3,094,176	5,327,508
Less - restricted deposits classified as investments	(1,365,374)	(1,290,488)
Total cash, cash equivalents and restricted cash shown in the combined statements of cash flows	$ 10,563,074	$ 12,334,983
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 473,631	$ 407,067

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

Combined Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Summarized Comparative Totals for the Year Ended June 30, 2021)

	2022										2021
	Program Services						Support Services				
	Multi-Family Housing	Homebuyer Assistance Underwriting	Homebuyer Assistance Counseling	HDF Community Works, LLC	HDF Community Land Trust, Inc.	Total Program Services	General and Administrative	Fundraising and Communication	Total Support Services	Total	Total
Personnel and Related Costs:											
Salaries and wages	$ 368,533	$ 360,679	$ 309,796	$ -	$ -	$ 1,039,008	$ 505,478	$ 158,461	$ 663,939	$ 1,702,947	$ 1,631,969
Payroll taxes	38,311	40,335	35,454	-	-	114,100	63,400	16,699	80,099	194,199	190,194
Employee benefits	4,817	32,574	30,139	-	-	67,530	67,649	20,330	87,979	155,509	228,716
Total personnel and related costs	411,661	433,588	375,389	-	-	1,220,638	636,527	195,490	832,017	2,052,655	2,050,879
Other:											
Professional and consulting fees	13,970	27,411	11,840	-	26,654	79,875	114,896	18,571	133,467	213,342	314,462
Information technology	4,851	31,129	9,900	-	-	45,880	38,862	20,549	59,411	105,291	114,530
Occupancy	715	23,102	21,590	15,368	4,619	65,394	26,422	879	27,301	92,695	123,576
Insurance	5,232	23,287	11,314	3,722	5,117	48,672	14,156	6,438	20,594	69,266	59,328
Lending related expenses	10,625	47,924	-	-	-	58,549	2,642	-	2,642	61,191	45,155
Office expenses and other	2,552	10,335	18,715	172	4,320	36,094	12,686	1,277	13,963	50,057	64,981
Depreciation	3,553	11,261	4,494	6,789	-	26,097	6,924	2,859	9,783	35,880	30,405
Dues and subscriptions	454	5,636	1,282	50	327	7,749	15,486	3,648	19,134	26,883	35,390
Event expenses	-	-	-	-	-	-	-	21,456	21,456	21,456	23,476
Marketing	104	-	52	-	9,200	9,356	324	9,824	10,148	19,504	11,208
Telephone	1,377	6,839	3,687	-	-	11,903	4,164	1,695	5,859	17,762	18,654
	455,094	620,512	458,263	26,101	50,237	1,610,207	873,089	282,686	1,155,775	2,765,982	2,892,044
Less - capitalized costs	-	-	-	-	-	-	(250,000)	-	(250,000)	(250,000)	(300,000)
Total operating expenses	$ 455,094	$ 620,512	$ 458,263	$ 26,101	$ 50,237	$ 1,610,207	$ 623,089	$ 282,686	$ 905,775	$ 2,515,982	$ 2,592,044

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

HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Combined Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services						Support Services			
	Multi-Family Housing	Homebuyer Assistance Underwriting	Homebuyer Assistance Counseling	HDF Community Works, LLC	HDF Community Land Trust, Inc.	Total Program Services	General and Administrative	Fundraising and Communication	Total Support Services	Total
Personnel and Related Costs:										
Salaries and wages	$ 406,390	$ 428,746	$ 265,029	$ -	$ -	$ 1,100,165	$ 386,145	$ 145,659	$ 531,804	$ 1,631,969
Payroll taxes	48,747	51,333	31,648	-	-	131,728	40,854	17,612	58,466	190,194
Employee benefits	45,749	48,177	29,702	-	-	123,628	88,559	16,529	105,088	228,716
Total personnel and related costs	500,886	528,256	326,379	-	-	1,355,521	515,558	179,800	695,358	2,050,879
Other:										
Professional and consulting fees	23,968	37,319	13,799	23,845	8,295	107,226	200,756	6,480	207,236	314,462
Information technology	9,488	48,752	13,828	-	-	72,068	21,002	21,460	42,462	114,530
Occupancy	1,895	25,689	21,900	43,013	3,082	95,579	24,780	3,217	27,997	123,576
Insurance	8,883	21,545	8,460	256	4,141	43,285	10,479	5,564	16,043	59,328
Lending related expenses	5,213	39,942	-	-	-	45,155	-	-	-	45,155
Office expenses and other	5,119	9,816	17,909	91	30	32,965	29,140	2,876	32,016	64,981
Depreciation	3,980	10,163	3,317	9,778	-	27,238	779	2,388	3,167	30,405
Dues and subscriptions	2,908	12,751	3,875	76	100	19,710	7,003	8,677	15,680	35,390
Event expenses	-	-	-	-	-	-	-	23,476	23,476	23,476
Marketing	-	49	98	-	5,199	5,346	70	5,792	5,862	11,208
Telephone	1,757	7,186	3,569	-	-	12,512	4,427	1,715	6,142	18,654
	564,097	741,468	413,134	77,059	20,847	1,816,605	813,994	261,445	1,075,439	2,892,044
Less - capitalized costs	-	-	-	-	-	-	(300,000)	-	(300,000)	(300,000)
Total operating expenses	$ 564,097	$ 741,468	$ 413,134	$ 77,059	$ 20,847	$ 1,816,605	$ 513,994	$ 261,445	$ 775,439	$ 2,592,044

1. OPERATIONS AND NONPROFIT STATUS

Housing Development Fund, Inc. (HDF) is a Connecticut not-for-profit corporation established in 1989, which facilitates the development of affordable housing, both rental and homeownership, and assists households to become owners of affordable homes. HDF accomplishes this by providing low-interest, flexible financing and technical assistance to developers; by providing homebuyer assistance financing and homeownership counseling to homebuyers; and by working with the private sector, not-for-profit and government organizations to facilitate the creation of more affordable housing. HDF believes that all households and families should have the opportunity and access to affordable housing, and that affordable housing and economic diversity are beneficial to communities.

HDF has been granted status as a Community Development Financial Institution (CDFI) by the U.S. Department of the Treasury (the Treasury), which allows HDF to qualify for certain awards and loan support from the Treasury. HDF has received grants from the Treasury totaling $9,580,307 through June 30, 2022.

Combined Affiliates

HDF Community Works, LLC (Community Works) is a Connecticut limited liability company established in 2008, to own and operate real property. HDF is the sole member of Community Works and, as a result, Community Works is classified as a disregarded entity for tax purposes.

HDF Community Land Trust, Inc. (the Trust) is a Connecticut not-for-profit corporation, which shares a majority of its Board of Directors with HDF. The Trust was established in 2020 to provide housing opportunities to low and moderate-income households in an array of urban, suburban, and rural communities. To date, the Trust acquired and developed real property located at 287 Washington Boulevard, Stamford, Connecticut (the South End Project), and developed a program whereby housing units of the South End Project are sold to qualifying households. The Trust plans to continue developing future properties to sell to qualifying households.

The accompanying combined financial statements include the accounts of HDF, Community Works, and the Trust (collectively, the Organization). All significant intercompany balances and transactions have been eliminated in the accompanying combined financial statements.

Non-Profit Status

HDF and the Trust are individually exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). HDF and the Trust are also exempt from state income taxes. Contributions made to HDF and the Trust are deductible by donors within the requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its combined financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Principle Adoption

During fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU do not change the recognition and measurement requirements of in-kind goods and services, but augmented certain disclosure requirements. The adoption of this ASU did not impact the Organization's combined net asset classes, changes in net assets, or cash flows for the year ended June 30, 2022. This ASU has been applied retrospectively to all periods presented.

Cash, Cash Equivalents, Restricted Deposits and Concentration of Credit Risk

The Organization considers all highly liquid investments originated with a maturity of three months or less and that are available for current operations, to be cash and cash equivalents. Those highly liquid resources that are not generally available for current operations, or otherwise are restricted, are classified as restricted deposits. For the purpose of the combined statements of cash flows, cash and restricted cash includes cash and restricted deposits with an initial maturity of three months or less.

The Organization 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 Organization has not experienced any losses in such accounts. The Organization 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 and Other Receivables

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 Organization's policy to charge off uncollectible accounts and other receivables when management determines the receivable will not be collected. There is no allowance for doubtful accounts as of June 30, 2022 and 2021.

Investments

Investment balances are included in restricted deposits in the accompanying combined statements of financial position and consist of the Organization's holdings of marketable financial securities held for purposes of financial returns (see Note 4). The Organization records investments at fair value. The fair value of municipal bonds is determined using observable inputs from similar securities, which are categorized as Level 2 inputs in the fair value hierarchy (see page 13). The fair values of investments in mutual funds are based upon quoted prices in active markets for identical assets which are Level 1 inputs.

Interest, dividends, mutual fund distributions, and other income from these investments are recorded when earned or declared. Gains and losses are recognized as incurred on sale or based on fair value changes during the period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable

Loans receivable are presented net of allowances for loan losses (see Note 6) and third party loan participations qualifying as loan sales under ASC Topic 860, *Accounting for Transfers and Servicing of Assets and Liabilities*. Loan participations qualify as loan sales if the Organization surrenders control over the participated portion of the loan receivable and the participation agreement meets certain other criteria. All of the Organization'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 7. Interest rates on loans receivable are disclosed in Note 5. The Organization 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.

Loan Loss Allowance

The Organization follows the *Disclosure About the Credit Quality of Financing Receivables and the Allowance for Credit Losses* standard under U.S. GAAP. This standard requires disclosure about the accounting policies and methodology used to estimate the allowance for loan losses (see Note 6). 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 operations.

The Organization 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 Organization reviews a loan's internally assigned risk rating, its outstanding balance, value of the collateral, guarantors, and a current report of the action being implemented. Based on the nature of the specific loan, one of the impairment methods is chosen and any impairment is determined, based on criteria established for impaired loans.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost (see Note 3), if purchased, or at fair value at the time of donation. Improvements and major repairs are capitalized, while ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated using the straight-line method over the following useful lives

Buildings and improvements	40 years
Leasehold improvements	40 years
Furniture and equipment	5 years

Land is not depreciated.

The Organization accounts for the carrying value of its property and equipment in accordance with standards pertaining to ASC Topic, *Property, Plant and Equipment*, under U.S. GAAP. The carrying value is evaluated annually for impairment and no impairment loss was recognized during fiscal years 2022 or 2021.

Construction in Progress

All recoverable project-related costs incurred during construction are capitalized. These costs include acquisition, construction, soft costs, overhead, interest, and other costs totaling $8,908,992 and $4,381,057 as of June 30, 2022 and 2021, respectively, related to the South End Project (see Note 1). The aggregate development costs for the South End Project are expected to be approximately $9,142,000. The units will be made available for sale during fiscal year 2023 and all units are expected to sell in the coming year. During the years ended June 30, 2022 and 2021, HDF charged the Trust developer fees of $250,000 and $300,000, respectively, for its efforts creating the Trust and managing the South End Project on its behalf. These amounts are included in construction in progress as of June 30, 2022 and 2021, and are also reflected as a reduction of operating expenses in the accompanying combined statements of functional expenses.

The carrying value of construction in progress is evaluated at least annually for impairment and no impairment loss was recognized during fiscal year 2021. An impairment loss of $1,015,338 was recognized for fiscal year 2022 related primarily to the value of the land. During fiscal year 2021, the Trust's development contemplated the Trust owning the project's land for the long-term. However, during fiscal year 2022, the model was changed in favor of transferring the land to a condominium trust. Accordingly, the Trust's net investment in the land was deemed impaired and is reflected as impairment of construction in progress in the accompanying fiscal year 2022 combined statement of activities and changes in net assets.

Investment in Affiliate

Investment in affiliate consists of cash investments HDF has made into Community Works as its sole member. Investment in affiliate is accounted for using the cost method and is reviewed annually for impairment. Under the cost method, an investment is carried at its original cost and cash distributions of profits are reported as income. No impairment loss was recognized in fiscal years 2022 and 2021. The balance of investment in affiliate is eliminated in the accompanying combined statements of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

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

- ***Operating*** net assets represent those net resources that are considered substantially liquid and available for general operations.

- ***Board designated*** net assets represent those net resources the Organization's Board of Directors have designated for the following purposes:

  Revolving Loan Fund - Homebuyer Assistance Loans reserve is intended to provide an internal source of capital to fund loans to qualifying individuals to purchase a home. Collections of outstanding balances from loans funded with these funds are deposited back into this reserve and subsequently used for a similar purpose, upon approval from the Board of Directors.

  Revolving Loan Fund - Flexible Funding for Multifamily Loans reserve is intended to provide an internal source of capital to fund loans to purchase multifamily homes. Collections of outstanding balances from loans funded with these funds are deposited back into this reserve and subsequently used for a similar purpose, upon approval from the Board of Directors.

  Future Projects Fund - The Trust reserve is intended to fund future development projects at the Trust (see Note 1).

  Board designated net assets consist of the following as of June 30:

	2022	2021
Revolving Loan Fund - Homebuyer Assistance Loans	$ 11,548,031	$ 12,146,234
Future Projects Fund - The Trust (see Note 1)	2,850,000	1,850,000
Revolving Loan Fund - Flexible Funding for Multifamily Loans	2,257,943	3,351,540
	$ 16,655,974	$ 17,347,774

- ***Net investment in real estate*** net assets represent that portion of resources invested in long-term productive property and equipment and construction in progress, net of related liabilities.

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purposes (purpose restricted), amounts for unrestricted use in future periods (time restricted), and amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net assets with donor restrictions were as follows as of June 30:

	2022	2021
Operating time restricted:		
Fair value of donated lease (see Note 3)	$ 362,266	$ 373,488
Purpose restricted:		
Live Where You Work - lending capital (see Note 5)	910,000	1,142,729
Revolving Loan Capital - down payment assistance	51,000	51,000
Repairs of rental properties	-	50,143
Total purpose restricted	961,000	1,243,872
Perpetually restricted:		
Stamford Development Corporation Endowment Fund (see Note 11)	-	428,755
	$ 1,323,266	$ 2,046,115

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by occurrence of the passage of time, and other events specified by the donors as follows for the years ended June 30:

	2022	2021
Operating time restricted:		
Fair value of donated lease (see Note 3)	$ 11,222	$ 15,990
Purpose restricted:		
Live Where You Work - lending capital	232,729	270,000
Repairs of rental properties	50,143	34,251
Total purpose restricted	282,872	304,251
Perpetually restricted:		
Stamford Development Corporation Endowment Fund (see Note 11)	428,755	-
NeighborWorks America (NWA)	-	414,344
Total perpetually restricted	428,755	414,344
	$ 722,849	$ 734,585

During the year ended June 30, 2022, the Organization negotiated the release of the Stamford Development Corporation Endowment Fund to net assets without donor restrictions.

During the year ended June 30, 2021, the Organization was approved by NWA to release the remaining balance of perpetually restricted funds.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Organization 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 Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization 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 Organization. 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.

Combined Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and support and operating expenses in the accompanying combined statements of activities and changes in net assets. Peripheral or incidental transactions are reported as non-operating revenue (expense).

Revenue Recognition

Financial Revenue

Financial revenue is generally recognized as revenue without donor restrictions as earned or when services are provided. Interest on loans is presented net of amounts collected on behalf of loan participants. Where significant, the Organization 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 Organization that are not significant or which are for short-term loans are not amortized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Fee for Service Revenue

The Organization generally measures revenue for qualifying exchange transactions based on the amount of consideration the Organization expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Organization satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Organization evaluates its fee for service contracts 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 for service revenue is recognized by the Organization for housing application assistance provided to third parties. The Organization recognizes revenue at the time each application is completed and submitted to the Connecticut Housing and Finance Authority (CHFA), as a single performance obligation under the contract. Compensation is generally fixed under the contract, as the Organization receives a fixed fee per completed application. Fee for service revenue is only recognized as revenue when collection is assured. Fee for service revenue received in advance of services being provided is recorded as deferred revenue in the accompanying combined statements of financial position. There was no deferred revenue as of June 30, 2022 or 2021.

Other Revenue

Rental revenue is recorded pro-rata over the life of the related leases. All other revenues are recognized as earned.

Public Support

In accordance with ASC Subtopic 958-605, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional advance liabilities until such conditions are met. See Note 10 for disclosures of the Organization’s conditional grants. Government grants and contracts are generally within the scope of Topic 958 as described above.

Grants and contributions without donor restrictions are recognized as revenue when unconditionally received or pledged. Donor restricted grants and contributions with time or purpose restrictions are transferred to net assets without donor restrictions as such gifts are used in accordance with donor restrictions. Grants and contributions restricted for capital purposes are released from restrictions when the completed capital project is placed in service.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Public Support (Continued)

The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives donated legal services. The value of these services, which is based on information provided by the donors who contributed these services, is recorded at estimated fair value determined on the date of the contribution of nonfinancial assets (donated services). Donated services do not have donor-imposed restrictions. There were no donated services received by the Organization during the year ended June 30, 2022. There were donated legal services of $89,500 for the year ended June 30, 2021, which are reflected as donated services and included in professional and consulting fees in the accompanying fiscal year 2021 combined statement of activities and changes in net assets and combined statement of functional expenses. The Organization also received the services of volunteers who have made significant contributions of their time in furtherance of the Organization's mission. These services were not reflected in the accompanying combined financial statements because they do not meet the necessary criteria for recognition under U.S. GAAP.

Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the combined statements of functional expenses. The combined statements of functional expenses present the natural classification detail of expenses by function, including supporting services. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and wages, employee benefits, payroll taxes, occupancy, insurance, telephone, office expenses and other, professional and consulting fees, dues and subscriptions, conferences and training, marketing, and information technology, which are allocated based on level of employee effort for each function as based on timesheets.

Marketing and Advertising Costs

The Organization expenses marketing and advertising costs as they are incurred.

Income Taxes

The Organization 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 Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at June 30, 2022 and 2021. The Organization'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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through October 19, 2022, which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment, net consist of the following at June 30:

	2022	2021
Land	$ 651,969	$ 651,969
Leasehold improvements **	548,240	548,240
Buildings and improvements	207,103	207,103
Furniture and equipment	51,567	66,017
	1,458,879	1,473,329
Less - accumulated depreciation	232,643	211,213
	$ 1,226,236	$ 1,262,116

** The Organization received an in-kind contribution of a ninety-nine-year leasehold interest in its Stamford office space. The leasehold interest has been recorded at its fair value of $548,240 at the time of donation as property and equipment and net assets with donor restriction. The Organization records annual releases of net assets with donor restrictions over the useful life of the asset.

During fiscal year 2021, the Organization sold one of its rental properties with a cost basis of $390,021 and accumulated depreciation totaling $9,406, for total sales proceeds of $371,495. As a result, the Organization recognized a loss on sale of property and equipment of $9,120.

4. RESTRICTED DEPOSITS

The fair value of restricted deposits is as follows at June 30:

	2022			
Restricted Deposit Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents:				
MacArthur note payable proceeds (see Note 7)	$ 1,551,616	$ -	$ -	$ 1,551,616
Conditional grant advances (see Note 10)	177,186	-	-	177,186
	1,728,802	-	-	1,728,802
Municipal bonds - MacArthur note payable proceeds (see Note 7)	-	1,235,257	-	1,235,257
457F Plan Assets (see Note 9):				
Mutual funds - equity	83,501	-	-	83,501
Mutual funds - fixed income	46,616	-	-	46,616
	130,117	-	-	130,117
	$ 1,858,919	$ 1,235,257	$ -	$ 3,094,176

4. RESTRICTED DEPOSITS (Continued)

Restricted Deposit Type	2021 Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
MacArthur note payable proceeds (see Note 7)	$ 1,366,801	$ -	$ -	$ 1,366,801
Conditional grant advances (see Note 10)	2,241,464	-	-	2,241,464
Stamford Development Corporation Endowment Fund (see Note 11)	428,755	-	-	428,755
	4,037,020	-	-	4,037,020
Municipal bonds - MacArthur note payable proceeds (see Note 7)	-	1,138,473	-	1,138,473
457F Plan Assets (see Note 9):				
Mutual funds - equity	104,674	-	-	104,674
Mutual funds - fixed income	47,341	-	-	47,341
	152,015	-	-	152,015
	$ 4,189,035	$ 1,138,473	$ -	$ 5,327,508

Investment return on restricted deposits consists of the following for the years ended June 30:

	2022	2021
Interest and dividends	$ 47,522	$ 40,330
Unrealized gains (losses) - 457F plan assets	(21,898)	22,223
Unrealized gains (losses) - municipal bonds	96,784	(183,234)
Investment return	$ 122,408	$ (120,681)

5. LOANS RECEIVABLE

The Organization lends primarily in Connecticut and New York, and loan products vary by type and presence of collateral, risk level, loan size, and presence of designated subsidized funding sources. As a result, interest rates on loans receivable at June 30, 2022 and 2021, ranged from 0% to 7.5%. At June 30, 2022 and 2021, HDF's loan receivables are primarily made of the following:

Multifamily Loans

This is the Organization's largest loan program which consists of primarily first mortgages financed by consortium lenders (see Note 7), grants, and Board designated net assets. The loans are primarily due in monthly installments based on a thirty-year amortization schedule, maturing from April 15, 2027 to June 13, 2051.

5. LOANS RECEIVABLE (Continued)

Homebuyer Assistance Loans

- **Down Payment Assistance Loans** - HDF makes down payment assistance loans in the range of $5,000 to $20,000 to first-time low and moderate-income homebuyers. The loans are secured by second or third mortgages on the related residential properties. If the property is vacated by the borrower, the property is sold, title is transferred, or the first mortgage is paid off within the first ten years, any unpaid interest or principal payment is due at that time.

- **Live Where You Work** - HDF receives a series of awards from the Housing Tax Credit Program administered by the CHFA. The tax credits are then sold to a Connecticut corporation in exchange for a contribution to the Organization equal to each award. With these funds, HDF has made loans with terms consistent with down payment assistance loans noted above. Undisbursed funds are $910,000 and $1,142,729 at June 30, 2022 and 2021, respectively, and are included in net assets with donor restrictions (see Note 2).

- **Smart Move I, II and New York Homeownership** - This program provides low-interest second mortgages up to 20% of the purchase price to first-time homebuyers. Each pool of approximately $250,000 to $1,000,000 of loans was funded initially by HDF.

- **LIFT** - This is a down payment assistance loan program funded by a grant from Wells Fargo, which concluded as of June 30, 2018. The remaining outstanding loans are forgivable over a five-year period and, therefore, are fully reserved. The remaining loans are expected to be forgiven during the year ended June 30, 2023.

- **Shore Up** - This program was funded by a grant from the Connecticut Department of Housing (DOH). Loans of up to $300,000 are disbursed to qualifying borrowers with an interest rate of 2.75% and no principal or interest payments are due in the first year of the loan. Interest does not accrue during this period. The loans are to be repaid over a fifteen-year term and subsequent to originating these loans, the Organization assigned them to the DOH while maintaining servicing responsibilities.

MacArthur Energy Efficiency Loans

This loan program is funded by the MacArthur Foundation loan (see Note 7) and the loans are made for clean energy and energy related health and safety improvements to multifamily affordable rental housing properties. These loans are secured by subordinate mortgages on the respective multifamily properties. At June 30, 2022, this loan program consists of four loans with various maturity dates through May 15, 2036. Connecticut Green Bank guarantees complete payment on these loans. Based on this guarantee, the Organization has not established an allowance for loan losses for this portion of the loan portfolio.

5. LOANS RECEIVABLE (Continued)

Loans receivable in each lending area, net of participations and other transfers qualifying as loan sales, are as follows as of June 30:

	2022		
	Gross Loan Receivables	**Participations and Transfers**	**Net of Participations and Transfers**
Multifamily Loans	$ 20,214,022	$ -	$ 20,214,022
Homebuyer Assistance Loans:			
Down Payment Assistance	7,235,129	-	7,235,129
Live Where You Work	4,039,130	-	4,039,130
Smart Move I Homeownership	8,829,337	8,769,836	59,501
Smart Move II Homeownership	20,215,949	18,545,058	1,670,891
Smart Move New York Homeownership	1,888,751	1,888,751	-
LIFT	76,299	-	76,299
Shore Up	530,304	530,304	-
Sub-total	42,814,899	29,733,949	13,080,950
MacArthur Energy Efficiency Loans	2,118,384	-	2,118,384
Gross loans receivable	$ 65,147,305	$ 29,733,949	35,413,356
Less - allowance			(2,320,774)
Less - deferred origination fees			(104,913)
Sub-total			32,987,669
Less - current portion			(1,525,306)
Loans receivable, net			$ 31,462,363

5. LOANS RECEIVABLE (Continued)

	2021		
	Gross Loan Receivables	Participations and Transfers	Net of Participations and Transfers
Multifamily Loans	$ 34,740,983	$ 12,471,548	$ 22,269,435
Homebuyer Assistance Loans:			
Down Payment Assistance	7,886,909	-	7,886,909
Live Where You Work	4,229,029	-	4,229,029
Smart Move I Homeownership	12,196,885	12,096,287	100,598
Smart Move II Homeownership	21,106,969	19,275,918	1,831,051
Smart Move New York Homeownership	2,231,920	2,231,920	-
LIFT	320,599	-	320,599
Shore Up	1,108,848	1,108,848	-
Sub-total	49,081,159	34,712,973	14,368,186
MacArthur Energy Efficiency Loans	2,303,199	-	2,303,199
Gross loans receivable	$ 86,125,341	$ 47,184,521	38,940,820
Less - allowance			(2,723,441)
Less- deferred origination fees			(93,000)
Sub-total			36,124,379
Less - current portion			(4,266,187)
Loans receivable, net			$ 31,858,192

Schedule of Repayments

Scheduled principal repayments of gross loans receivable, net of amounts owed to participants as of June 30, 2022, are as follows for the fiscal years ending June 30:

2023	$ 1,525,306
2024	879,897
2025	1,001,041
2026	1,046,145
2027	1,097,476
Thereafter	29,863,491
Total	$ 35,413,356

Loan Escrow Accounts

In connection with certain loan agreements, the Organization has required the borrower to maintain escrow reserve accounts. The balance of these escrow accounts was $886,470 and $740,822 as of June 30, 2022 and 2021, respectively. The escrow reserve accounts are held by the borrowers and controlled by a third-party trustee and, therefore, are not included in the combined financial statements of the Organization.

5. LOANS RECEIVABLE (Continued)

Commitments to Lend

In addition to funded loans receivable, the Organization had unfunded loan commitments to borrowers totaling $166,925 and $900,461 at June 30, 2022 and 2021, respectively. Loan commitments represent arrangements to lend funds at specified terms and interest rates and contain fixed expiration dates or other termination clauses.

6. ALLOWANCE FOR LOAN LOSSES

Risk Rating System

The Organization utilizes a tiered risk rating system as a means of monitoring the credit quality of its loan portfolio and to identify problem loans. Lower risk loans are classified as Pass or Watch, while potential problem loans are classified as Criticized Assets. Within the Criticized Assets category, loans are further evaluated as High Risk, Doubtful, or Loss. Loans categorized as Doubtful or Loss are further assessed for write-off.

The Organization updates its risk rating on an ongoing basis as warranted. Multifamily loans are evaluated on an individual loan basis. Homebuyer Assistance Program loans are evaluated on a portfolio basis. MacArthur Energy Efficiency Loans are not assessed for loan loss due to the bank's guarantee (see Note 5). Loan loss reserve is then applied to the loans based on the risk rating. Loan loss reserve ranges from 1.5% to 100%. Interest receivable is not reserved as the Organization has deemed the balance as of June 30, 2022 and 2021, to be collectable.

	2022		2021	
Category	Loan Balance	Loan Loss Allowance	Loan Balance	Loan Loss Allowance
Pass	$ 35,413,356	$ 2,320,774	$ 38,134,984	$ 2,661,770
Watch	-	-	805,836	61,671
Criticized Assets	-	-	-	-
	$ 35,413,356	$ 2,320,774	$ 38,940,820	$ 2,723,441

The allowance for uncollectible loans has been applied to the long-term portion of the loan portfolio. Activity in the allowance is summarized below:

	Multifamily Loans	Homebuyer Assistance Program	MacArthur Energy Efficiency Loans	Total
Balance, June 30, 2020	$ 1,124,927	$ 2,498,247	$ -	$ 3,623,174
Changes to allowance	(167,100)	116,116	-	(50,984)
Write-off	-	(848,749)	-	(848,749)
Balance, June 30, 2021	957,827	1,765,614	-	2,723,441
Changes to allowance	8,227	(144,358)	-	(136,131)
Write-off	-	(266,536)	-	(266,536)
Balance, June 30, 2022	$ 966,054	$ 1,354,720	$ -	$ 2,320,774

6. ALLOWANCE FOR LOAN LOSSES (Continued)

Risk Rating System (Continued)

The write-offs noted in the table on page 21 were previously reserved by the Organization and, as a result, have no impact on the accompanying combined statements of activities and changes in net assets for the years ended June 30, 2022 and 2021. During fiscal year 2022, the Organization collected $75,010 of loans receivable previously written-off, which is reflected as recovery of loans receivable in the accompanying fiscal year 2022 combined statement of activities and changes in net assets.

Delinquencies and Non-Accrual Loans

Delinquencies are as follows as of June 30:

	2022	2021
30 - 90 days	$ -	$ -
Greater than 90 days	63,016	6,031
Total past due	63,016	6,031
Current	35,350,340	38,934,789
	$ 35,413,356	$ 38,940,820

There were no loans receivable on non-accrual status as of June 30, 2022 and 2021.

Impaired Loans and Troubled Debt Restructurings

There were no loans that were deemed to be impaired as of June 30, 2022 and 2021. There have been no loan modifications classified as troubled debt restructurings as of June 30, 2022 and 2021.

7. NOTES PAYABLE

MacArthur Foundation

The Organization entered into an unsecured $5,000,000 note payable agreement with the MacArthur Foundation, which bears interest at 1% through February 2031 (maturity). Interest-only payments are due quarterly through February 2028, at which time annual principal payments are due as follows:

2028	$ 750,000
2029	750,000
2030	1,500,000
2031	2,000,000
Total	$ 5,000,000

The outstanding balance on the note payable was $5,000,000 at June 30, 2022 and 2021. Interest expense on the note payable was $50,000 for the years ended June 30, 2022 and 2021. The proceeds of the loan were used to finance clean energy and energy related health and safety improvements to multifamily affordable rental housing properties.

7. NOTES PAYABLE (Continued)

MacArthur Foundation (Continued)

As of June 30, 2022 and 2021, three and four loans have been issued and are outstanding with balances totaling $2,118,384 and $2,303,199, respectively (see Note 5). In addition, the proceeds of the loan were used to purchase $1,330,000 of municipal bonds (see Note 4). Unspent proceeds of the note payable totaling $1,551,616 and $1,366,801 as of June 30, 2022 and 2021, respectively, are included in restricted deposits in the accompanying combined statements of financial position (see Note 4).

The Organization must comply with various covenants under this agreement. The Organization was in compliance with these covenants at June 30, 2022 and 2021.

Consortium Banks

The Organization entered into a master loan agreement (Master Loan Agreement) with twenty-one banks (Consortium Lenders), under which note advances bear interest at 2% through June 30, 2023 (maturity date). Advances are used to make loans to create housing opportunities for low and moderate-income families (see Note 5) and have been used principally in the Organization's multifamily and Smart Move programs. Payments of principal and interest are due quarterly in an amount equal to the total principal and interest collected on notes and interest receivable funded with proceeds from the Consortium notes payable. Payments are due to the Consortium Lenders within thirty days of end of each calendar quarter end. The Consortium notes payable are secured by all loans receivable (see Note 5) funded with Consortium Lender capital and all related assets pledged to the Organization in connection with issuance of the respective loans. As of June 30, 2022, the Consortium Lenders committed total capital to the Organization of $29,734,898.

Total notes payable outstanding from the Consortium Lenders as of June 30, 2022 and 2021, was $18,153,998 and $19,929,339, respectively. Interest expense on the Consortium notes payable was $416,917 and $362,669 for the years ended June 30, 2022 and 2021, respectively. Accrued interest payable on these notes payable was $89,865 and $96,579 as of June 30, 2022 and 2021, respectively, and is reflected as such in the accompanying combined statements of financial position.

The Organization must comply with various covenants under the Master Loan Agreement. The Organization was in compliance with these covenants at June 30, 2022 and 2021.

Schedule of Repayments

Scheduled principal repayments of notes payable are as follows for the fiscal years ending June 30:

	MacArthur Foundation	Consortium Banks	Total
2023	$ -	$ 515,804	$ 515,804
2024	-	661,375	661,375
2025	-	800,013	800,013
2026	-	842,424	842,424
2027	-	887,148	887,148
Thereafter	5,000,000	14,447,234	19,447,234
Total	$ 5,000,000	$ 18,153,998	$ 23,153,998

8. LEASE AGREEMENTS

The Organization has a lease agreement for office space in Bridgeport, Connecticut through December 2023, with monthly payments ranging from $2,693 to $3,854. The Organization is also responsible for its share of real estate taxes and operating expenses under this agreement. In addition, the Organization received an in-kind contribution of a ninety-nine-year leasehold interest in its Stamford office space (see Note 3). Total expense under the facility leases, which includes the Organization's share of real estate taxes and operating expenses, totaled $55,341 and $50,844 for the years ended June 30, 2022 and 2021, respectively, and is included in occupancy in the accompanying combined statements of functional expenses.

Future minimum lease payments, excluding real estate taxes and utilities, under these agreements are as follows for the fiscal years ending June 30:

2023	$ 45,796
2024	15,415
Total	$ 61,211

9. EMPLOYEE BENEFIT PLANS

Retirement Plan

The Organization maintains a qualified salary reduction 401(k) plan (the 401(k) Plan). Employees may contribute up to the IRC limitations of their eligible earnings. The Organization may elect to make a discretionary matching contribution equal to 100% of the first 2% contributed by each employee. During the years ended June 30, 2022 and 2021, the Organization did not elect to make a matching contribution to the 401(k) Plan.

The 401(k) Plan also allows for a non-elective employer contribution equal to 3% of eligible employees' compensation, paid annually. Employees are eligible when they have worked a minimum of 1,000 hours and completed one year of employment. The Organization's contributions totaled $61,906 and $71,431 during fiscal years 2022 and 2021, respectively, and are included in employee benefits in the accompanying combined statements of functional expenses.

Deferred Compensation

In July 2017, the Organization adopted a deferred compensation plan in accordance with Section 457(f) (the 457(f) Plan) of the IRC for its Chief Executive Officer (CEO). Employer contributions, if any, are discretionary and determined by the Board of Directors. In addition, employer contributions to the 457(f) Plan vest upon the CEO's completion of five years of continuous employment following commencement of the plan (fiscal year 2023).

The changes in the 457(f) Plan were as follows for the fiscal years ended June 30:

	2022	2021
Beginning Balance	$ 152,015	$ 81,507
Contributions	-	48,285
Change in value	(21,898)	22,223
Ending Balance	$ 130,117	$ 152,015

The 457(f) Plan balance of $130,117 and $152,015 at June 30, 2022 and 2021, respectively, was fully funded and is included in investments and accounts payable, accrued expenses and other in the accompanying combined statements of financial position.

10. CONDITIONAL AWARDS

Paycheck Protection Program

The Organization applied for and was awarded a loan of $292,900 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds were used to pay certain payroll costs, including benefits as well as rent and utilities during a covered period as defined in the CARES Act. These funds were subject to be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds would be due over a two-year period with interest at 1%. Any repayment was deferred for a period of ten months from the end of the covered period, when the note, plus interest, would have been due in equal monthly payments through the maturity date as defined by the bank. The forgiveness calculations were subject to review and approval by the lending bank and the Small Business Administration (SBA). During fiscal year 2021, the entire loan balance and related interest were forgiven by the lending bank.

The Organization has elected to account for the PPP loan as a conditional grant under ASC Subtopic 958-605 (see Note 2). This grant was conditional upon certain performance requirements and the incurrence of eligible expenses. Amounts received were recognized as revenue when the Organization incurred expenditures in compliance with the loan application and CARES Act requirements. As a result, the Organization recognized $31,346 of the conditional grant as grant and contribution revenue during the year ended June 30, 2021, which is included in grants and contributions in the accompanying fiscal year 2021 combined statement of activities and changes in net assets. The remainder of the loan was previously recognized as grant income in fiscal year 2020.

Conditional Grant Advances

The Organization received grants and contributions that contained donor-imposed conditions that represent barriers that must be overcome as well as a right of return of the assets transferred (see Note 2). The Organization recognizes these grants and contributions only when donor-imposed conditions are substantially met. Accordingly, the ending balance of conditional advances included in the accompanying combined statements of financial position pertains to cash received by the Organization in advance of meeting the necessary conditions. Conditional advances, including PPP loan funds, consist of the following as of June 30:

	2022	2021
South End Project awards **	$ 3,157,679	$ 3,157,679
Other conditional awards	177,186	183,247
Ending balance of conditional grant advances	$ 3,334,865	$ 3,340,926

** The Organization entered into a fee-in-lieu (FIL) agreement (Agreement) with the City of Stamford for the South End Project (see Note 1). The Agreement provides funding in the amount of $3,157,679 which is to be used to purchase and rehabilitate a minimum of thirty-two deed-restricted units of below-market rate housing. The units are deed-restricted for families making not more than 50% of the area median income (AMI). The Agreement allows for up to 10% of the funds to be used for administrative costs incurred by the Organization. The Organization will be deemed to have met the conditions of this award upon selling deed-restricted units of below-market housing and will record grant and contribution revenue on a pro-rata basis as qualifying homes are sold. The Organization intends to sell all of the deed-restricted condominium units developed during fiscal year 2023 (see page 10).

The unspent balance of conditional grant advances as of June 30, 2022 and 2021, totaling $177,186 and $2,241,464, respectively is included in restricted deposits in the accompanying combined statements of financial position (see Note 4).

11. ENDOWMENT

The Stamford Development Corporation Endowment Fund (the Endowment) was established upon the acceptance of an endowment gift of $428,755 to assist with affordable housing within the City of Stamford, Connecticut. The net income from the Endowment was available to be used to help meet the operating expenses of the Organization in their efforts to assist affordable housing in Stamford. In addition, no more than 25% of the corpus of the Endowment could be advanced by the Organization as bridge financing to qualified developers to assist them in their efforts to create affordable housing in Stamford. No such loans had been made as of June 30, 2021. Perpetually restricted net assets totaling $428,755 at June 30, 2021, are included in restricted deposits in the accompanying fiscal year 2021 combined statement of financial position (see Note 4).

In November 2021, the Organization was notified that the donor of the Endowment funds granted a full release of all obligations of this perpetually restricted capital. This release from restrictions is reflected in the fiscal year 2022 combined statement of activities and changes in net assets.

Prior to the Endowment's termination, the Organization followed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified as net assets with donor restrictions, the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and, when applicable, accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation was added to the fund.

The remaining portion of the donor-restricted endowment fund was classified as net assets with donor restrictions until those amounts were appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considered the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The donors of the Endowment permitted the Organization to use all of the income earned on related investments for general mission related costs. During the year ended June 30, 2021, the Organization recognized investment income totaling $11,397 on the balance of the Endowment. This amount is included in net assets without donor restrictions in accordance with the intent of the donor.

12. LIQUIDITY

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 2), within one year of the combined statements of financial position date, comprise the following at June 30:

	2022	2021
Cash and cash equivalents	$ 8,834,272	$ 8,297,963
Accounts and other receivables	19,708	80,328
Interest receivable	137,757	133,513
Current portion of construction in progress	8,908,992	-
Current portion of loans receivable	1,525,306	4,266,187
	19,426,035	12,777,991
Less - required principal repayment of notes payable	(515,804)	(2,936,645)
Less - required interest repayment of notes payable	(89,865)	(96,579)
Less - cash and cash equivalents committed to lend	(166,925)	(900,461)
Less - conditional grant advance used to fund construction in progress	(3,157,679)	-
Less - cash and cash equivalents with donor restrictions (see Note 2):		
Live Where You Work - lending capital	(910,000)	(1,142,729)
Revolving Loan Capital - down payment assistance	(51,000)	(51,000)
Repairs of Rental Properties	-	(50,143)
Total	$ 14,534,762	$ 7,600,434

The Organization's cash management objectives are to ensure that it has sufficient liquidity and resources to carry out the Organization's mission. Effective cash management enhances the Organization's capacity to increase access to capital for the benefit of low and moderate-income people through the partnerships with lending, government, and philanthropic institutions. As part of the Organization'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. 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. Board designated funds (see Note 2) are generally not available to the Organization and, therefore, are excluded from the above table, however, these funds can be used if the Board of Directors approves the use.

13. FUNDING CONCENTRATIONS

Approximately 63% and 60% of the Organization's combined operating revenues and support for the years ended June 30, 2022 and 2021, were from two donors and one donor, respectively.

14. RELATED PARTY TRANSACTIONS

The Organization has entered into the following transactions with related parties during the years ended June 30, 2022 and 2021:

- The Organization has entered into a lease agreement to rent space in Bridgeport, Connecticut (see Note 8) from a member of the Board of Directors. This Board member did not participate in the vote to approve the lease agreement. Rent expense under this lease agreement was $44,464 and $43,176 for the years ended June 30, 2022 and 2021, respectively. Management of the Organization is of the opinion that the lease payments are at fair value.
- A member of the Board of Directors provided $12,000 of pro bono legal services to the Organization during the year ended June 30, 2021 (see Note 2). No pro bono legal services were provided to the Organization during the year ended June 30, 2022.
- There are various banks involved in the Consortium note payable agreement (see Note 7). A senior member of management at five of these Consortium banks is also a member of the Board of Directors of the Organization. These individuals do not participate in lending decisions that pertain to the Consortium note payable agreement of which the Organization is a beneficiary of loan proceeds.

15. RECLASSIFICATION

Certain amounts in the fiscal year 2021 combined financial statements have been reclassified to conform with the fiscal year 2022 presentation.

HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Combining Statement of Financial Position
June 30, 2022

Assets	Housing Development Fund, Inc.	HDF Community Works, LLC	HDF Community Land Trust, Inc.	Eliminations	Total
Current Assets:					
Cash and cash equivalents	$ 8,530,507	$ 182,261	$ 121,504	$ -	$ 8,834,272
Accounts and other receivables	16,792	2,916	-	-	19,708
Interest receivable	137,757	-	-	-	137,757
Prepaid expenses and other	85,020	6,335	35,072	-	126,427
Due from affiliates	5,596,825	166,580	-	(5,763,405)	-
Construction in progress	-	-	8,908,992	-	8,908,992
Current portion of loans receivable	1,525,306	-	-	-	1,525,306
Total current assets	15,892,207	358,092	9,065,568	(5,763,405)	19,552,462
Other Assets:					
Investment in affiliate	1,158,405	-	-	(1,158,405)	-
Restricted deposits	3,094,176	-	-	-	3,094,176
Loans receivable, net	31,462,363	-	-	-	31,462,363
Property and equipment, net	390,641	835,595	-	-	1,226,236
Total other assets	36,105,585	835,595	-	(1,158,405)	35,782,775
Total assets	$ 51,997,792	$ 1,193,687	$ 9,065,568	$ (6,921,810)	$ 55,335,237
Liabilities and Net Assets					
Current Liabilities:					
Current portion of notes payable	$ 515,804	$ -	$ -	$ -	$ 515,804
Accounts payable, accrued expenses and other	352,247	4,513	-	-	356,760
Accrued interest payable	89,865	-	-	-	89,865
Due to affiliates	-	-	5,763,405	(5,763,405)	-
Current portion of conditional grant advances	-	-	3,157,679	-	3,157,679
Accounts payable - construction	-	-	375,030	-	375,030
Total current liabilities	957,916	4,513	9,296,114	(5,763,405)	4,495,138
Other Liabilities:					
Conditional grant advances, net of current portion	177,186	-	-	-	177,186
Notes payable, net	22,638,194	-	-	-	22,638,194
Total other liabilities	22,815,380	-	-	-	22,815,380
Total liabilities	23,773,296	4,513	9,296,114	(5,763,405)	27,310,518
Net Assets:					
Without donor restrictions:					
Operating	9,058,476	-	-	-	9,058,476
Board designated	16,655,974	-	-	-	16,655,974
Net investment in real estate	1,186,780	1,189,174	(230,546)	(1,158,405)	987,003
Total without donor restrictions	26,901,230	1,189,174	(230,546)	(1,158,405)	26,701,453
With donor restrictions	1,323,266	-	-	-	1,323,266
Total net assets	28,224,496	1,189,174	(230,546)	(1,158,405)	28,024,719
Total liabilities and net assets	$ 51,997,792	$ 1,193,687	$ 9,065,568	$ (6,921,810)	$ 55,335,237

HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Combining Statement of Financial Position
June 30, 2021

Assets	Housing Development Fund, Inc.	HDF Community Works, LLC	HDF Community Land Trust, Inc.	Eliminations	Total
Current Assets:					
Cash and cash equivalents	$ 8,096,858	$ 201,105	$ -	$ -	$ 8,297,963
Accounts and other receivables	76,942	3,386	-	-	80,328
Interest receivable	133,513	-	-	-	133,513
Prepaid expenses and other	75,685	3,722	35,261	-	114,668
Due from affiliates	220,140	103,554	-	(323,694)	-
Current portion of loans receivable	4,266,187	-	-	-	4,266,187
Total current assets	12,869,325	311,767	35,261	(323,694)	12,892,659
Other Assets:					
Investment in affiliate	1,158,405	-	-	(1,158,405)	-
Restricted deposits	5,327,508	-	-	-	5,327,508
Loans receivable, net	31,858,192	-	-	-	31,858,192
Property and equipment, net	419,732	842,384	-	-	1,262,116
Construction in progress	-	18,792	4,362,265	-	4,381,057
Total other assets	38,763,837	861,176	4,362,265	(1,158,405)	42,828,873
Total assets	$ 51,633,162	$ 1,172,943	$ 4,397,526	$ (1,482,099)	$ 55,721,532
Liabilities and Net Assets					
Current Liabilities:					
Current portion of notes payable	$ 2,936,645	$ -	$ -	$ -	$ 2,936,645
Accounts payable, accrued expenses and other	390,790	7,830	-	-	398,620
Accrued interest payable	96,579	-	-	-	96,579
Due to affiliates	-	-	323,694	(323,694)	-
Accounts payable - construction	-	-	81,128	-	81,128
Total current liabilities	3,424,014	7,830	404,822	(323,694)	3,512,972
Other Liabilities:					
Conditional grant advances	183,247	-	3,157,679	-	3,340,926
Notes payable, net	21,992,694	-	-	-	21,992,694
Total other liabilities	22,175,941	-	3,157,679	-	25,333,620
Total liabilities	25,599,955	7,830	3,562,501	(323,694)	28,846,592
Net Assets:					
Without donor restrictions:					
Operating	5,434,669	-	-	-	5,434,669
Board designated	17,347,774	-	-	-	17,347,774
Net investment in real estate	1,204,649	1,165,113	835,025	(1,158,405)	2,046,382
Total without donor restrictions	23,987,092	1,165,113	835,025	(1,158,405)	24,828,825
With donor restrictions	2,046,115	-	-	-	2,046,115
Total net assets	26,033,207	1,165,113	835,025	(1,158,405)	26,874,940
Total liabilities and net assets	$ 51,633,162	$ 1,172,943	$ 4,397,526	$ (1,482,099)	$ 55,721,532

Combining Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	Housing Development Fund, Inc.	HDF Community Works, LLC	HDF Community Land Trust, Inc.	Eliminations	Total
Operating Revenues and Support:					
Earned revenue:					
Financial revenue:					
Interest income - loans	$ 1,140,417	$ -	$ -	$ -	$ 1,140,417
Loan related fees	332,884	-	-	-	332,884
Investment return	122,408	-	-	-	122,408
Recovery of loans receivable previously written off	75,010	-	-	-	75,010
Interest income - bank deposits	42,914	181	4	-	43,099
Less - interest expense	(466,917)	-	-	-	(466,917)
Less - net loan loss recovery	136,131	-	-	-	136,131
Net financial revenue	1,382,847	181	4	-	1,383,032
Fee for service revenue	126,300	-	-	-	126,300
Rental revenue	-	49,981	-	-	49,981
Developer fees	250,000	-	-	(250,000)	-
Total earned revenue	1,759,147	50,162	4	(250,000)	1,559,313
Public support:					
Grants and contributions	3,121,786	-	-	-	3,121,786
Total operating revenues and support	4,880,933	50,162	4	(250,000)	4,681,099
Operating Expenses:					
Program services	1,533,869	26,101	50,237	-	1,610,207
General and administrative	873,089	-	-	(250,000)	623,089
Fundraising and communication	282,686	-	-	-	282,686
Total operating expenses	2,689,644	26,101	50,237	(250,000)	2,515,982
Changes in net assets from operations	2,191,289	24,061	(50,233)	-	2,165,117
Non-Operating Expense:					
Impairment of construction in progress	-	-	(1,015,338)	-	(1,015,338)
Changes in net assets	2,191,289	24,061	(1,065,571)	-	1,149,779
Net Assets:					
Beginning of year	26,033,207	1,165,113	835,025	(1,158,405)	26,874,940
End of year	$ 28,224,496	$ 1,189,174	$ (230,546)	$ (1,158,405)	$ 28,024,719

HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Combining Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Housing Development Fund, Inc.	HDF Community Works, LLC	HDF Community Land Trust, Inc.	Eliminations	Total
Operating Revenues and Support:					
Earned revenue:					
Financial revenue:					
Interest income - loans	$ 1,235,401	$ -	$ -	$ -	$ 1,235,401
Loan related fees	316,750	-	-	-	316,750
Investment return	(120,681)	-	-	-	(120,681)
Interest income - bank deposits	33,317	830	-	-	34,147
Less - interest expense	(412,669)	-	-	-	(412,669)
Less - net loan loss recovery	50,984	-	-	-	50,984
Net financial revenue	1,103,102	830	-	-	1,103,932
Fee for service revenue	233,500	-	-	-	233,500
Rental revenue	-	55,207	-	-	55,207
Miscellaneous revenue	-	1,850	-	-	1,850
Developer fees	300,000	-	-	(300,000)	-
Total earned revenue	1,636,602	57,887	-	(300,000)	1,394,489
Public support:					
Grants and contributions	5,153,389	35,000	-	-	5,188,389
Donated services	89,500	-	-	-	89,500
Total public support	5,242,889	35,000	-	-	5,277,889
Total operating revenues and support	6,879,491	92,887	-	(300,000)	6,672,378
Operating Expenses:					
Program services	1,718,699	77,059	20,847	-	1,816,605
General and administrative	813,994	-	-	(300,000)	513,994
Fundraising and communication	261,445	-	-	-	261,445
Total operating expenses	2,794,138	77,059	20,847	(300,000)	2,592,044
Changes in net assets from operations	4,085,353	15,828	(20,847)	-	4,080,334
Non-Operating Revenue (Expense):					
Capital grants, net	-	-	855,872	-	855,872
Loss on sale of property and equipment	-	(9,120)	-	-	(9,120)
Total non-operating revenue (expense)	-	(9,120)	855,872	-	846,752
Changes in net assets	4,085,353	6,708	835,025	-	4,927,086
Net Assets:					
Beginning of year	21,947,854	1,158,405	-	(1,158,405)	21,947,854
End of year	$ 26,033,207	$ 1,165,113	$ 835,025	$ (1,158,405)	$ 26,874,940