



**Housing  
Development  
Fund**  
AND AFFILIATES

**COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Contents  
June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 28 through 31 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 supplementary information shown on pages 28 through 31 is fairly stated in all material respects in relation to the combined financial statements as a whole.

*AAFCPA, Inc.*

Boston, Massachusetts  
October 19, 2023

**HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES**

Combined Statements of Financial Position  
June 30, 2023 and 2022

| <b>Assets</b>                                 | <b>2023</b>                 | <b>2022</b>                 |
|---|-----------------------------|-----------------------------|
| Current Assets:                               |                             |                             |
| Cash and cash equivalents                     | \$ 1,687,460                | \$ 8,834,272                |
| Short-term investments                        | 9,341,411                   | -                           |
| Accounts and other receivables                | 70,918                      | 19,708                      |
| Construction in progress                      | 304,458                     | 8,908,992                   |
| Current portion of loans receivable           | 1,451,478                   | 1,525,306                   |
| Interest receivable                           | 185,666                     | 137,757                     |
| Prepaid expenses and other                    | 101,529                     | 126,427                     |
| Total current assets                          | <u>13,142,920</u>           | <u>19,552,462</u>           |
| Other Assets:                                 |                             |                             |
| Restricted deposits                           | 3,159,786                   | 3,094,176                   |
| Loans receivable, net                         | 33,420,311                  | 31,462,363                  |
| Property and equipment, net                   | <u>1,189,166</u>            | <u>1,226,236</u>            |
| Total other assets                            | <u>37,769,263</u>           | <u>35,782,775</u>           |
| Total assets                                  | <u><u>\$ 50,912,183</u></u> | <u><u>\$ 55,335,237</u></u> |
| <b>Liabilities and Net Assets</b>             |                             |                             |
| Current Liabilities:                          |                             |                             |
| Current portion of notes payable              | \$ 613,542                  | \$ 515,804                  |
| Accounts payable, accrued expenses and other  | 127,401                     | 356,760                     |
| Accrued interest payable                      | 88,012                      | 89,865                      |
| Current portion of conditional grant advances | -                           | 3,157,679                   |
| Accounts payable - construction               | <u>26,019</u>               | <u>375,030</u>              |
| Total current liabilities                     | <u>854,974</u>              | <u>4,495,138</u>            |
| Other Liabilities:                            |                             |                             |
| Conditional grant advances, net               | 38,528                      | 177,186                     |
| Notes payable, net                            | <u>21,903,878</u>           | <u>22,638,194</u>           |
| Total other liabilities                       | <u>21,942,406</u>           | <u>22,815,380</u>           |
| Total liabilities                             | <u>22,797,380</u>           | <u>27,310,518</u>           |
| Net Assets:                                   |                             |                             |
| Without donor restrictions:                   |                             |                             |
| Operating                                     | 8,051,488                   | 9,058,476                   |
| Board designated                              | 18,098,968                  | 16,655,974                  |
| Net investment in real estate                 | <u>1,124,787</u>            | <u>987,003</u>              |
| Total without donor restrictions              | <u>27,275,243</u>           | <u>26,701,453</u>           |
| With donor restrictions                       | <u>839,560</u>              | <u>1,323,266</u>            |
| Total net assets                              | <u>28,114,803</u>           | <u>28,024,719</u>           |
| Total liabilities and net assets              | <u><u>\$ 50,912,183</u></u> | <u><u>\$ 55,335,237</u></u> |

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

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**HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES**

Combined Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2023 and 2022

|   | 2023                          |                            |               | 2022                          |                            |               |
|---|-------------------------------|----------------------------|---------------|-------------------------------|----------------------------|---------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
| <b>Operating Revenues and Support:</b>              |                               |                            |               |                               |                            |               |
| Earned revenue:                                     |                               |                            |               |                               |                            |               |
| Financial revenue:                                  |                               |                            |               |                               |                            |               |
| Interest income - loans                             | \$ 1,073,980                  | \$ -                       | \$ 1,073,980  | \$ 1,140,417                  | \$ -                       | \$ 1,140,417  |
| Loan related fees                                   | 488,973                       | -                          | 488,973       | 332,884                       | -                          | 332,884       |
| Investment return                                   | 216,907                       | -                          | 216,907       | 122,408                       | -                          | 122,408       |
| Recovery of loans receivable previously written off | 27,936                        | -                          | 27,936        | 75,010                        | -                          | 75,010        |
| Interest income - bank deposits                     | 16,781                        | -                          | 16,781        | 43,099                        | -                          | 43,099        |
| Less - interest expense                             | (406,717)                     | -                          | (406,717)     | (466,917)                     | -                          | (466,917)     |
| Add - net loan loss recovery                        | 510,855                       | -                          | 510,855       | 136,131                       | -                          | 136,131       |
| Net financial revenue                               | 1,928,715                     | -                          | 1,928,715     | 1,383,032                     | -                          | 1,383,032     |
| Rental revenue                                      | 58,790                        | -                          | 58,790        | 49,981                        | -                          | 49,981        |
| Fee for service revenue                             | 51,200                        | -                          | 51,200        | 126,300                       | -                          | 126,300       |
| Total earned revenue                                | 2,038,705                     | -                          | 2,038,705     | 1,559,313                     | -                          | 1,559,313     |
| Public support:                                     |                               |                            |               |                               |                            |               |
| Grants and contributions                            | 873,626                       | -                          | 873,626       | 3,121,786                     | -                          | 3,121,786     |
| Net assets released from restrictions               | 483,706                       | (483,706)                  | -             | 294,094                       | (294,094)                  | -             |
| Total public support                                | 1,357,332                     | (483,706)                  | 873,626       | 3,415,880                     | (294,094)                  | 3,121,786     |
| Total operating revenues and support                | 3,396,037                     | (483,706)                  | 2,912,331     | 4,975,193                     | (294,094)                  | 4,681,099     |
| <b>Operating Expenses:</b>                          |                               |                            |               |                               |                            |               |
| Program services                                    | 1,721,991                     | -                          | 1,721,991     | 1,610,207                     | -                          | 1,610,207     |
| General and administrative                          | 956,040                       | -                          | 956,040       | 623,089                       | -                          | 623,089       |
| Fundraising and communication                       | 304,906                       | -                          | 304,906       | 282,686                       | -                          | 282,686       |
| Total operating expenses                            | 2,982,937                     | -                          | 2,982,937     | 2,515,982                     | -                          | 2,515,982     |
| Changes in net assets from operations               | 413,100                       | (483,706)                  | (70,606)      | 2,459,211                     | (294,094)                  | 2,165,117     |
| <b>Non-Operating Revenue (Expense):</b>             |                               |                            |               |                               |                            |               |
| Capital grants                                      | 3,157,679                     | -                          | 3,157,679     | -                             | -                          | -             |
| Impairment of construction in progress              | -                             | -                          | -             | (1,015,338)                   | -                          | (1,015,338)   |
| Loss on sale of property and equipment              | (2,996,989)                   | -                          | (2,996,989)   | -                             | -                          | -             |
| Net assets released from perpetual restrictions     | -                             | -                          | -             | 428,755                       | (428,755)                  | -             |
| Total non-operating revenue (expense)               | 160,690                       | -                          | 160,690       | (586,583)                     | (428,755)                  | (1,015,338)   |
| Changes in net assets                               | 573,790                       | (483,706)                  | 90,084        | 1,872,628                     | (722,849)                  | 1,149,779     |
| <b>Net Assets:</b>                                  |                               |                            |               |                               |                            |               |
| Beginning of year                                   | 26,701,453                    | 1,323,266                  | 28,024,719    | 24,828,825                    | 2,046,115                  | 26,874,940    |
| End of year   | \$ 27,275,243                 | \$ 839,560                 | \$ 28,114,803 | \$ 26,701,453                 | \$ 1,323,266               | \$ 28,024,719 |

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

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# HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Combined Statements of Cash Flows  
For the Years Ended June 30, 2023 and 2022

|  | 2023         | 2022          |
|--|--------------|---------------|
| <b>Cash Flows from Operating Activities:</b>   |              |               |
| Changes in net assets  | \$ 90,084    | \$ 1,149,779  |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:                             |              |               |
| Depreciation   | 37,070       | 35,880        |
| Unrealized (gain) loss on investments  | 109,811      | (74,886)      |
| Net loan loss recovery   | (510,855)    | (136,131)     |
| Deferred origination fees  | (79,036)     | 11,913        |
| Capital grants   | (3,157,679)  | -             |
| Impairment of construction in progress   | -            | 1,015,338     |
| Loss on sale of property and equipment   | 2,996,989    | -             |
| Changes in operating assets and liabilities:   |              |               |
| Accounts and other receivables   | (51,210)     | 60,620        |
| Interest receivable  | (47,909)     | (4,244)       |
| Prepaid expenses and other   | 24,898       | (11,759)      |
| Accounts payable, accrued expenses and other   | (229,359)    | (41,860)      |
| Accrued interest payable   | (1,853)      | (6,714)       |
| Conditional grant advances   | (138,658)    | (6,061)       |
| Net cash provided by (used in) operating activities  | (957,707)    | 1,991,875     |
| <b>Cash Flows from Investing Activities:</b>   |              |               |
| Principal payments on loans receivable   | 4,383,808    | 9,472,582     |
| Issuance of loans receivable   | (5,678,037)  | (6,211,654)   |
| Purchase of investments  | (9,341,411)  | -             |
| Proceeds from sale of investments  | 130,117      | -             |
| Payments for construction in progress  | (486,466)    | (5,249,371)   |
| Proceeds from sale of property and equipment   | 5,745,000    | -             |
| Net cash used in investing activities  | (5,246,989)  | (1,988,443)   |
| <b>Cash Flows from Financing Activities:</b>   |              |               |
| Proceeds from notes payable  | 399,319      | 4,356,598     |
| Principal payments on notes payable  | (1,035,897)  | (6,131,939)   |
| Net cash used in financing activities  | (636,578)    | (1,775,341)   |
| <b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>  | (6,841,274)  | (1,771,909)   |
| <b>Cash, Cash Equivalents and Restricted Cash:</b>   |              |               |
| Beginning of year  | 10,563,074   | 12,334,983    |
| End of year  | \$ 3,721,800 | \$ 10,563,074 |
| <b>Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Combined Statements of Financial Position:</b> |              |               |
| Cash and cash equivalents  | \$ 1,687,460 | \$ 8,834,272  |
| Restricted deposits  | 3,159,786    | 3,094,176     |
| Less - restricted deposits classified as investments   | (1,125,446)  | (1,365,374)   |
| Total cash, cash equivalents and restricted cash shown in the combined statements of cash flows                                    | \$ 3,721,800 | \$ 10,563,074 |
| <b>Supplemental Disclosure of Cash Flow Information:</b>   |              |               |
| Cash paid for interest   | \$ 408,570   | \$ 473,631    |

HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Combined Statement of Functional Expenses  
For the Year Ended June 30, 2023  
(With Summarized Comparative Totals for the Year Ended June 30, 2022)

|                                   | 2023                 |                                   |                                 |                          |                                |                        |                            |                               |                        | 2022         |
|-----------------------------------|----------------------|-----------------------------------|---------------------------------|--------------------------|--------------------------------|------------------------|----------------------------|-------------------------------|------------------------|--------------|
|                                   | 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                | \$ 411,011           | \$ 358,143                        | \$ 346,512                      | \$ -                     | \$ -                           | \$ 1,115,666           | \$ 497,628                 | \$ 168,461                    | \$ 666,089             | \$ 1,781,755 |
| Payroll taxes                     | 16,110               | 41,901                            | 38,721                          | -                        | -                              | 96,732                 | 99,338                     | 17,605                        | 116,943                | 213,675      |
| Employee benefits                 | 6,476                | 42,459                            | 32,465                          | -                        | -                              | 81,400                 | 97,401                     | 9,591                         | 106,992                | 188,392      |
| Total personnel and related costs | 433,597              | 442,503                           | 417,698                         | -                        | -                              | 1,293,798              | 694,367                    | 195,657                       | 890,024                | 2,183,822    |
| Other:                            |                      |                                   |                                 |                          |                                |                        |                            |                               |                        |              |
| Professional and consulting fees  | 7,515                | 26,568                            | 10,173                          | -                        | 12,370                         | 56,626                 | 136,033                    | 18,151                        | 154,184                | 210,810      |
| Information technology            | 2,892                | 46,168                            | 7,107                           | -                        | -                              | 56,167                 | 59,243                     | 12,722                        | 71,965                 | 128,132      |
| Occupancy                         | 1,778                | 26,948                            | 22,874                          | 30,348                   | 1,241                          | 83,189                 | 16,187                     | 11,626                        | 27,813                 | 111,002      |
| Insurance                         | 6,351                | 28,265                            | 13,732                          | 6,833                    | 5,185                          | 60,366                 | 15,775                     | 7,814                         | 23,589                 | 83,955       |
| Office expenses and other         | 1,441                | 11,950                            | 35,126                          | 106                      | 999                            | 49,622                 | 17,270                     | 3,303                         | 20,573                 | 70,195       |
| Lending related expenses          | 4,071                | 54,000                            | -                               | -                        | -                              | 58,071                 | -                          | -                             | -                      | 58,071       |
| Event expenses                    | -                    | -                                 | -                               | -                        | -                              | -                      | -                          | 41,364                        | 41,364                 | 41,364       |
| Depreciation                      | 3,411                | 11,731                            | 4,644                           | 7,531                    | -                              | 27,317                 | 6,852                      | 2,901                         | 9,753                  | 37,070       |
| Dues and subscriptions            | 6,386                | 11,870                            | 5,515                           | -                        | 331                            | 24,102                 | 6,253                      | 3,383                         | 9,636                  | 33,738       |
| Telephone                         | 1,302                | 6,479                             | 3,514                           | -                        | -                              | 11,295                 | 3,978                      | 1,586                         | 5,564                  | 16,859       |
| Marketing                         | 128                  | 250                               | 51                              | -                        | 1,009                          | 1,438                  | 82                         | 6,399                         | 6,481                  | 7,919        |
|                                   | 468,872              | 666,732                           | 520,434                         | 44,818                   | 21,135                         | 1,721,991              | 956,040                    | 304,906                       | 1,260,946              | 2,982,937    |
| Less - capitalized costs          | -                    | -                                 | -                               | -                        | -                              | -                      | -                          | -                             | -                      | (250,000)    |
| Total operating expenses          | \$ 468,872           | \$ 666,732                        | \$ 520,434                      | \$ 44,818                | \$ 21,135                      | \$ 1,721,991           | \$ 956,040                 | \$ 304,906                    | \$ 1,260,946           | \$ 2,515,982 |



**HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES**

Combined Statement of Functional Expenses  
For the Year Ended June 30, 2022

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

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 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.

#### 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 now known as Washington Crossing), and developed a program whereby housing units of the South End Project were sold 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).

#### Recently Adopted Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the guidance in *Topic 840, Leases*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-of-use (ROU) assets and lease liabilities on the combined statements of financial position for operating leases.

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Recently Adopted Accounting Pronouncements (Continued)

The Organization adopted Topic 842 on July 1, 2022, using the modified retrospective method, presenting both fiscal years 2023 and 2022 under the new accounting standard. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Organization to skip the reassessment of whether the contract is or contains a lease, the treatment of initial direct costs and lease classification for the existing lease contracts. The adoption of the standard did not have a material impact on the Organization's combined financial statements.

#### 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 include 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 was no allowance for doubtful accounts as of June 30, 2023 and 2022.

#### Investments

Investment balances are included in both restricted deposits (see Note 4) and short-term investments (consisting entirely of U.S. Treasury bills with maturities through December 2023) 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 and Treasury bills 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.

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 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.

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 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 2023 or 2022.

#### 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 \$304,458 and \$8,908,992 as of June 30, 2023 and 2022, respectively, related to the South End Project (see Note 1). There was no developer fee charged to the Trust during the year ended June 30, 2023. During the year ended June 30, 2022, HDF charged the Trust developer fees of \$250,000 for its efforts creating the Trust and managing the South End Project on its behalf. This amount is included in construction in progress as of June 30, 2022, and is also reflected as a reduction of operating expenses in the accompanying fiscal year 2022 combined statement of functional expenses. During fiscal year 2023, the Organization sold twenty-two of the twenty-three deed-restricted units related to the Sound End Project as summarized below:

|   |                       |
|---|-----------------------|
| Proceeds from sale of deed-restricted units         | \$ 5,745,000          |
| Less - carrying costs of deed-restricted units sold | <u>(8,741,989)</u>    |
| Loss on sale of property and equipment              | <u>\$ (2,996,989)</u> |

The loss on sale of the units was directly offset by \$3,157,679 of capital grants earmarked for the project (see Note 10).

The carrying value of construction in progress is evaluated at least annually for impairment and an impairment loss of \$1,015,338 was recognized for fiscal year 2022 related primarily to the value of the land. Prior to fiscal year 2022, the Trust's development contemplated the Trust owning the project's land for the long-term. However, during fiscal year 2022, the project plan 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. The one remaining deed-restricted unit is expected to be sold in fiscal year 2024 for proceeds of \$305,000, which approximates the carrying value of construction in process as of June 30, 2023. As such, no impairment loss was recognized during fiscal year 2023.

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 2023 and 2022. The balance of investment in affiliate is eliminated in the accompanying combined statements of financial position.

#### 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). During fiscal year 2023, the Board of Directors elected to repurpose a portion of this fund balance to other Board designated funds.

*Homeownership Equity Fund* is intended to fund down payment assistance loans for first time homebuyers. This is not a revolving loan fund.

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

|   | <u>2023</u>          | <u>2022</u>          |
|---|----------------------|----------------------|
| Revolving Loan Fund - Homebuyer Assistance Loans                | \$ 13,560,482        | \$ 11,548,031        |
| Revolving Loan Fund - Flexible Funding for<br>Multifamily Loans | 2,218,159            | 2,257,943            |
| Future Projects Fund - The Trust (see Note 1)                   | 1,798,827            | 2,850,000            |
| Homeownership Equity Fund                                       | <u>521,500</u>       | <u>-</u>             |
|   | <u>\$ 18,098,968</u> | <u>\$ 16,655,974</u> |

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets (Continued)

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

*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.

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

|  | <u>2023</u>       | <u>2022</u>         |
|--|-------------------|---------------------|
| Operating time restricted:                         |                   |                     |
| Fair value of donated lease (see Note 3)           | \$ 348,560        | \$ 362,266          |
| Purpose restricted:                                |                   |                     |
| Live Where You Work - lending capital (see Note 5) | 440,000           | 910,000             |
| Revolving Loan Capital - down payment assistance   | <u>51,000</u>     | <u>51,000</u>       |
| Total purpose restricted                           | <u>491,000</u>    | <u>961,000</u>      |
|  | <u>\$ 839,560</u> | <u>\$ 1,323,266</u> |

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:

|   | <u>2023</u>       | <u>2022</u>       |
|---|-------------------|-------------------|
| Operating time restricted:                                    |                   |                   |
| Fair value of donated lease (see Note 3)                      | \$ 13,706         | \$ 11,222         |
| Purpose restricted:   |                   |                   |
| Live Where You Work - lending capital                         | 470,000           | 232,729           |
| Repairs of rental properties                                  | <u>-</u>          | <u>50,143</u>     |
| Total purpose restricted                                      | <u>470,000</u>    | <u>282,872</u>    |
| Perpetually restricted:                                       |                   |                   |
| Stamford Development Corporation Endowment Fund (see Note 11) | <u>-</u>          | <u>428,755</u>    |
|   | <u>\$ 483,706</u> | <u>\$ 722,849</u> |

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.

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 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.



## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 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, 2023 or 2022.

##### *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.

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

##### *Rental Income*

Rental income is accounted for in accordance with Topic 842 and is recognized on a straight-line basis over the terms of the respective leases. The adoption of Topic 842 did not change how rental income was recognized in prior years. Advance receipts of rental income are classified as liabilities (prepaid rent) until earned. The Organization leases residential space to various tenants for a period of twelve months or less. The lease agreements may contain renewals for a period of twelve months or less and do not require any variable lease payments. Based on the uncertainty of tenant renewals and the existence of a mutual termination clause in the lease agreements, the Organization treats its leases as short-term.

##### **Leases**

The Organization rents office space (see Note 8) and assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration). The Organization also determines lease classification at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with terms, including renewal options, of twelve months or less are treated as short-term leases and are not recorded in the accompanying combined statements of financial position. Lease expense is recognized by the Organization on a straight-line basis over the term of the lease.

##### **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.

##### **Expense Allocation**

The costs of providing program and other activities have been summarized on a functional basis in the accompanying 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.

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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, 2023 and 2022. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

#### Subsequent Events

Subsequent events have been evaluated through October 19, 2023, 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:

|                                 | <u>2023</u>         | <u>2022</u>         |
|---------------------------------|---------------------|---------------------|
| Land                            | \$ 651,969          | \$ 651,969          |
| Leasehold improvements **       | 548,240             | 548,240             |
| Buildings and improvements      | 207,103             | 207,103             |
| Furniture and equipment         | <u>46,750</u>       | <u>51,567</u>       |
|                                 | 1,454,062           | 1,458,879           |
| Less - accumulated depreciation | <u>264,896</u>      | <u>232,643</u>      |
|                                 | <u>\$ 1,189,166</u> | <u>\$ 1,226,236</u> |

\*\* 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 (see Note 2). The Organization records annual releases of net assets with donor restrictions over the useful life of the asset.

During fiscal year 2023, the Organization disposed of fully depreciated property and equipment totaling \$4,817.

# HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

## 4. RESTRICTED DEPOSITS

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

| Restricted Deposit Type  | 2023                |                     |             | Total               |
|--|---------------------|---------------------|-------------|---------------------|
|  | Level 1             | Level 2             | Level 3     |                     |
| Cash and cash equivalents:                                     |                     |                     |             |                     |
| MacArthur note payable proceeds (see Note 7)                   | \$ 1,995,812        | \$ -                | \$ -        | \$ 1,995,812        |
| Conditional grant advances (see Note 10)                       | <u>38,528</u>       | <u>-</u>            | <u>-</u>    | <u>38,528</u>       |
|  | <u>2,034,340</u>    | <u>-</u>            | <u>-</u>    | <u>2,034,340</u>    |
| Municipal bonds - MacArthur note payable proceeds (see Note 7) | <u>-</u>            | <u>1,125,446</u>    | <u>-</u>    | <u>1,125,446</u>    |
|  | <u>\$ 2,034,340</u> | <u>\$ 1,125,446</u> | <u>\$ -</u> | <u>\$ 3,159,786</u> |
| Restricted Deposit Type  | 2022                |                     |             | Total               |
|  | Level 1             | Level 2             | Level 3     |                     |
| Cash and cash equivalents:                                     |                     |                     |             |                     |
| MacArthur note payable proceeds (see Note 7)                   | \$ 1,551,616        | \$ -                | \$ -        | \$ 1,551,616        |
| Conditional grant advances (see Note 10)                       | <u>177,186</u>      | <u>-</u>            | <u>-</u>    | <u>177,186</u>      |
|  | <u>1,728,802</u>    | <u>-</u>            | <u>-</u>    | <u>1,728,802</u>    |
| Municipal bonds - MacArthur note payable proceeds (see Note 7) | <u>-</u>            | <u>1,235,257</u>    | <u>-</u>    | <u>1,235,257</u>    |
| 457F Plan Assets (see Note 9):                                 |                     |                     |             |                     |
| Mutual funds - equity  | 83,501              | -                   | -           | 83,501              |
| Mutual funds - fixed income                                    | <u>46,616</u>       | <u>-</u>            | <u>-</u>    | <u>46,616</u>       |
|  | <u>130,117</u>      | <u>-</u>            | <u>-</u>    | <u>130,117</u>      |
|  | <u>\$ 1,858,919</u> | <u>\$ 1,235,257</u> | <u>\$ -</u> | <u>\$ 3,094,176</u> |

Investment return on restricted deposits and short-term investments (consisting entirely of Treasury bills) consist of the following for the years ended June 30:

|   | 2023              | 2022              |
|---|-------------------|-------------------|
| Interest and dividends                      | \$ 326,718        | \$ 47,522         |
| Unrealized losses - 457F plan assets        | -                 | (21,898)          |
| Unrealized gains (losses) - municipal bonds | <u>(109,811)</u>  | <u>96,784</u>     |
| Investment return                           | <u>\$ 216,907</u> | <u>\$ 122,408</u> |

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 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, 2023 and 2022, ranged from 0% to 7.5%. At June 30, 2023 and 2022, 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.

#### ***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.
- **Homeownership Equity Fund** - This program began in fiscal year 2023 and was funded with various philanthropic grants sources. Down payment assistance loans of up to \$20,000 are disbursed to qualifying first-time homebuyers with an interest rate of 0%.
- **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.
- **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. The remaining outstanding loans are forgivable over a five-year period and, therefore, are fully reserved. The remaining loans are expected to be forgiven through June 30, 2029.
- **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.

**HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES**

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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**5. LOANS RECEIVABLE (Continued)*****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, 2023, this loan program consists of two 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.

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

|                                   | <b>2023</b>                              |  |   |
|-----------------------------------|--|--|---|
|                                   | <b><u>Gross Loan<br/>Receivables</u></b> | <b><u>Participations<br/>and Transfers</u></b> | <b><u>Net of<br/>Participations<br/>and Transfers</u></b> |
| Multifamily Loans                 | <u>\$ 19,705,497</u>                     | <u>\$ -</u>                                    | <u>\$ 19,705,497</u>                                      |
| Homebuyer Assistance Loans:       |  |  |   |
| Down Payment Assistance           | 7,838,149                                | -  | 7,838,149   |
| Homeownership Equity Fund         | 871,926                                  | -  | 871,926   |
| Live Where You Work               | 4,371,741                                | -  | 4,371,741   |
| Smart Move I Homeownership        | 6,922,145                                | 6,882,731                                      | 39,414  |
| Smart Move II Homeownership       | 19,522,838                               | 17,468,828                                     | 2,054,010   |
| Smart Move New York Homeownership | 1,976,885                                | 1,928,885                                      | 48,000  |
| LIFT                              | 54,000                                   | -  | 54,000  |
| Shore Up                          | <u>325,882</u>                           | <u>325,882</u>                                 | <u>-</u>  |
| Sub-total                         | <u>41,883,566</u>                        | <u>26,606,326</u>                              | <u>15,277,240</u>   |
| MacArthur Energy Efficiency Loans | <u>1,674,188</u>                         | <u>-</u>                                       | <u>1,674,188</u>  |
| Gross loans receivable            | <u>\$ 63,263,251</u>                     | <u>\$ 26,606,326</u>                           | 36,656,925  |
| Less - allowance                  |  |  | (1,759,259)   |
| Less - deferred origination fees  |  |  | <u>(25,877)</u>   |
| Sub-total                         |  |  | 34,871,789  |
| Less - current portion            |  |  | <u>(1,451,478)</u>  |
| Loans receivable, net             |  |  | <u>\$ 33,420,311</u>                                      |

**HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES**

Notes to Combined Financial Statements  
June 30, 2023 and 2022

**5. LOANS RECEIVABLE (Continued)**

|                                   | <b>2022</b>                       |   |  |
|-----------------------------------|-----------------------------------|---|--|
|                                   | <b>Gross Loan<br/>Receivables</b> | <b>Participations<br/>and Transfers</b> | <b>Net of<br/>Participations<br/>and Transfers</b> |
| Multifamily Loans                 | <u>\$ 20,214,022</u>              | <u>\$ -</u>                             | <u>\$ 20,214,022</u>                               |
| 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                          | <u>530,304</u>                    | <u>530,304</u>                          | <u>-</u>   |
| Sub-total                         | <u>42,814,899</u>                 | <u>29,733,949</u>                       | <u>13,080,950</u>                                  |
| MacArthur Energy Efficiency Loans | <u>2,118,384</u>                  | <u>-</u>                                | <u>2,118,384</u>                                   |
| Gross loans receivable            | <u>\$ 65,147,305</u>              | <u>\$ 29,733,949</u>                    | 35,413,356   |
| Less - allowance                  |                                   |   | (2,320,774)  |
| Less - deferred origination fees  |                                   |   | <u>(104,913)</u>                                   |
| Sub-total                         |                                   |   | 32,987,669   |
| Less - current portion            |                                   |   | <u>(1,525,306)</u>                                 |
| Loans receivable, net             |                                   |   | <u>\$ 31,462,363</u>                               |

**Schedule of Repayments**

Scheduled principal repayments of gross loans receivable, net of amounts owed to participants as of June 30, 2023, are as follows for the fiscal years ending June 30:

|            |                      |
|------------|----------------------|
| 2024       | \$ 1,451,478         |
| 2025       | 970,450              |
| 2026       | 1,015,554            |
| 2027       | 1,064,755            |
| 2028       | 1,116,492            |
| Thereafter | <u>31,038,196</u>    |
| Total      | <u>\$ 36,656,925</u> |

**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 \$827,212 and \$886,470 as of June 30, 2023 and 2022, respectively. The escrow reserve accounts are held by the borrowers and controlled by a third-party trustee and, therefore, are not included in the accompanying combined financial statements.

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

### 5. LOANS RECEIVABLE (Continued)

#### Commitments to Lend

In addition to funded loans receivable, the Organization had unfunded loan commitments to borrowers totaling \$166,925 at June 30, 2022. There were no unfunded loan commitments to borrowers at June 30, 2023. 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, 2023 and 2022, to be collectable.

| Category          | 2023                 |                     | 2022                 |                     |
|-------------------|----------------------|---------------------|----------------------|---------------------|
|                   | Loan Balance         | Loan Loss Allowance | Loan Balance         | Loan Loss Allowance |
| Pass              | \$ 36,656,925        | \$ 1,759,259        | \$ 35,413,356        | \$ 2,320,774        |
| Watch             | -                    | -                   | -                    | -                   |
| Criticized Assets | -                    | -                   | -                    | -                   |
|                   | <u>\$ 36,656,925</u> | <u>\$ 1,759,259</u> | <u>\$ 35,413,356</u> | <u>\$ 2,320,774</u> |

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               |
|-------------------------------|-------------------|------------------------------|-----------------------------------|---------------------|
| <b>Balance, June 30, 2021</b> | \$ 957,827        | \$ 1,765,614                 | \$ -                              | \$ 2,723,441        |
| Changes to allowance          | 8,227             | (144,358)                    | -                                 | (136,131)           |
| Write-off                     | <u>-</u>          | <u>(266,536)</u>             | <u>-</u>                          | <u>(266,536)</u>    |
| <b>Balance, June 30, 2022</b> | 966,054           | 1,354,720                    | -                                 | 2,320,774           |
| Changes to allowance          | (323,371)         | (187,484)                    | -                                 | (510,855)           |
| Write-off                     | <u>-</u>          | <u>(50,660)</u>              | <u>-</u>                          | <u>(50,660)</u>     |
| <b>Balance, June 30, 2023</b> | <u>\$ 642,683</u> | <u>\$ 1,116,576</u>          | <u>\$ -</u>                       | <u>\$ 1,759,259</u> |



## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 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, 2023 and 2022. During fiscal years 2023 and 2022, the Organization collected \$27,936 and \$75,010, respectively, of loans receivable previously written-off, which is reflected as recovery of loans receivable previously written off in the accompanying combined statements of activities and changes in net assets.

#### Delinquencies and Non-Accrual Loans

Delinquencies are as follows as of June 30:

|                      | <u>2023</u>          | <u>2022</u>          |
|----------------------|----------------------|----------------------|
| 30 - 90 days         | \$ -                 | \$ -                 |
| Greater than 90 days | <u>-</u>             | <u>63,016</u>        |
| Total past due       | -                    | 63,016               |
| Current              | <u>36,656,925</u>    | <u>35,350,340</u>    |
|                      | <u>\$ 36,656,925</u> | <u>\$ 35,413,356</u> |

There were no loans receivable on non-accrual status as of June 30, 2023 and 2022.

#### Impaired Loans and Troubled Debt Restructurings

There were no loans that were deemed to be impaired as of June 30, 2023 and 2022. There have been no loan modifications classified as troubled debt restructurings as of June 30, 2023 and 2022.

### 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  | <u>2,000,000</u>    |
| Total | <u>\$ 5,000,000</u> |

The outstanding balance on the note payable was \$5,000,000 at June 30, 2023 and 2022. Interest expense on the note payable was \$50,000 for the years ended June 30, 2023 and 2022. The proceeds of the loan were used to finance clean energy and energy related health and safety improvements to multifamily affordable rental housing properties.

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 7. NOTES PAYABLE (Continued)

#### MacArthur Foundation (Continued)

As of June 30, 2023 and 2022, two and four loans have been issued and are outstanding with balances totaling \$1,674,188 and \$2,118,384, 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 \$1,995,812 and \$1,551,616 as of June 30, 2023 and 2022, 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, 2023 and 2022.

#### 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 (initial maturity date), at which time the Master Loan Agreement was extended to June 30, 2025. 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, 2023, the Consortium Lenders committed total capital to the Organization of \$29,506,853.

Total notes payable outstanding from the Consortium Lenders as of June 30, 2023 and 2022, was \$17,517,420 and \$18,153,998, respectively. Interest expense on the Consortium notes payable was \$356,717 and \$416,917 for the years ended June 30, 2023 and 2022, respectively. Accrued interest payable on these notes payable was \$88,012 and \$89,865 as of June 30, 2023 and 2022, 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, 2023 and 2022.

#### Schedule of Repayments

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

|            | <u>MacArthur<br/>Foundation</u> | <u>Consortium<br/>Banks</u> | <u>Total</u>         |
|------------|---------------------------------|-----------------------------|----------------------|
| 2024       | \$ -                            | \$ 613,542                  | \$ 613,542           |
| 2025       | -                               | 766,916                     | 766,916              |
| 2026       | -                               | 807,141                     | 807,141              |
| 2027       | -                               | 849,533                     | 849,533              |
| 2028       | 750,000                         | 894,211                     | 1,644,211            |
| Thereafter | <u>4,250,000</u>                | <u>13,586,077</u>           | <u>17,836,077</u>    |
| Total      | <u>\$ 5,000,000</u>             | <u>\$ 17,517,420</u>        | <u>\$ 22,517,420</u> |

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 8. LEASE AGREEMENTS

#### Short-Term Leases - Lessee

The Organization has a lease agreement for office space in Bridgeport, Connecticut (see Note 14) in addition to other leases that are for a period of twelve months or less or contain renewal periods of twelve months or less. The Organization is also responsible for its share of real estate taxes and operating expenses under this agreement. The Organization has elected the practical expedient to not include these leases as operating ROU assets and lease liabilities in the accompanying combined statements of financial position. Rent expense under these leases totaled \$50,567 and \$55,341 for the years ended June 30, 2023 and 2022, respectively, and is included in occupancy in the accompanying combined statements of functional expenses.

### 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, 2023 and 2022, 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 \$69,367 and \$61,906 during fiscal years 2023 and 2022, 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 former Chief Executive Officer (CEO). Employer contributions, if any, were discretionary and determined by the Board of Directors. In addition, employer contributions to the 457(f) Plan vested during fiscal year 2023 upon the former CEO's completion of five years of continuous employment following commencement of the plan, at which time the 457(f) Plan ended.

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

|                   | <u>2023</u>      | <u>2022</u>       |
|-------------------|------------------|-------------------|
| Beginning Balance | \$ 130,117       | \$ 152,015        |
| Change in value   | -                | (21,898)          |
| Distributions     | <u>(130,117)</u> | <u>-</u>          |
| Ending Balance    | <u>\$ -</u>      | <u>\$ 130,117</u> |

The 457(f) Plan balance of \$130,117 at June 30, 2022, was fully funded and is included in restricted deposits (see Note 4) and accounts payable, accrued expenses and other in the accompanying fiscal year 2022 combined statement of financial position. The 457(f) Plan was liquidated and distributed to the former CEO during fiscal year 2023.

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 10. CONDITIONAL AWARDS

#### 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 consist of the following as of June 30:

|  | <u>2023</u>      | <u>2022</u>         |
|--|------------------|---------------------|
| South End Project awards **                  | \$ -             | \$ 3,157,679        |
| Other conditional awards                     | <u>38,528</u>    | <u>177,186</u>      |
| Ending balance of conditional grant advances | <u>\$ 38,528</u> | <u>\$ 3,334,865</u> |

\*\* 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 twenty-three 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 capital grant revenue on a pro-rata basis as qualifying homes are sold. The Organization closed on the sale of twenty-two of the deed-restricted condominium units developed during fiscal year 2023 and entered into a purchase and sale agreement for the final unit which is expected to close in fiscal year 2024 (see Note 2). As a result, the Organization recognized capital grant revenue of \$3,157,679 during the year ended June 30, 2023, which is reflected as capital grants in the accompanying fiscal year 2023 combined statement of activities and changes in net assets.

The unspent balance of other conditional grant advances as of June 30, 2023 and 2022, totaling \$38,528 and \$177,186, 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 its efforts to assist affordable housing in Stamford, Connecticut. 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, Connecticut. 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.

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 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:

|  | <u>2023</u>          | <u>2022</u>          |
|--|----------------------|----------------------|
| Cash and cash equivalents  | \$ 1,687,460         | \$ 8,834,272         |
| Short-term investments   | 9,341,411            | -                    |
| Accounts and other receivables   | 70,918               | 19,708               |
| Construction in progress   | 304,458              | 8,908,992            |
| Current portion of loans receivable                                    | 1,451,478            | 1,525,306            |
| Interest receivable  | <u>185,666</u>       | <u>137,757</u>       |
|  | 13,041,391           | 19,426,035           |
| Less - required principal repayment of notes payable                   | (613,542)            | (515,804)            |
| Less - required interest repayment of notes payable                    | (88,012)             | (89,865)             |
| Less - cash and cash equivalents committed to lend                     | -                    | (166,925)            |
| 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                                  | (440,000)            | (910,000)            |
| Revolving Loan Capital - down payment assistance                       | <u>(51,000)</u>      | <u>(51,000)</u>      |
| Total  | <u>\$ 11,848,837</u> | <u>\$ 14,534,762</u> |

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% of the Organization's combined operating revenues and support for the year ended June 30, 2022, was from two donors.

## HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES

Notes to Combined Financial Statements  
June 30, 2023 and 2022

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### 14. RELATED PARTY TRANSACTIONS

The Organization has entered into the following transactions with related parties during the years ended June 30, 2023 and 2022:

- 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 \$49,273 and \$44,464 for the years ended June 30, 2023 and 2022, respectively. Management of the Organization is of the opinion that the lease payments are at fair value.
- There are various banks involved in the Consortium note payable agreement (see Note 7). A senior member of management at three 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.

**HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES**

Combining Statement of Financial Position  
June 30, 2023

|  | Housing<br>Development<br>Fund, Inc. | HDF<br>Community<br>Works, LLC | HDF<br>Community<br>Land<br>Trust, Inc. | Eliminations          | Total                |
|--|--------------------------------------|--------------------------------|---|-----------------------|----------------------|
| <b>Assets</b>                                |                                      |                                |   |                       |                      |
| Current Assets:                              |                                      |                                |   |                       |                      |
| Cash and cash equivalents                    | \$ 1,285,989                         | \$ 158,000                     | \$ 243,471                              | \$ -                  | \$ 1,687,460         |
| Short-term investments                       | 9,341,411                            | -                              | -                                       | -                     | 9,341,411            |
| Accounts and other receivables               | 69,214                               | 1,704                          | -                                       | -                     | 70,918               |
| Construction in progress                     | -                                    | -                              | 304,458                                 | -                     | 304,458              |
| Current portion of loans receivable          | 1,451,478                            | -                              | -                                       | -                     | 1,451,478            |
| Interest receivable                          | 185,666                              | -                              | -                                       | -                     | 185,666              |
| Prepaid expenses and other                   | 90,696                               | 6,981                          | 3,852                                   | -                     | 101,529              |
| Due from affiliates                          | 404,088                              | 192,090                        | -                                       | (596,178)             | -                    |
| Total current assets                         | 12,828,542                           | 358,775                        | 551,781                                 | (596,178)             | 13,142,920           |
| Other Assets:                                |                                      |                                |   |                       |                      |
| Investment in affiliate                      | 1,158,405                            | -                              | -                                       | (1,158,405)           | -                    |
| Restricted deposits                          | 3,159,786                            | -                              | -                                       | -                     | 3,159,786            |
| Loans receivable, net                        | 33,420,311                           | -                              | -                                       | -                     | 33,420,311           |
| Property and equipment, net                  | 361,102                              | 828,064                        | -                                       | -                     | 1,189,166            |
| Total other assets                           | 38,099,604                           | 828,064                        | -                                       | (1,158,405)           | 37,769,263           |
| Total assets                                 | <u>\$ 50,928,146</u>                 | <u>\$ 1,186,839</u>            | <u>\$ 551,781</u>                       | <u>\$ (1,754,583)</u> | <u>\$ 50,912,183</u> |
| <b>Liabilities and Net Assets</b>            |                                      |                                |   |                       |                      |
| Current Liabilities:                         |                                      |                                |   |                       |                      |
| Current portion of notes payable             | \$ 613,542                           | \$ -                           | \$ -                                    | \$ -                  | \$ 613,542           |
| Accounts payable, accrued expenses and other | 123,223                              | 4,178                          | -                                       | -                     | 127,401              |
| Accrued interest payable                     | 88,012                               | -                              | -                                       | -                     | 88,012               |
| Due to affiliates                            | -                                    | -                              | 596,178                                 | (596,178)             | -                    |
| Accounts payable - construction              | -                                    | -                              | 26,019                                  | -                     | 26,019               |
| Total current liabilities                    | 824,777                              | 4,178                          | 622,197                                 | (596,178)             | 854,974              |
| Other Liabilities:                           |                                      |                                |   |                       |                      |
| Conditional grant advances                   | 38,528                               | -                              | -                                       | -                     | 38,528               |
| Notes payable, net                           | 21,903,878                           | -                              | -                                       | -                     | 21,903,878           |
| Total other liabilities                      | 21,942,406                           | -                              | -                                       | -                     | 21,942,406           |
| Total liabilities                            | 22,767,183                           | 4,178                          | 622,197                                 | (596,178)             | 22,797,380           |
| Net Assets:                                  |                                      |                                |   |                       |                      |
| Without donor restrictions:                  |                                      |                                |   |                       |                      |
| Operating                                    | 8,051,488                            | -                              | -                                       | -                     | 8,051,488            |
| Board designated                             | 18,098,968                           | -                              | -                                       | -                     | 18,098,968           |
| Net investment in real estate                | 1,170,947                            | 1,182,661                      | (70,416)                                | (1,158,405)           | 1,124,787            |
| Total without donor restrictions             | 27,321,403                           | 1,182,661                      | (70,416)                                | (1,158,405)           | 27,275,243           |
| With donor restrictions                      | 839,560                              | -                              | -                                       | -                     | 839,560              |
| Total net assets                             | 28,160,963                           | 1,182,661                      | (70,416)                                | (1,158,405)           | 28,114,803           |
| Total liabilities and net assets             | <u>\$ 50,928,146</u>                 | <u>\$ 1,186,839</u>            | <u>\$ 551,781</u>                       | <u>\$ (1,754,583)</u> | <u>\$ 50,912,183</u> |

**HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES**

Combining Statement of Financial Position  
June 30, 2022

|   | Housing<br>Development<br>Fund, Inc. | HDF<br>Community<br>Works, LLC | HDF<br>Community<br>Land<br>Trust, Inc. | Eliminations          | Total                |
|---|--------------------------------------|--------------------------------|---|-----------------------|----------------------|
| <b>Assets</b>                                 |                                      |                                |   |                       |                      |
| 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               |
| Construction in progress                      | -                                    | -                              | 8,908,992                               | -                     | 8,908,992            |
| Current portion of loans receivable           | 1,525,306                            | -                              | -                                       | -                     | 1,525,306            |
| 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)           | -                    |
| 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                                  | <u>\$ 51,997,792</u>                 | <u>\$ 1,193,687</u>            | <u>\$ 9,065,568</u>                     | <u>\$ (6,921,810)</u> | <u>\$ 55,335,237</u> |
| <b>Liabilities and Net Assets</b>             |                                      |                                |   |                       |                      |
| 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               | 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              | <u>\$ 51,997,792</u>                 | <u>\$ 1,193,687</u>            | <u>\$ 9,065,568</u>                     | <u>\$ (6,921,810)</u> | <u>\$ 55,335,237</u> |



**HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES**

Combining Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2023

|   | Housing<br>Development<br>Fund, Inc. | HDF<br>Community<br>Works, LLC | HDF<br>Community<br>Land<br>Trust, Inc. | Eliminations   | Total         |
|---|--------------------------------------|--------------------------------|---|----------------|---------------|
| <b>Operating Revenues and Support:</b>              |                                      |                                |   |                |               |
| Earned revenue:                                     |                                      |                                |   |                |               |
| Financial revenue:                                  |                                      |                                |   |                |               |
| Interest income - loans                             | \$ 1,073,980                         | \$ -                           | \$ -                                    | \$ -           | \$ 1,073,980  |
| Loan related fees                                   | 488,973                              | -                              | -                                       | -              | 488,973       |
| Investment return                                   | 216,907                              | -                              | -                                       | -              | 216,907       |
| Recovery of loans receivable previously written off | 27,936                               | -                              | -                                       | -              | 27,936        |
| Interest income - bank deposits                     | 16,691                               | 80                             | 10                                      | -              | 16,781        |
| Less - interest expense                             | (406,717)                            | -                              | -                                       | -              | (406,717)     |
| Add - net loan loss recovery                        | 510,855                              | -                              | -                                       | -              | 510,855       |
| Net financial revenue                               | 1,928,625                            | 80                             | 10                                      | -              | 1,928,715     |
| Rental revenue                                      | -                                    | 38,225                         | 20,565                                  | -              | 58,790        |
| Fee for service revenue                             | 51,200                               | -                              | -                                       | -              | 51,200        |
| Total earned revenue                                | 1,979,825                            | 38,305                         | 20,575                                  | -              | 2,038,705     |
| Public support:                                     |                                      |                                |   |                |               |
| Grants and contributions                            | 873,626                              | -                              | -                                       | -              | 873,626       |
| Total operating revenues and support                | 2,853,451                            | 38,305                         | 20,575                                  | -              | 2,912,331     |
| <b>Operating Expenses:</b>                          |                                      |                                |   |                |               |
| Program services                                    | 1,656,038                            | 44,818                         | 21,135                                  | -              | 1,721,991     |
| General and administrative                          | 956,040                              | -                              | -                                       | -              | 956,040       |
| Fundraising and communication                       | 304,906                              | -                              | -                                       | -              | 304,906       |
| Total operating expenses                            | 2,916,984                            | 44,818                         | 21,135                                  | -              | 2,982,937     |
| Changes in net assets from operations               | (63,533)                             | (6,513)                        | (560)                                   | -              | (70,606)      |
| <b>Non-Operating Revenue (Expense):</b>             |                                      |                                |   |                |               |
| Capital grants                                      | -                                    | -                              | 3,157,679                               | -              | 3,157,679     |
| Loss on sale of property and equipment              | -                                    | -                              | (2,996,989)                             | -              | (2,996,989)   |
| Total non-operating revenue (expense)               | -                                    | -                              | 160,690                                 | -              | 160,690       |
| Changes in net assets                               | (63,533)                             | (6,513)                        | 160,130                                 | -              | 90,084        |
| <b>Net Assets:</b>                                  |                                      |                                |   |                |               |
| Beginning of year                                   | 28,224,496                           | 1,189,174                      | (230,546)                               | (1,158,405)    | 28,024,719    |
| End of year   | \$ 28,160,963                        | \$ 1,182,661                   | \$ (70,416)                             | \$ (1,158,405) | \$ 28,114,803 |

**HOUSING DEVELOPMENT FUND, INC. AND AFFILIATES**

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

|   | Housing<br>Development<br>Fund, Inc. | HDF<br>Community<br>Works, LLC | HDF<br>Community<br>Land<br>Trust, Inc. | Eliminations   | Total         |
|---|--------------------------------------|--------------------------------|---|----------------|---------------|
| <b>Operating Revenues and Support:</b>              |                                      |                                |   |                |               |
| 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)     |
| Add - net loan loss recovery                        | 136,131                              | -                              | -                                       | -              | 136,131       |
| Net financial revenue                               | 1,382,847                            | 181                            | 4                                       | -              | 1,383,032     |
| Rental revenue                                      | -                                    | 49,981                         | -                                       | -              | 49,981        |
| Fee for service revenue                             | 126,300                              | -                              | -                                       | -              | 126,300       |
| 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     |
| <b>Operating Expenses:</b>                          |                                      |                                |   |                |               |
| 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     |
| <b>Non-Operating Expense:</b>                       |                                      |                                |   |                |               |
| 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     |
| <b>Net Assets:</b>                                  |                                      |                                |   |                |               |
| 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 |