

Hope Communities, Inc. and Subsidiaries

**Consolidated Financial Statements and Report
of
Independent Auditor**

December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors of
Hope Communities and Subsidiaries, Inc.:

We have audited the accompanying consolidated financial statements of Hope Communities, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, changes in net assets, cash flows and functional expenses, for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hope Communities, Inc. and Subsidiaries as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Littleton, Colorado
April 24, 2020

Hope Communities, Inc. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash	\$ 2,965,114	\$ 2,877,087
Restricted cash	1,678,710	1,488,692
Accounts receivable, net of allowance of \$3,608 and \$13,323, respectively	154,689	224,108
Prepaid expenses	44,286	41,805
Total current assets	4,842,799	4,631,692
Long-Term assets:		
Tax credit fees, net of accumulated amortization of \$25,591 and \$23,598, respectively	4,309	6,302
Property and equipment, net	12,905,313	12,177,872
Total long-term assets	12,909,622	12,184,174
Total assets	\$ 17,752,421	\$16,815,866
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 334,327	\$ 284,309
Related party payables	-	45,570
Refundable security deposits	160,233	146,410
Current portion of long-term debt	207,099	604,584
Total current liabilities	701,659	1,080,873
Long-Term liabilities:		
Accrued expenses	88,032	83,840
Long-term debt, net of current portion and unamortized loan costs of \$41,927 and \$42,542, respectively	9,477,985	9,275,545
Total long-term liabilities	9,566,017	9,359,385
Total liabilities	10,267,676	10,440,258
NET ASSETS		
Noncontrolling interests	860,370	(245,063)
Without donor restrictions	6,082,451	5,971,059
With donor restrictions	541,924	649,612
Total net assets	7,484,745	6,375,608
Total liabilities and net assets	\$ 17,752,421	\$16,815,866

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

Hope Communities, Inc. and Subsidiaries

Consolidated Statements of Activities For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support						
Rental income	\$ 3,030,542	\$ -	\$ 3,030,542	\$ 2,969,478	\$ -	\$2,969,478
Contributions and grants	471,175	44,169	515,344	357,775	365,500	723,275
Interest income	12,821	-	12,821	8,032	-	8,032
Other income	282,187	-	282,187	238,178	-	238,178
Net assets released from restriction	151,857	(151,857)	-	176,888	(176,888)	-
Total revenue, gains and other support	<u>3,948,582</u>	<u>(107,688)</u>	<u>3,840,894</u>	<u>3,750,351</u>	<u>188,612</u>	<u>3,938,963</u>
Expenses						
Affordable housing	2,865,731	-	2,865,731	2,673,395	-	2,673,395
Resident services	625,727	-	625,727	484,699	-	484,699
Housing Development	29,837	-	29,837	32,471	-	32,471
Total program services	<u>3,521,295</u>	<u>-</u>	<u>3,521,295</u>	<u>3,190,565</u>	<u>-</u>	<u>3,190,565</u>
Administrative	495,437	-	495,437	471,993	-	471,993
Fundraising	98,474	-	98,474	59,842	-	59,842
Total expenses	<u>4,115,206</u>	<u>-</u>	<u>4,115,206</u>	<u>3,722,400</u>	<u>-</u>	<u>3,722,400</u>
Change in net assets	<u>\$ (166,624)</u>	<u>\$ (107,688)</u>	<u>\$ (274,312)</u>	<u>\$ 27,951</u>	<u>\$ 188,612</u>	<u>\$ 216,563</u>
Change in net assets attributable to noncontrolling interest	(278,016)	-	(278,016)	(697,409)	-	(697,409)
Change in net assets attributable to Hope	111,392	(107,688)	3,704	725,360	188,612	913,972

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

Hope Communities, Inc. and Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2019 and 2018

	Net Assets Attributable to Hope		Net Assets Attributable to Noncontrolling Interests		Total	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance December 31, 2017	\$ 5,245,699	\$ 461,000	\$ 452,347	\$ -	\$ 5,698,046	\$ 461,000
Step up in basis	-	-	-	-	-	-
Net income/(loss)	<u>725,360</u>	<u>188,612</u>	<u>(697,409)</u>	<u>-</u>	<u>27,951</u>	<u>188,612</u>
Balance December 31, 2018	\$ 5,971,059	\$ 649,612	\$ (245,062)	\$ -	\$ 5,725,997	\$ 649,612
Step up in basis	-	-	1,383,448	-	1,383,448	-
Net income/(loss)	<u>111,392</u>	<u>(107,688)</u>	<u>(278,016)</u>	<u>-</u>	<u>(166,624)</u>	<u>(107,688)</u>
Balance December 31, 2019	<u>\$ 6,082,451</u>	<u>\$ 541,924</u>	<u>\$ 860,370</u>	<u>\$ -</u>	<u>\$ 6,942,821</u>	<u>\$ 541,924</u>

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

Hope Communities, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets attributable to Hope	\$ 3,704	\$ 913,972
Change in net assets attributable to noncontrolling interest	<u>(278,016)</u>	<u>(697,409)</u>
Change in net assets	(274,312)	216,563
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	665,092	673,181
Changes in		
Accounts receivable	69,420	(203,338)
Prepaid expenses	(2,481)	(7,572)
Accounts payable and accrued expenses	8,640	11,817
Refundable security deposits	<u>13,823</u>	<u>4,145</u>
Net cash from operating activities	\$ 480,182	\$ 694,796
Cash Flows from Investing Activities		
Purchase of fixed assets	<u>(1,540)</u>	<u>(61,543)</u>
Net cash from investing activities	\$ (1,540)	\$ (61,543)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(195,660)	(220,884)
Loan fees paid	<u>(4,937)</u>	<u>-</u>
Net cash from financing activities	\$ (200,597)	\$ (220,884)
Net Change in Cash and Restricted Cash	278,045	412,369
Cash and Restricted Cash at Beginning of the Year	<u>4,365,779</u>	<u>3,953,410</u>
Cash and Restricted Cash at End of the Year	<u>\$ 4,643,824</u>	<u>\$4,365,779</u>
Cash paid for interest	<u>\$ 450,578</u>	<u>\$ 455,247</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
Balance sheet accounts included in Cash and Restricted Cash:		
Cash	2,965,114	2,877,087
Restricted Cash	<u>1,678,710</u>	<u>1,488,692</u>
	<u>\$ 4,643,824</u>	<u>\$4,365,779</u>

The accompanying notes are an integral part of these statements.

Hope Communities, Inc. and Subsidiaries
Consolidated Statements of Functional Expenses
For the Years Ended December 31, 2019 and 2018

	2019						
	Affordable Housing	Resident Services	Housing Development	Total Program			Total
				Services	Administrative	Fundraising	
Salaries and benefits	\$ 594,999	\$ 387,122	\$ 29,837	\$ 1,011,958	\$ 72,600	\$ 75,709	\$ 1,160,267
Operating and maintenance	478,513	-	-	478,513	35,881	-	514,394
Administrative expenses	79,305	-	-	79,305	82,530	-	161,835
Legal and professional fees	55,524	-	-	55,524	25,349	-	80,873
Advertising, Marketing, and Fundraising	1,287	-	-	1,287	-	22,765	24,052
Utilities	246,303	-	-	246,303	10,845	-	257,148
Insurance & taxes	280,523	-	-	280,523	97,372	-	377,895
Resident programs	2,585	238,605	-	241,190	-	-	241,190
Interest expense	362,488	-	-	362,488	86,911	-	449,399
Repairs	122,466	-	-	122,466	-	-	122,466
Supplies	53,595	-	-	53,595	-	-	53,595
Bad debts	6,999	-	-	6,999	-	-	6,999
Total before depreciation and amortization	\$ 2,284,587	\$ 625,727	\$ 29,837	\$ 2,940,151	\$ 411,488	\$ 98,474	\$ 3,450,113
Depreciation and amortization	581,144	-	-	581,144	83,948	-	665,092
Total expenses	\$ 2,865,731	\$ 625,727	\$ 29,837	\$ 3,521,295	\$ 495,436	\$ 98,474	\$ 4,115,205

	2018						
	Affordable Housing	Resident Services	Housing Development	Total Program			Total
				Services	Administrative	Fundraising	
Salaries and benefits	571,733	332,415	32,471	936,619	79,514	49,300	1,065,433
Operating and maintenance	376,088	-	-	376,088	26,232	-	402,320
Administrative expenses	84,280	-	-	84,280	83,403	-	167,683
Legal and professional fees	40,372	-	-	40,372	19,421	-	59,793
Advertising, Marketing, and Fundraising	6,074	-	-	6,074	-	10,542	16,616
Utilities	250,020	-	-	250,020	12,506	-	262,526
Insurance & taxes	213,118	-	-	213,118	70,266	-	283,384
Resident programs	2,681	152,284	-	154,965	-	-	154,965
Interest expense	361,637	-	-	361,637	95,820	-	457,457
Repairs	106,296	-	-	106,296	-	-	106,296
Supplies	45,646	-	-	45,646	-	-	45,646
Bad debts	27,100	-	-	27,100	-	-	27,100
Other expenses	-	-	-	-	-	-	-
Total before depreciation and amortization	\$ 2,085,045	\$ 484,699	\$ 32,471	\$ 2,602,215	\$ 387,162	\$ 59,842	\$ 3,049,219
Depreciation and amortization	588,350	-	-	588,350	84,831	-	673,181
Total expenses	\$ 2,673,395	\$ 484,699	\$ 32,471	\$ 3,190,565	\$ 471,993	\$ 59,842	\$ 3,722,400

The accompanying notes are an integral part of these statements.

Hope Communities, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

1. Nature of Operations

Hope Communities, Inc. and subsidiaries (Hope) was incorporated as a Colorado nonprofit corporation on August 14, 1980. Hope's vision is a community in which everyone has a safe place to call home and the resources they need to thrive. The mission of Hope is to strengthen communities and provide pathways to economic and personal opportunity through affordable housing, educational programs and support services.

The organization offers case management, programs and resources to support residents and people in need from surrounding neighborhoods gain the skills and resources they need to attain economic mobility and reach personal life goals.

Goals for the organization include:

- Maintain and expand the number of service-enriched affordable housing units available to area residents.
- Revitalize and expand programs available for children and adults at Hope Communities properties.
- Ensure financial viability to support expanded capacity of the organization to serve residents and the community.
- Strengthen the visibility and reputation of the organization with regulators, city officials, partners, collaborators, investors and donors.
- Ensure strong and inclusive leadership to take the organization forward. Build and maintain a strong board and governance structure to fulfill essential fiduciary responsibilities related to planning, fiscal stability, fundraising and oversight. Build and strengthen the employee team.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Hope and its wholly owned subsidiaries and variable interest entities. The consolidated financial statements also include certain properties owned and managed by Hope.

Wholly Owned Subsidiaries

- Kittyhawk, LLC (limited liability company)
- Hope Neighborhood Center, LLC (limited liability company)
- Hope Development, LLC (limited liability company)
- Fern Hall, LLC (limited liability company)
- Carlton Corporation (for-profit corporation)
- The Gardens of Hope, LLC (limited liability company)
- Minute Spot, LLC (limited liability company)
- Welton Homes, LLC (limited liability company)

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018 (continued)

2. Summary of Significant Accounting Policies (continued)

- Westerly Creek Homes, LLC (limited liability company)
- Denver Revitalization Partnership VIII, Ltd. (limited liability partnership)

Variable Interest Entities

- Kittyhawk/Canterbury Renovation LLLP (.005% interest by Westerly Creek Homes, LLC)
- In April 2019, the 99.99% investor member interests of Welton Homes, LLC were acquired by Hope. See Note 3.

This entity is considered a variable interest entity, and fully consolidated in the financial statements, due to Hope being the controlling member.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The financial statements follow the Accounting Standards Codification (ASC) guidance for not-for-profit organizations. Hope is required to report information regarding its financial position and activities according to the following net asset classifications:

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Hope or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash consists of bank deposits in federally insured accounts. The organization's cash deposits exceeded the Federal Deposit Insurance Corporation limits at various times during the fiscal year ended December 31, 2019 and 2018.

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018 (continued)

2. Summary of Significant Accounting Policies (continued)

Restricted Cash

Certain cash balances are restricted to fund capital expenditures and/or maintenance for certain properties, debt service, operating reserves restricted by investors and security deposits paid by tenants.

Accounts Receivable

Hope provides an allowance for doubtful accounts, which is primarily a calculation of ninety-five percent of outstanding receivables from former tenants. Rents are charged as of the first of the month and are receivables until they are collected. Receivables are considered late as of the fifth of the month. Late fees are assessed differently per property with some being a flat rate and some a per diem rate.

Notes Receivable

Notes receivable are stated at their outstanding principal amount, net of allowance for uncollectible notes. Hope provides an allowance for uncollectible notes, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated over the estimated useful life of each asset. Annual depreciation is primarily computed using straight-line basis over the estimated useful life of 40 years for buildings and between five and 15 years for building improvements, furniture, and equipment.

Other Assets

Fees paid to the state housing agency in connection with the ongoing compliance monitoring for certain residential properties are amortized over a period of 15 years.

Fees paid in connection with obtaining permanent financing are capitalized and amortized over the term of the respective debt.

Fair Value of Financial Instruments

GAAP requires disclosure of an estimate of fair value of certain financial instruments. Hope's significant financial instruments are cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Revenue Recognition

Hope recognizes revenue when a tenant satisfies a performance obligation by transferring control of goods or services to a tenant. Revenue is measured in an amount that reflects the consideration that an entity expects to receive in exchange for those goods or services and excludes any incentives and amounts collected on behalf of a third party. Rental revenue is recognized as rents become due from tenants. Rent payments received in advance are recognized as deferred revenue until earned. Tenant security deposits collected are recognized as revenue when forfeited. All leases between the Partnership and the tenants of the property are operating leases.

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018 (continued)

2. Summary of Significant Accounting Policies (continued)

Contributions and Grants

Contributions and grants of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Contributions and grants received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions and grants that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restriction and then released from restriction.

Contributions of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Impairment Of Long-Lived Assets

Hope has reviewed long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows, recorded amounts of the assets will be reduced to their fair value. There was no asset impairment for the years ended December 31, 2019 and 2018.

Noncontrolling Interest

Noncontrolling interest represents noncontrolling interest in Hope's variable interest entity by other investors.

Income Taxes

Hope is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, Hope is subject to federal income tax on any unrelated business taxable income. Hope files tax returns in the U.S. federal jurisdiction. Hope has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. Tax years that remain subject to examination are years 2016 and forward.

Hope's for-profit subsidiaries are subject to federal and state income taxes at the applicable corporate rates.

Hope's variable interest entity is not directly subject to income taxes under the provisions of the Internal Revenue Code and applicable state laws. Therefore, taxable income or loss is reported to the individual member/partner for inclusion in their respective tax return and no provision for federal and state income taxes has been included in the accompanying consolidated financial statements.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program, management

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018 (continued)

2. Summary of Significant Accounting Policies (continued)

and general and fund-raising categories. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Administrative expenses	Time and effort
Legal and professional fees	Time and effort
Advertising, Marketing, and Fundraising	Time and effort

New Accounting Pronouncement

In 2019 Hope adopted new FASB guidance regarding the presentation on the statement of cash flows of restricted cash. The new guidance requires including restricted cash with cash when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows (see Consolidated Statement of Cash Flows pg.5). Disclosure of the nature of restrictions on cash is also required (see Note 5 for disclosure of these restrictions).

In 2019, Hope also implemented Topic 606, Revenue from Contracts with Customers, of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) effective January 1, 2019 (ASC 606). There were no material changes in the timing of recognition of revenue and therefore no material impact to the statement of financial position upon adoption.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Hope is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 clarifies and improves guidance concerning, 1) the determination whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers, with early adoption permitted. Hope is currently evaluating the effect that the new standard will have on its financial statements and related disclosures.

Subsequent Events

Subsequent to year end, the World Health Organization declared a pandemic for the novel COVID-19 virus. Concurrently, the U.S. economy has experienced significant losses since the beginning of the new

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018 (continued)

2. Summary of Significant Accounting Policies (continued)

calendar and fiscal year. Management is assessing the effects on the Company's operations, which are currently unknown.

The Organization has evaluated subsequent events through April 24, 2020, the date which the consolidated financial statements were available to be issued.

3. Transfers of Investor Members' Ownership

In April 2019, the 99.98% investor member interest of U.S.A. Institutional Tax Credit Fund XXIII, L.P. and the .01% investor member interest of Richman Group Capital Company in Welton Homes, LLC were transferred for the payment of \$14,000 in accrued management fees to Hope. As a result of this sale, the Partnership became 100% controlled by Hope. The change in control requires the application of acquisition accounting and the assets and liabilities of Welton Homes, LLC were revalued at fair market value on the date of the transaction.

The fair market value of the Welton Homes, LLC's net assets was approximately \$1.4 million higher than the then recognized balance in net assets. The fair market value was based on the values used to consummate the above-mentioned transaction between the parties, both willing buyers and sellers. Applying acquisition accounting resulted in a step up of approximately \$1,383,448, of which \$168,994 was applied to land and \$1,214,454 was applied to the building. Additionally, the accumulated depreciation was netted against the fixed asset cost and depreciation began anew.

The fair market value of the current assets and liabilities were already recorded at amounts that approximate fair value because they are expected to be settled in the short term or held as cash in escrows. The fair value of the long-term debt is estimated to be the same as its historical basis because of the unique nature of the mark-to-market program and related debt financing all of which relates specifically to the Partnership.

4. Liquidity and Availability

The following represents Hope's financial assets at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at period end:		
Cash & cash equivalents	\$ 2,965,114	\$ 2,877,087
Accounts receivable	<u>154,836</u>	<u>224,108</u>
Total financial assets	3,119,950	3,101,195
Donor-imposed restrictions:		
Funds subject to time and purpose restrictions	<u>(541,924)</u>	<u>(100,000)</u>
Net financial assets after donor-imposed restrictions	2,578,026	3,001,195

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018 (continued)

4. Liquidity and Availability (continued)

Board designations:

Housing development funds	(892,999)	(893,712)
Operating reserves	<u>(820,827)</u>	<u>(819,389)</u>

Financial assets available to meet cash needs for general expenditures within one year

	<u>\$ 864,200</u>	<u>\$ 1,288,094</u>
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The organization receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The organization's board designated operating reserves can be made available to meet operating needs if necessary. The organization manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining enough reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually.

Board designated housing development funds are savings to be used for pre-development activities related to the acquisition, renovation, and/or construction of affordable housing. The Board operating reserves, initially established as a safeguard after the organization experienced severe hardship, may be used for true emergency situations when cash is depleted and expenditures cannot be prevented, reduced or deferred.

5. Restricted Cash

As of December 31, 2019 and 2018, restricted cash consists of cash for the following purposes:

	<u>2019</u>	<u>2018</u>
Capital expenditures and maintenance	\$ 876,879	\$ 738,658
Operating reserves restricted by investors	203,965	202,751
Security deposits paid by tenants	138,876	120,347
Debt service and escrow	<u>458,990</u>	<u>426,936</u>
Total	<u>\$ 1,678,710</u>	<u>\$ 1,488,692</u>

6. Property and Equipment

Property and equipment at December 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,721,306	\$ 1,552,312
Buildings and building improvements	19,190,075	19,793,227
Furniture, fixtures and equipment	1,005,475	1,003,935
Vehicles	22,793	22,793

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018 (continued)

6. Property and Equipment (continued)

	2019	2018
Total property and equipment	<u>21,939,649</u>	<u>22,372,267</u>
Less accumulated depreciation	<u>(9,034,336)</u>	<u>(10,194,395)</u>
Net property and equipment	<u>\$ 12,905,313</u>	<u>\$ 12,177,872</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$657,547, and \$664,510, respectively.

7. Advances from Funding Sources

Hope has various interest-free loan agreements, which are payable in annual installments equal to 50% of surplus cash flow. In addition, certain notes are to be deferred and forgiven upon maturity provided certain obligations are met. These advances are included in long-term debt on the balance sheet.

Advances from funding sources at December 31, 2019 and 2018 consist of the following:

	2019	2018
Note payable to the City and County of Denver (CCOD) by Minute Spot, LLC; payable in annual installments equal to 50% of Minute Spot's available annual surplus cash; outstanding principal due June 1, 2027; secured by a deed of trust.	\$ 906,450	\$ 906,450
Note payable to the CCOD by KittyHawk, LLC; payable in annual installments equal to 50% of KittyHawk's net cash flow; outstanding principal due September 2, 2029; secured by a deed of trust.	345,000	345,000
Note payable to the CCOD by KittyHawk, LLC; deferred and forgiven on September 2, 2029, provided that the use of four rental units have remained rental housing affordable to low-income residents living with AIDS and provided that KittyHawk is in compliance with the terms of the note discussed above; secured by a deed of trust.	240,000	240,000
Note payable to the CCOD by Denver Revitalization Partners VIII, Ltd. (DRP VIII); outstanding principal and interest of 1% due March 1, 2024; secured by a deed of trust.	<u>419,200</u>	<u>419,200</u>
Total advances from funding sources	<u>\$ 1,910,650</u>	<u>\$ 1,910,650</u>

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018 (continued)

8. Long-Term Debt

At December 31, 2019 and 2018 long-term debt consists of the following:

	<u>2019</u>	<u>2018</u>
Colorado Housing and Finance Authority (CHFA) (A)	\$ 2,586,608	\$ 2,620,440
CHFA (B)	1,163,663	1,184,005
1 st Bank (C)	1,963,873	2,000,992
1 st Bank (D)	-	406,841
CCOD (E)	586,406	622,261
US Bank (F)	346,259	388,968
CCOD (G)	235,557	240,557
CCOD (H)	198,329	206,166
1st Bank (I)	<u>735,666</u>	<u>341,791</u>
	<u>7,816,361</u>	<u>8,012,021</u>
Less unamortized loan fees	<u>(41,927)</u>	<u>(42,542)</u>
Less current portion	<u>(207,099)</u>	<u>(604,584)</u>
Total long term notes payable	<u>\$ 7,567,335</u>	<u>\$ 7,364,895</u>

- (A) Note payable by Kittyhawk/Canterbury Renovation LLLP; due August 1, 2026; payable \$17,473 monthly, including interest at 6.75%; secured by deed of trust.
- (B) Note payable by Welton Homes, LLC; due February 1, 2024; payable \$7,639 monthly, including interest at 6.15%; secured by deed of trust.
- (C) Note payable by Gardens of Hope, LLC; due March 10, 2024; payable \$12,314 monthly including interest at 5.50%; secured by deed of trust.
- (D) Note payable by Hope Communities, Inc.; due March 1, 2019; payable \$4,474 monthly including interest at 5.50%; secured by deed of trust for Gardens of Hope, LLC.
- (E) Note payable by Minute Spot, LLC; due January 1, 2016; \$4,515 monthly including interest at 3.00%; secured by deed of trust. Note subsequently amended to suspend payments from January 1, 2014 through December 31, 2015; and maturity extended to July 1, 2032.
- (E) Note payable by Minute Spot, LLC; due January 1, 2026; payable \$33,889 semiannually including interest at 6.53%; secured by deed of trust.
- (F) Notes payable by Hope Development, LLC; due July 1, 2039; payable \$5,000 annually through 2019 and \$1,000 monthly through maturity; interest at 0%; unsecured.
- (G) Note payable by Fern Hall, LLC; due July 1, 2038; payable \$1,159 monthly, including interest at 3%; secured by deed of trust.
- (H) Note payable by Hope Neighborhood Center, LLC; due March 1, 2029; payable \$4,394 monthly including interest at 4.99% until March 1, 2026, after which time the rate changes to a variable rate based on the weekly average yield on U.S Treasury securities adjusted to a constant maturity of three years; secured by deed of trust.

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018 (continued)

8. Long-Term Debt (continued)

Collective required principal payments of long-term debt at December 31, 2019 and 2018:

	2019	2018
2019	\$ -	\$ 604,584
2020	207,099	204,500
2021	218,736	216,031
2022	231,001	228,193
2023	244,003	241,077
2024	1,992,324	-
Thereafter	4,923,198	6,517,636
	\$ 7,816,361	\$ 8,012,021

9. Net Assets

Net assets With Donor Restrictions were \$541,924 and \$649,612 as of December 31, 2019 and 2018, respectively. This balance consists of grants received from the Home Investment Partnership Program (“HOME”) totaling \$425,000, which will be released from restriction at the end of the compliance period, as well as unspent grant proceeds received from The Piton Foundation totaling \$116,924 and \$224,512, respectively, which will be released upon use for specific purposes.

10. Pension and Other Postretirement Plans

Hope has a defined contribution pension plan covering substantially all employees. In 2019 Hope implemented a matching contribution of one percent. \$4,889 and \$0 in matching contributions were made to the plan during the year ending December 31, 2019 and 2018, respectively.

11. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Low-income Housing Tax Credits

Low-income housing tax credits stem from Hope's variable interest entities. The low-income housing credits are contingent upon the ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent or to correct non-compliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential non-compliance may require an adjustment to the contributed capital by the Investor Member.

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018 (continued)

11. Significant Estimates and Concentrations (continued)

General Litigation

Hope is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

12. Related Parties

Kittyhawk/Canterbury Renovation LLLP and Welton Homes, LLC, both carry notes payable with Colorado Housing Finance Authority (CHFA), of which one of the Hope board members is also an employee.

Hope has cash deposits and two loan agreements at a financial institution of which one of the board members is also an employee. At December 31, 2019 and 2018, total cash deposits at this financial institution were \$2,285,454 and \$2,113,290, respectively and the outstanding loan balances were \$2,699,539 and \$2,749,624, respectively.

13. Contingencies

In May 2006, Hope Development received a forgivable loan of \$490,000 in federal “Home Program” funds from the City of Denver to be used toward the design and construction of ten single-family homes. The loan required that the homes be sold to moderate-income buyers and would be forgiven after twenty years. Hope has been advised that it has fulfilled its obligation by selling all ten homes to qualified moderate-income buyers, all transactions specifically subject to income restrictions contained in the City’s Inclusionary Housing Ordinance (IHO), recorded with each transaction. The City has noted that should any of these homes be transferred to subsequent owners who do not qualify as moderate-income, Hope Development may be subject to repayment for some of this loan.

In June 2015, Hope Development filed a Notification Regarding Limitations on Resale Price and Buyer Income Covenant with City of Denver, in connection with this loan. This filing requests notification of any events of default under any financing secured by the properties that could result in Hope Development being required to repay the loan balance.


Hope Communities, Inc. and Subsidiaries


Supplementary Information



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Hope Communities, Inc. and Subsidiaries
Denver, Colorado

We have audited the consolidated financial statements of Hope Communities, Inc. and Subsidiaries as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated April 24, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Haynie & Company

Littleton, Colorado
April 24, 2020

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Financial Position
December 31, 2019

	Hope Communities, Inc.	Hope Development LLC	Hope Neighborhood Center LLC	Gardens of Hope, LLC	KittyHawk, LLC	Fern Hall, LLC
ASSETS						
Cash and cash equivalents	\$ 1,010,067	\$ 892,999	\$ -	\$ 527,875	\$ -	\$ 15,507
Restricted cash	60,420	-	-	765,651	-	-
Accounts receivable, net	165,775	-	-	2,563	-	-
Prepaid expenses	11,173	-	-	12,634	-	892
Investments in subsidiaries	1,475,556	-	-	-	-	-
Property and equipment, net	-	-	1,022,217	903,642	-	313,381
Tax credit fees, net	-	-	-	-	-	-
Related party receivables						
Accounts receivable	2,424,687	-	781,026	5,000	20,630	-
Notes receivable	2,127,511	-	-	-	2,428,953	-
Developer fees	187,506	-	-	-	-	-
Total assets	<u>\$ 7,462,695</u>	<u>\$ 892,999</u>	<u>\$ 1,803,243</u>	<u>\$ 2,217,365</u>	<u>\$ 2,449,583</u>	<u>\$ 329,780</u>
Liabilities and Net Assets						
Liabilities						
Accounts payable, trade	\$ 18,904	\$ -	\$ -	\$ 16,137	\$ -	\$ -
Accrued expenses	16,397	-	3,161	101,619	-	18,290
Long-term debt	-	235,557	731,057	1,952,780	585,000	198,329
Refundable security deposits	1,507	-	-	42,928	-	4,503
Related party payables						
Accounts payable	801,656	754,128	476,397	-	5,000	373,166
Notes payable	-	-	-	-	-	-
Developer fees	-	-	-	-	-	-
Total liabilities	<u>838,464</u>	<u>989,685</u>	<u>1,210,615</u>	<u>2,113,464</u>	<u>590,000</u>	<u>594,288</u>
NET ASSETS						
Noncontrolling interests	-	-	-	-	-	-
Without donor restrictions	6,082,307	(96,686)	592,628	103,901	1,859,583	(264,508)
With donor restrictions	541,924	-	-	-	-	-
Total net assets	<u>6,624,231</u>	<u>(96,686)</u>	<u>592,628</u>	<u>103,901</u>	<u>1,859,583</u>	<u>(264,508)</u>
Total liabilities and net assets	<u>\$ 7,462,695</u>	<u>\$ 892,999</u>	<u>\$ 1,803,243</u>	<u>\$ 2,217,365</u>	<u>\$ 2,449,583</u>	<u>\$ 329,780</u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Financial Position
December 31, 2019

	Westerly Creek Homes LLC	Kittyhawk/ Canterbury Renovation LLLP	Eliminations	Consolidated Westerly Creek Homes LLC
ASSETS				
Cash and cash equivalents	\$ -	\$ 475,117	\$ -	\$ 475,117
Restricted cash	-	464,929	-	464,929
Accounts receivable, net	-	4,379	-	4,379
Prepaid expenses	-	15,473	-	15,473
Investments in subsidiaries	529,500	-	(529,500)	-
Property and equipment, net	-	5,542,746	-	5,542,746
Tax credit fees, net	-	4,309	-	4,309
Related party receivables				
Accounts receivable	-	-	-	-
Notes receivable	-	-	-	-
Developer fees	-	-	-	-
Total assets	<u>\$ 529,500</u>	<u>\$ 6,506,953</u>	<u>\$ (529,500)</u>	<u>\$ 6,506,953</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable, trade	\$ -	\$ 17,746	\$ -	\$ 17,746
Accrued expenses	-	34,902	-	34,902
Long-term debt	-	2,573,094	-	2,573,094
Refundable security deposits	-	62,388	-	62,388
Related party payables				
Accounts payable	-	-	-	-
Notes payable	-	2,428,953	-	2,428,953
Developer fees	-	-	-	-
Total liabilities	<u>-</u>	<u>5,117,083</u>	<u>-</u>	<u>5,117,083</u>
NET ASSETS				
Noncontrolling interests	-	860,370	-	860,370
Without donor restrictions	529,500	529,500	(529,500)	529,500
With donor restrictions	-	-	-	-
Total net assets	<u>529,500</u>	<u>1,389,870</u>	<u>(529,500)</u>	<u>1,389,870</u>
Total liabilities and net assets	<u>\$ 529,500</u>	<u>\$ 6,506,953</u>	<u>\$ (529,500)</u>	<u>\$ 6,506,953</u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Financial Position
December 31, 2019

	Carolton Corporation	DRP VIII Carolton Arms Apartments	Eliminations	Consolidated Carolton Corporation
ASSETS				
Cash and cash equivalents	\$ -	\$ 40,276	\$ -	\$ 40,276
Restricted cash	-	99,163	-	99,163
Accounts receivable, net	-	376	-	376
Prepaid expenses	-	2,482	-	2,482
Investments in subsidiaries	(9,352)	-	9,352	-
Property and equipment, net	-	189,361	-	189,361
Tax credit fees, net	-	-	-	-
Related party receivables				
Accounts receivable	-	-	-	-
Notes receivable	-	-	-	-
Developer fees	-	-	-	-
Total assets	<u>\$ (9,352)</u>	<u>\$ 331,658</u>	<u>\$ 9,352</u>	<u>\$ 331,658</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable, trade	\$ -	\$ 2,703	\$ -	\$ 2,703
Accrued expenses	-	113,053	-	113,053
Long-term debt	-	419,200	-	419,200
Refundable security deposits	-	11,257	-	11,257
Related party payables				
Accounts payable	-	-	-	-
Notes payable	-	720,640	-	720,640
Developer fees	-	-	-	-
Total liabilities	<u>-</u>	<u>1,266,853</u>	<u>-</u>	<u>1,266,853</u>
NET ASSETS				
Non-Controlling interest	-	-	-	-
Without donor restrictions	(9,352)	(935,195)	9,352	(935,195)
With donor restrictions	-	-	-	-
Total net assets	<u>(9,352)</u>	<u>(935,195)</u>	<u>9,352</u>	<u>(935,195)</u>
Total liabilities and net assets	<u>\$ (9,352)</u>	<u>\$ 331,658</u>	<u>\$ 9,352</u>	<u>\$ 331,658</u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Financial Position
December 31, 2019

	Minute Spot, LLC	Welton Homes, LLC	Eliminations	Consolidated Minute Spot LLC
ASSETS				
Cash and cash equivalents	\$ 1,744	\$ 1,529	\$ -	\$ 3,273
Restricted cash	227,613	60,934	-	288,547
Accounts receivable, net	7,208	745	-	7,953
Prepaid expenses	169	1,463	-	1,632
Investments in subsidiaries	433,979	-	(433,979)	-
Property and equipment, net	657,225	4,276,741	-	4,933,966
Tax credit fees, net	-	-	-	-
Related party receivables				
Accounts receivable	-	-	-	-
Notes receivable	1,363,404	-	-	1,363,404
Developer fees	-	-	-	-
Total assets	<u>\$ 2,691,342</u>	<u>\$ 4,341,412</u>	<u>\$ (433,979)</u>	<u>\$ 6,598,775</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable, trade	\$ -	\$ 8,783	\$ -	\$ 8,783
Accrued expenses	40,240	56,781	-	97,021
Long-term debt	1,839,115	1,150,952	-	2,990,067
Refundable security deposits	16,200	21,450	-	37,650
Related party payables				
Accounts payable	235,634	585,362	-	820,996
Notes payable	551,519	2,218,756	-	2,770,275
Developer fees	187,506	-	-	187,506
Total liabilities	<u>2,870,214</u>	<u>4,042,084</u>	<u>-</u>	<u>6,912,298</u>
NET ASSETS				
Noncontrolling interests	-	-	-	-
Without donor restrictions	(178,872)	299,328	(433,979)	(313,523)
With donor restrictions	-	-	-	-
Total net assets	<u>(178,872)</u>	<u>299,328</u>	<u>(433,979)</u>	<u>(313,523)</u>
Total liabilities and net assets	<u>\$ 2,691,342</u>	<u>\$ 4,341,412</u>	<u>\$ (433,979)</u>	<u>\$ 6,598,775</u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Financial Position
December 31, 2019

	Subtotal	Eliminations	Consolidated Totals
ASSETS			
Cash and cash equivalents	\$ 2,965,114	\$ -	\$ 2,965,114
Restricted cash	1,678,710	-	1,678,710
Accounts receivable, net	181,046	(26,357)	154,689
Prepaid expenses	44,286	-	44,286
Investments in subsidiaries	1,475,556	(1,475,556)	-
Property and equipment, net	12,905,313	-	12,905,313
Tax credit fees, net	4,309	-	4,309
Related party receivables			
Accounts receivable	3,231,343	(3,231,343)	-
Notes receivable	5,919,868	(5,919,868)	-
Developer fees	187,506	(187,506)	-
Total assets	<u>\$ 28,593,051</u>	<u>\$ (10,840,630)</u>	<u>\$ 17,752,421</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable, trade	64,273	\$ (26,357)	\$ 37,916
Accrued expenses	384,443	-	384,443
Long-term debt	9,685,084	-	9,685,084
Refundable security deposits	160,233	-	160,233
Related party payables			
Accounts payable	3,231,343	(3,231,343)	-
Notes payable	5,919,868	(5,919,868)	-
Developer fees	187,506	(187,506)	-
Total liabilities	<u>19,632,750</u>	<u>(9,365,074)</u>	<u>10,267,676</u>
NET ASSETS			
Noncontrolling interests	860,370	-	860,370
Without donor restrictions	7,558,007	(1,475,556)	6,082,451
With donor restrictions	541,924	-	541,924
Total net assets	<u>8,960,301</u>	<u>(1,475,556)</u>	<u>7,484,745</u>
Total liabilities and net assets	<u>\$ 28,593,051</u>	<u>\$ (10,840,630)</u>	<u>\$ 17,752,421</u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Activities
For the Year Ended December 31, 2019

	Hope Communities, Inc.	Hope Development LLC	Hope Neighborhood Center LLC	Gardens of Hope, LLC	KittyHawk, LLC	Fern Hall, LLC
Revenues Without Donor Restrictions						
Rental income	\$ 13,447	\$ -	\$ 30,000	\$ 1,056,311	\$ -	\$ 59,300
Interest income	38,018	4,287	-	2,647	158,904	-
Development and management fees	332,689	-	-	-	-	-
Gain (loss) on investment in subsidiaries	134,978	-	-	-	-	-
Contributions and grants	471,175	-	-	-	-	-
Other income	3,791	-	-	29,059	-	50
Net assets released from restrictions	151,857	-	-	-	-	-
Total revenues without donor restrictions	<u>1,145,955</u>	<u>4,287</u>	<u>30,000</u>	<u>1,088,017</u>	<u>158,904</u>	<u>59,350</u>
Expenses						
Affordable housing	31,581	-	-	1,001,377	-	-
Resident services	625,727	-	-	-	-	-
Development	29,837	-	-	-	-	-
Total program services	687,145	-	-	1,001,377	-	-
Administrative	249,052	-	75,439	-	-	66,525
Fundraising	98,474	-	-	-	-	-
Total expenses (and losses)	<u>1,034,671</u>	<u>-</u>	<u>75,439</u>	<u>1,001,377</u>	<u>-</u>	<u>66,525</u>
Change in net assets without donor restrictions	<u>111,284</u>	<u>4,287</u>	<u>(45,439)</u>	<u>86,640</u>	<u>158,904</u>	<u>(7,175)</u>
Revenues With Donor Restrictions						
Contributions	44,169	-	-	-	-	-
Net assets released from restrictions	(151,857)	-	-	-	-	-
Change in net assets with donor restrictions	<u>(107,688)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets Before Transfers and Dividends Declared						
	3,596	4,287	(45,439)	86,640	158,904	(7,175)
Change in Net Assets Attributable to Noncontrolling Interest						
	-	-	-	-	-	-
Change in Net Assets Attributable to Hope						
	3,596	4,287	(45,439)	86,640	158,904	(7,175)
Change in Net Assets						
	3,596	4,287	(45,439)	86,640	158,904	(7,175)
Net Assets, Beginning of Year						
	<u>6,620,635</u>	<u>(100,973)</u>	<u>638,067</u>	<u>17,261</u>	<u>1,700,679</u>	<u>(257,333)</u>
Net Assets, End of Year						
	<u>\$ 6,624,231</u>	<u>\$ (96,686)</u>	<u>\$ 592,628</u>	<u>\$ 103,901</u>	<u>\$ 1,859,583</u>	<u>\$ (264,508)</u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Activities
For the Year Ended December 31, 2019

	Westerly Creek Homes LLC	Kittyhawk/ Canterbury Renovation LLLP	Eliminations	Consolidated Westerly Creek Homes LLC
Revenues Without Donor Restrictions				
Rental income	\$ -	\$ 1,255,628	\$ -	\$ 1,255,628
Interest income	-	3,087	-	3,087
Development and management fees	-	-	-	-
Gain (loss) on investment in subsidiaries	(13)	-	13	-
Contributions and grants	-	-	-	-
Other income	-	64,913	-	64,913
Net assets released from restrictions	-	-	-	-
Total revenues without donor restrictions	<u>(13)</u>	<u>1,323,628</u>	<u>13</u>	<u>1,323,628</u>
Expenses				
Affordable housing	-	1,574,015	-	1,574,015
Resident services	-	-	-	-
Development	-	-	-	-
Total program services	-	1,574,015	-	1,574,015
Administrative	-	-	-	-
Fundraising	-	-	-	-
Total expenses (and losses)	-	1,574,015	-	1,574,015
Change in net assets without donor restrictions	<u>(13)</u>	<u>(250,387)</u>	<u>13</u>	<u>(250,387)</u>
Revenues With Donor Restrictions				
Contributions	-	-	-	-
Net assets released from restrictions	-	-	-	-
Change in net assets with donor restrictions	-	-	-	-
Change in Net Assets Before Transfers and Dividends Declared				
	(13)	(250,387)	13	(250,387)
Change in Net Assets Attributable to Noncontrolling Interest				
	-	(250,374)	-	(250,374)
Change in Net Assets Attributable to Hope	<u>(13)</u>	<u>(13)</u>	<u>13</u>	<u>(13)</u>
Change in Net Assets	(13)	(250,387)	13	(250,387)
Capital contributions	-	-	-	-
Net Assets, Beginning of Year	<u>529,513</u>	<u>1,640,257</u>	<u>(529,513)</u>	<u>1,640,257</u>
Net Assets, End of Year	<u>\$ 529,500</u>	<u>\$ 1,389,870</u>	<u>\$ (529,500)</u>	<u>\$ 1,389,870</u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Activities
For the Year Ended December 31, 2019

	Carolton Corporation	DRP VIII Carolton Arms Apartments	Eliminations	Consolidated Carolton Corporation
Revenues Without Donor Restrictions				
Rental income	\$ -	\$ 222,906	\$ -	\$ 222,906
Interest income	-	970	-	970
Development and management fees	-	-	-	-
Gain (loss) on investment in subsidiaries	79	-	(79)	-
Contributions and grants	-	-	-	-
Other income	-	17,096	-	17,096
Net assets released from restrictions	-	-	-	-
Total revenues without donor restrictions	<u>79</u>	<u>240,972</u>	<u>(79)</u>	<u>240,972</u>
Expenses				
Affordable housing	-	233,089	-	233,089
Resident services	-	-	-	-
Development	-	-	-	-
Total program services	-	233,089	-	233,089
Administrative	-	-	-	-
Fundraising	-	-	-	-
Total expenses (and losses)	<u>-</u>	<u>233,089</u>	<u>-</u>	<u>233,089</u>
Change in net assets without donor restrictions	<u>79</u>	<u>7,883</u>	<u>(79)</u>	<u>7,883</u>
Revenues With Donor Restrictions				
Contributions	-	-	-	-
Net assets released from restrictions	-	-	-	-
Change in net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets Before Transfers and Dividends Declared				
	79	7,883	(79)	7,883
Change in Net Assets Attributable to Noncontrolling Interest				
	-	-	-	-
Change in Net Assets Attributable to Hope				
	<u>79</u>	<u>7,883</u>	<u>(79)</u>	<u>7,883</u>
Change in Net Assets				
	79	7,883	(79)	7,883
Net Assets, Beginning of Year				
	<u>(9,431)</u>	<u>(943,078)</u>	<u>9,431</u>	<u>(943,078)</u>
Net Assets, End of Year				
	<u><u>\$ (9,352)</u></u>	<u><u>\$ (935,195)</u></u>	<u><u>\$ 9,352</u></u>	<u><u>\$ (935,195)</u></u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Activities
For the Year Ended December 31, 2019

	Minute Spot, LLC	Welton Homes, LLC	Eliminations	Consolidated Minute Spot LLC
Revenues Without Donor Restrictions				
Rental income	\$ 87,195	\$ 335,755	\$ -	\$ 422,950
Interest income	16,682	138	-	16,820
Development and management fees	-	-	-	-
Gain (loss) on investment in subsidiaries	(162)	-	162	-
Contributions and grants	-	-	-	-
Other income	115,194	52,084	-	167,278
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues without donor restrictions	<u>218,909</u>	<u>387,977</u>	<u>162</u>	<u>607,048</u>
Expenses				
Affordable housing	-	550,432	-	550,432
Resident services	-	-	-	-
Development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total program services	-	550,432	-	550,432
Administrative	154,258	-	-	154,258
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses (and losses)	<u>154,258</u>	<u>550,432</u>	<u>-</u>	<u>704,690</u>
Change in net assets without donor restrictions	<u>64,651</u>	<u>(162,455)</u>	<u>162</u>	<u>(97,642)</u>
Revenues With Donor Restrictions				
Contributions	-	-	-	-
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets Before Transfers and Dividends Declared				
	64,651	(162,455)	162	(97,642)
Change in Net Assets Attributable to Noncontrolling Interest				
	-	(27,642)	-	(27,642)
Change in Net Assets Attributable to Hope				
	<u>64,651</u>	<u>(134,813)</u>	<u>162</u>	<u>(70,000)</u>
Change in Net Assets				
	64,651	(162,455)	162	(97,642)
Step up in basis				
	-	1,383,448	-	1,383,448
Net Assets, Beginning of Year				
	<u>(243,523)</u>	<u>(921,665)</u>	<u>(434,141)</u>	<u>(1,599,329)</u>
Net Assets, End of Year				
	<u>\$ (178,872)</u>	<u>\$ 299,328</u>	<u>\$ (433,979)</u>	<u>\$ (313,523)</u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Activities
For the Year Ended December 31, 2019

	Subtotal	Eliminations	Consolidated Totals
Revenues Without Donor Restrictions			
Rental income	\$ 3,060,542	\$ (30,000)	\$ 3,030,542
Interest income	224,733	(211,912)	12,821
Development and management fees	332,689	(332,689)	-
Gain (loss) on investment in subsidiaries	134,978	(134,978)	-
Contributions and grants	471,175	-	471,175
Other income	282,187	-	282,187
Net assets released from restrictions	151,857	-	151,857
Total revenues without donor restrictions	<u>4,658,161</u>	<u>(709,579)</u>	<u>3,948,582</u>
Expenses			
Affordable housing	3,390,494	(524,763)	2,865,731
Resident services	625,727	-	625,727
Development	29,837	-	29,837
Total program services	4,046,058	(524,763)	3,521,295
Administrative	545,274	(49,837)	495,437
Fundraising	98,474	-	98,474
Total expenses (and losses)	<u>4,689,806</u>	<u>(574,600)</u>	<u>4,115,206</u>
Change in net assets without donor restrictions	<u>(31,645)</u>	<u>(134,979)</u>	<u>(166,624)</u>
Revenues With Donor Restrictions			
Contributions	44,169	-	44,169
Net assets released from restrictions	<u>(151,857)</u>	<u>-</u>	<u>(151,857)</u>
Change in net assets with donor restrictions	<u>(107,688)</u>	<u>-</u>	<u>(107,688)</u>
Change in Net Assets Before Transfers and Dividends Declared			
	(139,333)	(134,979)	(274,312)
Change in Net Assets Attributable to Noncontrolling Interest			
	(278,016)	-	(278,016)
Change in Net Assets Attributable to Hope			
	<u>138,683</u>	<u>(134,979)</u>	<u>3,704</u>
Change in Net Assets			
Step up in basis	<u>1,383,448</u>	<u>-</u>	<u>1,383,448</u>
Net Assets, Beginning of Year	<u>7,716,186</u>	<u>(1,340,577)</u>	<u>6,375,609</u>
Net Assets, End of Year	<u>\$ 8,960,301</u>	<u>\$ (1,475,556)</u>	<u>\$ 7,484,745</u>