

HOPE COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITOR

DECEMBER 31, 2021 AND 2020





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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, 2021 and 2020, 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.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Hope Communities, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

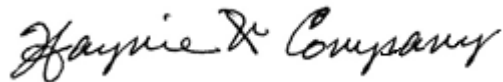
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Subsidiaries' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Subsidiaries' 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.

Sincerely,

A handwritten signature in cursive script that reads "Haynie & Company".

Littleton, Colorado
March 24, 2022

Hope Communities, Inc. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash	\$ 4,215,735	\$ 3,438,761
Restricted cash	1,681,448	1,828,582
Accounts receivable, net of allowance of \$15,276 and \$24,552, respectively	771,593	108,722
Prepaid expenses	51,831	76,037
Total current assets	6,720,607	5,452,102
Long-Term assets:		
Tax credit fees, net of accumulated amortization of \$35,316 and \$33,322, respectively	322	2,316
Property and equipment, net	11,439,243	12,300,472
Total long-term assets	11,439,565	12,302,788
Total assets	\$ 18,160,172	\$17,754,890
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 415,829	\$ 396,978
Deferred revenue	-	216,400
Refundable security deposits	181,690	163,492
Current portion of long-term debt	180,156	217,690
Total current liabilities	777,675	994,560
Long-Term liabilities:		
Accrued expenses	96,416	92,224
Long-term debt, net of current portion and unamortized loan costs of \$31,388 and \$36,619, respectively	8,664,146	9,270,940
Total long-term liabilities	8,760,562	9,363,164
Total liabilities	9,538,237	10,357,724
NET ASSETS		
Noncontrolling interests	(315)	308,947
Without donor restrictions	7,208,917	6,579,136
With donor restrictions	1,413,333	509,083
Total net assets	8,621,935	7,397,166
Total liabilities and net assets	\$ 18,160,172	\$17,754,890

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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support						
Rental income	\$ 3,010,975	\$ -	\$ 3,010,975	\$ 3,014,470	\$ -	\$3,014,470
Contributions and grants	536,699	1,283,801	1,820,500	731,194	280,612	1,011,806
Interest income	1,005	-	1,005	3,711	-	3,711
Other income	911,501	-	911,501	253,815	-	253,815
Net assets released from restriction	<u>379,551</u>	<u>(379,551)</u>	<u>-</u>	<u>313,453</u>	<u>(313,453)</u>	<u>-</u>
Total revenue, gains and other support	<u>4,839,731</u>	<u>904,250</u>	<u>5,743,981</u>	<u>4,316,643</u>	<u>(32,841)</u>	<u>4,283,802</u>
Expenses						
Affordable housing	2,919,055	-	2,919,055	2,975,111	-	2,975,111
Resident services	837,008	-	837,008	740,727	-	740,727
Housing Development	<u>25,435</u>	<u>-</u>	<u>25,435</u>	<u>24,423</u>	<u>-</u>	<u>24,423</u>
Total program services	3,781,498	-	3,781,498	3,740,261	-	3,740,261
Administrative	555,811	-	555,811	518,160	-	518,160
Fundraising	<u>128,160</u>	<u>-</u>	<u>128,160</u>	<u>112,960</u>	<u>-</u>	<u>112,960</u>
Total expenses	<u>4,465,469</u>	<u>-</u>	<u>4,465,469</u>	<u>4,371,381</u>	<u>-</u>	<u>4,371,381</u>
Change in net assets	<u>\$ 374,262</u>	<u>\$ 904,250</u>	<u>\$ 1,278,512</u>	<u>\$ (54,738)</u>	<u>\$ (32,841)</u>	<u>\$ (87,579)</u>
Change in net assets attributable to noncontrolling interest	(255,519)	-	(255,519)	(551,423)	-	(551,423)
Change in net assets attributable to Hope	629,781	904,250	1,534,031	496,685	(32,841)	463,844

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, 2021 and 2020

	Net Assets Attributable to Hope		Net Assets Attributable to Noncontrolling Interests		Total	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
Balance December 31, 2019	\$ 6,082,451	\$ 541,924	\$ 860,370	\$ 6,942,821	\$ 541,924	
Change in net assets	496,685	(32,841)	(551,423)	(54,738)	(32,841)	
Balance December 31, 2020	\$ 6,579,136	\$ 509,083	\$ 308,947	\$ 6,888,083	\$ 509,083	
Step down in basis (Note 3)	-	-	(53,743)	(53,743)	-	
Net income/(loss)	629,781	904,250	(255,519)	374,262	904,250	
Balance December 31, 2021	<u>\$ 7,208,917</u>	<u>\$ 1,413,333</u>	<u>\$ (315)</u>	<u>\$ 7,208,602</u>	<u>\$ 1,413,333</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets attributable to Hope	\$ 1,534,031	\$ 463,844
Change in net assets attributable to noncontrolling interest	<u>(255,519)</u>	<u>(551,423)</u>
Change in net assets	1,278,512	(87,579)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	637,471	660,014
Gain on sale of real estate	(515,359)	-
Changes in		
Accounts receivable	(662,871)	45,967
Prepaid expenses	24,206	(31,751)
Accounts payable and accrued expenses	23,040	66,841
Deferred revenue	(216,400)	216,400
Refundable security deposits	<u>18,198</u>	<u>3,259</u>
Net cash from operating activities	\$ 586,797	\$ 873,151
Cash Flows from Investing Activities		
Purchase of fixed assets	(107,399)	(47,870)
Sale of fixed assets	<u>800,000</u>	<u>-</u>
Net cash from investing activities	\$ 692,601	\$ (47,870)
Cash Flows from Financing Activities		
Principal payments on long-term debt	<u>(649,559)</u>	<u>(201,762)</u>
Net cash from financing activities	\$ (649,559)	\$ (201,762)
Net Change in Cash and Restricted Cash	629,839	623,519
Cash and Restricted Cash at Beginning of the Year	<u>5,267,343</u>	<u>4,643,824</u>
Cash and Restricted Cash at End of the Year	<u>\$ 5,897,182</u>	<u>\$5,267,343</u>
Cash paid for interest	<u>\$ 422,993</u>	<u>\$ 441,067</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
Balance sheet accounts included in Cash and Restricted Cash:		
Cash	4,215,735	3,438,761
Restricted Cash	<u>1,681,448</u>	<u>1,828,582</u>
	<u>\$ 5,897,183</u>	<u>\$5,267,343</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, 2021 and 2020

	2021						
	Affordable Housing	Resident Services	Housing Development	Total			Total
				Program Services	Administrative	Fundraising	
Salaries and benefits	\$ 665,907	\$ 515,239	\$ 25,434	\$ 1,206,580	\$ 107,495	\$ 111,325	\$ 1,425,400
Operating and maintenance	513,803	-	-	513,803	28,131	-	541,934
Administrative expenses	75,371	-	-	75,371	82,794	-	158,165
Legal and professional fees	35,861	-	-	35,861	28,371	-	64,232
Advertising, Marketing, and Fundraising	8,193	-	-	8,193	-	16,835	25,028
Utilities	267,127	-	-	267,127	13,157	-	280,284
Insurance & taxes	282,654	-	-	282,654	102,373	-	385,027
Resident programs	500	321,769	-	322,269	-	-	322,269
Interest expense	350,549	-	-	350,549	73,977	-	424,526
Repairs	89,553	-	-	89,553	-	-	89,553
Supplies	59,222	-	-	59,222	-	-	59,222
Bad debts	12,512	-	-	12,512	-	-	12,512
Other expenses	-	-	-	-	39,845	-	39,845
Total before depreciation and amortization	\$ 2,361,252	\$ 837,008	\$ 25,434	\$ 3,223,694	\$ 476,143	\$ 128,160	\$ 3,827,997
Depreciation and amortization	557,803	-	-	557,803	79,668	-	637,471
Total expenses	\$ 2,919,055	\$ 837,008	\$ 25,434	\$ 3,781,497	\$ 555,811	\$ 128,160	\$ 4,465,468

	2020						
	Affordable Housing	Resident Services	Housing Development	Total			Total
				Program Services	Administrative	Fundraising	
Salaries and benefits	\$ 632,172	\$ 445,852	\$ 24,423	\$ 1,102,447	\$ 104,593	\$ 96,133	\$ 1,303,173
Operating and maintenance	477,734	-	-	477,734	34,956	-	512,690
Administrative expenses	87,100	-	-	87,100	79,295	-	166,395
Legal and professional fees	32,029	-	-	32,029	23,835	-	55,864
Advertising, Marketing, and Fundraising	2,875	-	-	2,875	-	16,827	19,702
Utilities	260,108	-	-	260,108	10,652	-	270,760
Insurance & taxes	297,753	-	-	297,753	98,608	-	396,361
Resident programs	407	294,875	-	295,282	-	-	295,282
Interest expense	357,011	-	-	357,011	82,857	-	439,868
Repairs	152,369	-	-	152,369	-	-	152,369
Supplies	61,231	-	-	61,231	-	-	61,231
Bad debts	37,077	-	-	37,077	595	-	37,672
Other expenses	-	-	-	-	-	-	-
Total before depreciation and amortization	\$ 2,397,866	\$ 740,727	\$ 24,423	\$ 3,163,016	\$ 435,391	\$ 112,960	\$ 3,711,367
Depreciation and amortization	577,245	-	-	577,245	82,769	-	660,014
Total expenses	\$ 2,975,111	\$ 740,727	\$ 24,423	\$ 3,740,261	\$ 518,160	\$ 112,960	\$ 4,371,381

The accompanying notes are an integral part of these statements.

Hope Communities, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

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:

Service-enriched Housing

- Maintain integrity and utility of current properties
- Engage with staff, board, and community partners to plan and implement resolution for longstanding financial, facilities, and HOA management issues at Welton properties (residential and commercial) through the lens of housing stability and equitable access to opportunity for low-income Five Points residents.
- Ensure adequate space for program and service implementation
- While fortifying current properties is a primary goal for 2022, investigate and implement strategies to acquire additional affordable housing units at year-end.

Housing Stability and Economic Security Programs

- Institutionalize Hope's housing stability program, which will include 1) improvements in the process to gain housing at Hope, 2) strengthening community partnerships extending emergency, transitional and permanent housing outside Hope properties; and 3) integrate resources navigation and economic mobility programs to ensure housing retention and long-range stability.
- Design and offer a full array of adult programs on-site for economic mobility as needed to support individuals and families. Provide support for employment, life skills, financial literacy, civic engagement, legal intervention as warranted.
- Provide regular programming for seniors that focus on health, independent living, and social support networks.
- Ensure access to basic needs, as well as programs and services to improve health and well-being for families.
- Add depth to the cultural navigator program, to support refugee, asylee, humanitarian parolee, and immigrant health, education, and integration in the community.
- Consistently offer customized youth programs at Hope properties to foster academic success, wellness, critical thinking skills, and resiliency.
- Leverage community partnerships, as appropriate, to extend reach for program and service goals.

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020 (continued)

1. Nature of Operations (continue)

Financial Viability

- Remedy physical plant, excessive cost of operations, and HOA problems at the Point.
- Identify and initiate methods to ensure the financial stability of each property with appropriate operations, management fees, and reserves.
- Strengthen the fundraising arm of the organization to fully support programs, services, capital needs, and administrative operations.

Organizational Capacity

- Recruit and hire quality staff to implement the mission. Provide an inclusive, supportive, and empowering environment for employees to foster pride, opportunity, and retention. Endeavor to hire staff who are reflective of the people we serve.
- Continue work across the organization to strengthen our DEI work.
- Institute a training schedule to support skill development and upward mobility for all staff, with a dedicated program for middle management.
- Fortify and internally publicize the succession plan for senior management.
- Continue to strengthen technology infrastructure needed to support mission.
- Assess and plan for software, systems, and policies to adequately support administration, program evaluation, fundraising, and HR.
- Continue to finetune and expand communications collateral, print and online, to increase awareness of the impact we make in the community.

Community

- Ensure a strong and vibrant board of directors to provide policy and fiduciary oversight.
- Increase the number of volunteers regularly engaged with the organization, with emphasis on extending the reach and impact of staff expertise.
- Continue to involve clients and the broader community in conversations leading to the direction and design of programs.
- Elevate recognition of Hope as a leader in the affordable housing community.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Hope and its wholly and majority owned subsidiaries. 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)
- Carolton Corporation (for-profit corporation)
- The Gardens of Hope, LLC (limited liability company)

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020 (continued)

2. Summary of Significant Accounting Policies (continued)

- Minute Spot, LLC (limited liability company)
- Welton Homes, LLC (limited liability company)
- Westerly Creek Homes, LLC (limited liability company)
- Denver Revitalization Partnership VIII, Ltd. (limited liability partnership)
- Kittyhawk/Canterbury Renovation LLLP (99.99% interest by Westerly Creek Homes, LLC)

In October 2021, the 99.99% limited partner interests of Enterprise Housing Partners III Series II Limited Partnership and Enterprise Housing Partners XII Limited Partnership were assigned to Westerly Creek Homes, LLC giving Westerly Creek Homes, LLC a 99.99% interest in the partnership. Prior to this assignment, Westerly Creek Homes, LLC had a .005% interest in the partnership.

In 2020, Kittyhawk/Canterbury Renovation LLLP was 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, 2021 and 2020.

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020 (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 seventh 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, 2021 and 2020 (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, 2021 and 2020.

Noncontrolling Interest

Noncontrolling interest represents noncontrolling interest in Hope's majority-owned 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 2018 and forward.

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

Hope's majority-owned 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, 2021 and 2020 (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

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, 2021. 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.

Subsequent Events

The Organization has evaluated subsequent events that occurred after December 31, 2021 through March 24, 2022, the date which the consolidated financial statements were available to be issued.

3. Transfers of Investor Members' Ownership

In October 2021, the 99.99% limited partner interest in Kittyhawk & Canterbury Renovation, LLLP of Enterprise Housing Partners III Series II Limited Partnership and Enterprise Housing Partners XIII Limited Partnership were assigned to Westerly Creek Homes, LLC. As a result of this assignment, Westerly Creek Homes, LLC now has a 99.99% interest in Kittyhawk & Canterbury Renovation, LLLP. The special limited partner, Denver Housing Development Partners, Inc. continues to have a .005% interest in the Partnership. 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 Kittyhawk & Canterbury Renovation, LLLP's net assets was \$53,744 lower 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 down of approximately \$53,743, of which \$1,930 was applied to land and \$51,813 was applied to the building and will be depreciated over the property's remaining recovery period.

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020 (continued)

3. Transfers of Investor Members' Ownership (continued)

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, 2021 and 2020:

	2021	2020
Financial assets at period end:		
Cash & cash equivalents	\$ 4,215,735	\$ 3,438,761
Accounts receivable	771,593	108,722
Total financial assets	4,987,328	3,547,483
Donor-imposed restrictions:		
Funds subject to time and purpose restrictions	(1,413,333)	(509,083)
Net financial assets after donor-imposed restrictions	3,573,995	3,038,400
Board designations:		
Housing development funds	(893,707)	(893,618)
Operating reserves	(821,685)	(821,472)
Refugee program navigator	(72,833)	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,785,770	\$ 1,323,310

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.

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020 (continued)

5. Restricted Cash

As of December 31, 2021 and 2020, restricted cash consists of cash for the following purposes:

	<u>2021</u>	<u>2020</u>
Capital expenditures and maintenance	\$ 933,279	\$ 879,062
Operating reserves restricted by investors	205,078	204,843
Security deposits paid by tenants	166,889	145,786
Debt service and escrow	<u>376,202</u>	<u>598,891</u>
Total	<u>\$ 1,681,448</u>	<u>\$ 1,828,582</u>

6. Property and Equipment

Property and equipment at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,696,845	\$ 1,721,306
Buildings and building improvements	18,606,204	19,214,088
Furniture, fixtures and equipment	1,052,749	1,029,333
Vehicles	<u>22,793</u>	<u>22,793</u>
Total property and equipment	<u>21,378,591</u>	<u>21,987,520</u>
Less accumulated depreciation	<u>(9,939,348)</u>	<u>(9,687,048)</u>
Net property and equipment	<u>\$ 11,439,243</u>	<u>\$ 12,300,472</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$630,244, and \$652,712, respectively.

On November 18, 2021, a building with a carrying value of \$284,641 was sold for \$800,000 resulting in a gain on sale of \$515,359 reflected as other income in the Consolidated Statements of Activities.

7. Deferred Revenue

On April 17, 2020, Hope Communities, Inc. (the “Borrower”), was granted a loan (the “Loan”) from First Bank in the amount of \$216,400, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated April 17, 2020 issued by the Borrower, matures on April 1, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 1, 2020. Borrower may repay all or a portion of the loan at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage interest payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020.

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020 (continued)

7. Deferred Revenue (continued)

Hope used the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The loan was forgiven in August 2021 and was recognized as Other Income.

8. 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, 2021 and 2020 consist of the following:

	2021	2020
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, 2021 and 2020 (continued)

9. Long-Term Debt

At December 31, 2021 and 2020 long-term debt consists of the following:

	<u>2021</u>	<u>2020</u>
Colorado Housing and Finance Authority (CHFA) (A)	\$ 2,511,711	\$ 2,550,419
CHFA (B)	1,119,039	1,142,035
1 st Bank (C)	1,883,763	1,925,531
CCOD (D)	511,870	550,136
US Bank (E)	-	300,730
CCOD (F)	235,557	235,557
CCOD (G)	-	190,397
1st Bank (H)	<u>703,100</u>	<u>719,794</u>
	<u>6,965,040</u>	<u>7,614,599</u>
Less unamortized loan fees	<u>(31,388)</u>	<u>(36,619)</u>
Less current portion	<u>(180,156)</u>	<u>(217,690)</u>
Total long-term notes payable	<u>\$ 6,753,496</u>	<u>\$ 7,360,290</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 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. Note paid in full on November 29, 2021.
- (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. Note subsequently amended to suspend payments from January 1, 2020 through January 1, 2022
- (G) Note payable by Fern Hall, LLC; due July 1, 2038; payable \$1,159 monthly, including interest at 3%; secured by deed of trust. Note paid in full on November 18, 2021.
- (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, 2021 and 2020 (continued)

9. Long-Term Debt (continued)

Collective required principal payments of long-term debt at December 31, 2021:

	2021
2021	-
2022	180,156
2023	189,248
2024	2,978,484
2025	125,761
2026	112,492
Thereafter	3,378,899
	\$ 6,965,040

10. Net Assets

Net assets with donor restrictions as of December 31, 2021 and 2020:

	2021	2020
Colorado Health Foundation	\$ 863,097	\$ -
Home Investment Partnership Program (HOME)	425,000	425,000
Caring for Colorado	60,000	-
Enterprise Community Foundation	-	53,192
The Piton Foundation	-	30,891
Mile High United Way	25,000	-
Bank of the West Foundation	15,000	-
CHFA Direct Effect Award	10,000	-
John Duncan Trust	10,000	-
KeyBank Event Sponsorship for 2022	5,236	-
	\$ 1,413,333	\$ 509,083

11. 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. The matching contribution was increased to 2% in March 2021. \$13,844 and \$5,549 in matching contributions were made to the plan during the year ending December 31, 2021 and 2020, respectively.

Hope Communities, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020 (continued)

12. 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.

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.

13. 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, 2021 and 2020, total cash deposits at this financial institution were \$3,594,098 and \$2,797,698, respectively and the outstanding loan balances were \$2,586,863 and \$2,645,325, respectively.

14. 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
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020 (continued)

15. Risks and Uncertainties


On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In response, many state and local governments instituted restrictions that substantially limited the operations of non-essential businesses and the activities of individuals. While some of these restrictions have been eased, there is still significant uncertainty around the extent and duration of those still in place and the possibility for restrictions to be increased again in the future. The extent to which the pandemic will impact Hope's financial results in the coming periods depends on future developments, including where there are additional outbreaks of COVID-19 and the actions taken to contain or address the virus. As a consequence, the pandemic and its associated impact on the U.S. economy and public confidence could have a material impact on the Hope's future results of operations, financial condition and cash flows.


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 and Subsidiaries, Inc.

We have audited the consolidated financial statements of Hope Communities, Inc. and Subsidiaries as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated March 24, 2022, 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.

Sincerely,

Haynie & Company

Littleton, Colorado
March 24, 2022

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Financial Position
December 31, 2021

	Hope Communities, Inc.	Hope Development LLC	Hope Neighborhood Center LLC	Gardens of Hope, LLC	KittyHawk, LLC	Fern Hall, LLC
ASSETS						
Cash and cash equivalents	\$ 2,049,145	\$ 893,707	\$ -	\$ 595,445	\$ -	\$ 77,584
Restricted cash	70,741	-	-	857,922	-	-
Accounts receivable, net	689,585	-	-	26,102	-	-
Prepaid expenses	22,852	-	-	11,177	-	-
Investments in subsidiaries	1,504,656	-	-	-	-	-
Property and equipment, net	-	-	940,149	857,585	-	-
Tax credit fees, net	-	-	-	-	-	-
Related party receivables						
Accounts receivable	2,443,985	-	841,026	5,000	20,630	-
Notes receivable	2,140,386	-	-	-	2,780,908	-
Developer fees	187,506	-	-	-	-	-
Total assets	<u>\$ 9,108,856</u>	<u>\$ 893,707</u>	<u>\$ 1,781,175</u>	<u>\$ 2,353,231</u>	<u>\$ 2,801,538</u>	<u>\$ 77,584</u>
Liabilities and Net Assets						
Liabilities						
Accounts payable, trade	\$ 2,345	\$ -	\$ -	\$ 14,367	\$ -	\$ -
Accrued expenses	37,400	-	3,216	136,025	-	-
Long-term debt	-	235,557	699,552	1,877,995	585,000	-
Refundable security deposits	1,507	-	-	55,340	-	-
Related party payables						
Accounts payable	861,657	754,128	581,854	-	5,000	-
Notes payable	-	-	-	-	-	-
Developer fees	-	-	-	-	-	-
Total liabilities	<u>902,909</u>	<u>989,685</u>	<u>1,284,622</u>	<u>2,083,727</u>	<u>590,000</u>	<u>-</u>
NET ASSETS						
Noncontrolling interests	-	-	-	-	-	-
Without donor restrictions	6,792,614	(95,978)	496,553	269,504	2,211,538	77,584
With donor restrictions	1,413,333	-	-	-	-	-
Total net assets	<u>8,205,947</u>	<u>(95,978)</u>	<u>496,553</u>	<u>269,504</u>	<u>2,211,538</u>	<u>77,584</u>
Total liabilities and net assets	<u>\$ 9,108,856</u>	<u>\$ 893,707</u>	<u>\$ 1,781,175</u>	<u>\$ 2,353,231</u>	<u>\$ 2,801,538</u>	<u>\$ 77,584</u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Financial Position
December 31, 2021

	Westerly Creek Homes LLC	Kittyhawk/ Canterbury Renovation LLLP	Eliminations	Consolidated Westerly Creek Homes LLC
ASSETS				
Cash and cash equivalents	\$ -	\$ 568,424	\$ -	\$ 568,424
Restricted cash	-	512,265	-	512,265
Accounts receivable, net	-	26,395	-	26,395
Prepaid expenses	-	13,937	-	13,937
Investments in subsidiaries	468,961	-	(468,961)	-
Property and equipment, net	-	4,792,906	-	4,792,906
Tax credit fees, net	-	322	-	322
Related party receivables				
Accounts receivable	-	-	-	-
Notes receivable	-	-	-	-
Developer fees	-	-	-	-
Total assets	<u>\$ 468,961</u>	<u>\$ 5,914,249</u>	<u>\$ (468,961)</u>	<u>\$ 5,914,249</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable, trade	\$ -	\$ 9,664	\$ -	\$ 9,664
Accrued expenses	-	77,516	-	77,516
Long-term debt	-	2,500,127	-	2,500,127
Refundable security deposits	-	77,388	-	77,388
Related party payables				
Accounts payable	-	-	-	-
Notes payable	-	2,780,908	-	2,780,908
Developer fees	-	-	-	-
Total liabilities	<u>-</u>	<u>5,445,603</u>	<u>-</u>	<u>5,445,603</u>
NET ASSETS				
Noncontrolling interests	-	(315)	-	(315)
Without donor restrictions	468,961	468,961	(468,961)	468,961
With donor restrictions	-	-	-	-
Total net assets	<u>468,961</u>	<u>468,646</u>	<u>(468,961)</u>	<u>468,646</u>
Total liabilities and net assets	<u>\$ 468,961</u>	<u>\$ 5,914,249</u>	<u>\$ (468,961)</u>	<u>\$ 5,914,249</u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Financial Position
December 31, 2021

	Carolton Corporation	DRP VIII Carolton Arms Apartments	Eliminations	Consolidated Carolton Corporation
ASSETS				
Cash and cash equivalents	\$ -	\$ 14,026	\$ -	\$ 14,026
Restricted cash	-	85,530	-	85,530
Accounts receivable, net	-	10,956	-	10,956
Prepaid expenses	-	2,211	-	2,211
Investments in subsidiaries	(9,619)	-	9,619	-
Property and equipment, net	-	141,226	-	141,226
Tax credit fees, net	-	-	-	-
Related party receivables				
Accounts receivable	-	-	-	-
Notes receivable	-	-	-	-
Developer fees	-	-	-	-
Total assets	<u>\$ (9,619)</u>	<u>\$ 253,949</u>	<u>\$ 9,619</u>	<u>\$ 253,949</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable, trade	\$ -	\$ 493	\$ -	\$ 493
Accrued expenses	-	124,839	-	124,839
Note payable	-	-	-	-
Long-term debt	-	419,200	-	419,200
Refundable security deposits	-	10,705	-	10,705
Related party payables				
Accounts payable	-	-	-	-
Notes payable	-	660,640	-	660,640
Developer fees	-	-	-	-
Total liabilities	<u>-</u>	<u>1,215,877</u>	<u>-</u>	<u>1,215,877</u>
NET ASSETS				
Without donor restrictions	(9,619)	(961,928)	9,619	(961,928)
With donor restrictions	-	-	-	-
Total net assets	<u>(9,619)</u>	<u>(961,928)</u>	<u>9,619</u>	<u>(961,928)</u>
Total liabilities and net assets	<u>\$ (9,619)</u>	<u>\$ 253,949</u>	<u>\$ 9,619</u>	<u>\$ 253,949</u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Financial Position
December 31, 2021

	Minute Spot, LLC	Welton Homes, LLC	Eliminations	Consolidated Minute Spot LLC
ASSETS				
Cash and cash equivalents	\$ 1,172	\$ 16,232	\$ -	\$ 17,404
Restricted cash	82,675	72,315	-	154,990
Accounts receivable, net	10,060	10,324	-	20,384
Prepaid expenses	132	1,522	-	1,654
Investments in subsidiaries	434,085	-	(434,085)	-
Property and equipment, net	606,659	4,100,718	-	4,707,377
Tax credit fees, net	-	-	-	-
Related party receivables				
Accounts receivable	-	-	-	-
Notes receivable	1,396,543	-	-	1,396,543
Developer fees	-	-	-	-
Total assets	<u>\$ 2,531,326</u>	<u>\$ 4,201,111</u>	<u>\$ (434,085)</u>	<u>\$ 6,298,352</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable, trade	\$ -	\$ 9,757	\$ -	\$ 9,757
Accrued expenses	28,757	69,695	-	98,452
Long-term debt	1,418,320	1,108,551	-	2,526,871
Refundable security deposits	16,200	20,550	-	36,750
Related party payables				
Accounts payable	317,733	790,269	-	1,108,002
Notes payable	576,794	2,299,495	-	2,876,289
Developer fees	187,506	-	-	187,506
Total liabilities	<u>2,545,310</u>	<u>4,298,317</u>	<u>-</u>	<u>6,843,627</u>
NET ASSETS				
Unrestricted				
Board designated	-	-	-	-
Undesignated	(13,984)	(97,206)	(434,085)	(545,275)
Noncontrolling interests	-	-	-	-
Without donor restrictions	(13,984)	(97,206)	(434,085)	(545,275)
With donor restrictions	-	-	-	-
Total net assets	<u>(13,984)</u>	<u>(97,206)</u>	<u>(434,085)</u>	<u>(545,275)</u>
Total liabilities and net assets	<u>\$ 2,531,326</u>	<u>\$ 4,201,111</u>	<u>\$ (434,085)</u>	<u>\$ 6,298,352</u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Financial Position
December 31, 2021

	Subtotal	Eliminations	Consolidated Totals
ASSETS			
Cash and cash equivalents	\$ 4,215,735	\$ -	\$ 4,215,735
Restricted cash	1,681,448	-	1,681,448
Accounts receivable, net	773,422	(1,829)	771,593
Prepaid expenses	51,831	-	51,831
Investments in subsidiaries	1,504,656	(1,504,656)	-
Property and equipment, net	11,439,243	-	11,439,243
Tax credit fees, net	322	-	322
Related party receivables			
Accounts receivable	3,310,641	(3,310,641)	-
Notes receivable	6,317,837	(6,317,837)	-
Developer fees	187,506	(187,506)	-
Total assets	<u>\$ 29,482,641</u>	<u>\$ (11,322,469)</u>	<u>\$ 18,160,172</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable, trade	36,626	\$ (1,829)	\$ 34,797
Accrued expenses	477,448	-	477,448
Long-term debt	8,844,302	-	8,844,302
Refundable security deposits	181,690	-	181,690
Related party payables			
Accounts payable	3,310,641	(3,310,641)	-
Notes payable	6,317,837	(6,317,837)	-
Developer fees	187,506	(187,506)	-
Total liabilities	<u>19,356,050</u>	<u>(9,817,813)</u>	<u>9,538,237</u>
NET ASSETS			
Noncontrolling interests	(315)	-	(315)
Without donor restrictions	8,713,573	(1,504,656)	7,208,917
With donor restrictions	1,413,333	-	1,413,333
Total net assets	<u>10,126,591</u>	<u>(1,504,656)</u>	<u>8,621,935</u>
Total liabilities and net assets	<u>\$ 29,482,641</u>	<u>\$ (11,322,469)</u>	<u>\$ 18,160,172</u>

Hope Communities, Inc. and Subsidiaries
Consolidating Information—Statement of Activities
For the Year Ended December 31, 2021

	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	\$ 18,080	\$ -	\$ 30,000	\$ 1,082,930	\$ -	\$ -
Interest income	36,706	89	-	137	181,928	-
Development and management fees	338,709	-	-	-	-	-
Gain (loss) on investment in subsidiaries	-	-	-	-	-	-
Contributions and grants	536,699	-	-	-	-	-
Other income	217,674	-	-	17,689	-	515,359
Net assets released from restrictions	379,551	-	-	-	-	-
Total revenues without donor restrictions	<u>1,527,419</u>	<u>89</u>	<u>30,000</u>	<u>1,100,756</u>	<u>181,928</u>	<u>515,359</u>
Expenses						
Affordable housing	59,325	-	-	992,381	-	-
Resident services	837,008	-	-	-	-	-
Development	25,435	-	-	-	-	-
Total program services	921,768	-	-	992,381	-	-
Administrative	263,799	-	77,385	-	-	111,285
Fundraising	128,160	-	-	-	-	-
Total expenses (and losses)	<u>1,313,727</u>	<u>-</u>	<u>77,385</u>	<u>992,381</u>	<u>-</u>	<u>111,285</u>
Change in net assets without donor restrictions	<u>213,692</u>	<u>89</u>	<u>(47,385)</u>	<u>108,375</u>	<u>181,928</u>	<u>404,074</u>
Revenues With Donor Restrictions						
Contributions	1,283,801	-	-	-	-	-
Net assets released from restrictions	(379,551)	-	-	-	-	-
Change in net assets with donor restrictions	<u>904,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	1,117,942	89	(47,385)	108,375	181,928	404,074
Change in Net Assets Attributable to Noncontrolling Interest						
	-	-	-	-	-	-
Change in Net Assets Attributable to Hope	<u>1,117,942</u>	<u>89</u>	<u>(47,385)</u>	<u>108,375</u>	<u>181,928</u>	<u>404,074</u>
Change in Net Assets	1,117,942	89	(47,385)	108,375	181,928	404,074
Net Assets, Beginning of Year	<u>7,088,005</u>	<u>(96,067)</u>	<u>543,938</u>	<u>161,129</u>	<u>2,029,610</u>	<u>(326,490)</u>
Net Assets, End of Year	<u>\$ 8,205,947</u>	<u>\$ (95,978)</u>	<u>\$ 496,553</u>	<u>\$ 269,504</u>	<u>\$ 2,211,538</u>	<u>\$ 77,584</u>

Hope Communities, Inc. and Subsidiaries
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	Westerly Creek Homes LLC	Kittyhawk/ Canterbury Renovation LLLP	Eliminations	Consolidated Westerly Creek Homes LLC
Revenues Without Donor Restrictions				
Rental income	\$ -	\$ 1,255,999	\$ -	\$ 1,255,999
Interest income	-	462	-	462
Development and management fees	-	-	-	-
Gain (loss) on investment in subsidiaries	(60,511)	-	60,511	-
Contributions and grants	-	-	-	-
Other income	-	67,430	-	67,430
Net assets released from restrictions	-	-	-	-
Total revenues without donor restrictions	<u>(60,511)</u>	<u>1,323,891</u>	<u>60,511</u>	<u>1,323,891</u>
Expenses				
Affordable housing	-	1,639,921	-	1,639,921
Resident services	-	-	-	-
Development	-	-	-	-
Total program services	-	1,639,921	-	1,639,921
Administrative	-	-	-	-
Fundraising	-	-	-	-
Total expenses (and losses)	-	1,639,921	-	1,639,921
Change in net assets without donor restrictions	<u>(60,511)</u>	<u>(316,030)</u>	<u>60,511</u>	<u>(316,030)</u>
Revenues With Donor Restrictions				
Contributions	-	-	-	-
Net assets released from restrictions	-	-	-	-
Change in net assets with donor restrictions	-	-	-	-
Change in Net Assets	(60,511)	(316,030)	60,511	(316,030)
Change in Net Assets Attributable to Noncontrolling Interest				
	-	(255,519)	-	(255,519)
Change in Net Assets Attributable to Hope	<u>(60,511)</u>	<u>(60,511)</u>	<u>60,511</u>	<u>(60,511)</u>
Change in Net Assets	(60,511)	(316,030)	60,511	(316,030)
Step down in basis	-	(53,743)	-	(53,743)
Net Assets, Beginning of Year	<u>529,472</u>	<u>838,419</u>	<u>(529,472)</u>	<u>838,419</u>
Net Assets, End of Year	<u>\$ 468,961</u>	<u>\$ 468,646</u>	<u>\$ (468,961)</u>	<u>\$ 468,646</u>

Hope Communities, Inc. and Subsidiaries
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	Carolton Corporation	DRP VIII Carolton Arms Apartments	Eliminations	Consolidated Carolton Corporation
Revenues Without Donor Restrictions				
Rental income	\$ -	\$ 225,292	\$ -	\$ 225,292
Interest income	-	12	-	12
Development and management fees	-	-	-	-
Gain (loss) on investment in subsidiaries	(379)	-	379	-
Contributions and grants	-	-	-	-
Other income	-	2,895	-	2,895
Net assets released from restrictions	-	-	-	-
Total revenues without donor restrictions	<u>(379)</u>	<u>228,199</u>	<u>379</u>	<u>228,199</u>
Expenses				
Affordable housing	-	266,132	-	266,132
Resident services	-	-	-	-
Development	-	-	-	-
Total program services	-	266,132	-	266,132
Administrative	-	-	-	-
Fundraising	-	-	-	-
Total expenses (and losses)	-	266,132	-	266,132
Change in net assets without donor restrictions	<u>(379)</u>	<u>(37,933)</u>	<u>379</u>	<u>(37,933)</u>
Revenues With Donor Restrictions				
Contributions	-	-	-	-
Net assets released from restrictions	-	-	-	-
Change in net assets with donor restrictions	-	-	-	-
Change in Net Assets	(379)	(37,933)	379	(37,933)
Change in Net Assets Attributable to Noncontrolling Interest				
	-	-	-	-
Change in Net Assets Attributable to Hope	<u>(379)</u>	<u>(37,933)</u>	<u>379</u>	<u>(37,933)</u>
Change in Net Assets	(379)	(37,933)	379	(37,933)
Net Assets, Beginning of Year	<u>(9,240)</u>	<u>(923,995)</u>	<u>9,240</u>	<u>(923,995)</u>
Net Assets, End of Year	<u>\$ (9,619)</u>	<u>\$ (961,928)</u>	<u>\$ 9,619</u>	<u>\$ (961,928)</u>

Hope Communities, Inc. and Subsidiaries
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For the Year Ended December 31, 2021

	Minute Spot, LLC	Welton Homes, LLC	Eliminations	Consolidated Minute Spot LLC
Revenues Without Donor Restrictions				
Rental income	\$ 88,075	\$ 340,599	\$ -	\$ 428,674
Interest income	16,588	20	-	16,608
Development and management fees	-	-	-	-
Gain (loss) on investment in subsidiaries	(19)	-	19	-
Contributions and grants	-	-	-	-
Other income	83,762	6,692	-	90,454
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues without donor restrictions	<u>188,406</u>	<u>347,311</u>	<u>19</u>	<u>535,736</u>
Expenses				
Affordable housing	-	534,942	-	534,942
Resident services	-	-	-	-
Development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total program services	-	534,942	-	534,942
Administrative	133,342	-	-	133,342
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses (and losses)	<u>133,342</u>	<u>534,942</u>	<u>-</u>	<u>668,284</u>
Change in net assets without donor restrictions	<u>55,064</u>	<u>(187,631)</u>	<u>19</u>	<u>(132,548)</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	55,064	(187,631)	19	(132,548)
Change in Net Assets Attributable to Noncontrolling Interest				
	-	-	-	-
Change in Net Assets Attributable to Hope	<u>55,064</u>	<u>(187,631)</u>	<u>19</u>	<u>(132,548)</u>
Change in Net Assets	55,064	(187,631)	19	(132,548)
Net Assets, Beginning of Year	<u>(69,048)</u>	<u>90,425</u>	<u>(434,104)</u>	<u>(412,727)</u>
Net Assets, End of Year	<u>\$ (13,984)</u>	<u>\$ (97,206)</u>	<u>\$ (434,085)</u>	<u>\$ (545,275)</u>

Hope Communities, Inc. and Subsidiaries
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	Subtotal	Eliminations	Consolidated Totals
Revenues Without Donor Restrictions			
Rental income	\$ 3,040,975	\$ (30,000)	\$ 3,010,975
Interest income	235,942	(234,937)	1,005
Development and management fees	338,709	(338,709)	-
Gain (loss) on investment in subsidiaries	-	-	-
Contributions and grants	536,699	-	536,699
Other income	911,501	-	911,501
Net assets released from restrictions	<u>379,551</u>	<u>-</u>	<u>379,551</u>
Total revenues without donor restrictions	<u>5,443,377</u>	<u>(603,646)</u>	<u>4,839,731</u>
Expenses			
Affordable housing	3,492,701	(573,646)	2,919,055
Resident services	837,008	-	837,008
Development	<u>25,435</u>	<u>-</u>	<u>25,435</u>
Total program services	4,355,144	(573,646)	3,781,498
Administrative	585,811	(30,000)	555,811
Fundraising	<u>128,160</u>	<u>-</u>	<u>128,160</u>
Total expenses (and losses)	<u>5,069,115</u>	<u>(603,646)</u>	<u>4,465,469</u>
Change in net assets without donor restrictions	<u>374,262</u>	<u>-</u>	<u>374,262</u>
Revenues With Donor Restrictions			
Contributions	1,283,801	-	1,283,801
Net assets released from restrictions	<u>(379,551)</u>	<u>-</u>	<u>(379,551)</u>
Change in net assets with donor restrictions	<u>904,250</u>	<u>-</u>	<u>904,250</u>
Change in Net Assets	1,278,512	-	1,278,512
Change in Net Assets Attributable to Noncontrolling Interest			
	(255,519)	-	(255,519)
Change in Net Assets Attributable to Hope	<u>1,534,031</u>	<u>-</u>	<u>1,534,031</u>
Change in Net Assets	1,278,512	-	1,278,512
Step down in basis	(53,743)	-	(53,743)
Net Assets, Beginning of Year	<u>8,901,822</u>	<u>(1,504,656)</u>	<u>7,397,166</u>
Net Assets, End of Year	<u>\$10,126,591</u>	<u>\$ (1,504,656)</u>	<u>\$ 8,621,935</u>