**MT. CARMEL REDEVELOPMENT CORPORATION, INC.**
**AND SUBSIDIARY**

**CONSOLIDATING FINANCIAL STATEMENTS**

Years Ended December 31, 2022 and 2021

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

**MT. CARMEL REDEVELOPMENT CORPORATION, INC.**

***Opinion***

We have audited the consolidating financial statements of Mt. Carmel Redevelopment Corporation, Inc. and Subsidiary (the "Organization"), which comprise the consolidating statements of financial position as of December 31, 2022 and 2021, and the related consolidating statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidating financial statements.

In our opinion, the accompanying consolidating financial statements present fairly, in all material respects, the financial position of Mt. Carmel Redevelopment Corporation, Inc. and Subsidiary as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Responsibilities of Management for the Consolidating Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Consolidating Financial Statements***

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

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In performing the audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidating 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 consolidating financial statements.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidating financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Mayer Hoffman McCann P.C.

Kansas City, Missouri
July 7, 2023

## MT. CARMEL REDEVELOPMENT CORPORATION, INC. AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2022

| | MCRC | Senior Housing | Eliminations | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and restricted cash | $ 563,286 | $ 22,185 | $ - | $ 585,471 |
| Grants and accounts receivable | 153,576 | 12,446 | (3,739) | 162,283 |
| Notes receivable - current portion | 12,784 | - | - | 12,784 |
| Prepaid expenses | 375 | 40,004 | - | 40,379 |
| Escrows and reserves | - | 202,940 | - | 202,940 |
| Construction in progress and real estate held for sale, at net realizable value | 122,054 | - | - | 122,054 |
| TOTAL CURRENT ASSETS | 852,075 | 277,575 | (3,739) | 1,125,911 |
| NOTES RECEIVABLE, less current portion above and allowance for uncollectible notes | 528,415 | - | (465,717) | 62,698 |
| PARTNERSHIP MANAGEMENT FEES RECEIVABLE | 204,165 | - | (204,165) | - |
| PROPERTY AND EQUIPMENT, at cost, net of impairment, less accumulated depreciation | 526,083 | 655,795 | - | 1,181,878 |
| INTANGIBLE ASSETS, net of accumulated amortization | - | 6,823 | - | 6,823 |
| TOTAL ASSETS | $ 2,110,738 | $ 940,193 | $ (673,621) | $ 2,377,310 |
| **LIABILITIES** | | | | |
| Accounts payable and accrued expenses | $ 1,303 | $ 522,483 | $ (207,904) | $ 315,882 |
| Refundable advances | 332,606 | 7,954 | - | 340,560 |
| Notes payable - current portion | - | 49,994 | - | 49,994 |
| Advances from previous limited partner in partnership | - | 53,738 | - | 53,738 |
| TOTAL CURRENT LIABILITIES | 333,909 | 634,169 | (207,904) | 760,174 |
| NOTES PAYABLE, less current portion above | 198,687 | 1,729,555 | (465,717) | 1,462,525 |
| SECURITY DEPOSIT LIABILITY | - | 15,634 | - | 15,634 |
| TOTAL LIABILITIES | 532,596 | 2,379,358 | (673,621) | 2,238,333 |
| **NET ASSETS** | | | | |
| NET ASSETS WITHOUT RESTRICTIONS | 1,393,977 | (1,439,165) | - | (45,188) |
| NET ASSETS WITH RESTRICTIONS | 184,165 | - | - | 184,165 |
| TOTAL NET ASSETS | 1,578,142 | (1,439,165) | - | 138,977 |
| TOTAL LIABILITIES AND NET ASSETS | $ 2,110,738 | $ 940,193 | $ (673,621) | $ 2,377,310 |

## MT. CARMEL REDEVELOPMENT CORPORATION, INC. AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2021

| | MCRC | Senior Housing | Eliminations | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and restricted cash | $ 423,165 | $ 153,544 | $ - | $ 576,709 |
| Grants and accounts receivable | 365,173 | 2,926 | (3,739) | 364,360 |
| Notes receivable - current portion | 12,963 | - | - | 12,963 |
| Prepaid expenses | 375 | 32,132 | - | 32,507 |
| Escrows and reserves | - | 157,680 | - | 157,680 |
| Construction in progress and real estate held for sale, at net realizable value | 122,054 | - | - | 122,054 |
| TOTAL CURRENT ASSETS | 923,730 | 346,282 | (3,739) | 1,266,273 |
| NOTES RECEIVABLE, less current portion above and allowance for uncollectible notes | 522,865 | - | (447,562) | 75,303 |
| PROPERTY AND EQUIPMENT, at cost, net of impairment, less accumulated depreciation | 554,033 | 716,913 | - | 1,270,946 |
| INTANGIBLE ASSETS, net of accumulated amortization | - | 7,217 | - | 7,217 |
| TOTAL ASSETS | $ 2,000,628 | $ 1,070,412 | $ (451,301) | $ 2,619,739 |
| **LIABILITIES** | | | | |
| Accounts payable and accrued expenses | $ 2,346 | $ 571,040 | $ (3,739) | $ 569,647 |
| Refundable advances | 345,390 | 3,238 | - | 348,628 |
| Notes payable - current portion | 6,605 | 108,015 | - | 114,620 |
| Advances from previous limited partner in partnership | - | 49,999 | - | 49,999 |
| TOTAL CURRENT LIABILITIES | 354,341 | 732,292 | (3,739) | 1,082,894 |
| NOTES PAYABLE, less current portion above | 200,000 | 1,692,036 | (465,717) | 1,426,319 |
| SECURITY DEPOSIT LIABILITY | - | 15,401 | - | 15,401 |
| TOTAL LIABILITIES | 554,341 | 2,439,729 | (469,456) | 2,524,614 |
| **NET ASSETS** | | | | |
| NET ASSETS WITHOUT RESTRICTIONS | 1,000,583 | (1,369,317) | 18,155 | (350,579) |
| NET ASSETS WITH RESTRICTIONS | 445,704 | - | - | 445,704 |
| TOTAL NET ASSETS | 1,446,287 | (1,369,317) | 18,155 | 95,125 |
| TOTAL LIABILITIES AND NET ASSETS | $ 2,000,628 | $ 1,070,412 | $ (451,301) | $ 2,619,739 |

See Notes to Consolidating Financial Statements

**MT. CARMEL REDEVELOPMENT CORPORATION, INC. AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF ACTIVITIES**

Year Ended December 31, 2022

| | MCRC | Senior Housing | Eliminations | Total |
|---|---|---|---|---|
| NET ASSETS WITHOUT RESTRICTIONS | | | | |
| GRANTS AND CONTRIBUTIONS | | | | |
| Government grant income | $ 362,492 | $ - | $ - | $ 362,492 |
| Contributions | 203,121 | - | - | 203,121 |
| Net assets released from restrictions | 447,807 | - | - | 447,807 |
| Total grants and contributions | 1,013,420 | - | - | 1,013,420 |
| OTHER REVENUES | | | | |
| Rental income | 11,250 | 508,821 | - | 520,071 |
| Client assessment fees | 21,770 | - | - | 21,770 |
| Other income, including reversal previously reserved partnership fees | 273,776 | 10,388 | (18,155) | 266,009 |
| Total other revenues | 306,796 | 519,209 | (18,155) | 807,850 |
| TOTAL REVENUES | 1,320,216 | 519,209 | (18,155) | 1,821,270 |
| EXPENSES | | | | |
| Program services | 626,885 | 589,057 | - | 1,215,942 |
| Supporting services | | | | |
| Management and general | 265,447 | - | - | 265,447 |
| Fundraising | 34,490 | - | - | 34,490 |
| Total supporting services | 299,937 | - | - | 299,937 |
| TOTAL EXPENSES | 926,822 | 589,057 | - | 1,515,879 |
| CHANGE IN NET ASSETS WITHOUT RESTRICTIONS | 393,394 | (69,848) | (18,155) | 305,391 |
| NET ASSETS WITH RESTRICTIONS | | | | |
| Grants and contributions | 186,268 | - | - | 186,268 |
| Net assets released from restrictions | (447,807) | - | - | (447,807) |
| CHANGE IN NET ASSETS WITH RESTRICTIONS | (261,539) | - | - | (261,539) |
| CHANGE IN NET ASSETS | $ 131,855 | $ (69,848) | $ (18,155) | $ 43,852 |

See Notes to Consolidating Financial Statements

## MT. CARMEL REDEVELOPMENT CORPORATION, INC. AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2021

| | MCRC | Senior Housing | Eliminations | Total |
|---|---|---|---|---|
| NET ASSETS WITHOUT RESTRICTIONS | | | | |
| GRANTS AND CONTRIBUTIONS | | | | |
| Government grant income | $ 262,522 | $ - | $ - | $ 262,522 |
| Contributions | 133,475 | - | - | 133,475 |
| Net assets released from restrictions | 239,905 | - | - | 239,905 |
| Total grants and contributions | 635,902 | - | - | 635,902 |
| OTHER REVENUES | | | | |
| Rental income | - | 497,910 | - | 497,910 |
| Client assessment fees | 18,815 | - | - | 18,815 |
| Other income | 45,525 | 22,151 | 10 | 67,686 |
| Total other revenues | 64,340 | 520,061 | 10 | 584,411 |
| TOTAL REVENUES | 700,242 | 520,061 | 10 | 1,220,313 |
| EXPENSES | | | | |
| Program services | 445,599 | 590,463 | - | 1,036,062 |
| Supporting services | | | | |
| Management and general | 237,077 | - | - | 237,077 |
| Fundraising | 17,003 | - | - | 17,003 |
| Total supporting services | 254,080 | - | - | 254,080 |
| TOTAL EXPENSES | 699,679 | 590,463 | - | 1,290,142 |
| CHANGE IN NET ASSETS WITHOUT RESTRICTIONS | 563 | (70,402) | 10 | (69,829) |
| NET ASSETS WITH RESTRICTIONS | | | | |
| Grants and contributions | 502,866 | - | - | 502,866 |
| Net assets released from restrictions | (239,905) | - | - | (239,905) |
| CHANGE IN NET ASSETS WITH RESTRICTIONS | 262,961 | - | - | 262,961 |
| CHANGE IN NET ASSETS | $ 263,524 | $ (70,402) | $ 10 | $ 193,132 |

See Notes to Consolidating Financial Statements

**MT. CARMEL REDEVELOPMENT CORPORATION, INC. AND SUBSIDIARY**

**CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS**

Years Ended December 31, 2022 and 2021

| | Net Assets without Restrictions | | | Net Assets | | |
|---|---|---|---|---|---|---|
| | Undesignated | Senior Housing | Subtotal | With Restrictions | Eliminations | Total |
| Balance, at January 1, 2021 | $ 1,000,020 | $ (1,298,915) | $ (298,895) | $ 182,743 | $ 18,145 | $ (98,007) |
| Changes in net assets | 563 | (70,402) | (69,839) | 262,961 | 10 | 193,132 |
| Balance, December 31, 2021 | 1,000,583 | (1,369,317) | (368,734) | 445,704 | 18,155 | 95,125 |
| Changes in net assets | 393,394 | (69,848) | 323,546 | (261,539) | (18,155) | 43,852 |
| Balance, December 31, 2022 | $ 1,393,977 | $ (1,439,165) | $ (45,188) | $ 184,165 | $ - | $ 138,977 |

See Notes to Consolidating Financial Statements

## MT. CARMEL REDEVELOPMENT CORPORATION, INC. AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Wages and salaries | $ 278,463 | $ 148,408 | $ - | $ 426,871 |
| Payroll taxes | 19,995 | 12,661 | - | 32,656 |
| Employee benefits and other personnel costs | 4,042 | 6,129 | - | 10,171 |
| Willa Gill Center programs | 60,049 | - | - | 60,049 |
| Transitional housing programs | 13,267 | - | - | 13,267 |
| Specific assistance to individuals | 139,587 | 700 | - | 140,287 |
| Housing development programs | 32,929 | - | - | 32,929 |
| Professional fees | 39,301 | 36,758 | 21,316 | 97,375 |
| Office expense | 985 | 15,805 | 1,093 | 17,883 |
| Other programmatic costs | 31,237 | - | - | 31,237 |
| Depreciation | - | 32,861 | - | 32,861 |
| Travel expense | 116 | 31 | 205 | 352 |
| Other institutional expense | 6,914 | 12,094 | 11,876 | 30,884 |
| SUBTOTAL FOR MCRC | 626,885 | 265,447 | 34,490 | 926,822 |
| Administration | 157,446 | - | - | 157,446 |
| Operating and maintenance | 181,276 | - | - | 181,276 |
| Taxes, insurance and financial | 87,170 | - | - | 87,170 |
| Interest | 80,280 | - | - | 80,280 |
| Depreciation and amortization | 82,885 | - | - | 82,885 |
| SUBTOTAL FOR SENIOR HOUSING | 589,057 | - | - | 589,057 |
| TOTAL FUNCTIONAL EXPENSES | $ 1,215,942 | $ 265,447 | $ 34,490 | $ 1,515,879 |
| Percentage of expenses | 80.2% | 17.5% | 2.3% | 100.0% |

See Notes to Consolidating Financial Statements

## MT. CARMEL REDEVELOPMENT CORPORATION, INC. AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Wages and salaries | $ 180,998 | $ 123,425 | $ - | $ 304,423 |
| Payroll taxes | 14,474 | 9,870 | - | 24,344 |
| Employee benefits and other personnel costs | 4,768 | 3,252 | - | 8,020 |
| Willa Gill Center programs | 61,456 | - | - | 61,456 |
| Transitional housing programs | 18,096 | 10,991 | - | 29,087 |
| Specific assistance to individuals | 128,327 | - | - | 128,327 |
| Housing development programs | 174 | - | - | 174 |
| Professional fees | 14,191 | 22,927 | 17,003 | 54,121 |
| Office expense | 6,497 | 10,460 | - | 16,957 |
| Other programmatic costs | 13,692 | - | - | 13,692 |
| Depreciation | - | 30,580 | - | 30,580 |
| Travel expense | 313 | 51 | - | 364 |
| Other institutional expense | 2,613 | 25,521 | - | 28,134 |
| SUBTOTAL FOR MCRC | 445,599 | 237,077 | 17,003 | 699,679 |
| Administration | 154,533 | - | - | 154,533 |
| Operating and maintenance | 136,459 | - | - | 136,459 |
| Taxes, insurance and financial | 101,503 | - | - | 101,503 |
| Interest | 118,537 | - | - | 118,537 |
| Depreciation and amortization | 79,431 | - | - | 79,431 |
| SUBTOTAL FOR SENIOR HOUSING | 590,463 | - | - | 590,463 |
| TOTAL FUNCTIONAL EXPENSES | $ 1,036,062 | $ 237,077 | $ 17,003 | $ 1,290,142 |
| Percentage of expenses | 80.3% | 18.4% | 1.3% | 100.0% |

## MT. CARMEL REDEVELOPMENT CORPORATION, INC. AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2022

| | MCRC | Senior Housing | Eliminations | Total |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Changes in net assets | $ 131,855 | $ (69,848) | $ (18,155) | $ 43,852 |
| Adjustments to reconcile changes in net assets to net cash flows from operating activities | | | | |
| Amortization of forgivable notes | 12,784 | - | - | 12,784 |
| Depreciation | 32,861 | 82,491 | - | 115,352 |
| Amortization | - | 394 | - | 394 |
| Interest attributable to debt issuance costs | - | 5,916 | - | 5,916 |
| Interest in Senior Housing | (18,155) | - | 18,155 | - |
| Decrease (increase) in operating assets: | | | | |
| Grants and accounts receivable | 211,597 | (9,520) | - | 202,077 |
| Prepaid expenses | - | (7,872) | - | (7,872) |
| Partnership management fees receivable | (204,165) | - | - | (204,165) |
| Increase (decrease) in operating liabilities: | | | | |
| Accounts payable and accrued expenses | (1,043) | (44,818) | - | (45,861) |
| Refundable advances | (12,784) | 4,716 | - | (8,068) |
| Security deposit liability | - | 233 | - | 233 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 152,950 | (38,308) | - | 114,642 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Investment in property and equipment | (4,911) | (21,373) | - | (26,284) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Repayment of notes payable | (7,918) | (26,418) | - | (34,336) |
| NET CHANGE IN CASH | 140,121 | (86,099) | - | 54,022 |
| CASH AND RESTRICTED CASH, BEGINNING OF YEAR | 423,165 | 311,224 | - | 734,389 |
| CASH AND RESTRICTED CASH, END OF YEAR | $ 563,286 | $ 225,125 | $ - | $ 788,411 |
| **SUPPLEMENTAL CASH FLOW DISCLOSURES** | | | | |
| Cash paid for interest | $ 24 | $ 51,035 | $ - | $ 51,059 |
| **CASH AND RESTRICTED CASH** | | | | |
| CASH | $ 142,521 | $ 22,185 | $ - | $ 164,706 |
| RESTRICTED CASH | 420,765 | - | - | 420,765 |
| TENANT DEPOSITS HELD IN TRUST | - | 15,634 | - | 15,634 |
| ESCROW DEPOSITS | - | 7,019 | - | 7,019 |
| REPLACEMENT RESERVE | - | 130,287 | - | 130,287 |
| OTHER RESERVES | - | 50,000 | - | 50,000 |
| **CASH AND RESTRICTED CASH, END OF YEAR** | $ 563,286 | $ 225,125 | $ - | $ 788,411 |

See Notes to Consolidating Financial Statements

## MT. CARMEL REDEVELOPMENT CORPORATION, INC. AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF CASH FLOWS

Year ended December 31, 2021

| | MCRC | Senior Housing | Eliminations | Total |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Changes in net assets | $ 263,524 | $ (70,402) | $ 10 | $ 193,132 |
| Adjustments to reconcile changes in net assets to net cash flows from operating activities | | | | |
| Amortization of forgivable notes | 12,783 | - | - | 12,783 |
| Depreciation | 30,580 | 79,037 | - | 109,617 |
| Amortization | - | 394 | - | 394 |
| Interest attributable to and loss on disposal of debt issuance costs | - | 30,091 | - | 30,091 |
| Interest in Senior Housing | 10 | - | (10) | - |
| Decrease (increase) in operating assets: | | | | |
| Grants and accounts receivable | (221,527) | (1,575) | - | (223,102) |
| Prepaid expenses | - | (5,223) | - | (5,223) |
| Increase (decrease) in operating liabilities: | | | | |
| Accounts payable and accrued expenses | (2,026) | (181,622) | - | (183,648) |
| Refundable advances | (12,783) | (62) | - | (12,845) |
| Security deposit liability | - | 2,239 | - | 2,239 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 70,561 | (147,123) | - | (76,562) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Investment in property and equipment | (18,214) | (29,289) | - | (47,503) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from notes payable | - | 1,125,000 | - | 1,125,000 |
| Repayment of notes payable | (12,248) | (664,574) | - | (676,822) |
| Payment of debt issuance costs | - | (29,579) | - | (29,579) |
| Advances from related party | - | (47,050) | - | (47,050) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | (12,248) | 383,797 | - | 371,549 |
| NET CHANGE IN CASH | 40,099 | 207,385 | - | 247,484 |
| CASH AND RESTRICTED CASH, BEGINNING OF YEAR | 383,066 | 103,839 | - | 486,905 |
| CASH AND RESTRICTED CASH, END OF YEAR | $ 423,165 | $ 311,224 | $ - | $ 734,389 |
| **SUPPLEMENTAL CASH FLOW DISCLOSURES** | | | | |
| Cash paid for interest | $ 995 | $ 45,114 | $ - | $ 46,109 |
| **CASH AND RESTRICTED CASH** | | | | |
| CASH | $ 2,589 | $ 153,544 | $ - | $ 156,133 |
| RESTRICTED CASH | 420,576 | - | - | 420,576 |
| TENANT DEPOSITS HELD IN TRUST | - | 15,489 | - | 15,489 |
| ESCROW DEPOSITS | - | 32,065 | - | 32,065 |
| REPLACEMENT RESERVE | - | 60,063 | - | 60,063 |
| OTHER RESERVES | - | 50,063 | - | 50,063 |
| **CASH AND RESTRICTED CASH, END OF YEAR** | $ 423,165 | $ 311,224 | $ - | $ 734,389 |

See Notes to Consolidating Financial Statements

## NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS

### (1) Summary of significant accounting policies

**Nature of operations** - Mt. Carmel Redevelopment Corporation, Inc. ("MCRC") is a not-for-profit organization engaged in economic and community development efforts in low to moderate income areas of Wyandotte County and Kansas City, Kansas. MCRC's mission is to improve the quality of life for residents of northeast Wyandotte County through community revitalization and economic development. Specifically, MCRC, through its wholly owned subsidiaries Mt. Carmel Senior Housing LLC and Mt. Carmel Inc. ("MCI") (collectively, with MCRC the "Organization") manage and operate Mt. Carmel Place (the "Senior Housing"), a 61-unit affordable senior housing facility. MCRC has also developed the Heathwood Youth and Family Community Center, which is owned and operated by the Boys and Girls Club of Greater Kansas City. MCRC's youth component provides educational and leadership development opportunities to at-risk youth. In addition, MCRC operates four transitional houses and, provides case management and a broad range of client services. MCRC is also the managing agent of the Wilhelmina Gill Multi-service Center, a facility that provides services to the homeless such as free hot lunches, a food pantry, emergency assistance, strengths-based case management, telephone voice mail and personal mailboxes. MCRC envisions revitalized, safe neighborhoods with quality, affordable housing, access to holistic human services and sustained economic development.

In 2016, Mt. Carmel Inc. was organized as a 501(c)(3) tax exempt entity with the sole purpose of holding an interest in the senior housing development known as Mt. Carmel Place. The board of MCI is controlled by MCRC. MCI has been included within the senior housing component of the consolidating financial statements. It is the intent of management of MCRC and MCI to ultimately transfer full ownership of the apartment complex owned by Mt. Carmel Place L.P., in full, to MCI and obtain full tax exemption of its activities, including property taxes. As of July 7, 2023 the full transfer of these assets was still pending.

**Principles of consolidation** - The accompanying consolidating financial statements include the accounts of MCRC, Mt. Carmel Senior Housing LLC and MCI. All significant intercompany balances and transactions have been eliminated in the consolidating statements.

**Basis of accounting** - The Organization's consolidating financial statements are prepared on the accrual basis of accounting, which conforms to U.S. generally accepted accounting principles ("US GAAP").

**Use of estimates** - The preparation of consolidating financial statements in conformity with generally accepted accounting principles in the United States 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 consolidating financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash** - For purposes of the consolidating statements of cash flows, cash is considered to be cash on hand, bank checking accounts, escrow and reserve accounts, and money market accounts. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. Deposits in excess of the federally insured limits of $312,650 and $237,427, respectively, were held at one bank as of December 31, 2022 and 2021.

**Restricted cash** - Amounts included in restricted cash represent those funds required to be set aside by donor restriction or other contractual obligations. The restriction will lapse when the donor restrictions or contractual obligations are satisfied.

**(1) Summary of significant accounting policies (continued)**

**Receivables** - Accounts receivable are recorded at the value of the amount management expects to collect at year end. The Organization's accounts receivable consists primarily of amounts due from state and local governmental agencies, monthly rental amounts, and amounts incurred for the development of housing properties. Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. The Organization believes all receivables to be collectible at December 31, 2022 and 2021.

**Property and equipment -** Property and equipment is stated on the basis of cost, if purchased, or fair market value when donated. Expenditures for major additions and improvements are capitalized; and minor replacements, maintenance, and repairs are charged to expense as incurred. The Organization's policy indicates that expenditures for items in excess of $1,000 are capitalized and lesser amounts are expensed. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period.

Depreciation is computed by the straight-line method over the following useful lives:

| Description | Estimated Useful Lives |
|---|---|
| Land improvements | 15 Years |
| Buildings | 40 Years |
| Furnishings and fixtures | 7 Years |
| Equipment | 3-10 Years |

**Capitalization of interest and other carrying costs** - It is the Organization's policy to capitalize certain interest, real estate taxes, and insurance incurred during the construction period into the cost of buildings and improvements in accordance with US GAAP. Interest incurred and capitalized into the cost of construction was $0 during the years ended December 31, 2022 and 2021.

**Nonrecurring fair value measurements** - The Organization measures certain assets at fair value on a non-recurring basis. These assets include construction in process when written down to fair value and notes receivable. During 2022 and 2021, the Organization did not have any significant assets or liabilities that were measured at fair value on a nonrecurring basis in periods subsequent to initial recognition.

**Asset impairment assessment** - Management reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. An impairment is evaluated based on the sum of undiscounted future cash flows expected to result from the use of the asset compared to its carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value. As a result of the negative operating cash flows in 2015, the Senior Housing property was evaluated for impairment, and it was determined that the carrying value of the property exceeded its fair value by approximately $1,300,000. The impairment was assessed by the owners, without the use of a third-party appraiser, and it was calculated based on the real estate assessment value as the basis for the fair value of the building. The impairment is considered to represent a significant estimate within these consolidating financial statements and the value could be assessed differently by other parties. The loss has no impact on the Senior Housing property's cash flow or its ability to generate cash flow in the future. The resulting adjustment of value was recorded during the year ended December 31, 2015 and no impairment was recognized during the years ended December 31, 2022 and 2021.

**(1) <u>Summary of significant accounting policies</u> (continued)**

**Refundable advances** - MCRC received advances under a HOME contract with the Unified Government of Wyandotte County (UG), the proceeds of which were used to fund the development of 4 single family housing units. These amounts are due back to the UG upon the sale of the homes and may, at the discretion of the UG, be re-advanced for additional approved construction projects. Management has evaluated the program and believes it to represent a fee for service arrangement wherein the benefit to MCRC is the development fees earned as well as the programmatic benefits of home and neighborhood revitalization. Refundable advances totaled $340,560 and $257,124, respectively, for the years ended December 31, 2022 and 2021.

**Debt issuance costs** - Amortization is required to be included with interest expense in the consolidating statements of activities and changes in net assets. During the years ended December 31, 2022 and 2021, amortization included within interest expense amounted to $5,916 and $2,981, respectively. Amortization expense is expected to approximate $5,916 for each of the following five years.

**Net asset classifications** - Net assets are presented in two net asset classes: those without donor restrictions and with donor restrictions. These categories allow for the presentation and use of resources consistent with the array of stipulations that donors impose over the use of funds from contributions and pledges. The categories are defined as follows:

- Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions. Items that affect (i.e., increase or decrease) this category of net assets primarily consist of home sales, contributions and grants without restrictions and developer fees.

- Net assets with donor restrictions are net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time. Items that affect this category of net assets are restricted contributions and grants. Contributions and grants received with donor-imposed restrictions are reported as support in the net assets with donor restrictions class unless the restrictions are both imposed and met in the same year (in which case they are reported as support in the net assets without donor restrictions). These amounts are reclassified to net assets without donor restrictions when such restrictions are met or have expired.

**Revenues and other support** - Revenue from contracts is recognized in accordance with Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*. Revenue recognition is based on the five-step model: (I) identify the contract with the customer; (ii) identify the performance obligation in the contract; (iii) determine the contract price; (iv) allocate the transaction price; and (v) recognize revenue (or as) each performance obligation is satisfied. If it is determined that a contract with an enforceable right and obligation does not exist, revenues are deferred until all criteria for an enforceable contract are met.

Rental income represents services rendered on a stated per-unit rate per service performed. These contracts exist for a period of typically twelve months or less. Administrative fee income represents services rendered based on the underlying contract or agreement, which typically states the payment terms. The Organization applies the right to invoice practical expedient to these revenues, and recognizes the revenue as invoiced, since the Organization's right to payment is for an amount that corresponds directly with the value provided to customers based on the Organization's performance to-date. Rental payments received in advance are deferred until earned. All leases with the tenants are operating leases.

**(1) Summary of significant accounting policies (continued)**

The Organization recognizes revenue from developer fee contracts over time as performance obligations are satisfied, due to the continuous transfer of control to the customer. The Organization measures progress towards satisfaction of performance obligations and the amount of revenue to recognize is based on the ratio of costs incurred to date to total estimated costs at completion of the development project. This method is used as it most faithfully depicts the Organization's performance as it directly measures the value of the services transferred to the customer.

Contract costs include all direct material, labor and subcontractor costs and indirect costs related to contract performance. Changes to total estimated contract cost are recognized through a cumulative catch-up in the period in which they are determined as assessed at the performance obligation level. The length of contracts vary and can span several months or years. The amount of revenue to be earned from developer contracts is measured based on the amount of consideration specified in the original contract. Most contracts include clauses providing for termination of the contract for cause, as defined in the contract.

The Organization recognizes sales income upon the closing of a home.

Contribution, grant, and special event revenue is recognized in accordance with Accounting Standards Update (“ASU”) Topic 958, Not-for-Profit Entities, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Under this guidance revenue is considered available for the Organization’s general programs unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted by the donor are reported as restricted contributions and increase net assets with donor restrictions.

Grants for direct costs of homes represent amounts raised for costs of homes constructed during the year. At times, grants are received in years prior to homes being sold. The Organization did not receive funding during 2022 related to homes sold subsequent to the year ended December 31, 2022.

A portion of the Organization’s revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Revenue is recognized when the Organization has incurred expenditures in compliance with specific contract or grant provisions. At December 31, 2022 and 2021, the Organization had no cost-reimbursable grants which have not been recognized.

**Adoption of non-financial asset contributions** - In September 2020, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU affects all not-for-profit entities which receive contributed nonfinancial assets. The new standard requires the Organization to present contributed nonfinancial assets as a separate line item on the consolidating statements of activities and changes in net assets. Donated assets, which are described below, are reflected as in-kind contributions at their estimated fair value. The adoption of the ASU did not have a material impact on the Organization’s consolidating statements of financial position, activities and changes in net assets, or cash flows. As such, the Organization did not make any adjustments to its financial position upon adoption and there are no differences in 2021 as reported under this guidance and prior guidance. Amounts reported related to 2021 are unadjusted for the effects of this adoption.

At times, the Organization receives donated clothing, food, various household items, and furniture. Donated assets are reflected as contributions at their estimated fair value at the date of receipt. During the years ended December 31, 2022 and 2021, $36,692 and $21,305 are reflected in the consolidating financial statements for these donated goods.

**(1) Summary of significant accounting policies (continued)**

The Organization recognizes donated services that create or enhance non-financial assets and that require specialized skills, if the services are provided by individuals possessing those skills and if the services would typically need to be purchased if not provided by donation. During the years ended December 31, 2022 and 2021, the Organization recorded $1,125 and $0, respectively, in in-kind contributions for services that met these criteria.

A substantial number of additional volunteers have made significant contributions of their time to the Organization's programs and supporting services which do not meet the requirements of Not-For-Profit Topic of the FASB Accounting Standards Codification (ASC) related to revenue recognition of contributions received and, accordingly, are not recorded in these consolidating financial statements. Although these services did not meet the criteria for recognition in the consolidating financial statements, unpaid volunteers provided over 897 and 909 volunteer hours during the years ended December 31, 2022 and 2021, respectively, which were critical to the services provided by the Organization. Volunteers were also instrumental in allowing the Organization to maintain low payroll costs.

**Taxes** - MCRC has been granted exemption from income taxes by the Internal Revenue Service under the provisions of Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation.

The Organization assesses uncertain tax positions on an annual basis. This assessment includes the assessment of private benefits to related parties and disqualified persons. Management believes that no excess private benefit has been conveyed through December 31, 2022 and 2021. This determination has been made through an assessment of estimated revenue streams in relation to below market loans, including developer fees, support service fees, and initially projected principal and interest payment streams. There has not been any interest or penalties recognized either in the statement of activities and change in net assets or statement of financial position related to uncertain tax positions. In addition, the Organization did not have any uncertain tax positions at December 31, 2022 and 2021. The Organization is no longer subject to federal or state income tax examinations by tax authorities before 2019.

Senior Housing is operated as a limited liability company and is not specifically taxed as a separate entity; rather, the net income or loss is included in the income tax returns of the members. The Partnership has adopted the standards requiring disclosure of uncertain tax positions under the ASC Topic 740 *Income Taxes*. There has been no interest or penalties recognized in the consolidating statements of activities or in the consolidating statements of financial position related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months. Senior Housing files income tax returns in the U.S. federal jurisdiction and the Kansas state jurisdiction and is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities before 2019.

**Functional expenses** - The Organization's costs of providing the various programs and other activities have been summarized on a functional basis in the consolidating statements of functional expenses. Expenses that can be identified with a specific program, general and administrative functions, or fundraising efforts are allocated directly to those functional categories. Salaries and benefits are allocated based upon actual time incurred. Other expenses that are common to several functions are allocated based upon the allocation of salaries and wages to those functions. Property and depreciation expenses are partially allocated using square footage and are also directly allocated. Bad debt expense is classified as a program expense on the consolidating statements of functional expenses as the expense is associated with revenue-generating activities that are program related.

**(1) Summary of significant accounting policies (continued)**

**Reclassifications** - Certain items in in the December 31, 2021 financial statements have been reclassified to conform to the December 31, 2022 presentation. There was no impact to the changes in net assets from these reclassifications.

**(2) Construction in progress and real estate held for sale**

Construction in progress and real estate held for sale consists of approximately 20 plots of land and one home that was completed and listed for sale, all of which are located in Kansas City, Kansas. The construction in progress and real estate held for sale have been adjusted to management's estimate of the lower of cost or net realizable value of each respective property based on county appraisals and, if available, contracted or negotiated future sales price. The Wyandotte County Landbank is holding 19 of the land plots in which the Organization has exclusive rights to the land. Upon the start of construction, title will revert to the Organization for a purchase price equal to the landbank costs. For consideration of the exclusive option, the Organization is responsible for the upkeep of these plots of land.

**(3) Notes receivable**

***Forgivable notes receivable***

MCRC has made loans to homeowners which have been issued as second mortgages. These notes have certain restrictive covenants. If complied with, the notes are to be forgiven over the length of the notes, which vary from five to ten years. Management has determined that these notes reflect conditional promises to give that have not been fulfilled at December 31, 2022 and 2021; accordingly, the Organization continues to reflect the notes as receivable. The respective houses secure the individual notes. For the years ended December 31, 2022 and 2021, the forgiveness of debt was $12,784 and $12,783, respectively. Which has been recorded as an expense in the consolidating financial statements.

***Related party notes receivable***

Partnership loan #1 – Non-interest bearing note receivable due from Senior Housing. After January 1, 2016, payments are due on the note in an annual amount equal to 25% of surplus cash, as defined in the agreement. Any remaining principal is due on January 1, 2031. The note was subordinate to the partnership's construction loan and a second mortgage on an apartment complex and is collateralized by a third mortgage on the apartment complex. In accordance with U.S. generally accepted accounting principles the note has not been discounted due to certain governmental influences on the terms. This note has an offsetting payable due upon collection as described in footnote 5.

Partnership loan #2 – Non-interest bearing note receivable due from Senior Housing. Payments are due annually in an amount equal to 50% of surplus cash, as defined in the agreement. Any remaining principal is due on January 1, 2031. The note was subordinate to the partnership's construction loan and the second and third mortgages on an apartment complex and is collateralized by a fourth mortgage on an apartment complex. In accordance with U.S. generally accepted accounting principles the note has not been discounted due to certain governmental influences on the terms.

Unsecured note receivable – Due from Senior Housing, the note bears interest at 1% below the long-term applicable federal rate, as defined in the Internal Revenue Code, and is payable out of available cash, as defined in the partnership agreement.

**(3) Notes receivable (continued)**

| | 2022 | 2021 |
|---|---|---|
| ***Forgivable notes receivable*** | $ 75,482 | $ 88,266 |
| ***Related party notes*** | | |
| Partnership loan #2 | 115,717 | 115,717 |
| Unsecured note receivable | 200,000 | 200,000 |
| Partnership loan #1 | 150,000 | 150,000 |
| Subtotal | 541,199 | 553,983 |
| Less: eliminations | (465,717) | (465,717) |
| Net notes receivable | $ 75,482 | $ 88,266 |

Schedule of five year maturities is as follows:

| Years Ending December 31, | |
|---|---|
| 2023 | $ 12,784 |
| 2024 | 12,784 |
| 2025 | 12,222 |
| 2026 | 10,534 |
| 2027 | 10,534 |
| Thereafter | 16,624 |
| Total | $ 75,482 |

**(4) Property and equipment**

| ***December 31, 2022*** | MCRC | Senior Housing | Total |
|---|---|---|---|
| Land | $ 4,000 | $ 162,273 | $ 166,273 |
| Land improvements | - | 122,391 | 122,391 |
| Building, net of impairment | 841,907 | 3,531,678 | 4,373,585 |
| Furnishings and fixtures | - | 549,154 | 549,154 |
| Equipment | 81,602 | - | 81,602 |
| Total | 927,509 | 4,365,496 | 5,293,005 |
| Accumulated depreciation | (371,682) | (3,739,445) | (4,111,127) |
| Subtotal property and equipment | 555,827 | 626,051 | 1,181,878 |
| Deferred gain | (29,744) | 29,744 | - |
| Net property and equipment | $ 526,083 | $ 655,795 | $ 1,181,878 |

**(4) Property and equipment (continued)**

| ***December 31, 2021*** | **MCRC** | **Senior Housing** | **Total** |
|---|---|---|---|
| Land | $ 5,400 | $ 162,273 | $ 167,673 |
| Land improvements | - | 122,391 | 122,391 |
| Building, net of impairment | 841,907 | 3,520,255 | 4,362,162 |
| Furnishings and fixtures | - | 539,204 | 539,204 |
| Equipment | 75,290 | - | 75,290 |
| Total | 922,597 | 4,344,123 | 5,266,720 |
| Accumulated depreciation | (338,820) | (3,656,954) | (3,995,774) |
| Subtotal property and equipment | 583,777 | 687,169 | 1,270,946 |
| Deferred gain | (29,744) | 29,744 | - |
| Net property and equipment | $ 554,033 | $ 716,913 | $ 1,270,946 |

**(5) Notes payable**

| | **2022** | **2021** |
|---|---|---|
| ***MCRC*** | | |
| Short term debt, due to Mt. Carmel Church of God in Christ, a related party due to Board membership and participation, bearing interest at rates attributable to a line of credit that the Church has with a local bank which is at prime + 1%. | $ 48,687 | $ 50,000 |
| Short term 4.25% revolving loan agreement, with all principal and accrued unpaid interest due on November 25, 2022. The loan is collateralized by real estate holdings of the Organization. | - | 6,605 |
| Non-interest bearing note, payment due in 2016 equal to payments received under the $150,000 note receivable from Mt. Carmel Place, L.P. described in Note 4. Principal payments are only due if the Federal Home Loan Bank board requires repayment of the loan. Repayment may be required in the event that Mt. Carmel Place, L.P. or MCRC violate the Regulatory Agreement with the Federal Home Loan Bank. The note is collateralized by an assignment of the note receivable from Mt. Carmel Place, L.P. | 150,000 | 150,000 |
| ***Senior Housing*** | | |
| ***First mortgage note payable*** | | |
| 4.5% note payable to Security Bank, with an original balance $1,125,000, with interest only payments due October 1, 2021 through October 1, 2022, at which time interest and principal payments are due until September 1, 2026. On September 1, 2026 a balloon payment consisting of all outstanding principal will become due, along with any outstanding interest. The note is collateralized by substantially all assets of the partnership. The loan principal balance will be increased by $350,000 upon the completion of certain organization changes, as defined in the agreement. The proceeds from this note were used to pay off the original 6.6% first mortgage payable on August 31, 2021. | 1,098,582 | 1,125,000 |

**(5) Notes payable (continued)**

| | 2022 | 2021 |
|---|---|---|
| ***Other mortgage notes payable*** | | |
| 3% second mortgage note, with an original balance of $100,000, principal and interest due in 2031. During the term of the note, if the debt coverage ratio exceeds 1.25, the partnership shall pay an annual payment equal to 25% of excess cash flow as defined in the note, after net operating income and debt service on the first mortgage. The note is due to the Kansas Housing Resources Corporation and was subordinate to the construction loan. The note is collateralized by substantially all assets of the partnership. During the year ended December 31, 2022, the partnership accrued an additional $22,163 in interest on this note to catch up previously under accrued balances. This amount is not considered to materially impact the financial activity for the year ended December 31, 2022. | 100,000 | 100,000 |
| Non-interest bearing third mortgage note, with an original balance of $150,000, no payments due on the note through December 2015. After January 1, 2016, payments are due on the note in an amount equal to 25% of surplus cash, as defined in the note agreement. Any remaining principal is due on January 1, 2031. The note is payable to Mt. Carmel Redevelopment Corporation. The note is subordinate to the first mortgage note payable and the second mortgage note. The note is collateralized by substantially all assets of the partnership and has been eliminated in the consolidating financial statements. | 150,000 | 150,000 |
| Non-interest bearing fourth mortgage, with an original balance of $200,000, payments due on the note in an amount equal to 50% of surplus cash, as defined in the note agreement, through December 31, 2015. Commencing on December 31, 2016, payments due are equal to 25% of surplus cash, as defined in the note agreement. Any remaining principal is due on January 1, 2031. The note is payable to Mt. Carmel Redevelopment Corporation. The note is subordinate to the first mortgage note payable and the second and third mortgage notes. The note is collateralized by substantially all assets of the partnership. | 200,000 | 200,000 |
| ***Other notes payable*** | | |
| Note payable out of available cash, with an original balance of $75,881, as defined in the agreement, bearing interest at 1.47% per annum. During the year ended December 31, 2016, the partnership received additional proceeds of $61,553. The note is due to the former limited partner. Any remaining principal is paid out of surplus cash. All interest shall be due and payable upon and to the extent of receipt of surplus cash from net proceeds of sale of all or substantially all of the assets. The note is subordinate to all required prior uses of development financing proceeds, operating income, proceeds of capital transactions, and reserve fund balances. The note is unsecured. | 137,434 | 137,434 |

**(5) Notes payable (continued)**

| | 2022 | 2021 |
|---|---|---|
| Note (original balance of $115,717), payable out of available cash, as defined in the agreement, bearing interest at 1% below the long-term applicable federal rate, as defined in the Internal Revenue Code. The note is payable to Mt. Carmel Redevelopment Corporation. The note is unsecured | 115,717 | 115,717 |
| Total notes payable | 2,000,420 | 2,034,756 |
| Less: notes payable eliminated in consolidation | (465,717) | (465,717) |
| Subtotal | 1,534,703 | 1,569,039 |
| Less: debt issuance costs, net | (22,184) | (28,100) |
| Less: current portion | (49,994) | (114,620) |
| Noncurrent portion | $ 1,462,525 | $ 1,426,319 |

Schedule of five year maturities is as follows:

| Years Ending December 31, | |
|---|---|
| 2023 | $ 49,994 |
| 2024 | 52,291 |
| 2025 | 54,693 |
| 2026 | 1,093,298 |
| 2027 | - |
| Thereafter | 284,427 |
| Total | $ 1,534,703 |

**(6) Paycheck Protection Program**

During the year ended December 31, 2021 the Organization received a Paycheck Protection Program ("PPP") loan of $48,150, granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of-return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (rent and utilities) incurred following the receipt of the funds. The Organization recognized the amount received as contribution income as qualified expenses occurred and barriers to entitlement were met. Notification of the forgiveness of the PPP loan was received on December 8, 2021.

**(7) Commitments and contingencies**

In the normal course of business, the Organization periodically becomes party to various contractual disputes related to construction contracts. As of December 31, 2022 and 2021, there were no disputes that had been referred to legal counsel. Management does not believe there is a material likelihood that any disputes, should they occur, would have a material impact on the Organization's ability to do business.

## (8) Net assets with donor restrictions

At December 31, 2022 and 2021, net assets with donor restrictions were available for the following purposes:

| | 2022 | 2021 |
|---|---|---|
| Restricted for program | | |
| Housing programs | $ 79,807 | $ 78,619 |
| Food programs and food pantry | 23,393 | 3,620 |
| COVID-19 programs | - | 33,724 |
| Operating and personnel costs | 64,815 | 73,399 |
| Restricted for time | 16,150 | 256,342 |
| Total net assets with donor restrictions | $ 184,165 | $ 445,704 |

At December 31, 2022 and 2021, net assets with donor restrictions were released for the following purposes:

| | 2022 | 2021 |
|---|---|---|
| Housing programs | $ 163,759 | $ 109,882 |
| Food programs and food pantry | 4,887 | 13,576 |
| COVID-19 programs | 33,724 | 56,547 |
| Operating and personnel costs | 245,437 | 59,900 |
| Total release of restrictions | $ 447,807 | $ 239,905 |

## (9) Liquidity disclosure

The Organization has various sources of liquidity at its disposal. For purposes of analyzing resources available over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Refer to the consolidating statements of cash flows which identifies the sources and uses of the Organization's cash. As of December 31, 2022 and 2021, the following financial assets could be made available within one year of the statement of financial position date to meet general obligations:

| | 2022 | 2021 |
|---|---|---|
| Financial assets at year-end: | | |
| Cash and restricted cash | $ 788,411 | $ 734,389 |
| Grants and accounts receivable | 162,283 | 364,360 |
| | 950,694 | 1,098,749 |
| Less: | | |
| Restricted cash | (623,705) | (578,256) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 326,989 | $ 520,493 |

## (10) Subsequent events

Management has evaluated subsequent through July 7, 2023. No significant matters were identified for disclosure or adjustment during this review.