

**The NHP Foundation and its  
Affiliated Entities**

**Consolidated Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**December 31, 2022 and 2021**

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## THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
The NHP Foundation

### ***Opinion***

We have audited the consolidated financial statements of the NHP Foundation and its Affiliated Entities (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits and the report of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of certain affiliated entities, whose statements reflect total assets constituting \$526,452,410 and \$417,373,910, respectively, of consolidated total assets at December 31, 2022 and 2021, and total revenues of \$37,802,695 and \$36,193,082, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for certain affiliated entities, is based solely on the reports of the other auditors.

### ***Basis for Opinion***

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

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

Management is responsible for the preparation and fair presentation of the 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 the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated 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.



Bethesda, Maryland  
June 27, 2023

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents		
Cash - restricted	\$ 4,537,254	\$ 7,012,072
Cash - deposits and escrows	130,859,079	111,270,382
Cash - unrestricted	<u>34,935,258</u>	<u>32,250,000</u>
Total cash and cash equivalents	170,331,591	150,532,454
Current assets		
Accounts receivable, net	3,930,129	3,828,138
Grants receivable	88,374	50,000
Prepaid expenses and other current assets	4,011,309	3,796,531
Developer fees receivable, current	16,544,210	5,590,401
Other receivable:		
Predevelopment costs	11,104,359	10,805,344
Development advances receivable	<u>257,249</u>	<u>82,507</u>
Total current assets	<u>206,267,221</u>	<u>174,685,375</u>
Non-current assets		
Land, building, improvements and equipment, net	873,109,835	783,456,243
Construction in progress	101,808,069	82,494,473
Intangible assets, net	2,737,614	4,206,552
Notes receivable and accrued interest, net	655,364	638,135
Developer fees receivable	9,926,753	10,718,424
Asset, partnership and incentive management fees receivable	171,847	128,942
Due from affiliates	-	3,592
Right-of-use asset - operating lease	6,197,266	-
Investments in operating entities	<u>1,611,479</u>	<u>1,731,900</u>
Total non-current assets	<u>996,218,227</u>	<u>883,378,261</u>
Total assets	<u>\$ 1,202,485,448</u>	<u>\$ 1,058,063,636</u>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

December 31, 2022 and 2021

	<b><u>Liabilities and Net Assets</u></b>	
	<u>2022</u>	<u>2021</u>
Liabilities:		
Current liabilities		
Accounts payable and accrued expenses	\$ 39,816,060	\$ 25,349,909
Other liabilities	991,114	4,250,582
Notes payable and accrued interest, current	95,493,440	36,942,710
Developer fees payable, current	16,544,210	5,590,401
Lease liability - operating lease, current	1,007,171	-
Total current liabilities	<u>153,851,995</u>	<u>72,133,602</u>
Long-term liabilities		
Notes payable and accrued interest, net	878,500,448	846,850,622
Developer fees payable, net of current portion	12,357,063	14,098,371
Asset, partnership and incentive management fees payable	945,965	1,302,336
Investments in operating entities	5,007,152	4,884,598
Due to affiliates	-	100
Lease liability - operating lease	5,838,248	-
Other long-term liabilities	7,904,424	12,510,088
Total long-term liabilities	<u>910,553,300</u>	<u>879,646,115</u>
Total liabilities	<u>1,064,405,295</u>	<u>951,779,717</u>
Net assets:		
Without donor restrictions - controlling	56,608,230	31,290,903
Without donor restrictions - noncontrolling	80,983,776	74,771,381
Total net assets without donor restrictions	<u>137,592,006</u>	<u>106,062,284</u>
Net assets with donor restrictions	<u>488,147</u>	<u>221,635</u>
Total net assets	<u>138,080,153</u>	<u>106,283,919</u>
Total liabilities and net assets	<u>\$ 1,202,485,448</u>	<u>\$ 1,058,063,636</u>

See notes to consolidated financial statements

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Public support and operating revenue:			
Rent revenue	\$ 98,520,601	\$ -	\$ 98,520,601
Developer fee earned	14,289,143	-	14,289,143
Contributions and grants	12,536,074	390,465	12,926,539
Asset, partnership and incentive management fees	122,898	-	122,898
Interest income	559,129	-	559,129
Other revenue	32,097,588	-	32,097,588
Total public support and operating revenue	158,125,433	390,465	158,515,898
Net assets released from restrictions	123,953	(123,953)	-
Total public support and operating revenue	158,249,386	266,512	158,515,898
Expenses:			
Program services:			
Rental operations (includes \$26,607,535 in depreciation and amortization)	125,349,916	-	125,349,916
Acquisition and development	8,972,515	-	8,972,515
Asset management	1,310,967	-	1,310,967
Resident services	1,679,912	-	1,679,912
Supporting services:			
Management and general (includes \$36,131 in depreciation and amortization)	10,021,430	-	10,021,430
Fundraising	545,400	-	545,400
Total expenses	147,880,140	-	147,880,140
Excess of revenue over expenses (expenses over revenue)	10,369,246	266,512	10,635,758
Excess of expenses over revenue attributable to noncontrolling interests	14,948,081	-	14,948,081
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	\$ 25,317,327	\$ 266,512	\$ 25,583,839

See notes to consolidated financial statements

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES  
CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

Year ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Public support and operating revenue:			
Rent revenue	\$ 94,058,778	\$ -	\$ 94,058,778
Developer fee earned	14,051,374	-	14,051,374
Contributions and grants	5,531,238	205,560	5,736,798
Asset, partnership and incentive management fees	87,005	-	87,005
Interest income	47,608	-	47,608
Other revenue	6,171,844	-	6,171,844
Total public support and operating revenue	119,947,847	205,560	120,153,407
Net assets released from restrictions	79,025	(79,025)	-
Total public support and operating revenue	120,026,872	126,535	120,153,407
Expenses:			
Program services:			
Rental operations (includes \$22,636,700 in depreciation and amortization)	115,293,319	-	115,293,319
Acquisition and development	10,839,429	-	10,839,429
Asset management	1,075,172	-	1,075,172
Resident services	1,490,777	-	1,490,777
Supporting services:			
Management and general (includes \$139,620 in depreciation and amortization)	7,357,271	-	7,357,271
Fundraising	493,705	-	493,705
Total expenses	136,549,673	-	136,549,673
Excess of (expenses over revenue) revenue over expenses	(16,522,801)	126,535	(16,396,266)
Excess of expenses over revenue attributable to noncontrolling interests	18,801,414	-	18,801,414
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	\$ 2,278,613	\$ 126,535	\$ 2,405,148

See notes to consolidated financial statements



THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2022 and 2021

	Without donor restrictions			With donor restrictions	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Beginning balance, January 1, 2021	\$ 46,037,897	\$ 79,131,092	\$ 125,168,989	\$ 95,100	\$ 125,264,089
Transfers in and other equity adjustments	(17,025,607)	(11,369,785)	(28,395,392)	-	(28,395,392)
Capital contributions from noncontrolling interests, net of distributions and syndication costs	-	25,811,488	25,811,488	-	25,811,488
Excess of expenses over revenue attributable to noncontrolling interests	-	(18,801,414)	(18,801,414)	-	(18,801,414)
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	<u>2,278,613</u>	<u>-</u>	<u>2,278,613</u>	<u>126,535</u>	<u>2,405,148</u>
Ending balance, December 31, 2021	31,290,903	74,771,381	106,062,284	221,635	106,283,919
Capital contributions from noncontrolling interests, net of distributions and syndication costs	-	21,160,476	21,160,476	-	21,160,476
Excess of expenses over revenue attributable to noncontrolling interests	-	(14,948,081)	(14,948,081)	-	(14,948,081)
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	<u>25,317,327</u>	<u>-</u>	<u>25,317,327</u>	<u>266,512</u>	<u>25,583,839</u>
Ending balance, December 31, 2022	<u>\$ 56,608,230</u>	<u>\$ 80,983,776</u>	<u>\$ 137,592,006</u>	<u>\$ 488,147</u>	<u>\$ 138,080,153</u>

See notes to consolidated financial statements

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2022

	Program services				Supporting services		Total
	Rental operations	Acquisition and Development	Asset Management	Operation Pathways	Management and general	Fundraising	
Nature of expenses:							
Payroll and related	\$ 14,489,388	\$ 6,556,658	\$ 1,229,665	\$ 639,939	\$ 2,795,379	\$ 133,329	\$ 25,844,358
Operating and maintenance expenses	27,433,194	-	-	-	1,070,632	-	28,503,826
Interest and finance fees	33,681,926	75,381	-	-	1,408,181	479	35,165,967
Taxes and insurance	12,075,961	-	-	-	99,904	-	12,175,865
Management fees	4,401,099	-	-	-	-	-	4,401,099
Accounting	695,135	-	-	-	187,472	-	882,607
Legal	459,811	224,243	-	-	48,986	-	733,040
Management and administration	3,981,151	273,562	12,696	321,810	1,277,498	53,071	5,919,788
Consulting	965,512	192,009	-	-	700,397	36,000	1,893,918
Marketing	457,689	5,409	-	2,521	14,435	197,773	677,827
Travel	27,835	170,591	68,606	109,056	314,853	124,748	815,689
Bad debt expense	-	1,433,256	-	-	1,983,675	-	3,416,931
Contributions expense	73,680	41,406	-	-	-	-	115,086
Depreciation and amortization	26,607,535	-	-	-	36,131	-	26,643,666
Other non-operating expense/minority interest	-	-	-	606,586	83,887	-	690,473
	<u>\$ 125,349,916</u>	<u>\$ 8,972,515</u>	<u>\$ 1,310,967</u>	<u>\$ 1,679,912</u>	<u>\$ 10,021,430</u>	<u>\$ 545,400</u>	<u>\$ 147,880,140</u>

See notes to consolidated financial statements

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED

Year ended December 31, 2021

	Program services				Supporting services		Total
	Rental operations	Acquisition and Development	Asset Management	Operation Pathways	Management and general	Fundraising	
Nature of expenses:							
Payroll and related	\$ 13,782,443	\$ 4,923,295	\$ 1,051,507	\$ 661,358	\$ 2,606,118	\$ 144,326	\$ 23,169,047
Operating and maintenance expenses	27,143,068	-	-	-	1,084,496	-	28,227,564
Interest and finance fees	31,344,194	-	-	-	94,916	785	31,439,895
Taxes and insurance	10,270,018	-	-	-	110,931	-	10,380,949
Management fees	4,195,459	-	-	-	-	-	4,195,459
Accounting	660,740	-	-	10,700	133,170	-	804,610
Legal	303,175	6,605	-	-	101,861	557	412,198
Management and administration	4,024,490	16,603	11,572	241,535	1,541,045	29,485	5,864,730
Consulting	252,775	866,621	-	36,454	747,762	8,998	1,912,610
Marketing	382,957	1,567	-	1,331	5,777	179,988	571,620
Travel	16,696	22,066	12,093	33,270	239,453	70,766	394,344
Bad debt expense	280,604	2,508,086	-	-	137,944	-	2,926,634
Contributions expense	-	2,270,128	-	-	-	-	2,270,128
Depreciation and amortization	22,636,700	-	-	-	139,620	-	22,776,320
Other non-operating expense/minority interest	-	224,458	-	506,129	414,178	58,800	1,203,565
	<u>\$ 115,293,319</u>	<u>\$ 10,839,429</u>	<u>\$ 1,075,172</u>	<u>\$ 1,490,777</u>	<u>\$ 7,357,271</u>	<u>\$ 493,705</u>	<u>\$ 136,549,673</u>

See notes to consolidated financial statements

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Excess (deficit) of revenue over expenses	\$ 10,635,758	\$ (16,396,266)
Adjustments to reconcile excess (deficit) of revenue over expenses to cash provided by operating activities:		
Depreciation and amortization	26,643,666	22,776,320
Bad debt expense	3,416,931	2,926,634
Forgiveness of accrued interest - notes payable	(25,740,749)	-
Paycheck Protection Program Loan forgiveness	-	(1,276,794)
Amortization of debt issuance costs	2,135,256	2,355,866
Unrealized loss (gain) on swap	(1,069,057)	826,583
Loss on disposal of fixed assets	-	137,970
Other gain in housing funds	(1,063,987)	(3,872,014)
Loss from equity method investments	122,554	195,814
Increase (decrease) in operating assets:		
Prepaid expenses and other assets	(3,776,605)	(4,244,973)
Developer fee receivable	(10,162,138)	(6,328,308)
Due from affiliates	3,592	(3,492)
Grant receivable	(38,374)	714
(Increase) decrease in operating liabilities:		
Accounts payable and accrued expenses	4,753,110	11,897,743
Other liabilities	(6,147,922)	(6,010,167)
Accrued interest on mortgage, notes and construction loan payable	1,705,072	3,773,553
Due to affiliates	(100)	-
Net cash provided by operating activities	<u>1,417,007</u>	<u>6,759,183</u>
Cash flows from investing activities:		
Repayment (issuance) of notes receivable	(17,229)	701,242
Purchase of land, buildings, improvements and equipment	(115,611,505)	(77,212,987)
Net proceeds from other assets	1,166,217	977,818
Net advances of working capital	(174,742)	(82,507)
Net deferred development costs additions	(299,015)	(1,329,004)
Net proceeds from investment in housing funds	1,184,408	3,999,878
Net cash used in investing activities	<u>(113,751,866)</u>	<u>(72,945,560)</u>
Cash flows from financing activities:		
Net capital contributions received from noncontrolling interests	21,160,476	25,811,488
Proceeds from mortgages, notes and construction loans payable	307,832,508	133,256,191
Principal payments on mortgages, notes and construction loans payable	(191,498,004)	(35,198,600)
Payments for debt issuance costs	(5,360,984)	(5,942,437)
Net cash provided by financing activities	<u>132,133,996</u>	<u>117,926,642</u>
Net increase in cash, restricted cash, and cash equivalents	19,799,137	51,740,265
Cash, restricted cash, and cash equivalents, beginning	<u>150,532,454</u>	<u>98,792,189</u>
Cash, restricted cash, and cash equivalents, ending	<u>\$ 170,331,591</u>	<u>\$ 150,532,454</u>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

Years ended December 31, 2022 and 2021

	2022	2021
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest, net of amount capitalized	\$ 31,325,639	\$ 25,310,476
Cash paid for income taxes	\$ 69,425	\$ 49,397
<b>SIGNIFICANT NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
(Deficit) equity transfer in	\$ -	\$ (28,395,392)
Accounts payable and accrued expenses, relating to construction costs included in land, buildings, improvements and equipment	\$ 9,356,670	\$ 8,256,326

See notes to consolidated financial statements

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 and 2021

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### NOTE 1 - MISSION AND ORGANIZATION

The NHP Foundation and its affiliated entities (the “Organization”) is in the business of creating and preserving service enriched multifamily affordable housing. The Organization accomplishes its mission primarily by acquiring and rehabilitating existing multifamily properties and, to a lesser extent, constructing new properties. The Organization uses Low Income Housing Tax Credits (“LIHTC”) to provide a portion of the funding for the rehabilitation of properties it owns. The Organization and its affiliates includes the following entities.

The NHP Foundation (“NHPF”) was incorporated in the District of Columbia on January 30, 1989 as a nonprofit charitable organization. The purpose of NHPF is to provide quality affordable multifamily housing and resident services for very low-, low- and moderate-income families. NHPF and its Affiliated Entities provide housing at 58 properties, impacting over 9,000 apartments, serving residents and community members in 15 states and the District of Columbia.

Operation Pathways, Inc. (“Pathways”) was incorporated in the District of Columbia on January 9, 2015 as a nonstock, nonprofit charitable organization. Prior to becoming a separate 501(c)(3), Operation Pathways operated as a division of NHPF (or “Sponsor”), with whom it is still affiliated. The purpose of Pathways is to provide resident services to properties owned by NHPF through a wide variety of educational, health, and enrichment programming. Pathways currently provides services to 27 properties in 12 states plus the District of Columbia impacting over 5,000 units of affordable housing.

In its normal course of business, NHPF uses a variety of legal structures for acquiring a property, most of which involves either setting up a number of legal entities that own a property, serve as the sole member of an entity that owns a property or serves as the general partner in a partnership that owns a property. NHPF refers to all these legal entities as its affiliated entities.

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

The following tables represent those entities which are included in the consolidated financial statements. The entities are organized into groups for consolidation in the consolidated financial statements based on the designation in the “Group” columns of each table.

For profit LLC's and partnerships with a controlling general partner interest, typically less than 1%			
General Partner or Managing Member	Group	Limited Partnership or Limited Liability Company	Group
Pepper Tree Manor 250 GP, LLC ("Pepper Tree GP")	Other	250 LP Pepper Tree Manor LP ("Pepper Tree")	Real Estate
VOV NHPF I, LLC ("VOV NHPF I")	Other	Alabama Ave. Affordable Housing, L.P. ("Roundtree")	Real Estate
Alexander House Managing Member LLC (Managing Member)	Other	New Alexander House LLC	Real Estate
Anacostia Gardens GP, LLC ("Anacostia GP")	Other	Anacostia Gardens Owner, LLC ("Anacostia Gardens")	Real Estate
Bayview GP, Inc. ("Bayview GP")	Other	Bayview Preservation Partners, LP ("Bayview Preservation")	Real Estate
Benning Heights GP, LLC ("Benning Heights GP")	Other	Benning Heights Investor LLC ("Benning Heights Investor")	Real Estate
Overlook GP, LLC	Other	New Overlook Owner, LP	Real Estate
Blue Mountain Manager, LLC	Other	Blue Mountain Owner, LLC	Real Estate
NDFD II, LLC ("NDFD II")	Other	Bolton North, LP ("Bolton North")	Real Estate
CH Affordable Manager, LLC	Other	CHCDC Affordable Elderly LLC	Real Estate
Cardinal Ridge GP LLC	Other	Heritage Noland Associates L.P.	Real Estate
Cleme 284 LLC ("Cleme 284 GP")	Other	Cleme Manor Holdings, LLC ("Cleme Manor")	Real Estate
Center City MM LLC	Other	New Center City Apartments Urban	Real Estate
Covent NHPF Manager, LLC (GP in Covent Apartments, LLC)	Other	Covent Apartments, LLC	Real Estate
Foxwood GP, Inc. ("Foxwood GP")	Other	Foxwood Preservation Partners, LP ("Foxwood Preservation")	Real Estate
Harvard Court Investor, LLC	Other	Harvard Court Owner, LLC	Real Estate
Harvest Homes GP, LLC (1) ("Harvest Homes GP")	Other	Harvest Homes Apartments LP ("Harvest Homes")	Real Estate
Hollander Ridge Manager, LLC ("Hollander Ridge GP")	Other	Hollander Ridge Investor, LLC ("Hollander Ridge")	Real Estate
Hollybush GP, Inc. ("Hollybush GP")	Other	Hollybush Preservation Partners, LP ("Hollybush Preservation")	Real Estate
Mark Twain NHPF Manager, LLC ("Mark Twain NHPF Manager")	Other	Mark Twain NHPF, LLC ("Mark Twain NHPF")	Real Estate
Irvine Turner MM, LLC (New Irvine Turner GP)	Other	New Irvine Turner Apartments Urban Renewal, LLC	Real Estate
Orange GP, Inc. ("Orange GP")	Other	Orange Preservations Partners, LP ("Orange Preservation")	Real Estate
Overlook GP, LLC	Other	New Overlook Owner, LP	Real Estate
Plaza Borinquen 88 GP Corporation (2) ("Plaza B GP")	Other	Plaza Borinquen 88 Owner II LP ("Plaza B II")	Real Estate
Preservation Housing Partners, LLC ("Preservation Partners")	Other	Preservation Housing II, L.L.C. ("Forest Park")	Real Estate
Princess Anne GP, LLC ("Princess Anne GP")	Other	Princess Anne Owner, LP ("Princess Anne Owner")	Real Estate
Ridgecrest Phase 1 Manager LLC	Other	Ridgecrest Phase 1 Owner LLC	Real Estate
Ship's Cove GP LLC ("Ships Cove GP")	Other	Ship's Cove Preservation Partners Limited Partnership ("Ships Cove Preservation")	Real Estate
St. Luke's GP, Inc. ("St. Luke's GP")	Other	St Luke's Master Tenant, LLC (3) ("St. Luke's Preservation")	Real Estate
St. Luke's GP, Inc. ("St. Luke's GP")	Other	St. Luke's Preservation Partners, LP (3) ("St. Luke's Preservation")	Real Estate
Takoma Place GP LLC ("Takoma GP")	Other	Takoma Place SM LLC ("Takoma Place")	Real Estate
Walnut 209, LLC ("Walnut 209")	Other	Preservation Housing IV, L.L.C. ("Walnut Square")	Real Estate
Wade Road GP, LLC ("Wade Road GP")	Other	Wade Road Investor, LLC ("Wade Road Parkchester")	Real Estate
Woodmont Crossing Manager, LLC ("Woodmont Manager")	Other	Woodmont Crossing Investor, LLC ("Woodmont Crossing")	Real Estate
17 Mississippi Managing Member LLC	Other	17 Mississippi Owner LLC	Real Estate

(1) NHPF is a 40% member of Harvest Homes GP, LLC

(2) Plaza Borinquen 88 Housing Development Fund Corporation, Inc is the non-profit title owner of Plaza Borinquen

(3) St. Luke's Master Tenant leases the building from St. Luke's Preservation Partners and is consolidated with St. Luke's Preservation Partners

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

### Entities with a controlling interest ranging from 47.5% to 100%

Managing/sole Member or Partner	Group	Legal Entity	Group
1255 North Post Oak Manager LLC ("1255 NPO Owner's GP")	Other	1255 NPO Owner, LLC	Real Estate
1300 NPO Owner, LLC ("1300 NPO Owner's GP")	Other	1300 NPO Owner, LLC	Real Estate
NHPF		A.C.T. Affordable Housing ("ACT LaSalle")	Real Estate
Berry Manor Investor, LLC	Other	Berry Manor Owner, LP	Real Estate
NHPF		BM Land Owner, Inc.	Other
Interstate I Affordable Housing	Other	C/HP Cove, Inc. ("Clipper Cove")	Real Estate
Cardinal Ridge Investor LLC	Other	Heritage Noland Associates L.P.	Real Estate
Jamestown Affordable Housing, Inc. ("Jamestown Affordable")	Other	Cleme 284 LLC	Other
NHPF - Columbia Heights Manager LLC ("NHPF Columbia Manager")	Other	Columbia Apartments LP ("Columbia Apartments")	Other
NHPF - Columbia Heights Investor, LLC (1) ("NHPF Columbia Investor")	Other	Columbia Apartments LP ("Columbia Apartments")	Other
Columbia Apartments LP	Other	Columbia Heights Village Apartments LP (1) ("Columbia Heights Village")	Real Estate
NHPF		FCHC Virginia Community Development Corporation ("Falls Church")	Real Estate
NHPF	Other	Irvine Turner Apts Urban Renewal, LLC	Real Estate
Nannie Helen NHPF, LLC ("Nannie Helen NHPF")	Other	Nannie Helen Manager, LLC ("Nannie Helen Manager")	Other
Nannie Helen Manager, LLC ("Nannie Helen Manager")	Other	Nannie Helen Owner, LLC ("Nannie Helen Owner Strand")	Real Estate
NHPF		New Covent, LLC ("New Covent")	Real Estate
NHPF		New Mark Twain, LLC ("New Mark Twain")	Real Estate
Jamestown Affordable Housing, Inc. ("Jamestown Affordable")	Other	NHPF Live Oak MM, LLC	Other
Jamestown Affordable Housing, Inc. ("Jamestown Affordable")	Other	NHPF-SC Developer, LLC	Other
NHPF		NHPF Temenos Conduit, LLC	Other
Ridgecrest Court Manager, LLC ("Ridgecrest's GP")	Other	Ridgecrest Court Investor, LLC	Real Estate
Workforce Housing I, LLC ("Workforce Housing I")	Other	The Pines Owner, LLC ("Pines at Carolina")	Real Estate
NHPF/WFH, LLC ("NHPF/WH")	Other	Workforce Housing I, LLC ("Workforce Housing I")	Other
NHPF		Elm Gardens MM, LLC	Other
NHPF		Elm Gardens Investor, LLC	Other
Elm Gardens Investor, LLC	Other	Elm Gardens Owner, LLC	Real Estate
NHPF		NUBA Manager, LLC	Other
NHPF		NUBA Investor, LLC	Other
NHPF		CHV Manager, LLC	Other
Temenos Affordable Manager, LLC (Temenos GP)	Other	Temenos Permanent Affordable LLC	Real Estate
NHPF Caroline MM LLC (Magnificent GP)	Other	Magnificent Permanent Affordable LLC	Real Estate
Harvard Court Manager, LLC	Other	Harvard Court Owner, LLC	Real Estate

(1) NHPF-Columbia Heights Investor, LLC, whose sole member is NHPF, is the .01% limited partner.

### Legal entities holding seller notes

In some cases an affiliated entity initially purchases a property, which is held until the property is refinanced into an LIHTC structure. In order to facilitate the refinancing, that original purchasing entity will take back a seller note.

Legal Entity	Group	Partnership or limited liability company	Group
Center City Apt Urban Renewal, LLC	Other	New Center City Apartments Urban	Real Estate
Plaza Borinquen 88 Owner LP ("Plaza B I")	Other	Plaza Borinquen 88 Owner II LP	Real Estate
Walnut Affordable Housing, Inc. ("Walnut Affordable")	Other	Preservation Housing IV, L.L.C.	Real Estate
Cornerstone/St. Luke's, Inc. ("Cornerstone St. Luke's")	Other	St. Luke's Preservation Partners, LP	Real Estate
Irvine Turner Apts Urban Renewal, LLC	Other	New Irvine Turner Apartments Urban Renewal, LLC	Real Estate
Berry Manor Owner, LP	Other	Berry Manor Apartments, LLC	Real Estate

### Investment in operating entities

Legal Entity	Group	Ownership %	Accounting Method
CHA LLC (CHA MM, LLC general partner interest)	Not consolidated	0.002%	Equity Method
Eagles Landing Apartments, LP	Not consolidated		
(NHPF Eagles Landing GP, LLC general partner interest)	Not consolidated	3.000%	Cost Method
RAHF IV Shore Hill, LLC (NHPF-Shore Hill Investor, LLC) (2)	Not consolidated	2.995%	Cost Method
RAHF IV Shore Hill, LLC (NHPF-Shore Hill Manager, LLC) (1)	Not consolidated	0.005%	Cost Method

(1) NHPF-Shore Hill Manager, LLC is a 50% member in the sole member of the .01% Managing Member of the beneficial owner (RAHF IV Shore Hill, LLC) of Shore Hill.

(2) NHPF-Shore Hill Investor, LLC is a 2.995% member in the beneficial owner (RAHF IV Shore Hill, LLC) of Shore Hill.



# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

<b>Joint Ventures</b>			
Legal Entity	Group	Joint Venture %	Accounting Method
CHA Development, LLC	Not consolidated	50% partner	Equity Method
CHA JV, LLC	Not consolidated	50% partner	Equity Method
New Sunset Bay Manager, LLC	Not consolidated	21% partner	Equity Method
Exchange Place MM LLC ("Exchange Place GP") (2)	Not consolidated	50% partner	Equity Method
NDFD, LLC ("NDFD") (1)	Other	50% partner	Consolidated
Nonprofit Housing Preservation PI, Inc	Not consolidated	40% partner	Cost Method
Nonprofit Housing Preservation RA, Inc.	Not consolidated	40% partner	Cost Method
Maxwell House, LLC	Not consolidated	50% partner	Equity Method

(1) NDFD is the member in the joint ventures with NHPF/UA, LLC and NHPF/UA II, LLC listed below under Housing Funds.

(2) Exchange Place GP is owned 50% by NDFD.

<b>Housing Funds</b>			
Legal Entity	Group	Ownership %	Accounting Method
NHPF/UA, LLC	Not consolidated	50% member	Equity Method
NHPF/UA II, LLC	Not consolidated	50% member	Equity Method
Housing Partnership Equity Trust, LLC	Not consolidated	0.01%	Cost Method
Workforce Affordable Housing Fund I LLC	Consolidated	4% Member	Consolidated

<b>Predevelopment Entities</b>			
Legal Entity	Group	Ownership %	Accounting Method
Trinity East Family, LLC	Consolidated	100%	Consolidated
NUBA Apartments, LLC	Consolidated	100%	Consolidated
4710 Park Heights Senior, LP	Consolidated	100%	Consolidated
4650 Park Heights, LP	Consolidated	100%	Consolidated
CHV Owner, LLC	Consolidated	100%	Consolidated

<b>Other/Lenders</b>			
Legal Entity	Group	Ownership %	Accounting Method
NHPF Texas, LLC	Consolidated	100%	Consolidated
Park Heights Lender, LLC	Consolidated	100%	Consolidated
Harvard Court NH, LLC	Other	100%	Consolidated

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

In accordance with accounting guidance for consolidations, NHPF has determined the presumption of control for the entities in which NHPF and/or its affiliated entities are the general partner has not been overcome; therefore NHPF has significant control over the major decisions of those entities. As a result, NHPF and/or its affiliated entities are required to consolidate the financial statements of those entities. All significant intercompany accounts and transactions have been eliminated in the consolidation process.

Distributable cash flows from certain affiliated entities to NHPF are restricted by covenants in the underlying mortgages or grants received by the affiliated entities. Contributions paid by the affiliated entities and received by NHPF are eliminated in consolidation.

NHPF and its nonprofit affiliated entities conform to the accounting guidance for "Financial Statements of Not-for-Profit Organizations." These consolidated financial statements have been prepared on the accrual basis of accounting and are intended to present net assets, revenue, expenses,

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Net assets without donor restrictions -
  - Net assets without donor restrictions - controlling - represent expendable resources that are used to carry out the operations of the Organization and are not subject to donor-imposed stipulations.
  - Net assets without donor restrictions - non-controlling - represent the aggregate balance as of December 31, 2022 and 2021 of limited partner/member equity interest in the non-wholly-owned affordable housing entities that are included in the consolidated financial statements. The majority of non-controlling net assets without donor restrictions consists of the limited partner interests in tax credit holdings.
- Net assets with donor restrictions - resources which contain donor-imposed restrictions that are satisfied either by the passage of time or by actions of the Organization. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Revenue is reported as increases in net assets without donor restrictions unless uses of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

### Cash and Cash Equivalents

For purposes of the statements of consolidated cash flows, the Organization considers all investments with original maturities of three months or less to be cash equivalents.

### Restricted Cash

Restricted cash consists of cash required to be segregated as specified in certain grant and loan documents.

### Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of prepaid costs, tenant account receivables and subsidy receivables.

### Tenant Accounts Receivable

Tenant accounts receivables are reported net of an allowance for doubtful accounts or are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Management's estimate of the allowance is based on historical collection experience and a review of the status of tenant accounts receivables. It is reasonably possible that management's estimate of the allowance will change.

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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### Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

### Deferred Costs

Deferred costs consist of tax credit fees and other intangible assets. The deferred costs are amortized over the estimated useful life using the straight-line method. Amortization expense as of December 31, 2022 and 2021 was \$204,117 and \$302,720, respectively. Estimated annual amortization expense for each of the ensuing years through December 31, 2027 and thereafter is as follows:

2023	\$	224,833
2024		219,196
2025		205,228
2026		199,012
2027		195,573
Thereafter		<u>1,693,772</u>
	\$	<u>2,737,614</u>

### Deferred Development Costs

Costs incurred in the identification of potential developments are deferred. Deferred development costs are reimbursed upon the receipt of project financing for the related entity. Costs incurred on unlikely or abandoned developments are expensed when these determinations are made.

### Developer Fees Receivable

NHPF has entered into various development agreements with the affiliated tax credit and real estate entities of which, NHPF and their related general partner/managing entities serve as the general partner or managing member in these entities. The agreements provide for the fee to be paid from capital contributions and future cash flows of the respective entities. Developer fees receivable on the consolidated statements of financial position represent developer fees due from related entities for development services. The current portion of the developer fee receivable represents amounts expected to be received from equity sources during the next fiscal year. Developer fees receivable, developer fee income and deferred developer fee earned from affiliates and subsidiaries shall be paid by the related entities upon receipt of the limited partner equity contribution. Any remaining developer fee receivable, and accrued interest there in, if applicable, is payable from operational cash flow of the respective projects and is eliminated in consolidation. Developer fees receivable are reported at their net realizable value. Management's estimate of any allowance is based on collectability determined by future operating cash flows of the related entities. It is reasonably possible that management's estimate of allowances will change. The balance of developer fees

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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receivable, net of allowance for uncollectible, after eliminating adjustments, as of December 31, 2022 and 2021 is \$26,470,963 and \$16,308,825, respectively.

### Land, Buildings, Improvements and Equipment

Land, buildings, improvements and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of straight-line and accelerated methods. Buildings, improvements, and equipment are depreciated over lives ranging from 5 to 40 years. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statements of activities.

### Impairment of Long-Lived Assets

The Organization reviews its buildings, improvements, and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Organization are less than its carrying amount, management compares the carrying amount of the asset to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss was recognized for either of the years ended December 31, 2022 and 2021.

### Investment in Housing Funds

NHPF has investments in various housing funds that are accounted for under the cost or equity method depending on the extent to which NHPF has an interest in and exercises influence over the funds.

Investment in housing funds over which NHPF exercises significant influence, but not control, are accounted for under the equity method. NHPF records its initial investments at cost, recognizes its share of income or loss, increases its investment for capital contributions, and reduces its investment balance by any distributions received.

Cash distributions that NHPF receives in excess of the carrying amount of its investment are recorded as other revenue (if certain criteria are met), and the equity method of accounting is suspended. NHPF would record future equity method earnings only after its share of cumulative earnings during the suspended period exceeds the income recognized for the excess cash distributions.

NHPF's investments in housing funds are periodically reviewed for impairment. NHPF records an impairment charge when events or circumstances change indicating that a decline in fair value below carrying value has occurred and such decline is other than temporary.

## THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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The following is a summary of NHPF's investment in housing funds accounted for under the equity method:

#### Investments in NHPF/UA, LLC and NHPF/UA II, LLC

In accordance with the accounting guidance for the consolidation of variable interest entities, NHPF determines when it should include the assets, liabilities, and activities of variable interest entities ("VIE") in its consolidated financial statements, and when it should disclose information about its relationship with a VIE. The analysis that must be performed to determine which entity should consolidate a VIE focuses on control and economic factors. A VIE is a legal structure used to conduct activities or hold assets, which must be consolidated by an Organization if it is the primary beneficiary because it has: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and (2) the obligation to absorb losses or received benefits that could potentially be significant to the VIE. If multiple unrelated parties share such power, as defined, no party will be required to consolidate the VIE. Further, the guidance requires continual reconsideration of the primary beneficiary of a VIE.

Based on this guidance the following entities meet the definition of a VIE:

- NHPF/UA, in which NDFD invests
- NHPF/UA II, in which NDFD invests

However, management does not consolidate the above interests, as they are not considered to be the primary beneficiary since multiple unrelated parties share the power to direct the activities that are considered most significant to the economic performance of these entities. NDFD currently records the amount of the investments in NHPF/UA and NHPF/UA II as an asset on the statements of financial position, recognizes its share of income or losses in the statements of activities, and discloses how it accounts for this investment in its consolidated financial statements. NDFD's balance in investment in NHPF/UA and NHPF/UA II represent the maximum exposure to loss. NDFD's exposure is assessed by the condition and financial performance of the underlying projects as well as the strength of the general partners and their guarantees.

#### Investment in Housing Partnership Equity Trust, LLC

NHPF is an investing member in Housing Partnership Equity Trust, LLC ("HPET") and holds a 1.123% investment in HPET. NHPF accounts for its 1.123% investment in HPET under the cost method. As such, the initial investment was recorded at cost and cash distributions are reported as income.

NHPF's maximum exposure to loss is estimated to be the entire balance of its investment in HPET, which includes its estimated future funding commitments. NHPF has no obligation to fund liabilities of HPET beyond its investment, including loans and advances. NHPF may be subject to additional losses to the extent it provides any voluntary subordinated financial support to HPET in the future.

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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NHPF regularly assesses its investment in HPET for impairment if NHPF believes that it may not recover the carrying amount of the investment or if the investee is unable to sustain an earnings capacity that would justify the carrying amount of the investment. Impairment is based on the amount that NHPF expects to recover from the investment should it be sold or should the investee liquidate, taking into account NHPF's claim on the investee's book value. A recordation of an impairment loss has no effect on the actual fair market value of the underlying property or performance of the overall investment. If the investment in HPET is considered to be permanently impaired, NHPF would reduce its investment balance in HPET and include such reduction in other income (losses) in housing projects on the consolidated statement of activities.

### Deferred Rent and Rent Holidays

NHPF recognizes escalating rent provisions on a straight-line basis over the lease term. Certain of NHPF's operating leases contain rent holidays. For these leases, NHPF recognizes the related rent expense on a straight-line basis at the earlier of the first rent payment or the date of possession of the leased property. The difference between the amounts charged to expense and the rent paid is recorded as deferred lease incentives and amortized over the lease term.

### Derivatives

Two of NHPF's affiliated entities, Foxwood Preservation and St. Luke's Preservation, use derivatives to manage risk and the economic impact related to interest rate movements. While the derivatives are mitigating the potential interest rate risk, as a nonprofit entity, the Organization is not permitted to use hedge accounting for its interest rate swap contracts (swaps). The swap contracts were reported at fair value and were included in other liabilities on the consolidated statements of financial position. The gains or losses resulting from the change in fair value of the swaps are shown as decreases or increases, respectively, to interest expense on the related mortgage notes.

### Rent Revenue

Rent revenue is recorded as rents become due. Rent payments received in advance are deferred until earned. All leases between the rental housing communities and its tenants are operating leases.

### Contributions and Grants

Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund and has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received. Conditional and unconditional contributions are recorded as either with donor restriction or without donor restriction. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contribution without donor restrictions (see Note 19).

Revenue from certain grants is recognized by the NHPF and Pathways in full, upon written notification of the award. Grants are recognized as support without donor restrictions only to the extent of actual expenses incurred in compliance with grantor-imposed restrictions. Grants received in excess of expenses incurred are shown as assets with donor restrictions in the accompanying consolidated statements of activities.

Unconditional promises to give that are expected to be received within one year are recorded at net realizable value. Unconditional promises to give that are expected to be received in future years are recorded at the present value of their estimated future cash flows using discount rates approximating the rate of return on U.S. government securities with similar maturities.

### In-kind Contributions/Expense

Donated property and equipment are recorded at fair market value at the date of the donation. NHPF and Pathways utilizes the services of outside volunteers. However, the fair value of these services is not recognized in the accompanying consolidated financial statements, since they do not meet the criteria of being a specialized service that would typically need to be purchased and do not enhance or create an asset.

### Developer Fee Revenue

Development fees earned are paid from the project's equity and debt proceeds at the completion of the construction of the project. These fees are recognized over the development period, beginning when the project is assured of being constructed, as evidenced by the admission of an equity partner, as units are delivered or based on the external construction costs incurred as a percentage of the total external construction costs expected, and concluding with the application for final allocation of tax credits. Any portion of the development fee not expected to be paid using contributions from the equity partner, such as out of cash flow from operations represents variable consideration, and will be eliminated in the consolidation. The project estimates whether it will be entitled to variable consideration under the terms of the development agreement and includes its estimate of variable consideration in the total development fee amount when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur in accordance with the accounting guidance in ASC Topic 606, *Revenue from Contracts with Customers*, on constraining estimates of variable consideration, which typically includes the following factors:

- The susceptibility of the consideration amount to factors outside the project's influence, including insufficient equity and debt proceeds at the completion of the construction of the project.

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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- Whether the uncertainty about the consideration amount is not expected to be resolved for a long period of time.
- The Organization's experience with similar types of agreements.
- Whether the Organization expects to offer changes to payment terms.
- The range of possible consideration amounts.

The cumulative amount of development fees earned over the development agreement is updated at each reporting period based on the project's estimate of the variable consideration using available information at the reporting date. Any difference between the gross amount of the project's developer fee payable and the estimate of variable consideration to which the developer expects to be entitled is eliminated in consolidation.

### Construction in Progress

Costs associated with the acquisition, development and construction of housing projects are carried at cost. Construction in progress is capitalized and is included in construction in progress on the consolidated statements of financial position.

### Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and detailed in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Program services are allocated between four categories: rental operations, acquisition and development, asset management and resident services. Costs allocated to rental operations relate to personnel and other costs involved in operating the properties. Costs allocated to acquisition and development relate to personnel and other costs associated with locating and acquiring properties as well as construction supervision when rehabilitating the properties. Costs allocated to asset management relate to personnel and other costs associated with asset management supervision and administration of the properties. Costs allocated to resident services relate to personnel and other related expenses for the resident services programs offered at several of the Organization's rental housing communities.

### Income Taxes

NHPF and its nonprofit affiliated entities have applied for and received determination letters from the Internal Revenue Service ("IRS") to be treated as tax-exempt entities pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2022 and 2021. Due to their tax-exempt status, NHPF and its nonprofit affiliated entities are not subject to income taxes. NHPF and its nonprofit affiliated entities are required to file and do file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and NHPF and its nonprofit affiliated entities have no other tax positions which must be considered for disclosure. Tax returns filed by



# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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NHPF and its nonprofit affiliated entities are subject to examination by the Internal Revenue Service for a period of three years. While no tax returns are currently being examined by the Internal Revenue Service, tax years since 2019 remain open.

Single member limited liability companies are treated as disregarded entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income and deductions are passed through to and are reported by NHPF or its nonprofit affiliated entities on their income tax return. Accordingly, these consolidated financial statements do not reflect a provision or benefit for income taxes for these entities. Since the entities are not required to file income tax returns, they have no filings which are open to examination by the Internal Revenue Service.

All other affiliated entities have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by the owners on their respective income tax returns. The affiliated entities' federal tax status as pass-through entities are based on their legal status as partnerships or limited liability companies. Accordingly, these affiliated entities are not required to take any tax positions in order to qualify as pass-through entities. These affiliated entities are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for federal income taxes for these affiliated entities. However, certain entities are located in the District of Columbia, Connecticut, New Jersey and Texas, which do not recognize flow through entities, and therefore, income for those entities is subject to tax. Those entities include Woodmont Crossing, Wade Road Parkchester, Takoma Place, Anacostia Gardens, Nannie Helen Owner, Benning Heights Investor, Columbia Heights Village, Hollybush GP, Orange GP, Bayview Preservation, Cleme Manor Holdings, 1255 NPO Manager LLC, 1300 NPO Manager LLC, Elm Gardens MM LLC, NHPF Caroline MM LLC, Irvine Turner MM, LLC, and Ridgecrest Phase I Manager, LLC. Accordingly, these statements include a provision for State income taxes in the total amount of \$69,425 and \$49,397, respectively, for the years ended December 31, 2022 and 2021. These affiliated entities have no other tax positions which must be considered for disclosure. Income tax returns filed by these affiliated entities are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2019 remain open.

### Use of Estimates

The preparation of the 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 certain 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Reclassifications

Certain amounts for the prior year have been reclassified to conform to the current year presentation.

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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### Leases

The Organization recognizes a lease asset and a lease liability at the lease commencement date. The lease asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using a risk-free rate.

Total lease costs on an undiscounted basis are recognized as rent expense over the term of the lease on a straight-line basis. Annual rent expense comprises amortization of the lease asset plus interest on the lease liability adjusted for any variations in lease payment amounts. Finance lease right-of-use assets are amortized on a straight-line basis over the shorter of the useful life of the asset or the lease term. Amortization of finance lease right-of-use assets is included in depreciation in the Organization's consolidated statements of changes in net assets.

The Organization includes its right of use asset for operating leases in other assets and its right-of-use assets for finance leases within rental property in its consolidated statements of financial position.

### New Accounting Pronouncements

The Organization adopted Accounting Standards Update 2016-02 (as amended), *Leases* ("Topic 842") on January 1, 2022 ("Adoption Date"). Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for all leases. Additionally, the Organization elected and applied the following practical expedients on the Adoption Date:

- The package of practical expedients permitting the Organization to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.

The Organization accounted for its existing operating leases with residential tenants of the property as operating leases. There were no material adjustments to lease agreements with the property's residential tenants necessary to adopt Topic 842.

Topic 842 requires leases to recognize a right-of-use asset and a corresponding lease liability for all leases. The Organization elected and applied the following practical expedients on the Adoption Date:

- Application of Topic 842 at the Adoption Date
- Use a risk-free discount rate

The Organization includes its right of use assets for operating leases within other assets and the corresponding lease liabilities within current liabilities and long-term liabilities in its balance sheet.

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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The adoption of Topic 842 did not have a material impact on the Organization's consolidated statements of financial position, activities, and changes in net assets.

### NOTE 3 - AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

Financial assets at year-end	2022	2021
Cash	\$ 34,935,258	\$ 32,250,000
Developer fee receivable - current	16,544,210	5,590,401
Accounts receivable	3,930,129	3,828,138
Development advances receivable	257,249	82,507
Grants receivable	88,374	50,000
Total financial assets available at year-end (available over the next 12 months to meet general expenditures)	<u>\$ 55,755,220</u>	<u>\$ 41,801,046</u>

The Organization receives revenue from rent, developer fees, other miscellaneous sources, as well as contributions without donor restrictions, all of which is available to meet general expenses during the next 12 months.

Additionally, in the normal course of business the Organization will make expenditures related to the acquisition and rehabilitation of properties. At any point in time, the Organization has a balance of these expenses shown as deferred development costs on the accompanying consolidated statements of financial position. These expenditures are reimbursed to the Organization from funding for the acquisition and rehabilitation of our properties. The total of these expenditures at December 31, 2022 and 2021, was \$11,104,359 and \$10,805,344, respectively, and is included in the consolidated statements of financial position as predevelopment costs. Such funds, when reimbursed to the Organization, are then available to be used to acquire new properties and cover the up-front costs of new rehabilitation efforts.

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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### NOTE 4 - STATEMENT OF CASH FLOWS

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts in the consolidated statements of cash flows:

	2022	2021
Cash and cash equivalents	\$ 34,935,258	\$ 32,250,000
Restricted cash	4,537,254	7,012,072
Cash - deposits and escrows	130,859,079	111,270,382
	<u>170,331,591</u>	<u>150,532,454</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 170,331,591</u>	<u>\$ 150,532,454</u>

Amounts included in restricted cash are comprised of donor restricted cash, tenant security deposits, and funded reserves as required by various agreements.

### NOTE 5 - HOUSING ASSISTANCE AGREEMENTS

The Federal Housing Administration (“FHA”) has contracted with certain affiliated entities under Section 8 of the Housing Act of 1937, to make housing assistance payments on behalf of qualified tenants. The various contracts have expiration dates ranging from 2023 through 2049.

The affiliated entities receive a substantial amount of revenue from these contracts, and therefore, if the contracts are not extended or replaced, operating results will be adversely affected. Management plans to renew the contracts prior to the expiration of their terms, for the maximum renewal term available.

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

### NOTE 6 - INVESTMENTS IN OPERATING ENTITIES

As of December 31, 2022 and 2021, NHPF and its affiliates have investments in operating entities that it accounts for under the cost or equity method. These investments are summarized in the table below:

Operating Entity	Date of Initial Investment	Accounting Method	12/31/2022	12/31/2021
Housing Partnership Equity Trust, LLC	Various	Cost	\$ 228,894	\$ 61,227
NHPF-Shore Hill Investor, LLC	2018	Cost	1,374,027	1,565,482
NHPF-Shore Hill Manager, LLC	2018	Cost	8,559	2,761
NHPF-Harbor Hill Manager, LLC	2019	Cost	-	52,148
NHPF-Sunset Gardens Manager, LLC	2019	Cost	-	50,283
NHPF-Victoria Gardens Apartments, LLC	2020	Cost	(1)	(1)
Total cost method investments			<u>\$ 1,611,479</u>	<u>1,731,900</u>
CHA LLC	2016	Equity	\$ (2,700)	\$ (1,355)
Eagles Landing	2015	Equity	2,957	2,957
NHPF/UA, LLC	2016	Equity	3,138	3,138
NHPF/UA II, LLC	2017	Equity	(4,253,837)	(4,253,798)
NHPF / WFH, LLC	2016	Equity	(756,710)	(635,540)
Total equity method investments			<u>(5,007,152)</u>	<u>(4,884,598)</u>
Total cost and equity method investments			<u>\$ (3,395,673)</u>	<u>\$ (3,152,698)</u>

The combined equity investments as of and for the years ended December 31, 2022 and 2021 are summarized below:

Investments in operating entities at January 1, 2021	\$ (4,688,028)
Deficit transferred in	(756)
Equity in losses of operating entities	<u>(195,814)</u>
Investments in operating entities at December 31, 2021	\$ (4,884,598)
Equity in losses of operating entities	<u>(122,554)</u>
Investments in operating entities at December 31, 2022	<u>\$ (5,007,152)</u>

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

The combined summary financial information of the equity investments as of December 31, 2022 and 2021 and for the years then ended, are as follows:

### ASSETS

	2022	2021
Cash and cash equivalents	\$ 588,560	\$ 598,192
Restricted cash	1,005,971	1,391,198
Investment in properties	(5,507,408)	(5,386,201)
Land, buildings, improvements and equipment, net	23,024,035	24,917,880
Mortgage escrow and utility deposits	107,943	97,118
Prepaid expenses and other assets	218,719	316,510
Replacement reserves	255,730	215,154
Tenants' security deposits	63,380	68,420
Due from affiliate	500,000	500,000
	<u>500,000</u>	<u>500,000</u>
Total assets	<u>\$ 20,256,930</u>	<u>\$ 22,718,271</u>

### LIABILITIES AND MEMBERS' EQUITY

Accounts payable and accrued expenses	\$ 289,925	\$ 545,966
Other liabilities	1,434,102	1,461,227
Tenants' security deposits	59,816	66,362
Mortgage notes payable	15,765,168	16,708,879
Notes and construction loans payable with accrued interest	900,000	900,000
	<u>900,000</u>	<u>900,000</u>
Total liabilities	<u>18,449,011</u>	<u>19,682,434</u>
Members' equity		
NHPF member equity	(5,007,152)	(4,884,598)
Other members' equity	6,815,071	7,920,435
	<u>6,815,071</u>	<u>7,920,435</u>
Total members' equity	<u>1,807,919</u>	<u>3,035,837</u>
Total liabilities and members' equity	<u>\$ 20,256,930</u>	<u>\$ 22,718,271</u>

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

### STATEMENT OF OPERATIONS

	<u>2022</u>	<u>2021</u>
Revenue		
Rent revenue	\$ 3,060,037	\$ 3,475,514
Asset management fees	-	32,959
Interest revenue	5,137	13,616
Other revenue	<u>41,020</u>	<u>273,779</u>
Total revenue	3,106,194	3,795,868
Operating expenses		
Legal expense	115,855	148,531
Other professional fees	463,498	549,740
Office expenses	703,839	624,785
Miscellaneous operating expenses	<u>2,797,660</u>	<u>3,119,328</u>
Total operating expenses	<u>4,080,852</u>	<u>4,442,384</u>
Net loss before equity in losses	(974,658)	(646,516)
Equity in losses	<u>-</u>	<u>-</u>
Net loss	<u>\$ (974,658)</u>	<u>\$ (646,516)</u>
NHPF share of net income (loss)	<u>\$ (122,554)</u>	<u>\$ (195,814)</u>
Other members' share of net (loss) income	<u>\$ (852,104)</u>	<u>\$ (450,702)</u>

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

### NOTE 7 - NOTES RECEIVABLE AND ACCRUED INTEREST

Notes receivable and accrued interest consist of the following:

Affiliated Entity	Description	2022 Note Balance	2021 Note Balance	2022 Accrued Interest	2021 Accrued Interest	Maturity Date	Interest Rate	Borrowers
NHPF	HTCC Loan	\$ 500,000	\$ 500,000	\$ 155,363	\$ 138,133	12/1/2054	2.700%	Bayview Preservation
NHPF	Seller Loan	9,505,096	9,654,674	114,999	157,999	12/1/2054	2.400%	Bayview Preservation
NHPF	HUD Loan	2,740,408	2,740,408	480,918	394,703	1/1/2049	2.750%	Benning Heights Investor
NHPF	Seller Loan	391,821	391,821	5,770	1,838	3/19/2037	1.000%	Forest Park
NHPF	Seller Loan	12,800,000	12,800,000	10,204,015	9,268,318	6/30/2046	4.240%	Foxwood Preservation
NHPF	Seller Loan	5,142,479	5,304,593	126,621	136,204	12/31/2055	3.280%	Hollybush Preservation
NHPF	Mortgage	184,250	184,250	130,409	108,708	11/30/2049	8.000%	Harvest Home
NHPF	Sponsor Loan	1,450,000	1,450,000	222,208	207,708	3/19/2037	1.000%	Forest Park
NHPF	Sponsor Loan	1,045,000	1,045,000	152,150	141,700	3/1/2044	1.000%	Walnut Square
NHPF	Sponsor Loan	600,000	600,000	87,374	81,374	3/1/2044	1.000%	Walnut Square
NHPF	Sponsor Loan	250,000	250,000	196,380	183,505	3/1/2027	5.150%	Walnut Square
NHPF	Sponsor Loan	107,887	157,906	696	1,060	12/31/2051	1.000%	Roundtree
NHPF	TA Fees	80,000	80,000	10,779	6,378	N/A	0.000%	Woodmont Crossing
NHPF	Promissory Note	2,450,000	2,450,000	707,211	511,211	4/1/2060	8.000%	Mark Twain
NHPF	Seller Loan	17,800,000	17,800,000	6,746,795	5,824,633	12/31/2052	3.530%	Orange Preservation
NHPF	Sponsor Loan	430,000	-	478	-	9/16/2063	8.000%	New Center City
NHPF	Sponsor Loan	198,622	-	2,716	-	N/A	6.500%	Strand Theater
NHPF	Promissory Note	1,855,871	1,855,871	332,983	229,851	12/18/2044	8.000%	St Luke's GP
NHPF	Promissory Note	323,988	363,071	-	-	12/18/2044	8.000%	St Luke's GP
NHPF	Predevelopment	420,000	420,000	-	-	Predevelopment	0.000%	CHCDC Affordable Elderly LLC
NHPF	Predevelopment (CMF)	2,108,015	-	63,641	-	Predevelopment	3.500%	CHV Owner
NHPF	Predevelopment (CMF)	1,750,000	-	-	-	Predevelopment	0.000%	New Alexander House
NHPF	Sponsor Loan	500,000	-	-	-	5/1/2063	0.000%	New Alexander House
NHPF	Historical Tax Credit	1,635,600	-	40,701	-	9/29/2061	5.000%	Blue Mountain Owner
NHPF	State Tax Credit	228,909	-	-	-	11/16/2062	0.000%	Takoma
NHPF	Bridge Loan	148,892	148,892	-	-	Conversion	0.000%	Takoma
NHPF	Seller Loan	5,185,000	-	1,722,123	-	12/31/2056	7.000%	Ships Cove Preservation
NHPF	Reserve Note	1,252,000	-	667,491	-	12/31/2056	7.000%	Ships Cove Preservation
Miliken	Seller Loan	assigned to NHPF	5,185,000	-	1,416,895	12/31/2056	7.000%	Ships Cove Preservation
Miliken	Reserve Note	assigned to NHPF	1,252,000	-	541,917	12/31/2056	7.000%	Ships Cove Preservation
Falls Church	Loan	35,420	34,800	6,670	5,039	Redevelopment	5.000%	Takoma
Falls Church	Bridge Loan	1,810,335	-	35,420	-	federal tax credit equity	5.000%	Blue Mountain Manager, LLC
Blue Mountain Manager, LLC	Bridge Loan	1,810,335	-	35,420	-	federal tax credit equity	5.000%	Blue Mountain Owner
Jamestown	Acquisition Loan	3,000,000	3,000,000	747,938	678,603	8/25/2024	2.990%	Cleme
Jamestown	Acquisition Loan	1,260,000	1,260,000	204,818	172,776	8/25/2024	2.990%	Cleme
Plaza B	Gap Loan	109,190	109,190	32,556	28,252	6/1/2046	3.140%	Plaza B II
Plaza B	Seller Loan	4,250,844	4,250,844	1,288,318	1,120,137	6/1/2046	3.140%	Plaza B II
Plaza B	Reserve Note	336,256	336,256	100,167	86,764	6/1/2046	3.140%	Plaza B II



# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

Affiliated Entity	Description	2022 Note Balance	2021 Note Balance	2022 Accrued Interest	2021 Accrued Interest	Maturity Date	Interest Rate	Borrowers
St Luke GP	Promissory Note	1,111,865	1,111,865	332,983	244,034	12/18/2044	8.000%	St Luke's Preservation
St. Luke's	Seller Loan	4,815,000	4,815,000	3,386,711	3,058,390	12/18/2044	4.170%	St Luke's Preservation
St Luke GP	Promissory Note	743,006	743,006	-	-	N/A	0.000%	St Luke's
St Luke GP	Promissory Note	363,071	363,071	-	-	N/A	0.000%	St Luke's
NHPF Texas LLC	CIP Loan	-	1,270,329	-	55,697	PAID OFF	7.000%	Magnificat
NHPF Texas LLC	CIP Loan	341,838	341,838	49,519	25,258	N/A	7.000%	Trinity
BM Land Owner Inc	Ground Lease	12,512,706	12,512,706	(12,706)	(12,706)	N/A	N/A	Blue Mountain Owner
Park Heights Lender	NHT Pre-dev Loan.	612,730	-	5,347	-	12/31/2023	6.125%	4650 Park Heights Limited Partnership
Park Heights Lender	NHT Pre-dev Loan.	1,773,072	-	80,244	-	12/31/2023	6.125%	4710 Park Heights Senior Limited Partner
Center City Apt Urban Renewal, LLC	Seller Loan	2,302,214	2,302,214	234,637	50,459	9/16/2063	8.000%	New Center City Apt Urban Renewal, LLC
Berry Manor	Surplus Cash note/Seller Loan	2,560,675	-	44,619	-	5/1/2064	6.000%	Berry Manor Apartments, LP
Irvine Turner AptUrban Renewal LLC	Seller Loan	3,485,000	-	102,774	-	5/1/2062	4.600%	New Irvine Turner Apartments Urban Renewal LLC
NHPF Temenos Conduit, LLC	Conduit Loan	1,148,536	-	-	-	6/29/2041	0.000%	Temenos Permanent Affordable LLC
Harvard Court NH, LLC	Acquis ion/Seller Loan	12,500,000	-	-	-	10/31/2062	3.430%	Harvard Court Apartments
	Sub-total	127,965,931	97,084,605	28,847,256	24,864,838			
	Less: Allowance	-	(2,740,408)	-	(394,703)			
	Eliminations	(127,465,931)	(93,844,197)	(28,691,892)	(24,332,000)			
	Total	\$ 500,000	\$ 500,000	\$ 155,364	\$ 138,135			

## THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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#### NOTE 8 - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT, NET

As of December 31, 2022 and 2021, land, buildings, improvements and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 102,431,328	\$ 81,579,153
Buildings, improvements and equipment	<u>955,405,813</u>	<u>863,009,598</u>
	1,057,837,141	944,588,751
Less: Accumulated depreciation	<u>(184,727,306)</u>	<u>(161,132,508)</u>
	<u>\$ 873,109,835</u>	<u>\$ 783,456,243</u>

Depreciation expense for 2022 and 2021 amounted to \$26,439,549 and \$22,473,600, respectively. Accumulated depreciation includes a one-time elimination adjustment related to intercompany gain on sales. Refer to Note 12 for the acquisition and disposition of properties during 2022 and 2021.

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

### NOTE 9 - NOTES PAYABLE AND ACCRUED INTEREST

Mortgage, notes and construction loans payable consist of the following:

Affiliated Entity	2022	2021	2022	2021	Maturity Date	Interest Rate	Lenders
	Mortgage/Loan/ Note Balance	Mortgage/Loan/ Note Balance	Accrued Interest	Accrued Interest			
1255 NPO Owner, LLC	\$ 48,840,000	\$ 48,840,000	\$ 166,124	\$ 166,124	1/1/2030	3.850%	Citibank NA
1300 NPO Owner, LLC	34,382,000	34,382,000	116,947	116,947	1/1/2030	3.850%	Citibank NA
17 Mississippi Owner, LLC	7,242,846	4,332,000	143,529	14,586	9/1/2044	3.910%	District of Columbia Housing Finance Agency
17 Mississippi Owner, LLC	4,478,037	1,256,668	15,387	15,287	8/6/2063	3.000%	DHCD Loan
4650 Park Heights Limited Partnership	612,730	-	5,347	-	N/A	7.000%	Park Heights Lender
4710 Park Heights Senior Limited Partner	1,773,072	-	80,244	-	N/A	7.000%	Park Heights Lender
250 Pepper Tree Manor LP	2,742,081	2,846,200	13,613	-	12/31/2024	5.000%	PNC Bank
250 Pepper Tree Manor LP	3,242,930	3,346,886	-	-	3/1/2044	0.000%	Texas Dept. of Housing and Community Affairs
A.C.T. Affordable Housing (LaSalle)	843,446	859,444	7,794	1,470	1/1/2028	4.870%	Bellwether Enterprise Mortgage Investment LLC
A.C.T. Affordable Housing (LaSalle)	860,142	867,644	18,872	25,196	11/31/2037	2.00%	City of Charlotte
Alabama Ave. (Roundtree) - Sponsor Loan	220,552	323,069	1,663	992	12/31/2051	1.000%	NHPF and VOV Community Development Corp.
Alabama Ave. Afford. Housing (Roundtree)	4,450,000	4,540,000	51,410	52,053	1/1/2044	2.320%	District of Columbia Housing Finance Agency
Alabama Ave. Afford. Housing (Roundtree)	5,000,000	5,000,000	309,153	329,059	11/1/2051	1.00%	District of Columbia Department of Housing and Community Development
Anacostia Gardens Owner, LLC	8,977,824	8,977,824	770,035	531,971	1/6/2060	3.00%	Construction Loan DHCD
Anacostia Gardens Owner, LLC	9,175,000	13,850,000	31,271	47,205	2/1/2062	4.09%	Construction Loan DHCFA
Bayview Preservation - HTCC Loan	500,000	500,000	114,999	138,133	12/1/2054	2.70%	Cornerstone/Bayview Inc.
Bayview Preservation - Seller Loan	9,505,097	9,649,817	155,363	157,999	12/1/2054	2.40%	Cornerstone/Bayview Inc.
Bayview Preservation Partners, LP	14,644,504	14,783,862	80,979	80,979	12/1/2054	6.25%	Connecticut Housing Finance Authority
Benning Heights Investor	12,641,059	12,818,899	47,722	48,390	10/1/2034	4.51%	Citibank
Benning Heights Investor	2,740,908	2,740,908	480,720	394,490	1/1/2049	2.75%	NHPF
Benning Heights Investor	5,012,387	5,012,387	871,092	731,308	1/1/2049	3.00%	District of Columbia Department of Housing and Community Development
Berry Manor Owner, LP	-	4,515,000	-	22,006	10/16/2022	5.66%	Low Income Investment Fund
Berry Manor Apartments, LP	2,560,675	-	44,619	-	5/1/2064	6.00%	Berry Manor Owner/Seller loan
Berry Manor Apartments, LP	8,636,166	-	99,458	-	9/1/2025	4.00%	Illinois Housing Development Authority
Berry Manor Apartments, LP	461,467	-	-	-	6/1/2065	0.00%	IHDA trust fund loan
Berry Manor Apartments, LP	5,192,164	-	25,038	-	1/1/2064	4.000%	Merchants Capital
Blue Mountain Owner, LLC	57,850,000	49,745,453	178,996	217,130	9/1/2062	3.890%	Construction Loan_Mass Housing Mortgage
Blue Mountain Owner, LLC	3,645,549	2,248,049	14,273	9,123	9/29/2038	5.00%	Construction Loan_Blue Hub Loan
Blue Mountain Owner, LLC	25,841,465	9,791,529	101,234	-	9/29/2025	2.500%	PNC Bridge Loan
Blue Mountain Owner, LLC	1,635,600	846,000	40,925	-	9/29/2061	5.000%	NHPF Historical Tax Credit
Blue Mountain Owner, LLC	1,810,335	-	35,420	-	4/21/2025	5.000%	BM Manager
Blue Mountain Owner, LLC	12,512,706	12,512,706	-	-	9/1/2062	2.100%	BM Land Owner Inc
BM Land Owner Inc	12,500,000	12,500,000	-	-	9/1/2062	2.100%	Ground Lease
Blue Mountain Manager	1,810,335	-	35,420	-	4/21/2025	5.000%	FCHC
Bolton - Sponsor Loan	500,000	500,000	63,508	50,208	3/21/2035	2.660%	NHPF/UA II, LLC
Bolton North, LP	23,030,000	23,490,000	60,396	62,222	9/15/2034	variable	Maryland Community Development Administration
C/HP Cove, Inc. (Clipper)	39,174,085	39,961,238	113,344	115,621	6/1/2033	3.36%	Berkadia Commercial-Refinance
Cleme - City Loan	3,000,000	3,000,000	771,303	678,603	9/29/2058	2.990%	Jamestown Affordable Housing, Inc.
Cleme - Owner Loan	1,260,000	1,260,000	215,615	172,771	9/29/2058	2.990%	Jamestown Affordable Housing, Inc.
Cleme Manor Holdings, LLC	17,337,930	17,598,782	46,957	47,663	At Conversion	3.250%	PNC Bank

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

Affiliated Entity	2022	2021	2022 Accrued Interest	2021 Accrued Interest	Maturity Date	Interest Rate	Lenders
	Mortgage/Loan/Note Balance	Mortgage/Loan/Note Balance					
Columbia Heights Village Apartments LP	-	56,267,067	-	170,552	11/1/2022	3.52%	Enterprise Mortgage Investments, LLC
Columbia Heights Village Apartments LP	-	27,516,057	-	110,653	11/1/2022	4.67%	Bellwether Enterprise Mortgage Investments, LLC
Columbia Heights Village Apartments LP	94,500,000	-	557,041	-	11/1/2024	6.850%	NewPoint Real Estate Capital, LLC,
Covent Apartments	10,288,534	-	111,023	-	9/1/2025	4.000%	Multifamily Housing Revenue Bonds
Covent Apartments	748,170	-	6,149	-	1/1/2064	3.000%	IHDA trust fund loan note
Covent Apartments	442,741	-	2,402	-	4/10/2025	2.500%	Equity bridge loan note
Covent Apartments	4,343,686	-	22,255	-	1/1/2064	5.950%	Merchants Capital Corporation
CHCDC Affordable Elderly LLC	427,213	-	-	-	Closing	7.000%	NHPF Texas LLC
CHCDC Affordable Elderly LLC	420,000	420,000	-	-	At Recapitalization	0.00%	NHPF - Citadel HAP/Predevelopment Loan
CHCDC Affordable Elderly LLC	11,745,000	11,745,000	44,613	32,364	7/1/2024	3.20%	TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHCDC Affordable Elderly LLC	3,255,000	3,255,000	936	12,249	7/1/2059	4.370%	TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHV Owner, LLC	2,108,015	-	63,641	-	2/22/2058	3.500%	NHPF
Falls Church-Winter Hill	6,966,068	7,101,265	26,874	27,396	9/1/2028	4.480%	Jones Lang LaSalle Multifamily LLC
Forest Park - NHPF Loan	1,450,978	1,450,000	222,208	207,708	3/19/2037	1.000%	NHPF
Forest Park - Seller Loan	390,843	390,843	5,770	1,838	3/19/2037	1.00%	Forest Park Affordable Housing, Inc.
Forest Park	4,267,602	4,398,880	25,964	25,964	10/1/2027	6.80%	Pacific Life Insurance Company
Foxwood Preservation -SWAP	209,059	1,159,630	-	-	N/A		SWAP/ Derivative
Foxwood Preservation - Seller Loan	12,800,000	12,800,000	10,204,015	9,268,319	6/30/2046	4.24%	Foxwood Affordable Housing, Inc.
Foxwood Preservation Partners, LP	10,212,345	10,414,007	-	-	5/1/2046	variable	Bank of America, N.A./Pennsylvania Housing Finance Agency
Harvest Home	184,250	184,250	130,409	108,708	11/30/2049	8.000%	NHPF
Harvest Homes Apartments LP	560,819	570,218	2,849	2,849	12/21/2036	5.790%	JPMorgan Chase Bank,
Harvest Homes Apartments LP	1,039,544	1,039,544	434,782	338,331	11/30/2049	7.000%	The Peoples Community Development Association of Chicago
Heritage Noland Associates LP (Cardinal Ridge)	8,569,202	8,569,202	26,041	25,740,749 (1)	12/20/2039	2.360%	Housing Authority of Kansas City
Heritage Noland Associates LP (Cardinal Ridge)	1,805,989	-	8,802	-	2/1/2025	5.660%	LIIF
Heritage Noland Associates LP (Cardinal Ridge)	296,535	296,535	-	-	12/21/2035	0.000%	Housing and Economic Development Financial Corp
Hollander Ridge Investor, LLC	9,445,650	9,445,650	504,293	315,380	5/1/2062	2.000%	Seller Loan
Hollander Ridge Investor, LLC	2,379,000	2,379,000	127,012	79,432	5/1/2062	2.000%	BAHD Loan
Hollander Ridge Investor, LLC	6,803,321	19,875,000	32,975	48,764	4/1/2040	4.170%	CDA from Citibank
Hollander Ridge Investor, LLC	2,500,000	2,250,000	-	-	5/1/2062	2.000%	CDA/ RHW Loan
Hollander Ridge Investor, LLC	1,499,999	1,282,491	22,417	-	5/1/2062	0.00%	CDA/RHP Loan/Construction
Hollander Ridge Investor, LLC	-	165,921	-	593	4/7/2022	2.250%	PNC Bridge Loan/Construction
Hollander Ridge Investor, LLC	7,204,197	-	36,978	-	4/7/2023 (2)	2.250%	PNC Bridge Loan/Construction
Hollybush Preservation - Seller Loan	5,142,479	5,304,593	126,621	136,204	12/31/2055	3.28%	NHPF
Hollybush Preservation Partners, LP	13,405,000	13,585,000	118,977	119,992	10/1/2031	2.25%/3.55%	New Jersey Housing and Mortgage Finance Agency
Irvine Turner Apts Urban Renewal, LLC	-	8,561,358	-	27,325	5/1/2054	3.83%	ORIX Real Estate capital LLC
Jamestown	4,260,000	4,260,000	-	-	9/29/2058	0.00%	Dept. of Housing and Community Development
Mark Twain NHPF LLC -	999,903	1,000,000	5,166	5,166	3/1/2060	6.00%	Chicago Community Loan Fund
Mark Twain NHPF LLC - ComEd	148,892	148,892	-	-	4/1/2060	0.000%	ComEd
Mark Twain NHPF LLC - Sponsor Loan	1,550,000	1,550,000	552,951	428,951	4/1/2060	8.00%	NHPF
Mark Twain NHPF LLC	900,000	900,000	154,230	82,230	4/1/2060	8.00%	NHPF
Mark Twain NHPF, LLC	26,500,821	26,831,845	79,502	80,577	4/1/2060	4.40%	The Huntington National Bank
Mark Twain NHPF, LLC	4,990,000	4,990,000	1,267,260	868,060	3/1/2060	8.00%	City of Chicago
Magnificat Permanent Affordable LLC	-	1,270,319	-	55,697	Closing	7.00%	NHPF Texas LLC

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

Affiliated Entity	2022	2021	2022	2021	Maturity Date	Interest Rate	Lenders
	Mortgage/Loan/ Note Balance	Mortgage/Loan/ Note Balance	Accrued Interest	Accrued Interest			
Magnificat Permanent Affordable LLC	2,103,118	-	11,825	-	Conversion	6.5%-7.5%	KeyBank Bridge Loan
Magnificat Permanent Affordable LLC	6,032,858	-	-	-	N/A	0.000%	City of Houston Loan
Magnificat Permanent Affordable LLC	2,363,369	-	8,353	-	10/31/2062	1.500%	MHI Landholding LLC Loan/Seller Loan
Nannie Helen Owner LLC (The Strand )	15,599,754	15,599,754	1,593,208	1,125,216	7/25/2061	3.000%	Office of the Deputy Mayor for Planning and Economic Development
Nannie Helen Owner LLC (The Strand )	21,700,000	19,500,000	226,042	117,813	2/1/2039	1.45%	Construction Bond_DCHFA_U.S. Bank, N.A, Trustee
Nannie Helen Owner LLC (The Strand )	10,403,382	6,508,472	57,019	13,166	8/1/2023	8.00%	Construction loan payable - Citibank
Nannie Helen Owner LLC (The Strand )	569,823	-	-	-	12/21/2052	0.00%	DC Tax Credit
New Alexander House Owner, LLC	2,000,000	1,500,000	-	-	8/31/2024	0.00%	CMF Funds/NHPF
New Alexander House Owner, LLC	250,000	250,000	-	-	5/1/2063	0.00%	Weinberg Foundation Sponsor Loan /NHPF
New Alexander House Owner, LLC	15,000,000	15,000,000	127,864	35,000	9/1/2023	0.80%	CDA Bond Loan
New Alexander House Owner, LLC	2,294,195	2,000,000	-	-	9/1/2063	0.00%	RHW Funds
New Alexander House Owner, LLC	7,302,274	5,123,481	32,109	39,517	5/1/2063	2.600%	AGM
New Alexander House Owner, LLC	-	500,000	40,000	16,388	9/1/2022	6.250%	Enterprise Community Loan Fund, Inc
New Alexander House Owner, LLC	7,703,777	698,800	-	-	1/1/2023	(3) 8.000%	Equity Advance Note proceeds
New Alexander House Owner, LLC	1,780,050	-	-	-	2041	0.00%	HOME Loan/ DC Depart of Housing and Community Development
New Alexander House Owner, LLC	1,340,595	-	-	-	2041	2.00%	HTF Loan/ DC Depart of Housing and Community Development
New Center City Apt Urban Renewal, LLC	2,302,214	2,302,214	234,637	50,459	9/16/2063	8.00%	Seller Loan Center City Apt Urban Renewal, LLC
New Center City Apt Urban Renewal, LLC	4,262,932	4,331,733	13,606	13,825	5/1/2054	3.830%	FHA Mortgage
New Center City Apt Urban Renewal, LLC	3,984,957	794,702	11,497	2,908	2/15/2023	(3) 4.250%	Cedar Bridge Loan ( Construction Loan)
New Center City Apt Urban Renewal, LLC	4,013,939	1,263,071	9,423	3,673	5/1/2063	3.49%	HUD 241(a) Loan
New Center City Apt Urban Renewal, LLC	430,000	-	4,241	-	9/16/2063	8.000%	NHPF Sponsor Loan
New Center City Apt Urban Renewal, LLC	990,000	-	-	-	9/1/2063	0.000%	Special Needs Loan Housing Loan Trust
New Irvine Turner	3,485,000	-	102,774	-	5/12/2062	4.60%	Irvine Turner Apts Urban Renewal./seller Loan
New Irvine Turner	8,425,378	-	26,891	-	5/1/2054	3.83%	ORIX Real Estate capital LLC
New Irvine Turner	2,978,917	-	11,904	-	5/12/2024	4.25%	Cedar Rapids Bank / Construction Note
New Irvine Turner	2,566,301	-	7,998	-	1/1/2064	3.740%	ORIX Real Estate capital LLC
New Irvine Turner	500,000	-	-	-	1/1/2064	0.000%	New Jersey Housing and Mortgage Finance Agency
New Covent, LLC	-	5,000,000	-	23,823	2019	5.250%	Community Investment Corporation
New Covent, LLC	-	2,220,000	-	11,313	2019	6.000%	Chicago Community Loan Fund
NHPF	371,193	727,310	8,205	8,204	11/1/2023	4.500%	Prudential Insurance Company of America
NHPF	1,250,000	1,500,000	7,740	11,668	11/1/2023	3.000%	Prudential Insurance Company of America
NHPF	-	250,000	-	-	11/1/2023	5.000%	Predevelopment Loan /Hotel Covent LISC
NHPF	900,000	900,000	-	-	10/30/2035	0.000%	Federal Home Loan Bank /Mark Twain
NHPF	3,000,000	1,500,000	-	-	11/30/2030	0.000%	Housing Partnership Fund / Ridgecrest Predevelopment
NHPF	500,000	-	-	-	12/31/2037	0.000%	Enterprise Community Loan Fund Inc./ALE
Orange Preservation - Seller Loan	17,800,000	17,800,000	6,746,795	6,059,524	12/31/2052	3.53%	NHPF
Orange Preservations Partners, LP	15,995,000	16,310,000	241,132	244,872	1/1/2028	2.94%	New Jersey Housing and Mortgage Finance Agency
Overlook Owner, LP	-	10,234,812	-	49,883	Conversion	5.66%	LIIF Housing Preservation Fund, LLC
New Overlook	297,792	-	-	-	4/1/2024	3.00%	CDA/RHW loan note

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

Affiliated Entity	2022	2021	2022 Accrued Interest	2021 Accrued Interest	Maturity Date	Interest Rate	Lenders
	Mortgage/Loan/Note Balance	Mortgage/Loan/Note Balance					
New Overlook	129,804	-	-	-	8/1/2063	3.000%	CDA/MEEHA EmPOWER Energy Program loan note
New Overlook	9,600,000	-	72,000	-	4/1/2024	3.00%	Bond Loan Note/CDA
New Overlook	1,424,248	-	-	-	4/13/2027	7.04%	PNC / equity bridge loan
New Overlook	10,300,000	-	21,730	-	7/1/2063	2.450%	AGM Financial Serv
New Overlook	1,946,141	-	9,090	-	4/1/2024	3.000%	HOME Loan Note/CDA
Plaza B II - HDC 2nd	1,920,000	1,920,000	1,600	1,600	5/31/2047	1.000%	New York City Housing Development Corporation
Plaza B II-Gap Note	109,190	109,190	32,556	28,252	6/30/2046	3.140%	Plaza Borinquen 88 Owner L.P.
Plaza B II-Reserve Note	336,256	336,256	100,117	86,714	6/30/2046	3.140%	Plaza Borinquen 88 Owner L.P.
Plaza B II-Seller Note	4,250,669	4,250,669	1,288,362	1,120,181	6/30/2046	3.140%	Plaza Borinquen 88 Owner L.P.
Plaza Borinquen 88 Owner II LP	7,721,800	7,991,753	38,287	38,964	6/30/2046	5.950%	New York City Housing Development Corporation
Preservation Housing IV, L.L.C. (Walnut)	1,000,000	1,000,000	114,676	104,537	1/1/2051	1.000%	TCAP - Louisiana Housing and Finance Agency
Preservation Housing IV, L.L.C. (Walnut)	2,123,797	2,182,513	13,975	13,975	4/1/2028	7.330%	Pacific Life Insurance Company
Preservation Housing IV, L.L.C. (Walnut)	20,194,254	20,031,156	133,380	126,013	7/30/2044	1.000%	Louisiana Housing Finance Authority
Preservation Housing IV, L.L.C. (Walnut)	1,045,001	1,045,001	152,150	141,700	3/1/2044	1.000%	NHPF
Preservation Housing IV, L.L.C. (Walnut)	600,000	600,000	87,374	81,374	3/1/2044	1.000%	NHPF
Preservation Housing IV, L.L.C. (Walnut)	250,000	250,000	196,380	183,505	3/1/2044	5.150%	NHPF
Princess Anne Owner, LP	12,916,828	12,800,000	24,650	49,668	7/1/2062	2.290%	AGM Financial Services, Inc
Princess Anne Owner, LP	-	11,000,000	-	5,271	12/1/2022	0.575%	Construction Bond/Collateral Fund
Princess Anne Owner, LP	637,987	437,834	11,377	-	7/1/2062	3.000%	DHCD EmPOWER Energy Program
Princess Anne Owner, LP	212,000	212,000	3,781	-	7/1/2062	3.000%	Rental Housing Works Loan
Princess Anne Owner, LP	755,000	406,307	13,464	-	7/1/2062	3.000%	HTF Loan/ CDA
Princess Anne Owner, LP	2,500,000	2,500,000	44,583	-	7/1/2062	3.000%	Home Loan Program /CDA
Ridgecrest	10,227,574	21,075,000	40,601	112,724	2/28/2024	4.610%	JP Morgan Chase Bank
Ridgecrest	3,639,506	7,500,000	14,104	29,063	3/1/2023	4.500%	(3) DHCD/Capital Impact Partners
Ridgecrest Court	1,427,028	2,525,000	18,384	300,744	2/28/2024	4.610%	Parklands, Inc.
Ridgecrest Phase 1 Owner	3,807,949	-	18,622	-	3/15/2025	7.280%	District of Columbia Housing Financing Agency /DHCD
Ridgecrest Phase 1 Owner	14,520,138	-	109,795	-	9/20/2064	3.000%	DHCD Construction Loan
Ship's Cove Preservation Partners	9,983,386	10,161,258	35,951	35,951	10/1/2034	4.090%	Massachusetts Development Finance Agency
Ship's Cove Preservation Partners	5,185,000	-	1,722,123	-	12/31/2056	7.000%	NHPF/Seller Note
Ship's Cove Preservation Partners	1,252,000	-	667,492	-	12/31/2056	7.000%	NHPF/Seller Note
St. Luke's GP-Promissory Note	362,072	362,072	-	-	N/A	0.000%	NHPF
St. Luke's Preservation	1,111,865	1,111,865	332,983	244,034	N/A	0.000%	St. Luke's GP/NHPF
St. Luke's Preservation	323,988	363,072	-	-	N/A	0.000%	St. Luke's GP/NHPF
St. Luke's Preservation - Seller Loan	4,815,000	4,815,000	3,386,711	3,058,391	12/18/2044	4.170%	Comerstone/St. Luke's, Inc.
St. Luke's Preservation Partners, LP	4,000,000	4,000,000	1,808	8,929	6/1/2042	variable	Industrial Development Authority of the City of St. Louis, Missouri
Takoma	10,700,059	10,781,791	46,991	47,350	11/1/2060	5.270%	R4 Capital Funding
Takoma	34,800	34,800	7,290	5,039	6/30/2023	5.000%	Falls Church
Takoma	2,100,000	-	13,834	-	5/1/2024	5.270%	R4 Capital Funding, LLC
Takoma	228,909	-	-	-	11/16/2062	0.000%	NHPF/ Tax Credit
Takoma Place SM LLC	13,637,505	13,637,505	1,990,927	1,581,802	9/28/2057	3.000%	DC Department of Housing and Community Development
The Pines Owner	3,700,000	3,700,000	-	20,813	10/1/2023	6.750%	LIIF Housing Preservation Fund, LLC

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

Affiliated Entity	2022	2021	2022 Accrued Interest	2021 Accrued Interest	Maturity Date	Interest Rate	Lenders
	Mortgage/Loan/Note Balance	Mortgage/Loan/Note Balance					
The Pines Owner, LLC	13,228,950	13,561,487	62,621	62,621	7/1/2023	3.350%	Jones Lang LaSalle Multifamily, LLC
Wade Road Investor, LLC (Parkchester)	6,110,915	6,110,915	137,998	64,134	9/1/2056	1.000%	DC Department of Housing and Community Development
Wade Road Investor, LLC (Parkchester)	8,934,270	9,083,764	-	9,730	11/15/2033	Variable	Citibank NA
Woodmont Crossing Investor, LLC	24,282,883	24,523,161	88,195	633,023	2/1/2058	4.400%	District of Columbia Housing Finance Agency
NHPF Texas LLC	374,488	1,644,816	1,703	7,513	1/1/2023	5.250%	Capital Impact Partners Loan
Temenos Permanent Affordable LLC	735,400	735,400	24,346	7,432	9/26/1905	2.277%	Seller Note TEMENOS COMMUNITY DEVELOPMENT CORPORATION
Temenos Permanent Affordable LLC	8,456,902	2,548,117	18,729	5,483	7/23/2023	Daily SOFR Rate	KeyBank National Association.
Temenos Permanent Affordable LLC	4,226,338	1,160,394	-	-	7/23/1963	0.000%	Temenos Community Development Corp/City of Houston
Temenos Permanent Affordable LLC	15,500,000	15,500,000	48,768	19,978	8/1/2024	0.290%	Houston Housing Finance Corporation /Construction Bond
Temenos Permanent Affordable LLC	1,148,536	-	-	-	8/3/1905	0.000%	NHPF Temenos Conduit, LLC/ Harris County funds
Trinity East Family, LLC	341,838	341,838	49,519	25,258	Closing	7.000%	NHPF Texas LLC
NUBA Apartments, LLC	456,865	77,556	2,361	116	12/23/2024	4.000%	BLUEHUB LOAN FUND, INC
Park Heights Lender	2,694,482	888,938	34,349	1,361	12/22/2023	6.125%	Housing Partnership Fund Loan
Elm Gardens Owner LLC	6,771,445	-	-	-	11/1/2025	5.680%	Harris County
Elm Gardens Owner LLC	2,000,000	-	-	-	11/1/2025	4.750%	NHT Community Development Fund
Strand Theater Owner, LLC	198,622	-	2,043	-	12/31/2024	6.500%	NHPF
Harvard Court Owner, LLC	12,500,000	-	-	-	10/31/2062	3.430%	Harvard Court NH, LLC
Notes and construction loans payable	1,110,892,453	959,404,709	41,013,969	58,614,082			
Eliminations	(125,212,975)	(90,059,735)	(29,059,291)	(22,935,230)			
Notes and construction loan payable, net	985,679,478	869,344,974	\$ 11,954,678	\$ 35,678,852			
Unamortized debt issuance	(23,640,268)	(21,230,494)					
Accrued interest	11,954,678	35,678,852					
	<u>\$ 973,993,888</u>	<u>\$ 883,793,332</u>					

(1) Pursuant to the amended loan agreement, \$25,740,749 of accrued interest was forgiven during the year ended December 31, 2022.

(2) Loan was subsequently repaid in full during 2023.

(3) Loan maturity date was subsequently extended during 2023.

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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For the years ended December 31, 2022 and 2021, total interest costs of \$37,208,093 and \$34,058,864, respectively, were incurred, of which \$2,042,126 and \$2,618,969, respectively, were capitalized and \$35,165,967 and \$31,439,895, respectively, were expensed. For the years ended December 31, 2022 and 2021, amortization of debt issuance costs were \$3,346,878 and \$2,887,008, respectively, of which \$1,211,622 and \$531,142, respectively, were capitalized and \$2,135,256 and \$2,355,866, respectively, were expensed and were included in total interest costs expensed. For the years ended December 31, 2022 and 2021, the unrealized gain (loss) on the interest rate liability of \$1,069,057 and (\$826,583), respectively, were included in total interest costs expensed.

Debt issuance costs, net of accumulated amortization, as of December 31, 2022 and 2021, totaled \$23,640,268 and \$21,230,494, respectively, and are related to the mortgages, notes and construction loans payable. Amortization of the debt issuance costs is based on imputed rates ranging from .29% to 8.4%.

As of December 31, 2022 and 2021, all other mortgage notes payable are solely collateralized by the respective rental properties owned by the affiliated entities responsible for each mortgage. NHPF has provided no underlying guarantees on other mortgage notes, other than standard guarantees for fraud and other “bad boy” acts. Principal and interest are payable monthly on all mortgage notes except those financed with tax-exempt bonds. On tax-exempt bond financing, the bond payments are made in accordance with the various bond agreements. All loan agreements require various periodic escrow deposits for taxes, insurance and replacement of property assets.

Total principal payments on mortgage notes are due as follows:

Year ending December 31,	Total
2023	\$ 83,538,762
2024	149,290,896
2025	66,785,066
2026	8,039,956
2027	11,732,456
Thereafter	<u>666,292,342</u>
Total	<u>\$ 985,679,478</u>



# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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### Interest Rate Swap Contracts

To manage risk and the economic impact related to interest rate movements on loans funded with variable rate tax-exempt bonds, two affiliated entities, Foxwood Preservation and St. Luke's Preservation, have entered into swap contracts. Under Foxwood Preservation's contract, Foxwood Preservation pays a fixed interest rate of 3.81% per annum and receives a floating rate based on the USD-SIFMA Municipal Swap Index (3.66% and .10% at December 31, 2022 and 2021, respectively). This swap matures on December 1, 2025. Under the St. Luke's Preservation contract, St. Luke's Preservation pays a fixed interest rate of 3.68% per annum and receives a floating interest rate based on the USD-SIFMA Municipal Swap Index (3.66% and .10% at December 31, 2022 and 2021, respectively). This swap contract matures on December 1, 2026.

The fair value of the interest rate swap liability represents an estimate of the amount that the affiliated entities would have to pay the other party to the swap contracts to cancel the swaps as of December 31, 2022 and 2021 and is based on current interest rates for similar contracts. The recorded amount of the liability or asset representing the fair value of the swap contracts will vary from year-to-year with fluctuations in the interest rates and the swaps move closer to their maturity dates. The change in the fair value of the interest rate swaps is recorded in interest expense on the consolidated statement of activities and statement of functional expenses for the years ended December 31, 2022 and 2021. At December 31, 2022 and 2021, the interest rate swap contracts represent a liability of \$286,932 and \$1,613,186, which is included in other long-term liabilities on the consolidated statements of financial position.

### **NOTE 10 - LEASES**

NHPF leased office space under a standard commercial operating lease extending through October 31, 2018 for its main office in New York, NY. The lease agreement was subsequently amended to reflect new office space and the lease was extended through November 1, 2028. NHPF leases office space under a standard commercial operating leases extending through December 31, 2032 for its Washington, DC office. Rent expense for the years ended December 31, 2022 and 2021 totaled \$1,108,948 and \$1,109,208, respectively, which is net of all sublease payments and rent concessions and is included in operating and maintenance expenses in the accompanying statements of functional expenses.

## THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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#### Lease liability

The lease liability at December 31, 2022 of \$6,845,418 is the present value of remaining scheduled lease payments discounted using the Organization's discount rate of 2.22% and 2.20%. It does not include any deferred lease payable amounts. Future remaining scheduled lease payments during the lease term are shown in the table below. The annual payment amounts are presented on an undiscounted basis along with a reconciliation to the lease liability on December 31, 2022, which is recorded on a present value basis, as described above:

2023	\$	1,007,171
2024		1,031,047
2025		1,060,304
2026		1,085,854
2027		572,629
Thereafter		<u>2,724,400</u>
	\$	7,481,405
Less effects of discounting		<u>(635,986)</u>
Lease liability	\$	<u><u>6,845,419</u></u>

#### NOTE 11 - FAIR VALUE

Accounting standards require disclosure of fair value information about financial instruments when it is practicable to estimate that value. Mortgage and other notes payable that were issued in conjunction with a regulatory agreement with various mortgage lenders, whereby the project receives U.S. Department of Housing and Urban Development ("HUD") financial assistance in return for providing housing for low- and moderate-income tenants, or are with various state and local housing authorities, were not subject to market conditions at the time of original issuance. Current financing rates are not determinable since the projects are dependent on HUD financial assistance for operation. These circumstances make it impracticable to estimate the fair value of the mortgage and other notes. The carrying amount approximates fair value for other assets and liabilities reported on the consolidated statement of financial position that require disclosure under these standards.

## THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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The accounting standard for fair value measurement and disclosures defines fair value, establishes a framework for measuring fair value, and provides for expanded disclosure about fair value measurements. The accounting standard was applied to the Organization's financial assets and liabilities, and to certain non-financial assets and liabilities. Fair value is defined by the accounting standard for fair value measurement and disclosures as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. The following summarizes the three levels of inputs and hierarchy of fair value the Organization uses when measuring fair value:

- a. Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access;
- b. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as interest rates and yield curves that are observable at commonly quoted intervals; and
- c. Level 3 inputs are unobservable inputs for the asset or liability that are typically based on an entity's own assumptions as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety.

#### **Interest rate swaps**

On a recurring basis, the Organization measures its interest rate swap contracts at their estimated fair value. In determining the fair value of the interest rate swap derivatives, management uses the present value of expected cash flows based on market observable interest rate yield curve commensurate with the term of the instrument. The Organization incorporates credit valuation adjustments to appropriately reflect both the Organization's nonperformance risk and that of the respective counterparty in the fair value measurement. The credit valuation adjustments utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by either the respective counterparty or the Organization. However, management determined that as of December 31, 2022 and 2021, the impact of the credit valuation adjustments were not significant to the overall valuation of the swaps. As a result, the fair value of the swaps is considered to be based primarily on Level 2 inputs.

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

The gain on the interest rate swap contracts of \$1,069,057 for 2022 and the loss on the interest rate swap contracts of \$826,583 for 2021, are classified within Level 2 of the fair value hierarchy, and are included as an increase in interest expense on the consolidated statement of functional expenses. No other assets or liabilities are measured at fair value as of December 31, 2022 and 2021. The following tables present the fair value of liabilities measured on a recurring basis as of December 31, 2022 and 2021:

	Level 1	Level 2	Level 3	December 31, 2022 Net balance
Interest rate swap contracts	\$ -	\$ 286,932	\$ -	\$ 286,932

  

	Level 1	Level 2	Level 3	December 31, 2021 Net balance
Interest rate swap contracts	\$ -	\$ 1,613,186	\$ -	\$ 1,613,186

### U.S. Treasury Securities

Several of NHPF's affiliates invest a portion of their reserves in U.S. Treasury Securities. These securities are valued using pricing models maximizing the use of observable inputs for similar securities, and are included in cash - deposits and escrows on the accompanying statement of financial position.

The following table presents the investments measured at fair value on a recurring basis as of December 31, 2022:

	Level 1	Level 2	Level 3	December 31, 2022 Net balance
U.S. Treasury Securities	\$ -	\$ 19,683,844	\$ -	\$ 19,683,844

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

### NOTE 12 - ACQUISITION AND DISPOSITION OF PROPERTIES

The following table reflects properties acquired during the two-year period covered by these consolidated financial statements:

Date	Property	Location	Units	Purchase price	Funding
5/27/2021	New Sunset Bay, LLC ****	(1) Miami-Dade, Florida	308	\$ 74,908,117	Equity \$25,378,000; Construction Loan \$25,355,000; First Loan 223F \$23,585,117; 241a Loan \$13,800,000; Seller Loan \$12,145,000
7/9/2021	CHCDC Affordable Elderly, LLC	Texas	74	\$ 25,326,000	Senior Bond Debt (Citibank) \$3,255,000; Subordinate Soft Debt-City of Houston (CDBG-DR) \$10,250,000; LIHTC Equity Hudson Capital \$11,821,000
7/23/2021	Temenos Permanent Affordable, LLC	Texas	94	\$ 34,545,458	LIHTC \$10,310,058; Hudson County \$11M; City of Houston \$12.5M
8/6/2021	17 Mississippi Owner, LLC	(2) Washington DC	41	\$ 27,860,060	\$10,300,000 Tax Exempt Loan City Bank (\$4,332,000 DHCD Bond Series 2021A and \$5,968,000 DHCD Bond Series 2021B); \$8,699,866 2nd Mortgage from DHCD; \$8,860,194 LIHTC Equity
9/16/2021	New Alexander House, LLC	Hagerstown, MD	95	\$ 5,800,000	LIHTC \$12,871,000; 221d Loan from AGM Financial \$7,451,300; ECLF AHP Loan \$500K; Sponsor Loan NHPF
9/23/2021	New Center City Apartments Urban Renewal LLC	Newark, NJ	49	\$ 7,230,000	Total Loans \$12,301,140; Construction Loan Cedar Rapids Bank \$4,800,000; Assumed FHA 223(f) \$4,348,526; HUD 241(a) \$4,050,400; NJHMFA (the "Bond Loan") \$10,315,000; NJHMFA (the "HTF Loan") \$1,000,000; Seller Loan \$2,302,214; Sponsor Loan \$600,000; Equity \$7,523,648
11/11/2021	Maxwell House LLC	Augusta, GA	216	\$ 310,334	To purchase 50% interest in the entity partnering with TPI
4/12/2022	New Overlook Owner, LP	Fredrick, MD	63	\$ 10,360,000	\$10,500,000 First Mortgage with AGM Financial Services, Inc.
5/12/2022	New Irvine Turner Apartments Urban Renewal, LLC	Newark, NJ	94	\$ 10,292,147	\$8,871,000 Mortgage with Orix Real Estate Capital, \$3,485,000 Seller Loan
9/16/2022	Berry Manor Apartments, LLC	Chicago, IL	57	\$ 7,810,507	\$5,802,000 First Mortgage with Merchants Capital and \$2,560,675 Seller Note
9/22/2022	Ridgecrest Phase 1 Owner, LLC	Washington DC	140	\$ 16,425,427	\$16,133,487 Construction loan from DHCD to finance acquisition and renovation of the project
9/23/2022	Covent Apartments, LLC	Chicago, IL	30	\$ 3,630,000	\$4,908,000 First Mortgage with Merchant Capital was used for acquisition of the project
10/11/2022	Magnificat Permanent Affordable, LLC	Houston, TX	149	\$ 46,279,203	\$13,554,324 LIHTC Equity Texas Department of Housing and Community, \$18,413,934 of CDBG-DR by city of Houston, \$10,248,170 of CDBG-DR by Harris County, \$1,653,369 Sponsor Contribution, 2,410,000 Seller notes.

The following table reflects properties sold during the two-year period covered by these financial statements:

Date	Property	Location	Sales Price
9/23/2021	Center City Apartments Urban Renewal, LLC	New Jersey	\$ 7,230,000
9/16/2021	Alexander House Owner, LLC	Maryland	\$ 5,800,000
5/12/2022	Irvine Turner Apartments Urban Renewal, LLC	New Jersey	\$ 10,292,147
9/16/2022	Berry Manor Owner, LP	Illinois	\$ 7,810,507
9/22/2022	Ridgecrest Court Investor, LLC	Washington DC	\$ 16,425,427
9/23/2022	New Covent, LLC	Illinois	\$ 3,630,000

## THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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The following table represents net deficits transferred in during the years ended December 31, 2022 and 2021 from acquisition of general partner interests in the following properties:

	<u>2022</u>	<u>2021</u>
Heritage Noland Associates, L.P.	\$ -	\$ (28,394,636)
NDFD LLC	-	(756)
	<u>\$ -</u>	<u>\$ (28,395,392)</u>

There were no excess of revenue over expenses from discontinued operations for the years ended December 31, 2022 and 2021.

On August 1, 2012, NDFD, a wholly-owned subsidiary of NHPF, entered into a limited liability company agreement with UA-NHPF Fund Member LLC to form NHPF/UA. On August 8, 2012, NHPF/UA entered into an agreement with PNC Bank National Association (“PNC”) to form NHP Foundation - Urban Atlantic Fund I LLC (the “Fund”). The purpose of the Fund is to develop a pipeline of low-income tax credit transactions. The Fund will acquire, hold, sell, dispose of and otherwise deal with interests in multi-family projects that qualify both as affordable housing and public welfare investments.

Properties included in the Fund as of December 31, 2022 and 2021 are as follows:

- New Countryside LLC (Countryside)\*
- New Exchange Place LLC (Exchange Place)\*
- New Flanders LLC (Flanders)\*
- Lancaster Owner, LLC (Lancaster)\*

\*The properties were sold out of the Fund during 2021 and 2020.

#### NOTE 13 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS

During the years ended December 31, 2022 and 2021, net assets released from temporary donor restrictions and the events and transactions which caused the restrictions to expire are \$123,953 and \$79,025, respectively, for expenses incurred for donor specified purposes.

As of December 31, 2022 and 2021, the balance of donor restricted net assets was \$448,147 and \$221,635, respectively, which is comprised of gifts and other unexpended revenue restricted to specific programs.

## THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

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#### NOTE 14 - PROPERTY MANAGEMENT

The NHP Foundation uses third party property management companies to manage the day-to-day operations of its properties.

#### NOTE 15 - COMMITMENTS AND CONTINGENCIES

##### Guarantees

During the normal course of owning, rehabilitating and operating multifamily affordable housing properties, NHPF makes certain guarantees and enters into agreements containing certain obligations. The typical guarantees are:

##### Operating Deficit Guarantee

With the exception of Forest, NHPF is obligated to fund operating deficits beginning at a specified time, frequently rental stabilization not to exceed a specified time and amount. In the case of Forest, NHPF has guaranteed the property will operate at a sustainable level for the entire 15-year tax credit compliance period.

##### Tax Credit Recapture

These are summarized below: Under certain circumstances, the GP may be required to repurchase the equity investor's interest if the property does not generate the promised amount of housing tax credits on schedule.

##### Construction Completion

NHPF is responsible for any cost overruns relating to development cost, bills, expenses, charges, cost and fees relating to the construction of or rehabilitation completion of the property.

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021

The following table summarizes the guarantees by property:

<u>Property</u>	<u>Type</u>	<u>Operating Deficit Guarantee</u>	<u>Tax Credit Recapture Guarantee</u>	<u>Construction Completion Guarantee</u>
17 Mississippi	LIHTC	Yes - Not yet active	Yes - Not yet active	Yes
250 LP Pepper Tree Manor LP	LIHTC	No	Yes	N/A
Anacostia Gardens	LIHTC	Yes - Not yet active	Yes	Yes
Bayview Preservation	LIHTC	No	Yes	N/A
Benning	LIHTC	Yes	Yes	N/A
Berry Manor Apartments	LIHTC	Yes - Not yet active	Yes - Not yet active	Yes
Blue Mountain	LIHTC	Yes - Not yet active	Yes	Yes
Bolton North	LIHTC	Yes	Yes	N/A
Exchange Place	LIHTC	Yes - Not yet active	Yes	Yes
Change Happens	LIHTC	Yes - Not yet active	Yes - Not yet active	Yes
Cleme	LIHTC	Yes	Yes	N/A
Covent Apartments	LIHTC	Yes - Not yet active	Yes - Not yet active	Yes
Forest Park	LIHTC	N/A	Yes	N/A
Foxwood Preservation	LIHTC	No	Yes	N/A
Harvest Homes	LIHTC	Yes	Yes	N/A
Hollander Ridge	LIHTC	Yes	Yes	N/A
Hollybush Preservation	LIHTC	No	Yes	N/A
Magnificat Permanent Affordable	LIHTC	Yes - Not yet active	Yes - Not yet active	Yes
Mark Twain NHPF	LIHTC	Yes	Yes	N/A
Nannie Hellen (Strand Residence)	LIHTC	Yes - Not yet active	Yes	Yes
New Center City	LIHTC	Yes - Not yet active	Yes - Not yet active	Yes
New Irvine Turner	LIHTC	Yes - Not yet active	Yes - Not yet active	Yes
New Alexander House	LIHTC	Yes - Not yet active	Yes - Not yet active	Yes
New Overlook Owner	LIHTC	Yes - Not yet active	Yes - Not yet active	Yes
Orange Preservation	LIHTC	No	Yes	N/A
Parkchester	LIHTC	Yes	Yes	N/A
Plaza B II	LIHTC	No	Yes	N/A
Princess Anne	LIHTC	Yes - Not yet active	Yes	Yes
Ridgecrest P1	LIHTC	Yes - Not yet active	Yes - Not yet active	Yes
Roundtree	LIHTC	No	Yes	N/A
Ship's Cove	LIHTC	Yes	Yes	N/A
St Luke's Preservation	LIHTC	No	Yes	N/A
Takoma	LIHTC	Yes - Not yet active	Yes	Yes
Temenos	LIHTC	Yes - Not yet active	Yes - Not yet active	Yes
Walnut Square	LIHTC	No	Yes	N/A
Woodmont	LIHTC	Yes	Yes	N/A

### Litigation

In the ordinary course of business, NHPF and its affiliated entities are involved in a number of lawsuits, claims and assessments. In the opinion of management, no loss contingencies are required to be recorded in the accompanying consolidated financial statements.



## **THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021**

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#### **NOTE 16 - JOINT AND SEVERAL LIABILITY**

On March 12, 2015, NHPF through a joint venture with Urban Atlantic, an unrelated party, closed a revolving line of credit for \$10,000,000 with the Low-Income Investment Fund (“LIIF”). This facility will be used to purchase multi-family properties where the tenants earn between 80% and 120% of the Area Median Income. The line of credit will be secured by the underlying properties. NHPF and Urban Atlantic have jointly and severally guaranteed the line of credit.

During 2016, the joint venture was modified with Urban Atlantic withdrawing from the joint venture leaving NHPF as the sole guarantor. Also during 2016, \$3,700,000 was drawn against this line and used in the purchase of Pines. The Origination Period ended during 2018.

As of December 31, 2021, all properties in the Urban Atlantic Fund I LLC were sold.

#### **NOTE 17 - CONCENTRATION OF CREDIT RISK**

The Organization and its affiliated entities maintain its cash balances at various financial institutions. The institutions are members of the Federal Deposit Insurance Corporation (“FDIC”). Money market fund balances, classified as cash and cash equivalents or restricted cash on the consolidated statements of financial position, are protected by the Securities Investor Protection Corporation (“SIPC”). During 2022 and 2021, the balance in these accounts may have, from time-to-time, exceeded the FDIC and SIPC insurance limits; however, the Organization and its affiliated entities have not experienced any losses with respect to these balances in excess of the government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash and cash equivalent balances at December 31, 2022 and 2021.

#### **NOTE 18 - PPP FORGIVABLE LOAN AND SBA GRANT**

On April 16, 2020, NHPF received \$939,000 PPP forgivable loan and \$10,000 one-time grant from SBA to sustain the operations during pandemic. Application for forgiveness with all required documentation was submitted to PNC on January 8, 2021. On April 30, 2021, management received communication from SBA stating that the entire loan amount was forgiven. For the year ended December 31, 2021, NHPF recognized \$948,883 of revenue from debt forgiveness and is included in other revenue on the consolidated statement of activities.

During the year ended December 31, 2020, the management companies of certain affiliated entities obtained PPP loans and indirectly loaned the proceeds to the affiliated entities. The affiliated entities used all proceeds from the loans for qualifying expenses. During the year ended December 31, 2021, the loans were forgiven. For the year ended December 31, 2021, the Organization recognized \$327,911 of revenue from debt forgiveness and is included in other revenue on the consolidated statement of activities.

## **THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2022 and 2021**

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#### **NOTE 19 - CAPITAL MAGNET GRANT**

On February 22, 2021, the NHP Foundation was awarded a \$5.5M Capital grant through the Treasury Department's Capital Magnet Fund program. This program allows qualified housing organizations to apply for, and use grants funds to provide predevelopment, acquisition, and construction bridge financing to low-income housing projects throughout the country. NHPF was one of 48 organizations that received over \$175M in grant funds (the average grant size was \$3.6M) from over 137 applicants. On April 30, 2021, NHPF received \$5.5M of Capital Magnet Fund Award. The funds were deposited into a separate bank account and is presented as a component of Restricted Cash on the statement of financial position. During the years ended December 31, 2022 and 2021, NHPF recognized \$2,204,015 and \$1,920,000, respectively, of government grant revenue related to the loans disbursed, with the remaining \$1,375,985 and \$3,580,000, respectively, recorded as deferred revenue as of December 31, 2022 and December 31, 2021 as barriers have yet to be overcome and is included in other long-term liabilities in the accompanying statements of financial position.

#### **NOTE 20 - SUBSEQUENT EVENTS**

Events that occur after the consolidated statement of financial position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of the subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through June 27, 2023 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events, other than that of which is noted in Note 9, have occurred that could require recognition in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees  
The NHP Foundation

We have audited the consolidated financial statements of the NHP Foundation as of and for the year ended December 31, 2022, and have issued our report thereon dated June 27, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary 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.

*CohnReznick LLP*

Bethesda, Maryland  
June 27, 2023

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2022

	NHPF	Operation Pathways	Interstate	FCHC Falls Church	Workforce Affordable Housing Fund	NHPF Texas	Park Heights Lender	All Real Estate Entities	Other Entities	Subtotal	Consolidated Eliminations	Total
<b>Assets:</b>												
<b>Cash and cash equivalents</b>												
Cash - restricted	\$ 4,499,041	\$ -	\$ -	\$ 38,213	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,537,254	\$ -	\$ 4,537,254
Cash - deposits and escrows	849,285	-	-	296,090	1,004,612	-	-	128,709,092	-	130,859,079	-	130,859,079
Cash - unrestricted	11,176,312	84,496	45,581	1,857,591	2,619,535	-	217,468	18,919,679	14,596	34,935,258	-	34,935,258
<b>Total cash and cash equivalents</b>	<b>16,524,638</b>	<b>84,496</b>	<b>45,581</b>	<b>2,191,894</b>	<b>3,624,147</b>	<b>-</b>	<b>217,468</b>	<b>147,628,771</b>	<b>14,596</b>	<b>170,331,591</b>	<b>-</b>	<b>170,331,591</b>
<b>Current assets</b>												
Accounts receivable	18,779	1,569	-	(3,050)	108,451	-	-	3,892,754	-	4,018,503	-	4,018,503
Other current assets	625,691	94,500	-	25,605	268,496	-	-	2,956,484	40,533	4,011,309	-	4,011,309
Developers fees receivable, current	16,544,210	-	-	-	-	-	-	-	-	16,544,210	-	16,544,210
Other receivable:												
Predevelopment costs	3,274,127	-	-	-	-	-	-	8,565,928	-	11,840,055	(735,696)	11,104,359
Working capital advances receivable	4,094,222	-	744,710	-	-	-	-	-	1,119,593	5,958,525	(5,958,525)	-
Development advances receivable	6,085,224	-	-	-	-	-	-	-	-	6,085,224	(5,827,975)	257,249
<b>Total current assets</b>	<b>47,166,891</b>	<b>180,565</b>	<b>790,291</b>	<b>2,214,449</b>	<b>4,001,094</b>	<b>-</b>	<b>217,468</b>	<b>163,043,937</b>	<b>1,174,722</b>	<b>218,789,417</b>	<b>(12,522,196)</b>	<b>206,267,221</b>
<b>Non-current assets</b>												
Fixed assets, net	29,868	-	-	3,519,172	101,603,622	-	-	803,792,494	1,674,842	910,619,998	(37,510,163)	873,109,835
Construction in progress	625,699	-	-	-	-	-	-	101,182,370	-	101,808,069	-	101,808,069
Intangible assets, net	45,000	-	-	-	-	-	-	2,692,614	-	2,737,614	-	2,737,614
Notes receivable and accrued interest	85,854,573	-	-	1,887,845	-	391,357	2,471,393	18,624,624	26,939,128	136,168,920	(135,513,556)	655,364
Developers fees receivable, net of current	27,029,974	-	-	-	-	-	-	-	-	27,029,974	(17,103,221)	9,926,753
Asset, partnership and incentive management fees receivable	125,254	-	17,306	-	-	-	-	41,810	1,825,835	2,010,205	(1,838,358)	171,847
Due from affiliates	401,097	408,394	-	88,151	-	-	-	1,568,870	423,006	2,889,518	(2,889,518)	-
Right-of-use asset - operating lease	6,197,266	-	-	-	-	-	-	9,943,288	-	16,140,554	(9,943,288)	6,197,266
Investments in housing funds	20,888,922	-	-	130,549	52,899,312	-	-	-	5,368,797	79,287,580	(77,676,101)	1,611,479
<b>Total non-current assets</b>	<b>141,197,653</b>	<b>408,394</b>	<b>17,306</b>	<b>5,625,717</b>	<b>154,502,934</b>	<b>391,357</b>	<b>2,471,393</b>	<b>937,846,070</b>	<b>36,231,608</b>	<b>1,278,692,432</b>	<b>(282,474,205)</b>	<b>996,218,227</b>
<b>Total assets</b>	<b>\$ 188,364,544</b>	<b>\$ 588,959</b>	<b>\$ 807,597</b>	<b>\$ 7,840,166</b>	<b>\$ 158,504,028</b>	<b>\$ 391,357</b>	<b>\$ 2,688,861</b>	<b>\$ 1,100,890,007</b>	<b>\$ 37,406,330</b>	<b>\$ 1,497,481,849</b>	<b>\$ (294,996,401)</b>	<b>\$ 1,202,485,448</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2022

	NHPF	Operation Pathways	Interstate	FCHC Falls Church	Workforce Affordable Housing Fund	NHPF Texas	Park Heights Lender	All Real Estate Entities	Other Entities	Subtotal	Consolidated Eliminations	Total
<b>Liabilities:</b>												
<b>Current liabilities</b>												
Accounts payable and accrued expenses	\$ 2,048,704	\$ 205,618	\$ -	\$ 153,815	\$ 439,552	\$ -	\$ -	\$ 36,967,971	\$ 400	\$ 39,816,060	\$ -	\$ 39,816,060
Other current liabilities	1,082,837	2,961	-	613	-	-	-	771,057	140,817	1,998,285	-	1,998,285
Notes payable and accrued interest, current	-	-	-	-	-	-	-	-	-	-	95,493,440	95,493,440
Developers fees payable, current	-	-	-	-	-	-	-	-	-	-	16,544,210	16,544,210
Predevelopment, working capital advances and accrued interest	341,617	-	-	50,516	-	-	-	9,812,561	2,272,946	12,477,640	(12,477,640)	-
<b>Total current liabilities</b>	<b>3,473,158</b>	<b>208,579</b>	<b>-</b>	<b>204,944</b>	<b>439,552</b>	<b>-</b>	<b>-</b>	<b>47,551,589</b>	<b>2,414,163</b>	<b>54,291,985</b>	<b>99,560,010</b>	<b>153,851,995</b>
<b>Long-term liabilities</b>												
Notes payable and accrued interest, net of current maturities	6,037,138	-	-	6,910,609	81,660,166	343,540	2,728,831	987,704,700	6,467,827	1,091,852,811	(213,352,363)	878,500,448
Developers fees payable, net of current portion	-	-	-	-	-	-	-	46,004,492	-	46,004,492	(33,647,429)	12,357,063
Asset, partnership and incentive management fees payable	-	-	-	-	143,976	-	-	2,591,526	60,000	2,795,502	(1,849,537)	945,965
Investments in housing funds	-	-	-	-	-	-	-	-	-	-	5,007,152	5,007,152
Due to affiliates	-	-	2,237	88,700	-	15,263	-	2,040,235	746,222	2,892,657	(2,892,657)	-
Lease liability - operating lease	5,838,248	-	-	-	-	-	-	9,943,288	-	15,781,536	(9,943,288)	5,838,248
Other long-term liabilities	5,319,636	-	-	7,277	70,806	-	-	13,870,875	1,148,536	20,417,130	(12,512,706)	7,904,424
<b>Total long-term liabilities</b>	<b>17,195,022</b>	<b>-</b>	<b>2,237</b>	<b>7,006,586</b>	<b>81,874,948</b>	<b>358,803</b>	<b>2,728,831</b>	<b>1,062,155,116</b>	<b>8,422,585</b>	<b>1,179,744,128</b>	<b>(269,190,828)</b>	<b>910,553,300</b>
<b>Total liabilities</b>	<b>20,668,180</b>	<b>208,579</b>	<b>2,237</b>	<b>7,211,530</b>	<b>82,314,500</b>	<b>358,803</b>	<b>2,728,831</b>	<b>1,109,706,705</b>	<b>10,836,748</b>	<b>1,234,036,113</b>	<b>(169,630,818)</b>	<b>1,064,405,295</b>
<b>Net assets:</b>												
Without donor restrictions - controlling	167,696,364	(107,767)	805,360	628,636	76,481,180	32,554	(39,970)	5,882,845	26,526,468	277,905,670	(221,297,440)	56,608,230
Without donor restrictions - noncontrolling	-	-	-	-	(291,652)	-	-	(14,699,543)	43,114	(14,948,081)	95,931,857	80,983,776
<b>Total net assets without donor restrictions</b>	<b>167,696,364</b>	<b>(107,767)</b>	<b>805,360</b>	<b>628,636</b>	<b>76,189,528</b>	<b>32,554</b>	<b>(39,970)</b>	<b>(8,816,698)</b>	<b>26,569,582</b>	<b>262,957,589</b>	<b>(125,365,583)</b>	<b>137,592,006</b>
<b>Net assets with donor restrictions</b>	<b>-</b>	<b>488,147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>488,147</b>	<b>-</b>	<b>488,147</b>
<b>Total net assets</b>	<b>167,696,364</b>	<b>380,380</b>	<b>805,360</b>	<b>628,636</b>	<b>76,189,528</b>	<b>32,554</b>	<b>(39,970)</b>	<b>(8,816,698)</b>	<b>26,569,582</b>	<b>263,445,736</b>	<b>(125,365,583)</b>	<b>138,080,153</b>
<b>Total liabilities and net assets</b>	<b>\$ 188,364,544</b>	<b>\$ 588,959</b>	<b>\$ 807,597</b>	<b>\$ 7,840,166</b>	<b>\$ 158,504,028</b>	<b>\$ 391,357</b>	<b>\$ 2,688,861</b>	<b>\$ 1,100,890,007</b>	<b>\$ 37,406,330</b>	<b>\$ 1,497,481,849</b>	<b>\$ (294,996,401)</b>	<b>\$ 1,202,485,448</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES  
SUPPLEMENTARY INFORMATION - CONTINUED  
CONSOLIDATING STATEMENT OF ACTIVITIES - SUMMARY

Year ended December 31, 2022

	NHPF	Operation Pathways	Interstate	FCHC Falls Church	Workforce Affordable Housing Fund	NHPF Texas	Park Heights Lender	All Real Estate Entities	Other Entities	Subtotal	Consolidated Eliminations	Total
Rent revenue, net	\$ -	\$ -	\$ -	\$ 1,481,719	\$ 9,051,870	\$ -	\$ -	\$ 87,373,019	\$ 680,660	\$ 98,587,268	\$ (66,667)	\$ 98,520,601
Developer fee revenue	15,427,428	-	-	-	-	-	-	-	-	15,427,428	(1,138,285)	14,289,143
Contributions and grants	22,267,960	873,652	-	322,000	-	-	-	5,031,737	10,563	28,505,912	(15,579,373)	12,926,539
Asset, partnership and incentive management fees	173,886	-	73,873	-	-	-	-	-	508,665	756,424	(633,526)	122,898
Financial revenue	3,411,148	-	-	37,671	-	84,284	85,591	774,451	784,573	5,177,718	(5,177,718)	-
Interest income	86,321	-	-	30,720	-	-	-	441,858	230	559,129	-	559,129
Other revenue	129,151	1,117,981	-	6,892	1,010,161	-	-	33,593,424	359,372	36,216,981	(4,119,393)	32,097,588
<b>Total revenue</b>	<b>41,495,894</b>	<b>1,991,633</b>	<b>73,873</b>	<b>1,879,002</b>	<b>10,062,031</b>	<b>84,284</b>	<b>85,591</b>	<b>127,214,489</b>	<b>2,344,063</b>	<b>185,230,860</b>	<b>(26,714,962)</b>	<b>158,515,898</b>
Payroll and related	10,670,671	684,300	-	601,375	914,760	-	-	12,849,966	123,287	25,844,359	-	25,844,359
Maintenance and repairs	-	-	-	319,852	970,174	-	-	15,883,085	95,271	17,268,382	-	17,268,382
Utilities	-	-	-	141,065	484,592	-	-	8,946,463	75,536	9,647,656	-	9,647,656
Professional fees	1,626,824	52,366	-	24,532	55,219	-	-	1,727,593	23,030	3,509,564	-	3,509,564
Management and administration	1,373,429	324,683	-	21,724	430,289	-	-	3,795,927	(26,263)	5,919,789	-	5,919,789
Rental expenses	1,070,632	-	-	-	-	-	-	606,342	-	1,676,974	(554,167)	1,122,807
Advertising and marketing	217,617	2,921	-	12,882	127,822	-	-	316,490	95	677,827	-	677,827
Travel	662,875	124,979	-	-	220	-	-	27,615	-	815,689	-	815,689
Taxes and insurance	149,241	23,781	441	68,378	582,243	13,189	-	10,763,729	574,861	12,175,863	-	12,175,863
Asset, partnership and incentive management fees	939,936	-	-	117,341	384,579	-	-	4,493,905	52,340	5,988,101	(1,587,002)	4,401,099
Grants and contributions expense	6,017,966	-	50,000	56,000	-	-	-	73,200	8,993,759	15,190,925	(15,075,838)	115,087
Financing fees	250,000	-	-	-	84,378	-	-	1,108,559	-	1,442,937	-	1,442,937
Depreciation and amortization	36,131	-	-	130,095	2,636,346	-	-	24,218,004	90,725	27,111,301	(581,899)	26,529,402
Other operating expenses	14,668	690,073	-	-	-	-	-	296,142	-	1,000,883	-	1,000,883
Interest	167,985	-	-	335,696	3,513,453	60,247	94,052	34,445,997	347,075	38,964,505	(4,662,230)	34,302,275
Non-operating expenses	1,516,589	-	-	235	179,784	-	-	2,711,583	6,498	4,414,689	(366,735)	4,047,954
Other losses (income) in housing funds	(17,019,050)	-	-	(130,734)	454,437	-	-	(813,698)	(24,508,297)	(42,017,342)	41,075,909	(941,433)
<b>Total expense</b>	<b>7,695,514</b>	<b>1,903,103</b>	<b>50,441</b>	<b>1,698,441</b>	<b>10,818,296</b>	<b>73,436</b>	<b>94,052</b>	<b>121,450,902</b>	<b>(14,152,083)</b>	<b>129,632,102</b>	<b>18,248,038</b>	<b>147,880,140</b>
Excess of revenue over expenses (expenses over revenue)	33,800,380	88,530	23,432	180,561	(756,265)	10,848	(8,461)	5,763,587	16,496,146	55,598,758	(44,963,000)	10,635,758
Less: Excess of revenue over expenses (expenses over revenue) attributable to noncontrolling interests	-	-	-	-	(291,652)	-	-	(14,699,543)	43,114	(14,948,081)	-	(14,948,081)
<b>Excess of revenue over expenses (expenses over revenue) attributable to the Organization</b>	<b>\$ 33,800,380</b>	<b>\$ 88,530</b>	<b>\$ 23,432</b>	<b>\$ 180,561</b>	<b>\$ (464,613)</b>	<b>\$ 10,848</b>	<b>\$ (8,461)</b>	<b>\$ 20,463,130</b>	<b>\$ 16,453,032</b>	<b>\$ 70,546,839</b>	<b>\$ (44,963,000)</b>	<b>\$ 25,583,839</b>



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