

Housing First Community Coalition

Consolidated Financial Statements

December 31, 2023 and 2022



Housing First Community Coalition

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Independent Auditor's Report

To the Board of Directors of
Housing First Community Coalition

Opinion

We have audited the accompanying consolidated financial statements of Housing First Community Coalition (a nonprofit organization) and affiliates (the Organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Housing First Community Coalition and affiliates as of December 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the 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 within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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.

Independent Auditor's Report (Continued)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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.

Report on Summarized Comparative Information

We have previously audited Housing First Community Coalition's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for 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.



Schrivier, Carmona & Company, PLLC

San Antonio, Texas

September 25, 2024

Consolidated Financial Statements

Housing First Community Coalition

Consolidated Statements of Financial Position December 31, 2023 and 2022

Assets	2023	2022
Current Assets:		
Cash and Cash Equivalents	\$ 2,624,009	\$ 9,840,471
Cash and Cash Equivalents - Reserved for Debt Service	771,107	883,167
Accounts Receivable	1,496,551	354,018
Current Portion of Capital Campaign Pledges Receivable	562,414	122,000
Prepaid Insurance	20,889	27,061
Total Current Assets	5,474,970	11,226,717
Notes Receivable - New Market Tax Credit	13,186,100	13,186,100
Long-term Portion of Capital Campaign Pledges Receivable, Net of Discount	150,000	315,338
Intangible Assets	137,732	75,375
Property and Equipment, Net of Accumulated Depreciation	23,123,687	11,562,983
Total Assets	\$ 42,072,489	\$ 36,366,513
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 1,840,895	\$ 1,211,370
Accrued Expenses	20,379	38,021
Payroll Liabilities	21,841	19,013
Construction Retainage	498,757	415,302
Bridge Loan, Net - New Market Tax Credit - Current Portion	786,744	-
Total Current Liabilities	3,168,616	1,683,706
Deferred Revenue	750,000	-
Bridge Loan, Net - New Market Tax Credit - Long-Term Portion	-	6,120,832
New Market Tax Credit Financing, Net	17,438,415	17,291,316
Total Liabilities	21,357,031	25,095,854
Net Assets:		
Without Donor Restrictions	18,945,901	9,653,321
With Donor Restrictions	1,769,557	1,617,338
Total Net Assets	20,715,458	11,270,659
Total Liabilities and Net Assets	\$ 42,072,489	\$ 36,366,513

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

Housing First Community Coalition

Consolidated Statement of Activities

Year Ended December 31, 2023 (with Comparative Totals for the Year Ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Totals	2022 Totals
Support and Revenues				
Contributions	\$ 550,598	\$ 2,774,500	\$ 3,325,098	\$ 3,300,498
Government Grants	8,201,817	-	8,201,817	2,984,261
Contributed Services	208,899	-	208,899	202,392
Interest Income	145,086	-	145,086	10,774
Other Income	-	-	-	279
Rental Income	125,342	-	125,342	-
Net Assets Released from Restrictions	2,622,281	(2,622,281)	-	-
Total Support and Revenues	<u>11,854,023</u>	<u>152,219</u>	<u>12,006,242</u>	<u>6,498,204</u>
Expenses				
Program Services	1,272,263	-	1,272,263	256,716
Support Services:				
Management and General	1,105,736	-	1,105,736	272,329
Fundraising	183,444	-	183,444	89,059
Total Expenses	<u>2,561,443</u>	<u>-</u>	<u>2,561,443</u>	<u>618,104</u>
Change in Net Assets	9,292,580	152,219	9,444,799	5,880,100
Net Assets at Beginning of Year	<u>9,653,321</u>	<u>1,617,338</u>	<u>11,270,659</u>	<u>5,390,559</u>
Net Assets at End of Year	<u>\$ 18,945,901</u>	<u>\$ 1,769,557</u>	<u>\$ 20,715,458</u>	<u>\$ 11,270,659</u>

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

Housing First Community Coalition

Consolidated Statement of Functional Expenses

Year Ended December 31, 2023 (with Comparative Totals for the Year Ended December 31, 2022)

	<u>Support Services</u>			<u>2023 Totals</u>	<u>2022 Totals</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries and Wages	\$ 385,953	\$ 110,272	\$ 55,136	\$ 551,361	\$ 272,799
Payroll Taxes	30,988	8,854	4,427	44,269	20,942
Employee Benefits	17,188	4,911	2,455	24,554	1,944
Total Salaries and Related Expenses	434,129	124,037	62,018	620,184	295,685
Advertising and Marketing	-	137,271	-	137,271	146
Bank and Other Charges	-	5,252	-	5,252	1,515
Contract Services	322,417	72,312	82,789	477,518	112,178
Contributed Professional Services	-	75,728	-	75,728	-
Dues and Subscriptions	-	5,323	-	5,323	115
Information Technology	49,500	21,214	-	70,714	-
Insurance	44,384	11,692	-	56,076	8,022
Interest	171,071	48,877	24,439	244,387	91,395
Maintenance and Repairs	-	10,527	-	10,527	210
Other Expenses	-	24,562	-	24,562	21,840
Printing and Postage	-	1,816	-	1,816	2,645
Property Expenses	92,324	-	-	92,324	800
Rent	-	13,150	-	13,150	13,800
Supplies	-	183,811	-	183,811	5,689
Utilities	59,050	17,979	-	77,029	3,458
Training and Staff Development	-	3,336	-	3,336	7,116
Travel	-	-	-	-	142
Total Expenses before Depreciation and Amortization	1,172,875	756,887	169,246	2,099,008	564,756
Depreciation and Amortization	99,388	348,849	14,198	462,435	53,348
Total Expenses	\$ 1,272,263	\$ 1,105,736	\$ 183,444	\$ 2,561,443	\$ 618,104

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

Housing First Community Coalition

Consolidated Statements of Cash Flows Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 9,444,799	\$ 5,880,100
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	299,234	28,831
Amortization of Debt Issuance Costs	163,201	24,517
Change in Discount on Pledges Receivable	(25,076)	(13,695)
Contributions and Grants Restricted for Long-term Purposes	(450,000)	-
Disposal of Property and Equipment	12,378	-
(Increase) Decrease in:		
Accounts Receivable	(1,142,533)	450,533
Prepaid Expenses	6,172	(21,519)
Increase (Decrease) in:		
Accounts Payable	629,525	916,221
Accrued Expenses	(17,642)	38,021
Payroll Liabilities	2,828	14,225
Construction Retainage	83,455	321,849
Deferred Revenue	750,000	-
Net Cash Provided by Operating Activities	<u>9,756,341</u>	<u>7,639,083</u>
Cash Flows From Investing Activities:		
Maturity of/Proceeds from Certificate of Deposit	-	75,539
Purchase of Property and Equipment	(855,617)	(412,232)
Purchase of Intangible Assets	(62,357)	(75,375)
Capital Expenditures Related to Design and Construction	(11,016,699)	(7,493,523)
Investment in Notes Receivable - New Market Tax Credit	-	(13,186,100)
Net Cash Used by Investing Activities	<u>(11,934,673)</u>	<u>(21,091,691)</u>
Cash Flows From Financing Activities:		
Proceeds from Bridge Loan	-	6,139,310
Payments on Bridge Loan	(5,350,190)	-
Proceeds from New Market Tax Credit Financing	-	18,308,750
Proceeds from Capital Campaign Pledges	200,000	187,786
Payment of Debt Issuance Costs	-	(1,060,429)
Net Cash Provided (Used) by Financing Activities	<u>(5,150,190)</u>	<u>23,575,417</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(7,328,522)</u>	<u>10,122,809</u>
Cash and Cash Equivalents, Beginning of Year	<u>10,723,638</u>	<u>600,829</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,395,116</u>	<u>\$ 10,723,638</u>
		-
Supplemental Disclosures:		
Interest Paid	<u>\$ 366,481</u>	<u>\$ 101,764</u>

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

Housing First Community Coalition

Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

Note A: Nature of Organization

Housing First Community Coalition is a non-profit corporation whose mission is to initiate and sustain a permanent supportive housing community using Housing First principles for the most marginalized and vulnerable individuals in the San Antonio region. The Organization targets chronically homeless individuals as they outnumber chronically homeless families by 36 to 1. In November 2019, the Organization purchased 17.3 acres of land on San Antonio's east side, which will be the future home of the Towne Twin Village. It will be a place where each person is valued, knowing they too are deserving of dignity and inclusion. The Organization believes that through serving each other, we may begin to more deeply connect with our humanity.

Development of Towne Twin Village began in 2021 and is anticipated to finish by the end of 2024. Developing in phases allows residents to move in gradually, rather than wait for full completion.

HFCC Support Corporation was incorporated on August 19, 2022, as a non-profit organization exclusively for the benefit of Housing First Community Coalition. HFCC Support Corporation is a Qualified Active Low Income Community Business (QALICB) which owns majority of the construction and buildings on the Towne Twin Village campus.

Note B: Basis of Consolidation

The consolidated financial statements include the accounts of Housing First Community Coalition and HFCC Support Corporation. All significant intercompany account balances and transactions have been eliminated in the accompanying consolidated financial statements.

Note C: Summary of Accounting Principles

Basis of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). Net assets, support and revenue, and expenses are classified according to two classes of net assets:

- *Without Donor Restrictions* – net assets available for use in general operations and not subject to donor restrictions. Grant and contributions gifted for recurring programs of the Organization generally are not considered “restricted” under GAAP, though for internal reporting the Organization tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board of Directors are reported as Net Assets Without Donor Restrictions, Board Designated.
- *With Donor Restrictions* – net assets subject to donor-imposed stipulations that are more restrictive than the Organization's mission and purpose. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Housing First Community Coalition

Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

Note C: Summary of Accounting Principles (Continued)

Methods Used for Allocation of Expenses among Program and Support Services

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated between the programs and supporting services that benefited. Direct costs are allocated based upon the usage by each program. The allocation of all other expenses is calculated based on a percentage of the total time spent in each functional program.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2023 and 2022, there were no cash equivalents.

Restricted Cash

The Organization is currently undergoing construction of Towne Twin Village, which is being financed by new market tax credit (NMTC) borrowings. Included in restricted cash is required lender reserve accounts to be used to pay interest, fees and expenses (see **Note I**). As of December 31, 2023 and 2022, restricted cash was **\$771,107** and **\$883,167**, respectively.

Accounts Receivable

Accounts receivables are primarily due to reimbursement government contracts. All government contract receivables are carried at the original invoice amount. Governmental contracts, which are included in receivables, are individually analyzed for purposes of determining collectability. At December 31, 2023 and 2022, no allowance has been determined, as all contracts are considered fully collectible.

Promises to Give

Unconditional promises to give are recognized as contributions in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Promises to give are recorded at net realizable value if they are expected to be collected within one year and at net present value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Prepaid Expenses

Expenses recorded in advance of the service or product being received are deferred and carried on the statement of financial position as prepaid expenses.

Property and Equipment

Property and equipment is stated at cost if purchased or at fair value at the date of gift, if donated, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. The Organization is in the process of determining a capitalization policy as construction began during 2021. Land and Construction in Progress are not depreciated. The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and Building Improvements	15 – 40 years
Furniture, Fixtures and Equipment	5 – 10 years
Vehicles	5 – 10 years

Housing First Community Coalition

Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

Note C: Summary of Accounting Principles (Continued)

Deferred Revenue

Deferred revenue in the Consolidated Statements of Financial Position consist of funding received in advance of services performed. The Organization recognizes revenue upon delivery of services.

Fair Value Measurements

The Fair Value Measurements and Disclosures, ASC 820, defines fair value 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, established a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

Fair Value of Financial Instruments

The Organization's financial instruments include cash, receivables, and payables. The carrying amount of these financial instruments, except for pledges receivable (see **Note F**), as reflected in the Consolidated Statements of Financial Position, approximates fair value.

Revenue Recognition

Contributions and Grants

Contributions, grants received and unconditional promises to give are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, With Donor Restrictions are reclassified to Without Donor Restrictions and reported in the Consolidated Statement of Activities as Net Assets Released from Restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as Without Donor Restrictions.

Rental Income

The Organization recognizes rental income as rentals become due under the terms of the operating leases with tenants. Rental payments received in advance are deferred until earned.

Contributed Nonfinancial Assets

Donated goods and services are valued based on their estimated market value on the date of contribution. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. For donated services during 2023 and 2022, refer to **Note L**.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses totaled **\$137,271** and \$146 for the years ended December 31, 2023 and 2022, respectively.

Housing First Community Coalition

Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

Note C: Summary of Accounting Principles (Continued)

Federal Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying statements. There was no unrelated business income for the years ended December 31, 2023 and 2022. The Organization is not subject to the Texas margin tax. Management is not aware of any tax position that would have a significant impact on its financial position.

Recently Issued Accounting Pronouncements

Adopted During 2023

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, effective for fiscal years beginning after December 15, 2022 and interim periods within fiscal year beginning after December 15, 2022. Under this new pronouncement, the Organization will measure credit losses for most financial assets and certain other instruments through the expected loss model. Under this standard, disclosures are required to provide users of the financial statements with useful information in analyzing the Organization's exposure to credit risk and measurement of credit losses. Management of the Organization evaluated the standard during the year ended December 31, 2023 and determined the effect, if any, would be immaterial to the financial statements taken as a whole. Accordingly, no adjustments to the financial statements were considered necessary.

Reclassifications

Certain items presented in the 2022 summarized comparative information have been reclassified to conform to the 2023 consolidated financial statement presentation.

Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Housing First Community Coalition's financial statements for the year ended December 31, 2022 from which the summarized information was derived.

Note D: Risk and Uncertainty

Current Economic Events

Certain current economic events have arisen which could impact the Organization's ongoing operations. The effects of economic stimulus programs and U.S. Federal Reserve actions remain uncertain. These matters could impact numerous facets of the business environment including interest rates, inflation, and the availability of goods, capital, and labor. Any related financial impact cannot be reasonably estimated at this time.

Housing First Community Coalition

Notes to Consolidated Financial Statements Years Ended December 31, 2023 and 2022

Note E: Liquidity and Availability of Financial Resources

The following represents the Organization's financial assets at December 31, 2023 and 2022 available to meet general expenditures over the next twelve months:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and Cash Equivalents	\$ 3,395,116	\$ 10,723,638
Accounts Receivable	1,496,551	354,018
Pledges Receivable Due Within One Year	<u>562,414</u>	<u>122,000</u>
Total Financial Assets	<u>5,454,081</u>	<u>11,199,656</u>
Less those unavailable for general expenditures over the next twelve months due to:		
Net Assets with Donor Restrictions	1,769,557	1,617,338
Cash and Cash Equivalents - Reserved for Debt Service	771,107	883,167
Construction Retainage	498,757	415,302
Less net assets with restrictions to be met over the next twelve months	<u>(562,414)</u>	<u>(122,000)</u>
	<u>2,477,007</u>	<u>2,793,807</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,977,074</u>	<u>\$ 8,405,849</u>

The Organization regularly monitors liquidity to meet its operating needs. The Organization has various resources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, pledges receivable and a line of credit at Jefferson Bank. In addition, the Organization's annual support contributions, grants, and cash reserves are sufficient to cover general expenditures not provided by other donor restricted sources.

Note F: Pledges Receivable

Pledges receivable consist of unconditional promises to give from various contributors totaling **\$712,414** and \$462,414 at December 31, 2023 and 2022, respectively. The outstanding amounts pledged range from \$112,000 to \$300,000 and are to be received over a range of one to two years. No discount to present values has been recorded on the pledges due to the insignificance of the discount involved.

Pledges Receivable at December 31, 2023 is summarized as follows:

2024	\$ 562,414
2025	<u>150,000</u>
Total Pledges Receivable	712,414
Less: Current Portion of Pledges Receivable	<u>(562,414)</u>
Long-Term Portion of Pledges Receivable	<u>\$ 150,000</u>

Housing First Community Coalition

Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

Note G: Property and Equipment

Property and Equipment, Net of Accumulated Depreciation at December 31, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 934,545	\$ 934,545
Buildings	12,587,650	-
Furniture, Fixtures and Equipment	811,513	60,283
Vehicles	573,149	488,085
Construction in Progress, Phase I and 2	7,446,782	9,906,509
Construction in Progress, Phase 3	957,997	-
Construction in Progress, Contributed Nonfinancial Assets	133,171	202,392
Less: Accumulated Depreciation	<u>(321,120)</u>	<u>(28,831)</u>
	<u>\$ 23,123,687</u>	<u>\$ 11,562,983</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was **\$299,234** and \$28,831, respectively.

Note H: Long-term Debt

Bridge Loan – New Market Tax Credit

On October 17, 2022, Housing First Community Coalition entered into a bridge loan agreement with Frost Bank in the amount of \$6,150,000. The note matures on October 17, 2024 and bears a variable interest rate equal to the Prime Rate plus 1.25%, which was **9.75%** and 8.75% at December 31, 2023 and 2022, respectively. The note is payable in one payment of all outstanding principal plus all accrued unpaid interest. In addition, regular monthly payments of all accrued unpaid interest due as of each payment date, beginning November 17, 2022. Collateral related to the loan includes certain accounts and/or receivables and all proceeds thereof. The Organization did not draw down on the full amount of the bridge loan. The balance of the bridge loan at December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Bridge Loan - New Market Tax Credit	\$ 789,120	\$ 6,139,310
Less: Unamortized Debt Issuance Costs	<u>(2,376)</u>	<u>(18,478)</u>
Bridge Loan, Net - New Market Tax Credit	<u>\$ 786,744</u>	<u>\$ 6,120,832</u>

Note I: New Market Tax Credit Financing and Notes Receivable

HFCC Support Corporation executed a seven-year new market tax credit (NMTTC) loan agreement on November 4, 2022 with Impact CDE 78, LLC, LCD New Markets Fund XXXVIII, LLC and DVCI CDE LXVIII, LLC in the amount of \$18,308,750. The loan carries an interest rate of 1.12% per annum and qualifies as a NMTTC enhanced loan. The loan matures on December 1, 2056 and has a compliance period of seven years.

Impact CDE 78, LLC (Impact), LCD New Markets Fund XXXVIII, LLC (LCD) and DVCI CDE LXVIII, LLC (DVCI) are Community Development Entities which receive an allocation of NMTTC pursuant to Section 45D of the Internal Revenue Code in order to assist eligible businesses in making new investments in certain low-income communities.

Housing First Community Coalition

Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

Note I: New Market Tax Credit Financing and Notes Receivable (Continued)

The borrowings on the NMTC loan are being used to finance the construction of Towne Twin Village. The NMTC loan is secured by the collateral of land, building and the improvements made to the land.

Interest on the loan is to be paid quarterly, which commenced in November 2022, and the agreement prevents HFCC Support Corporation from prepayment of any portion of the principal balance on the borrowings until the seventh anniversary date. On the seventh anniversary date, DV VNB Community Investment Fund, LLC (the Investor) can put its rights to the investment fund (known as DV-HFCC QEI, LLC or the Fund) to Housing First Community Coalition for \$1,000, which will allow Housing First Community Coalition to cancel debts from HFCC Support Corporation. As of December 31, 2023 and 2022, the outstanding loan balance was \$18,308,750. The unamortized debt issuance costs, which are recognized as a deduction of debt in the Consolidated Statements of Financial Position, totaled **\$870,335** and \$1,017,434 for the years ended December 31, 2023 and 2022, respectively. HFCC Support Corporation incurred interest expense of **\$172,698** and \$17,231 for the years ended December 31, 2023 and 2022, respectively, and is reported as Interest Expense in the Consolidated Statement of Functional Expenses. In accordance with the loan agreement, HFCC Support Corporation is required to maintain lender reserve accounts at Enterprise Bank & Trust in the initial amount of \$917,125. The reserve accounts are to be used to pay interest, fees and expenses to the lenders. As of December 31, 2023 and 2022, the balance of the reserve accounts was **\$771,107** and \$883,167, respectively, and is reported as Cash and Cash Equivalents – Reserved for Debt Service in the Consolidated Statements of Financial Position.

The Investor invested a total of \$5,853,900 into the Fund in the form of NMTC equity and Housing First Community Coalition capitalized the same entity with a \$13,186,100 leverage loan. The leverage loan matures on September 1, 2050 and bears an interest rate of 1%. As of December 31, 2023 and 2022, the leverage loan balance was \$13,186,100 and is reported as Notes Receivable - NMTC in the Consolidated Statements of Financial Position.

The NMTC loan requires HFCC Support Corporation to complete quarterly and annual compliance reporting and to maintain its status as a qualified active low-income business as defined by the Internal Service Revenue Code Section 45D. Management believes HFCC Support Corporation was in compliance with all significant financial covenants since inception through the date of this report.

Note J: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions at December 31, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Restricted by Purpose		
Furnishings and Appliances	\$ 247,877	\$ -
Multipurpose Building	477,766	930,000
Health Clinic	-	250,000
Rental Subsidies	264,000	-
Tiny House	67,500	-
	<u>1,057,143</u>	<u>1,180,000</u>
Restricted by Time	<u>712,414</u>	<u>437,338</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,769,557</u>	<u>\$ 1,617,338</u>

Housing First Community Coalition

Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

Note K: Tax Increment Reinvestment Zone (TIRZ) Funding

On March 19, 2021, the Organization was awarded \$5.4 million from the City of San Antonio as part of the Tax Increment Financing Act. TIRZ reimbursable funds are awarded to promote development and redevelopment which would not otherwise occur solely through private investment. The source of these funds are available tax increments levied and collected on real property located in the Tax Increment Reinvestment Zone. As these funds can be used to fund affordable housing, the Organization was given the award to assist in the construction of Towne Twin Village, a large project consisting of building a community of housing and facilities to battle chronic homelessness. The Organization will receive \$5.4 million over the span of three fiscal years on a reimbursement basis. For the years ended December 31, 2023 and 2022, the Organization received **\$756,247** and \$2,984,261 of TIRZ reimbursable funds, respectively.

Note L: Contributed Nonfinancial Assets

The Organization received donated professional services related to architecture, engineering, graphic design, accounting and legal services with an estimated fair value of **\$208,899** and \$202,392 for the years ended December 31, 2023 and 2022, respectively. Donated professional services in the amount of **\$133,171** and \$202,392 are recorded as Construction in Progress on the Consolidated Statement of Financial Position for the years ended December 31, 2023 and 2022, respectively. **\$75,728** and \$0 is recorded as Contributed Professional Services on the Consolidated Statement of Functional Expense for the years ended December 31, 2023 and 2022, respectively.

Note M: Concentrations

Credit Risk of Financial Instruments

Financial instruments which potentially subject the Organization to a concentration of credit risk consist of its cash balances held at financial institutions if such balances exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). The accounts at the institutions are insured by the FDIC up to \$250,000. At December 31, 2023 and 2022, the Organization did have cash balances that exceeded the insured amount. The Organization has not experienced any losses in such accounts and management believes it is not exposed to a significant risk on its cash and cash equivalents.

Support and Revenues

The Organization received approximately **68%** and 46% of total support and revenues from government grants during 2023 and 2022, respectively, of which all were contracted with the Organization's agreements with the City of San Antonio and Bexar County. The loss of funding from this source could reduce the Organization's ability to achieve its objectives.

Expenses

The Organization contracted Wayne Rodgers Construction Co., Jordan Foster Construction, MCM TTV, LLC and Rx Technology for its Towne Twin Village project, which totaled approximately **81%** and 85% of expenditures for 2023 and 2022, respectively.

Housing First Community Coalition

Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

Note N: Commitments and Contingencies

The Organization engaged Wayne Rodgers Construction Co., Jordan Foster Construction and McM Texas Homes for the completion of Towne Twin Village. Construction commenced during 2021 and will take an estimated 3 years to complete. The following represents the Organization's construction commitment at December 31, 2023:

Total Contract	\$ 18,433,401
Less: Payments Made as of December 31, 2023	(10,614,220)
Less: Construction Retainage at December 31, 2023	<u>(498,757)</u>
Remaining Commitment	<u>\$ 7,320,424</u>

Note O: Subsequent Events

Subsequent events have been evaluated through September 25, 2024, which is the date the financial statements were available to be issued.

Supplementary Information

Housing First Community Coalition

Consolidating Statement of Financial Position December 31, 2023

Assets	HFCC	HFCC Support Corp.	Eliminating Entries	Totals
Current Assets:				
Cash and Cash Equivalents	\$ 2,312,842	\$ 311,167	\$ -	\$ 2,624,009
Cash and Cash Equivalents - Reserved for Debt Service	-	771,107	-	771,107
Accounts Receivable	1,496,551	-	-	1,496,551
Current Portion of Capital Campaign Pledges Receivable	562,414	-	-	562,414
Prepaid Expenses	20,889	-	-	20,889
Total Current Assets	4,392,696	1,082,274	-	5,474,970
Notes Receivable - New Market Tax Credit	13,186,100	-	-	13,186,100
Long-term Portion of Capital Campaign Pledges Receivable	150,000	-	-	150,000
Intangible Assets	137,732	-	-	137,732
Property and Equipment, Net of Accumulated Depreciation	6,322,503	17,386,370	(585,186)	23,123,687
Total Assets	\$ 24,189,031	\$ 18,468,644	\$ (585,186)	\$ 42,072,489
Liabilities and Net Assets				
Current Liabilities:				
Accounts Payable	\$ 1,280,487	\$ 560,408	\$ -	\$ 1,840,895
Accrued Expenses	2,963	17,416	-	20,379
Payroll Liabilities	21,841	-	-	21,841
Construction Retainage	96,415	402,342	-	498,757
Bridge Loan, Net - New Market Tax Credit - Current Portion	786,744	-	-	786,744
Total Current Liabilities	2,188,450	980,166	-	3,168,616
Deferred Revenue	750,000	-	-	750,000
New Market Tax Credit Financing, Net	-	17,438,415	-	17,438,415
Total Liabilities	2,938,450	18,418,581	-	21,357,031
Net Assets:				
Without Donor Restrictions	19,481,024	50,063	(585,186)	18,945,901
With Donor Restrictions	1,769,557	-	-	1,769,557
Total Net Assets	21,250,581	50,063	(585,186)	20,715,458
Total Liabilities and Net Assets	\$ 24,189,031	\$ 18,468,644	\$ (585,186)	\$ 42,072,489

Housing First Community Coalition

Consolidating Statement of Activities Year Ended December 31, 2023

	HFCC			HFCC	Eliminations	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Totals	Support Corp. Without Donor Restrictions		Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenues								
Contributions	\$ 550,598	\$ 2,774,500	\$ 3,325,098	\$ -	\$ -	\$ 550,598	\$ 2,774,500	\$ 3,325,098
Government Grants	8,201,817	-	8,201,817	-	-	8,201,817	-	8,201,817
Contributed Services	208,899	-	208,899	-	-	208,899	-	208,899
Interest Income	145,086	-	145,086	-	-	145,086	-	145,086
Rental Income	125,342	-	125,342	-	-	125,342	-	125,342
Net Assets Released from Restrictions	2,622,281	(2,622,281)	-	-	-	2,622,281	(2,622,281)	-
Total Support and Revenues	11,854,023	152,219	12,006,242	-	-	11,854,023	152,219	12,006,242
Expenses								
Program Services	1,151,374	-	1,151,374	120,889	-	1,272,263	-	1,272,263
Support Services:								
Management and General	732,526	-	732,526	373,210	-	1,105,736	-	1,105,736
Fundraising	166,174	-	166,174	17,270	-	183,444	-	183,444
Total Expenses	2,050,074	-	2,050,074	511,369	-	2,561,443	-	2,561,443
Change in Net Assets	9,803,949	152,219	9,956,168	(511,369)	-	9,292,580	152,219	9,444,799
Net Assets at Beginning of Year	9,677,075	1,617,338	11,294,413	561,432	(585,186)	9,653,321	1,617,338	11,270,659
Net Assets at End of Year	\$ 19,481,024	\$ 1,769,557	\$ 21,250,581	\$ 50,063	\$ (585,186)	\$ 18,945,901	\$ 1,769,557	\$ 20,715,458

Housing First Community Coalition

Consolidating Statement of Functional Expenses Year Ended December 31, 2023

	HFCC				HFCC Support Corp.	Eliminations	Consolidated Totals
	Program Services	Support Services Management and General	Fundraising	Totals			
Salaries and Wages	\$ 385,953	\$ 110,272	\$ 55,136	\$ 551,361	\$ -	\$ -	\$ 551,361
Payroll Taxes	30,988	8,854	4,427	44,269	-	-	44,269
Employee Benefits	17,188	4,911	2,455	24,554	-	-	24,554
Total Salaries and Related Expenses	434,129	124,037	62,018	620,184	-	-	620,184
Advertising and Marketing	-	137,271	-	137,271	-	-	137,271
Bank and Other Charges	-	5,252	-	5,252	-	-	5,252
Contract Services	322,417	54,618	82,789	459,824	17,694	-	477,518
Contributed Professional Services	-	75,728	-	75,728	-	-	75,728
Dues and Subscriptions	-	5,323	-	5,323	-	-	5,323
Information Technology	49,500	21,214	-	70,714	-	-	70,714
Insurance	44,384	11,242	-	55,626	450	-	56,076
Interest	50,182	14,338	7,169	71,689	172,698	-	244,387
Maintenance and Repairs	-	10,527	-	10,527	-	-	10,527
Other Expenses	-	24,487	-	24,487	75	-	24,562
Printing and Postage	-	1,816	-	1,816	-	-	1,816
Property Expenses	92,324	-	-	92,324	-	-	92,324
Rent	-	13,150	-	13,150	-	-	13,150
Supplies	-	183,811	-	183,811	-	-	183,811
Utilities	59,050	17,979	-	77,029	-	-	77,029
Training and Staff Development	-	3,336	-	3,336	-	-	3,336
Total Expenses before Depreciation and Amortization	1,051,986	704,129	151,976	1,908,091	190,917	-	2,099,008
Depreciation and Amortization	99,388	28,397	14,198	141,983	320,452	-	462,435
Total Expenses	\$ 1,151,374	\$ 732,526	\$ 166,174	\$ 2,050,074	\$ 511,369	\$ -	\$ 2,561,443