RURAL NEIGHBORHOODS, INC. AND ITS AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
(WITH SUPPLEMENTAL INFORMATION)
AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2020 AND 2019

TIDWELL group

Rural Neighborhoods, Inc. and Its Affiliates

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rural Neighborhoods, Inc. and Its Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rural Neighborhoods, Inc. (a nonprofit organization) and Its Affiliates, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rural Neighborhoods, Inc. and Its Affiliates, as of December 31, 2020 and 2019, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information on pages 59 through 67 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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. Such 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.

The accompanying other information on page 75 has not been subject to auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express any opinion or provide any assurance on it.

Other Reporting Requirements Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2021, on our consideration of Rural Neighborhoods, Inc. and Its Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rural Neighborhoods, Inc. and Its Affiliates' internal control over financial reporting and compliance.

Tidwell Group, LLC

Atlanta, Georgia
May 28, 2021

Rural Neighborhoods, Inc. and Its Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

ASSETS

		2020		2019
CURRENT ASSETS				
Cash and cash equivalents	$	8,269,371	$	6,525,450
Accounts receivable - tenants		34,921		49,756
Rental assistance receivables		261,295		252,781
Miscellaneous receivables		214,338		239,891
Grant receivables		38,266		409,157
Developer fee receivable		41,484		-
Prepaid expenses		612,654		584,697
Total current assets		9,472,329		8,061,732
RESTRICTED DEPOSITS AND FUNDED RESERVES				
Tenant security deposits		786,211		778,228
Mortgage escrows		973,888		924,913
Replacement reserve		4,367,075		4,089,717
Debt Service reserve		874,939		1,401,309
Operating reserve		1,021,837		1,020,385
Other reserves		130,235		275,032
Total restricted deposits and funded reserves		8,154,185		8,489,584
PROPERTY AND EQUIPMENT				
Land		12,356,021		11,266,485
Land improvements		9,700,494		9,700,494
Buildings and improvements		165,084,089		163,625,162
Furniture and equipment		4,846,387		4,944,969
Construction in progress		5,599,980		935,332
Total property and equipment		197,586,971		190,472,442
Less accumulated depreciation		(63,681,087)		(58,911,470)
Total propety and equipment, net		133,905,884		131,560,972
OTHER ASSETS				
Deposits		176,429		113,574
Tax credit monitoring fees, net		61,572		92,573
Other assets		27,664		20,103
Total other assets		265,665		226,250
Total assets	$	151,798,063	$	148,338,538

(continued)

Rural Neighborhoods, Inc. and Its Affiliates

CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION - CONTINUED

December 31, 2020 and 2019

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Accounts payable	$ 179,162	$ 124,021
Accrued expenses	738,577	724,255
Accrued interest payable	829,359	736,437
Accrued investor services management fee	7,129	6,922
Construction costs payable	205,433	-
Current portion of mortgages payable	2,796,005	2,774,034
Total current liabilities	4,755,665	4,365,669
DEPOSITS AND PREPAID LIABILITY		
Tenant security deposits	786,211	778,229
Prepaid rent	134,801	172,011
Total deposits and prepaid liability	921,012	950,240
LONG-TERM LIABILITIES		
Due to affiliates	-	203,547
Developer fee payable	1,708,498	1,659,996
Deferred revenue	9,548,640	8,694,685
Mortgages payable, net of current portion	72,994,718	73,445,966
Total long-term liabilities	84,251,856	84,004,194
Total liabilities	89,928,533	89,320,103
NET ASSETS		
With donor restrictions	-	343,000
Without donor restrictions - non-controlling interest	18,909,037	17,374,727
Without donor restrictions - controlling interest	42,960,493	41,300,708
Net assets without donor restrictions	61,869,530	58,675,435
Total net assets	61,869,530	59,018,435
Total liabilities and net assets	$ 151,798,063	$ 148,338,538

See notes to consolidated financial statements.

Rural Neighborhoods, Inc. and Its Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
RENTAL REVENUE			
Potential rental revenue	$ 14,486,055	$ -	$ 14,486,055
Less vacancies and concessions	(561,146)	-	(561,146)
Total rental revenue	13,924,909	-	13,924,909
OTHER REVENUE			
Application fees	40,422	-	40,422
Laundry and vending	197,126	-	197,126
Interest income	53,763	-	53,763
Tenant charges	120,192	-	120,192
Property management fees	30,600	-	30,600
Developer fee income	522,734	-	522,734
Grant revenue	1,024,722	-	1,024,722
Miscellaneous revenue	1,092,929	-	1,092,929
Total other revenue	3,082,488	-	3,082,488
EXPENSES			
Operating and maintenance	4,378,819	-	4,378,819
Utilities	1,326,943	-	1,326,943
Project administration expenses	4,516,712	-	4,516,712
Management fees	180,756	-	180,756
Taxes and insurance	1,886,661	-	1,886,661
Bad debt expense	74,354	-	74,354
Total expenses	12,364,245	-	12,364,245
Income from operations	4,643,152	-	4,643,152
NON-OPERATING EXPENSES (INCOME)			
Interest on mortgages payable	980,262	-	980,262
Investor services management fee	7,129	-	7,129
Income from forgiveness of debt	(572,919)	-	(572,919)
Depreciation expense	4,892,697	-	4,892,697
Amortization expense	31,001	-	31,001
Total non-operating expenses	5,338,170	-	5,338,170
Change in net assets before non-controlling interest	(695,018)	-	(695,018)
Non-controlling interest in earnings of subsidiaries	220,419	-	220,419
Change in net assets attributable to Rural Neighborhoods, Inc.	$ (474,599)	$ -	$ (474,599)

See notes to consolidated financial statements.

Rural Neighborhoods, Inc. and Its Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
RENTAL REVENUE			
Potential rental revenue	$ 13,536,264	$ -	$ 13,536,264
Less vacancies and concessions	(696,628)	-	(696,628)
Total rental revenue	12,839,636	-	12,839,636
OTHER REVENUE			
Application fees	54,595	-	54,595
Laundry and vending	191,953	-	191,953
Interest income	64,024	-	64,024
Tenant charges	130,409	-	130,409
Property management fees	36,000	-	36,000
Grant revenue	1,256,761	-	1,256,761
Miscellaneous revenue	635,669	-	635,669
Total other revenue	2,369,411	-	2,369,411
EXPENSES			
Operating and maintenance	4,200,936	-	4,200,936
Utilities	1,263,020	-	1,263,020
Project administration expenses	4,590,410	-	4,590,410
Management fees	173,080	-	173,080
Taxes and insurance	1,677,690	-	1,677,690
Bad debt expense	35,802	-	35,802
Total expenses	11,940,938	-	11,940,938
Income from operations	3,268,109	-	3,268,109
NON-OPERATING EXPENSES (INCOME)			
Interest on deferred developer fee	46,149	-	46,149
Interest on mortgages payable	895,573	-	895,573
Investor services management fee	6,922	-	6,922
Income from forgiveness of debt	(572,919)	-	(572,919)
Depreciation expense	4,792,045	-	4,792,045
Amortization expense	33,138	-	33,138
Total non-operating expenses	5,200,908	-	5,200,908
Change in net assets before non-controlling interest	(1,932,799)	-	(1,932,799)
Non-controlling interest in earnings of subsidiaries	652,527	-	652,527
Change in net assets attributable to Rural Neighborhoods, Inc.	$ (1,280,272)	$ -	$ (1,280,272)

See notes to consolidated financial statements.

Rural Neighborhoods, Inc. and Its Affiliates

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2020 and 2019

	Net Assets Without Donor Restrictions				
	Controlling Interest	Non-controlling Interest	Total	Net Assets With Donor Restrictions	Total Net Assets
Balance, December 31, 2018	$ 42,433,985	$ 17,959,456	$ 60,393,441	$ 490,000	$ 60,883,441
Contributions	-	138,625	138,625	-	138,625
Distributions	(5)	(70,827)	(70,832)	-	(70,832)
Net assets with donor restrictions released to net assets without donor restrictions	147,000	-	147,000	(147,000)	-
Change in net assets	(1,280,272)	(652,527)	(1,932,799)	-	(1,932,799)
Balance, December 31, 2019	41,300,708	17,374,727	58,675,435	343,000	59,018,435
Transfer of interest	1,791,389	-	1,791,389	-	1,791,389
Contributions	-	1,860,498	1,860,498	-	1,860,498
Distributions	(5)	(45,769)	(45,774)	-	(45,774)
Syndication costs	-	(60,000)	(60,000)	-	(60,000)
Net assets with donor restrictions released to net assets without donor restrictions	343,000	-	343,000	(343,000)	-
Change in net assets	(474,599)	(220,419)	(695,018)	-	(695,018)
Balance, December 31, 2020	$ 42,960,493	$ 18,909,037	$ 61,869,530	$ -	$ 61,869,530

See notes to consolidated financial statements.

Rural Neighborhoods, Inc. and Its Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	$ (695,018)	$ (1,932,799)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	4,892,697	4,792,045
Amortization	31,001	33,138
Amortization of debt issuance costs	76,382	84,368
Gain on disposal of fixed assets	560	(230,271)
Miscellaneous revenue - loan forgiveness	(539,043)	-
Deferred revenue - loan forgiveness	(572,919)	(572,919)
Changes in:		
Tenant accounts receivable	14,835	(11,432)
Rental assistance receivable	(8,514)	(6,637)
Miscellaneous receivables	25,553	302,144
Grant receivables	370,891	(225,167)
Developer fee receivable	(41,484)	-
Prepaid expenses	(27,957)	(93,130)
Deposits	(62,855)	(46,540)
Other assets	(1,885)	(2,836)
Accounts payable	53,545	(31,900)
Accrued expenses	14,322	152,372
Accrued interest payable	92,922	81,937
Accrued investor services management fee	207	202
Tenant security deposits liability	7,982	80,796
Accrued interest developer fee	-	46,149
Deferred revenue	100,909	40,734
Prepaid rents	(37,210)	92,041
Net cash provided by operating activities	3,694,921	2,552,295
Cash flows from investing activities:		
Investment in rental property	(3,713,477)	(4,842,362)
Expenditures on construction in progress	(1,322,663)	-
Proceeds from sale of fixed assets	-	270,243
Payments on developer fee	(214,843)	-
Net cash used in investing activities	(5,250,983)	(4,572,119)

(continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from financing activities:		
Proceeds from mortgages payable	$ 3,348,957	$ 4,398,000
Principal payments on mortgages	(1,935,550)	(1,398,410)
Due to affiliate	(203,547)	203,547
Non-controlling interest distributions	(45,769)	(70,827)
Non-controlling interest capital contributions	1,860,498	138,625
Non-controlling syndication costs paid	(60,000)	-
Controlling interest distributions	(5)	(5)
Debt issuance costs paid	-	(249,096)
Net cash provided by financing activities	2,964,584	3,021,834
Net increase in cash, cash equivalents, and restricted cash	1,408,522	1,002,010
Cash, cash equivalents, and restricted cash, beginning	15,015,034	14,013,024
Cash, cash equivalents, and restricted cash, ending	$ 16,423,556	$ 15,015,034
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 810,958	$ 729,268
Supplemental schedule of non-cash investing and financing activities:		
Transfer of assets of acquired entity	$ (1,941,218)	$ (3,789,000)
Construction in progress	(373,416)	-
Disposal of fixed assets	127,122	3,166
Write-off of accumulated depreciation	(127,122)	(3,166)
Transfer of liabilities of acquired entity	149,829	3,789,000
Construction costs payable	205,433	-
Capitalized developer fee payable	163,700	-
Capitalized accrued interest payable	4,283	-
Forgiveness of TCEP loan	(1,527,783)	(1,527,783)
Deferred revenue - loan forgiveness	1,527,783	1,527,783
Transfer of net assets of acquired entity	1,791,389	-
	$ -	$ -

See notes to consolidated financial statements.

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Organization

Rural Neighborhoods, Inc. (RNI) is a Florida nonprofit corporation formed on December 23, 2004 for the purpose of planning, acquiring land, producing, developing and managing construction of projects and sites remaining in the Everglades Farmworker Village parcels and elsewhere. On December 31, 2004, Everglades Community Association, Inc. (ECA) transferred its unrestricted assets and liabilities to RNI to enable it to carry out the above tasks excluding any and all U.S. Department of Agriculture (USDA) restricted assets and liabilities associated with Everglades Farmworker Village.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of RNI and its affiliates (collectively, the Corporation). All significant intercompany accounts and transactions have been eliminated in this consolidation.

Investment in Subsidiaries

Beginning January 1, 2006, the Corporation adopted the Accounting Standards Codification Topic 958-810 (ASC Topic 958-810), which provides guidance as to when a general partner controls a limited partnership and is required to include the assets, liabilities and activities of a limited partnership in its consolidated financial statements.

Under ASC Topic 958-810, a general partner in a limited partnership or similar entity would be presumed to control that entity and would therefore be required to consolidate the entity unless the limited partners possessed certain rights, principally kick-out rights or significant participation rights. ASC Topic 958-810 applies to entities that are not considered variable interest entities. Management believes that ECA and Big Cypress Housing Corporation (BCHC) effectively have control of certain limited partnerships and these partnerships were consolidated in the separately issued consolidated financial statements of ECA and BCHC.

ECA is a Florida nonprofit corporation formed on July 21, 1982 for the purpose of planning, producing, developing and managing the construction of projects related to providing low cost housing to migrant and seasonal farm workers in Florida. ECA is a controlled corporation of RNI.

ECA includes the following programs and services:

Everglades Farmworker Village (EFV) is a rental operation of ECA and consists of a USDA Rural Development 514/516 farm labor housing complex as described in USDA Handbook 2-3560, Section 2.6. Currently, there are 466 units rented to eligible tenants as defined in the regulations. The USDA also provides rental assistance to tenants based on a formula described in Chapter 8 of the USDA Handbook 2-3560.

Phase V (Phase V) is an additional phase of EFV that is currently under development. When constructed, Phase V will consist of 14 units that will be rented to income eligible migrant and seasonal farm workers as defined by the State of Florida and the USDA. The project was funded by the USDA and is subject to USDA oversight and regulations. In 2018, the net assets of Phase V were transferred to ECA.

Phase VI (Phase VI) is an additional phase of EFV that is currently under development. When constructed, Phase VI will consist of 10 units that will be rented to income eligible migrant and seasonal farm workers as defined by the State of Florida and the USDA. The project was funded by the USDA and is subject to USDA oversight and regulations. In 2018, the net assets of Phase VI were transferred to ECA.

Everglades Rural Rental Housing (ERRH) is Phase III of EFV and consists of a USDA Rural Development 515 housing complex as described in USDA Handbook 2-3560, Section 2.3. Currently, there are 15 units rented to eligible tenants as defined in the regulations. The USDA also provides rental assistance to tenants based on a formula described in Chapter 8 of the USDA Handbook 2-3560.

Casa Cesar Chavez (CCC) is an additional phase of EFV and consists of a 28 unit, 144 bed, four building, townhome complex designed to house unaccompanied single workers. The units are rented to income eligible migrant and seasonal farm workers as defined by the State of Florida. This project was not constructed with USDA funds and is not subject to USDA oversight or regulation.

Everglades Migrant Housing (EMH) is an additional phase of EFV that consists of 30 units that are rented to income eligible migrant and seasonal farm workers as defined by the State of Florida and the USDA. The project is funded by the USDA and is subject to USDA oversight and regulations.

ECA also includes the activities of the following subsidiaries:

Live Oak Villas, LLC (LOVI), a wholly owned subsidiary of ECA, is a .01 percent general partner of Live Oak Villas, Ltd. (LOVI-LTD). LOVI-LTD is the owner of a 104 unit, low-income housing tax credit project located in St. Lucie County, Florida. LOVI accounts for its investment in LOVI-LTD in accordance with ASC Topic 958-810.

Live Oak Villas II, LLC (LOVII), a wholly owned subsidiary of ECA, is a .01 percent general partner of Live Oak Villas II, Ltd. (LOVII-LTD). LOVII-LTD is the owner of an 80 unit, low-income housing tax credit project located in St. Lucie County, Florida. LOVII accounts for its investment in LOVII-LTD in accordance with ASC Topic 958-810.

Pollywog Creek, LLC (PC) is a wholly owned subsidiary of ECA formed to develop a 64 unit, low-income rental housing community in LaBelle, Florida. The project was designed in three phases. During 2012, phase III was incorporated as a separate legal entity, Pollywog Creek Senior Housing, Incorporated (PCSH). In 2012, the assets and liabilities associated with phase III were transferred from ECA to PCSH. Phases I and II are USDA Rural Development 514/516 farm labor housing complexes subject to USDA Rural Development farm labor housing requirements and the regulations of the Florida Housing Finance Corporation (FHFC) State Apartment Incentive Loan (SAIL) Program. Phases I and II were placed in service on May 16, 2011.

Shannon's Crossing, LLC (SCL) is a wholly owned subsidiary of ECA. SCL is the sole member of Beneficial Oaks at Shannon's Crossing, LLC, which is the .01 percent general partner of Oaks at Shannon's Crossing, LP (OSC). OSC is the owner of a 100 unit, low-income housing tax credit project with farm worker set-aside in Okeechobee, Florida. SCL accounts for its investment in OSC in accordance with ASC Topic 958-810.

Everglades Supportive Housing, LLC (ESH) is a Florida limited liability company owned by ECA. Prior to 2009, ESH was co-owned by ECA and RNI. ESH is the owner of a four-unit housing project for homeless families in Collier County, Florida. The project is Phase II of the Eden Gardens Apartments (EGA) project and was placed in service on September 28, 2009. The project was constructed on land financed by the USDA but is not subject to 514/516 regulations.

BCHC is a Florida nonprofit corporation formed on January 5, 2001 for the purpose of general operations, construction, expansion or any other activity connected with providing low cost housing to migrant and seasonal farm workers in Collier County, Florida. BCHC is a controlled corporation of RNI.

BCHC includes the following programs and services:

Main Street Village (MSV) is a rental operation of BCHC and includes a 79 unit, USDA Rural Development 514/516 farm labor housing complex as described in the USDA Handbook 2-3560, Section 2.6. Units are rented to eligible tenants as defined in the regulations. The USDA also provides rental assistance to tenants based on a formula described in Chapter 8 of the USDA Handbook 2-3560. A maximum of 68 units may receive rental assistance at any one time.

Hatchers Preserve (HP) is a rental operation of BCHC and consists of 18 units that were all placed in service during the year ended December 31, 2016 and are being rented to income eligible tenants.

BCHC also includes the activities of the following subsidiaries:

Corkscrew Sanctuary, LLC (CSS), a wholly owned subsidiary of BCHC, is a .01 percent general partner of Eden Gardens Apartments, LP (EGALP), owner of a 51 unit, low-income housing tax credit project that is the first phase of the EGA project (Phase I). Phase I was placed in service on June 18, 2009. CSS accounts for its investment in EGALP in accordance with ASC Topic 958-810.

Eden Gardens II, LLC (EGII), a wholly owned subsidiary of BCHC, is the sole owner of a 37 unit, low-income housing project, for migrant and seasonal farm workers that is the third phase of the EGA project (Phase III). Phase III was placed in service on September 28, 2009 and its units are rented to low-income farm workers subject to USDA governance and regulations of the FHFC SAIL Program.

Little Manatee Housing Corporation (LMHC) is a Florida nonprofit corporation formed on November 15, 1999 for the purpose of general operations, construction, expansion or any other activity connected with providing low cost housing to migrant and seasonal farm workers in Hillsborough County, Florida. LMHC is a controlled corporation of RNI.

LMHC includes the following programs and services:

Manatee Village (MV) is the rental operations of LMHC and consists of the following:

The Family Units - a 62-unit USDA Rural Development 514/516 farm labor housing complex as described in the USDA Handbook 2-3560, Section 2.6. Units are rented to eligible tenants as defined in the regulations. The USDA also provides rental assistance to tenants based on a formula described in Chapter 8 of the USDA Handbook 2-3560. A maximum of 62 units may receive rental assistance at any one time.

The Dorm Units - a 16-unit Single Resident Occupancy rental complex consisting of 128 beds and one management unit. The administrative building associated with the Dorm Units contains the leasing office and maintenance operations space for the Project. The Dorm Units leases to unaccompanied, income-eligible migrant and seasonal farm workers as defined by Hillsborough County, the Federal Home Loan Bank of Atlanta and the Florida Department of Community Affairs.

Manatee Village Phase IV (MV4) - a 27-unit USDA Rural Development 514/516 farm labor housing complex subject to USDA Rural Development 514/516 farm labor housing requirements and the regulations of the FHFC SAIL Program. MV4 was placed in service on November 30, 2010.

PCSH is a Florida nonprofit corporation formed on March 22, 2012 for the purpose of providing elderly persons and handicapped persons with housing facilities and services. The project has been financed using a loan from the Department of Housing and Urban Development (HUD). The 29-unit project is phase III of PC, and during the year ended December 31, 2018, the project was placed in service.

Everglades Hammock, Inc. is a Florida nonprofit corporation formed on July 12, 1999 for the purpose of general operations, construction, expansion or any other activity connected with providing low cost housing to migrant and seasonal farm workers and other minorities in Florida City, Florida and rural Miami-Dade County, Florida. In 2008, Everglades Hammock, Inc. changed its name to Everglades Housing Trust, Incorporated (EHT). EHT is a controlled corporation of RNI.

EHT includes the activities of the following subsidiaries:

Orchid Apartments, LLC (OA), a wholly owned subsidiary of EHT, is a 0.01 percent general partner of Orchid Grove Apartments, Ltd. (OGA-LTD), owner of an 80 unit low-income housing project in Florida City, Florida. Construction of the project started in 2010; and the project was placed-in-service on December 29, 2010. Its units are rented in accordance with the rules and regulations of the FHFC tax credit exchange fund program. OA accounts for its investment in OGA-LTD in accordance with ASC Topic 958-810.

Cypress Cove, LLC (CC), a wholly owned subsidiary of EHT, is a 0.01 percent general partner of Cypress Cove Apartments, Ltd. (CCA-LTD), owner of an 80 unit low-income housing project in Winter Haven, Florida. Construction of the project started in 2010; and the project was placed-in-service on December 23, 2010. Its units are rented in accordance with the rules and regulations of the FHFC tax credit exchange fund program. CC accounts for its investment in CCA-LTD in accordance with ASC Topic 958-810.

Oak Marsh, LLC (OM), a subsidiary wholly owned by EHT and was formed to help enable EHT to carry out its purpose. On October 25, 2016, OM acquired the assets of Immokalee Non-Profit Housing, Ltd., or Sanders Pines (SP), and Timber Ridge of Immokalee, Ltd. (TR).

Everglades Healthcare Residential, LLC (EHR), a subsidiary wholly owned by EHT, was formed to help enable EHT to carry out its purpose. EHR is sole owner of Healthcare Residential, Ltd. (HCR). As of December 31, 2020 and 2019, EHR had no activity to report.

Everglades Urban Residential, LLC (EUR), a subsidiary wholly owned by EHT, was formed to help enable EHT to carry out its purpose. EUR is sole owner of Urban Residential, LLC (UR). As of December 31, 2020 and 2019, EUR had no activity to report and was dissolved in the year ending December 31, 2020.

Brookwood Residential, LLC (BR), a subsidiary wholly owned by EHT, was formed to help enable EHT to carry out its purpose. As of December 31, 2016, BR had been donated one vacant lot from Florida Non-Profit Services, Inc. (FNPS) and purchased two additional vacant lots. During the year ended December 31, 2017, BR was donated one lot. During the year ended December 31, 2018, BR sold one vacant lot and purchased one vacant lot.

Tradewinds Key Largo, LLC (TKL), a subsidiary wholly owned by EHT and was formed to help enable EHT to carry out its purpose. The project consist of 66 low-income units subsidized by FHFC and located in Monroe County.

Casa Amigos EHT, LLC (CAE), a subsidiary wholly owned by EHT and was formed to help enable EHT to carry out its purpose. The project will consist of 24 low-income units subsidized by FHFC with a SAIL loan in an amount up to $5,150,000 and is being constructed in Collier County, Florida.

Casa Juarez, LLC (CJ), a subsidiary wholly owned by EHT and was formed to help enable EHT to carry out its purpose. The project will consist of 32 low-income units subsidized by FHFC with a SAIL loan in an amount up to $5,992,000 and ELI loan in an amount up to $508,000 and is being constructed in Miami-Dade County, Florida.

Dockside at Sugarloaf, LLC (DSL), a wholly owned subsidiary of EHT, is a 0.51 percent member of Dockside at Sugarloaf Key, LLC (DSKL). DSKL is in the process of constructing and developing a 28 unit low-income housing project in Monroe County, Florida. Preliminary construction and development of the project started in 2019. The limited member tax credit investor is expected close in 2021 and be admitted to DSKL. DSL accounts for its investment in DSKL in accordance with ASC Topic 958-810.

Landings at Sugarloaf, LLC (LSL), a wholly owned subsidiary of EHT, is a 0.51 percent member of The Landings at Sugarloaf Key, LLC (LSKL). LSKL is in the process of constructing and developing a 60 unit low-income housing project in Monroe County, Florida. Preliminary construction and development of the project started in 2019. The limited member tax credit investor is expected close in 2021 and be admitted to LSKL. LSL accounts for its investment in DSKL in accordance with ASC Topic 958-810.

The Avenues at BPK, LLC (ABP), a wholly owned subsidiary of EHT, is a 0.51 percent member of The Avenues at Big Pine Key, LLC (ABPK) and Florida Keys Community Land Trust Inc. (FKLT) is a 0.49 percent member of ABPK, which is controlled by RNI, which is also the controlling organization of EHT and as such 100 percent of ABPK will be recorded as a controlling interest at EHT's level. ABPK is in the process of constructing and developing 5 single family low-income homes in Monroe County, Florida. Preliminary construction and development of the project started in 2020.

Seahorse Cottages at BPK, LLC (SHC), a wholly owned subsidiary of EHT, is a 0.51 percent member of Seahorse Cottages Big Pine Key, LLC (SCBPK) and Florida Keys Community Land Trust Inc. (FKLT) is a 0.49 percent member of SCBPK, which is controlled by RNI, which is also the controlling organization of EHT and as such 100 percent of SCBPK will be recorded as a controlling interest at EHT's level. SCBPK is in the process of constructing and developing 9 single family low-income homes in Monroe County, Florida. Preliminary construction and development of the project started in 2020.

As of December 31, 2015, RNI had taken control of the board of FNPS, a nonprofit organization whose purpose is to develop safe and affordable housing. FNPS includes one subsidiary and three single-family homes.

FNPS includes the activities of one project:

> Esperanza Place (EP) is a rental operation of FNPS, organized in 2006 to develop safe and affordable housing for low-income farmworkers and their families in Immokalee, Florida. EP is primarily financed through USDA and SAIL funds. EP operates a 47-unit apartment complex and 5 single family homes under the USDA Rural Development Rural Rental Housing Program, Section 514 Farm Labor Housing.

Everglades Housing Group, Incorporated (EHG) is a Florida nonprofit corporation formed on December 23, 2004 to provide property management and supportive services to the low-income housing projects of RNI, ECA, BCHC, LMHC and their affiliated organizations. Prior to EHG's inception, RNI and ECA self-managed their related properties. The Board of Directors of RNI constitutes the members of EHG and as members, appoints EHG's Board of Directors.

Deer Creek Senior Housing, LLLP (DCSH) is a Florida limited liability limited partnership formed on December 4, 2017 to construct and develop a 62 unit housing facility for low-income and elderly persons located in Alachua County, Florida. RNI is a 0.005 percent managing general partner. Deer Creek Class B, LLC is the .01 percent Class B Limited Partner of DCSH. RNI has a 65 percent interest in Deer Creek Class B, LLC bringing RNI’s total interest in DCSH to .0115 percent. The project is under construction as of December 31, 2020. RNI accounts for its investment in DCSH in accordance with ASC Topic 958-810.

As of December 31, 2020, RNI had taken control of the board of Florida Keys Community Land Trust, Inc. (FKLT)., a nonprofit organization whose purpose is to make safe, affordable, dignified and desirable housing available to low-income residents within and throughout Monroe County, Florida.

Operating cash flows generating from USDA Rural Development financed properties are not available for distribution to the Corporation as owner of the real property. These operating cash flows must be utilized towards operations or reserves of the specific USDA Rural Development funded property.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified and reported as follows:

Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

With Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of restrictions on net assets are reported as reclassifications between applicable net asset classes. Contributions are recognized as revenue in the period received or upon the receipt of an unconditional promise to give. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Non-controlling Interest in Limited Liability Companies

GAAP requires consolidated subsidiaries that have non-controlling interests to include the non-controlling ownership interest in the net assets of RNI. GAAP also requires that the aggregate negative balances, if any, of investor member interests prior to January 1, 2010 remain in RNI's net assets.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents include all cash balances, bank overdrafts, and highly liquid short term investments, if any, with a maturity of three months or less when purchased. The cash balances also include amounts that are restricted for distributions or payment of expenses and are not available for operations.

RNI and its subsidiaries are subject to restrictions on certain funds received. These funds are separately classified on the consolidated statements of financial position.

Cash, cash equivalents, and restricted cash as of December 31, 2020 and 2019 consisted of the following:

	2020	2019
Cash and cash equivalents	$ 8,269,371	$ 6,525,450
Restricted deposits and funded reserves	8,154,185	8,489,584
Total cash, cash equivalents, and restricted cash shown on the consolidated statements of cash flows	$16,423,556	$15,015,034

Tenant Accounts Receivable and Bad Debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Construction in progress includes all development costs and capitalized interest incurred during the construction of the various projects. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related cost and accumulated depreciation. The resulting gains and losses are reflected on the consolidated statements of activities. Depreciation expense for the years ended December 31, 2020 and 2019 was $4,892,697 and $4,792,045, respectively.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	40 years
Land improvements	15 - 20 years
Furniture and equipment	3 - 10 years

Impairment of Long-lived Assets

The Corporation reviews its rental property 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 property are less than its carrying amount, management compares the carrying amount of the property 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 asset impairment losses were recognized during the years ended December 31, 2020 or 2019.

Debt Issuance Costs and Amortization

In accordance with GAAP, the debt issuance costs are presented as an offset of the related debt instruments within the liabilities section of the consolidated statements of financial position. Debt issuance costs are being amortized using the straight-line method over the term of the underlying debt instrument and amortization expense is included in interest on mortgages payable on the accompanying consolidated statements of activities.

GAAP requires that the effective interest method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective interest method. Estimated amortization expense for each of the five ensuing years is approximately $79,595 for 2021, 2022, and 2023, $75,728 for 2024 and $67,524 for 2025.

Tax Credit Monitoring Fees

Tax credit monitoring fees of $496,191 and $496,191 at December 31, 2020 and 2019, respectively, are amortized using the straight-line method over the 15-year tax credit compliance period. As of December 31, 2020 and 2019, accumulated amortization of the tax credit monitoring fees was $434,619 and $403,618, respectively. For the years ended December 31, 2020 and 2019, amortization expense was $31,001 and $33,138, respectively. Estimated amortization expense for each of the four ensuing years is $24,834 for 2021 and 2022, $10,141 for 2023 and $1,764 for 2024.

Rental Revenue

Rental revenue is recognized as the rents become due. Rental payments received in advance are deferred until earned. All leases between the Corporation and tenants of the Projects are operating leases and the terms are typically one year or less.

For the year ended December 31, 2020, total rental revenue was $13,924,909. This amount is comprised of $10,395,253 from tenants and $3,529,656 from USDA and HUD rental assistance.

For the year ended December 31, 2019, total rental revenue was $12,839,636. This amount is comprised of $9,500,040 from tenants and $3,339,596 from USDA and HUD rental assistance.

As of December 31, 2020 and 2019, rental assistance payments of $261,295 and $252,781, respectively, were due from the USDA and HUD, and are reflected as rental assistance receivables on the accompanying consolidated statements of financial position.

Miscellaneous Revenue

Miscellaneous revenues include amounts earned from miscellaneous tenant charges such as late fees, security deposit forfeitures and damages assessments, among others.

Miscellaneous revenue also includes amounts earned from the sale of land net the costs basis of land sold and any transactions costs. For the years ended December 31, 2020 and 2019, BR earned $0 and $230,271, respectively, in income from the sale of land and is included in miscellaneous revenue on the accompanying consolidated statements of activities.

Miscellaneous revenue also includes amounts forgiven from the Paycheck Protection Program (PPP). On April 21, 2020, the Corporation entered into a loan in the principal amount of $539,043 with CenterState Bank N.A. funded from the PPP. For the years ended December 31, 2020 and 2019, $539,043 and $0, respectively, was forgiven and is included in miscellaneous revenue on the accompanying consolidated statements of activities.

Grants

The Corporation receives grants from various governmental agencies. Generally, the Corporation recognizes income from these grants as revenue and support only to the extent that expenditures have been made for the purposes specified in the grant agreements. For the years ended December 31, 2020 and 2019, the Corporation received and recognized grant revenues of $1,024,722 and $1,256,761, respectively.

Endowment Funds

During 2016, the Corporation received permanently restricted endowment funds from Southwest Florida Community Foundation to provide income for the maintenance of the Corporation. For the years ended December 31, 2020 and 2019, the Corporation recognized $0 and $0, respectively, of permanently restricted revenue, which is included in grant revenue on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, $21,545 and $19,697, respectively, of endowments funds are included in other assets on the accompanying consolidated statements of financial position.

Advertising Costs

The Corporation’s policy is to expense advertising costs when incurred.

Compensated Absences

Employees of the Corporation are entitled to paid vacation and paid sick days. The Corporation's policy is to accrue the costs of compensated absences in the period that the employee becomes entitled to the compensated absences. As of December 31, 2020 and 2019, accrued absences totaled $158,112 and $124,258, respectively, and are included in accrued expenses on the accompanying consolidated statements of financial position.

Income Taxes

The Corporation has applied for and received a determination letter from the Internal Revenue Service (IRS) to be treated as a tax exempt entity 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, 2020 and 2019. Due to its tax exempt status, the Corporation is not subject to income taxes. The Corporation is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Corporation has no other tax positions which must be considered for disclosure. Generally, income tax returns filed by the Corporation are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2017 remain open.

Functional Allocation of Expenses

The Corporation's sole program is to provide housing for low-income tenants and those costs have been summarized on a functional basis in the table below. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Corporation.

		2020		2019
Program services		$ 16,230,102		$ 14,894,860
Supporting services				
Management and general				
Travel	$ 22,014		$ 47,419	
Office expenses	65,935		77,666	
Telephone/answering services	42,242		39,401	
Computer supplies and expense	129,138		115,934	
Management fee	1,042,608		974,020	
Auditing and accounting expense	470,156		481,936	
Professional fees	20,131		790,228	
Miscellaneous administrative expense	212,355		253,608	
Miscellaneous financial expenses	40,653		39,693	
		2,045,232		2,819,905
		$ 18,275,334		$ 17,714,765

Tax Credit Exchange Funds

Tax credit exchange funds are accounted for as a government grant related to assets. Upon receipt, exchange funds are recorded as deferred liabilities and recognized as income over the life of the related assets.

Forgiveness of Tax Credit Exchange Loans

The Corporation recognizes forgiveness of tax credit exchange loans based on the specific terms of forgiveness set forth in the loan documents. The terms of the Corporation's tax credit exchange loan provide for forgiveness based on terms that are contingent and are not recognized until such contingencies are resolved. All amounts of the loan for which forgiveness is recognized are considered tax credit exchange funds and accounted for as a government grant related to assets.

Capitalization of Interest

In accordance with GAAP, interest incurred during the project development period is capitalized as part of the cost of development. For the years ended December 31, 2020 and 2019, the Corporation capitalized interest costs of $4,843 and $0, respectively.

Fair Value of Financial Instruments

The Corporation's financial instruments consist of cash, amounts due from affiliates, short-term accounts payable, accrued expenses and debt. The carrying value of these financial instruments approximates fair value due to the short-term nature of these items.

Risk Management

The Corporation is exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; material disasters; and product liability. The Corporation carries commercial insurance for risks of loss.

Use of Estimates

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the previously reported net assets (deficit) or change in net assets (deficit) of the Corporation.

NOTE 3 - RESTRICTED DEPOSITS AND FUNDED RESERVES

Tenants Security Deposits

Tenant security deposits consisted of the following as of December 31, 2020 and 2019:

	ECA	BCHC	LMHC	EHT	FNPS	PWCSH	FKLT	Total
Balance, December 31, 2018	$ 357,348	$ 72,150	$ 55,400	$ 183,606	$ 22,000	$ 6,929	$ -	$ 697,433
Deposits	65,819	20,675	40,700	93,560	4,765	465	-	225,984
Withdrawals	(52,729)	(16,275)	(45,300)	(25,664)	(4,765)	(456)	-	(145,189)
Balance, December 31, 2019	370,438	76,550	50,800	251,502	22,000	6,938	-	778,228
Deposits	74,255	16,265	34,239	37,208	1,600	915	4,161	168,643
Withdrawals	(64,878)	(17,575)	(37,739)	(38,044)	(1,200)	(1,224)	-	(160,660)
Balance, December 31, 2020	$ 379,815	$ 75,240	$ 47,300	$ 250,666	$ 22,400	$ 6,629	$ 4,161	$ 786,211

Mortgage Escrows

Various affiliates are required under loan and grant agreements to deposit funds for the payment of real estate taxes and property insurance into mortgage escrow accounts. As of December 31, 2020 and 2019, the mortgage escrows consisted of the following:

	ECA	BCHC	LMHC	EHT	FNPS	PWCSH	Total
Balance, December 31, 2018	$ 486,361	$ 90,099	$ 40,056	$ 105,266	$ 48,663	$ 10,700	$ 781,145
Deposits	944,086	171,423	74,246	455,627	30,447	18,528	1,694,357
Interest earnings	588	-	41	682	-	-	1,311
Withdrawals	(922,002)	(169,968)	(73,296)	(338,255)	(31,579)	(16,800)	(1,551,900)
Balance, December 31, 2019	509,033	91,554	41,047	223,320	47,531	12,428	924,913
Deposits	1,013,569	179,671	78,634	481,201	32,347	24,857	1,810,279
Interest earnings	316	-	23	553	-	-	892
Withdrawals	(986,762)	(168,378)	(74,196)	(479,412)	(29,736)	(23,712)	(1,762,196)
Balance, December 31, 2020	$ 536,156	$ 102,847	$ 45,508	$ 225,662	$ 50,142	$ 13,573	$ 973,888

Replacement Reserves - USDA Projects

In accordance with the Loan and Grant Resolutions issued by USDA Rural Development, the Corporation is required to maintain a replacement reserve as described in 7 CFR 3560.306.

The funding schedule is listed below:

	Monthly	Annual	Fully Funded
ECA			
Phase I (305 units)	$ 18,229	$ 218,748	$ 1,975,140
Phase II (143 units)	18,105	217,260	2,172,600
Phase IV (18 units)	2,500	30,000	300,000
ERRH	1,250	15,000	150,000
EMH	2,500	30,000	300,000
OSC	5,798	69,576	695,727
PC (Phase I)	-	26,200	524,000
PC (Phase II)	-	15,948	319,960
ESH	-	800	-
BCHC			
MSV	2,084	25,008	250,000
EGALP	2,975	35,700	357,000
EGII	-	25,900	259,000
LMHC			
Phase I	2,085	25,020	250,000
Phase I supplemental	290	3,480	35,000
Phase III	1,125	13,500	137,000
RNI			
FNPS	4,167	50,004	-

The replacement reserve accounts are supervised by the applicable area's Rural Development Office of the USDA (the Agency). Use of these funds is restricted to approved capital expenditures as outlined in USDA Handbook 2-3560, Section 4.13. An endorsement from an Agency representative is required for the withdrawal of funds. Funds are held in interest bearing accounts at local financial institutions.

CCC Replacement Reserve

In accordance with the loan agreement with the FHFC, CCC established a replacement reserve, which is used to fund capital repairs, replacements and improvements to the project as the need arises. CCC makes monthly deposits based on an annual amount of $325 per unit. Release of funds from the replacement reserve requires the approval of the FHFC. Funds are held in an interest bearing account at the CenterState Bank of Florida (CenterState).

LOVI-LTD Replacement Reserve

LOVI-LTD is required to fund a replacement reserve of $200 per unit per year. The replacement reserve amount will be adjusted annually by the consumer price index (CPI), beginning January 1, 2010. Withdrawals from the replacement reserve require the approval of the administrative limited partner of LOVI-LTD.

LOVII-LTD Replacement Reserve

Upon commencement of the permanent financing phase, as defined, LOVII-LTD is required to fund a replacement reserve of $250 per unit per year. The replacement reserve amount is required to be adjusted on January 1, 2013 and January 1 of each fifth year thereafter by the greater of the CPI or the amount required by the permanent lender. Withdrawals from the replacement reserve require the approval of the administrative limited partner of LOVII-LTD.

ESH Replacement Reserve

In accordance with the loan agreement with the FHFC, ESH established a replacement reserve, which is used to fund capital repairs, replacements and improvements to the project as the need arises. Withdrawals of funds from the replacement reserve require the approval of the FHFC. In October 2009, the ESH was required to begin making deposits based on an annual amount of $200 per unit. The replacement reserve was established and a deposit of $800 was made on January 13, 2010. Funds are held in an account at a local financial institution.

OGA-LTD Replacement Reserve

OGA-LTD is required to make monthly deposits to a reserve for replacements account for use in funding maintenance and replacement costs.

CCA-LTD Replacement Reserve

CCA-LTD is required to make monthly deposits to a reserve for replacements account for use in funding maintenance and replacement costs.

As of December 31, 2020 and 2019, the replacement reserves consisted of the following:

	ECA	BCHC	LMHC	EHT	FNPS	PWCSH	Total
Balance, December 31, 2018	$ 2,102,982	$ 541,474	$ 422,491	$ 371,685	$ 298,678	$ 5,789	$ 3,743,099
Deposits	735,009	101,466	58,620	327,434	50,040	13,894	1,286,463
Interest earnings	2,212	1,190	782	2,168	-	-	6,352
Withdrawals	(675,309)	(124,539)	(126,199)	-	(20,150)	-	(946,197)
Balance, December 31, 2019	2,164,894	519,591	355,694	701,287	328,568	19,683	4,089,717
Deposits	700,056	86,616	58,620	99,368	51,034	13,894	1,009,588
Interest earnings	1,119	685	376	1,658	-	-	3,838
Withdrawals	(469,669)	(75,795)	(88,203)	(44,431)	(57,970)	-	(736,068)
Balance, December 31, 2020	$ 2,396,400	$ 531,097	$ 326,487	$ 757,882	$ 321,632	$ 33,577	$ 4,367,075

Debt Service Reserve

The Corporation established debt service reserves to pay principal and interest on loans as required under the loan agreements with the USDA and the FHFC.

As of December 31, 2020 and 2019, the debt service reserves consisted of the following:

	ECA	BCHC	LMHC	Total
Balance, December 31, 2018	$ 593,095	$ 643,105	$ 30,469	$ 1,266,669
Deposits	723,901	413,556	232,304	1,369,761
Interest earnings	1,705	928	135	2,768
Withdrawals	(682,031)	(323,559)	(232,299)	(1,237,889)
Balance, December 31, 2019	636,670	734,030	30,609	1,401,309
Deposits	723,852	413,556	232,284	1,369,692
Interest earnings	874	854	77	1,805
Withdrawals	(1,342,021)	(323,557)	(232,289)	(1,897,867)
Balance, December 31, 2020	$ 19,375	$ 824,883	$ 30,681	$ 874,939

Operating Reserves

OSC was required to establish and maintain an initial operating reserve of no less than $25,000. The funds are held in an interest bearing account at CenterState.

CCA-LTD, OGA-LTD, and OM maintain operating reserves. The funds are held in interest bearing accounts at local financial institutions.

FNPS maintains an operating reserve. The funds are held in interest bearing accounts at a local financial institution.

As of December 31, 2020 and 2019, the operating reserve consisted of the following:

	ECA	EHT	FNPS	Total
Balance, December 31, 2018	$ 27,348	$ 964,488	$ 66,019	$ 1,057,855
Interest earnings	33	2,314	30	2,377
Withdrawals	-	(39,847)	-	(39,847)
Balance, December 31, 2019	27,381	926,955	66,049	1,020,385
Deposits	-	-	-	-
Interest earnings	18	1,416	18	1,452
Withdrawals	-	-	-	-
Balance, December 31, 2020	$ 27,399	$ 928,371	$ 66,067	$ 1,021,837

Other Reserves

OM has established a reserve held by First Housing, in the original amount of $57,456, which shall be used to replace fixtures, equipment, structural elements, and other components of the Project as the need arises. As of December 31, 2020 and 2019, the balance of the reserve was $58,735 and $57,456, respectively, and is included in other reserves on the accompanying statements of financial position.

PCSH was required, pursuant to the regulatory agreement, to establish a reserve for the deposit of the minimum capital investment of $10,000. As of December 31, 2020 and 2019, the balance of the reserve account was $15,258 and $10,476, respectively, and is included in other reserves on the accompanying statements of financial position.

HP maintains a reserve. As of December 31, 2020 and 2019, the balance of the reserve account was $41,450 and $35,100, respectively, and is included in other reserves on the accompanying statements of financial position.

MVD maintains a reserve. As of December 31, 2020 and 2019, the balance of the reserve account was $14,792 and $172,000, respectively, and is included in other reserves on the accompanying statements of financial position.

NOTE 4 - RELATED PARTY TRANSACTIONS

Property Management Fee

EHG is the management company that oversees a majority of the operations of the Corporation (see also Note 9). Generally, EHG receives a fee per occupied unit per month, from tenant rents for their role as property manager, which is based on the approved USDA per occupied unit per month amount for Florida properties. For the years ended December 31, 2020 and 2019, the monthly per occupied unit fee was generally $60.00 and $58.00, respectively. Property management fees earned by EHG during the years ended December 31, 2020 and 2019 were $849,352 and $788,440, respectively, which have been eliminated on the accompanying consolidated statements of activities.

EHG also serves as the primary employer of the staff of the Corporation and pays all monthly operating expenses for the Corporation on a cost reimbursement basis. Reimbursable expenses that remain payable to EHG as of December 31, 2020 and 2019 have been eliminated on the accompanying consolidated statements of financial position.

Development Fees

Live Oak Villas II, Ltd.

LOVII-LTD entered into a co-development agreement with Pinnacle Housing Group, LLC (PHG), a related party until 2009, and RNI. The development fee incurred and payable under this agreement is apportioned four-fifths to PHG and one-fifth to RNI.

The agreement provides for a developer fee of $1,731,614 for services in connection with the development of the project and supervision of construction. The developer fee is payable out of development proceeds and cash flows from operations, as defined. The fee has been capitalized into the cost of the building. Per section 3.1 of the partnership agreement, LOVII made a capital contribution of $108,829 (pursuant to specific terms of the development agreement) in an amount sufficient to pay-off the unpaid balance of the deferred development fee. As of December 31, 2020 and 2019, the deferred developer fee owed by LOVII-LTD was paid in full. As of December 31, 2020 and 2019, RNI owed PHG $0 and $87,063, respectively. The portion payable to PHG is included in developer fee payable on the accompanying consolidated statements of financial position.

Oaks at Shannon's Crossing, LP

OSC entered into a development agreement with RLI Beneficial Development 5, LLC (RLI Beneficial) and ECA. ECA later assigned the agreement to RNI. All development fees incurred and payable under this agreement are apportioned two-thirds to RLI Beneficial and one-third to RNI. The agreement provides for a development fee of $1,798,040 for services in connection with the development of the project and supervision of construction. The total fee has been capitalized into the cost of the building. Per section 3.1 of the partnership agreement, SLC made a capital contribution (pursuant to specific terms of the development agreement) in an amount sufficient to pay-off the unpaid balance of the deferred development fee and accrued interest. As of December 31, 2020 and 2019, the deferred developer fee owed by OSC was paid in full. As of December 31, 2020 and 2019, RNI owed RLI Beneficial $703,532 and $703,532, respectively. The portion payable to RLI Beneficial is included in developer fee payable on the accompanying consolidated statements of financial position.

Under the terms of the partnership agreement, the deferred development fee shall bear interest from the month of construction completion until the date of payment at the long-term Applicable Federal Rate (AFR), or 4.27 percent. The deferred development fee is payable from available cash flows, as defined, but no later than January 1, 2020. As of December 31, 2020 and 2019, accrued and unpaid interest on the deferred development fee due from OSC to RNI was paid in full. As of December 31, 2020 and 2019, accrued and unpaid interest on the deferred development fee due from OSC to RLI Beneficial was paid in full. As of December 31, 2020 and 2019, RNI owed RLI Beneficial $423,378 and $423,378, respectively and is included in development fees payable on the accompanying consolidated statements of financial position.

Everglades Supportive Housing, LLC

ESH entered into a development agreement with JR Beneficial Development, LLC (JR Beneficial), an unrelated party, and RNI. All development fees incurred and payable under this agreement are apportioned two-thirds to JR Beneficial and one-third to RNI. The agreement provides for a development fee of $143,688, which has been capitalized into the cost of the building. As of December 31, 2020 and 2019, $52,228 and $52,228, respectively, remained payable, of which $34,189 and $34,189, respectively, was payable to JR Beneficial and is included in developer fee payable on the accompanying consolidated statements of financial position. The portion payable to RNI has been has been eliminated on the accompanying consolidated statements of financial position.

Eden Gardens Apartments Project

The Corporation entered into development agreements with JR Beneficial Development, LLC (JR Beneficial) and RNI. All development fees incurred and payable under these agreements are apportioned two-thirds to JR Beneficial and one-third to RNI.

The agreements provide for a development fee of $2,055,786 for services in connection with the development of the various phases of the EGA project and supervision of construction. As of December 31, 2020 and 2019, the full development fee, had been incurred and capitalized into the cost of the three phases. As of December 31, 2020 and 2019, $616,807 and $616,807, respectively, remained payable. The portion payable to RNI has been eliminated on the accompanying consolidated statements of financial position. The portion payable to JR Beneficial is included in developer fee payable on the accompanying consolidated statements of financial position.

Casa Juarez, LLC

CJ entered into a development agreement with RNI. The agreement provides for a developer fee of $908,048 or such other amount as limited by Florida Housing Finance Corporation for services rendered in connection with the development of the project and supervision of construction. The developer fee is payable out of development proceeds and cash flows from operations, as defined. As of December 31, 2020 and 2019, $455,748 and $0, respectively, of the developer fee was incurred and capitalized into construction in progress. As of December 31, 2020 and 2019, $356,103 and $0, respectively, remained payable. The portion payable to RNI has been eliminated on the accompanying consolidated statements of financial position.

Deer Creek Senior Housing, LLLP

DCSH entered into a development agreement with RNI and Neighborhood Housing and Development Corporation (NHDC). The agreement provides for a developer fee of $2,106,765, or such other amount as limited by the credit agency and approved by the investor member for services rendered in connection with the development of the project and supervision of construction. The developer fee is payable out of development proceeds and cash flows from operations, as defined. All development fees incurred and payable under the agreement are apportioned fifty percent to RNI and fifty percent to NHDC. As of December 31, 2020 and 2019, $526,691 and $0, respectively, of the developer fee was incurred and capitalized into construction in progress. As of December 31, 2020 and 2019, $26,597 and $0, respectively, remained payable to RNI and $135,565 and $0, respectively, remained payable to NHDC. For the years ended December 31, 2020 and 2019, RNI earned $263,346 and $0, respectively, of the developer fee. The portion payable to RNI has been eliminated on the accompanying consolidated statements of financial position. The portion payable to NHDC is included in developer fee payable on the accompanying consolidated statements of financial position.

Cannery Row at Redlands Crossing, LLLP

Cannery Row at Redlands Crossing, LLLP entered into a development agreement with RNI and Pinnacle Communities, LLC (PC). The agreement provides for a developer fee of $3,305,593 or such other amount as limited by the credit agency and approved by the investor member for services rendered in connection with the development of the project and supervision of construction. The developer fee is payable out of development proceeds and cash flows from operations, as defined. All development fees incurred and payable under the agreement are apportioned 68.75 percent to RNI and 31.25 percent to PC. The agreement specifies PC shall fund all predevelopment costs necessary in order to bring the project to construction loan closing and equity syndication limited partnership closing. For the years ended December 31, 2020 and 2019, RNI earned developer fees of $522,734 and $0, respectively. As of December 31, 2020 and 2019, $41,484 and $0, respectively, remained receivable to RNI.

The portion of development fees earned by RNI and the related balances, have been eliminated on the accompanying consolidated financial statements.

Other Related Party Fees

Asset Management Fees

Pursuant to the partnership agreements, LOVI-LTD and LOVII-LTD are required to pay their respective administrative limited partners an annual asset management fee for their services in reviewing the informational reports, financial statements and tax returns of the partnerships. The fees are payable to the extent of available cash flow, as defined. Unpaid fees accrue without interest. During each of the years ended December 31, 2020 and 2019, asset management fees of $7,155 and $11,008, respectively, were incurred by LOVI-LTD and are included in project administration expenses on the accompanying consolidated statements of activities, and $0 and $0, remained payable as of December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, asset management fees of $3,559 and $3,478, respectively, were incurred by LOVII-LTD and are included in project administration expenses on the accompanying consolidated statements of activities, and $0 and $0 remained payable as of December 31, 2020 and 2019.

Pursuant to the partnership agreement, commencing in 2009, EGALP is required to pay its investor limited partner an annual asset management fee of $3,315 for property management oversight, tax credit compliance monitoring and related services. The fee is payable to the extent of available cash flow, as defined. The fee shall increase 3 percent annually and unpaid fees accrue without interest. For the years ended December 31, 2020 and 2019, asset management fees of $4,589 and $4,455, respectively, were incurred and paid, which is included in project administration expenses on the accompanying consolidated statements of activities.

Investor Services Management Fee

Pursuant to the partnership agreement, OSC is required to pay the investment limited partner an annual, cumulative fee of $5,000 per year, commencing with the year beginning January 1, 2008. The investor services fee shall be payable annually by OSC out of cash flow, as defined. The fee shall increase 3 percent annually, commencing January 1, 2009. For the years ended December 31, 2020 and 2019, investor services management fees of $7,129 and $6,922, respectively, were incurred. As of December 31, 2020 and 2019, investor services fees of $7,129 and $6,922 remained payable, respectively.

Nonprofit Asset Management Fee

In accordance with the USDA Handbook HB-2-3560, EFV submitted budgets to the USDA Rural Development, which included a nonprofit asset management fee of $7,500 for 2020 and 2019. These budgets were approved by the USDA. During the years ended December 31, 2020, and 2019, EFV incurred and paid nonprofit asset management fees of $7,500 and $7,500, respectively. These fees and related payable balances have been eliminated on the accompanying consolidated statements of activities and consolidated statements of financial position, respectively.

In accordance with the USDA Handbook HB-2-3560, EMH submitted 2020 and 2019 budgets to the USDA Rural Development, which included a nonprofit asset management fee of $7,500 and $7,500, respectively. The budgets were approved by the USDA. During the years ended December 31, 2020 and 2019, EMH incurred $7,500 and $7,500, respectively, in nonprofit asset management fees to ECA, of which $0 and $0, respectively, remained payable as of December 31, 2020 and 2019. These fees and related payable balances have been eliminated on the accompanying consolidated statements of activities and consolidated statements of financial position, respectively.

In accordance with the USDA Handbook HB-2-3560, ERRH submitted 2020 and 2019 budgets to the USDA Rural Development, which included a nonprofit asset management fee of $7,500 and $7,500, respectively. The budgets were approved by the USDA. During the years ended December 31, 2020, and 2019, ERRH incurred $7,500 and $4,000, respectively, in nonprofit asset management fees to ECA, of which $0 and $0, respectively, remained payable as of December 31, 2020 and 2019. These fees and related payable balances have been eliminated on the accompanying consolidated statements of activities and consolidated statements of financial position, respectively.

In accordance with the USDA Handbook HB-2-3560, PC Phase I submitted budgets to the USDA Rural Development, which included a nonprofit asset management fee of $7,500 for 2020 and $7,500 for 2019. These budgets were approved by the USDA. During the years ended December 31, 2020, and 2019, PC incurred $0 and $7,500, respectively, in nonprofit asset management fees to ECA, of which $0 and $0, respectively, remained payable as of December 31, 2020 and 2019. These fees and related payable balances have been eliminated on the accompanying consolidated statements of activities and consolidated statements of financial position, respectively.

In accordance with the USDA Handbook HB-2-3560, PC Phase II submitted budgets to the USDA Rural Development, which included a nonprofit asset management fee of $7,500 for 2020 and $7,500 for 2019. These budgets were approved by the USDA. During the years ended December 31, 2020, and 2019, PC incurred $7,500 and $0, respectively, in nonprofit asset management fees to ECA, of which $0 and $0, respectively, remained payable as of December 31, 2020 and 2019. These fees and related payable balances have been eliminated on the accompanying consolidated statements of activities and consolidated statements of financial position, respectively.

In accordance with the Handbook HB-2-3560, MSV submitted budgets to the USDA Rural Development, which included a nonprofit asset management fee of $7,500 for 2020 and $7,500 for 2019. These budgets were approved by the USDA. During the years ended December 31, 2020, and 2019, MSV incurred $7,500 and $7,500, respectively, in nonprofit asset management fees to BCHC, of which $7,500 and $0, respectively, remained payable as of December 31, 2020 and 2019. These fees and related payable balances have been eliminated on the accompanying consolidated statements of activities and consolidated statements of financial position, respectively.

In accordance with the Handbook HB-2-3560, EGII submitted budgets to the USDA Rural Development, which included a nonprofit asset management fee of $7,500 for 2020 and $7,500 for 2019. These budgets were approved by the USDA. During the years ended December 31, 2020, and 2019, EGII incurred $0 and $7,500, respectively, in nonprofit asset management fees to BCHC, of which $0 and $0, respectively, remained payable as of December 31, 2020 and 2019. These fees and related payable balances have been eliminated on the accompanying consolidated statements of activities and consolidated statements of financial position, respectively.

Incentive Partnership Management Fee

For management services related to CCA-LTD, CC is to be paid an annual non-cumulative incentive partnership management fee. The fee is payable to the extent of available cash flow. During the years ended December 31, 2020 and 2019, CC earned $168,986 and $156,216, respectively, in incentive partnership management fees which has been eliminated between CCA-LTD and CC and is not included on the accompanying consolidated statements of activities.

For management services related to OGA-LTD, OA is to be paid an annual non-cumulative incentive partnership management fee. The fee is payable to the extent of available cash flow. During the years ended December 31, 2020 and 2019, OA earned $242,976 and $235,569, respectively, in incentive partnership management fees which has been eliminated between OGA-LTD and OA and is not included on the accompanying consolidated statements of activities.

EHG charges OA, CC, LOVI, ECA, and FNPS a supervisory accounting fee for accounting, management and supervisory services provided. For the years ended December 31, 2020 and 2019, supervisory accounting fees of $146,600 and $165,000, respectively, were earned by EHG, which have been eliminated on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, supervisory accounting fees of $24,000 and $24,000, respectively, were due to EHG from LOVI, which have been eliminated on the accompanying consolidating statements of financial position. No formal executed agreement exists in regards to the supervisory accounting fee. EHG assesses the fee annually based upon an estimate of services performed and costs incurred related to accounting, management and supervisory services provided directly to OA, CC, LOVI, ECA, and FNPS.

RNI charges OA and CC asset management fees for management and supervisory services provided related to OGA-LTD and CCA-LTD. For the years ended December 31, 2020 and 2019, asset management fees of $120,000 and $120,000 were earned by RNI, which have been eliminated on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, supervisory accounting fees of $0 and $1,280, respectively, were due to RNI from OA and CC, which have been eliminated on the accompanying consolidated statements of financial position. RNI assesses the fee annually based upon an estimate of services performed and costs incurred related to management and supervisory services provided directly to OA and CC.

RNI charges LOVI asset management fees for management and supervisory services provided related to LOVI-LTD. For the years ended December 31, 2020 and 2019, asset management fees of $20,000 and $20,000 were earned by RNI, which have been eliminated on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, asset management fees of $20,000 and $0, respectively, were due to RNI from LOVI, which have been eliminated on the accompanying consolidated statements of financial position.

RNI charges ECA asset management fees for management and supervisory services provided related to ECA. For the years ended December 31, 2020 and 2019, asset management fees of $17,500 and $42,000, respectively, were earned and paid to RNI, which have been eliminated on the accompanying consolidated statements of activities. RNI assesses the fee annually based upon an estimate of services performed and costs incurred related to management and supervisory services provided directly to ECA.

RNI has balances due from affiliates for the payment of various administrative expenses. The balances between RNI and its affiliates have been eliminated in the accompanying consolidated financial statements and consist of the following:

Due to Affiliates

DCSH received development advances from Neighborhood Housing and Development Corporation, the co-general partner, to pay for the costs of construction. As of December 31, 2020 and 2019, the balance was $0 and $203,547, respectively.

Notes Receivable - Affiliates

Notes receivable from affiliates includes obligations payable to RNI under various note and loan agreements. The balances between RNI and its affiliates have been eliminated on the accompanying consolidated financial statements and consist of the following:

On June 1, 2008, RNI entered into a promissory note with ECA for $412,374 to fund the operating costs of CCC. The note is non-interest bearing and is due on demand. As of December 31, 2020 and 2019, the note balance was $350,000 and $375,000, respectively.

On June 8, 2006, RNI entered into a $500,000 promissory note with OSC. The proceeds were received by RNI through the Affordable Housing Program of the Federal Home Loan Bank of Pittsburgh. The note is non-interest bearing and payable in full at maturity on May 1, 2039. As of December 31, 2020 and 2019, the note balance was $500,000 and $500,000, respectively.

On November 3, 2004, LOVI-LTD entered into a promissory note with ECA in an amount not to exceed $75,000. Subsequently, the Board of Directors transferred the note to RNI through an assignment. The note is non-interest bearing and payable in full at maturity on November 3, 2034. As of December 31, 2020 and 2019, the note balance was $75,000 and $75,000, respectively.

On November 19, 2004, LOV1-LTD entered into a promissory note with ECA in an amount not to exceed $1,500,000. Subsequently, the Board of Directors transferred the note to RNI through an assignment. The note is non-interest bearing and payable in full at maturity on November 19, 2034. As of December 31, 2020 and 2019, the note balance was $1,500,000 and $1,500,000, respectively.

On August 30, 2006, RNI provided a loan of up to $400,000 for the construction of Phase I of EGALP. The proceeds were received by RNI through the U.S. Department of Housing and Urban Development. The loan bears interest at a rate of 1.00 percent per annum and matures August 30, 2046. RNI has been granted a security interest in the real property of the project. For each of the years ended December 31, 2020 and 2019, interest incurred and paid was $2,713. As of December 31, 2020 and 2019, the balance of the loan was $271,306 and $271,306, respectively.

During 2015 and 2014, HP was allocated $275,000 of restricted NeighborWorks funds for RNI for use in expansion of the project. These restricted funds are to be used for the purposes specified in the grant agreement. The grant agreement contains various covenants and compliance requirements. As of December 31, 2020 and 2019, the balance was $550,000 and $550,000, respectively.

On December 31, 2015, HP entered into a note with RNI for an amount of $400,000. During the year ended December 31, 2016, HP entered into a new promissory note with

RNI for $300,000. As of December 31, 2020 and 2019, the balance was $145,000 and $175,000, respectively.

During 2015, EGALP entered into a promissory note with RNI in the amount of $529,300 to cover legal fees incurred by the Partnership. The note does not bear interest and is to be repaid upon exit of the General Partner. As of December 31, 2020 and 2019, the balance was $529,300 and $529,300, respectively.

During 2015, ESH entered into a promissory note with RNI in the amount of $112,998 to cover legal fees incurred by the Company. The note does not bear interest and requires no annual payments. As of December 31, 2020 and 2019, the balance was $95,000 and $95,000, respectively.
On February 28, 2017, RNI entered into a mortgage with FNPS in the amount of $117,000. The note bears interest at 5 percent per annum and matures on February 28, 2047. As of December 31, 2020 and 2019, the note balance was $110,059 and $112,039, respectively.

On February 28, 2017, RNI entered into a mortgage with FNPS in the amount of $117,000. The note bears interest at 5 percent per annum and matures on March 10, 2047. As of December 31, 2020 and 2019, the note balance was $82,906 and $84,389, respectively.

During the year ended December 31, 2019, EHT entered into a note with RNI. The note is non-interest bearing and has no fixed repayment date. As of December 31, 2020 and 2019, the balance was $1,500,000 and $875,000, respectively.

During the year ended December 31, 2019, DCSH entered into a note with RNI. The note is non-interest bearing and has no fixed repayment date. As of December 31, 2020 and 2019, the balance was $350,000 and $150,000, respectively.

During the year ended December 31, 2020, EHG entered into a note with RNI. The note is non-interest bearing and has no fixed repayment date. As of December 31, 2020 and 2019, the balance was $300,000 and $0, respectively.

Notes Receivable from Affiliates also includes the following Obligations Payable to ECA:

On August 30, 2006, ECA entered into a promissory note with EGALP for $400,000 for the construction of a low-income housing project. The proceeds were received by ECA through the Affordable Housing Program of the Federal Home Loan Bank of Atlanta. The note bears interest at a rate of 1.0 percent per annum and matures August 30, 2046. As of December 31, 2020 and 2019, the balance of the note outstanding was $400,000 and $400,000, respectively. The balances have been eliminated in the accompanying consolidating statements of financial position. For the years ended December 31, 2020 and 2019, interest of $4,000 and $4,000, respectively, was incurred. The balances have been eliminated in the accompanying consolidated statements of activities.

On March 10, 2008, ECA entered into a promissory note with EGII for $400,000 for the construction of a low-income housing project. The proceeds were received by ECA through the Affordable Housing Program of the Federal Home Loan Bank of Atlanta. The note is non-interest bearing and matures May 1, 2048, at which time the principal amount of the loan will be automatically forgiven if certain prescribed conditions are met. As of December 31, 2020 and 2019, the balance of the note was $400,000 and $400,000 respectively. The balances have been eliminated on the accompanying consolidated statements of financial position

NOTE 5 - MORTGAGES PAYABLE

Notes and Mortgages Payable under ECA are as follows:

On January 26, 1995, ECA entered into a loan agreement and a series of grants with the USDA for $20,211,190. The USDA loan of $6,389,219 and USDA grants of $13,821,971 were combined to provide construction funds for 239 of the rental units and the administrative complex for the EFV project. The loan is repayable in annual installments of $240,718 due on January 1 of each year. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2032. As of December 31, 2020 and 2019, the loan balance was $1,639,195 and $1,865,311, respectively. As of December 31, 2020 and 2019, interest of $674 and $256, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On March 20, 1996, ECA entered into a loan agreement and a series of grants with the USDA for $15,924,299. The loan of $1,450,000 and grants of $14,474,299 were combined to provide construction funds for 143 of the rental units along with a neighborhood retail center and a Miami-Dade County public park. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2034. Principal and interest are payable in annual installments of $54,630. As of December 31, 2020 and 2019, the loan balance was $352,580 and $404,083, respectively. As of December 31, 2020 and 2019, interest of $145 and $55, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

In August 2012, ECA entered into a loan agreement with the USDA for $1,500,000 to provide construction funds for the 18 units of EFV Phase IV. The loan bears interest at a rate of 1.00 percent per annum and matures August 10, 2045. The loan requires annual interest payments beginning January 1, 2013 through January 1, 2014. Principal and interest are due in annual installments of $56,514 beginning January 1, 2015, with any unpaid principal and interest due at maturity. As of December 31, 2020 and 2019, the loan balance was $1,172,639 and $1,213,013, respectively. As of December 31, 2020 and

2019, interest of $481 and $166, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On December 1, 2006, ECA entered into a $1,500,000 loan agreement with the USDA to provide construction funds for the 15 units of ERRH. On November 1, 2008, the loan agreement was amended to increase the loan to $1,614,309. The loan bears interest at a rate of 6.00 percent per annum with a 50-year amortization. The loan agreement requires monthly principal and interest payments of $8,553 until maturity on December 1, 2036. Under an interest credit agreement with the USDA, ECA receives a monthly interest credit of $5,027 towards the monthly principal and interest payment, resulting in a net monthly payment of $3,526 due from ECA. As of December 31, 2020 and 2019, the balance was $1,508,793 and $1,520,101, respectively, which includes unamortized debt issuance costs of $3,414 and $3,628, respectively. As of December 31, 2020 and 2019, interest of $2,533 and $2,591, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position. During the years ended December 31, 2020 and 2019, interest expense totaled $30,937 and $31,549, respectively, which includes amortization of debt issuance costs of $214 and $214, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities.

On December 15, 2004, ECA entered into a $1,250,000 loan agreement with FHFC to provide construction funds for the 28 units of CCC. The loan is non-interest bearing and requires annual payments of $41,667 into a debt service fund until maturity on December 30, 2020. ECA may extend the maturity date, at the sole discretion of the FHFC, in additional five-year increments based on continued occupancy by farm workers, not to exceed a total term of 30 years. ECA was granted a five-year extension by FHFC with a new maturity date of December 30, 2025. As of December 31, 2020 and 2019, the loan balance was $570,576 and $1,250,000, respectively.

On January 27, 2010, ECA entered into a $2,000,000 loan agreement with the USDA to provide construction funds for the 30 units of EMH. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2043. The loan agreement requires annual interest payments beginning January 1, 2011 through January 1, 2012. Principal and interest are payable in annual installments of $75,351 beginning January 1, 2013 with any unpaid principal and interest due at maturity. The loan is secured by the underlying rental property. As of December 31, 2020 and 2019, the balance was $1,475,227 and $1,535,175, respectively, which includes unamortized debt issuance costs of $5,459 and $5,707, respectively. As of December 31, 2020 and 2019, interest of $528 and $295, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position. During the years ended December 31, 2020 and 2019, interest expense totaled $15,636 and $16,236, respectively, which includes amortization of debt issuance costs of $248 and $248, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities.

On January 29, 2010, ECA entered into a $1,030,665 loan agreement with the FHFC to provide construction funds for the 30 units of EMH. The loan is non-interest bearing and matures January 29, 2030, at which time the principal amount of the loan will be automatically forgiven if certain prescribed conditions are met. The loan is secured by the underlying rental property. As of December 31, 2020 and 2019, the balance was $1,030,655 and $1,030,655, respectively.

On May 1, 2004, LOVI-LTD entered into a first mortgage agreement with Citibank Federal Savings Bank with the principal not to exceed $2,000,000. On April 30, 2006, the conversion date, a pay-down of $286,731 was made to reduce the principal amount of the loan to $2,000,000. During 2009, the note was transferred and is now held with Berkadia Commercial Mortgage (Berkadia). The loan bears interest at a rate of 7.15 percent per annum and is amortized over 30 years. Principal and interest are payable in monthly installments of $13,508 until maturity on May 1, 2021. As of December 31, 2020 and 2019, the balance was $1,508,521 and $1,560,716, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $109,592 and $128,227, respectively, which includes amortization of debt issuance costs of $0 and $15,023, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities.

On February 29, 2009, LOVII-LTD entered into a mortgage agreement with Berkadia for $2,095,000. The loan bears interest at a rate of 6.53 percent per annum and matures February 28, 2024. Monthly principal and interest payments of $13,283 are required until maturity, at which time any unpaid principal and accrued interest are payable in full. As of December 31, 2020 and 2019, the balance was $1,652,869 and $1,687,688, respectively, which includes unamortized debt issuance costs of $44,417 and $56,488, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $124,324 and $127,296, respectively, which includes amortization of debt issuance costs of $12,071 and $12,071, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities.

On November 25, 2009, PC entered into a $2,250,000 loan agreement with the USDA for the development of Phase I of the project. During the year ended December 31, 2012, PC applied for and was granted a loan reamortization from the USDA. Per the amended loan agreement, the loan bears interest at a rate of 1.00 percent per annum and matures November 25, 2043. Principal and interest are due in annual installments of $84,715 beginning January 1, 2014, with any unpaid principal and interest due at maturity. As of December 31, 2020 and 2019, the balance was $1,631,106 and $1,697,282, respectively, which includes unamortized debt issuance costs of $33,507 and $35,102, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $18,891 and $19,570, respectively, which includes amortization of debt issuance costs of $1,595 and $1,595, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, interest of $684 and $332, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On November 25, 2009, PC entered into a $1,500,000 loan agreement with the USDA for the development of Phase II of the project. During the year ended December 31, 2012, PC applied for and was granted a loan reamortization from the USDA. Per the amended loan agreement, the loan bears interest at a rate of 1.00 percent per annum and matures November 25, 2043. Principal and interest are due in annual installments of $57,066 beginning January 1, 2014, with any unpaid principal and interest due at maturity. As of December 31, 2020 and 2019, the balance was $1,103,491 and $1,147,509, respectively, which includes unamortized debt issuance costs of $17,825 and $19,522, respectively. For the years ended December 31, 2020 and 2019, interest expense totaled $13,348 and $13,808, respectively, which includes amortization of debt issuance costs of $1,697 and $1,697, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, interest of $461 and $160, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On December 17, 2009, PC entered into a $3,855,304 loan agreement with the FHFC for the development of Phase I of the project. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2042. Annual interest payments are payable out of development cash flows, as defined, with any unpaid principal and interest due at maturity. As of December 31, 2020 and 2019, the loan balance was $3,855,304 and $3,855,304, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $38,556 and $38,553, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, interest of $283,832 and $245,276, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On December 17, 2009, PC entered into a $1,140,282 loan agreement with the FHFC for the development of Phase II of the project. The loan is non-interest bearing and requires a single balloon payment at maturity on January 1, 2042. As of December 31, 2020 and 2019, the loan balance was $1,140,282 and $1,140,282, respectively.

On January 18, 2007, OSC entered into a $3,000,000 loan agreement with the USDA. The loan bears interest at a rate of 1.00 percent per annum and matures January 18, 2040. The loan requires annual payments of accrued interest beginning January 1, 2008 through January 1, 2009. Principal and interest are payable in annual installments of $113,027 beginning on January 1, 2010, with any unpaid principal and interest due at maturity. As of December 31, 2020 and 2019, the balance was $1,939,783 and $2,032,571, respectively, which includes unamortized debt issuance costs of $5,970 and $6,267, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $20,652 and $21,584, respectively, which includes amortization of debt issuance costs of $297 and $297, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities.

On December 28, 2007, ESH entered into a $300,000 loan agreement with the FHFC for the construction of the project. The loan is non-interest bearing and requires a single balloon payment at maturity on December 28, 2027. As of December 31, 2020 and 2019, the loan balance was $296,312 and $295,788, respectively, which includes unamortized debt issuance costs of $3,688 and $4,212, respectively. For the years ended December 31, 2020 and 2019, interest expense was $524 and $524, respectively, which is made up entirely of debt issuance costs.

Notes and Mortgages Payable under BCHC are as follows:

On May 3, 2002, BCHC entered into a $2,500,000 loan agreement with the USDA to provide funds for the construction of MSV. The loan bears interest at a rate of 1.00 percent per annum and matures May 3, 2035. Principal and interest are payable in annual installments of $94,189. USDA requires a monthly payment to a debt service reserve account of 1/12th of the annual principal and interest payment. As of December 31, 2020 and 2019, the balance was $1,223,335 and $1,304,585, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $12,995 and $13,758, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, interest of $771 and $715, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On October 3, 2007, EGALP entered into a $3,000,000 loan agreement with the USDA. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2040. Principal and interest are payable in annual installments of $113,027 beginning on January 1, 2010, with any unpaid principal and interest due at maturity. As of December 31, 2020 and 2019, the balance of the loan was $1,921,258 and $2,014,308, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $20,084 and $21,014, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, interest of $1,211 and $1,104, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On October 3, 2007, EGII entered into a $2,250,000 loan agreement with the USDA. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2040. Principal and interest are payable in annual installments of $84,770 beginning January 1, 2010 with any unpaid principal and interest due at maturity. As of December 31, 2020 and 2019, the balance was $1,412,459 and $1,480,564, respectively, which includes unamortized debt issuance costs of $31,641 and $33,415, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $16,889 and $17,586, respectively, which includes amortization of debt issuance costs of $1,774 and $1,774, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, interest of $514 and $290, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On May 3, 2002, MSV entered into a $3,280,000 loan agreement with the FHFC for the construction of the project. The funds were provided by the FHFC under the HOME Investment Partnerships Program (HOME). The loan is non-interest bearing and requires a single balloon payment due on May 3, 2035. As of December 31, 2020 and 2019, the balance of the loan was $3,280,000 and $3,280,000, respectively.

On October 31, 2007, EGII entered into a $3,500,000 loan agreement with the FHFC. The funds were provided by the FHFC under the SAIL Program for the construction of Phase III of the EGA project. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2040. The loan requires annual payments based on the actual cash flow of the phase, as defined. As of December 31, 2020 and 2019, the balance of the loan was $3,500,000 and $3,500,000, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $35,000 and $35,000, respectively. As of December 31, 2020 and 2019, interest of $328,673 and $299,979, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On July 1, 2007, EGALP entered into a SHIP loan agreement with Collier County, for $442,000 to fund the construction of the project. The loan is non-interest bearing and requires no payments for the first six years. Beginning December 31, 2014, annual principal payments of $31,571 are required through maturity on December 31, 2028. As of December 31, 2020 and 2019, the balance was $221,001 and $252,572, respectively.

On December 7, 2015 EGALP entered into a promissory note with City LIII Tax Credit Fund II, LLC (Investor limited partner) for $100,000. The note does not bear interest and matures on December 31, 2023. As of December 31, 2020 and 2019, the balance was $34,661 and $42,206, respectively.

During 2018, MSV received funds from Collier County in the amount of $496,369. The funds have been designated as a deferred forgivable loan to rehabilitate the units in MSV for the benefit of low-income households and is governed by the land use restriction agreement (LURA), which remains in effect for fifteen years and commenced upon execution of the agreement. The loan bears no interest and is forgiven in year fifteen as long as the requirements of the LURA are met, as defined. As of December 31, 2020 and 2019, the balance was $496,369 and $496,369, respectively.

Notes and Mortgages Payable under LMHC are as follows:

On September 22, 2000, LMHC entered into a series of loans and grants with the USDA to construct MV. USDA loans of $3,255,480 and USDA grants of $1,919,520 were combined with a $342,000 grant from the FHLBA to provide construction funds for the Family Units. The loans bear interest at a rate of 1.00 percent per annum and matures November 1, 2036. The loans are repayable in annual installments of $122,652 due on November 1 of each year. As of December 31, 2020 and 2019, the balance of the loans was $1,699,095 and $1,803,467, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $17,849 and $18,872, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, interest of $3,026 and $3,458, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On November 13, 2009, LMHC entered into a $2,910,000 loan agreement with the USDA for the construction of MV4. The loan bears interest at a rate of 1.00 percent per annum and matures January 1, 2042. The loan requires annual interest payments beginning on January 1, 2010. Principal and interest will be payable in annual installments of $109,712 beginning on January 1, 2012, with any unpaid principal and interest due at maturity. As of December 31, 2020 and 2019, the balance was $2,012,048 and $2,097,841, respectively, which includes unamortized debt issuance costs of $52,056 and $54,435, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $23,811 and $24,586, respectively, which includes amortization of debt issuance costs of $2,377 and $2,377, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, interest of $2,093 and $2,123, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

Loans of $580,000 were obtained from the Hillsborough County Community Improvement District (HCCID) to purchase three parcels of land and to pay the water and waste-water fees for the site of MV and MV4. The loans consist of $300,000 obtained on February 21, 2001, $80,000 obtained on October 9, 2001, and $200,000 obtained on February 9, 2004. The loans are non-interest bearing for the first 5 years, 1.00 percent interest for years 6 through 10, 1.25 percent interest for years 11 through 20, 1.50 percent interest for years 21 through 30, and 2.00 percent for years 31 through 40. The $300,000 and $80,000 loans require annual interest payments based on the available cash flow of MV and MV4, respectively, as defined. Any unpaid interest accrues interest at the AFR. The $200,000 accrues interest annually on the principal balance which is payable upon disposal of the MV project. The loans mature upon disposition of property. As of December 31, 2020 and 2019, the balance of the loans were $579,895 and $579,895, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $7,329 and $2,500, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, interest of $9,755 and $8,755, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On November 30, 2009, MV4 entered into a $1,250,000 loan agreement with the FHFC under the SAIL Program for the construction of the project. The loan bears interest at a fixed rate of 1.00 percent per annum and matures November 30, 2042. The loan requires annual interest payments based on the available cash flow of MV4, as defined. As of December 31, 2020 and 2019, the balance of the loan was $1,250,000 and $1,250,000, respectively. For the years ended December 31, 2020 and 2019, interest expenses totaled $12,500 and $12,500, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, interest of $109,089 and $110,611, respectively, remained payable and is included in accrued interest payable on the accompanying consolidated statements of financial position.

<u>Notes and Mortgages Payable under EHT are as follows:</u>

On January 15, 2016, OM entered into a mortgage note with Community Housing Capital, Inc. in the original amount of $1,500,000. The loan required monthly interest payments based upon a fixed rate of 5.85 percent until conversion to permanent status. During 2018, the CHC loan converted to the permanent first mortgage loan. The permanent first mortgage is a fifteen year permanent loan amortized over thirty years requiring monthly principal and interest payments of $9,392 based upon an interest rate of 6.41 percent. After the fifteen year period, all outstanding principal and interest are due upon maturity. As of December 31, 2020 and 2019, the outstanding principal balance was $1,449,898 and $1,467,296, respectively, net of unamortized debt issuance costs of $11,723 and $12,700, respectively. Interest expense for the years ended December 31, 2020 and 2019 was $95,213 and $96,357, respectively, which includes amortization of debt issuance costs of $977 and $977, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, accrued interest was $7,807 and $7,906, respectively, and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On October 25, 2016, OM entered into a $2,215,000 loan agreement with the FHFC under the SAIL Program for the construction of the project. The loan bears interest at a fixed rate of 1.00 percent per annum and matures October 25, 2046. The loan requires annual interest payments based on the available cash flow of OM, as defined. As of December 31, 2020 and 2019, the balance of the loan was $2,144,356 and $2,137,831, respectively, which includes unamortized debt issuance costs of $70,644 and $77,169, respectively. As of December 31, 2020 and 2019, interest expense totaled $28,675 and $28,675, respectively, which includes amortization of debt issuance costs of $6,525 and

$6,525, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, accrued interest was $47,636 and $25,486, respectively, and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On October 25, 2016, OM assumed a $526,648 loan from with the FHFC under the SAIL Program from Timber Ridge of Immokalee, LP in the original amount of $526,648. The loan bears interest at a fixed rate of 1.00 percent per annum and matures October 25, 2046. The loan requires annual interest payments based on the available cash flow of OM, as defined. As of December 31, 2020 and 2019, the balance of the loan was $516,973 and $516,073, respectively, which includes unamortized debt issuance costs of $9,675 and $10,575, respectively. For the years ended December 31, 2020 and 2019, interest expense totaled $6,166 and $6,166, respectively, which includes amortization of debt issuance costs of $900 and $900, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, accrued interest was $6,155 and $1,930, respectively, and is included in accrued interest payable on the accompanying consolidated statements of financial position.

TKL entered into a loan agreement with Local Initiatives Support Corporation on May 30, 2019 in the maximum amount of $3,800,000. The loan bears interest at a fixed rate of 5.22 percent. The loan is amortized over thirty years requiring monthly principal and interest payments of $20,913. After a period of ten years, all outstanding principal and accrued and unpaid interest will be due on June 1, 2029. As of December 31, 2020 and 2019, the outstanding principal balance was $3,468,410 and $3,507,450, respectively, net of unamortized debt issuance costs of $219,442 and $237,234, respectively. For the years ended December 31, 2020 and 2019, interest expense totaled was $223,780 and $110,572, respectively, which includes amortization of debt issuance costs of $17,792 and $11,862, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities.

TKL, in conjunction with the acquisition of the property, assumed a loan held by FHFC in the amount of $2,900,000. The loan bears interest at a rate of 1.53 percent and matures on December 1, 2033. The entire unpaid principal amount will be due and payable upon maturity. TKL agreed to make a principal payment to FHFC in the amount of $200,000 to reduce the outstanding principal to $2,700,000. As of December 31, 2020 and 2019, the outstanding principle balance was $2,700,000 and $2,700,000, respectively. For the years ended December 31, 2020 and 2019, interest expense was $20,930 and $20,930, respectively, and is in included in interest on mortgages payable on the accompanying consolidated statements of activities.

TKL, in conjunction with the acquisition of the property, assumed a loan held by Monroe County Comprehensive Plan Land Authority in the amount of $1,089,000. The note is noninterest bearing and the entire principal amount is payable on May 12, 2050. As of

December 31, 2020 and 2019, the outstanding principle balance was $1,089,000 and $1,089,000, respectively.

On May 30, 2019, TKL entered into a promissory note with Advanced Housing Corp (AHC) in the amount of $426,000 on account of AHC's brokerage service performed in facilitating the acquisition of the project. AHC agreed to forgo a cash payment of the acquisition commission at closing and instead accepted payment in the form of a twenty-five year cash-flow based promissory note. The note bears interest at the rate of 2.74 percent interest and matures on May 31, 2044. The note requires annual payments equal to 38% of available cash flow, as defined, which will be applied first to accrued interest, then to principal. At maturity, any unpaid amount will be forgiven. As of December 31, 2020 and 2019, the outstanding principle balance was $426,000 and $426,000, respectively. For the years ended December 31, 2020 and 2019, interest expense was $11,672 and $5,836, respectively, and is in included in interest on mortgages payable on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, accrued interest was $0 and $5,836, respectively, and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On January 21, 2020, CJ entered into a loan agreement with the FHFC under the SAIL Program for the construction of the project in an amount not to exceed $5,992,000. The loan is non-amortizing and bears interest at a fixed rate of 1.00 percent per annum and has a term of 15 years and matures January 21, 2035. The loan requires annual interest payments based on the available cash flow of CJ, as defined. As of December 31, 2020 and 2019, the balance of the loan was $2,493,170 and $0, respectively. For the years ended December 31, 2020 and 2019, interest expense totaled $4,843 and $0, respectively, and has been capitalized into construction in progress on the on the accompanying consolidated statements of financial position. As of December 31, 2020 and 2019, accrued interest was $4,843 and $0, respectively, and is included in accrued interest payable on the accompanying consolidated statements of financial position.

On January 21, 2020, CJ entered into a loan agreement with the FHFC under the ELI Program for the construction of the project in an amount not to exceed $508,000. The loan is non-amortizing, non-interest bearing and has a term of 15 years and matures January 21, 2035. As of December 31, 2020 and 2019, the balance of the loan was $211,498 and $0, respectively.

Tax Credit Assistance Program (TCAP) Loans

On April 29, 2010, OGA-LTD entered into a TCAP agreement with the FHFC for an amount not to exceed $3,430,567, consisting of a TCAP Loan ("TCAP Loan") of $2,750,567 and a TCAP/Supplemental Loan ("Supplemental Loan") of $680,000.

The TCAP Loan bore interest at a rate of zero percent through May 1, 2012 and is non-amortizing during the term of the note. Commencing on May 1, 2012, annual interest payments were due at a rate of .33% simple interest on the outstanding principal balance, subject to available cash flow, as defined. As of January 1, 2014, the for-profit borrower withdrew and the interest rate was reduced to 0 percent. Unpaid interest and principal is due on February 16, 2027.

The Supplemental Loan bears no interest and is non-amortizing during the term of the note, with a balloon payment due and payable on April 29, 2025. As of December 31, 2020 and 2019, the outstanding principal balance was \$3,415,554 and \$3,412,731, respectively, which includes unamortized debt issuance costs of \$15,013 and \$17,836, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled \$2,823 and \$2,823, respectively, which is made up entirely of amortization of debt issuance costs, and is included in interest on mortgages payable on the accompanying consolidated statements of activities.

On April 7, 2010, CCA-LTD entered into a TCAP agreement with the FHFC for an amount not to exceed \$3,675,167, consisting of a TCAP Loan of \$2,995,167 and a Supplemental Loan of \$680,000.

The TCAP Loan bore interest at a rate of zero percent through May 1, 2012 and is non-amortizing during the term of the note. Commencing on May 1, 2012, annual interest payments were due, subject to available cash flow, as defined, at a blended rate of 1.0% simple interest per annum on the portion of the development determined by the FHFC to be owned by a for-profit borrower, and 0% interest on the portion of the development determined by the FHFC to be owned by a non-profit borrower on the outstanding principal balance. As of January 1, 2014, the for-profit borrower withdrew and the interest rate was reduced to 0 percent. Unpaid interest and principal is due on February 16, 2027.

The Supplemental Loan bears interest at a rate of 0% simple interest per annum on the outstanding principal balance and is non-amortizing during the term of the note, with a balloon payment due and payable on April 7, 2025. As of December 31, 2020 and 2019, the outstanding principal balance was \$3,657,962 and \$3,654,015, respectively, which includes unamortized debt issuance costs of \$17,205 and \$21,152, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled \$3,947 and \$3,947, respectively, which is made up entirely of amortization of debt issuance costs, and is included in interest on mortgages payable on the accompanying consolidated statements of activities.

<u>Tax Credit Exchange Program (TCEP) Loans</u>

On April 29, 2010, OGA-LTD entered into a TCEP agreement with the FHFC for an amount not to exceed \$12,674,248. The TCEP loan bears no interest and is non-amortizing during the term of the note. As of December 31, 2020 and 2019, the outstanding principal balance was $4,177,743 and $5,013,830, respectively, which includes unamortized debt issuance costs of $47,005 and $55,868, respectively.

On April 7, 2010, CCA-LTD entered into a TCEP agreement with the FHFC for an amount not to exceed $10,242,500. The TCEP loan bears interest at rate of zero percent and is non-amortizing during the term of the note. As of December 31, 2020 and 2019, the outstanding principal balance was $3,374,250 and $4,050,362, respectively, which includes unamortized debt issuance costs of $39,920 and $46,641, respectively.

Under the TCEP loan agreements, loan principal is forgiven annually over the 15-year tax credit compliance period. Forgiveness is subject to OGA-LTD and CCA-LTD maintaining compliance with Section 42. Prior to being forgiven the remaining outstanding portion of the loans that has not been forgiven is subject to repayment in the event OGA-LTD and CCA-LTD fail to maintain compliance. No principal payments are required to be paid during the loan terms. The loan agreements provide FHFC with a security interest in the buildings and improvements of the projects. The loans are subordinated to the first mortgages.

Loan proceeds funded with Section 1602 program funds are intended to assist with payment of development costs of LIHTC properties. In exchange for the funds received, OGA-LTD and CCA-LTD have agreed to operate their properties in accordance with Section 42. Under the American Recovery and Reinvestment Act, portions of the loans which have been forgiven are considered government assistance related to assets and are considered non-taxable income. OGA-LTD and CCA-LTD will record the portions of their loans which have been forgiven as a deferred liability which will be recognized as tax-exempt income based on the total amount of the loan expected to be forgiven on a straight line basis over the depreciable life of the buildings and improvements of the projects. The TCAP and TCEP loans are serviced by Seltzer Management Group, Inc.

HOME Loans

On April 29, 2010, OGA-LTD entered into a HOME loan agreement with the FHFC for an amount not to exceed $115,900. Effective January 1, 2014, Florida Housing reduced the interest rate to zero percent. The entire unpaid principal balance is due on February 16, 2030, the maturity date. As of December 31, 2020 and 2019, the outstanding principal balance was $102,187 and $99,103, respectively, which includes unamortized debt issuance costs of $13,713 and $16,797, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $3,084 and $3,084, respectively, which is made up entirely of amortization of debt issuance costs, and is included in interest on mortgages payable on the accompanying consolidated statements of activities.

On April 7, 2010, CCA-LTD entered into a HOME loan agreement with the FHFC, for an amount not to exceed $130,000. Effective January 1, 2014, Florida Housing reduced the interest rate to zero percent. The entire unpaid principal balance is due on February

16, 2027, the maturity date. As of December 31, 2020 and 2019, the outstanding principal balance was $115,753 and $112,945, respectively, which includes unamortized debt issuance costs of $14,247 and $17,055, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $2,808 and $2,808, respectively, which is made up entirely of amortization of debt issuance costs, and is included in interest on mortgages payable on the accompanying consolidated statements of activities.

On October 21, 2016, OM entered into a promissory note with the Federal Home Loan Bank (FHLB) through the FHLB's Affordable Housing Subsidy Program (AHP) in the amount of $440,000. The note is non-interest bearing, and if the AHP's prescribed conditions are met during the 15 year compliance period, the entire principal amount of the loan will be forgiven. The balance of the loan as of December 31, 2020 and 2019, was $440,000 and $440,000, respectively.

<u>Notes and Mortgages Payable under PCSH are as follows:</u>

On September 17, 2013, PCSH received a Capital Advance pursuant to Section 202 of the National Housing Act in the final endorsed amount of $3,837,200 from HUD for costs related to the construction and development. Under the terms of the agreement, the Project must remain available for very low-income elderly individuals/families as approved by HUD for no less than 40 years. Failure to do so could require all or a portion of the Capital Advance to be repaid to HUD. The Capital Advance has been recorded as a mortgage payable and has a final maturity date of November 1, 2056. The mortgage bears no interest and repayment is not required so long as the housing remains available for very low-income elderly individuals/families as approved by HUD. As of December 31, 2020 and 2019, $3,837,200 and $3,837,200, respectively, had been received.

<u>Notes and Mortgages Payable under FNPS are as follows:</u>

EP has a mortgage note payable to the USDA, bearing interest at a rate of 1 percent per annum and maturing on February 11, 2043. Annual installments of principal and interest in the amount of $11,303 are due beginning January 1, 2013, with any unpaid principal and interest due at maturity. The USDA mortgage is collateralized by a first lien on the land, buildings and improvements, and an assignment of leases, rents and profits of the Organization. The balance of the mortgage payable at December 31, 2020 and 2019 was $222,072 and $231,115, respectively. During the years ended December 31, 2020 and 2019, interest expense totaled $2,307 and $2,603, respectively, and is included in interest on mortgages payable on the accompanying consolidated statements of activities

EP entered into a mortgage note payable to the Florida Housing Finance Agency, State Apartment Incentive Loan Program (S.A.I.L.) with interest at zero percent, defaulting to 18 percent should occupancy by qualified occupants fall below 80 percent. Repayment of principal and interest is determined annually in August for the preceding calendar year by the Florida Housing Finance Agency, based upon actual cash flow of the Project, with final payment of principal and unpaid interest due February 2043. The balance of the mortgage payable at December 31, 2020 and 2019 was $3,187,764 and $3,187,764, respectively. The Florida Housing Finance Agency mortgage is collateralized by a second lien on the land, buildings and improvements.

Notes and Mortgages Payable under DCSH are as follows:

On December 23, 2020, DCSH entered into a construction loan with Community Housing Capital, Inc. in an amount not to exceed $12,000,000, which is secured by a first priority mortgage on the property. During the construction phase, the note bears interest at the LIBOR Index Rate plus 2.10 percent. Beginning February 1, 2021, interest only payments are due during the construction phase, which has a term of 24 months. As of December 31, 2020 and 2019, the principal balance outstanding was $105,246 and $0, respectively.

Notes and Mortgages Payable under FKLT are as follows:

During the year ended December 31, 2020, FKLT assumed a mortgage note payable to Conch Republic Housing Alliance. The note is non-interest bearing with no set maturity date. As of December 31, 2020 and 2019, the outstanding principal balance was $148,233 and $0, respectively.

Notes and Mortgages Payable under EHG are as follows:

On April 21, 2020, EHG entered into a loan in the principal amount of $539,043 with CenterState Bank N.A. funded from the Paycheck Protection Program (PPP). The loan bears interest at 1 percent per annum and matures two years from the disbursement date, April 21, 2022 (the Maturity Date). The loan has a six month deferment period and then requires monthly payments beginning November 11, 2021 in an amount equal to fully amortize the loan by the Maturity Date. Under the PPP program, the Corporation applied for and was granted a loan forgiveness on December 2, 2020 for $539,043. During the year ended December 31, 2020 and 2019, $539,043 and $0, respectively, were forgiven and is included in miscellaneous revenue on the accompanying consolidated statements of activities. As of December 31, 2020 and 2019, the principal balance of the loan was $0 and $0, respectively.

The estimated aggregate principal maturities of the promissory and mortgage notes payable subsequent to December 31, 2020 are as follows:

	ECA	BCHC	LMHC	EHT	PCSH	FNPS	DCSH	FKLT	Total
2021	$ 707,050	$ 277,790	$ 194,828	$ 1,607,243	$ -	$ 9,094	$ -	$ -	$ 2,796,005
2022	721,626	280,273	196,800	1,611,737	-	9,186	-	-	2,819,622
2023	736,460	282,780	198,792	1,616,487	-	9,280	-	-	2,843,799
2024	2,227,974	285,311	200,805	1,621,510	-	9,374	-	-	4,344,974
2025	1,294,287	287,869	202,838	2,986,817	-	9,470	-	-	4,781,281
Thereafter	15,323,640	10,706,701	4,599,031	20,797,547	3,837,200	3,363,432	105,246	148,233	58,881,030
Total	21,011,037	12,120,724	5,593,094	30,241,341	3,837,200	3,409,836	105,246	148,233	76,466,711
Less unamortized debt issuance costs	(133,704)	(31,641)	(52,056)	(458,587)	-	-	-	-	(675,988)
	20,877,333	12,089,083	5,541,038	29,782,754	3,837,200	3,409,836	105,246	148,233	75,790,723
Less current maturities	(707,050)	(277,790)	(194,828)	(1,607,243)	-	(9,094)	-	-	(2,796,005)
Net long-term portion	$ 20,170,283	$ 11,811,293	$ 5,346,210	$ 28,175,511	$ 3,837,200	$ 3,400,742	$ 105,246	$ 148,233	$ 72,994,718

All loans noted above are secured by the underlying value of the real estate collateral, improvements, easements of other interests, assignments of rents and leases and personal property.

NOTE 6 - ASSET MANAGEMENT FEE

FHFC, in its capacity as asset manager of the OGA-LTD and CCA-LTD projects, is to be paid an annual cumulative asset management fee of $3,000 per project, per year, commencing on the closing dates. The asset management fee is paid to the FHFC or the appointed loan servicer for reviewing informational reports, financial statements, and other financial, program, and compliance reports as required by TCAP. The fee is payable to the extent of available cash flow and unpaid fees accrue without interest. During 2020 and 2019, asset management fees of $3,000 and $3,000, respectively, were incurred by OGA-LTD and $3,000 and $3,000, respectively, remained payable. During 2020 and 2019, asset management fees of $3,000 and $3,000, respectively, were incurred by CCA-LTD and $3,000 and $3,000, respectively, remained payable. These amounts are included in accounts payable on the accompanying consolidated statements of financial position.

NOTE 7 - SETTLEMENT INCOME

During 2019, EGII reached a settlement with Consul-Tech Development Services, Inc. to resolve a lawsuit filed by the Company. In the settlement, Eden was awarded $37,845 in settlement income that was then paid to RNI as a distribution. This distribution was paid to RNI to lower the contribution required in previous years. There are no pending legal matters related to this case as of December 31, 2020 or 2019.

NOTE 8 - PARTNER’S CAPITAL CONTRIBUTIONS

Live Oak Villas, Ltd.

Pursuant to the partnership agreement, the investor limited partner of LOVI-LTD was required to make capital contributions of $7,295,173. As of December 31, 2020 and 2019, all required capital contributions had been received. In addition to the required capital contributions, LOVI-LTD received an upward tax credit adjuster of $117,419 during 2006.

Live Oak Villas II, Ltd.

Pursuant to the partnership agreement, the investor limited partner of LOVII-LTD was required to make capital contributions of $11,449,205. As of December 31, 2020 and 2019, all required capital contributions had been received. In addition to the required capital contributions, LOVII-LTD received an upward tax credit adjuster of $35,734 during 2009. In addition to the required capital contributions, during the year ended December 31, 2019, LOVII-LTD received a capital contribution from LOVII of $108,829 to pay the deferred developer fee.

Oaks at Shannon's Crossing, LP

Pursuant to the partnership agreement, the investment limited partner of OSC is required to make capital contributions of $9,455,565. As of December 31, 2020 and 2019, the investor limited partner had made capital contributions of $9,455,565 and $9,455,565, respectively, less a downward tax credit adjuster of $435,118 received during 2009. In addition to the required capital contributions, during the year ended December 31, 2019, OSC received a capital contribution from SCL of $1,690,364 to pay the deferred developer fee and outstanding interest in full.

Eden Gardens Apartments, LP

Pursuant to the partnership agreement, the limited partner of EGALP is required to make capital contributions of $2,840,716 less a downward adjuster of $5,247. As of December 31, 2020 and 2019, the limited partner had made contributions of $2,835,469 and $2,835,469, respectively. The total capital contribution required by the limited partner is subject to adjustment if certain annual tax credit benchmarks are not attained, as defined.

Orchid Grove Apartments, Ltd.

Pursuant to the partnership agreement, the partners of OGA-LTD are required to make aggregate capital contributions totaling $100. The limited partner is required to a make capital contribution of $99.99, which remains payable as of December 31, 2020 and 2019. The managing general partner is required to make a capital contribution of $0.0033 and OA is required to make a capital contribution of $0.0067, which has been paid as of December 31, 2020 and 2019.

Cypress Cove Apartments, Ltd.

Pursuant to the partnership agreement, the partners of CCA-LTD are required to make aggregate capital contributions totaling $100. The limited partner is required to a make capital contribution of $99.99, the special limited partner is required to make a capital contribution of $0.0033, and CC is required to make a capital contribution of $0.0067. As of December 31, 2020 and 2019, the capital contributions owed by the limited partner have not been paid. Upon achievement of stabilization, the limited partner was required to contribute an additional $650 to CCA-LTD. During 2011, this additional contribution was paid.

Deer Creek Senior Housing, LLLP

Pursuant to the amended and restated agreement of limited liability limited partnership agreement, the general partners of DCSH are required to make capital contributions of $100 totaling in aggregate $200. The administrative limited partner is required to a make capital contribution of $100, and the investor limited partner is required to make capital contributions of $11,630,722. As of December 31, 2020 and 2019, the capital contributions owed by the general partners had not been paid. As of December 31, 2020 and 2019, capital contributions of $100 and $0, respectively, had been paid by the administrative limited partner. As of December 31, 2020 and 2019, capital contributions of $1,684,523 and $0, respectively, had been paid by the investor limited partner, which is net of syndication costs of $60,000.

NOTE 9 - PENSION PLAN

The Corporation has a 401(k) profit sharing plan (the Plan) for the exclusive benefit of its employees. The Plan covers all employees who have attained the age of 21 and completed three months of service. The Corporation provides qualified non-elective contributions of 3 percent of compensation for all eligible employees. Additional discretionary contributions of 4.3 percent of compensation up to $21,000 and 8.6 percent of compensation in excess of $21,000 may be made by the Corporation. The additional contributions vest proportionately over a three-year period. The Corporation's contributions for the years ended December 31, 2020 and 2019 were $225,639 and $210,824, respectively, and are included in project administration expenses on the accompanying consolidated statements of activities.

NOTE 10 - PROPERTY MANAGEMENT FEES

Professional Management, Inc. is an unrelated management company that oversees the operations of LOVI-LTD, LOVII-LTD, OGA-LTD, and CCA-LTD. The current management agreements for LOVI-LTD and LOVII-LTD provide for monthly fees equal to the greater of $2,500 or 5 percent of gross collections, as defined. The current management agreements for OGA-LTD and CCA-LTD provide for monthly fees equal to the greater of $3,500 or 5 percent of gross collections, as defined. For the years ended December 31, 2020 and 2019, property management fees of $173,256 and $165,580, respectively, were incurred and $1,776 and $1,854, respectively remained payable and are included in accrued expenses on the accompanying consolidated statements of financial position.

NOTE 11 - CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash balances in multiple financial institutions. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances as of December 31, 2020 or 2019.

NOTE 12 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Corporation's principal assets are its rental units. The Corporation's operations are concentrated in the affordable housing real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the projects are subject to the administrative directives, rules, and regulations of federal, state and local regulatory agencies, including, but not limited to, Rural Development and the State Housing Agency. Such administrative directives, rules and regulations are subject to change by an Act of Congress or an administrative change mandated by Rural Development or the State Housing Agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

NOTE 13 - LIQUIDITY AND AVAILABILITY OF RESOURCES

RNI's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	$ 8,269,371
Accounts receivable - tenants	34,921
Rental assistance receivables	261,295
Miscellaneous receivables	214,338
Grant receivables	38,266
Developer fee receivable	41,484
Prepaid expenses	612,654
Total current assets	$ 9,472,329

RNI manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. RNI maintains financial assets on hand to meet 60 days of normal operating expenses.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Farm Labor Requirement

In accordance with the loan agreements with the USDA, EFV, OSC, MSV, EGALP, MV and LOVI-LTD designated their projects as farm labor projects. 100 percent of the EFV, OSC, MSV and EGALP units and 62 of the MV units must be rented to eligible farm workers, as defined. In 2013, the USDA granted OSC a permanent exemption from this requirement. 60 percent of LOVI-LTD's units must be rented to eligible farm workers, as defined.

Operating Deficit Guaranty

In connection with the development of the tax credit projects, LOVI, LOVII and SCL are required to loan the respective partnerships amounts to cover operating deficits for 36 months following rental achievement, as defined. The maximum amount of operating loans ranges from $175,000 to $325,000 and advances are repayable only from available cash flows, as defined. The operating deficit expired on February 28, 2012. Any loan made after that date is considered a due to affiliate. During 2020 and 2019, ECA had loans of $105,000 and $105,000, respectively, to LOVII-LTD (see also Note 4). The balances between ECA and LOVII-LTD have been eliminated and are not included on the accompanying consolidating statements of financial position.

Pursuant to the mortgage loan documents, OA and CC are required to advance funds to their respective partnerships to cover operating deficits of the related projects. OA and CC are liable to fund 20% of any operating deficits of their respective partnerships, until such time that the managing general partners are released from their guarantees under the mortgage loan documents by the FHFC. Any advances will be treated as subordinate loans repayable with interest. As of December 31, 2020 and 2019, no operating deficit advances have been made.

Pursuant to the partnership agreement, CSS is required to loan EGALP amounts not to exceed $200,000 to cover operating deficits of the project beginning with the achievement of breakeven operations, as defined, and continuing for five years or the achievement of a debt coverage ratio of 1 to 1 over a consecutive 12-month period, whichever is later. Operating deficit advances are non-interest bearing and are repayable only from available cash flows, as defined. As of December 31, 2020 and 2019, no operating deficit advances have been made.

Development Deficit Guaranty

LOVII, SCL, CSS, OA, and CC have guaranteed the performance and payment obligations of the developer under the development agreement to the respective partnerships and their limited partners. As of December 31, 2020 and 2019, no development deficit advances have been made.

Exchange Funds

The exchange funds of the affordable housing partnerships are contingent on their ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in repayment of exchange funds.

Low-income Housing Tax Credits

The low-income housing tax credits of the affordable housing partnerships are contingent on their ability to maintain compliance with applicable sections of Section 42 of the Internal

Revenue Code. Failure to maintain compliance with tenant income eligibility and rent limits or to correct instances of noncompliance within a reasonable time period could result in recapture of previously claimed tax credits plus interest. In addition, any such noncompliance, if it were to occur, likely would result in an adjustment to the contributed capital of the limited partners.

NOTE 15- UNCERTAINTY RELATED TO COVID-19

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state, and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to Rural Neighborhoods, Inc. and Its Affiliates' financial position, results of activities, and cash flows. Rural Neighborhoods, Inc. and Its Affiliates' is not able to reliably estimate the length or the severity of this outbreak and the related financial impact.

NOTE 16 - 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 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 Corporation through May 28, 2021 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

SUPPLEMENTAL INFORMATION

Rural Neighborhoods, Inc. and Its Affiliates

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS	RNI	ECA	BCHC	LMHC	EHT	EHG	PCSH	FNPS	DCSH	FKLT	Eliminations	Total
CURRENT ASSETS												
Cash and cash equivalents	$ 3,448,476	$ 1,043,296	$ 142,431	$ 147,027	$ 1,616,926	$ 1,233,486	$ 27,394	$ 242,409	$ 353,360	$ 14,566	$ -	$ 8,269,371
Accounts receivable - tenants	-	20,874	2,343	510	8,565	-	-	179	-	2,450	-	34,921
Rental assistance receivables	-	167,551	46,020	32,005	-	-	-	15,719	-	-	-	261,295
Miscellaneous receivables	20,000	1,242	-	-	209,110	3,986	-	-	-	-	(20,000)	214,338
Grant receivables	38,266	-	-	-	-	-	-	-	-	-	-	38,266
Due from affiliates	-	-	-	-	62,309	776,112	-	-	-	-	(838,421)	-
Notes receivable - affiliates	6,358,571	800,000	-	-	-	-	-	-	-	-	(7,158,571)	-
Developer fee receivable	647,196	-	-	-	-	-	-	-	-	-	(605,712)	41,484
Prepaid expenses	29,082	320,979	39,829	41,905	132,592	21,708	11,314	10,824	-	4,421	-	612,654
Total current assets	10,541,591	2,353,942	230,623	221,447	2,029,502	2,035,292	38,708	269,131	353,360	21,437	(8,622,704)	9,472,329
RESTRICTED DEPOSITS AND FUNDED RESERVES												
Tenant security deposits	-	379,815	75,240	47,300	250,666	-	6,629	22,400	-	4,161	-	786,211
Mortgage escrows	-	536,156	102,847	45,508	225,662	-	13,573	50,142	-	-	-	973,888
Replacement reserve	-	2,396,400	531,097	326,487	757,882	-	33,577	321,632	-	-	-	4,367,075
Debt Service reserve	-	19,375	824,883	30,681	-	-	-	-	-	-	-	874,939
Operating reserve	-	27,399	-	-	928,371	-	-	66,067	-	-	-	1,021,837
Other reserves	-	-	41,450	14,792	58,735	-	15,258	-	-	-	-	130,235
Total restricted deposits and funded reserves	-	3,359,145	1,575,517	464,768	2,221,316	-	69,037	460,241	-	4,161	-	8,154,185
PROPERTY AND EQUIPMENT												
Land	-	4,435,224	1,013,486	372,195	4,425,543	-	485,037	535,000	402,500	687,036	-	12,356,021
Land improvements	-	5,635,523	2,247,640	996,966	820,365	-	-	-	-	-	-	9,700,494
Buildings and improvements	-	90,208,552	23,414,894	10,707,539	34,442,711	-	3,917,625	5,859,336	-	1,077,802	(4,544,370)	165,084,089
Furniture and equipment	9,029	2,038,874	232,828	226,229	1,863,661	258,329	187,609	19,851	-	9,977	-	4,846,387
Construction in progress	-	171,687	-	-	4,439,146	-	-	-	1,549,257	158,984	(719,094)	5,599,980
Total property and equipment	9,029	102,489,860	26,908,848	12,302,929	45,991,426	258,329	4,590,271	6,414,187	1,951,757	1,933,799	(5,263,464)	197,586,971
Less accumulated depreciation	(9,029)	(39,316,679)	(8,655,475)	(4,297,963)	(8,738,518)	(195,249)	(347,036)	(2,087,747)	-	(33,391)	-	(63,681,087)
Total propety and equipment, net	-	63,173,181	18,253,373	8,004,966	37,252,908	63,080	4,243,235	4,326,440	1,951,757	1,900,408	(5,263,464)	133,905,884
OTHER ASSETS												
Deposits	-	51,982	3,275	5,544	115,303	-	-	325	-	-	-	176,429
Tax credit monitoring fees, net	-	45,660	15,912	-	-	-	-	-	-	-	-	61,572
Other assets	3,149,415	-	-	-	-	-	-	443	-	5,676	(3,127,870)	27,664
Total other assets	3,149,415	97,642	19,187	5,544	115,303	-	-	768	-	5,676	(3,127,870)	265,665
Total assets	$ 13,691,006	$ 68,983,910	$ 20,078,700	$ 8,696,725	$41,619,029	$ 2,098,372	$ 4,350,980	$ 5,056,580	$ 2,305,117	$ 1,931,682	$ (17,014,038)	$ 151,798,063

(continued)

Rural Neighborhoods, Inc. and Its Affiliates

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2020

LIABILITIES AND NET ASSETS	RNI	ECA	BCHC	LMHC	EHT	EHG	PCSH	FNPS	DCSH	FKLT	Eliminations	Total
CURRENT LIABILITIES												
Accounts payable	$ 56,350	$ 443,353	$ 77,296	$ 106,341	$ 243,233	$ 13,768	$ 11,186	$ 17,652	$ 3,087	$ 15,317	$ (808,421)	$ 179,162
Accrued expenses	44,454	139,994	65,773	35,064	106,134	318,789	7,200	19,945	-	1,224	-	738,577
Accrued interest payable	-	308,255	331,169	123,963	65,881	-	-	91	-	-	-	829,359
Accrued investor services management fee	-	7,129	-	-	-	-	-	-	-	-	-	7,129
Construction costs payable	-	-	-	-	205,433	-	-	-	-	-	-	205,433
Current portion of mortgages payable	-	707,050	277,790	194,828	1,607,243	-	-	9,094	-	-	-	2,796,005
Total current liabilities	100,804	1,605,781	752,028	460,196	2,227,924	332,557	18,386	46,782	3,087	16,541	(808,421)	4,755,665
DEPOSITS AND PREPAID LIABILITY												
Tenant security deposits	-	379,815	75,240	47,300	250,666	-	6,629	22,400	-	4,161	-	786,211
Prepaid rent	-	43,527	5,893	8,332	70,827	-	1,022	5,200	-	-	-	134,801
Total deposits and prepaid liability	-	423,342	81,133	55,632	321,493	-	7,651	27,600	-	4,161	-	921,012
LONG-TERM LIABILITIES												
Due to affiliates	-	50,000	-	-	-	-	-	-	-	-	(50,000)	-
Developer fee payable	1,126,910	52,228	616,807	-	356,103	-	-	-	162,162	-	(605,712)	1,708,498
Notes payable - affiliate	-	2,520,000	2,295,606	-	1,500,000	300,000	-	192,965	350,000	-	(7,158,571)	-
Deferred revenue	-	-	-	-	9,548,640	-	-	-	-	-	-	9,548,640
Mortages payable	-	20,170,283	11,811,293	5,346,210	28,175,511	-	3,837,200	3,400,742	105,246	148,233	-	72,994,718
Total long-term liabilities	1,126,910	22,792,511	14,723,706	5,346,210	39,580,254	300,000	3,837,200	3,593,707	617,408	148,233	(7,814,283)	84,251,856
Total liabilities	1,227,714	24,821,634	15,556,867	5,862,038	42,129,671	632,557	3,863,237	3,668,089	620,495	168,935	(8,622,704)	89,928,533
NET ASSETS												
With donor restrictions	-	-	-	-	-	-	-	-	-	-	-	-
Without donor restrictions - non-controlling interest	-	15,098,554	1,419,354	-	706,506	-	-	-	1,684,623	-	-	18,909,037
Without donor restrictions - controlling interest	12,463,292	29,063,722	3,102,479	2,834,687	(1,217,148)	1,465,815	487,743	1,388,491	(1)	1,762,747	(8,391,334)	42,960,493
Net assets without donor restrictions	12,463,292	44,162,276	4,521,833	2,834,687	(510,642)	1,465,815	487,743	1,388,491	1,684,622	1,762,747	(8,391,334)	61,869,530
Total net assets	12,463,292	44,162,276	4,521,833	2,834,687	(510,642)	1,465,815	487,743	1,388,491	1,684,622	1,762,747	(8,391,334)	61,869,530
Total liabilities and net assets	$ 13,691,006	$ 68,983,910	$ 20,078,700	$ 8,696,725	$41,619,029	$ 2,098,372	$ 4,350,980	$ 5,056,580	$ 2,305,117	$ 1,931,682	$ (17,014,038)	$ 151,798,063

See independent auditor’s report.

Rural Neighborhoods, Inc. and Its Affiliates

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS	RNI	ECA	BCHC	LMHC	EHT	EHG	PCSH	FNPS	DCSH	Eliminations	Total
CURRENT ASSETS											
Cash and cash equivalents	$ 3,401,565	$ 686,215	$ 138,154	$ 113,411	$ 1,308,428	$ 617,687	$ 26,036	$ 206,180	$ 27,774	$ -	$ 6,525,450
Accounts receivable - tenants	-	24,966	12,763	5,569	5,243	-	-	1,215	-	-	49,756
Rental assistance receivables	-	163,996	48,268	25,704	-	-	-	14,813	-	-	252,781
Miscellaneous receivables	20,000	51	134	-	117,479	2	-	-	122,225	(20,000)	239,891
Grant receivables	409,157	-	-	-	-	-	-	-	-	-	409,157
Due from affiliates	-	-	-	1,050	-	740,828	-	-	-	(741,878)	-
Notes receivable - affiliates	5,292,034	800,000	-	-	-	-	-	-	-	(6,092,034)	-
Developer fee receivable	223,012	-	-	-	-	-	-	-	-	(223,012)	-
Prepaid expenses	33,315	308,207	40,465	38,043	122,728	19,985	11,290	10,664	-	-	584,697
Total current assets	9,379,083	1,983,435	239,784	183,777	1,553,878	1,378,502	37,326	232,872	149,999	(7,076,924)	8,061,732
RESTRICTED DEPOSITS AND FUNDED RESERVES											
Tenant security deposits	-	370,438	76,550	50,800	251,502	-	6,938	22,000	-	-	778,228
Mortgage escrows	-	509,033	91,554	41,047	223,320	-	12,428	47,531	-	-	924,913
Replacement reserve	-	2,164,894	519,591	355,694	701,287	-	19,683	328,568	-	-	4,089,717
Debt Service reserve	-	636,670	734,030	30,609	-	-	-	-	-	-	1,401,309
Operating reserve	-	27,381	-	-	926,955	-	-	66,049	-	-	1,020,385
Other reserves	-	-	35,100	172,000	57,456	-	10,476	-	-	-	275,032
Total restricted deposits and funded reserves	-	3,708,416	1,456,825	650,150	2,160,520	-	49,525	464,148	-	-	8,489,584
PROPERTY AND EQUIPMENT											
Land	-	4,435,224	1,013,486	372,195	4,425,543	-	485,037	535,000	-	-	11,266,485
Land improvements	-	5,635,523	2,247,640	996,966	820,365	-	-	-	-	-	9,700,494
Buildings and improvements	-	90,208,552	23,414,894	10,495,629	34,273,496	-	3,917,625	5,859,336	-	(4,544,370)	163,625,162
Furniture and equipment	9,029	2,076,152	246,366	235,029	1,863,661	307,272	187,609	19,851	-	-	4,944,969
Construction in progress	-	149,778	-	-	582,007	-	-	-	203,547	-	935,332
Total property and equipment	9,029	102,505,229	26,922,386	12,099,819	41,965,072	307,272	4,590,271	6,414,187	203,547	(4,544,370)	190,472,442
Less accumulated depreciation	(9,029)	(36,840,808)	(7,937,590)	(3,999,777)	(7,826,414)	(221,559)	(202,438)	(1,873,855)	-	-	(58,911,470)
Total propety and equipment, net	-	65,664,421	18,984,796	8,100,042	34,138,658	85,713	4,387,833	4,540,332	203,547	(4,544,370)	131,560,972
OTHER ASSETS											
Deposits	-	50,427	3,275	5,544	54,003	-	-	325	-	-	113,574
Tax credit monitoring fees, net	-	71,945	20,628	-	-	-	-	-	-	-	92,573
Other assets	3,147,567	-	-	-	-	-	-	406	-	(3,127,870)	20,103
Total other assets	3,147,567	122,372	23,903	5,544	54,003	-	-	731	-	(3,127,870)	226,250
Total assets	$ 12,526,650	$ 71,478,644	$ 20,705,308	$ 8,939,513	$37,907,059	$ 1,464,215	$ 4,474,684	$ 5,238,083	$ 353,546	$ (14,749,164)	$ 148,338,538

(continued)

Rural Neighborhoods, Inc. and Its Affiliates

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2019

LIABILITIES AND NET ASSETS	RNI	ECA	BCHC	LMHC	EHT	EHG	PCSH	FNPS	DCSH	Eliminations	Total
CURRENT LIABILITIES											
Accounts payable	$ 21,390	$ 468,783	$ 112,750	$ 112,863	$ 136,357	$ 1,573	$ 12,760	$ 19,423	$ -	$ (761,878)	$ 124,021
Accrued expenses	44,454	139,932	65,540	35,064	105,497	306,623	7,200	19,945	-	-	724,255
Accrued interest payable	-	268,200	302,088	124,947	41,158	-	-	44	-	-	736,437
Accrued investor services management fee	-	6,922	-	-	-	-	-	-	-	-	6,922
Current portion of mortgages payable	-	693,832	275,333	192,876	1,602,991	-	-	9,002	-	-	2,774,034
Total current liabilities	65,844	1,577,669	755,711	465,750	1,886,003	308,196	19,960	48,414	-	(761,878)	4,365,669
DEPOSITS AND PREPAID LIABILITY											
Tenant security deposits	-	370,439	76,550	50,800	251,502	-	6,938	22,000	-	-	778,229
Prepaid rent	-	43,787	16,885	47,616	59,155	-	1,299	3,269	-	-	172,011
Total deposits and prepaid liability	-	414,226	93,435	98,416	310,657	-	8,237	25,269	-	-	950,240
LONG-TERM LIABILITIES											
Due to affiliates	-	-	-	-	-	-	-	-	203,547	-	203,547
Developer fee payable	1,213,973	52,228	616,807	-	-	-	-	-	-	(223,012)	1,659,996
Notes payable - affiliate	-	2,545,000	2,325,606	-	875,000	-	-	196,428	150,000	(6,092,034)	-
Deferred revenue	100,909	-	-	-	8,593,776	-	-	-	-	-	8,694,685
Mortgages payable	-	21,541,646	12,095,271	5,538,327	27,023,645	-	3,837,200	3,409,877	-	-	73,445,966
Total long-term liabilities	1,314,882	24,138,874	15,037,684	5,538,327	36,492,421	-	3,837,200	3,606,305	353,547	(6,315,046)	84,004,194
Total liabilities	1,380,726	26,130,769	15,886,830	6,102,493	38,689,081	308,196	3,865,397	3,679,988	353,547	(7,076,924)	89,320,103
NET ASSETS											
With donor restrictions	343,000	-	-	-	-	-	-	-	-	-	343,000
Without donor restrictions - non-controlling interest	-	15,670,856	1,486,552	-	217,319	-	-	-	-	-	17,374,727
Without donor restrictions - controlling interest	10,802,924	29,677,019	3,331,926	2,837,020	(999,341)	1,156,019	609,287	1,558,095	(1)	(7,672,240)	41,300,708
Net assets without donor restrictions	10,802,924	45,347,875	4,818,478	2,837,020	(782,022)	1,156,019	609,287	1,558,095	(1)	(7,672,240)	58,675,435
Total net assets	11,145,924	45,347,875	4,818,478	2,837,020	(782,022)	1,156,019	609,287	1,558,095	(1)	(7,672,240)	59,018,435
Total liabilities and net assets	$ 12,526,650	$ 71,478,644	$ 20,705,308	$ 8,939,513	$37,907,059	$ 1,464,215	$ 4,474,684	$ 5,238,083	$ 353,546	$ (14,749,164)	$ 148,338,538

See independent auditor’s report.

Rural Neighborhoods, Inc. and Its Affiliates

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2020

	RNI	ECA	BCHC	LMHC	EHT	EHG	PCSH	FNPS	DCSH	FKLT	Eliminations	Total
Rental revenue												
Potential rental revenue	$ -	$ 7,893,477	$ 1,710,989	$ 1,254,245	$ 2,954,281	$ -	$ 196,597	$ 418,877	$ -	$ 57,589	$ -	$ 14,486,055
Less vacancies and concessions	-	(354,940)	(83,961)	(120,886)	(483)	-	(876)	-	-	-	-	(561,146)
Total rental revenue	-	7,538,537	1,627,028	1,133,359	2,953,798	-	195,721	418,877	-	57,589	-	13,924,909
Other revenue												
Application fees	-	17,367	2,810	8,298	9,710	-	460	1,755	-	22	-	40,422
Laundry and vending	-	94,747	-	-	101,592	787	-	-	-	-	-	197,126
Interest income	31,779	14,622	1,538	639	5,162	-	5	18	-	-	-	53,763
Interest income - related party	42,706	4,000	-	-	-	-	-	-	-	-	(46,706)	-
Tenant charges	-	61,122	12,631	21,454	31,346	-	1,505	(7,866)	-	-	-	120,192
Property management fees	-	-	-	-	-	879,952	-	-	-	-	(849,352)	30,600
Developer fee income	1,241,828	-	-	-	-	-	-	-	-	-	(719,094)	522,734
Grant revenue	857,007	-	-	-	167,715	-	-	-	-	-	-	1,024,722
Miscellaneous revenue	217,913	352,590	75,822	62,591	59,013	534,852	6,845	13,524	-	60,279	(290,500)	1,092,929
Total other revenue	2,391,233	544,448	92,801	92,982	374,538	1,415,591	8,815	7,431	-	60,301	(1,905,652)	3,082,488
Expenses												
Operating and maintenance	-	2,569,770	462,551	257,467	768,002	15,151	119,867	181,456	-	4,555	-	4,378,819
Utilities	-	762,953	93,342	184,711	280,500	-	2,443	1,309	-	1,685	-	1,326,943
Project administration expenses	1,030,047	1,306,129	282,600	232,897	685,223	1,047,245	22,623	102,505	-	97,943	(290,500)	4,516,712
Management fees	-	578,466	129,180	97,860	170,039	-	9,863	44,700	-	-	(849,352)	180,756
Taxes and insurance	43,818	1,033,832	178,482	78,651	451,899	20,766	26,686	40,000	-	12,527	-	1,886,661
Bad debt expense	-	43,925	12,809	8,611	9,009	-	-	-	-	-	-	74,354
Total expenses	1,073,865	6,295,075	1,158,964	860,197	2,364,672	1,083,162	181,482	369,970	-	116,710	(1,139,852)	12,364,245
Income from operations	1,317,368	1,787,910	560,865	366,144	963,664	332,429	23,054	56,338	-	1,180	(765,800)	4,643,152
Non-operating expenses (income)												
Interest on note payable - affiliates	-	-	36,963	-	-	-	-	9,743	-	-	(46,706)	-
Interest on mortgages payable	-	407,823	84,968	61,491	423,200	-	-	2,307	-	473	-	980,262
Investor services management fee	-	7,129	-	-	-	-	-	-	-	-	-	7,129
Miscellaneous expense (income)	-	-	-	-	-	-	-				-	-
Income from forgiveness of debt	-	-	-	-	(572,919)	-	-	-	-	-	-	(572,919)
Depreciation expense	-	2,532,272	730,863	306,986	912,104	22,633	144,598	213,892	-	29,349	-	4,892,697
Amortization expense	-	26,285	4,716	-	-	-	-	-	-	-	-	31,001
Total non-operating expenses (income)	-	2,973,509	857,510	368,477	762,385	22,633	144,598	225,942	-	29,822	(46,706)	5,338,170
Change in net assets before non-controlling interest	1,317,368	(1,185,599)	(296,645)	(2,333)	201,279	309,796	(121,544)	(169,604)	-	(28,642)	(719,094)	(695,018)
Non-controlling interest in earnings of subsidiaries	-	572,302	67,198	-	(419,081)	-	-	-	-	-	-	220,419
Change in net assets attributable to Rural Neighborhoods, Inc.	$ 1,317,368	$ (613,297)	$ (229,447)	$ (2,333)	$ (217,802)	$ 309,796	$ (121,544)	$ (169,604)	$ -	$ (28,642)	$ (719,094)	$ (474,599)

See independent auditor's report.

Rural Neighborhoods, Inc. and Its Affiliates

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2019

	RNI	ECA	BCHC	LMHC	EHT	EHG	PCSH	FNPS	DCSH	Eliminations	Total
Rental revenue											
Potential rental revenue	$ -	$ 7,555,981	$ 1,676,990	$ 1,170,431	$ 2,533,832	$ -	$ 196,620	$ 402,410	$ -	$ -	$ 13,536,264
Less vacancies and concessions	-	(389,797)	(91,075)	(159,382)	(56,342)	-	(32)	-	-	-	(696,628)
Total rental revenue	-	7,166,184	1,585,915	1,011,049	2,477,490	-	196,588	402,410	-	-	12,839,636
Other revenue											
Application fees	-	16,747	4,285	19,106	11,525	-	-	2,932	-	-	54,595
Laundry and vending	-	92,646	-	-	99,307	-	-	-	-	-	191,953
Interest income	32,332	23,121	2,118	1,106	5,312	-	6	29	-	-	64,024
Interest income - related party	65,948	4,000	-	-	-	-	-	-	-	(69,948)	-
Tenant charges	-	68,473	10,406	25,354	32,324	-	2,007	(8,155)	-	-	130,409
Property management fees	-	-	-	-	-	824,440	-	-	-	(788,440)	36,000
Grant revenue	1,256,761	-	-	-	-	-	-	-	-	-	1,256,761
Miscellaneous revenue	572,289	195,225	52,845	4,290	237,941	331,044	-	35	-	(758,000)	635,669
Total other revenue	1,927,330	400,212	69,654	49,856	386,409	1,155,484	2,013	(5,159)	-	(1,616,388)	2,369,411
Expenses											
Operating and maintenance	-	2,599,665	438,310	255,537	653,550	15,646	117,166	121,062	-	-	4,200,936
Utilities	-	750,963	89,062	174,467	244,022	-	2,310	2,196	-	-	1,263,020
Project administration expenses	1,504,060	1,303,808	275,483	228,798	1,044,967	866,021	23,272	102,000	1	(758,000)	4,590,410
Management fees	-	551,754	123,424	89,816	143,367	-	9,931	43,228	-	(788,440)	173,080
Taxes and insurance	34,207	960,626	171,362	74,484	358,635	20,201	19,900	38,275	-	-	1,677,690
Bad debt expense	-	24,541	3,296	1,963	6,002	-	-	-	-	-	35,802
Total expenses	1,538,267	6,191,357	1,100,937	825,065	2,450,543	901,868	172,579	306,761	1	(1,546,440)	11,940,938
Income from operations	389,063	1,375,039	554,632	235,840	413,356	253,616	26,022	90,490	(1)	(69,948)	3,268,109
Non-operating expenses (income)											
Interest on note payable - affiliates	-	-	36,963	-	-	-	-	9,911	-	(46,874)	-
Interest on deferred developer fee	-	69,223	-	-	-	-	-	-	-	(23,074)	46,149
Interest on mortgages payable	-	435,190	87,358	58,458	311,964	-	-	2,603	-	-	895,573
Investor services management fee	-	6,922	-	-	-	-	-	-	-	-	6,922
Miscellaneous expense (income)	118,577	-	-	-	-	-	-	-	-	(118,577)	-
Income from forgiveness of debt	-	-	-	-	(572,919)	-	-	-	-	-	(572,919)
Depreciation expense	-	2,538,335	731,788	304,639	839,871	18,921	144,599	213,892	-	-	4,792,045
Amortization expense	-	28,422	4,716	-	-	-	-	-	-	-	33,138
Total non-operating expenses	118,577	3,078,092	860,825	363,097	578,916	18,921	144,599	226,406	-	(188,525)	5,200,908
Change in net assets before non-controlling interest	270,486	(1,703,053)	(306,193)	(127,257)	(165,560)	234,695	(118,577)	(135,916)	(1)	118,577	(1,932,799)
Non-controlling interest in earnings of subsidiaries	-	1,007,494	61,696	-	(416,663)	-	-	-	-	-	652,527
Change in net assets attributable to Rural Neighborhoods, Inc.	$ 270,486	$ (695,559)	$ (244,497)	$ (127,257)	$ (582,223)	$ 234,695	$ (118,577)	$ (135,916)	$ (1)	$ 118,577	$ (1,280,272)

See independent auditor's report.

Rural Neighborhoods, Inc.

STATEMENT OF ACTIVITIES

Year ended December 31, 2020

	Unrestricted	Permanently Restricted	Total
OTHER REVENUE			
Interest income	$ 31,779	$ -	$ 31,779
Interest income - related party	42,706	-	42,706
Developer fee income	1,241,828	-	1,241,828
Grant revenue	857,007	-	857,007
Miscellaneous revenue	217,913	-	217,913
Total other revenue	2,391,233	-	2,391,233
EXPENSES			
Project administration expenses	1,030,047	-	1,030,047
Taxes and insurance	43,818	-	43,818
Total expenses	1,073,865	-	1,073,865
Income from operations	1,317,368	-	1,317,368
NON-OPERATING EXPENSES			
Miscellaneous expense	-	-	-
Total non-operating expenses	-	-	-
Change in net assets	$ 1,317,368	$ -	$ 1,317,368

See independent auditor’s report.

Rural Neighborhoods, Inc.

STATEMENT OF ACTIVITIES

Year ended December 31, 2019

	Unrestricted	Permanently Restricted	Total
OTHER REVENUE			
Interest income	$ 32,332	$ -	$ 32,332
Interest income - related party	65,948	-	65,948
Grant revenue	1,256,761	-	1,256,761
Miscellaneous revenue	572,289	-	572,289
Total other revenue	1,927,330	-	1,927,330
EXPENSES			
Project administration expenses	1,504,060	-	1,504,060
Taxes and insurance	34,207	-	34,207
Total expenses	1,538,267	-	1,538,267
Income (loss) from operations	389,063	-	389,063
NON-OPERATING EXPENSES			
Miscellaneous expense	118,577	-	118,577
Total non-operating expenses	118,577	-	118,577
Change in net assets	$ 270,486	$ -	$ 270,486

See independent auditor's report.

SCHEDULES OF FINANCIAL POSITION AND STATEMENTS OF ACTIVITIES FOR THE NEIGHBORWORKS AMERICA CAPITAL FUND

Rural Neighborhoods Inc
Schedules of Financial Position
December 31, 2020 and 2019

ASSETS	2020	2019
Cash	$ (550,000)	$ (207,000)
Intercompany receivable - Hatchers Preserve	550,000	550,000
Total	$ -	$ 343,000
LIABILITIES AND NET ASSETS		
Net Assets - With Donor Restrictions	$ -	$ 343,000
Total	$ -	$ 343,000

Rural Neighborhoods Inc
Statements of Activities
Years Ended December 31, 2020 and 2019

Revenue and Support	2020	2019
Capital Grant NeighborWorks BOY	$ 343,000	$ 490,000
Additions	-	-
Released - Unrestricted	(343,000)	(147,000)
Net Assets End of Year	$ -	$ 343,000

During the years ended December 31, 2020 and 2019 Rural Neighborhoods received real estate restricted grants from NeighborWorks America of $0 and $0, respectively.

See independent auditor’s report.

Rural Neighborhoods, Inc. and Its Affiliates

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2020

Federal Grantor/ (Pass-through Grantor)/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Agriculture Farm Labor Housing Loans and Grants Program	10.405		16,220,740
U.S. Department of Agriculture Rural Rental Assistance Payments Program	10.427		2,527,682
U.S. Department of Treasury NeighborWorks America	21.000		520,596
U.S. Department of Housing and Urban Development Supportive Housing for the Elderly	14.157		3,837,200
U.S. Department of Housing and Urban Development Project Rental Assistance Contract	14.157		106,492
U.S Department of Housing and Urban Development	14.252		95,447
Totals:			$ 23,308,157

Note: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Rural Neighborhoods, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See notes to schedule of expenditures of federal awards and independent auditor’s report.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Rural Neighborhoods, Incorporated and Its Affiliates under programs of the federal government for the year ended December 31, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rural Neighborhoods, Incorporated and Its Affiliates, it is not intended to and does not present the consolidated statements of activities, changes in net assets, and cash flows of Rural Neighborhoods, Incorporated and Its Affiliates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in OMB Circular A-122, "Cost Principles for Non-Profit Organizations" and the cost principles contained in the Uniform Guidance.

NOTE 3 - LOAN AND CAPITAL ADVANCE PROGRAM

Rural Neighborhoods, Incorporated and Its Affiliates have received direct loans under the federal programs as listed below. The loan balances outstanding at the beginning of the year are included in the federal expenditures presented in the schedule. Rural Neighborhoods, Incorporated and Its Affiliates received no additional loans during the year.

The balance of the loans outstanding at December 31, 2020 consists of:

CFDA Number	Program Name	Outstanding Balance at December 31, 2020
10.405	U.S. Department of Agriculture Farm Labor Housing Loans and Grants Program	$ 15,373,870
14.157	Section 202 Capital Advance Program	$ 3,837,200

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Rural Neighborhoods, Inc. and Its Affiliates

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Rural Neighborhoods, Inc. and Its Affiliates, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated May 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Rural Neighborhoods, Inc. and Its Affiliates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rural Neighborhoods, Inc. and Its Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Rural Neighborhoods, Inc. and Its Affiliates' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Rural Neighborhoods, Inc. and Its Affiliates' consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rural Neighborhoods, Inc. and Its Affiliates' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rural Neighborhoods, Inc. and Its Affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rural Neighborhoods, Inc. and Its Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tidwell Group, LLC

Atlanta, Georgia
May 28, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors
Rural Neighborhoods, Inc. and Its Affiliates

Report on Compliance for Each Major Federal Program

We have audited Rural Neighborhoods, Inc. and Its Affiliates' compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of Rural Neighborhoods, Inc. and Its Affiliates' major federal programs for the year ended December 31, 2020. Rural Neighborhoods, Inc. and Its Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rural Neighborhoods, Inc. and Its Affiliates' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rural Neighborhoods, Inc. and Its Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Rural Neighborhoods, Inc. and Its Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, Rural Neighborhoods, Inc. and Its Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified above for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of Rural Neighborhoods, Inc. and Its Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rural Neighborhoods, Inc. and Its Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rural Neighborhoods, Inc. and Its Affiliates' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a major federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Tidwell Group, LLC

Atlanta, Georgia
May 28, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2020

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Rural Neighborhoods, Inc. and Its Affiliates.

2. No significant deficiencies related to the audit of the consolidated financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses were reported.

3. No instances of noncompliance material to the consolidated financial statements of Rural Neighborhoods, Inc. and Its Affiliates were disclosed during the audit.

4. No significant deficiencies related to the audit of the major federal award programs were disclosed in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses were reported.

5. The auditor's report on compliance for the major federal award programs for Rural Neighborhoods, Inc. and Its Affiliates expresses an unmodified opinion.

6. There are no audit findings relative to the major federal award programs for Rural Neighborhoods, Inc. and Its Affiliates.

7. The programs tested as major programs included:

    a. U.S. Department of Agriculture Farm Labor Housing Loan and Grants Program, CFDA No. 10.405
    b. U.S. Department of Housing and Urban Development Supportive Housing for the Elderly, CFDA No. 14.157

8. The threshold for distinguishing Type A and B programs was $750,000.

9. Rural Neighborhoods, Inc. did qualify as a low-risk auditee.

Rural Neighborhoods, Inc. and Its Affiliates

SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS (UNAUDITED)

December 31, 2020

1. Audit Report, dated May 27, 2020, for the year ended December 31, 2019, issued by Tidwell Group, LLC:

    There are no open findings from the prior audit report.

2. There were no reports issued by USDA OIG or other Federal agencies or contract administrators during the period covered by this audit.

3. There were no letters or reports issued by USDA management during the period covered by this audit.