CHWC, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

CHWC, INC.

Opinion

We have audited the consolidated financial statements of CHWC, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2021, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and the consolidating statement of activities and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
June 30, 2022

CHWC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	
Unrestricted	$ 1,046,429
Restricted	618,263
Total	1,664,692
Related party receivables	27,998
Contracts and grants receivable	376,031
Prepaid expenses and deposits	79,677
Construction in progress and property available for sale, at net realizable value	2,291,136
Notes receivable, current portion due	105,673
Total current assets	4,545,207
NOTES RECEIVABLE, net, less current portion above	342,167
RELATED PARTY NOTES RECEIVABLE	448,946
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	2,151,766
TOTAL ASSETS	$ 7,488,086

LIABILITIES

CURRENT LIABILITIES	
Accounts payable	$ 222,004
Accrued expenses and other current liabilities	430,711
Notes payable, current portion due	595,930
Total current liabilities	1,248,645
NOTES PAYABLE, less current portion above, net of debt issuance costs	3,095,691
TOTAL LIABILITIES	4,344,336

NET ASSETS

NET ASSETS WITHOUT DONOR RESTRICTIONS	2,698,249
NET ASSETS WITH DONOR RESTRICTIONS	445,501
TOTAL NET ASSETS	3,143,750
TOTAL LIABILITIES AND NET ASSETS	$ 7,488,086

CHWC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year ended December 31, 2021

NET ASSETS WITHOUT DONOR RESTRICTIONS	
NET PROGRAM SERVICE REVENUE	
Home sales	$ 1,723,117
Direct cost of home sales	(1,655,662)
Realty broker fee income	18,924
Net housing activity	86,379
Developer fee income	18,000
Other fee income	25,662
Rental income	294,962
Mortgage interest income and related fees	5,923
Management fee income	97,910
NET PROGRAM SERVICE REVENUE	528,836
GRANTS AND CONTRIBUTIONS	
Federal government	705,905
Foundation	930,196
Corporate	152,093
Religious	51,000
Individual	179,968
TOTAL GRANTS AND CONTRIBUTIONS	2,019,162
OTHER REVENUE	
Special event income	7,446
Bank interest and other income	38,890
TOTAL OTHER REVENUE	46,336
NET ASSETS RELEASED FROM RESTRICTION	199,699
TOTAL REVENUE	2,794,033
EXPENSES	
Program services	1,601,684
Supporting services	
Management and general	302,710
Fundraising	93,931
TOTAL EXPENSES	1,998,325
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	795,708
NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	75,000
Net assets released from restrictions	(199,699)
CHANGE IN NET ASSETS WITH RESTRICTIONS	(124,699)
CHANGE IN NET ASSETS	671,009
NET ASSETS, BEGINNING OF YEAR	2,472,741
NET ASSETS, END OF YEAR	$ 3,143,750

See Notes to Consolidated Financial Statements

CHWC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021

	Program Services						Supporting Services		
	Housing and Real Estate Development	Community Lending	Community Building & Engagement	Homeownership Promotion and Preservation	Eliminations	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel	$ 517,697	$ 116,856	$ 117,847	$ 80,653	$ -	$ 833,053	$ 168,170	$ 78,371	$ 1,079,594
Occupancy expenses	30,574	3,030	1,443	1,683	-	36,730	5,110	-	41,840
Office expense	19,769	4,529	3,808	5,057	-	33,163	35,377	225	68,765
Travel	-	-	-	-	-	-	4,642	1,288	5,930
Notes receivable forgiven	-	-	-	35,684	-	35,684	-	-	35,684
Program supplies and other program expenses	21,774	2,725	34,437	111,740	-	170,676	-	-	170,676
Predevelopment expenses	29,175	-	-	-	-	29,175	-	-	29,175
Real estate management expenses	186,554	-	6,086	-	(15,596)	177,044	-	-	177,044
Insurance and property taxes	56,358	343	1,596	296	-	58,593	3,025	-	61,618
Professional fees	9,860	4,431	1,803	2,038	-	18,132	55,079	-	73,211
Interest expense	90,412	-	-	-	-	90,412	111	-	90,523
Development and construction expenses	17,847	-	10	47	-	17,904	55	-	17,959
Depreciation	75,634	6,278	4,683	5,415	-	92,010	19,728	-	111,738
Other	7,374	195	625	914	-	9,108	11,413	14,047	34,568
Direct cost of home sales, including adjustment of construction in progress and property available for sale to net realizable value	1,655,662	-	-	-	-	1,655,662	-	-	1,655,662
Subtotal	2,718,690	138,387	172,338	243,527	(15,596)	3,257,346	302,710	93,931	3,653,987
Less: Direct cost of home sales, including adjustment of construction in progress and property available for sale to net realizable value	(1,655,662)	-	-	-	-	(1,655,662)	-	-	(1,655,662)
TOTAL	$ 1,063,028	$ 138,387	$ 172,338	$ 243,527	$ (15,596)	$ 1,601,684	$ 302,710	$ 93,931	$ 1,998,325
Percentage of expenses, inclusive of direct costs of home sales						89.1%	8.3%	2.6%	100.0%

See Notes to Consolidated Financial Statements

CHWC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 671,009
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	111,738
Interest attributable to debt issuance amortization	3,245
Forgiveness of notes receivable	35,684
Gain on disposal of property and equipment, net	(18,734)
Change in operating assets and liabilities	
Contracts and grants receivable	102,295
Prepaid expenses and deposits	(3,070)
Construction in progress and property available for sale	(920,465)
Accounts payable	68,939
Accrued expenses and other current liabilities	156,163
NET CASH FLOWS FROM OPERATING ACTIVITIES	206,804
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(364,157)
Proceeds from the disposal of property and equipment	161,200
Issuance of notes receivable	(86,350)
Proceeds from notes receivable	77,144
NET CASH FLOWS FROM INVESTING ACTIVITIES	(212,163)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of advances to related party	(15,975)
Advances from related party	18,701
Repayment of long-term obligations	(753,477)
Proceeds from long-term obligations	1,604,240
NET CASH FLOWS FROM FINANCING ACTIVITIES	853,489
CHANGE IN CASH AND CASH EQUIVALENTS	848,130
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	816,562
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,664,692
CASH AND RESTRICTED CASH	
UNRESTRICTED	$ 1,046,429
RESTRICTED	618,263
CASH AND RESTRICTED CASH, END OF YEAR	$ 1,664,692

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations - The purpose of CHWC, Inc. and Subsidiaries (the “Organization” or “CHWC”) is to stabilize and revitalize neighborhoods and communities in Wyandotte County by creating affordable home ownership opportunities, economic strength and community pride. CHWC is the result of a merger between Catholic Housing and Neighborhood Housing Services of Kansas City, Kansas. CHWC is a NeighborWorks America (“NeighborWorks”) organization and, as such, is a member of a national network of more than 220 community-based organizations affiliated with NeighborWorks. The strategies for redevelopment include:

- Work in partnership with neighborhood groups and associations
- Identify community needs, strengths and desires
- Promote homeownership
- Remove blight to create economic opportunities
- Improve infrastructure and encourage job creation
- Develop high-quality homes and apartments for families of all income levels

The Organization's primary housing strategy is to create sustainable communities for families within the neighborhoods served. Activities include affordable housing development, homeownership promotion and preservation, as well as community building and organizing.

Affordable housing development includes the construction of new homes and the rehabilitation of existing homes. Rehabilitation activities include rehabilitation of units owned by the Organization and rehabilitation and marketing services for abandoned properties in conjunction with community partners.

In addition to working to revitalize neighborhoods through home construction and rehabilitation, CHWC's homeownership program and preservation activities include:

- Pre-purchase homebuyer education
- Financial literacy workshops
- Home energy savings workshops
- Mortgage foreclosure prevention services
- Financial assistance for home improvements, home maintenance and energy efficiency upgrades
- Grants for closing-cost assistance
- Providing loans to support housing development, homeownership, and home improvement

Community building and organizing activities bring community residents together for projects and events such as:

- Graffiti abatement
- Mural creation
- Community garden construction
- After school or summer art and technology programs
- Monthly networking events hosted by the Neighborhood Engagement Committee

CHWC Holding Corporation, Inc. (“CHC”), a not for profit organization, was formed to operate or administer economic development programs, development services, and to promote and foster economic development in distressed or underserved markets within the State of Kansas. In addition, CHC controls two single member LLC subsidiaries, Community Construction, LLC and Community Housing Realty, LLC. Community Construction, LLC was formed to provide construction management and related services on behalf of CHWC and its related entities. Community Housing Realty, LLC was formed to provide realty services on behalf of CHWC and its related entities.

(1) Summary of significant accounting policies (continued)

House to Home Bethany, LLC ("House to Home Bethany") was formed to develop 20 scattered sites, infill residential homes to be rented as a rent-to-own product. Units developed by House to Home Bethany are leased to qualified persons with income of up to 60% of adjusted median income with an option to purchase a home within CHWC's revitalization area or to purchase the rental unit at the conclusion of the mandatory tax credit compliance period. During the year ended December 31, 2021, all 20 House to Home Bethany homes were rented. The Organization is the 99% managing member of House to Home Bethany.

House to Home Riverview/Escalade, LLC was formed to develop 23 scattered sites, infill residential homes to be rented as a rent-to-own product. Units developed by House to Home Riverview/Escalade are leased to qualified persons with income of up to 60% of adjusted median income with an option to purchase a home within CHWC's revitalization area, or to purchase the rental unit at the conclusion of the mandatory tax credit compliance period. During the year ended December 31, 2021, all 23 House to Home Riverview/Escalade homes were rented.

Delaware Place, LLC was formed to develop a 14 unit mixed income senior housing project in Valley Falls, KS. Units developed by Delaware Place are eligible for low-income housing tax credits, and are subject to a 15 year compliance period for qualified persons with income meeting the applicable standards. During the year ended December 31, 2021, all Delaware Place, LLC homes were rented.

Principles of combination/consolidation - The accompanying consolidated financial statements include the accounts of CHWC, Inc., CHWC Holding Corporation, and House to Home Bethany. CHWC has consolidated the activity of House to Home Bethany since CHWC is the majority stockholder and managing member in House to Home Bethany. CHWC Holding Corporation is consolidated because CHWC has both control of CHC and an economic financial interest. All significant intercompany balances and transactions have been eliminated in the consolidated statements.

Under current consolidation guidance both operating agreements include substantive participating rights for the limited members and therefore House to Home Riverview/Escalade, LLC and Delaware Place, LLC have not been included within these consolidated financial statements. The Organization has a small fractional direct interest in both House to Home Riverview/Escalade, LLC and Delaware Place, LLC. Management estimates that the current value of their ownership interest is negligible to the consolidated financial statements as a whole, and accordingly, has not reflected any value in these consolidated financial statements.

Basis of accounting - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Donated assets - Donated assets are reflected as contributions at management's estimate of their fair value at the date of receipt.

Use of estimates - The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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. The most significant estimate, which could change in the near term, relates to the establishment of the reserve to net realizable value described in Note 2. Management has assessed the location, condition, and overall market of the properties held in establishing the reserve and believes the reserve to be a reasonable estimate of market conditions.

(1) Summary of significant accounting policies (continued)

Cash and cash equivalents - For purposes of the statement of cash flows, cash and cash equivalents are considered to be cash on hand, bank checking accounts, and money markets. At times, cash balances held at financial institutions may be in excess of FDIC limits. The Organization has not experienced any losses in such accounts, and management believes the risk of loss is negligible.

Restricted cash and cash equivalents - Restricted cash represents amounts received from donors or other organizations whose purpose is restricted and cannot be used for general operations and funds which are restricted due to regulatory requirements to hold amounts received as security deposits, and other reserves, separately from operations.

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

Property and equipment - Land, buildings, equipment, and vehicles are stated on the basis of cost, or if donated, at fair market value on the date of donation. Depreciation is computed by the straight-line method over the following useful lives:

Description	Estimated Useful Lives
Building and improvements	5 - 40 Years
Rental property and improvements	5 - 40 Years
Personal property	3 - 5 Years
Appliances	5 Years

Depreciation expense amounted to $111,738 during the year ended December 31, 2021.

Asset impairment assessment - The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be fully recoverable. An impairment is evaluated based on a comparison of the carrying value of the assets to the future net undiscounted cash flows expected to be generated by the rental property, including low-income housing tax credits and any estimated proceeds from the eventual disposition of real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment has been recognized through December 31, 2021.

Debt issuance costs - Amortization is required to be included with interest expense in the statements of activities and changes in net assets. During the year ended December 31, 2021, amortization included within interest expense amounted to $3,245. Accumulated amortization attributable to debt issuance costs totaled $38,645 for the year ended December 31, 2021.

Net assets - To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, net assets are delineated into two groups according to their nature and purpose and/or time restriction:

Net assets without donor restrictions - All contributions and grants are considered to be available for use unless specifically restricted by the donor.

*Net assets with donor restriction*s - These net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

(1) Summary of significant accounting policies (continued)

Revenues and other support - Contributions and grants, including unconditional promises to give, are recognized in accordance with Accounting Standards Codification ("ASC") Topic 958. Under this guidance revenue is considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted by the donor are reported as restricted contributions and increase net assets with donor restrictions. The Organization records special events revenue when pledged or received, and includes the costs of the event within the statement of functional expenses as a cost of fundraising.

Contributions other than cash, including unconditional promises to give and donated materials with clearly measurable bases, are recorded at their estimated fair value at the date of receipt. Revenue from fees and grants from government agencies are recognized as they are earned through expenditure in accordance with the agreement.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization received cost-reimbursable grants of approximately $733,000 that have not been recognized at December 31, 2021 because qualifying expenditures have not yet been incurred.

At times, the Organization receives donated clothing, food, books, renovation costs, various household items, and furniture. No amounts are reflected in the consolidated financial statements for these donated goods as they are considered to be immaterial in relation to the consolidated financial statements taken as a whole. Many individuals volunteer their time and perform a variety of tasks including assisting with children's activities, tutoring, and data entry; these services do not meet the Financial Accounting Standards Board ("FASB") ASC criteria to be recognized as contributions received, and, accordingly, have not been recorded in the consolidated financial statements. The Organization receives other donated goods that are greater in value and held for extended periods of time and has reflected those as contributions in the statements of activities and changes in net assets at their estimated fair value at the date of receipt.

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

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in ASC Topic 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. For contracts with multiple performance obligations, the Organization allocates the contract's transaction price to each performance obligation using the Organization's best estimate of the standalone selling price of each distinct good or service in the contract.

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

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

(1) Summary of significant accounting policies (continued)

Grants for direct cost of homes - Grants for direct costs of homes represent amounts raised for costs of homes constructed during the year. At times, grants are received in years prior to homes being sold.

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

Taxes - CHWC, Inc. has been granted exemption from income taxes by the Internal Revenue Service under the provisions of Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. CHWC Holding Corporation is a Not-for-Profit Corporation and is applying for an exemption from federal income taxes under Section 501(c)(3). As of the date of this report that exemption application has not been filed.

The Organization assesses uncertain tax positions on an annual basis. This assessment includes the assessment of private benefits to related parties and disqualified persons. Management believes that no excess private benefit has been conveyed through December 31, 2021. This determination has been made through an assessment of estimated revenue streams in relation to below market loans, including developer fees, support service fees, and initially projected principal and interest payment streams. There has not been any interest or penalties recognized either in the statement of activities and change in net assets or statement of financial position related to uncertain tax positions. In addition, the Organization did not have any uncertain tax positions at December 31, 2021. The Organization is no longer subject to federal or state income tax examinations by tax authorities before 2018.

House to Home Bethany is operated as a limited liability company and is not specifically taxed as a separate entity; rather, the net income or loss is included in the income tax returns of the members. The Partnership has adopted the standards requiring disclosure of uncertain tax positions under the ASC Topic 740 *Income Taxes*. There has been no interest or penalties recognized in the statements of profit and loss or in the balance sheets related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months. House to Home Bethany files income tax returns in the U.S. federal jurisdiction and the Kansas state jurisdiction. House to Home Bethany is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities before 2018.

(2) Construction in progress and property available for sale

As of December 31, 2021, CHWC has acquired and begun rehabilitating numerous homes, vacant lots, and buildings throughout Wyandotte County. Construction in progress includes houses that are being rehabilitated, as well as land that management intends to develop and sell. At December 31, 2021, the reserve for write down to net realizable value approximated 24% of the costs incurred to acquire and rehabilitate the properties in inventory. Costs incurred prior to acquisition are expensed as incurred.

Consistent with the Organization’s exempt purpose, CHWC seeks funding from foundations, corporations, individuals, and governmental agencies to fill any gap between development cost and the estimated realizable value of development projects.

The accumulated costs are categorized as the following:

Land held for sale and development	$ 776,014
Construction in progress	1,992,592
Adjustment to net realizable value	(477,470)
Total construction in process and land held for sale and development	$ 2,291,136

Construction in process includes interest incurred and capitalized of $30,217 during the year ended December 31, 2021.

(3) Notes receivable

CHWC provides loans to homeowners at varying interest rates which range from 0% to 7%. These loans are repaid in monthly installments of principal and interest, and are secured by the respective residences. At December 31, 2021 there were 37 notes receivable outstanding. Management analyzes the outstanding note balances periodically throughout the year and evaluates the customers’ payment history to ascertain an allowance for uncollectible accounts.

CHWC also has additional loans to homeowners which have been issued as second mortgages. The notes have certain restrictive covenants. If complied with, the notes are to be forgiven over the length of the notes, which vary from five to ten years. Management has determined that these notes reflect conditional promises to give that have not been fulfilled at December 31, 2021; accordingly, the Organization continues to reflect the notes as receivable. The respective houses secure the individual notes. For the year ended December 31, 2021, the forgiveness of debt of $35,684 has been recorded as an expense in the consolidated financial statements.

The detail for the above loans as of December 31, 2021 is as follows:

Repayable loans	$ 288,212
Forgivable loans	180,201
Notes receivable	468,413
Less: allowance for uncollectable notes	(20,573)
Notes receivable	447,840
Less: current portion	(105,673)
Non-current portion	$ 342,167

(4) Related party notes receivable

Note receivable (original balance of $350,000) due from House to Home Bethany, LLC, provided with financing from the Kansas Housing Resources Corporation ("KHRC"), made using federal HOME Investment Partnerships Program ("HOME") funds, for the construction and development of the housing property. The note receivable agreement will remain in effect through 2030, and requires the entity to remain in compliance with certain performance standards. Interest is charged at a rate of 3% per annum. Payments of principal and interest are deferred until the completion of the affordability period, which ends in 2030, at which time the balance, including accrued interest, shall be due within 60 days of the end of said period.

Note receivable due from House to Home Riverview/Escalade, LLC, provided with $387,618, with a current balance of $407,746 including unpaid interest, of financing from the Federal Home Loan Bank Affordable Housing Program ("AHP") for the construction and development of the housing property. The note receivable agreement will remain in effect through 2031, and requires the entity to remain in compliance with certain performance standards. Interest is charged at a rate of 2.56% per annum. Payments of principal and interest are deferred until the completion of the affordability period, which ends in 2031, at which time the balance, including accrued interest, shall be due within 60 days of the end of said period.

Note receivable due from House to Home Riverview/Escalade, LLC, provided with $276,000 of financing from CHWC, for the construction and development of the housing property, with a current balance of $294,077 including accumulated unpaid interest. The note receivable agreement will remain in effect through 2029, and requires the entity to remain in compliance with certain performance standards. Interest is charged at a rate of 2.32% per annum. Payments of principal and interest are deferred until the completion of the affordability period, which ends in 2031, at which time the balance, including accrued interest, shall be due within 60 days of the end of said period. Due to the low priority of this obligation in relation to the other obligations of House to Home Riverview/Escalade, and the low likelihood that the entity will generate sufficient cash flow to provide for the repayment of this obligation prior to its maturity on March 31, 2029, management has assessed the probability of the note generating positive cash flow to be remote. With consideration of the aforementioned factors, CHWC has fully reserved the note.

Note receivable (original balance of $40,000) due from Delaware Place, LLC, for the remaining unpaid developer fees due to CHWC. This agreement carries interest at 5% and is repayable only through available cash flow, as defined in the agreement. The unpaid principal balance, together with accrued interest, is due in full upon the end of the 15 year compliance period for the Delaware Place, LLC low-income tax credits, the date of the sale of the property, or the refinancing of the property's loan.

The detail for the related party notes receivable as of December 31, 2021 is as follows:

House to Home Bethany, LLC	$ 350,000
House to Home Riverview/Escalade	701,823
Delaware Place, LLC	41,200
Notes receivable	1,093,023
Less: allowance for uncollectable notes	(294,077)
Less: intercompany elimination	(350,000)
Non-current portion	$ 448,946

(5) Property and equipment

Property and equipment are stated at cost. Listed below are the major classes of assets at December 31, 2021.

CHWC Holding Corporation, Inc. at cost	
Land	$ 15,228
Building and improvements	2,127,623
Rental property	767,699
Personal property	60,612
Total cost	2,971,162
Accumulated depreciation	(849,166)
CHWC Holding Corporation, Inc. property and equipment	2,121,996
House to Home Bethany, at cost	
Land	7,708
Building and improvements	4,454,237
Land improvements	111,886
Appliances	62,598
Total cost	4,636,429
Accumulated depreciation	(411,659)
Federal grants received for financing rental property	(3,765,000)
	459,770
Eliminations	(430,000)
House to Home Bethany property and equipment, net of eliminations	29,770
Property and equipment, net of eliminations	$ 2,151,766

(6) Lines of credit

The Organization has a line of credit available at December 31, 2021 with a local financial institutions. The line of credit has a maximum balance of $132,000, with a current balance of $0, and carries interest at 4%, with a maturity date of October 1, 2022 and is collateralized by certain real property.

(7) Recoverable grant payable

The Organization received funding for the construction of four new energy efficient single-family homes to be sold to low and/or moderate income families through a recoverable grant provided by the Local Initiatives Support Corporation ("LISC"). As part of the grant agreement, CHWC must remit back to LISC any program income funds received from the sale of these homes, the recoverable portion. Upon the sale of the final home constructed under this funding agreement, and the remittance of any program income generated from the sale, the unpaid portion of the recoverable grant will be forgiven by LISC. As of December 31, 2021 all homes constructed using these funds have been sold and the balance repaid.

(8) Long-term obligations

Mortgage loans and construction notes payable consist of the following at December 31, 2021.

CHWC, Inc.		
Due to Unified Government, $226,000 inter-fund borrowings from the Organization’s Community Development Block Grant ("CDBG") revolving loan funds, made to operating fund between April 2008 and July 2008 and $100,000 return of CDBG funds advanced for rehab project in April 2005. The loan is non-interest bearing and is payable in minimum monthly payments of $1,000 per month through 2020. On July 1, 2020, the loan agreement was amended, extending the due date until June 2030, and increasing the monthly payment to $1,225.	$	120,950
Loan at 2.56% collateralized by the property being rehabilitated with the AHP funds. The note is due from CHWC to the Federal Home Loan Bank. The funds received under this obligation were loaned to House to Home Riverview/Escalade to fund the construction of certain single family homes. Principal and accumulated accrued interest are due in full September 2031.		407,747
Loan at 3% note collateralized by the property being rehabilitated with the HOME funds. The note is due from CHWC to the Kansas Housing Resources Corporation (KHRC). The funds received under this obligation were loaned to House to Home Bethany to fund the construction of certain single family homes. Under the agreement, repayment of this note and related interest is retained by CHWC to be used for additional affordable housing activities to benefit low-income persons as long as the Organization continues eligible activities. In the event that CHWC declares not to conduct eligible activities, all funds remaining must be returned to KHRC within 30 days from the date of such declaration or the expiration of the one year request for approval period for other HOME eligible activities, whichever shall occur first.		350,000
CHWC Holding Corporation, Inc.		
Variable interest rate loan, bearing interest at the weekly average yield on US Government securities plus a margin of 3%, adjusted annually and was 4.20% at December 31, 2021. The loan is collateralized by the property being rehabilitated, and requires monthly payments of principal and interest totaling $1,537 for 60 months, then $1,677 for 59 months until maturity with a lump-sum payment of outstanding principal due March 2032.		276,250
Construction loans at 4.75%, interest only payments through maturity with a lump-sum payment of outstanding principal due in January 2023. The loans are collateralized by certain real property.		415,547
Construction loans at 3.75%, interest only payments through maturity with a lump-sum payment of outstanding principal due in January 2022. The loans are collateralized by certain real property. Subsequent to year end the related property was sold and the loan was paid in full.		184,450
Construction loan at 4.5%, interest only payments through maturity with a lump-sum payment of outstanding principal due in July 2022. The loans are collateralized by certain real property.		130,641
Construction loan at 5.75%, interest only payments through maturity with a lump-sum payment of outstanding principal due in March 2022. The loans are collateralized by certain real property. Subsequent to year end the related property was sold and the loan was paid in full.		179,049

(8) Long-term obligations (continued)

Loan at 4.375%, monthly payments of principal and interest totaling $453 until maturity with a lump-sum payment of outstanding principal due February 2035. The loan is collateralized by certain real property.	54,701
Loan at 4.6%, monthly payments of principal and interest totaling $2,063 until maturity with a lump-sum payment of outstanding principal due July 2050. The loan is collateralized by certain real property.	394,914
Loan at 4.75%, monthly payments of principal and interest totaling $2,510 until maturity with a lump-sum payment of outstanding principal due July 2030. The loan is collateralized by certain real property.	423,910
Construction loans at 3.75%, interest only payments through maturity with a lump-sum payment of outstanding principal due in January 2023. The loans are collateralized by certain real property.	1,647
Construction loans at 3.25%, interest only payments through maturity with a lump-sum payment of outstanding principal due in January 2023 through June 2032. The loans are collateralized by certain real property.	160,741
Construction loan at 3.75%, interest only payments through maturity with a lump-sum payment of outstanding principal due in August 2022. The loan is collateralized by certain real property.	41,956
Construction loan at 3.25%, interest only payments through maturity with a lump-sum payment of outstanding principal due in January 2023. The loan is collateralized by certain real property.	109,532
House to Home Bethany, LLC	
Variable rate note bearing interest at the Wall Street Journal prime rate plus 250 basis points fixed for a three year term with a floor of 5.5%. Principal and interest, totaling $3,834, are due monthly on a 25 year amortization term. The note is collateralized by a first mortgage on all lots and residences of House to Home Bethany, LLC and an assignment of rents, leases and contracts. Subsequent to December 31, 2016, House to Home Bethany entered into a renewal agreement with Country Club Bank. This agreement extends the repayment term of the loan until April 2022, with the interest and monthly payments terms remaining the same.	452,859
Total long-term obligations	3,704,894
Less: current portion	(595,930)
Less: debt issuance costs, net of amortization	(13,273)
Non-current portion	$ 3,095,691

Maturities on long-term obligations are as follows:

Years Ending December 31,	
2022	$ 595,930
2023	804,012
2024	68,620
2025	71,249
2026	61,987
Thereafter	2,103,096
Total long-term obligations	$ 3,704,894

(9) Paycheck protection program loan

During the year ended December 31, 2020, the Organization received a Paycheck Protection Program (PPP) loan of $120,405, granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered debt, unless forgiven if the funds are used to maintain compensation costs and employee headcount, and other qualifying expenses (rent and utilities) incurred following the receipt of the funds. If the funds are used for other items not specified within the agreement, the loan accrues interest at 1% with monthly payments of $6,700 beginning November 2020 and will mature in April 2022. As of December 31, 2020, the Organization had included the full PPP funding as a contribution in the statement of activities and changes in net assets. The Organization's application for forgiveness of the loan was approved on May 24, 2021.

(10) Net assets with donor restrictions

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

Restricted for program	
Homebuyer assistance and preservation	$ 52,109
Community projects	36,558
Operating and personnel costs	10,356
Housing	10,430
	109,453
Restricted in perpetuity	
Notes receivable	336,048
Total net assets with donor restrictions	$ 445,501

Net assets with donor restrictions which are restricted in perpetuity are for the use in acquiring certain capital property or in making acquisition or rehabilitation loans to homeowners. From time to time management has made requests to the donor to release certain funds previously restricted in perpetuity.

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

Restricted for time	$ 122,199
Operating and personnel costs	2,500
Housing	75,000
Total release of restrictions	$ 199,699

(11) Tax Credit Assistance Program

In connection with the development of certain housing under the House to Home Bethany project, House to Home Bethany, LLC received funding under the Federal Tax Credit Assistance Program as provided under the American Recovery and Reinvestment Act. The funding does not provide for repayment, so long as the project complies with a Land Use Restriction Agreement during a 15 year compliance period, expiring in 2025. The $3,765,000 in funding received under this program has been expended on the development of depreciable property and has been reflected as a reduction in the value of the acquired property. The assets have been reduced by this amount and, as such, the income will be recognized in the form of reduced depreciation throughout the life of the project. Should House to Home Bethany default under the terms of the agreement, certain recapture provisions in the agreement may require that funds be repaid, with penalties and interest.

(12) Commitments and Contingencies

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

(13) Liquidity disclosure

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

Financial assets at year-end:	
Cash and cash equivalents	$ 1,664,692
Contracts and grants receivable	376,031
Notes receivable	447,840
	2,488,563
Less:	
Restricted cash unavailable within one year	245,123
Receivables from loan agreements	4,774
Non-current portion of notes receivable	342,167
Financial assets available to meet cash needs for general expenditures within one year	$ 1,896,499

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a goal to maintain unrestricted financial assets on hand to meet 40 days of normal operating expenses, which requires, on average, approximately $115,000. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves annually. To help manage unanticipated liquidity needs, CHWC has a committed line of credit in the amount of $100,000, which it can draw upon.

(14) Future obligations under guarantees

Pursuant to a debt agreement dated January 8, 2014, the Organization serves as a guarantor of the timely repayment of principal and interest for a long-term obligation issued to House to Home Riverview/Escalade, with an original balance of $866,199; for the purpose of financing the development and construction of a 23 unit multifamily residential rental community in Kansas City, Kansas. The debt payments began in June 2015, and continue for 15 years paid in equal monthly installments and carries interest at 5.75%. There is currently no recorded liability for potential losses under this guarantee, nor is there any liability for the Organization's obligation to "stand ready" to fund such guarantee. Based on the information gathered as part of its monitoring of risks, the Organization believes there is only a remote possibility that House to Home Riverview/Escalade will not remain current with its debt payments and the Organization would be required to perform under the guarantee.

(14) Future obligations under guarantees (continued)

The maximum potential amount of future payments the Organization could be required to make are as follows:

Years Ending December 31,		
2022	$	16,165
2023		17,133
2024		18,036
2025		19,239
2026		20,391
Thereafter		679,632
Total guarantee obligations	$	770,596

(15) Cash flow disclosures

The following is a summary of supplemental cash flow information:

	CHWC, Inc.	CHWC Holding Corporation	House to Home Bethany	Total
ADDITIONAL CASH FLOW INFORMATION				
Cash paid for interest	$ -	$ 76,800	$ 25,870	$ 102,670
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Investment in property and equipment with accounts payable	$ -	$ 68,104	$ -	$ 68,104

(16) Subsequent events

The Organization has evaluated subsequent events through June 30, 2022, which is the date the consolidated financial statements were available to be issued. Other than three properties, included in construction in process, being sold for $813,664, no other matters were identified for recognition or disclosure.

SUPPLEMENTARY INFORMATION

CHWC, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2021

A S S E T S	CHWC, Inc.	CHWC Holding Corporation	House to Home Bethany	Eliminations	Total
CURRENT ASSETS					
Cash and cash equivalents					
Unrestricted	$ 995,973	$ 130	$ 50,326	$ -	$ 1,046,429
Restricted	491,771	-	126,492	-	618,263
Total	1,487,744	130	176,818	-	1,664,692
Related party receivables	-	25,311	7,238	(4,551)	27,998
Contracts and grants receivable	367,708	4,774	3,549	-	376,031
Prepaid expenses and deposits	-	77,162	2,515	-	79,677
Construction in progress and property available for sale, at net realizable value	-	2,291,136	-	-	2,291,136
Notes receivable, current portion due	105,673	-	-	-	105,673
TOTAL CURRENT ASSETS	1,961,125	2,398,513	190,120	(4,551)	4,545,207
NOTES RECEIVABLE, net, less current portion above	342,167	-	-	-	342,167
RELATED PARTY NOTES RECEIVABLE	798,946	-	-	(350,000)	448,946
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	-	2,121,996	459,770	(430,000)	2,151,766
TOTAL ASSETS	$ 3,102,238	$ 4,520,509	$ 649,890	$ (784,551)	$ 7,488,086

CHWC, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2021

LIABILITIES	CHWC, Inc.	CHWC Holding Corporation	House to Home Bethany	Eliminations	Total
CURRENT LIABILITIES					
Accounts payable	$ 12,427	$ 182,421	$ 27,156	$ -	$ 222,004
Accrued expenses and other current liabilities	85,243	170,446	179,573	(4,551)	430,711
Long-term obligations, current portion due	14,700	560,697	20,533	-	595,930
TOTAL CURRENT LIABILITIES	112,370	913,564	227,262	(4,551)	1,248,645
RELATED PARTY NOTES PAYABLE	-	-	350,000	(350,000)	-
LONG-TERM OBLIGATIONS, less current portion above, net of debt issuance costs	863,997	1,812,641	419,053	-	3,095,691
TOTAL LIABILITIES	976,367	2,726,205	996,315	(354,551)	4,344,336
NET ASSETS (DEFICIT)					
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS	1,789,823	1,684,851	(346,425)	(430,000)	2,698,249
NET ASSETS WITH DONOR RESTRICTIONS	336,048	109,453	-	-	445,501
TOTAL NET ASSETS (DEFICIT)	2,125,871	1,794,304	(346,425)	(430,000)	3,143,750
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 3,102,238	$ 4,520,509	$ 649,890	$ (784,551)	$ 7,488,086

CHWC, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)

Year ended December 31, 2021

	CHWC, Inc.	CHWC Holding Corporation	House to Home Bethany	Eliminations	Total
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS					
NET PROGRAM SERVICE REVENUE					
Home sales	$ -	$ 1,723,117	$ -	$ -	$ 1,723,117
Direct cost of home sales	-	(1,655,662)	-	-	(1,655,662)
Realty broker fee income	-	18,924	-	-	18,924
Gross income on home sales	-	86,379	-	-	86,379
Developer fee income	18,000	-	-	-	18,000
Other fee income	-	25,662	-	-	25,662
Rental income	-	98,231	196,731	-	294,962
Mortgage interest income and related fees	5,923	-	-	-	5,923
Management fee income	-	113,506	-	(15,596)	97,910
NET PROGRAM SERVICE REVENUE	23,923	323,778	196,731	(15,596)	528,836
GRANTS AND CONTRIBUTIONS					
Federal government	357,946	347,959	-	-	705,905
Foundation	735,687	194,509	-	-	930,196
Corporate	54,313	97,780	-	-	152,093
Religious	16,014	34,986	-	-	51,000
Individual	56,510	123,458	-	-	179,968
TOTAL GRANTS AND CONTRIBUTIONS	1,220,470	798,692	-	-	2,019,162
OTHER REVENUE					
Special event income	7,446	-	-	-	7,446
Bank interest and other income	311	36,590	1,989	-	38,890
TOTAL OTHER REVENUE	7,757	36,590	1,989	-	46,336
NET ASSETS RELEASED FROM RESTRICTIONS	199,699	-	-	-	199,699
TOTAL REVENUE	1,451,849	1,159,060	198,720	(15,596)	2,794,033

CHWC, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)

Year ended December 31, 2021

	CHWC, Inc.	CHWC Holding Corporation	House to Home Bethany	Eliminations	Total
EXPENSES					
Program services	302,828	1,110,906	203,546	(15,596)	1,601,684
Supporting services:					
Management and general	302,710	-	-	-	302,710
Fundraising	93,931	-	-	-	93,931
Total Program and Supporting Services	699,469	1,110,906	203,546	(15,596)	1,998,325
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	752,380	48,154	(4,826)	-	795,708
NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	75,000	-	-	-	75,000
Net assets released from restrictions	(199,699)	-	-	-	(199,699)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(124,699)	-	-	-	(124,699)
CHANGE IN NET ASSETS	627,681	48,154	(4,826)	-	671,009
NET ASSETS (DEFICIT), BEGINNING OF YEAR	1,498,190	1,746,150	(341,599)	(430,000)	2,472,741
NET ASSETS (DEFICIT), END OF YEAR	$ 2,125,871	$ 1,794,304	$ (346,425)	$ (430,000)	$ 3,143,750