

**THE WOMEN'S HOME
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021
(With Independent Auditor's Report Thereon)

Insight. Oversight. Foresight.SM

 **DoerenMayhew**
CPAs AND ADVISORS

THE WOMEN'S HOME

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Directors
of **The Women's Home**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Women's Home and Affiliates (collectively, The Home), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of operations, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (the financial statements).

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

We did not audit the financial statements of The Women's Home Hammerly Phase II, LP (Hammerly LP), whose statements reflect total assets of \$13,474,474 and \$13,968,784 and total liabilities of \$861,473 and \$717,392 at December 31, 2022 and 2021, respectively, adjusted for eliminating entries; and total revenues of \$917,809 and \$898,087, and total expenses of \$1,404,808 and \$1,514,918 for the years then ended, respectively, adjusted for eliminating entries. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Hammerly LP, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of Hammerly LP were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of The Home, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Home'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Home'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2023 on our consideration of The Home's 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 solely 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 effectiveness of 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 The Home's internal control over financial reporting and compliance.



Houston, Texas
April 27, 2023

THE WOMEN'S HOME

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents (Note 3)	\$ 1,505,809	\$ 1,305,960
Pledges receivable (Notes 3 and 5)	1,144,435	583,746
Government grants receivable	542,075	670,420
Prepaid expenses and other assets	118,942	176,107
Developer fee receivable (Note 6)	504,610	504,610
Investments (Note 7)	1,935,563	2,365,109
Note receivable (Note 11)	6,724,000	6,724,000
Restricted cash and cash equivalents (Note 11)	48,308	106,308
Property and equipment, net (Notes 8, 10 and 11)	<u>29,377,452</u>	<u>30,522,983</u>
Total assets	<u>\$ 41,901,194</u>	<u>\$ 42,959,243</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 566,473	\$ 474,461
Security deposits and deferred revenue	184,774	101,670
Developer fee payable (Note 9)	579,248	579,248
Note payable, net (Note 10)	744,899	743,369
New Markets Tax Credit notes payable, net (Note 11)	<u>9,395,649</u>	<u>9,377,781</u>
Total liabilities	<u>11,471,043</u>	<u>11,276,529</u>
Net assets:		
Without donor restrictions:		
The Women's Home	20,773,093	21,470,595
Noncontrolling interest in Hammerly LP (Note 18)	<u>6,513,367</u>	<u>7,067,830</u>
Total without donor restrictions	<u>27,286,460</u>	<u>28,538,425</u>
With donor restrictions:		
Temporary (Notes 12 and 14)	2,850,496	2,851,094
Perpetual (Notes 12 and 14)	<u>293,195</u>	<u>293,195</u>
Total with donor restrictions	<u>3,143,691</u>	<u>3,144,289</u>
Total net assets	<u>30,430,151</u>	<u>31,682,714</u>
Total liabilities and net assets	<u>\$ 41,901,194</u>	<u>\$ 42,959,243</u>

See accompanying notes to consolidated financial statements.

THE WOMEN'S HOME

CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support:						
Government grants	\$ 2,674,470	\$ -	\$ 2,674,470	\$ 2,164,013	\$ -	\$ 2,164,013
Contributions and nongovernmental grants	1,059,793	1,268,831	2,328,624	1,200,506	739,753	1,940,259
Special events	366,339	-	366,339	183,441	-	183,441
Direct donor benefits for special events	(89,498)	-	(89,498)	(66,219)	-	(66,219)
Net assets released from restrictions (Note 13)	911,672	(911,672)	-	793,261	(793,261)	-
Total public support	4,922,776	357,159	5,279,935	4,275,002	(53,508)	4,221,494
Revenues:						
Sales to public	693,581	-	693,581	686,991	-	686,991
Rental income (Note 17)	923,503	-	923,503	877,155	-	877,155
Program service fees	994,035	-	994,035	941,121	-	941,121
Net investment (loss) income	(163)	(357,757)	(357,920)	(723)	234,698	233,975
Other income (Notes 8 and 11)	104,333	-	104,333	148,610	-	148,610
Total revenues	2,715,289	(357,757)	2,357,532	2,653,154	234,698	2,887,852
Total public support and revenues	7,638,065	(598)	7,637,467	6,928,156	181,190	7,109,346
Expenses:						
Program services:						
Apartments and resident services	4,165,214	-	4,165,214	4,221,450	-	4,221,450
Residential rehabilitation	1,411,983	-	1,411,983	1,157,387	-	1,157,387
Clinical counseling	575,952	-	575,952	550,386	-	550,386
Support services	839,650	-	839,650	666,211	-	666,211
The Cottage Shop	481,386	-	481,386	416,291	-	416,291
Total program services	7,474,185	-	7,474,185	7,011,725	-	7,011,725
Management and general Fundraising	645,873	-	645,873	551,437	-	551,437
	769,972	-	769,972	602,195	-	602,195
Total expenses	8,890,030	-	8,890,030	8,165,357	-	8,165,357
Change in net assets	(1,251,965)	(598)	(1,252,563)	(1,237,201)	181,190	(1,056,011)
Less net loss from noncontrolling ownership interest (Note 18)	(554,463)	-	(554,463)	(683,773)	-	(683,773)
Change in net assets for controlling interest	(697,502)	(598)	(698,100)	(553,428)	181,190	(372,238)
Net assets, beginning of year	21,470,595	3,144,289	24,614,884	22,024,023	2,963,099	24,987,122
Net assets, end of year	\$ 20,773,093	\$ 3,143,691	\$ 23,916,784	\$ 21,470,595	\$ 3,144,289	\$ 24,614,884

See accompanying notes to consolidated financial statements.

THE WOMEN'S HOME

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	Apartments and Resident Services	Residential Rehabilitation	Clinical Counseling	Support Services	The Cottage Shop	Management and General	Cost of Direct Benefits to Donors	Fundraising	Total
Salaries and employee benefits	\$ 1,248,803	\$ 756,025	\$ 436,155	\$ 596,530	\$ 323,774	\$ 470,194	\$ -	\$ 603,988	\$ 4,435,469
Depreciation and amortization	1,074,964	72,376	20,262	40,700	26,127	10,926	-	787	1,246,142
Utilities and occupancy	598,508	194,496	23,844	48,867	20,450	30,952	-	20,512	937,629
Professional fees/contract services	309,285	97,863	66,685	35,638	56,260	53,515	68,659	47,961	735,866
Repairs, maintenance and rental	214,219	54,839	12,225	20,805	9,196	12,435	-	6,298	330,017
Food and supplies	110,189	168,090	7,781	46,382	10,344	21,908	20,839	24,465	409,998
Insurance	160,882	24,545	4,868	16,864	4,081	15,645	-	7,571	234,456
Other	91,034	22,528	3,074	16,118	29,047	29,811	-	22,237	213,849
Interest expense	189,527	-	-	-	-	-	-	-	189,527
Direct assistance to individuals	22,561	21,137	216	17,076	-	-	-	-	60,990
Management fees	79,508	-	-	-	-	-	-	-	79,508
Property taxes	60,205	-	-	-	-	-	-	-	60,205
Printing and postage	5,529	84	842	670	2,107	487	-	36,153	45,872
Total expenses by function	4,165,214	1,411,983	575,952	839,650	481,386	645,873	89,498	769,972	8,979,528
Less costs of direct benefits to donors included with revenues on the statement of operations	-	-	-	-	-	-	(89,498)	-	(89,498)
Total expenses included in the expense section on the statement of operations	\$ 4,165,214	\$ 1,411,983	\$ 575,952	\$ 839,650	\$ 481,386	\$ 645,873	\$ -	\$ 769,972	\$ 8,890,030

See accompanying notes to consolidated financial statements.

THE WOMEN'S HOME

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Apartments and Resident Services	Residential Rehabilitation	Clinical Counseling	Support Services	The Cottage Shop	Management and General	Cost of Direct Benefits to Donors	Fundraising	Total
Salaries and employee benefits	\$ 1,099,484	\$ 632,270	\$ 412,074	\$ 457,362	\$ 278,999	\$ 371,357	\$ -	\$ 458,591	\$ 3,710,137
Depreciation and amortization	1,190,429	72,376	20,673	40,894	29,397	11,436	-	787	1,365,992
Utilities and occupancy	625,555	152,716	23,973	53,256	20,383	34,858	-	21,337	932,078
Professional fees/contract services	293,528	85,244	67,278	23,770	39,477	58,631	56,711	41,851	666,490
Repairs, maintenance and rental	307,628	49,639	10,497	20,072	8,661	20,169	-	12,190	428,856
Food and supplies	69,063	123,324	5,980	40,091	9,055	18,305	9,508	23,266	298,592
Insurance	135,013	22,231	4,891	16,853	4,072	14,290	-	7,642	204,992
Other	82,497	19,184	4,782	13,491	25,842	19,369	-	20,108	183,273
Interest expense	177,100	-	-	-	-	2,306	-	-	179,406
Direct assistance to individuals	90,891	-	-	-	-	-	-	-	90,891
Management fees	82,043	-	-	-	-	-	-	-	82,043
Property taxes	44,340	-	-	-	-	-	-	-	44,340
Printing and postage	23,879	403	238	422	405	716	-	16,423	42,486
Total expenses by function	4,221,450	1,157,387	550,386	666,211	416,291	551,437	66,219	602,195	8,231,576
Less costs of direct benefits to donors included with revenues on the statement of operations	-	-	-	-	-	-	(66,219)	-	(66,219)
Total expenses included in the expense section on the statement of operations	\$ 4,221,450	\$ 1,157,387	\$ 550,386	\$ 666,211	\$ 416,291	\$ 551,437	\$ -	\$ 602,195	\$ 8,165,357

See accompanying notes to consolidated financial statements.

THE WOMEN'S HOME

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (1,252,563)	\$ (1,056,011)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,226,937	1,341,326
Amortization of debt issuance costs	19,398	18,888
Impairment of property and equipment	-	465,410
Net unrealized and realized loss (gain) on investments	356,411	(202,437)
(Increase) Decrease in operating assets:		
Pledges receivable	(560,689)	(284,401)
Government grants receivable	128,345	(59,107)
Prepaid expenses and other assets	57,165	65,804
Increase (Decrease) in operating liabilities:		
Accounts payable and accrued liabilities	92,012	(239,568)
Security deposits and deferred revenue	83,104	(458)
Net cash provided by operating activities	150,120	49,446
Cash flows from investing activities:		
Purchases of property and equipment	(81,406)	(1,290,634)
Purchases of investments	(490,970)	(2,736,990)
Sales of investments	564,105	2,777,767
Net cash used by investing activities	(8,271)	(1,249,857)
Cash flows from financing activities:		
Proceeds from note payable	-	750,000
Debt issuance costs	-	(7,651)
Net cash provided by financing activities	-	742,349
Net increase (decrease) in cash, cash equivalents and restricted cash	141,849	(458,062)
Cash, cash equivalents and restricted cash, beginning of year	1,412,268	1,870,330
Cash, cash equivalents and restricted cash, end of year	\$ 1,554,117	\$ 1,412,268
Supplemental disclosure of cash flow information -		
Cash paid during the year for interest	\$ 176,204	\$ 165,063

See accompanying notes to consolidated financial statements.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Description of Organization

About The Women's Home

The Women's Home builds communities that strengthen women and support families as they reclaim their stability. Since its creation in 1957, the agency has fulfilled this mission by providing housing, behavioral health treatment and other wraparound support services to vulnerable women and families in the Houston, Texas area. The Women's Home embraces the WholeLife® service model, which addresses six areas of wellness - emotional/mental, physical, fiscal, social, vocational, and spiritual so that women and their families can create a balanced and rewarding life.

Residential Treatment and Transitional Housing Program

The Treatment and Transitional Housing Program provides housing, behavioral health treatment and wraparound support services to women experiencing homelessness due to addiction and mental illness. This program has the capacity to serve 50 women at one time and offers participants up to 18 months of clinical counseling, support and vocational services, with the goal of helping them obtain self-sufficiency.

Apartments and Resident Services

The Women's Home has two permanent supportive housing complexes in the Spring Branch neighborhood of Houston - Jane Cizik Garden Place and Adele and Ber Pieper Family Place. Together, these facilities offer 171 units of safe, affordable housing and case management services to low income and homeless households in the Houston area.

The Cottage Shop

The Women's Home operates a thrift shop that sells donated items such as clothing, furniture, and housewares. The shop is partially staffed by volunteers and serves as a job training site for residential clients.

Mabee WholeLife® Service Center

The Women's Home operates a collaborative, community service center in the Spring Branch neighborhood of Houston called the Mabee WholeLife® Service Center. With its cooperative partners, The Women's Home provides holistic care for the entire family at the center that includes integrated healthcare, youth development programming, workforce development training, adult basic education, physical wellness, creative arts engagement and other support services.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Description of Organization (Continued)

Affiliate Companies

The Women's Home Hammerly Phase II, LP (Hammerly LP) is a Texas limited partnership formed on June 30, 2014 to develop Adele and Ber Pieper Family Place (Family Place), an affordable housing, 84-unit permanent supportive apartment community that serves families in a safe, sober environment that includes case management services. The Women's Home Hammerly GP, LLC (Hammerly GP) is the general partner and 0.01% owner of Hammerly LP; Hudson SLP, LLC is the Special Limited Partner and 0.01% owner, and Hudson Women's Home, LLC is the Investment Partner and 99.98% owner. This project was financed with Low Income Housing Tax Credits allocated from the Texas Department of Housing and Community Affairs and funded by the City of Houston (the City) through Home Investment Partnership Program (HOME) funds, a federal pass-through from the U.S. Department of Housing and Urban Development (HUD), in addition to contributions from private sources. Construction of Family Place was completed in October 2016, whereupon it commenced rental operations. Hammerly LP will continue in perpetuity, unless dissolved earlier. The Women's Home is the sole member of Hammerly GP.

WholeLife[®] Services, Inc. is a Texas nonprofit corporation formed on October 12, 2015 to serve as the Qualified Active Low Income Community Business to secure the New Markets Tax Credit (NMTC) financing for the construction of the Mabee WholeLife[®] Service Center. This project is next to the Jane Cizik Garden Place and Family Place. The project uses collaborative relationships to offer a variety of services to enhance the wellness and stability of families in the housing programs and surrounding neighborhood. These services include primary and behavioral healthcare, after-school and summer enrichment programs, and adult education and workforce development programs. This project was funded in part by the City through Community Development Block Grant Funds, a federal pass-through from HUD, and contributions from private sources. Construction of the Mabee WholeLife[®] Service Center was completed in October 2017, whereupon it commenced operations. WholeLife[®] Services, Inc.'s board is appointed by The Women's Home.

Note 2 - Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP), and include the consolidated activities of The Women's Home, Hammerly GP, Hammerly LP and WholeLife[®] Services, Inc. (collectively, The Home). Based on the terms of the partnership agreement, Hammerly GP is considered to control Hammerly LP, and as a result, the limited partnership is included in these consolidated financial statements. Intercompany transactions have been eliminated in consolidation.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Home reports its consolidated financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or Board of Directors (Board) designation.

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

If donor or grantor-imposed restrictions are met in the same reporting period as the contribution or grant is recognized as revenue, The Home reports such amount as an increase in net assets without donor restrictions. All other donor or grantor-restricted contributions and grants are reported as increases in net assets with donor restrictions, and when the restriction expires or is satisfied, these net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions.

Cash, Cash Equivalents, and Restricted Cash

For purposes of the consolidated statement of cash flows, all highly liquid investments with a maturity of three months or less at time of purchase are considered to be cash equivalents. Cash equivalents held for investment purposes in money market accounts are classified as investments in the consolidated statement of financial position and are excluded from cash equivalents for the purpose of cash flows. Amounts included in restricted cash represent funds or escrows with use restrictions from external parties.

The following is a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statement of financial position at December 31, 2022 and 2021 to the amount shown within the consolidated statement of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,505,809	\$ 1,305,960
Cash contractually restricted (See Note 11)	<u>48,308</u>	<u>106,308</u>
Total cash, cash equivalents and restricted cash	<u>\$ 1,554,117</u>	<u>\$ 1,412,268</u>

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Pledges are recorded as revenue in the year they are received unless they contain a conditional promise to give. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material.

Allowance for Uncollectible Accounts

An allowance for pledges and government grants receivable is provided when it is believed amounts may not be collected in full. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and account by account analysis of balances each period. Receivables are written off as a charge to the allowance for uncollectible accounts when management determines the receivable will not be collected. It is possible that management's estimates regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables. At December 31, 2022 and 2021, no allowance was established for potentially uncollectible accounts.

Note Receivable

The note receivable is reported at its outstanding principal balance. The note receivable is considered to be fully collectible, and accordingly, no allowance for doubtful accounts has been provided. Interest on the note receivable is recognized over the term of the note receivable and is calculated using the simple-interest method on principal amounts outstanding.

Investments and Investment Income

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value. Investment income is reported in the consolidated statement of operations as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Investment income whose use is restricted by the donor is reported as an increase in net assets with donor restrictions until expended in accordance with donor-imposed restrictions. Investment income is reported net of investment related expenses.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of gift, if donated. Property and equipment purchases over \$5,000 are capitalized. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets, which range from three to ten years for furniture, fixtures and equipment and ten to thirty-nine years for buildings and improvements.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Home reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which carrying amount exceeds the fair value as determined by an appraisal, discounted cash flow analysis or other valuation technique.

Debt Issuance Costs

Debt issuance costs are amortized over the term of the related debt. Amortization of debt issuance costs is reported as a component of interest expense. Unamortized debt issuance costs are reported as a direct reduction of the related debt.

Revenue Recognition

Contributions are recognized when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are those that contain a measurable performance obligation or other barrier, as well as a right of return, and are not recognized until the conditions on which they depend have been met. At December 31, 2022 and 2021, The Home had no conditional contributions.

Contributed property and equipment are reflected at their estimated fair value at the date of receipt. Contributed property and equipment is recognized as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support and absent explicit donor stipulations about how long those long-lived assets must be maintained, are released from donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services that meet the revenue recognition requirements of GAAP are recorded at estimated fair value when received. To be recognized as revenue, the donated services must either (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have made significant contributions of their time to support programs, the thrift shop, fundraising efforts and administration. No amounts have been reflected in the accompanying consolidated financial statements for these services since the nature of these services does not meet the criteria for revenue recognition under GAAP.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Government grants represent cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when The Home has incurred expenditures in compliance with specific contract or grant provisions. Any amounts received prior to incurring qualifying expenditures are reported as refundable advances. The Home has been awarded cost-reimbursable grants of \$2,612,489 and \$1,650,043 that have not been recognized at December 31, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred. As of December 31, 2022, refundable advances of \$115,851 were received and are reflected in security deposits and deferred revenue in the consolidated statement of financial position. No advance payments were received as of December 31, 2021.

Sales to the public are generated from sales at the thrift shop and are recognized when donated items are sold. No value is attached to the thrift shop inventory at time of donation since there is major uncertainty regarding existence of value for the items until time of sale.

Rental income is recognized as rent becomes due. Rental payments received in advance are deferred until earned and reported as prepaid rent. Other income resulting from fees earned for late payments, cleaning, damages and laundry facilities are recorded when earned.

Program service fees are recognized in the period that services are provided.

Special events revenue is recognized when the event is held.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of operations. Expenses which are directly associated with a particular program are charged to that program. Expenses that cannot be directly identified with a specific program are charged to the various programs based upon salaries, square footage, or other reasonable methods for allocating multiple program expenditures.

Use of Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various programs. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform with the current year presentation. Such reclassification had no impact on net assets.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, became effective for The Home on January 1, 2022. ASU 2020-07 provides new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The adoption of ASU 2020-07 resulted in no significant changes to The Home's consolidated financial reporting.

ASC 842, *Leases*, became effective for The Home on January 1, 2022 and is intended to increase transparency and comparability of accounting for lease transactions. The ASU requires lessees to recognize most leases on the balance sheet as lease assets and lease liabilities and requires both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The adoption of ASC 842 resulted in no significant changes to The Home's consolidated financial reporting.

Subsequent Events

Subsequent events have been evaluated through April 27, 2023, which is the date the consolidated financial statements were available for issuance.

Note 3 - Concentrations of Credit Risk

Pledges Receivable

At December 31, 2022, a pledge totaling \$800,000 from one organization was in excess individually of 10% of gross total pledges and represented 34% of total contributions for the year ended December 31, 2022. At December 31, 2021, pledges totaling \$525,461 from two organizations were in excess individually of 10% of gross total pledges.

Cash in Excess of FDIC Insurance

Cash is maintained in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. As of December 31, 2022 and 2021, amounts in excess of the insured limits were \$273,955 and \$821,850, respectively. Management believes that the credit risk is mitigated by the financial strength of the financial institutions where the deposits are held.

Note 4 - Income Taxes

The Women's Home and WholeLife[®] Services, Inc. are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, file annual federal information returns that are subject to routine examinations. There are no examinations for any tax periods currently in progress for these tax-exempt entities and the open tax period is 2019 through 2022.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 4 - Income Taxes (Continued)

Hammerly GP and Hammerly LP are for-profit entities that are treated as pass-through entities for tax purposes and are not subject to federal income taxes. Accordingly, no provision for income taxes has been reflected in the consolidated financial statements for these for-profit entities. These partnerships may be subject to state franchise taxes consisting of tax on taxable margin. No provision for state franchise taxes was made in the accompanying consolidated financial statements as management anticipates no state franchise tax liability for the years ended December 31, 2022 or 2021. Income tax returns filed by the partnerships are subject to examination by the Internal Revenue Service for a period of three years. There are no examinations currently in progress for the partnership tax returns.

Note 5 - Pledges Receivable

Pledges receivable consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Amounts to be collected within one year	\$ 1,144,435	\$ 583,746
Amounts to be collected one to five years	<u>-</u>	<u>-</u>
Total pledges receivable	<u>\$ 1,144,435</u>	<u>\$ 583,746</u>

Note 6 - Developer Fee Receivable

On May 29, 2015, The Women's Home entered into an agreement to provide development and consulting services to the third-party developer of Family Place. The amount earned by The Women's Home is paid by the third-party developer from amounts received from their development agreement with Hammerly LP (see Note 9). At December 31, 2022 and 2021, the developer fee receivable is \$504,610 and \$504,610, respectively.

Note 7 - Fair Value of Financial Instruments

GAAP requires that certain assets and liabilities be reported at fair value and establishes a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date.

Certain of The Home's financial assets are measured at fair value on a recurring basis. The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.

Level 3 - Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally unobservable.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 7 - Fair Value of Financial Instruments (Continued)

Financial instruments measured at fair value on a recurring basis at December 31, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ 1,906,735	\$ -	\$ -	\$ 1,906,735
Money market funds	28,828	-	-	28,828
Total investments	\$ 1,935,563	\$ -	\$ -	\$ 1,935,563

Financial instruments measured at fair value on a recurring basis at December 31, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ 2,302,081	\$ -	\$ -	\$ 2,302,081
Money market funds	61,373	-	-	61,373
Equities	1,655	-	-	1,655
Total investments	\$ 2,365,109	\$ -	\$ -	\$ 2,365,109

Registered investment companies and money market funds are valued at the net asset value of shares held at year end as reported on the active market on which the securities are traded. Equities are valued at the closing price reported on the active market on which the individual securities are traded. There have been no changes in methodologies used at December 31, 2022 or 2021.

The inputs or methodology used to measure investments are not necessarily indicative of the risk of investing in a particular security. Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position and consolidated statement of operations and changes in net assets.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 8 - Property and Equipment

The following is a summary of property and equipment at December 31:

	Lives	2022	2021
Land		\$ 4,462,807	\$ 4,462,807
Land improvements	15 years	1,049,252	1,049,252
Buildings and improvements	10 - 39 years	33,882,026	33,704,858
Furniture and fixtures	5 - 7 years	1,598,441	1,582,193
Office equipment	3 - 10 years	698,887	673,019
Automobiles	5 years	116,135	116,135
Construction in progress		39,290	177,168
Total property and equipment		41,846,838	41,765,432
Less: accumulated depreciation		(12,469,386)	(11,242,449)
Total property and equipment, net		\$ 29,377,452	\$ 30,522,983

During 2021, The Home received a settlement of \$495,000 from construction contractors related to the design and construction of the HVAC system at the Mabee WholeLife[®] Service Center. The settlement has been recorded within other income on the consolidated statements of operations for the year ended December 31, 2021, along with impairment of \$465,410 for the HVAC system that is to be replaced. Construction in progress at December 31, 2022 primarily represents costs incurred with replacing the HVAC system.

Note 9 - Developer Fee Payable

Hammerly LP entered into a \$2,007,247 development agreement with a third party to provide specified services in connection with the development and construction of Family Place. The total fee due under the agreement has been earned and capitalized into the project. At December 31, 2022 and 2021, the remaining amount due for the developer fee was \$579,248 and \$579,248, respectively. Developer fees not paid when earned accrue interest at a rate of 2.3%. At December 31, 2022 and 2021, interest of \$46,630 and \$33,307, respectively, was accrued. Developer fee payments will be made from additional Limited Partner capital contributions and cash flow. The General Partner is obligated to make a capital contribution to pay any developer fees remaining unpaid after the 12th anniversary of the payment of the second capital contribution, which occurred in 2019.

Note 10 - Note Payable

On May 10, 2021, The Women's Home entered into a loan agreement with a bank totaling \$750,000. The loan bears interest at 3.788% and matures on May 10, 2026. Interest is due monthly beginning June 10, 2021. Principal and interest payments of \$9,088 begin June 10, 2023 until May 10, 2026, at which time one principal and interest payment of \$504,439 is due. As of December 31, 2022 and 2021, the principal balance outstanding on this loan was \$750,000 and \$750,000, respectively, with remaining unamortized debt issuance costs of \$5,101 and \$6,631, respectively.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 10 - Note Payable (Continued)

Future maturities of this note payable are as follows as of December 31, 2022:

<u>Years Ending December 31,</u>	<u>Amount</u>
2023	\$ 47,495
2024	83,898
2025	87,131
2026	<u>531,476</u>
Total	<u>\$ 750,000</u>

Note 11 - New Markets Tax Credit Transactions

The Women's Home entered into an agreement on October 14, 2016 to lend \$6,724,000 to COCRF Women's Home Fund, LLC (COCRF Fund). The note receivable is secured by COCRF Fund's membership interest in Catalyst CDE-5 and COCRF SubCDE 43, LLC, which are Community Development Entities formed for the New Markets Tax Credit (NMTC) transactions. The interest rate on the note receivable is fixed at 1.5%, with interest payable quarterly, beginning December 2016 until October 2023. All principal and any unpaid interest is due and payable in October 2046. Interest earned in both 2022 and 2021 was \$100,860 and is reflected in other income on the consolidated statements of operations. This note receivable serves as collateral to secure performance by The Home pursuant to a grant agreement with the City of Houston.

WholeLife[®] Services, Inc. entered into agreements on October 14, 2016 with Catalyst CDE-5 and COCRF SubCDE 43, LLC, that provided for borrowings of \$8,820,000 and \$1,000,000, respectively. These funds were used to finance the construction of the Mabee WholeLife[®] Service Center Project and are intended to be treated as a "qualified low-income community investment" for purposes of generating NMTC under Section 45D of the Internal Revenue Code of 1986, as amended. The loans are secured by a property deed of trust, security agreement and fixture filing on this project, and a guaranty by The Women's Home. The net book value of the collateralized assets at December 31, 2022 and 2021 is approximately \$7,200,000 and \$7,300,000, respectively. Pursuant to the issuance of the NMTC loans, WholeLife[®] Services, Inc. is required to maintain certain funds at Capital One, N.A. which are contractually restricted. At December 31, 2022 and 2021, \$48,308 and \$106,308, respectively, is held for this purpose.

No prepayment of any portion of the NMTC loans is allowed until the seventh anniversary of the loans, which is October 14, 2023. At any time after the seventh anniversary and before the eighth anniversary, the sole member in the COCRF Fund can exercise a put option to The Women's Home to sell its interest in the COCRF Fund for \$1,000, which would result in the effective cancellation of the \$6,724,000 note receivable from COCRF Fund and allow The Women's Home to cancel the NMTC notes payable.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 11 - New Market Tax Credit Transactions (Continued)

The balances outstanding on the notes payable, maturity dates and repayment terms are as follows at December 31:

	2022	2021
Note payable to CSH CDE, interest of 1.539%, matures on October 13, 2046, with principal payments commencing in December 2023.	\$ 6,051,600	\$ 6,051,600
Note payable to CSH CDE, interest of 1.539%, matures on October 13, 2046, with principal payments commencing in December 2023.	2,768,400	2,768,400
Note payable to COCRF CDE, interest of 1.009%, matures on October 13, 2046, with principal payments commencing in December 2023.	672,400	672,400
Note payable to COCRF CDE, interest of 1.009%, matures on October 13, 2046, with principal payments commencing in December 2023.	327,600	327,600
Total NMTC notes payable	9,820,000	9,820,000
Less: Unamortized debt issuance costs	(424,351)	(442,219)
Total NMTC notes payable, net	\$ 9,395,649	\$ 9,377,781

Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following at December 31:

	2022	2021
Subject to specified purpose or period:		
Property maintenance reserves	\$ 1,543,218	\$ 2,000,820
Outpatient treatment program	800,000	-
Residential rehabilitation program	258,659	270,674
Behavioral health and children's programming	207,139	567,518
Case managers for Family Place and Garden Place	41,480	12,082
Total subject to specified purpose or period	2,850,496	2,851,094
Subject to restriction in perpetuity	293,195	293,195
Total net assets with donor restrictions	\$ 3,143,691	\$ 3,144,289

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 13 - Net Assets Released From Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors. The net assets released from donor restriction are as follows:

	<u>2022</u>	<u>2021</u>
Behavioral health and children's programing	\$ 502,101	\$ 238,284
Residential rehabilitation program	242,286	319,677
Property maintenance reserves	155,204	121,343
Case managers for Family Place and Garden Place	12,081	10,362
Clinical counseling program	-	60,561
Vocational program	<u>-</u>	<u>43,034</u>
Net assets released from donor restrictions	<u>\$ 911,672</u>	<u>\$ 793,261</u>

Note 14 - Endowment Fund

The Home has a donor-restricted endowment fund for facility maintenance which is maintained in accordance with explicit donor stipulations. The Board of Directors of The Home has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Home classifies net assets associated with the donor-restricted endowment as net assets with donor restrictions.

In accordance with TUPMIFA, The Home considers the following factors in making a determination to appropriate for expenditure or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of The Home and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of The Home
- The investment policies of The Home

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 14 - Endowment Fund (Continued)

The Home has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that preserve the inflation-adjusted purchasing power of the assets. To satisfy its long-term rate-of-return objectives, The Home relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Home targets a diversified portfolio to achieve its long-term objectives within prudent risk constraints. The Home has adopted a distribution policy of up to five percent of the average fair value of the funds for the preceding twelve quarters. In establishing this policy, The Home considered the long-term expected return on its endowment.

Endowment net assets consist of the following at December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor restricted gift amount required to be maintained in perpetuity by donor	\$ -	\$ 293,195	\$ 293,195
Accumulated investment gains	<u>-</u>	<u>150,300</u>	<u>150,300</u>
Total	<u>\$ -</u>	<u>\$ 443,495</u>	<u>\$ 443,495</u>

Endowment net assets consist of the following at December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor restricted gift amount required to be maintained in perpetuity by donor	\$ -	\$ 293,195	\$ 293,195
Accumulated investment gains	<u>-</u>	<u>236,973</u>	<u>236,973</u>
Total	<u>\$ -</u>	<u>\$ 530,168</u>	<u>\$ 530,168</u>

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 14 - Endowment Fund (Continued)

Changes in the endowment fund for the years ended December 31, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2021	\$ -	\$ 497,714	\$ 497,714
Investment income	-	53,930	53,930
Investment management fees	-	(4,269)	(4,269)
Appropriation for expenditure	17,207	(17,207)	-
Expenditure	<u>(17,207)</u>	<u>-</u>	<u>(17,207)</u>
Endowment net assets, December 31, 2021	<u>-</u>	<u>530,168</u>	<u>530,168</u>
Investment loss	-	(83,387)	(83,387)
Investment management fees	<u>-</u>	<u>(3,286)</u>	<u>(3,286)</u>
Endowment net assets, December 31, 2022	<u>\$ -</u>	<u>\$ 443,495</u>	<u>\$ 443,495</u>

Note 15 - Employee Benefit Plan

The Home established a defined contribution plan for its employees. Under this plan, the employee may elect to defer a percentage of eligible compensation, as defined in the plan adoption agreement and subject to limit by Internal Revenue Code regulations. During 2022 and 2021, The Home matched 100% of the participant's contributions, up to 4% of the participant's eligible compensation. The matching contributions made into the defined contribution plan by The Home during 2022 and 2021 were approximately \$84,000 and \$69,000, respectively.

Note 16 - Commitments and Contingencies

A portion of the development costs of The Home's affordable housing projects has been funded through HOME funds and other governmental grants or performance-based loans. These agreements have various restrictive covenants, including operating and financial constraints such as limitations on transfer or sale of the properties or additional borrowings and required replacement and other reserves. These sources of funding generally place specific long-term restrictions on the properties as to their operation as affordable housing. Should these restrictions not be met in the future, The Home would be responsible for refunding all or a portion of these proceeds to the government. A liability for such repayment is not reported in these consolidated financial statements because management believes the properties are being operated in accordance with such restrictions.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 16 - Commitments and Contingencies (Continued)

Jane Cizik Garden Place

This property was funded in part by a \$2,500,000 HOME grant from the City of Houston, a \$1,009,500 HOME grant from Harris County, and a \$400,000 grant from the U.S. Department of Housing and Urban Development. Under the terms of the grants, these amounts and accrued interest will be forgiven 20 years after project completion (in 2028, 2028 and 2029, respectively), provided The Women's Home continues to comply with the terms of the agreements. The development is subject to Land Use Restriction Agreements for each of the funding sources.

Adele and Ber Pieper Family Place (Hammerly LP)

This property was funded in part by a \$3,500,000 HOME grant from the City of Houston. Under the terms of the grant agreement, this amount plus accrued interest will be forgiven 20 years after completion of the facility (in 2036), provided that The Women's Home continues to comply with the terms of the agreement.

This property was funded in part by a \$500,000 subsidy from the Federal Home Loan Bank of Dallas. Under the terms of the subsidy agreement, principal and interest will be forgiven 15 years after completion of the facility (in 2031), provided that The Women's Home continues to comply with the terms of the agreement.

This project received a Housing Tax Credit allocation which was sold in return for a limited partnership interest in Hammerly LP. These Housing Tax Credits require compliance with 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. The Women's Home is the guarantor of the limited partnership agreement.

Hammerly GP is required to establish a \$400,000 operating reserve from proceeds of the second and third Investment Partner capital contributions. Hammerly GP is obligated to loan Hammerly LP any funds required to fund operating deficits, beginning with the date breakeven operations, as defined, is achieved and ending on the later of the date on which (i) breakeven operations are maintained over twelve month periods on an annual basis for three consecutive years, and (ii) the operating reserve account balance is at least equal to \$400,000. Hammerly GP shall not be obligated to fund more than \$625,000 of operating deficits in the aggregate. Operating Deficit Loans bear no interest and are repayable from net cash flow, as defined. Hammerly GP shall not be required to make an Operating Deficit Loan unless the operating reserve has been depleted to zero. As of December 31, 2022 and 2021, the operating reserve held \$401,835 and \$401,510, respectively.

Hammerly GP is required to fund a supplemental operating reserve account from distributions of net cash flow, with such funds maintained throughout the compliance period and used to fund operating deficits, capital improvements and social service expenses. As of December 31, 2022 and 2021, the supplemental operating reserve had not been funded.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2020

Note 16 - Commitments and Contingencies (Continued)

Mabee WholeLife® Service Center

This facility was completed during 2017 and was funded in part by a \$1,630,000 grant agreement with the City of Houston. The grant agreement requires that the facility be used as a social service center for a period of five years after date of completion. During 2016, The Women's Home secured NMTC financing to construct the Mabee WholeLife® Service Center. The Home partnered with Capital One, N.A. and Corporation for Supportive Housing in this transaction. The NMTC program carries a seven-year compliance period, during which time The Home will be responsible to provide services as agreed in financing documents.

Note 17 - Future Rental Income

A portion of the Mabee WholeLife® Service Center is leased to tenants, generating approximately \$149,000 and \$147,000 of rental income for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the total building cost is approximately \$8,492,000 for both years and the related accumulated depreciation is approximately \$1,279,000 and \$1,022,000, respectively. In addition, The Women's Home earned parking lot rental income of approximately \$64,000 and \$65,500 for the years ended December 31, 2022 and 2021, respectively. Future rental income associated with these leases is as follows as of December 31, 2022.

<u>Years Ending December 31,</u>	<u>Amount</u>
2023	\$ <u>138,168</u>
Total	\$ <u>138,168</u>

Note 18 - Noncontrolling Ownership Interest

Noncontrolling ownership interest represents the limited partners' ownership in Hammerly LP. For the years ended December 31, 2022 and 2021, the changes in noncontrolling interest are as follows:

	Total	Controlling Interest	Noncontrolling Interest
Balance at January 1, 2021	\$ 7,751,359	\$ (244)	\$ 7,751,603
Fiscal year 2021 activity:			
Change in noncontrolling interest - net loss	(683,841)	(68)	(683,773)
Balance at December 31, 2021	7,067,518	(312)	7,067,830
Fiscal year 2022 activity:			
Change in noncontrolling interest - net loss	(554,518)	(55)	(554,463)
Balance at December 31, 2022	\$ 6,513,000	\$ (367)	\$ 6,513,367

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2020

Note 18 - Noncontrolling Ownership Interest (Continued)

Profits, losses and tax credits are generally allocated to the partners in accordance with their ownership interests. Net cash flow from operations, as defined, shall be distributed annually as defined.

Note 19 - Liquidity and Availability of Resources

The following table reflects The Home's financial assets available for general expenditure within one year of December 31, 2022 and 2021, respectively, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position. The Home considers contributions with donor restrictions for use in current programs which are ongoing and central to its operations to be available to meet cash needs for general expenditures.

	<u>2022</u>	<u>2021</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 1,505,809	\$ 1,305,960
Pledges receivable	1,144,435	583,746
Government grants receivable	542,075	670,420
Receivables within other assets	26,336	53,944
Investments	<u>1,935,563</u>	<u>2,365,109</u>
Total financial assets available within one year	5,154,218	4,979,179
Amounts unavailable for general expenditure within one year:		
Restricted by donors for property maintenance	(1,543,218)	(2,000,820)
Restricted by donors in perpetuity	(293,195)	(293,195)
Required operating reserve for Hammerly LP	(400,000)	(400,000)
Required replacement reserve for Hammerly LP	<u>(88,752)</u>	<u>(84,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,829,053</u>	<u>\$ 2,201,164</u>

The Home regularly monitors liquidity required to meet its operational needs and other contractual commitments. The Home has various sources of liquidity, including cash, cash equivalents and investments. The Home strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources. Excess funds are invested for long-term appreciation and current income, but remain available to be spent at the Board's discretion. For cash flow purposes, The Home has a \$1,000,000 line of credit that had no amounts drawn on it as of December 31, 2022 or 2021. The line of credit matures on July 27, 2025, bears interest at prime and has land and building with a net book value of approximately \$1,000,000 pledged as collateral.

*** * * End of Notes * * ***