

Island Housing Trust Corporation and Subsidiaries

**Consolidated Financial Statements
and Supplemental Information**

December 31, 2022

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

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Independent Auditor's Report

To the Board of Directors of
Island Housing Trust Corporation and Subsidiaries

Opinion

We have audited the consolidated financial statements of Island Housing Trust Corporation and Subsidiaries (a nonprofit organization) (the "Corporation"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements ("financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Summarized Comparative Information

We have previously audited the Corporation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Management's Discussion and Analysis

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the representation of Corporation's management and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2022 and 2021 Supplemental Consolidated Schedule of Rental Program Expenses, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Braintree, Massachusetts
June 30, 2023

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARY

Management's Discussion and Analysis

For the Year Ended December 31, 2022

INTRODUCTION

Management's Discussion and Analysis (MD&A) is presented in five sections. The Executive Overview section highlights key elements of the Island Housing Trust Corporation's (IHT) mission, goals, performance and risk. The second section describes our mission and organizational structure as well as management's performance goals. The third section analyzes the resources available for our mission, including liquidity, our tangible and intangible assets, workforce, and systems. The fourth section covers our financial statements and critical accounting policies. The final section identifies opportunities, risks, obligations and outlook.

EXECUTIVE OVERVIEW

The IHT is a leading not-for-profit developer and owner-manager of affordable housing properties on the island of Martha's Vineyard. Our portfolio consists of 136 homes including 63 rentals and 73 ownership homes located in the towns of Tisbury, Oak Bluffs, Edgartown, West Tisbury, and Aquinnah. Supporting programs include communications, rental management, and housing development. Our mission is to support a diverse and vital community on the island of Martha's Vineyard by creating and sustaining permanently affordable housing solutions, both rental and ownership.

Our Vision 2025 goal is to create 150 additional homes by the end of 2025 to serve 450 individuals and their families. As of the end of 2022, our project development pipeline included a total of 181 rental and ownership homes either completed or in various stages of development. During 2022, we completed the construction of 20 rentals at Kuehn's Way off State Road in Tisbury and 2 rentals on Old Court House Road in West Tisbury that were fully occupied in the spring and winter of 2022 and purchased and renovated a single-family house off Rustling Oaks that was sold in the spring of 2022 in West Tisbury. Total net assets increased by 14% or \$2,936,234 from \$21,332,599 in 2021 to \$24,268,833 in 2022. During 2022, in partnership with Affirmative Investments, a women owned development company from Boston, IHT secured all necessary zoning permits for the town led development project in Edgartown at Meshacket Commons with 36 rentals and 4 ownership homes and secured zoning approval from the Martha's Vineyard Commission for the town led development project in Oak Bluffs at Southern Tier with 60 rentals in two phases.

Our capacity has increased significantly because of securing a ninth consecutive year of Community Investment Tax Credits from the Massachusetts Department of Revenue. Those credits raised \$500,000 in donations from 70 donors in 2022. Our summer campaign raised \$1,184,062 in working and project capital from 181 donors. Our year-end appeal raised \$764,219, from 402 donors in 2022.

Revenues of \$42,950 were collected from 73 homeowners in ground lease fees. Revenues of \$714,44 from 50 rental units were used to pay \$513,412 in expenses before depreciation and added \$59,605 towards capital and operating reserves.

IHT's leveraged fundraising strategy has successfully raised a total of \$6,942,153 million in 2022 by matching town grants, private donations, and state grants in the form of soft debt (debt which does not require mandatory monthly payments). Building on the Leadership Circle capital fundraising campaign launched in 2016, \$2,100,000 in project funding was raised in 2022 from existing and new Leadership Circle members, who have pledged \$100,000 or more over four years.

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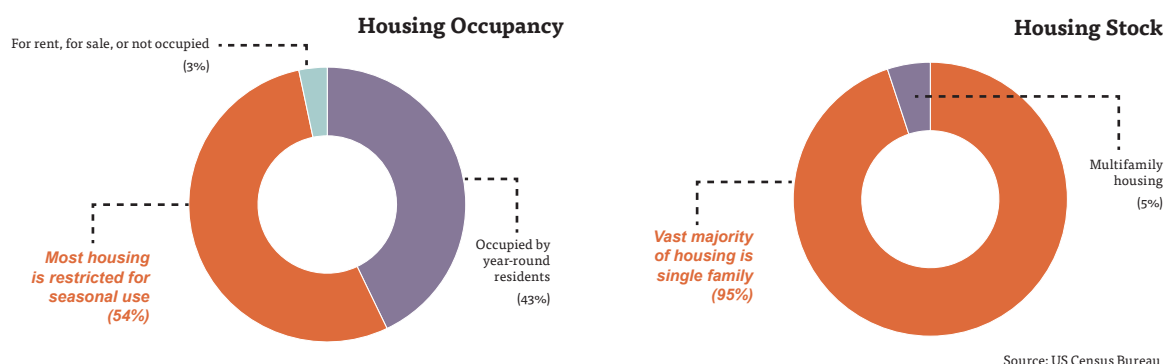
IHT's Make It Happen Fund is a low interest, short-term revolving line of credit totaling \$4,200,000 available from six private investors and foundations and two donations restricted for use as internal loans. The fund is used for property acquisition and improvements. The Martha's Vineyard Future Financing, a social impact investment fund, utilized a \$1.8 million low-cost participation loan involving 5 private investors and MassHousing, serviced by the Martha's Vineyard Bank, to provide low-cost permanent financing for the Hanover House rental property that is master leased to the Martha's Vineyard Hospital.

We continue to partner with town governments to secure available land and Community Preservation Act grant funding. We continue to explore new partnerships with private businesses and real estate developers, as well as non-profit organizations that have available land and/or financial resources for housing development.

Our outlook is positive, given the momentum behind our Vision 2025 for the next five years, our growing housing production pipeline, the health of our rental property portfolio, and new initiatives on the horizon. Uncertainties continue to exist however, principally connected with the ability to acquire land, permits, and the funds to complete future projects, as well as a potential downturn in the economy from an inflationary recession.

MISSION AND STRUCTURE OF THE ORGANIZATION

The island of Martha's Vineyard is a tourist destination with abundant natural resources. As such, the economy has a seasonality aspect which relies heavily on second homeowners and the real estate taxes they pay. Martha's Vineyard, which is part of Dukes County, is made up of six towns. Each has its own unique character and charm. Although an area known for wealth, 8.8 percent of the population lives below the poverty line according to the Federal Reserve Bank.



Seasonal homes represent 49% of the housing stock in Dukes County. 95% of the entire housing stock is single-family homes. Dukes and Nantucket counties are rated the most expensive counties in the United States with a median home price of \$1,295,000 in Dukes County. Over half of the 4,585 year-round homeowners and 70 percent of the 1,250 renters pay more than 30 percent of their income towards housing costs. Nearly 50 percent of renters are severely cost burdened, paying more than 50 percent of their income towards housing costs.

The island faces a severe shortage of available year-round housing for rental and homeownership opportunities in all income brackets. This is especially true for those earning in the low and moderate-

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For the Year Ended December 31, 2022

income brackets. Despite significant work in the six island towns to create a total of 841 units (411 affordable and 329 workforce) over the past 25 years, this only represents 9% of the island's year-round housing stock. The six island towns' Housing Production Plans have estimated that the Island needs a total of 1,147 additional housing units over the next 20 years (907 affordable and 241 workforce) to meet the goal of 20% of the island's year-round housing stock to address the current and projected demand.

IHT is a state certified Community Development Corporation and utilizes the nationally recognized Community Land Trust model. IHT's mission is to bridge the gap between Martha's Vineyard's high property values and families' ability to own or rent a home. IHT utilizes a nationally recognized and Fannie Mae/Freddie Mac approved ground lease model with restrictions that keep homes permanently affordable. Ongoing support and stewardship services are offered to our homeowners and tenants. This hands-on approach helps safeguard against the threat of foreclosure and alerts IHT to possible financial difficulties.

Our operations are summarized into three distinct lines of business, including housing production, communications, and rental management. Strategic objectives are developed for each line of business, supporting our overall mission.

IHT acquires suitable properties to be developed for both ownership and rental housing by obtaining resources to build or rehabilitate the properties. IHT oversees the development process through completion of construction and continues to own and ground lease the land with restrictions in the case of ownership housing and own and manage in the case of rental properties.

Vision 2025 and Beyond

IHT's Vision 2025 development goal, established in 2022, is to increase the availability of year-round housing affordable to island residents within the six island towns on Martha's Vineyard by creating 150 additional homes by the end of 2025. In partnership with many stakeholders, including island towns, the Martha's Vineyard Land Bank, island businesses, other non-profits, private donors and developers, and state housing agencies, IHT identifies potential properties and evaluates their feasibility for new affordable housing construction or rehabilitation. This process includes identifying zoning and environmental constraints, design and build process, financing sources, and projecting development costs. IHT has successfully developed projects on or under budget and earned developer fees that help to support ongoing development activities.

IHT's Vision 2025 goal is to raise \$83 million in funding and financing to create 150 new homes (ownership and rental) to serve 450 residents and their families. As of the end of 2022, our total projects include 181 rental and ownership homes either completed, under construction or in predevelopment stages.

	<u>2022</u>	<u>2021</u>
Completed	32	0
In construction	0	23
Predevelopment stage	148	125

Properties are in construction for about one year prior to when they are rented up or sold. The following table provides an overview of the financing and development stage of our portfolio.

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Projects in construction (in millions) as of December 31, 2022 and December 31, 2021:

	<u>2022</u>	<u>2021</u>
Total projected cost of development in construction	\$8.9M	\$5.7M
Permanent loan commitments, grants, and pledges	\$8M	\$4.4M
Aggregate percentage of completion of projects in construction	98%	38%

Rental Properties

IHT owns a total of 50 rentals at 8 properties in the towns of Tisbury and West Tisbury. The Dukes County Regional Housing Authority (DCRHA), a state-chartered housing authority, manages 35 of IHT's rentals under contract at 7 properties serving very low, low and moderate-income households. DCRHA performs accounting functions for the property portfolio and provides waitlist management, income qualification, and rent-up services in compliance with rental restrictions. IHT manages the Hanover House in Vineyard Haven with 15 rentals that is master leased to the Martha's Vineyard Hospital for their low- and moderate-income employees.

In addition, the nonprofit Harbor Homes owns and manages 12 bedrooms of supportive housing for homeless residents on two properties ground leased by IHT, and an IHT homeowner owns and manages an accessory dwelling unit (ADU) that they rent affordably.

The table below identifies our recent trend of rent increases and vacancy rates.

	<u>2022</u>	<u>2021</u>
Average rent increase	3.5%	0%
Average vacancy rate	0%	0%

Compliance with third-party regulations regarding rent and income levels at our properties is a complex task. Each property has a unique combination of state and local funding and permitting which carry various stipulations on the maximum rent and income levels. Our internal review process and regulators indicate that we have complied with these requirements.

Here is a summary of IHT rental properties:

Towns served:	West Tisbury and Tisbury
Types of housing:	38 multi-family & 12 SRO units
Average original cost per unit:	\$250,000
Average debt outstanding per unit:	\$ 80,500

The majority of IHT rental properties generate positive cash flow. This performance is a result of properly capitalized reserves of \$445,428 and property management efforts.

	<u>2022</u>	<u>2021</u>
Percentage of rental properties producing positive cash flow	75%	100%
Total excess cash generated by the positive rental properties	\$84,681	\$116,303
Total cash flow deficit funded by IHT during the year	\$15,555	\$0
Total net cash flow from rental properties	\$69,126	\$116,303

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Successful operations of IHT resulted in a contribution of \$59,605 in 2022 towards a total of \$445,428 in property capital and operating reserves.

Long-term debt totals approximately \$12.1 million in the aggregate for IHT's entire rental portfolio, including approximately \$5.2 million in "soft" debt (debt which does not require mandatory monthly payments) as shown in Note 6 of the Consolidated Financial Statement. Most of this debt will mature at various dates through 2068.

Ground Leased Ownership Properties

IHT ground leases land with affordability restrictions to 73 homeowners in 5 towns on the island of Martha's Vineyard (Edgartown, West Tisbury, Tisbury, Oak Bluffs, and Aquinnah). These include 49 single-family and duplex homes that IHT developed for sale at below market prices during the period 2005-2022. Ground lease fees of \$50 per month or \$600 annually are paid by homeowner/ lessees to help defray the cost of on-going monitoring, stewardship, and compliance. Currently there is a waitlist of 440 island resident households able to afford to purchase a home for between \$200,000 and \$600,000, but who are unable to find anything for less than \$1,000,000 on the market.

IHT's Soft Second Loan program provides low interest loans for first-time IHT homebuyers. Loans are secured by the properties and are repaid when owners refinance or sell their house. Loans have been written down to zero in the financial statement due to the terms of repayment being dependent on the sale or refinance of the borrower and therefore the timing is highly uncertain.

	<u>2022</u>	<u>2021</u>
Number of loans outstanding	6	6
Amount of loans	\$90,000	\$90,000

LIQUIDITY AND CAPITAL RESOURCES

IHT draws upon a wide array of resources to fulfill our mission.

Cash Resources

Long-term debt is provided through conventional mortgage loans, conventional and private lines of credit, and contingent debt or "soft" debt (which doesn't require mandatory monthly payments) with below market rates of interest. Soft debt is generally repayable from the properties' excess cash flow over terms of 30 to 55 years.

Positive cash flow from operating activities is generally used to service debt.

The table below summarizes IHT cash resources obtained during the past two years. Our housing developments are financed by a combination of municipal and state grants, donations from private individuals and foundations, mortgage and contingent or soft loans obtained from conventional lenders and governmental entities that support affordable housing, and the positive cash flow from our own operations:

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	<u>2022</u>	<u>2021</u>
Restricted Public Grants & Soft Loans	\$5.7M	\$1.3M
Private Contributions	\$1.1M	\$4.9M
New borrowings of long-term debt	\$250K	\$931K
Property sales	\$250K	\$0

IHT's Make It Happen Fund is a low interest, short-term revolving line of credit totaling \$4,200,000 million available from eight individuals and foundations. The fund is used for property acquisition and construction/renovation. It is repaid from a combination of donations, grants, or loan proceeds. The outstanding balance for the Make It Happen Fund as of 12/31/22 is \$3,599,000.

IHT's Martha's Vineyard Future Financing is a low interest, 10-year participation loan totaling \$1,800,000 serviced by the Martha's Vineyard Bank involving five private investors and MassHousing.

Human Resources

Our staff consists of 11 employees (9 full-time equivalent employees) with an average tenure of 5.5 years. Aggregate personnel costs grew by 48% compared to the previous year due to the hire of two additional full-time positions, along with cost of living, merit and salary increases.

We provide educational opportunities for both on and off-site training sessions for all our staff covering various aspects of what we do to keep everyone engaged in our mission. Through this training effort we enable future leaders to develop internally.

The Executive Director oversees IHT's general and financial management, fundraising, rental properties, communications, and housing development program activities. The management team includes the following staff and contractor:

Housing Development:	Keith McGuire, Project Development Director
Housing Development:	Derrill Bazy, Design Development Manager
Housing Development:	Garri Saganenko, Project Development Manager
Housing Development	Pam Scott, Project Development Support
Communications:	Breeze Tonnesen, Communications Director
Advancement:	Joanna McCarthy, Chief Advancement Officer
Advancement:	Christopher Anderson, Deputy Director of Advancement
Advancement:	Paige Leahy, Advancement Officer
Operations:	Breeze Tonnesen, Operations Director
Operations:	Elissa Turnbull, Office & Stewardship Manager
Accounting:	Emily Day, Controller

Board Leadership

Our Board of Directors provides governance for IHT. Board members have significant prior experience in real estate development, construction, management, and other relevant skills. Our Board of Directors was

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restructured during 2017. The result was a 13-member board of directors with committees that serve the board for each of our lines of business, including communications, fundraising, housing development, rental property and ground lease management, as well as governance, audit and executive committees.

OVERVIEW OF THE FINANCIAL STATEMENTS

Key Accounting Policies

Our financial statements are subject to annual audits by independent auditors. A summary of significant accounting policies can be found in the accompanying notes to the financial statements.

Real Estate

Real estate is recorded at cost and buildings are depreciated over a 39-year estimated life. As required by U.S. GAAP, undiscounted net operating income over the remaining useful life of each property plus estimated land value at the end of the compliance period is compared to the carrying value of real estate to identify potential impairment. IHT has no known impairment.

Developer & Ground Lease Fees

IHT earns a developer fee from our development activities once development projects are completed that is reflected as part of the change in net assets in the current year as retained earnings. The IHT also collects a monthly ground lease fee from each of its 73 homeowners.

Financial Statement Highlights

Our Statement of Consolidated Financial Position reflects positive working capital (current assets minus liabilities). The pledged donations and grants will be used to pay next year's project construction costs and are included in current assets. Our current ratio (current assets, including all unrestricted cash divided by current liabilities) was 4 and 16 as of December 31, 2022 and 2021, respectively.

Housing development represents 80% and 77% of our total use of funds for 2022 and 2021, respectively. Our total use of funds includes expenditures and capitalized construction costs. The remaining 20% and 23% of our funds used for 2022 and 2021, respectively consist of Fundraising, Communications, Rental Management, and General Management expenses that support our mission. Fundraising represents 5% of our overall use of funds in 2022 and 2021 and provides a major part of our support and revenue.

Assets with donor restrictions arise from contributions and grants for housing development. In 2022 IHT received \$3,646,866 in grants and donations from private donors and local municipalities. These contributions were added to assets with donor restrictions and will be transferred to assets without donor restrictions over the property's compliance period (40 years) along with grants and donations received in previous years.

IHT's revenue is generated in the form of developer fees, ground lease fees, grants and donations, and rental property income.

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Key Ratios

The following table sets forth selected, historical, and segment financial data for IHT's rental properties and should be read in conjunction with the Financial Statements of IHT and Notes thereto and Management's Discussion and Analysis.

	Actuals		
	2022	2021	2020
Liquidity Ratios:			
• Current ratio (1)	3	16	21
• # months' operating expense liquid (2)	6	30	21
Long-term Solvency Ratios:			
• Unrestricted net asset ratio (3)	56%	64%	62%
• Leverage (4)	0.51	0.41	0.33
Rental Profitability Ratios:			
• Debt Service coverage ratio (5)	1.68	1.90	1.47
• Profitability ratio (6)	43%	31%	23%
• Net operating income before interest, depreciation, amortization, and other non-cash expenses	\$281K	\$219K	\$146K
• Annual hard debt service requirement (principal and interest)	\$223K	\$170K	\$167K
• Required deposits to fund reserves	\$60K	\$ 52K	\$ 44K
• Capital reserves balance	\$445K	\$373K	\$227K
• # of rental units	50	48	48

Ratio Definitions

- 1 *Current assets/ current liabilities (including all unrestricted cash; not including development loans for non-current development in progress)*
- 2 *Operating cash, cash equivalents and other liquid investments/ [total operating expenses – depreciation, amortization, and other non-cash operating expenses] /12*
- 3 *Unrestricted net assets (including board-designated amount)/ total assets*
- 4 *Total liabilities/ total net assets*
- 5 *Operating cash flow plus interest expense paid/ current portion of long-term debt plus interest expense paid.*
- 6 *Unrestricted net operating income/ total unrestricted net revenue.*

IHT's liquidity ratios indicate a high degree of liquid assets to meet current liabilities and the improvement in the number of months cash on hand to meet expenses with a stable trend over the past three years.

IHT's leverage ratios reflect gradual increases in long-term debt associated with several new IHT rental projects that have been completed and rented within the past few years.

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The size of our rental portfolio has increased over the past four years from 41 to 50 rental units because of well capitalized development projects that are growing cash flow and reserves.

FUTURE OPPORTUNITIES, RISKS, OBLIGATIONS AND OUTLOOK

Opportunities

IHT's Vision 2025 goal, established in 2022, is to create 150 new homes to serve 450 island residents and their families by the end of 2025. Partnering with island businesses, Martha's Vineyard Land Bank, and other non-profits, IHT is using a combination of available land, development expertise and financial resources to achieve its housing production goals. As of the end of 2022, our project development pipeline included a total of 181 rental and ownership homes either in predevelopment or construction stages. During 2022, we completed the construction of 2 rentals on Old Court House Road in West Tisbury that were fully occupied in the spring of 2022 and 20 rentals at Kuehn's Way off State Road in Tisbury that will be fully occupied in January 2023, and purchased and renovated a single family house off Rustling Oaks in West Tisbury that was sold in the spring of 2022 and the resale of a single family house at Harpoon Way in West Tisbury that was sold in the winter of 2022.

During 2022, in partnership with Affirmative Investments, a women owned development company from Boston, IHT secured all necessary zoning permits for the town led development project in Edgartown at Meshacket Commons with 36 rentals and 4 ownership homes and secured zoning approval from the Martha's Vineyard Commission for the town led development project in Oak Bluffs at Southern Tier with 60 rentals in two phases.

Risks

IHT routinely evaluates various business risks and uncertainties that can influence our financial condition. It is not possible to contemplate every possible risk scenario. We use a variety of strategies, including:

- a) Reducing our exposure to certain risks through insurance,
- b) Identifying multiple development options when acquiring real estate,
- c) Using legal services for property title or zoning opinions, and
- d) Entering construction contracts with Guaranteed Maximum Price whenever possible.

There are certain financial risks that cannot be fully mitigated and are driven by external factors beyond our control. We have developed a risk evaluation matrix to manage our risk proactively for each property we consider purchasing and developing. We assess the significance of each identified risk from the standpoint of likelihood and the financial and reputational impact. We then develop strategies to mitigate risks based on this assessment. If the risk is considered too great, we will not pursue the project.

The following is a discussion of the key risks and uncertainties related to projects that we have identified through this process and is by no means exhaustive.

CPA

IHT is concerned about the future of the Community Preservation Act (CPA) funding at the municipal level because of decreasing state matching funds. CPA generates nearly \$3.3 million annually island wide. It has provided \$9.3 million over the past 15 years for our housing development projects. It is unclear what alternative sources of funding would replace CPA funds.

To mitigate this risk, the IHT has diversified its capital fundraising strategy by leveraging municipal CPA grant funding with private philanthropic donations and competitive state grant funding. As the scale of new

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developments increases, leveraging public grants with private donations will be critical should CPA funding decrease significantly. IHT is also raising financing through short-term low-interest revolving lines of credit from private foundations' program-related investments through the Make It Happen Fund to purchase suitable properties on the market.

Competition

IHT welcomes other developers who possess depth and expertise in affordable housing production and desire to work on the island of Martha's Vineyard, which is federally designated as a difficult to develop area. This designation is due to the limited amount of funding available for affordable housing development as well as the limited amount of property available to be developed into affordable housing. In 2021, IHT entered its first development partnership with the women owned development firm, Affirmative Investments, to successfully bid on two larger town led projects including 60 rentals at Southern Tier in Oak Bluffs and 36 rentals and 4 ownership homes at Meshacket Commons in Edgartown.

To mitigate competition risk, IHT works diligently with qualified and experienced developers, architects, and builders to develop properties that are well designed, healthy, durable and energy efficient. We design and build using construction methods designed to ensure that properties are affordable, not only to purchase or rent, but to own and maintain.

Compliance

The regulatory agreements which dictate income levels of our tenants, rental rates and other items are complex. Noncompliance with those agreements could lead to immediate repayment of loans and other financial obligations.

IHT mitigates its compliance risk by contracting with the Dukes County Regional Housing Authority (DCRHA) and The Community Builders (TCB) who are experienced rental property managers. IHT regularly audits the compliance of its properties with the underlying agreements. Additionally, third parties routinely test for compliance with laws and regulatory agreements.

IHT's partnership with Affirmative Investments to develop two larger town led projects in Oak Bluffs and Edgartown will be managed by The Community Builders (TCB), a national nonprofit developer and manager, who have experience managing Low Income Housing Tax Credit (LIHTC) funded rental projects on Martha's Vineyard.

Tabular Disclosure of Contractual Obligations

The following obligations are summarized from our financial statements:

	Due In			
	<1 Year	1-3 Years	3-5 Years	>5 Years
Long-Term Debt (P&I)	\$1.04M	\$1.7M	\$600K	\$3.6M
Operating Leases (Office)	\$34K	N/A	N/A	N/A
Other Long-Term Obligation (Soft)	\$0	\$0	\$0	\$5.2M
Total	\$1.07M	\$1.7M	\$600K	\$8.8M

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2023 Outlook

Portfolio

IHT estimates spending \$11,877,000 million in 2023 on housing development projects, rental properties, and support services. Public grants and private donations totaling \$5,414,000 million have been awarded or pledged over the next 4 years. The remainder will be financed with new long-term debt, for which IHT has already obtained loan commitments.

Total rental income is estimated to increase by 45% over 2022 levels. Expense growth is managed by a budgeting process for each property in our portfolio.

We anticipate receipt of approximately \$480,000 in developer fees and overhead from a neighborhood of 20 rental apartments at Kuehn's Way in Tisbury in the spring of 2023 when we close on MassHousing funding and financing.

Cash Flow Projection

National and international events external to IHT may have negative impacts on IHT such as material supply shortages and inflation that could result in delays, increased construction costs, increased financing costs and other material adverse effects to IHT's financial position, impacting its operations and cash flows. Examples include the inflationary economy in the U.S. and the U.S. embargo on Russian energy imports following the Russian invasion of the Ukraine. IHT is not able to estimate the length or severity of these global disruptions and their related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the global disruptions and related effects on IHT's operations continue for an extended period IHT may have to seek alternative measures to finance its operations. IHT does not believe that the impact of these global disruptions will have a material adverse effect on its financial condition or liquidity.

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARY

Management's Discussion and Analysis

For the Year Ended December 31, 2022

The following cash flow projection is forward-looking and does not reflect any financial impact from global disruptions; actual results may vary from this projection. Assumptions made by management while developing this projection include: a) current projects in development are expected to proceed and still reach the milestones that trigger release of developer fees based on anticipated timelines; b) Massachusetts Community Investment Tax Credits (CITC) will increase versus 2022; c) the filling of new positions; and d) an increase in compensation rate of 10% versus 2022.

	<u>2023</u>
Opening Cash Balance	\$4.72M
Financing	\$3.85M
Donations Received	\$2.6M
Project Grants Received	\$1.27M
Developer & Lease Fees Received	\$570K
Property Revenues Received	\$690K
Investment Income	\$100K
House Sale Revenues Received	<u>\$250K</u>
Total Revenue Received	\$9.33M
Workforce Compensation and Benefits	\$1.31M
Office & Program Cost Payments	\$460K
Project Expenses	\$2.76
Property Expenses	\$440K
Loan Repayment	\$390K
Other Cost Paid	<u>\$30K</u>
Total Expenses Paid	\$8.84M
Ending Cash (Deficit)	\$5.21M

Management has prepared this Management's Discussion & Analysis to facilitate understanding of its mission, structure, resources, financial results risks and opportunities, IHT's financial statements are audited by an Independent Auditor and IHT's Audit Committee, consisting of Independent Directors, recommends the approval of the audited financial statements to the Board of Directors. This Management's Discussion & Analysis is not audited or included in the audited financial statements. Questions concerning any of this information provided in this Management's Discussion & Analysis or requests for additional information should be addressed to the Executive Director, Island Housing Trust, P.O. Box 779, West Tisbury, MA 02575.



Philippe Jordi, CEO
Island Housing Trust

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statement of Financial Position

As of December 31, 2022
With Comparative Totals as of December 31, 2021

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 1,451,984	\$ 6,154,108
Restricted cash	<u>445,428</u>	<u>372,895</u>
Total cash and cash equivalents and restricted cash	1,897,412	6,527,003
Accounts receivable, net	144,143	141,558
Pledge receivables - current	1,601,296	916,762
Prepaid expenses	<u>39,039</u>	<u>13,734</u>
Total current assets	<u>3,681,890</u>	<u>7,599,057</u>
Fixed assets		
Property and equipment, net	<u>16,509,847</u>	<u>16,541,511</u>
Other assets		
Land held for development	10,819,876	4,634,345
Notes receivable, net of allowance	527,745	90,000
Investments, long term	3,269,007	-
Pledge receivables, net - long term	<u>1,742,585</u>	<u>1,162,640</u>
Total other assets	<u>16,359,213</u>	<u>5,886,985</u>
Total assets	<u>\$ 36,550,950</u>	<u>\$ 30,027,553</u>

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statement of Financial Position

As of December 31, 2022
With Comparative Totals as of December 31, 2021

	<u>Liabilities and Net Assets</u>	
	<u>2022</u>	<u>2021</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 209,685	\$ 391,155
Lines of credit - current	600,000	-
Notes and mortgages payable - amortizing - current	90,455	82,700
Notes and mortgages payable - non-amortizing - current	<u>385,207</u>	<u>-</u>
Total current liabilities	<u>1,285,347</u>	<u>473,855</u>
Long-term liabilities		
Notes and mortgages payable - non-amortizing - long term	5,216,498	3,320,089
Notes and mortgages payable - amortizing - long term	3,931,272	3,771,010
Lines of credit - long term	<u>1,949,000</u>	<u>1,130,000</u>
Total long term liabilities	<u>11,096,770</u>	<u>8,221,099</u>
Total liabilities	<u>12,382,117</u>	<u>8,694,954</u>
Net assets		
Net assets without donor restrictions	20,694,047	19,233,831
Net assets with donor restrictions	<u>3,474,786</u>	<u>2,098,768</u>
Total net assets	<u>24,168,833</u>	<u>21,332,599</u>
Total liabilities and net assets	<u>\$ 36,550,950</u>	<u>\$ 30,027,553</u>

See notes to the consolidated financial statements

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statement of Activities

For the year ended December 31, 2022
With Comparative Totals for the year ended December 31, 2021

	Without donor restrictions	With donor restrictions	2022 Total	2021 Total
Revenue and support				
Grants and contributions	\$ 1,266,801	\$ 3,546,866	\$ 4,813,667	\$ 4,732,194
Donated land	109,986	-	109,986	312,000
Sales of buildings	1,775,000	-	1,775,000	-
Less: cost of development projects	(1,580,633)	-	(1,580,633)	-
Net sales of buildings	194,367	-	194,367	-
Rental income	714,440	-	714,440	673,406
Ground lease income	42,950	-	42,950	42,650
Contributed goods and services	54,408	-	54,408	42,500
Project management fees	4,500	-	4,500	11,700
Interest income	7,777	-	7,777	1,835
Investment revenue, net	4,373	-	4,373	-
Other earned revenue	2,701	-	2,701	5,051
Net assets released from restrictions	2,170,848	(2,170,848)	-	-
Total revenue and support	4,573,151	1,376,018	5,949,169	5,821,336
Expenses				
Program services	2,332,153	-	2,332,153	2,186,435
Management and general	337,496	-	337,496	241,289
Fundraising	424,294	-	424,294	342,351
Special events	18,992	-	18,992	10,607
Total expenses	3,112,935	-	3,112,935	2,780,682
Change in net assets	1,460,216	1,376,018	2,836,234	3,040,654
Net assets at beginning of year	19,233,831	2,098,768	21,332,599	18,291,945
Net assets at end of year	\$ 20,694,047	\$ 3,474,786	\$ 24,168,833	\$ 21,332,599

See notes to the consolidated financial statements

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

For the year ended December 31, 2022
With Comparative Totals for the year ended December 31, 2021

	Program services			Total program services	Management and general	Fundraising	Special events	2022 Total	2021 Total
	Communication	Housing development	Rental management						
Salaries and wages	\$ 73,425	\$ 283,232	\$ -	\$ 356,657	\$ 183,266	\$ 320,491	\$ -	\$ 860,414	\$ 681,981
Payroll taxes and fringe benefits	21,908	104,674	-	126,582	48,685	68,160	-	243,427	200,895
Professional fees	25,403	83,675	-	109,078	35,509	20,829	-	165,416	152,982
Conferences	-	-	-	-	2,486	-	-	2,486	1,122
Insurance	408	1,353	46,559	48,320	1,020	927	-	50,267	66,676
Occupancy	176	583	-	759	41,559	399	-	42,717	32,184
Grants	-	600,000	-	600,000	-	-	-	600,000	550,000
Event expense	-	-	-	-	-	-	18,992	18,992	10,607
Bad debt expense	-	90,000	-	90,000	-	-	-	90,000	-
Property expenses	-	63,579	6,223	69,802	-	-	-	69,802	236,726
Depreciation	-	-	336,600	336,600	-	-	-	336,600	327,501
Printing and postage	3,536	369	-	3,905	278	253	-	4,436	2,469
Administrative management	64,582	-	44,014	108,596	2,215	-	-	110,811	94,940
Property management fee	-	-	58,756	58,756	-	-	-	58,756	52,980
Miscellaneous	-	-	-	-	7,400	-	-	7,400	-
Interest expense	-	40,090	90,299	130,389	-	-	-	130,389	127,109
Repairs and maintenance	-	-	217,482	217,482	-	-	-	217,482	142,271
Office supplies	2,813	9,332	-	12,145	7,032	6,392	-	25,569	23,716
Software licensing	1,773	5,883	-	7,656	4,432	4,029	-	16,117	13,556
Property taxes	-	-	12,611	12,611	-	-	-	12,611	13,181
Telephone	530	1,759	10,138	12,427	1,325	1,205	-	14,957	12,215
Travel	708	2,350	-	3,058	1,770	1,609	-	6,437	5,724
Utilities	-	-	27,330	27,330	-	-	-	27,330	31,347
Filing fees	-	-	-	-	519	-	-	519	500
	<u>\$ 195,262</u>	<u>\$ 1,286,879</u>	<u>\$ 850,012</u>	<u>\$ 2,332,153</u>	<u>\$ 337,496</u>	<u>\$ 424,294</u>	<u>\$ 18,992</u>	<u>\$ 3,112,935</u>	<u>\$ 2,780,682</u>

See notes to the consolidated financial statements

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the year ended December 31, 2022
With Comparative Totals for the year ended December 31, 2021

	<u>2022</u>	<u>2021</u>
Change in net assets	\$ 2,836,234	\$ 3,040,654
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	336,600	327,501
Donations of land	(109,986)	(312,000)
Allowance on notes receivable	90,000	-
Net unrealized and realized gains on long term investments	(4,373)	-
Changes in asset and liability accounts		
(Increase) decrease in assets		
Accounts receivable, net	(2,585)	(70,795)
Pledge receivables, net	(1,264,479)	876,212
Notes receivable	-	385,000
Prepaid expenses	(25,305)	(10,447)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	<u>(181,470)</u>	<u>273,245</u>
Net cash provided by operating activities	<u>1,674,636</u>	<u>4,509,370</u>
Cash flows from investing activities		
Proceeds from sale of fixed assets	111,263	-
Purchase of fixed assets	(6,491,744)	(3,940,869)
Advances of notes receivable	(527,745)	-
Purchase of investments	<u>(3,264,634)</u>	<u>-</u>
Net cash used in investing activities	<u>(10,172,860)</u>	<u>(3,940,869)</u>
Cash flows from financing activities		
Repayments of notes and mortgages payable	(81,984)	(2,391,794)
Proceeds from lines of credit	1,649,000	-
Repayments of lines of credit	(230,000)	-
Proceeds from notes and mortgages payable	<u>2,531,617</u>	<u>4,710,102</u>
Net cash provided by financing activities	<u>3,868,633</u>	<u>2,318,308</u>
Net (decrease) increase in cash and cash equivalents and restricted cash	(4,629,591)	2,886,809
Cash and cash equivalents and restricted cash - beginning	<u>6,527,003</u>	<u>3,640,194</u>
Cash and cash equivalents and restricted cash - ending	\$ <u>1,897,412</u>	\$ <u>6,527,003</u>
Cash and cash equivalents	\$ 1,451,984	\$ 6,154,108
Restricted cash	<u>445,428</u>	<u>372,895</u>
Cash and cash equivalents and restricted cash - ending	\$ <u>1,897,412</u>	\$ <u>6,527,003</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ <u>140,625</u>	\$ <u>127,109</u>

See notes to the consolidated financial statements

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

Note 1 - Summary of significant accounting policies

The 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 ("U.S. GAAP"). The significant accounting policies followed by Island Housing Trust Corporation and Subsidiaries (the "Corporation") ("IHT") are described below to enhance the usefulness of the consolidated financial statements to the reader.

Nature of activities

The Corporation was organized on January 8, 2002 to own and lease land for the purpose of developing, building and maintaining affordable housing on Martha's Vineyard, Massachusetts. The Corporation was created as a non-profit housing partnership between Island towns, housing Corporations and homeowners on Martha's Vineyard, Massachusetts. The Corporation is supported primarily by contributions of cash and property from Massachusetts residents and project grants from municipal and state governments.

IHT has the following program divisions:

Communications - Build community awareness, understanding of, and support for Island Housing Trust's mission of building and preserving permanently affordable housing on Martha's Vineyard.

Rental programs - Ensure that rental properties are well maintained, properly managed and financially self-sustainable.

Housing development - Develop simple, durable, energy efficient housing, both rental and ownership, that are designed and built to be truly affordable to purchase or rent and maintain for generations.

Scotts Grove, LLC, a wholly owned subsidiary, is an entity created to develop nine low and moderate-income rental apartments in West Tisbury, Massachusetts.

Hanover House, LLC, a wholly owned subsidiary, is an entity created to develop fifteen low and moderate-income rental apartments in Tisbury, Massachusetts.

Perlman House, LLC, a wholly owned subsidiary, is an entity created to develop seven low and moderate-income rental apartments in Tisbury, Massachusetts.

Kuehns Way, LLC, a wholly owned subsidiary, is an entity created to develop twenty low and moderate-income rental apartments in Tisbury, Massachusetts.

Basis of presentation

The consolidated financial statements include the activity of Island Housing Trust Corporation, Scott's Grove, LLC, Hanover House, LLC, Perlman House, LLC and Kuehns Way, LLC (collectively, "IHT"). The consolidated statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Corporation's ongoing efforts. All material intercompany transactions and accounts have been eliminated in consolidation.

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

IHT's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The consolidated statement of financial position presents two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and the consolidated statement of activities displays the change in each class of net assets. The classes of net assets applicable to IHT are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by the Board of Directors.

Net Assets With Donor Restriction - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of IHT and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Use of estimates

In preparing IHT's consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Revenue recognition

IHT earns revenue as follows:

Grants and Contributions - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Corporation must determine whether a grant and a contribution (or a promise) are conditional or unconditional for transactions deemed to be a contribution. A grant and a contribution are considered to be conditional if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Corporation should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse.

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

Contributed Property, Equipment and Services - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by IHT. Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, IHT reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. IHT reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Rental - Rental income is derived from eight rental projects. Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All lease between IHT and the tenants of the projects are considered to be operating leases.

Substantially all of IHT's revenue is derived from its activities in Massachusetts. During the year ended December 31, 2022, IHT derived approximately 86% of its total revenue from contributions, including 8% from one foundation, 12% from rental income, and 2% from other sources. All revenue is recorded at the estimated net realizable amounts.

Cash and cash equivalents and restricted cash

IHT considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

IHT maintains its cash balances at several financial institutions. IHT has concentrated its credit risk for cash by maintaining deposits in banks in excess of the Federal Deposit Insurance Company ("FDIC) insurance". Accounts at the financial institutions are insured up to \$250,000. IHT has not experienced any losses in its accounts. IHT believes it is not exposed to any significant credit risk on cash balances within its accounts. IHT also maintains certain deposits with MassHousing and Massachusetts Housing Partnership ("MHP"). These deposits are not insured by the FDIC and amounted to \$445,428 as of December 31, 2022.

Pledge receivables

Conditional promises to give are not recognized in the consolidated financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of December 31, 2022, management has determined any allowance would be immaterial.

Land held for development

Land held for development consist of held-for-sale housing that is recorded at the greater of cost or market value at the time of purchase or donation, unless deed restricted, plus construction costs incurred.

Notes receivable

Notes receivable are reported at their outstanding principal balance, less an allowance for losses. Management's periodic evaluation of the adequacy of the allowance is based on its past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and current economic conditions. Past due status is determined based on contractual terms. Notes are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2022, management has determined any allowance would be immaterial.

Fundraising expense

Fundraising expense relates to the activities of raising general and specific contributions to the Corporation and promoting special events.

Property, equipment and depreciation

Property and equipment are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the accompanying consolidated statement of activities. Major repairs and maintenance over \$5,000 are capitalized as incurred.

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

IHT computes depreciation using the straight-line method over the following estimated lives:

Buildings and improvements	39 years
Furniture/equipment/software	3-5 years

IHT reports gifts of land, building and equipment 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 restricted support. Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator or possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There were no impairment losses recognized during the year ended December 31, 2022.

Income taxes

IHT qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1) of the IRC.

Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosures in the financial statements.

Generally, the Organization's information/tax returns remain open for possible federal income tax examination for three years after the filing date. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2019 remain open.

Scotts Grove, LLC, Hanover House, LLC, Kuehns Way, LLC and Perlman House, LLC are single member limited liability companies that are disregarded for income tax purposes. Their financial activity is reported in the information return of IHT.

Investments

The Corporation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Net investment return/(loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct investment expenses. Investments are exposed to risks such as interest rate, credit and overall market volatility.

Fair value measurements

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments traded in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant inputs to the valuation model are unobservable.

Recurring measurements

In accordance with U.S. GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Corporation's assets that are adjusted to fair value on a recurring basis are described below. The Corporation currently has no liabilities that are adjusted to fair value on a recurring basis.

The following section describes the valuation methodologies used to measure assets financial assets and liabilities at fair value on a recurring basis.

Investments: Quoted market prices are used to determine the fair value of treasury bonds and they are included in Level 1. See Note 5 for more details.

Nonrecurring measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Corporation records assets and liabilities at fair value on a nonrecurring basis as required by U.S. GAAP.

The following section describes the valuation methodologies used to measure assets financial assets and liabilities at fair value on a nonrecurring basis.

During the year ended December 31, 2022, the Corporation recorded in-kind contributions for a donated property at estimated fair value at the date of receipt totaling \$109,986, see Note 4. No liabilities were assumed as a result of this donation. In accordance with U.S. GAAP, the Corporation recorded the assets acquired at fair value using Level 2 inputs.

Functional allocation of expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of IHT. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis of

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

estimates of time and effort. Payroll and associated costs are allocated to functions based upon the task being performed.

Summarized financial information for 2021

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the consolidated financial statements do not include a full presentation of the consolidated statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the consolidated financial statements do not include full consolidated financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the IHT's consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

New accounting pronouncements

For the year ended December 31, 2022, the Corporation adopted Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the Corporation and will not change existing recognition and measurement requirements. The Corporation has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets.

The Corporation adopted Accounting Standards Update 2016-02 (as amended), *Leases* ("Topic 842") on January 1, 2022 ("Adoption Date"). Additionally, the Corporation elected and applied the following practical expedients on the Adoption Date:

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

The Corporation accounted for its existing operating leases with residential tenants of the property as operating leases. Adopting Topic 842 in accounting for residential tenants did not result in adjustments to the financial statements.

Reclassifications

Certain prior period amounts in the financial statements related to 2021 have been reclassified to conform to the current period's presentation. The reclassifications include the movement of certain land held for development into property and equipment.

Note 2 - Liquidity and availability of resources

As part of IHT's liquidity management plan, IHT invests cash in excess of annual requirement in money market funds and treasury bills. Occasionally, the Board designates a portion of any operating surplus to its operating reserves. Accounts receivable are not included in the

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calculation below as the receivables are related to rental property activity and are restricted for use in the properties. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

Financial assets at year end	
Cash and cash equivalents	\$ 1,451,984
Pledges receivable, current	<u>1,601,296</u>
Total	<u>3,053,280</u>
Less amounts unavailable for general expenditures within one year, due to:	
Restricted by donors	<u>1,393,266</u>
Total	<u>1,393,266</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,660,014</u>

Amounts not included as available above includes amounts set aside for long-term investment that could be liquidated and drawn upon at management's discretion which totaled \$3,269,007 as of December 31, 2022. In addition, as part of its liquidity management, the Organization regularly monitors liquidity required to meet operating needs, commitments and other obligations as they become due. In the event of an unanticipated liquidity need, the Organization has the ability to draw upon the available lines of credit.

Note 3 - Related party transactions

IHT has members of the Board of Directors who from time to time have transactions with other corporations that also do business and/or work for IHT.

A member of the Board, who is also a homeowner, leases land on which her home is located for an annual rate of \$600.

A Board member is also a Board member of the Dukes County Regional Housing Authority ("DCRHA") and the Tisbury Affordable Housing Committee ("TAHC"). The DCRHA leases office to the Corporation and decides on issues that may affect the Corporation. From time to time the TAHC discusses and decides on issues that may affect the Corporation. During the year ending December 31, 2022, IHT received grant funding from the Town of Tisbury of \$400,000. DCRHA was paid office rent totaling \$33,121 and property management and administrative management fees totaling \$73,154 for the year ended December 31, 2022. IHT also pays DCRHA \$1, annually, for land leases.

A Board member is a Selectmen for the Town of Aquinnah from which the Corporation may receive funds. During the year ended December 31, 2022, IHT received a grant of \$550,000 from the Town of Aquinnah.

A Board member is a member of the West Tisbury Finance Committee ("WTFC") and WTCP. From time to time the WTFC and WTCP discusses and/or decides on issues that may affect

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December 31, 2022

the Corporation. During the year ended December 31, 2022, IHT did not receive grant funding from the Town of West Tisbury.

A Board member is a member of the West Tisbury Affordable Housing Committee ("WTAHC") and the West Tisbury Community Preservation Committee ("WTCPC"). From time to time the WTAHC and WTCPC discusses and/or decides on issues that may affect the Corporation. During the year ended December 31, 2022, IHT received a grant of \$75,000 from the Town of West Tisbury.

Note 4 - Donated services, property and facilities

For the year ended December 31, 2022, contributed nonfinancial assets recognized within the statement of activities included:

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Donated legal services	\$ 54,408	All	None	Fair market value of services provided
Donated land	<u>109,986</u>	Land held for development	None	Fair market value of the asset at the date of donation
Total	\$ <u>164,394</u>			

Note 5 - Investments

Investments are valued at fair value using Level 1 inputs, unadjusted quoted prices in active markets, and are comprised of the following as of December 31, 2022:

Domestic:	
Fixed income - Treasury Bills	\$ <u>3,269,007</u>
Total	\$ <u>3,269,007</u>

Fixed income consists of four United States Treasury Bills with various maturity dates through November 2023. It is the Corporation's intention to reinvest the amounts when maturity occurs for longterm stability of the Corporation.

Note 6 - Noncash investing and financing activity

Land donations during the year ended December 31, 2022 were valued at \$109,986, see Note 4.

Note 7 - Operating rental leases

IHT rents an office from the Dukes County Rental Housing Authority ("DCRHA") in Vineyard Haven, Massachusetts under a monthly tenant-at-will lease agreement for \$2,801 monthly. Total rent expense for the year ended December 31, 2022 was \$33,121, see Note 3.

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

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Note 8 - Rental income

IHT has seven affordable housing rental properties which are managed by DCRHA and one rental property managed by IHT. Rental income for the year ended December 31, 2022 was \$714,440. The expenses related to those rental properties are included in the accompanying consolidated statement of functional expenses within rental management.

Note 9 - Land leases

IHT leases the parcels of land from DCRHA and the Town of West Tisbury, for an annual fee of \$1. IHT has a management agreement with DCRHA for the management of the property on the aforementioned land.

<u>Lot Size</u>	<u>Location</u>	<u>Term</u>	<u>Start Date</u>
1.3 Acres	Halcyon Way, West Tisbury	51 years	July 9, 2002
1.5 Acres	12 Clam Point Road, West Tisbury	51 years	July 30, 2013
2.86 Acres	565 Edgartown-West Tisbury Road, West Tisbury	51 years	August 30, 2017

During the term of the leases, immaterial annual rental payments are due to DCRHA and is included in occupancy on the accompanying statement of activities. The land leases contain other restrictive covenants relating to the use of the land as more fully described in the agreement. In addition, as additional rent, the Corporation is responsible for paying all charges associated with the property. All leases are considered to be operating leases.

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Note 10 - Notes, lines of credit and mortgages payable

IHT has the following notes, mortgages payable, and lines of credit as of December 31, 2022:

<u>Notes, Lines of Credit and Mortgages Payable</u>	<u>Collateral</u>	<u>Outstanding Balance at 12/31/2022</u>
<u>Amortizing</u>		
20 year term with 3.85% interest maturing in September 2041 with MHP in the original amount of \$1,525,000. This note requires monthly payments of interest and principal of \$7,149.	565 Edgartown Road West Tisbury, Massachusetts	\$ 1,492,740
10 year term loan at 2.875% interest maturing in January 2030 with Martha's Vineyard Saving Bank for \$1,800,000. The term requires monthly payments of \$7,468 of principal and interest.	28 Edgartown Road, Tisbury, Massachusetts	1,683,842
20 year term with 2.5% interest maturing in March 2041 with MassHousing in the original amount of \$620,000. This note requires monthly payments of interest and principal of \$2,450.	20 Edgartown Road, Tisbury, Massachusetts	595,167
Construction loan with Martha's Vineyard Savings Bank for \$250,000 maturing August 2033 at an interest rate of prime + .5%. The terms are interest only for the first 18 months. In August 2023, the loan will convert to permanent financing. Principal and interest payments will be approximately \$1,292.	16 Old Courthouse Road, West Tisbury Massachusetts	249,978
<u>Non-amortizing</u>		
30 year non-interest bearing note with MassHousing due in full on July 2032. No installment payments are required on the note.	Halcyon Way, West Tisbury, Massachusetts	100,000

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30 year non-interest bearing note maturing in February 2051 with the Department of Housing and Community Development (DHCD) Affordable Housing Trust Fund in the original amount of \$700,000. No installment payments are required on the note.	20 Edgartown Road, Tisbury, Massachusetts	700,000
20 year non-interest bearing note maturing in March 2041 with MassHousing in the original amount of \$500,000. No installment payments are required on the note.	20 Edgartown Road, Tisbury, Massachusetts	500,000
Construction loan with Martha's Vineyard Savings Bank for \$2,053,000 maturing February 2023 at an interest rate of prime + .5%. The terms are interest only payments due through maturity.	937 State Road, Tisbury Massachusetts	385,207
There are three loans with Resource, Inc. under the Housing Rehabilitation Loan Program. They are as follows:		
A) Non-interest bearing note due June 22, 2028 forgivable if certain conditions continue to be met at maturity with a balance of \$28,676 at year end.	Halcyon Way, West Tisbury, Massachusetts	28,676
B) Non-interest bearing note due May 29, 2029 forgivable if certain conditions continue to be met at maturity date with a balance of \$200,000 at year end.	14 Village Court, Tisbury, Massachusetts	200,000
C) Non-interest bearing note due August 31, 2030 forgivable if certain conditions continue to be met at maturity with a balance of \$27,886 at year end.	42 Richmond Ave, Oak Bluffs, Massachusetts	27,886
The Kuehn's Way, LLC has the following debt obligations:		
A) Non-interest bearing 30 year note payable to the DHCD Affordable Housing Trust Fund. The note is restricted for the financing of affordable rental apartments at Kuehn's Way (the Project). There are no monthly payments required on the note, due December 15, 2052.	975 State Road Tisbury, Massachusetts	1,010,000

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

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B) Non-interest bearing 50 year note payable to the DHCD Affordable Housing Trust Fund. The note is restricted for the financing of affordable rental apartments at Kuehn's Way (the Project). There are no monthly payments required on the note, due December 15, 2072.	975 State Road Tisbury, Massachusetts	908,500
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Three notes for rental projects with the Federal Home Loan Bank of Boston Affordable Housing Program (AHP) which are referred to as the AHP Subsidy. These are contingent loans that will be forgiven after 15 years of operation of the Project. The Project will be subject to deed restrictions or other legally enforceable mechanism that incorporates the income-eligibility and affordability restrictions committed to the approved AHP Projects application. The notes are as follows:

A) \$160,000 note secured by the property located at 12 Clam Point Road, West Tisbury, Massachusetts.	12 Clam Point Road, West Tisbury, Massachusetts	\$ 160,000
B) \$390,000 note secured by the property located at 6 Water Street, Tisbury, Massachusetts.	Water Street Apartments, Tisbury, Massachusetts	390,000
C) \$291,436 note secured by the property located at 14 Village Court, Tisbury, Massachusetts.	14 Village Court, Tisbury, Massachusetts	291,436

The Scotts Grove, LLC has the following debt obligations:

A) \$900,000 non-interest bearing 50 year note payable to the MassHousing. The note is restricted for the financing of nine affordable rental apartments at Scotts Gove (the "Project"). There are no monthly payments required on the note, due May 23, 2068.	565 Edgartown Road West Tisbury, Massachusetts	900,000
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ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

<u>Lines of Credit</u>	<u>Collateral</u>	<u>Outstanding Balance at 12/31/2022</u>
\$500,000 unsecured loan with the Rappaport Family Foundation with a 5 year term as of September 26, 2017. As of August 9, 2018 the interest rate is 1% per annum payable at any time before the due date of the loan. The line of credit was paid in full during the year ended December 31, 2022.	None	-
\$200,000 unsecured loan with the DMR Family Foundation with a term of 5 years as of October 2, 2018. The interest rate is 1% per annum payable at any time before due.	None	-
\$100,000 unsecured loan with Impact Assets with a term of 5 years as of September 21, 2022. The interest rate is 1% per annum payable at any time before due.	None	100,000
\$300,000 loan with the Valerie Sonnenthal with a 5 year term as of August 11, 2021. The interest rate is 1% per annum payable at any time before the due date of the loan. The terms are interest only prior to that date.	None	300,000
\$500,000 unsecured loan with Fledging Fund with a term of 5 years as of July 31, 2021. The interest rate is 1% per annum payable at any time before due.	None	500,000
\$2,000,000 line of credit with the Cardinal Brook Trust. All loans made on the line of credit bear interest at 1% per annum payable at any time before the due date of the related loan. The terms are interest only prior to that date. All amounts are due 2 years from the date of the loans. As of December 31, 2022, the following 3 loans have been made on the line of credit:	937 State Road Tisbury Massachusetts	\$1,649,000
Loan dated August 8, 2021 in the amount of \$600,000		
Loan dated October 5, 2022 in the amount of \$194,000		
Loan dated November 8, 2022 in the amount of \$855,000		
Total Notes, Lines of Credit and Mortgages Payable		\$ 12,172,432

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

The following are the minimum required principal payments on the notes, lines of credits and mortgages:

<u>Year Ended</u>	
2023	\$ 1,075,652
2024	1,643,400
2025	97,451
2026	400,603
2027	203,860
Thereafter	<u>8,751,466</u>
Total	\$ <u>12,172,432</u>

Interest expense for the year ended December 31, 2022 was \$140,625, of which \$10,236 was capitalized.

Note 11 - Real estate sales and acquisitions

During the year ended December 31, 2022, IHT acquired 5 Harpoon Way, West Tisbury, Massachusetts for \$295,176, 88 Pin Oak Circle, West Tisbury, Massachusetts for \$1,000, and 25 Lobster Alley, Tisbury, Massachusetts for \$1,575,000.

During the year ended December 31, 2022, IHT sold 57 Rustling Oaks Road, West Tisbury, Massachusetts for \$370,000, a portion of 25 Lobster Alley, Tisbury, Massachusetts for \$1,100,000 and 5 Harpoon Way, West Tisbury, Massachusetts for \$305,000.

Note 12 - Rental management agreement

IHT contracted with the DCRHA to provide rental property management services to the rental properties owned by IHT. The units are to be leased to qualified households with incomes at or below a percentage of the area median income as defined by the Department of Housing and Urban Development ("HUD"). The maximum rent for the units shall not exceed a percentage of HUD median rents for the area.

Rental income is to be allocated as follows:

Administrative fees	7% of gross rental income
Management fees	8% of gross rental income
Capital reserve requirements	3% of gross rental income
Operating reserve account	5% of gross rental income

The term of the agreement is for three (3) years and shall continue thereafter on mutually agreeable terms from year to year unless sooner terminated.

Note 13 - Tax credits

DHCD and IHT entered into an agreement to issue Community Investment Tax Credits. DHCD allocated a maximum of \$250,000 in tax credits in May 2021. All qualified donations by eligible taxpayers shall be applied against the total maximum allocation amount upon DHCD

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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certification. The total amount of revenue earned from tax credits for the year ended December 31, 2022 was \$500,000, which is included in grants and contributions on the accompanying consolidated statement of activities.

Note 14 - Property and equipment

Property and equipment consists of the following as of December 31, 2022:

Land	\$ 4,792,368
Buildings - rental properties	
6 Water Street, Tisbury	2,050,681
Halcyon Way, West Tisbury	263,553
14 Village Court, Tisbury	1,090,974
12 Clam Point Road, West Tisbury	762,769
565 Edgartown Road, West Tisbury	3,073,312
28 Edgartown Road, Tisbury	2,915,478
20 Edgartown Road, Tisbury	2,615,771
16 Old Courthouse Road	710,540
Equipment	9,637
Software	6,445
Office furniture	2,352
Total property and equipment	18,293,880
Accumulated depreciation	(1,784,033)
	<u>\$ 16,509,847</u>

Depreciation amounted to \$336,600 for the year ended December 31, 2022.

Land being developed totaled \$10,835,855 as of December 31, 2022.

Note 15 - Commitments and contingencies

The Corporation entered into a construction contract with CapeBuilt Construction, LLC to perform the renovations on the Keuhn's Way property in the amount of \$8,156,709. As of December 31, 2022, billings under the contract totaled \$7,846,717.

Note 16 - Notes receivable

IHT has six interest bearing notes from individuals for second mortgages on properties, which were sold to the individuals by IHT. The total notes receivable balance as of December 31, 2022 was \$90,000. The notes are secured by the properties and payable when refinanced or at resale. The Corporation has recorded an allowance in the full amount of the notes receivable as of December 31, 2022.

Additionally, the Corporation is a non-majority owner of Southern Tier LLC in Oak Bluffs, Massachusetts and Meshacket LLC in Edgartown, Massachusetts for the purpose of future development of affordable and workforce housing neighborhoods.

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

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The Corporation has provided these properties lines of credit up to \$320,000 and \$290,000, respectively, both of which bear interest at 6% per annum and are due in full in June 2024.

As of December 31, 2022, \$527,745 has been drawn in total on these lines of credit and remains outstanding.

Note 17 - Net assets with donor restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of December 31, 2022, net assets with donor restrictions are restricted for the following purposes:

Housing development projects	\$ 1,605,000
Buydown program	100,000
Southern Tier	428,266
Workforce Housing Trust	25,000
Aquinnah Town Center	550,000
Time restricted only	766,520
Total	<u>\$ 3,474,786</u>

Net assets released from restrictions during the year ended December 31, 2022 were \$2,170,848, of which \$1,782,807 was from program restrictions and \$388,041 was from time restrictions.

Note 18 - Pledge receivables

Pledge receivables are recorded after being discounted to the anticipated net present value of the future cash flows. Pledge receivables consist of the following as of December 31, 2022:

	<u>Gross Promise</u>	<u>Unamortized Discount</u>	<u>Total</u>
2023	\$ 1,601,296	\$ -	\$ 1,601,296
2024	1,097,940	(11,118)	1,086,822
2025	480,720	(9,916)	470,804
2026	128,357	(5,898)	122,459
2027	<u>65,000</u>	<u>(2,500)</u>	<u>62,500</u>
	<u>\$ 3,373,313</u>	<u>\$ (29,432)</u>	<u>\$ 3,343,881</u>

The applicable discount rates ranged between 1% to 4%. There has been no allowance recognized during the year ended December 31, 2022.

Conditional pledge receivables consist of the following as of December 31, 2022:

Conditional on achievement of certain building/permit milestones \$ 250,000

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December 31, 2022

Note 20 - Subsequent events

The Corporation has performed an evaluation of subsequent events through June 30, 2023, which is the date the Corporation's financial consolidated statements were available to be issued. No material subsequent events have occurred, other than the item noted below, since December 31, 2022 that required recognition or disclosure in these consolidated financial statements.

The Corporation closed on the permanent financing of the Kuehn's Way Project on May 2, 2023. As a part of this closing, new mortgages were entered into for \$2,050,000 and \$1,800,000, respectively. The \$2,050,000 mortgage bears interest at 3.7% per annum and is due in monthly installments totaling \$8,152, maturing in full in May 2053. The \$1,800,000 mortgage is non-amortizing and matures in May 2023.

ISLAND HOUSING TRUST CORPORATION AND SUBSIDIARIES

Supplemental Consolidating Schedule of Rental Program Expenses - Unaudited

For the Year Ended December 31, 2022
With Comparative Totals for the Year Ended December 31, 2021

	Rental management								2022	2021
	Halycon Way	14 Village Court	Sepiessa II	Hanover	Water Street	Scotts Grove	16 Old Courthouse	Perlman House		
Insurance	\$ 2,132	\$ 6,436	\$ 3,219	\$ 7,960	\$ 5,753	\$ 9,972	\$ 2,589	\$ 8,498	\$ 46,559	\$ 49,569
Depreciation	6,758	27,974	19,558	74,756	52,581	78,803	9,099	67,071	336,600	327,501
Administrative management	1,772	6,700	2	340	7,675	13,868	1,659	11,998	44,014	36,103
Property management fee	2,878	6,587	2,950	16,092	5,851	13,119	2,168	9,111	58,756	52,980
Interest expense	1,187	3,566	1,784	49,717	3,566	7,860	7,545	15,074	90,299	116,631
Repairs and maintenance	8,142	27,996	9,806	77,726	34,082	24,831	7,546	27,353	217,482	140,722
Property expense	-	-	-	5,374	-	-	-	849	6,223	2,294
Professional fees	-	-	-	-	-	-	-	-	-	1,040
Telephone	-	-	-	10,138	-	-	-	-	10,138	9,054
Utilities	158	2,643	673	8,934	727	7,232	1,704	5,259	27,330	31,140
Property taxes	412	1,148	617	4,483	626	1,852	-	3,473	12,611	12,018
Total expenses	\$ <u>23,439</u>	\$ <u>83,050</u>	\$ <u>38,609</u>	\$ <u>255,520</u>	\$ <u>110,861</u>	\$ <u>157,537</u>	\$ <u>32,310</u>	\$ <u>148,686</u>	\$ <u>850,012</u>	\$ <u>779,052</u>

See independent auditor's report.



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