HEARTH, INC. AND AFFILIATES

CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

HEARTH, INC. AND AFFILIATES

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December 31, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors and Management of
Hearth, Inc. and Affiliates:

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidating financial statements of Hearth, Inc. (a Massachusetts corporation, not for profit) and Affiliates (collectively, the Agency), which comprise the consolidating statements of financial position as of December 31, 2022 and 2021, and the related consolidating statements of activities, changes in entities' net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidating financial statements.

In our opinion, the accompanying consolidating financial statements present fairly, in all material respects, the consolidating financial position of Hearth, Inc. and Affiliates as of December 31, 2022 and 2021, and the changes in their entities' net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Agency 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 consolidating 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 consolidating financial statements that are free from material misstatement, whether due to fraud or error.

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

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note 2 to the consolidating financial statements, on January 1, 2022, the Agency adopted Financial Accounting Standards Board's Accounting Standards Update 2016-02, *Leases* (*Topic 842*), using the optional transition method which does not require prior periods to be restated. Our opinion is not modified in respect to this matter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidating 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 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 consolidating 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 consolidating 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 consolidating 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 Agency'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 consolidating financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The accompanying supplementary information shown on pages 36 through 39 is presented for purposes of additional analysis and is not a required part of the consolidating financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information shown on pages 36 through 39 is fairly stated in all material respects in relation to the consolidating financial statements as a whole.

AAFCPAs, Inc.

Westborough, Massachusetts
August 20, 2024

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Financial Position
December 31, 2022
(With Summarized Comparative Totals as of December 31, 2021)

	2022						2021
	Hearth, Inc.			Rental			
Assets	Operating	Real Estate Development	Total	Properties (Exhibit A)	Eliminations	Total	Total
Current Assets:							
Cash and cash equivalents	$ 931,653	$ 87,500	$ 1,019,153	$ 303,350	$ -	$ 1,322,503	$ 1,649,324
Funds held in trust	133,345	-	133,345	62,300	-	195,645	178,752
Current portion of reserves and deposits	-	-	-	671,801	-	671,801	99,684
Accounts and other receivables, net	101,688	-	101,688	270,924	-	372,612	280,112
Current portion of grants and contributions receivable, net	222,324	25,000	247,324	-	-	247,324	544,267
Prepaid expenses and deposits	31,609	-	31,609	74,401	-	106,010	156,934
Current portion of due (to) from affiliates, net	734,223	-	734,223	(180,271)	(553,952)	-	-
Total current assets	2,154,842	112,500	2,267,342	1,202,505	(553,952)	2,915,895	2,909,073
Other Assets:							
Grants and contributions receivable, net of current portion	-	10,000	10,000	-	-	10,000	30,000
Reserves and deposits, net of current portion	-	343,512	343,512	4,658,132	-	5,001,644	4,855,458
Right-of-use asset	-	-	-	3,095,325	(3,095,325)	-	-
Investments	5,074,509	-	5,074,509	-	-	5,074,509	6,280,945
Due (to) from affiliates, net of current portion	(768,870)	1,447,858	678,988	(2,498,342)	1,819,354	-	-
Investments in affiliates	-	51,942	51,942	-	(51,942)	-	-
Total other assets	4,305,639	1,853,312	6,158,951	5,255,115	(1,327,913)	10,086,153	11,166,403
Property and Equipment:							
Land	-	1,100,000	1,100,000	1,861,736	-	2,961,736	2,961,736
Buildings and improvements	167,486	-	167,486	46,303,032	(4,306,806)	42,163,712	42,028,653
Furniture and equipment	696,445	-	696,445	1,670,344	-	2,366,789	2,285,929
	863,931	1,100,000	1,963,931	49,835,112	(4,306,806)	47,492,237	47,276,318
Less - accumulated depreciation	848,823	-	848,823	14,974,710	(1,314,768)	14,508,765	13,207,206
Net property and equipment	15,108	1,100,000	1,115,108	34,860,402	(2,992,038)	32,983,472	34,069,112
Total assets	$ 6,475,589	$ 3,065,812	$ 9,541,401	$ 41,318,022	$ (4,873,903)	$ 45,985,520	$ 48,144,588
Liabilities and Entities' Net Assets							
Current Liabilities:							
Current portion of long-term debt	$ -	$ -	$ -	$ 163,715	$ -	$ 163,715	$ 170,970
Accounts payable and accrued expenses	494,917	1,915	496,832	579,957	-	1,076,789	825,701
Line of credit	400,000	-	400,000	-	-	400,000	-
Current portion of developer and overhead fees payable and deferred interest	-	-	-	553,952	(553,952)	-	-
Funds held in trust	133,345	-	133,345	62,300	-	195,645	178,752
Total current liabilities	1,028,262	1,915	1,030,177	1,359,924	(553,952)	1,836,149	1,175,423
Other Liabilities:							
Accounts payable - construction	-	-	-	19,039	-	19,039	138,849
Long-term debt and unamortized debt issuance costs, net of current portion	-	-	-	7,316,133	-	7,316,133	6,321,530
Contingent debt and unamortized debt issuance costs, net of current portion	-	-	-	20,583,516	-	20,583,516	20,273,960
Lease liability	-	-	-	3,982,531	(3,982,531)	-	-
Notes payable and deferred interest - affiliates	-	-	-	5,026,417	(5,026,417)	-	-
Developer and overhead fees payable and deferred interest, net of current portion	-	-	-	1,319,282	(1,319,282)	-	-
Total other liabilities	-	-	-	38,246,918	(10,328,230)	27,918,688	26,734,339
Total liabilities	1,028,262	1,915	1,030,177	39,606,842	(10,882,182)	29,754,837	27,909,762
Entities' Net Assets:							
Net assets without donor restrictions:							
Operating	3,324,868	(3,255)	3,321,613	(296,239)	(1,119,926)	1,905,448	4,869,271
Board designated	2,107,351	-	2,107,351	-	-	2,107,351	2,107,351
Property and equipment	15,108	-	15,108	2,007,419	(2,169,953)	(147,426)	(122,715)
Real estate development	-	2,979,652	2,979,652	-	-	2,979,652	2,226,056
Total net assets without donor restrictions	5,447,327	2,976,397	8,423,724	1,711,180	(3,289,879)	6,845,025	9,079,963
Net assets with donor restrictions	-	87,500	87,500	-	-	87,500	935,441
Total Hearth entities' net assets	5,447,327	3,063,897	8,511,224	1,711,180	(3,289,879)	6,932,525	10,015,404
Non-controlling interest	-	-	-	-	9,298,158	9,298,158	10,219,422
Total entities' net assets	5,447,327	3,063,897	8,511,224	1,711,180	6,008,279	16,230,683	20,234,826
Total liabilities and entities' net assets	$ 6,475,589	$ 3,065,812	$ 9,541,401	$ 41,318,022	$ (4,873,903)	$ 45,985,520	$ 48,144,588

The accompanying notes are an integral part of these consolidating statements.

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Financial Position
December 31, 2021

Assets	Hearth, Inc. Operating	Hearth, Inc. Real Estate Development	Hearth, Inc. Total	Rental Properties (Exhibit B)	Eliminations	Total
Current Assets:						
Cash and cash equivalents	$ 135,863	$ 1,111,553	$ 1,247,416	$ 401,908	$ -	$ 1,649,324
Funds held in trust	118,276	-	118,276	60,476	-	178,752
Current portion of reserves and deposits	-	-	-	99,684	-	99,684
Accounts and other receivables, net	145,707	-	145,707	134,405	-	280,112
Current portion of grants and contributions receivable, net	441,267	103,000	544,267	-	-	544,267
Prepaid expenses and deposits	87,001	-	87,001	69,933	-	156,934
Current portion of due (to) from affiliates, net	996,416	-	996,416	(399,253)	(597,163)	-
Total current assets	1,924,530	1,214,553	3,139,083	367,153	(597,163)	2,909,073
Other Assets:						
Grants and contributions receivable, net of current portion	-	30,000	30,000	-	-	30,000
Reserves and deposits, net of current portion	-	343,293	343,293	4,512,165	-	4,855,458
Investments	6,280,945	-	6,280,945	-	-	6,280,945
Due (to) from affiliates, net of current portion	420,443	259,673	680,116	(1,960,427)	1,280,311	-
Investments in affiliates	-	51,942	51,942	-	(51,942)	-
Total other assets	6,701,388	684,908	7,386,296	2,551,738	1,228,369	11,166,403
Property and Equipment:						
Land	-	1,100,000	1,100,000	1,861,736	-	2,961,736
Buildings and improvements	167,486	-	167,486	46,167,973	(4,306,806)	42,028,653
Furniture and equipment	696,445	-	696,445	1,589,484	-	2,285,929
	863,931	1,100,000	1,963,931	49,619,193	(4,306,806)	47,276,318
Less - accumulated depreciation	838,112	-	838,112	13,568,902	(1,199,808)	13,207,206
Net property and equipment	25,819	1,100,000	1,125,819	36,050,291	(3,106,998)	34,069,112
Total assets	$ 8,651,737	$ 2,999,461	$ 11,651,198	$ 38,969,182	$ (2,475,792)	$ 48,144,588
Liabilities and Entities' Equity (Deficit)						
Current Liabilities:						
Current portion of long-term debt	$ -	$ -	$ -	$ 170,970	$ -	$ 170,970
Accounts payable and accrued expenses	383,636	1,915	385,551	440,150	-	825,701
Current portion of developer and overhead fees payable and deferred interest	-	-	-	597,163	(597,163)	-
Funds held in trust	118,276	-	118,276	60,476	-	178,752
Total current liabilities	501,912	1,915	503,827	1,268,759	(597,163)	1,175,423
Other Liabilities:						
Accounts payable - construction	-	-	-	138,849	-	138,849
Long-term debt and unamortized debt issuance costs, net of current portion	-	-	-	6,321,530	-	6,321,530
Contingent debt and unamortized debt issuance costs, net of current portion	-	-	-	20,273,960	-	20,273,960
Deferred ground lease	-	-	-	625,590	(625,590)	-
Notes payable and deferred interest - affiliates	-	-	-	4,964,050	(4,964,050)	-
Developer and overhead fees payable and deferred interest	-	-	-	1,439,467	(1,439,467)	-
Total other liabilities	-	-	-	33,763,446	(7,029,107)	26,734,339
Total liabilities	501,912	1,915	503,827	35,032,205	(7,626,270)	27,909,762
Entities' Net Assets:						
Net assets without donor restrictions:						
Operating	5,854,591	(1,887)	5,852,704	(1,214,891)	231,458	4,869,271
Board designated	2,107,351	-	2,107,351	-	-	2,107,351
Property and equipment	25,819	-	25,819	5,151,868	(5,300,402)	(122,715)
Real estate development	-	2,226,056	2,226,056	-	-	2,226,056
Total net assets without donor restrictions	7,987,761	2,224,169	10,211,930	3,936,977	(5,068,944)	9,079,963
Net assets with donor restrictions	162,064	773,377	935,441	-	-	935,441
Total Hearth entities' net assets	8,149,825	2,997,546	11,147,371	3,936,977	(5,068,944)	10,015,404
Non-controlling interest	-	-	-	-	10,219,422	10,219,422
Total entities' net assets	8,149,825	2,997,546	11,147,371	3,936,977	5,150,478	20,234,826
Total liabilities and entities' net assets	$ 8,651,737	$ 2,999,461	$ 11,651,198	$ 38,969,182	$ (2,475,792)	$ 48,144,588

The accompanying notes are an integral part of these consolidating statements.

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Activities
For the Year Ended December 31, 2022
(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	2022						2021
	Hearth, Inc.						
	Operating	Real Estate Development	Total	Rental Properties (Exhibit C)	Eliminations	Total	Total
Changes in Net Assets Without Donor Restrictions:							
Operating revenues:							
Fee income and other revenue:							
Rental income, net	$ -	$ -	$ -	$ 4,600,420	$ (45,000)	$ 4,555,420	$ 3,912,253
Government and other contracts	1,320,533	-	1,320,533	-	-	1,320,533	1,390,646
Program revenues	1,050,443	-	1,050,443	-	-	1,050,443	847,279
Resident service fees	276,177	-	276,177	-	-	276,177	247,123
Other	38,283	-	38,283	31,634	(18,664)	51,253	1,196
Interest income	-	219	219	5,034	-	5,253	9,070
Management and service fees	191,448	-	191,448	-	(191,448)	-	-
Developer and overhead fees	-	-	-	-	-	-	40,204
Total fee income and other revenue	2,876,884	219	2,877,103	4,637,088	(255,112)	7,259,079	6,447,771
Support:							
Private grants, contributions and special events	670,300	-	670,300	-	-	670,300	622,511
Donated goods and services	5,576	-	5,576	-	-	5,576	33,861
Net assets released from purpose restrictions	162,064	-	162,064	-	-	162,064	247,364
Net assets released from time restrictions	-	-	-	-	-	-	24,000
Total support	837,940	-	837,940	-	-	837,940	927,736
Total operating revenues	3,714,824	219	3,715,043	4,637,088	(255,112)	8,097,019	7,375,507
Operating expenses:							
Outreach	534,613	-	534,613	-	-	534,613	766,150
Housing and supportive services	2,602,738	-	2,602,738	4,840,302	(247,900)	7,195,140	6,342,906
General and administration	1,507,228	-	1,507,228	-	(296,357)	1,210,871	943,291
Institutional advancement	363,102	-	363,102	-	(6,750)	356,352	400,449
Total operating expenses before depreciation and amortization	5,007,681	-	5,007,681	4,840,302	(551,007)	9,296,976	8,452,796
Depreciation and amortization	10,711	-	10,711	1,409,964	(114,960)	1,305,715	1,118,002
Total operating expenses	5,018,392	-	5,018,392	6,250,266	(665,967)	10,602,691	9,570,798
Changes in net assets without donor restrictions from operations	(1,303,568)	219	(1,303,349)	(1,613,178)	410,855	(2,505,672)	(2,195,291)
Other revenues (expenses):							
Net assets released from capital restrictions	-	753,377	753,377	-	-	753,377	500,000
Forgiveness of debt	-	-	-	1,695	-	1,695	683,492
Capital grant	-	-	-	-	-	-	750,000
Sale of state tax credits	-	-	-	-	-	-	1,560,000
Ground lease expense	-	-	-	(321,715)	321,715	-	-
General partner expenses	-	(1,368)	(1,368)	-	-	(1,368)	(2,293)
Write-off of debt issuance costs	-	-	-	(191,402)	-	(191,402)	-
Deferred interest on contingent debt	-	-	-	(334,814)	125,231	(209,583)	(198,287)
Prepayment fee	-	-	-	(223,573)	-	(223,573)	-
Investment return, net	(1,236,866)	-	(1,236,866)	-	-	(1,236,866)	1,078,292
Total other revenues (expenses)	(1,236,866)	752,009	(484,857)	(1,069,809)	446,946	(1,107,720)	4,371,204
Changes in net assets without donor restrictions	(2,540,434)	752,228	(1,788,206)	(2,682,987)	857,801	(3,613,392)	2,175,913
Changes in Net Assets With Donor Restrictions:							
Grants	-	67,500	67,500	-	-	67,500	136,822
Net assets released from restrictions	(162,064)	(753,377)	(915,441)	-	-	(915,441)	(771,364)
Changes in net assets with donor restrictions	(162,064)	(685,877)	(847,941)	-	-	(847,941)	(634,542)
Changes in net assets	(2,702,498)	66,351	(2,636,147)	(2,682,987)	857,801	(4,461,333)	1,541,371
Changes in Net Assets Attributable to Non-Controlling Interest	-	-	-	1,378,454	-	1,378,454	1,072,113
Changes in net assets attributable to Hearth	$ (2,702,498)	$ 66,351	$ (2,636,147)	$ (1,304,533)	$ 857,801	$ (3,082,879)	$ 2,613,484

The accompanying notes are an integral part of these consolidating statements.

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Activities
For the Year Ended December 31, 2021

	Hearth, Inc.					
	Operating	Real Estate Development	Total	Rental Properties (Exhibit D)	Eliminations	Total
Changes in Net Assets Without Donor Restrictions:						
Operating revenues:						
Fee income and other revenue:						
Rental income, net	$ -	$ -	$ -	$ 3,957,253	$ (45,000)	$ 3,912,253
Government and other contracts	1,390,646	-	1,390,646	-	-	1,390,646
Program revenues	847,279	-	847,279	-	-	847,279
Resident service fees	247,123	-	247,123	-	-	247,123
Other	26,034	-	26,034	-	(24,838)	1,196
Interest income	240	-	240	8,830	-	9,070
Management and service fees	517,128	-	517,128	-	(517,128)	-
Developer and overhead fees	710,975	195,240	906,215	-	(866,011)	40,204
Total fee income and other revenue	3,739,425	195,240	3,934,665	3,966,083	(1,452,977)	6,447,771
Support:						
Private grants, contributions and special events	622,511	-	622,511	-	-	622,511
Donated goods and services	33,861	-	33,861	-	-	33,861
Net assets released from purpose restrictions	247,364	-	247,364	-	-	247,364
Net assets released from time restrictions	24,000	-	24,000	-	-	24,000
Total support	927,736	-	927,736	-	-	927,736
Total operating revenues	4,667,161	195,240	4,862,401	3,966,083	(1,452,977)	7,375,507
Operating expenses:						
Outreach	766,150	-	766,150	-	-	766,150
Housing and supportive services	2,462,216	212,999	2,675,215	3,924,657	(256,966)	6,342,906
General and administration	958,291	-	958,291	-	(15,000)	943,291
Institutional advancement	415,449	-	415,449	-	(15,000)	400,449
Total operating expenses before depreciation and amortization	4,602,106	212,999	4,815,105	3,924,657	(286,966)	8,452,796
Depreciation and amortization	16,278	-	16,278	1,200,590	(98,866)	1,118,002
Total operating expenses	4,618,384	212,999	4,831,383	5,125,247	(385,832)	9,570,798
Changes in net assets without donor restrictions from operations	48,777	(17,759)	31,018	(1,159,164)	(1,067,145)	(2,195,291)
Other revenues (expenses):						
Net assets released from capital restrictions	-	500,000	500,000	-	-	500,000
Forgiveness of debt	683,492	-	683,492	-	-	683,492
Capital grant	-	750,000	750,000	-	-	750,000
Sale of state tax credit	-	1,560,000	1,560,000	-	-	1,560,000
Provision for notes receivable-related parties	-	(2,810,000)	(2,810,000)	-	2,810,000	-
Provision for amounts due from affiliates	(184,248)	-	(184,248)	-	184,248	-
Ground lease expense	-	-	-	(327,016)	327,016	-
General partner expenses	-	(2,293)	(2,293)	-	-	(2,293)
Deferred interest on contingent debt	-	-	-	(262,612)	64,325	(198,287)
Investment return, net	1,078,292	-	1,078,292	-	-	1,078,292
Total other revenues (expenses)	1,577,536	(2,293)	1,575,243	(589,628)	3,385,589	4,371,204
Changes in net assets without donor restrictions	1,626,313	(20,052)	1,606,261	(1,748,792)	2,318,444	2,175,913
Changes in Net Assets With Donor Restrictions:						
Grants	136,822	-	136,822	-	-	136,822
Net assets released from restrictions	(271,364)	(500,000)	(771,364)	-	-	(771,364)
Changes in net assets with donor restrictions	(134,542)	(500,000)	(634,542)	-	-	(634,542)
Changes in net assets	1,491,771	(520,052)	971,719	(1,748,792)	2,318,444	1,541,371
Changes in Net Assets Attributable to Non-Controlling Interest	-	-	-	1,072,113	-	1,072,113
Changes in net assets attributable to Hearth	$ 1,491,771	$ (520,052)	$ 971,719	$ (676,679)	$ 2,318,444	$ 2,613,484

The accompanying notes are an integral part of these consolidating statements.

HEARTH, INC. AND AFFILIATES

Consolidating Statements of Changes in Entities' Net Assets
For the Years Ended December 31, 2022 and 2021

	Hearth, Inc.							
	Operating	Real Estate Development	Total	Rental Properties	Eliminations	Total	Non-Controlling Interest	Total
Entities' Net Assets, December 31, 2020, as restated	$ 6,870,711	$ 3,304,941	$ 10,175,652	$ (648,561)	$ (2,125,171)	$ 7,401,920	$ 4,657,205	$ 12,059,125
Capital distribution	-	-	-	(300,000)	300,000	-	-	-
Syndication costs	-	-	-	(25,000)	25,000	-	(25,000)	(25,000)
Capital contributions	-	-	-	6,659,330	(6,659,330)	-	6,659,330	6,659,330
Changes in net assets	1,491,771	(520,052)	971,719	(1,748,792)	3,390,557	2,613,484	(1,072,113)	1,541,371
Transfers	(212,657)	212,657	-	-	-	-	-	-
Entities' Net Assets, December 31, 2021	8,149,825	2,997,546	11,147,371	3,936,977	(5,068,944)	10,015,404	10,219,422	20,234,826
Capital contributions	-	-	-	457,190	(457,190)	-	457,190	457,190
Changes in net assets	(2,702,498)	66,351	(2,636,147)	(2,682,987)	2,236,255	(3,082,879)	(1,378,454)	(4,461,333)
Entities' Net Assets, December 31, 2022	$ 5,447,327	$ 3,063,897	$ 8,511,224	$ 1,711,180	$ (3,289,879)	$ 6,932,525	$ 9,298,158	$ 16,230,683

The accompanying notes are an integral part of these consolidating statements.

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Cash Flows
For the Year Ended December 31, 2022

	Hearth	Rental Properties	Eliminations	Total
Cash Flows from Operating Activities:				
Changes in net assets	$ (2,636,147)	$ (2,682,987)	$ 857,801	$ (4,461,333)
Adjustments to reconcile changes in net assets to net cash used in operating activities:				
Depreciation and amortization	10,711	1,409,964	(114,960)	1,305,715
Ground lease expense	-	321,715	(321,715)	-
Deferred interest	-	334,814	(125,231)	209,583
Interest - amortization of debt issuance costs	-	31,760	-	31,760
Investment return	1,236,866	-	-	1,236,866
Bad debt	666,192	13,629	(276,107)	403,714
Write-off of debt issuance costs	-	191,402	-	191,402
Changes in operating assets and liabilities:				
Accounts and other receivables	44,019	(150,148)	-	(106,129)
Grants and contributions receivable	(73,142)	-	-	(73,142)
Prepaid expenses and deposits	55,392	(4,468)	-	50,924
Due (to) from affiliates, net	(12,786)	396,133	(383,347)	-
Accounts payable and accrued expenses	111,281	958	-	112,239
Funds held in trust	15,069	1,824	-	16,893
Line of credit	400,000	-	-	400,000
Net cash used in operating activities	(182,545)	(135,404)	(363,559)	(681,508)
Cash Flows from Investing Activities:				
Purchase of investments	(30,430)	-	-	(30,430)
Acquisition of property and equipment	-	(201,739)	-	(201,739)
Net cash used in investing activities	(30,430)	(201,739)	-	(232,169)
Cash Flows from Financing Activities:				
Capital contributions	-	457,190	-	457,190
Due (to) from affiliates, net	-	(363,559)	363,559	-
Proceeds from long-term debt	-	6,356,200	-	6,356,200
Debt issuance costs	-	(233,371)	-	(233,371)
Proceeds from contingent debt	-	82,500	-	82,500
Principal payments of long-term debt	-	(5,340,467)	-	(5,340,467)
Net cash provided by financing activities	-	958,493	363,559	1,322,052
Net Change in Cash, Cash Equivalents and Restricted Cash	(212,975)	621,350	-	408,375
Cash, Cash Equivalents and Restricted Cash:				
Beginning of year	1,708,985	5,074,233	-	6,783,218
End of year	$ 1,496,010	$ 5,695,583	$ -	$ 7,191,593
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Consolidating Statement of Financial Position:				
Cash and cash equivalents	$ 1,019,153	$ 303,350	$ -	$ 1,322,503
Funds held in trust	133,345	62,300	-	195,645
Reserves and deposits	343,512	5,329,933	-	5,673,445
Total cash, cash equivalents and restricted cash	$ 1,496,010	$ 5,695,583	$ -	$ 7,191,593
Supplemental Disclosure of Non-Cash Transactions:				
Cash paid for interest	$ -	$ 305,012	$ -	$ 305,012
Property and equipment additions funded through developer and overhead fees payable	$ (396,605)	$ 396,605	$ -	$ -
Property and equipment additions included in accounts payable - construction	$ -	$ 19,039	$ -	$ 19,039

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Cash Flows
For the Year Ended December 31, 2021

	Hearth	Rental Properties	Eliminations	Total
Cash Flows from Operating Activities:				
Changes in net assets	$ 971,719	$ (1,748,792)	$ 2,318,444	$ 1,541,371
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization	16,278	1,200,590	(98,866)	1,118,002
Ground lease expense	-	327,016	(327,016)	-
Deferred interest	-	262,612	(64,325)	198,287
Interest - amortization of debt issuance costs	-	16,550	-	16,550
Forgiveness of debt	(683,492)	-	-	(683,492)
Investment return	(1,078,292)	-	-	(1,078,292)
Capital grant	(750,000)	-	-	(750,000)
Bad debt	54,075	9,257	-	63,332
Provision for notes receivable - related parties	2,810,000	-	(2,810,000)	-
Provision for amounts due from affiliates	184,248	-	(184,248)	-
Changes in operating assets and liabilities:				
Accounts and other recievable	8,763	(67,114)	-	(58,351)
Grants and contributions receivable	200,278	-	-	200,278
Prepaid expenses and deposits	1,652	34,452	-	36,104
Due from affiliates, net	(236,545)	(265,920)	502,465	-
Accounts payable and accrued expenses	40,616	152,182	-	192,798
Funds held in trust	(22,630)	16,827	-	(5,803)
Net cash provided by (used in) operating activities	1,516,670	(62,340)	(663,546)	790,784
Cash Flows from Investing Activities:				
Withdrawal from investment portfolio	649,241	-	-	649,241
Tax credit application fees	-	(38,947)	-	(38,947)
Acquisition of property and equipment	-	(4,586,616)	363,546	(4,223,070)
Net cash provided by (used in) investing activities	649,241	(4,625,563)	363,546	(3,612,776)
Cash Flows from Financing Activities:				
Proceeds from capital grants	750,000	-	-	750,000
Capital contributions	-	6,659,330	-	6,659,330
Syndication costs	-	(25,000)	-	(25,000)
Debt issuance costs	-	(280,290)	-	(280,290)
Notes payable - affiliates	-	2,810,000	(2,810,000)	-
Proceeds from contingent debt	-	2,784,948	-	2,784,948
Principal payments of long-term debt	-	(5,747,254)	-	(5,747,254)
Capital distribution	-	(300,000)	300,000	-
Sponsor notes	(2,810,000)	-	2,810,000	-
Net cash provided by (used in) financing activities	(2,060,000)	5,901,734	300,000	4,141,734
Net Change in Cash, Cash Equivalents and Restricted Cash	105,911	1,213,831	-	1,319,742
Cash, Cash Equivalents and Restricted Cash:				
Beginning of year	1,603,074	3,860,402	-	5,463,476
End of year	$ 1,708,985	$ 5,074,233	$ -	$ 6,783,218
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Consolidating Statement of Financial Position:				
Cash and cash equivalents	$ 1,247,416	$ 401,908	$ -	$ 1,649,324
Funds held in trust	118,276	60,476	-	178,752
Reserves and deposits	343,293	4,611,849	-	4,955,142
Total cash, cash equivalents and restricted cash	$ 1,708,985	$ 5,074,233	$ -	$ 6,783,218
Supplemental Disclosure of Non-Cash Transactions:				
Cash paid for interest	$ -	$ 309,503	$ -	$ 309,503
Property and equipment additions funded through developer and overhead fees payable	$ (507,255)	$ 507,255	$ -	$ -
Property and equipment additions included in accounts payable - construction	$ -	$ 138,849	$ -	$ 138,849

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	2022											2021
	Program Services						Support Services					
		Housing and Supportive Services										
	Outreach	Hearth	Real Estate Development	Rental Properties	Total	Total Program Services	General and Administration	Institutional Advancement	Total Support Services	Eliminations	Total	Total
Expenses:												
Personnel and related:												
Salaries	$ 302,420	$ 1,639,943	$ -	$ 977,701	$ 2,617,644	$ 2,920,064	$ 643,982	$ 269,919	$ 913,901	$ -	$ 3,833,965	$ 3,938,069
Consultants and contracted services	300	-	-	557,380	557,380	557,680	10,033	7,898	17,931	-	575,611	432,250
Fringe benefits	23,074	113,591	-	96,574	210,165	233,239	100,963	18,682	119,645	-	352,884	332,946
Payroll taxes	25,283	149,962	-	81,429	231,391	256,674	53,990	21,057	75,047	-	331,721	333,188
Total personnel and related	351,077	1,903,496	-	1,713,084	3,616,580	3,967,657	808,968	317,556	1,126,524	-	5,094,181	5,036,453
Occupancy:												
Repairs and maintenance	-	1,220	-	936,559	937,779	937,779	8,241	114	8,355	-	946,134	661,850
Utilities	-	-	-	593,336	593,336	593,336	-	-	-	-	593,336	481,948
Real estate taxes	-	-	-	305,409	305,409	305,409	-	-	-	-	305,409	196,876
Insurance	1,608	7,725	-	258,781	266,506	268,114	54	1,608	1,662	-	269,776	173,670
Mortgage interest	-	11,008	-	242,224	253,232	253,232	-	-	-	-	253,232	235,680
Rent	18,000	-	-	-	-	18,000	20,250	6,750	27,000	(45,000)	-	-
Total occupancy	19,608	19,953	-	2,336,309	2,356,262	2,375,870	28,545	8,472	37,017	(45,000)	2,367,887	1,750,024
Other:												
Bad debt	-	390,085	-	13,629	403,714	403,714	276,107	-	276,107	(276,107)	403,714	63,332
Management and administrative fees	53,200	-	-	395,903	395,903	449,103	-	-	-	(191,448)	257,655	238,972
Professional fees	-	2,166	-	106,959	109,125	109,125	146,588	734	147,322	-	256,447	190,040
Miscellaneous	838	10,284	-	88,440	98,724	99,562	89,260	80	89,340	-	188,902	222,404
Supplies and client expenses	95,825	22,369	-	29,889	52,258	148,083	1,081	19,552	20,633	-	168,716	342,122
Food and household supplies	-	136,074	-	-	136,074	136,074	455	11	466	-	136,540	129,433
Telephone	851	52,399	-	10,704	63,103	63,954	56,090	284	56,374	-	120,328	74,303
Office	5,763	14,673	-	69,321	83,994	89,757	19,622	3,373	22,995	-	112,752	143,707
Recruitment	-	20,293	-	-	20,293	20,293	46,355	-	46,355	-	66,648	63,434
Insurance	-	16,775	-	-	16,775	16,775	20,574	-	20,574	-	37,349	49,866
Interest - amortization of debt issuance costs	-	-	-	31,760	31,760	31,760	-	-	-	-	31,760	16,550
Printing and copying	889	8,639	-	-	8,639	9,528	7,315	7,302	14,617	-	24,145	21,428
Travel and training	6,562	5,492	-	-	5,492	12,054	3,224	221	3,445	-	15,499	16,084
Meetings and events	-	40	-	-	40	40	3,044	5,437	8,481	-	8,521	13,376
Advertising	-	-	-	5,852	5,852	5,852	-	80	80	-	5,932	81,268
Interest	-	-	-	38,452	38,452	38,452	-	-	-	(38,452)	-	-
Total other	163,928	679,289	-	790,909	1,470,198	1,634,126	669,715	37,074	706,789	(506,007)	1,834,908	1,666,319
Total expenses before depreciation, amortization and allocation	534,613	2,602,738	-	4,840,302	7,443,040	7,977,653	1,507,228	363,102	1,870,330	(551,007)	9,296,976	8,452,796
Depreciation and Amortization	2,654	6,855	-	1,409,964	1,416,819	1,419,473	1,202	-	1,202	(114,960)	1,305,715	1,118,002
Total expenses before allocation	537,267	2,609,593	-	6,250,266	8,859,859	9,397,126	1,508,430	363,102	1,871,532	(665,967)	10,602,691	9,570,798
General and Administration Allocation	230,894	1,121,489	-	-	1,121,489	1,352,383	(1,508,430)	156,047	(1,352,383)	-	-	-
Total expenses	$ 768,161	$ 3,731,082	$ -	$ 6,250,266	$ 9,981,348	$ 10,749,509	$ -	$ 519,149	$ 519,149	$ (665,967)	$ 10,602,691	$ 9,570,798

The accompanying notes are an integral part of these consolidating statements.

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services						Support Services				
		Housing and Supportive Services									
	Outreach	Hearth	Real Estate Development	Rental Properties	Total	Total Program Services	General and Adminis-tration	Institutional Advancement	Total Support Services	Eliminations	Total
Expenses:											
Personnel and related:											
Salaries	$ 335,958	$ 1,729,474	$ 169,735	$ 843,918	$ 2,743,127	$ 3,079,085	$ 596,174	$ 262,810	$ 858,984	$ -	$ 3,938,069
Consultants and contracted services	12,619	89,968	-	273,580	363,548	376,167	26,323	29,760	56,083	-	432,250
Fringe benefits	25,775	114,105	25,460	102,068	241,633	267,408	52,670	12,868	65,538	-	332,946
Payroll taxes	27,553	166,030	16,975	73,586	256,591	284,144	28,285	20,759	49,044	-	333,188
Total personnel and related	401,905	2,099,577	212,170	1,293,152	3,604,899	4,006,804	703,452	326,197	1,029,649	-	5,036,453
Occupancy:											
Repairs and maintenance	899	2,492	-	648,726	651,218	652,117	9,112	621	9,733	-	661,850
Utilities	-	-	-	481,948	481,948	481,948	-	-	-	-	481,948
Real estate taxes	-	-	-	196,876	196,876	196,876	-	-	-	-	196,876
Insurance	-	213	-	173,457	173,670	173,670	-	-	-	-	173,670
Mortgage interest	-	-	-	235,680	235,680	235,680	-	-	-	-	235,680
Rent	15,000	-	-	-	-	15,000	15,000	15,000	30,000	(45,000)	-
Total occupancy	15,899	2,705	-	1,736,687	1,739,392	1,755,291	24,112	15,621	39,733	(45,000)	1,750,024
Other:											
Bad debt	-	54,075	-	9,257	63,332	63,332	-	-	-	-	63,332
Management and administrative fees	65,832	-	-	390,268	390,268	456,100	-	-	-	(217,128)	238,972
Professional fees	-	1,423	-	89,719	91,142	91,142	97,871	1,027	98,898	-	190,040
Miscellaneous	1,585	12,521	93	172,904	185,518	187,103	35,090	211	35,301	-	222,404
Supplies and client expenses	251,078	24,437	-	34,503	58,940	310,018	-	32,104	32,104	-	342,122
Food and household supplies	-	120,091	-	-	120,091	120,091	-	9,342	9,342	-	129,433
Telephone	4,884	42,955	736	10,384	54,075	58,959	11,803	3,541	15,344	-	74,303
Office	8,239	31,306	-	66,395	97,701	105,940	26,214	11,553	37,767	-	143,707
Recruitment	4,964	57,982	-	-	57,982	62,946	488	-	488	-	63,434
Insurance	-	-	-	-	-	-	49,866	-	49,866	-	49,866
Interest - amortization of debt issuance costs	-	-	-	16,550	16,550	16,550	-	-	-	-	16,550
Printing and copying	2,292	6,083	-	-	6,083	8,375	2,951	10,102	13,053	-	21,428
Travel and training	9,472	1,506	-	-	1,506	10,978	4,592	514	5,106	-	16,084
Meetings and events	-	7,555	-	-	7,555	7,555	1,852	3,969	5,821	-	13,376
Advertising	-	-	-	80,000	80,000	80,000	-	1,268	1,268	-	81,268
Interest	-	-	-	24,838	24,838	24,838	-	-	-	(24,838)	-
Total other	348,346	359,934	829	894,818	1,255,581	1,603,927	230,727	73,631	304,358	(241,966)	1,666,319
Total expenses before depreciation, amortization and allocation	766,150	2,462,216	212,999	3,924,657	6,599,872	7,366,022	958,291	415,449	1,373,740	(286,966)	8,452,796
Depreciation and Amortization	2,655	12,421	-	1,200,590	1,213,011	1,215,666	1,202	-	1,202	(98,866)	1,118,002
Total expenses before allocation	768,805	2,474,637	212,999	5,125,247	7,812,883	8,581,688	959,493	415,449	1,374,942	(385,832)	9,570,798
General and Administration Allocation	190,518	613,240	52,783	-	666,023	856,541	(959,493)	102,952	(856,541)	-	-
Total expenses	$ 959,323	$ 3,087,877	$ 265,782	$ 5,125,247	$ 8,478,906	$ 9,438,229	$ -	$ 518,401	$ 518,401	$ (385,832)	$ 9,570,798

The accompanying notes are an integral part of these consolidating statements.

1. OPERATIONS

Hearth, Inc. (Hearth) is a nonprofit organization dedicated to the elimination of homelessness among the elderly. This mission is accomplished through a unique blend of prevention, placement, and housing programs all designed to help elders find and succeed in homes of their own in Boston, Massachusetts.

To this end, all housing operated by Hearth provides a creative array of supportive services that assist residents to age with dignity, regardless of their special medical, mental health, or social needs. Hearth believes these goals are best accomplished through respect for elders and staff, with the desire to see both achieve their highest degree of potential.

2. SIGNIFICANT ACCOUNTING POLICIES

Hearth prepares its consolidating financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Consolidation

The accompanying consolidating financial statements include the accounts of Hearth, its wholly-owned and majority-owned subsidiaries, certain controlled limited partnerships (LPs), and nonprofit organizations (collectively, the Agency) that own and operate real estate developments sponsored by Hearth (see Note 3). All significant intercompany balances and transactions have been eliminated in the accompanying consolidating financial statements. The related organizations are collectively referred to as the Affiliates in the accompanying consolidating financial statements and notes.

Recently Adopted Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the guidance of Topic 840, *Leases*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize, on the consolidating statement of financial position, a liability to make lease payments and a right-of-use (ROU) asset representing a right to use the underlying asset for the lease term.

On January 1, 2022, the Agency adopted the new standard and elected the optional transition method provided by ASU 2018-11, *Lease (Topic 842): Targeted Improvements*. Under this transition method, financial information related to years prior to adoption remains as originally reported under Topic 840. The Agency elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Agency to carry forward the historical lease classification, as well as to skip reassessment of whether the contract is or contains a lease, the treatment of initial direct costs and of whether a contract is or contains a lease. The Agency also elected to exclude short-term leases from the consolidating statement of financial position.

The most significant impact of adoption was the recognition of operating lease ROU assets of $3,272,759 and operating lease liabilities of $3,898,349 as of January 1, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)

The cumulative effect of the changes made to the accompanying consolidating statement of financial position for the adoption of the new lease standard as of January 1, 2022, was as follows:

Balance Sheet	As Previously Reported	Effect of Adoption	As Adjusted
Right-of-Use Asset	$ -	$ 3,272,759	$ 3,272,759
Lease Liability	$ -	$ 3,898,349	$ 3,898,349
Deferred Ground Lease	$ 625,590	$ (625,590)	$ -

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU will not change the recognition and measurement requirements of in-kind goods and services. The Agency adopted ASU 2020-07 during 2022. The adoption of this ASU did not impact the Agency's net asset classes, results of operations, or cash flows for the year ended December 31, 2022. This ASU has been applied retrospectively to all periods presented.

Cash, Cash Equivalents and Restricted Cash

For purposes of the consolidating statements of cash flows, cash and cash equivalents consist of cash and all short-term, highly liquid investments with an initial maturity of three months or less. Cash and cash equivalents also include restricted cash consisting of reserves and deposits (see Note 4) and funds held in trust (see Note 13). Cash and cash equivalents held in the Agency's investment portfolio (see Note 6) are excluded from cash and cash equivalents in the accompanying consolidating statements of cash flows.

Estimates

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

Grants and Contributions and Accounts and Other Receivables

Grants and contributions receivable and accounts and other receivables are recorded at their invoiced amounts and do not bear interest, or when rental income and program revenues are earned. Pledges receivable are recorded at their net present value when unconditionally committed.

The allowance for uncollectible grants and contributions receivable is recorded based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible, if any. Amounts are written off against the allowance when they are determined to be uncollectible. The allowance for uncollectible accounts and other receivables was approximately $41,000 and $76,000 as of December 31, 2022 and 2021, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair value at the time of the donation. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance costs are expensed as incurred. Costs of locating and analyzing potential development sites are expensed as incurred. If a site is located and eventually developed, recoverable costs are capitalized. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 40 years
Furniture and equipment	3 - 10 years

Buildings and improvements in the accompanying consolidating statements of financial position include leasehold improvements of approximately $167,000 at December 31, 2022 and 2021. Depreciation expense, net of eliminations, during 2022 and 2021 was $1,301,559 and $1,111,807, respectively.

The Agency reviews its investment in real estate 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 of the real estate to the future net undiscounted cash flow expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There was no impairment loss recognized in 2022 and 2021.

All project-related costs incurred during construction are capitalized for real estate developments currently owned by the Agency. Costs considered to be recoverable are capitalized. Recoverable costs expected to be realized within one year from the consolidating statements of financial position date, are classified as current. Other recoverable costs are classified as non-current.

Capitalized Costs and Amortization

Capitalized costs consist of low-income housing tax credit application fees which have been capitalized and amortized on the straight-line basis, and are included in prepaid expenses and deposits in the accompanying consolidating statements of financial position. Capitalized costs have a cost of $85,747 as of December 31, 2022 and 2021. Accumulated amortization of capitalized costs was $50,911 and $46,755 as of December 31, 2022 and 2021, respectively. Amortization during 2022 and 2021 was $4,156 and $6,195, respectively. Amortization is expected to be $2,596 annually until fully amortized.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the effective interest method.

Leases

The Agency leases certain commercial and residential properties. The determination of whether an arrangement is a lease is made at the lease's inception. Under Topic 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are modified.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

All of the Agency's leases are classified as operating and are presented as ROU assets with a corresponding current and long-term lease liability in the consolidating statement of financial position. ROU assets represent the Agency's right to use an underlying asset during its lease term, and lease liabilities represent the obligation to make lease payments.

Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Agency uses the implicit rate when it is readily determinable. Since most of the Agency's leases do not provide an implicit rate to determine the present value of lease payments, management uses the risk-free rate at the earlier of the adoption of Topic 842 or lease commencement. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Agency has certain leases that are for a period of twelve months or less or contain renewals for periods of twelve months or less. The Agency elected the practical expedient that allows them to not include short-term leases within the accompanying consolidating statements of financial position as ROU assets and lease liabilities.

The Agency has retroactively elected the practical expedient that was issued as part of ASU 2023-01, *Common Control Arrangements,* in March 2023, which allows the Agency to use the written terms and conditions of a common control arrangement to determine whether a lease exists and the classification of and accounting for such lease. The Agency applied this practical expedient to leases between related parties (see Note 10).

Contingent Debt

The Agency has contingent loans from various organizations to assist in the development of its housing and other projects. These loans generally are not required to be repaid unless the project fails to maintain its status as low-income housing or the Agency fails to comply with other conditions. It is the intention of the Board of Directors and management of the Agency to maintain these properties as low-income housing and to meet other conditions; therefore, these loans have been classified as contingent debt in the accompanying consolidating statements of financial position (see Note 8).

Revenue Recognition

Hearth generally measures revenue based on the amount of consideration Hearth expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as Hearth satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. Hearth evaluates its revenue contracts with customers (i.e., developer and management fees) based on the five-step model under FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606): (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Developer and Overhead Fees and Management and Resident Service Fees

Developer and overhead fees are earned by Hearth in its role as sponsor and developer of its affiliates' (see Note 3) projects. Developer and overhead fees are generally earned under written developer agreements executed with the affiliates that detail the rights and responsibilities of both parties under each project development agreement. The agreements define the scope of activities to be provided by Hearth and generally include supervising and coordinating project projections, overseeing the construction and or rehabilitation, obtaining the necessary permitting, and overseeing and coordinating any reporting requirements of the project. These activities under the agreement are considered a single performance obligation as the services provided are not considered to be distinct within the context of the agreement. Hearth determined the services within the agreement are highly interdependent with each other and comprise an integrated series of activities associated with the completion of a single real estate development project. Developer agreements define the fixed compensation which Hearth is expected to be entitled and a schedule of payments to be made from project development sources and, in some cases, from net cash flow from project operations. The performance obligations under developer agreements are satisfied over time as Hearth's performance creates or enhances a real estate asset that the affiliate controls. Accordingly, Hearth recognizes revenue from developer agreements over time as the services are rendered based on an input method of developer time and effort incurred relative to total expected developer time and effort to complete the contract. Due to the contingent nature of certain developer and overhead fees which may be payable from net cash flow from project operations, some are not recognized until received or when collection is assured. See Note 3 for required disclosures related to these developer agreements.

Management and service fees are recognized by Hearth for services provided to their affiliates (see Note 3), which include partnership management fees and administration fees. Services are generally provided on an annual basis incident to separate agreements that renew annually at the election of the parties or under aspects of the operating agreements that govern the operations of the affiliate. These agreements specify the compensation for each annual period. Each service is considered a single performance obligation as each service is distinct. The performance obligations under these agreements are satisfied evenly over the year as the affiliate receives the benefits provided as Hearth performs the services. Management fees are generally recognized in one calendar year. Compensation is generally fixed under the relevant agreement, but may contain variable components in the case of certain partnership management services. Certain fees are only earned and/or payable subject to the availability of net cash flow from the affiliate's operations and are only recognized as revenue when collection is assured.

Resident service fees consist of resident fees which are recognized as services are provided. The performance obligations of delivering resident services are simultaneously received and consumed by the recipients; therefore, the revenue is recognized as resident services are provided. These amounts are recognized as revenue in accordance with Topic 606.

Program Revenues

Program revenues consist of agreements with third-party payors and provide for payments at amounts less than established charges. These amounts are recognized as revenue in accordance with Topic 606. Program revenues are recorded over time as the services are provided.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program Revenues (Continued)

A summary of the payment arrangements with significant third-party payors is as follows:

- **Group Adult Foster Care (GAFC)** - Services are billed in accordance with the provisions of the GAFC contract and billed on a monthly basis based on number of units served. GAFC revenue accounted for approximately $178,000 and $238,000 of total program revenues during 2022 and 2021, respectively.

- **Commonwealth Care Alliance (CCA)** - Reimbursements for CCA are billed based on a pre-determined rate per individual. CCA revenue accounted for approximately $402,000 and $260,000 of total program revenues during 2022 and 2021, respectively.

- **Senior Whole Health (SWH)** - Reimbursements for SWH are billed based on pre-determined rates per individual based on the type of non-service days. SWH revenue accounted for approximately $140,000 and $74,000 of total program revenues during 2022 and 2021, respectively.

- **OneCare** - Reimbursements for OneCare are billed based on pre-determined rates per individual based on the type of leave of absence. OneCare revenue accounted for approximately $83,000 and $94,000 of total program revenues during 2022 and 2021, respectively.

- **Uphams Elder Services (UES)** - Reimbursements for UES are billed based on pre-determined daily rates per individual. UES revenue accounted for approximately $192,000 and $148,000 of total program revenues during 2022 and 2021, respectively.

- **Other Program Revenue** - Reimbursements are recognized and billed based on the daily services provided. All other program revenue accounted for approximately $55,000 and $33,000 of total program revenues during 2022 and 2021, respectively.

Unpaid program revenues are included in accounts and other receivables in the accompanying consolidating statements of financial position. Program revenues receivable as of January 1, 2021, totaled $231,018.

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), Hearth must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution 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 a measurable performance-related barrier or another 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 Hearth 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. Government and other contracts are deemed to be contributions and recognized in accordance with Topic 958 since these contracts are considered nonreciprocal transactions because the general public receives the benefit as a result of the assets transferred. These conditional contributions are recognized as services are provided or as costs are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants and Contributions (Continued)

For contributions that have been recognized prior to the adoption of Topic 958, the standard is not required to be retrospectively applied. Prior to the adoption of Topic 958, Hearth had received similar awards for real estate development projects. For those awards, Hearth had assessed the probability of non-compliance with affordability covenants related to such projects as low or remote, and accordingly, recorded such awards as unconditional contribution revenues upon receipt and reported any potential remaining right of return as contingencies (see Note 11).

Grants and contributions without donor restrictions are recognized as revenue when received or unconditionally committed. Grants and contributions with donor restrictions are recorded as revenue with donor restrictions and net assets when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Grants with donor restrictions received and satisfied in the same period are included in net assets without donor restrictions.

Rental Income

The Agency leases apartment units of various properties to various tenants for a period of twelve months or less. The lease agreements may contain renewals for a period of twelve months or less and do not require any variable lease payments. Because of the uncertainty of tenants' renewals and the existence of a mutual termination clause in the lease agreements, the Agency treats all residential leases as short-term leases.

Rental income is accounted for in accordance with Topic 842 and is recognized over the rental period and is shown net of vacancies and concessions of $372,869 and $332,060 for 2022 and 2021, respectively. The adoption of Topic 842 did not change how rental income was recognized in prior years. Advance receipts of rental income are classified as liabilities (prepaid rent) until earned.

All other revenue is recognized when earned.

Donated Goods and Services

The Agency receives goods and services from various donating organizations for use in its programs. The Agency received $5,576 and $33,861 of donated goods for 2022 and 2021, respectively. These goods are reflected in donated goods and services, supplies and client expenses, and meetings and events in the accompanying consolidating financial statements based on the estimated value assigned to them by the donating organizations or by management.

The Agency receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying consolidating financial statements, since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the criteria for recognition of U.S. GAAP.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Expenses related directly to a program are distributed to that function, while other expenses are allocated to functions based upon management's estimate of the percentage attributable to each function.

The consolidating financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, fringe benefits, payroll taxes, occupancy, and depreciation, which are allocated based on an estimate of time and level of effort spent on the Agency's program and supporting functions.

Income Taxes and Nonprofit Status

Hearth and its not-for-profit affiliates, Bishop and Beacon (see Note 3), are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Hearth and its not-for-profit affiliates are also exempt from state income taxes. Donors may deduct contributions made to Hearth and its not-for-profit affiliates within IRC requirements. Hearth has for-profit corporate affiliates, the General Partners (see Note 3). At December 31, 2022 and 2021, the General Partners have, for Federal income tax purposes, net operating loss carryforwards of approximately $872,000 and $863,000, respectively, available to offset future taxable income. Also, at December 31, 2022 and 2021, the General Partners have, for state income tax purposes, net operating loss carryforwards of approximately $597,000 and $588,000, respectively, to offset future taxable income. A portion of these carryforwards expire at various dates through 2037 and are not subject to limitations. Net operating losses arising for taxable years beginning after January 1, 2018, are available indefinitely. The tax benefit of the net operating loss carryforwards has been fully reserved as of December 31, 2022 and 2021, due to the uncertainty of realization.

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidating financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidating financial statements at December 31, 2022 and 2021. The Agency's information and income tax returns are subject to examination by the Federal and state jurisdictions.

Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Cash Equivalents

Cash equivalents are considered Level 1 in the fair value hierarchy.

Investments

Investments are recorded in the consolidating financial statements at fair value. If an investment is directly held by the Agency and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in common stocks, exchange-traded funds, and fixed income securities are based on share prices reported by the funds as of the last business day of the year. Investments are valued using Level 1 inputs as of December 31, 2022 and 2021 (see Note 6).

All Other Assets and Liabilities

The carrying value of all other qualifying assets and liabilities, including long-term debt and contingent debt, does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Subsequent Events

Subsequent events have been evaluated through August 20, 2024, which is the date the consolidating financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the consolidating financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidating Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and support and operating expenses in the accompanying consolidating statements of activities. Other revenues (expenses) include capital and investment-related activities.

Net Asset Classification

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its net assets without donor restrictions into the following categories:

- **Operating** represents undesignated net assets relating to program services and other operating activities.

- **Board Designated** represents net assets without donor restrictions designated by the Board of Directors for the following purposes:

  Opportunity reserve is intended to provide funds to meet special targets of opportunity or needs that relate to the Agency's mission, which may or may not have specific expectations of incremental or long-term increased income. The opportunity reserve is intended to be used as a source of internal funds for organizational capacity building such as staff development, research and development, or investment in infrastructure that will build long-term capacity.

  Working capital reserve is intended to provide an internal source of funds for situations such as unforeseen expenses, one-time unbudgeted expenses, unanticipated loss in funding, and other losses.

  Other represents funds designated by the Board of Directors for specific operating and development purposes.

  Board Designated net assets consist of the following as of December 31, 2022 and 2021:

Opportunity reserve	$ 1,000,000
Working capital reserve	1,000,000
Other	107,351
	$ 2,107,351

- **Property and equipment** represent that portion of net assets invested into property and equipment and ROU asset, net of related liabilities.

- **Real Estate Development** represents those assets and liabilities related to the Agency's project developments, completed and uncompleted, which are long-term in nature and are not expected to be available for operations for at least one year from the consolidating statement of financial position date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classification (Continued)

Net assets with donor restrictions include grants and contributions which are designated by donors for specific purposes and designated time periods. These grants and contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes or when the designated time periods expire. Net assets with donor restrictions consist of the following at December 31:

	2022	2021
Restricted for real estate development activities	$ 87,500	$ 773,377
Restricted for programs	-	111,421
Restricted for non-capital equipment and maintenance	-	50,643
Total net assets with donor restrictions	$ 87,500	$ 935,441

Non-controlling interest represents the interests of the investor limited partner in HOLP and Four Corners (see Note 3).

3. AFFILIATES AND RELATED PARTY TRANSACTIONS

AFFILIATES

The Agency's consolidating financial statements include the following entities:

Entity		State Formed	Ownership Information
General Partners:			
CEEH East Concord, Inc.	(CEC)	MA	79% of outstanding shares of common stock are owned by Hearth
Hearth Olmsted Manager LLC	(HOM)	MA	Wholly-owned by Hearth
NCS Ruggles, Inc.	(NCS)	MA	Wholly-owned by Hearth
Hearth Four Corners Manager LLC	(HFCM)	MA	79% of outstanding shares of common stock are owned by Hearth
Rental Properties – Non-Profit:			
4 Bishop Street, Inc.	(Bishop)	MA	100% controlled by Hearth
Hearth Beacon, Inc.	(Beacon)	MA	100% controlled by Hearth
Hearth at Burroughs, LLC	(Burroughs)	MA	100% controlled by Hearth

3. AFFILIATES AND RELATED PARTY TRANSACTIONS (Continued)

AFFILIATES (Continued)

Entity		State Formed	Ownership Information
Rental Properties – For-Profit:			
East Concord Street Limited Partnership	(ECLP)	MA	99% controlled by Hearth
Hearth Olmsted Limited Partnership	(HOLP)	MA	.01% controlled by HOM as the general partner
Ruggles Assisted Living Limited Partnership	(Ruggles)	MA	99.9% controlled by Hearth
Hearth Four Corners, LLC	(Four Corners)	MA	.01% controlled by HFCM as the managing member

RELATED PARTY TRANSACTIONS

Developer Fees

Beacon

Hearth has a $166,700 developer fee note receivable from Beacon for services provided during the development of the project. The note accrues interest at 6%, compounded annually. Principal and interest payments are due annually if a certain cash flow level, as defined in the agreement, is achieved. Deferred interest expense on the developer fee payable was $37,162 and $35,085 for 2022 and 2021, respectively. Beacon has not made any payments on the note since the cash flow level has not been achieved. In addition, Beacon does not expect to generate the level of cash flow to make future payments on this note, and accordingly, Hearth has reserved the entire balance of principal and accrued interest.

Developer fees receivable consist of the following as of December 31:

	2022	2021
Beacon - developer fee	$ 166,700	$ 166,700
Deferred interest	489,832	452,670
	656,532	619,370
Less - reserve	656,532	619,370
Total	$ -	$ -

3. AFFILIATES AND RELATED PARTY TRANSACTIONS (Continued)

RELATED PARTY TRANSACTIONS (Continued)

Developer Fees (Continued)

Four Corners

The following is a summary of the developer and overhead fee contract balance for Four Corners as of and for the year ended December 31, 2021:

Project	Total Contract	Recognized Prior to 2021	Recognized During 2021	Remaining Contract Balance
Four Corners	$ 1,748,480	$ 842,265	$ 906,215	$ -

Developer fee receivable consist of the following at December 31:

	2022	2021
Four Corners - developer fee	$ 1,192,609	$ 1,235,820
Deferred interest	24,093	4,790
Total	$ 1,216,702	$ 1,240,610

Lease Agreements

ECLP rents office space to Hearth at an annual rent under a tenant-at-will agreement.

Hearth entered into a ground lease agreement with Four Corners for ninety-nine years at an annual rate of $55,000, and increasing each year thereafter by 3%, through July 2118. Payments are made subject to cash flow. Deferred interest on the ground lease payable was $13,752 and $6,650 as of December 31, 2022 and 2021, respectively. Four Corners is also required to pay as additional rent, all taxes on the land, plus certain operating expenses as defined in the ground lease agreement (see Note 10). The difference between actual cash payments and annual payments due under the ground lease is included in due (to) from affiliates in the accompanying consolidating statements of financial position. Deferred ground lease, ground lease receivable and deferred interest on the ground lease have been fully reserved by Hearth as of December 31, 2022 and 2021.

Due (to) from Affiliates

Due (to) from affiliates consist of the following as of December 31:

	2022	2021
Due to Hearth (construction and operational advances)	$ 2,434,762	$ 2,183,030
Ground lease and deferred interest	243,851	176,650
Total	$ 2,678,613	$ 2,359,680

3. AFFILIATES AND RELATED PARTY TRANSACTIONS (Continued)

RELATED PARTY TRANSACTIONS (Continued)

Sponsor Notes

Hearth provided two non-interest bearing sponsor notes to HOLP. The first sponsor note has an outstanding balance of $1,380,136 and matures in March 2042. The second sponsor note has an outstanding balance of $400,000 and matures in March 2027. These notes are secured by shared third mortgages on HOLP's property located in Mattapan, Massachusetts. Hearth does not expect to receive any payments under these agreements. Accordingly, these notes are fully reserved.

Hearth provided three sponsor notes to Four Corners. The first sponsor note bears interest at 3%, has an outstanding balance of $1,560,000, and matures in July 2062. This note was made with the proceeds from the sale of Hearth's share of state tax credits, which is reflected as sale of state tax credits in the accompanying 2021 consolidating statement of activities. The second sponsor note is non-interest bearing, has an outstanding balance of $750,000, and matures in January 2062. The third sponsor note bears interest at 3%, has an outstanding balance of $500,000, and matures in July 2062. Commencing in 2022, annual payments of principal and interest are due subject to cash flow on the first and third sponsor notes. Hearth does not expect to receive any payments under these agreements. Accordingly, these notes are fully reserved.

During 2016, Hearth became the sole owner of NCS and, upon buyout, the existing $250,000 Ruggles note payable to New Communities Services, Inc. was assigned to Hearth. All unpaid principal and deferred interest are due in full on June 29, 2031. This note accrued interest at 6%, compounded annually, through December 31, 2007. This agreement was amended on January 1, 2008, and the interest rate was reduced to zero. This note is secured by a shared second mortgage on Ruggles' property, which has been assigned to the Federal Home Loan Bank of Boston (FHLBB). All unpaid principal and accrued interest due to Hearth has been fully reserved.

The notes receivable and accrued interest that have been fully reserved in the accompanying consolidating financial statements consist of the following at December 31:

	2022	
	Principal	**Accrued Interest**
Four Corners - Sponsor notes	$ 2,810,000	$ 81,267
HOLP - Sponsor notes	1,780,136	-
Ruggles - Sponsor note	250,000	105,014
	4,840,136	186,281
Less - reserve	4,840,136	186,281
Total	$ -	$ -

	2021	
	Principal	**Accrued Interest**
Four Corners - Sponsor notes	$ 2,810,000	$ 18,900
HOLP - Sponsor notes	1,780,136	-
Ruggles - Sponsor note	250,000	105,014
	4,840,136	123,914
Less - reserve	4,840,136	123,914
Total	$ -	$ -

3. AFFILIATES AND RELATED PARTY TRANSACTIONS (Continued)

RELATED PARTY TRANSACTIONS (Continued)

Personnel, Management and Service Fees

Hearth has an agreement with the Rental Properties, excluding HOLP and Four Corners, to provide management and administrative services. Hearth is reimbursed for expenses and overhead applicable to these Rental Properties. Management and administrative fees are paid based upon available cash flow or as approved in the annual operating budget. Management fees have a first priority in payment from available cash flow.

Hearth has an agreement with Ruggles to provide supportive services to the tenants of Ruggles. Hearth is entitled to a service provider fee for its services at Ruggles, subject to an annual cash flow review. This agreement renews on an annual basis.

Ruggles has incurred recurring deficits from operations and owed Hearth $1,469,509 and $1,307,848 as of December 31, 2022 and 2021, respectively, for operating support and funding of reserves and deposits. Hearth has fully reserved these amounts as of December 31, 2022 and 2021.

Under the normal course of business, Hearth provides operational advances to the Rental Properties. These amounts are included in due to affiliates in the consolidating statements of financial position.

HOM entered into an incentive management fee and a tax credit compliance fee agreement with HOLP. The fees for each of these agreements are based on a calculation as defined in HOLP's partnership agreement.

Sponsor Obligations

Hearth has acted as sponsor and developer for various low-income and affordable housing developments. Most of these developments have received various forms of funding through Hearth from Federal, state, and local sources. The terms of these funding agreements generally require that the projects maintain affordable housing and low-income eligibility status, as defined. If such status is not maintained, Hearth may be obligated to remedy any defaults in the requirements and may be liable to repay certain amounts to the funders.

In addition, Hearth, as project sponsor, has, in some cases, agreed to advance funds to the Rental Properties as a guarantor of the General Partners' obligation to fund operating deficits, development cost overruns, payments for reduced tax benefits to limited partner investors, and other circumstances affecting the Rental Properties, as defined in the partnership agreements. As of the date of this report, Hearth has not made any such advances and is not obligated for any amount. The maximum guarantee under these agreements totals $1,394,278.

Purchase Options

HOLP and Four Corners have granted Hearth an option to purchase the limited partners' interest in HOLP and Four Corners at the end of the LIHTC compliance periods. The purchase price will be the greater of the fair market value, based on an appraisal, negotiation or a formula defined in the partnership agreements.

3. AFFILIATES AND RELATED PARTY TRANSACTIONS (Continued)

RELATED PARTY TRANSACTIONS (Continued)

Investments in Affiliates

Investments in affiliates are recorded at cost and consist of CEC's investment in ECLP and HOM's investment in HOLP. CEC has fully reserved its investment of $240,000 in ECLP.

Capital Distribution

ECLP may make payment of any compensation or distributions of income or other assets to any of its officers, directors or partners upon approval from the U.S. Department of Housing and Urban Development (HUD) in accordance with HUD regulations. Such distributions may only be made from surplus cash. ECLP made capital distributions of $300,000 to its partners during 2021 based on 2020 surplus cash. This amount is reflected as capital distribution in the accompanying consolidating statement of changes in entities' net assets. ECLP made no capital distributions to its partners during 2022.

4. RESERVES AND DEPOSITS

Replacement reserves are restricted for capital improvements and replacements to the properties.

Construction cash consists of amounts received for future construction projects.

Operating and investor service reserves consist of funds to be escrowed under the terms of certain mortgage, partnership and operating agreements. These funds are restricted for operating cash flow deficiencies and to fund non-critical repairs.

Resident service reserve consists of an escrow required to be maintained under the provisions of Four Corner's operating agreement.

Insurance and real estate tax escrow consists of deposits in escrow accounts, which are restricted for real estate taxes and property insurance.

Reserves and deposits consist of the following at December 31:

	2022	2021
Replacement reserves	$ 2,936,254	$ 1,614,523
Construction cash	863,095	1,521,551
Operating and investor services reserves	1,176,601	1,174,677
Resident service reserve	545,277	544,707
Insurance and real estate tax escrow	152,218	99,684
	5,673,445	4,955,142
Less - current portion	671,801	99,684
	$ 5,001,644	$ 4,855,458

5. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consist of the following at December 31:

	2022	2021
Due within one year	$ 264,117	$ 598,342
Due in one to five years	10,000	30,000
	274,117	628,342
Less - allowance for uncollectible amounts	16,793	54,075
Less - current portion, net of allowance	247,324	544,267
Long-term grants and contributions receivable	$ 10,000	$ 30,000

The Agency has not recorded a discount on the long-term portion of pledges receivable as the amount is not material to the consolidating financial statements.

6. INVESTMENTS

Investments consist of the following at December 31:

	2022	2021
Stocks - domestic equity	$ 2,392,719	$ 4,248,063
Exchange traded funds:		
Other	1,240,672	1,326,934
Fixed income:		
Corporate bonds	552,251	322,292
Treasury bills	545,773	237,365
Cash and cash equivalents	343,094	146,291
Total	$ 5,074,509	$ 6,280,945

The following is a summary of the investment return for the years ended December 31:

	2022	2021
Realized and unrealized gains (losses) on investments	$ (1,282,949)	$ 1,029,414
Dividend and interest income	100,071	109,246
Investment management fees	(53,988)	(60,368)
Total	$ (1,236,866)	$ 1,078,292

Investments are reported in the accompanying consolidating statements of financial position as long-term assets based on management's intent with respect to the use of investments. Investments, excluding the insured cash and cash equivalents account, are not insured and are subject to ongoing market fluctuations (see Note 2).

7. LONG-TERM DEBT

Entity	Lender	Security	Payment Terms	Interest Rate	Maturity	Outstanding Balance 2022	Outstanding Balance 2021
Non-Profit Rental Properties:							
Bishop	City of Boston	First mortgage on land and a building	In lieu of the balloon payment, the lender proposed and the borrower is considering a modification to extend the term of the note and to modify the interest rate and repayment terms in exchange for an extension on the affordability restriction on the property.	1.00%	June 2007	$ 72,731	$ 72,731
For-Profit Rental Properties:							
HOLP	Eastern Bank	First mortgage on the property, a security interest in all furnishings and equipment, and an assignment of leases and rents	Monthly principal and interest payments of $6,311 through maturity.	4.50%	September 2027	328,394	387,672
ECLP	Orix Real Estate Capital, LLC	First mortgage on the land and building and related personal property, as well as rents and leases	During 2022, ECLP refinanced its primary mortgage. Monthly principal and interest payments of $29,105 were made beginning December 1, 2022, through maturity.	4.25%	November 2057	6,349,607	-
ECLP	Red Mortgage Capital, LLC	First mortgage on the land and building and related personal property, as well as rents and leases	Monthly principal and interest payments of $19,343 were made during 2021 through refinance (see above).	3.08%	January 2052	-	4,549,000
Four Corners	Citizens Bank	First mortgage on the Four Corners property	Monthly principal and interest payments of $5,009 through maturity.	3.80%	January 2042	1,057,036	-
Four Corners	Citizens Bank	First mortgage on the Four Corners property	Payments of interest only were due monthly commencing on August 1, 2019, and all unpaid interest and principal were due upon maturity	0.19%	January 2022	-	1,782,632
	Total Rental Properties					7,807,768	6,792,035
	Less - unamortized debt issuance costs					(327,920)	(299,535)
	Less - current portion					(163,715)	(170,970)
	Total notes payable, net					$ 7,316,133	$ 6,321,530

7. LONG-TERM DEBT (Continued)

Aggregate maturities of long-term debt and amortization of debt issuance costs relating to long-term and contingent debt over the next five years are as follows:

	Principal Payments	Amortization of Debt Issuance Costs
2023	$ 163,715	$ 29,379
2024	$ 170,878	$ 29,222
2025	$ 178,355	$ 29,058
2026	$ 186,160	$ 28,887
2027	$ 180,352	$ 28,708

Debt issuance costs related to the various long-term and contingent debt totaling $672,691 and $700,732 as of December 31, 2022 and 2021, respectively, are net of accumulated imputed interest of $74,877 and $113,127 as of December 31, 2022 and 2021, respectively. Net debt issuance costs are reported as a direct reduction of the face amount of the related long-term and contingent debt (see page 28 and Note 8).

8. CONTINGENT DEBT AND DEFERRED INTEREST

Contingent debt and deferred interest consist of:

Entity	Lender	Security	Payment Terms	Interest Rate	Maturity	2022 Outstanding Principal	2022 Deferred Interest	2021 Outstanding Principal	2021 Deferred Interest
Non-Profit Rental Properties:									
Beacon	Community Economic Development Assistance Corporation (CEDAC)	Second mortgage on land and a building	Payments are due annually from surplus cash as defined in the agreement.	0%	June 2029	$ 426,000	$ -	$ 426,000	$ -
Beacon	Town of Brookline	First mortgage on land and a building	The note is due in full at maturity.	0%	June 2039	349,000	-	349,000	-
Burroughs	CEDAC	Shared mortgage on land and a building	Payments are due annually from surplus cash as defined in the agreement. All unpaid principal is due at maturity.	0%	August 2038	750,000	-	750,000	-
Burroughs	City of Boston	Shared mortgage on land and a building, an assignment in leases and rents, and interest in all assets related to the land and building	The note is due in full at maturity.	0%	Feb-38	625,000	-	625,000	-
For-Profit Rental Properties:									
HOLP	CEDAC	Shared second mortgage on the property	Payments are due annually from surplus cash as defined in the agreement. All unpaid principal is due at maturity.	0%	March 2042	1,992,793	-	1,992,793	-
HOLP	Executive Office of Housing and Livable Communities (EOHLC) under the AHT program	Shared second mortgage on the property	The note is due in full at maturity.	0%	March 2042	1,000,000	-	1,000,000	-
HOLP	City of Boston under HOME program	Shared second mortgage on the property	The note is due in full at maturity.	0%	May 2042	976,293	-	976,293	-
HOLP	EOHLC under the HOME program	Shared second mortgage on the property	The note is due in full at maturity.	0%	March 2042	958,989	-	958,989	-
HOLP	City of Boston under NHT program	Shard second mortgage on the property	Principal due in full at maturity	0%	March 2042	750,000	-	750,000	-
HOLP	CEDAC	Shared second mortgage on the property	Principal is due annually from available cash flow as defined in the agreements. All unpaid principal due at maturity.	0%	March 2042	500,000	-	500,000	-
HOLP	City of Boston under Leading the Way program	Shared second mortgage on the property	Unpaid principal is due upon maturity.	0%	March 2042	244,073	-	244,073	-
Ruggles	City of Boston	Shared first mortgage on the Project	Principal and interest are due annually if certain cash flow, as defined by agreement, is achieved. All unpaid principal and interest are due at maturity.	6.49%	December 2030	707,458	2,064,559	707,458	1,895,619
Ruggles	EOHLC under the HOME program	Shared first mortgage on the Project	No payments for principal and interest are due until maturity, as long as the property remains affordable to low-income tenants.	6.49%	June 2032	600,000	841,998	600,000	803,058
Ruggles	CEDAC	Shared second mortgage on the property	Principal and deferred interest are due annually if certain cash flow, as defined in the agreement, is achieved. All unpaid principal and deferred interest are due in full at maturity.	0%	November 2030	500,000	173,044	500,000	173,044

8. CONTINGENT DEBT AND DEFERRED INTEREST (Continued)

Entity	Lender	Security	Payment Terms	Interest Rate	Maturity	2022 Outstanding Principal	2022 Deferred Interest	2021 Outstanding Principal	2021 Deferred Interest
Rental Properties (Continued)**:**									
Four Corners	City of Boston under the Mayor's Office of Housing HOME program	Shared second mortgage on the property	The note is due in full at maturity.	0.05%	January 2062	2,000,000	1,703	2,000,000	703
Four Corners	MassHousing under the AHTF program	Shared second mortgage on the property	The note is due in full at maturity.	0%	January 2062	1,150,000	-	1,150,000	-
Four Corners	Commonwealth of Massachusetts under EOHLC's FCH Program	Second mortgage on the property	The note is due in full at maturity.	0%	January 2062	1,150,000	-	1,150,000	-
Four Corners	CEDAC	Shared second mortgage on the property	The note is due in full at maturity.	0%	January 2062	1,000,000	-	1,000,000	-
Four Corners	Federal Home Loan Bank of Boston	Third mortgage on the property	The note is due in full at maturity.	0%	January 2062	750,000	-	750,000	-
Four Corners	EOHLC under the HOME program	Shared second mortgage on the property	The note is due in full at maturity.	0%	January 2062	825,000	-	742,500	-
Four Corners	Mass Housing Partnership Fund under the HSP Program	Shared second mortgage on the property	The note is due in full at maturity.	0%	January 2072	517,500	-	517,500	-
	Total Rental Properties					17,772,106	3,081,304	17,689,606	2,872,424
	Less - unamortized debt issuance costs					(269,894)	-	(288,070)	-
	Total contingent debt and deferred interest, net					$ 17,502,212	$ 3,081,304	$ 17,401,536	$ 2,872,424

8. CONTINGENT DEBT (Continued)

The Agency's debt agreements in Notes 7 and 8 contain covenants that require certain financial ratios be maintained. The Agency was in compliance with these covenants as of December 31, 2022 and 2021.

9. NOTE PAYABLE TO A BANK

Hearth has a $500,000 line of credit agreement with a bank, which is renewable annually in October. Borrowings under the agreement are due on demand, and interest is payable monthly at the bank's prime rate (7.50% and 3.25% at December 31, 2022 and 2021, respectively). The line of credit is secured by substantially all assets of Hearth. The outstanding balance of the line of credit was $400,000 on December 31, 2022. There was no balance outstanding as of December 31, 2021.

10. GROUND LEASE

Four Corners entered into a ninety-nine-year ground lease with Hearth to lease the land the property's building is situated on.

Prior to adoption of ASC Topic 842, Four Corners recorded rent expense on a straight-line basis over the term of the ground lease regardless of the actual cash payments in accordance with ASC Topic 840, *Leases*. The difference between the payments and cumulative lease expense was reflected as deferred ground lease in the accompanying consolidating statement of financial position for the year ended December 31, 2021. Ground lease expense was $321,715 and $327,016 for 2022 and 2021, respectively.

The future maturities of the lease liability are as follows as of December 31, 2022:

2023	$ 61,903
2024	63,760
2025	65,673
2026	67,643
2027	69,672
Thereafter	31,815,837
Total	32,144,488
Less - present value discount	(28,161,957)
Present value of lease liabilities	$ 3,982,531

Four Corners used its incremental borrowing rate of 3.8% to calculate the present value of the lease liabilities. The above future minimum payments assume Four Corners is generating cash flow as the payments required are to the extent of available cash flow. Accordingly, there is no current portion of lease liability due as of December 31, 2022.

11. COMMITMENTS AND CONTINGENCIES

Four Corners' limited partner has committed a total of $7,147,768 in capital contributions, which were reduced by $131,050 with a one-time adjustment. As of December 31, 2021, $6,659,330 has been paid. The remaining balance was paid to Four Corners once certain benchmarks are met as noted in Four Corners' partnership agreement during 2022.

During 1995, Hearth received $335,213 in Linkage funds from the City. Hearth loaned the Linkage funds to ECLP. Hearth has not recorded a liability to the City in the accompanying consolidating financial statements and is working with the City regarding resolution of the Linkage funds.

In the ordinary course of the Agency's business, the Agency is, from time-to-time, involved in disputes concerning individuals' employment and other matters with the Agency. The Agency denies any wrongdoing in these cases and takes the appropriate legal steps in defense of any disputes. It is management's opinion that any potential settlement would not be material to the accompanying consolidating financial statements as of December 31, 2022 and 2021.

12. CONCENTRATIONS

Funding

The following table reflects the largest funding sources related to total operating revenues and grants and contributions and accounts and other receivables for Hearth as of and for the years ended December 31:

	2022		2021	
Funding Source	Operating Revenues	Grants and Contributions and Accounts and Other Receivables, Net	Operating Revenues	Grants and Contributions and Accounts and Other Receivables, Net
A	17%	24%	15%	25%
B	10%	17%	12%	11%
C	9%	21%	5%	6%

This funding is subject to audit by government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the consolidating statements of financial position of the Agency as of December 31, 2022 and 2021, or on the changes in entities' net assets for the years then ended.

Cash and Cash Equivalents

The Agency maintains its cash and cash equivalents balances in Massachusetts banks and is insured with the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash and cash equivalents balances exceed the insured amounts. The Agency has not experienced any losses in such accounts. The Agency's management believes it is not exposed to any significant credit risk on cash and cash equivalents.

13. FUNDS HELD IN TRUST

Hearth acts as a representative/payee for certain clients. The funds and corresponding liabilities related to these clients are included in funds held in trust in the accompanying consolidating statements of financial position.

14. PENSION PLAN

Hearth operated a voluntary defined contribution retirement plan in accordance with IRC Section 403(b). Employees could withhold contributions from their salaries on a tax-deferred basis within IRC limits. All employees that worked at least twenty hours per week were eligible for the plan. Hearth did not make contributions to the plan.

Effective March 1, 2022, Hearth terminated the voluntary defined contribution retirement plan in accordance with IRC Section 403(b) plan and established a retirement plan in accordance with IRC Section 401(k). Employees who have completed three months of service and have attained the age of 21 are eligible to participate in the plan. Employees can contribute a portion of their salary up to limits established by the IRC. Hearth can match a discretionary amount of employee compensation. During 2022, Hearth contributed $55,204 as a discretionary match to the plan.

15. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 2), within one year of the consolidating statements of financial position date, comprise the following at December 31, 2022 and 2021:

	2022	
	Hearth	Rental Programs
Cash and cash equivalents	$ 1,019,153	$ 303,350
Restricted deposits, current	-	671,801
Accounts and other receivables, net	101,688	270,924
Current portion of grants and contributions receivable, net	247,324	-
Current portion of due (to) from affiliates, net	180,271	(180,271)
Less - cash and cash equivalents and current portion of grants and contributions receivable with purpose restrictions	(77,500)	-
	$ 1,470,936	$ 1,065,804

	2021	
	Hearth	Rental Programs
Cash and cash equivalents	$ 1,247,416	$ 401,908
Restricted deposits, current	-	99,684
Accounts and other receivables, net	145,707	134,405
Current portion of grants and contributions receivable, net	544,267	-
Current portion of due (to) from affiliates, net	399,253	(399,253)
Less - cash and cash equivalents and current portion of grants and contributions receivable with purpose restrictions	(905,441)	-
	$ 1,431,202	$ 236,744

15. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Hearth has a policy to structure its financial assets to be available and liquid as its obligations become due. Hearth also has approximately $5,100,000 and $6,300,000 of investments as of December 31, 2022 and 2021, respectively, that could be utilized if needed to fund current operations. If needed, Hearth could draw on its $500,000 line of credit (see Note 9), as a last resort.

16. CONDITIONAL GRANTS

A portion of the Agency's revenue is derived from cost-reimbursable Federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with specific contract or grant provisions. Accordingly, $603,549 and $497,077 have not been reflected in the accompanying consolidating financial statements as of December 31, 2022 and 2021, respectively. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidating statements of financial position. There was no deferred revenue as of December 31, 2022 and 2021.

17. RECLASSIFICATION

Certain amounts in the 2021 consolidating financial statements have been reclassified to conform with the 2022 presentation.

HEARTH, INC. AND AFFILIATES

Supplementary Consolidating Statement of Financial Position - Rental Properties
December 31, 2022
(With Summarized Comparative Totals as of December 31, 2021)

	2022										2021
	Non-Profits				For-Profits						
Assets	**Bishop**	**Beacon**	**Burroughs**	**Total Non-Profits**	**HOLP**	**ECLP**	**Ruggles**	**Four Corners**	**Total For-Profits**	**Total Rental Properties**	**Total Rental Properties**
Current Assets:											
Cash and cash equivalents	$ 2,725	$ 113,086	$ 4,855	$ 120,666	$ 955	$ 136,720	$ 20,039	$ 24,970	$ 182,684	$ 303,350	$ 401,908
Funds held in trust	847	1,969	2,883	5,699	15,421	9,445	11,499	20,236	56,601	62,300	60,476
Current portion of reserves and deposits	-	-	-	-	115,732	36,486	-	519,583	671,801	671,801	99,684
Current portion of government contracts and other receivables, net	15,983	10,605	34,809	61,397	46,830	29,903	28,327	104,467	209,527	270,924	134,405
Prepaid expenses and deposits	847	746	170	1,763	7,374	23,902	1,800	39,562	72,638	74,401	69,933
Current portion of due (to) from affiliates	-	-	-	-	(116,961)	(21,353)	-	(41,957)	(180,271)	(180,271)	(399,253)
Total current assets	20,402	126,406	42,717	189,525	69,351	215,103	61,665	666,861	1,012,980	1,202,505	367,153
Other Assets:											
Reserves and deposits, net of current portion	16,155	116,975	92,467	225,597	1,660,109	1,779,609	25,076	967,741	4,432,535	4,658,132	4,512,165
Right-of-use asset	-	-	-	-	-	-	-	3,095,325	3,095,325	3,095,325	-
Due to affiliates, net of current portion	(187,553)	(164,395)	(439,684)	(791,632)	-	-	(1,469,509)	(237,201)	(1,706,710)	(2,498,342)	(1,960,427)
Total other assets	(171,398)	(47,420)	(347,217)	(566,035)	1,660,109	1,779,609	(1,444,433)	3,825,865	5,821,150	5,255,115	2,551,738
Property and Equipment:											
Land	25,600	67,500	297,500	390,600	1,140,806	152,000	44,000	134,330	1,471,136	1,861,736	1,861,736
Buildings and improvements	773,805	1,485,427	1,395,207	3,654,439	13,896,188	6,556,333	5,233,892	16,962,180	42,648,593	46,303,032	46,167,973
Furniture and equipment	67,682	39,769	76,512	183,963	411,952	251,514	348,796	474,119	1,486,381	1,670,344	1,589,484
	867,087	1,592,696	1,769,219	4,229,002	15,448,946	6,959,847	5,626,688	17,570,629	45,606,110	49,835,112	49,619,193
Less - accumulated depreciation	709,928	846,083	769,204	2,325,215	4,521,449	4,244,578	3,075,789	807,679	12,649,495	14,974,710	13,568,902
Net property and equipment	157,159	746,613	1,000,015	1,903,787	10,927,497	2,715,269	2,550,899	16,762,950	32,956,615	34,860,402	36,050,291
Total assets	$ 6,163	$ 825,599	$ 695,515	$ 1,527,277	$ 12,656,957	$ 4,709,981	$ 1,168,131	$ 21,255,676	$ 39,790,745	$ 41,318,022	$ 38,969,182
Liabilities and Entities' Net Assets											
Current Liabilities:											
Current portion of long-term debt	$ -	$ -	$ -	$ -	$ 62,461	$ 80,963	$ -	$ 20,291	$ 163,715	$ 163,715	$ 170,970
Accounts payable and accrued expenses	66,398	9,858	41,499	117,755	78,216	129,883	99,644	154,459	462,202	579,957	440,150
Current portion of developer and overhead fees payable and deferred interest	-	-	-	-	-	-	-	553,952	553,952	553,952	597,163
Funds held in trust	847	1,969	2,883	5,699	15,421	9,445	11,499	20,236	56,601	62,300	60,476
Total current liabilities	67,245	11,827	44,382	123,454	156,098	220,291	111,143	748,938	1,236,470	1,359,924	1,268,759
Other Liabilities:											
Accounts payable - construction	-	-	-	-	-	-	-	19,039	19,039	19,039	138,849
Long-term debt and unamortized debt issuance costs, net of current portion	72,731	-	-	72,731	200,763	6,005,894	-	1,036,745	7,243,402	7,316,133	6,321,530
Contingent debt and unamortized debt issuance costs, net of current portion	-	775,000	1,339,298	2,114,298	6,422,148	-	4,887,059	7,160,011	18,469,218	20,583,516	20,273,960
Lease liability	-	-	-	-	-	-	-	3,982,531	3,982,531	3,982,531	-
Deferred ground lease	-	-	-	-	-	-	-	-	-	-	625,590
Notes payable and deferred interest - affiliates	-	-	-	-	1,780,136	-	355,014	2,891,267	5,026,417	5,026,417	4,964,050
Developer and overhead fees payable and deferred interest, net of current portion	-	656,532	-	656,532	-	-	-	662,750	662,750	1,319,282	1,439,467
Total other liabilities	72,731	1,431,532	1,339,298	2,843,561	8,403,047	6,005,894	5,242,073	15,752,343	35,403,357	38,246,918	33,763,446
Total liabilities	139,976	1,443,359	1,383,680	2,967,015	8,559,145	6,226,185	5,353,216	16,501,281	36,639,827	39,606,842	35,032,205
Entities' Net Assets:											
Operating	(234,396)	(49,816)	(441,349)	(725,561)	1,204,247	75,775	(1,518,987)	668,287	429,322	(296,239)	(1,214,891)
Property and equipment	100,583	(567,944)	(246,816)	(714,177)	2,893,565	(1,591,979)	(2,666,098)	4,086,108	2,721,596	2,007,419	5,151,868
Total entities' net assets	(133,813)	(617,760)	(688,165)	(1,439,738)	4,097,812	(1,516,204)	(4,185,085)	4,754,395	3,150,918	1,711,180	3,936,977
Total liabilities and entities' net assets	$ 6,163	$ 825,599	$ 695,515	$ 1,527,277	$ 12,656,957	$ 4,709,981	$ 1,168,131	$ 21,255,676	$ 39,790,745	$ 41,318,022	$ 38,969,182

HEARTH, INC. AND AFFILIATES

Supplementary Consolidating Statement of Financial Position - Rental Properties
December 31, 2021

Assets	Non-Profits: Bishop	Non-Profits: Beacon	Non-Profits: Burroughs	Non-Profits: Total Non-Profits	For-Profits: HOLP	For-Profits: ECLP	For-Profits: Ruggles	For-Profits: Four Corners	For-Profits: Total For-Profits	Total Rental Properties
Current Assets:										
Cash and cash equivalents	$ 2,948	$ 40,607	$ 10,862	$ 54,417	$ 31,142	$ 143,565	$ 2,192	$ 170,592	$ 347,491	$ 401,908
Funds held in trust	1,074	2,027	3,125	6,226	14,845	10,399	6,944	22,062	54,250	60,476
Current portion of reserves and deposits	-	-	-	-	61,343	38,341	-	-	99,684	99,684
Current portion of government contracts and other receivables, net	5,193	10,980	18,077	34,250	20,616	1,306	42,272	35,961	100,155	134,405
Prepaid expenses and deposits	163	603	326	1,092	10,869	11,763	814	45,395	68,841	69,933
Current portion of due (to) from affiliates	-	-	-	-	8,361	(12,033)	(65,283)	(330,298)	(399,253)	(399,253)
Total current assets	9,378	54,217	32,390	95,985	147,176	193,341	(13,061)	(56,288)	271,168	367,153
Other Assets:										
Reserves and deposits, net of current portion	16,150	144,326	92,347	252,823	1,580,653	502,964	48,054	2,127,671	4,259,342	4,512,165
Due to affiliates, net of current portion	(150,490)	(150,454)	(416,918)	(717,862)	-	-	(1,242,565)	-	(1,242,565)	(1,960,427)
Total other assets	(134,340)	(6,128)	(324,571)	(465,039)	1,580,653	502,964	(1,194,511)	2,127,671	3,016,777	2,551,738
Property and Equipment:										
Land	25,600	67,500	297,500	390,600	1,140,806	152,000	44,000	134,330	1,471,136	1,861,736
Buildings and improvements	773,805	1,441,427	1,395,207	3,610,439	13,896,188	6,486,049	5,213,117	16,962,180	42,557,534	46,167,973
Furniture and equipment	67,682	39,769	76,512	183,963	355,977	244,234	331,191	474,119	1,405,521	1,589,484
	867,087	1,548,696	1,769,219	4,185,002	15,392,971	6,882,283	5,588,308	17,570,629	45,434,191	49,619,193
Less - accumulated depreciation	688,662	802,355	711,831	2,202,848	4,102,584	4,037,070	2,928,834	297,566	11,366,054	13,568,902
Net property and equipment	178,425	746,341	1,057,388	1,982,154	11,290,387	2,845,213	2,659,474	17,273,063	34,068,137	36,050,291
Total assets	$ 53,463	$ 794,430	$ 765,207	$ 1,613,100	$ 13,018,216	$ 3,541,518	$ 1,451,902	$ 19,344,446	$ 37,356,082	$ 38,969,182
Liabilities and Entities' Net Assets										
Current Liabilities:										
Current portion of long-term debt	$ -	$ -	$ -	$ -	$ 59,718	$ 93,316	$ -	$ 17,936	$ 170,970	$ 170,970
Accounts payable and accrued expenses	46,328	10,381	21,200	77,909	93,467	94,342	90,182	84,250	362,241	440,150
Current portion of developer and overhead fees payable and deferred interest	-	-	-	-	-	-	-	597,163	597,163	597,163
Funds held in trust	1,074	2,027	3,125	6,226	14,845	10,399	6,944	22,062	54,250	60,476
Total current liabilities	47,402	12,408	24,325	84,135	168,030	198,057	97,126	721,411	1,184,624	1,268,759
Other Liabilities:										
Accounts payable - construction	-	-	-	-	-	-	-	138,849	138,849	138,849
Long-term debt and unamortized debt issuance costs, net of current portion	72,731	-	-	72,731	259,413	4,224,690	-	1,764,696	6,248,799	6,321,530
Contingent debt and unamortized debt issuance costs, net of current portion	-	775,000	1,337,850	2,112,850	6,422,148	-	4,679,179	7,059,783	18,161,110	20,273,960
Deferred ground lease	-	-	-	-	-	-	-	625,590	625,590	625,590
Notes payable and deferred interest - affiliates	-	-	-	-	1,780,136	-	355,014	2,828,900	4,964,050	4,964,050
Developer and overhead fees payable and deferred interest, net of current portion	-	619,370	-	619,370	-	-	-	820,097	820,097	1,439,467
Total other liabilities	72,731	1,394,370	1,337,850	2,804,951	8,461,697	4,224,690	5,034,193	13,237,915	30,958,495	33,763,446
Total liabilities	120,133	1,406,778	1,362,175	2,889,086	8,629,727	4,422,747	5,131,319	13,959,326	32,143,119	35,032,205
Entities' Net Assets:										
Operating	(188,514)	(108,645)	(408,853)	(706,012)	808,835	88,600	(1,352,752)	(53,562)	(508,879)	(1,214,891)
Property and equipment	121,844	(503,703)	(188,115)	(569,974)	3,579,654	(969,829)	(2,326,665)	5,438,682	5,721,842	5,151,868
Total entities' net assets	(66,670)	(612,348)	(596,968)	(1,275,986)	4,388,489	(881,229)	(3,679,417)	5,385,120	5,212,963	3,936,977
Total liabilities and entities' net assets	$ 53,463	$ 794,430	$ 765,207	$ 1,613,100	$ 13,018,216	$ 3,541,518	$ 1,451,902	$ 19,344,446	$ 37,356,082	$ 38,969,182

HEARTH, INC. AND AFFILIATES

Supplementary Consolidating Statement of Activities - Rental Properties
For the Year Ended December 31, 2022
(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	2022										2021
	Non-Profits				For-Profits						
	Bishop	Beacon	Burroughs	Total Non-Profits	HOLP	ECLP	Ruggles	Four Corners	Total For-Profits	Total Rental Properties	Total Rental Properties
Changes in Net Assets Without Donor Restrictions:											
Operating revenues:											
Fee income and other revenue:											
Rental income, net	$ 88,589	$ 222,362	$ 147,831	$ 458,782	$ 1,152,726	$ 1,290,462	$ 683,409	$ 1,015,041	$ 4,141,638	$ 4,600,420	$ 3,957,253
Other	-	-	-	-	18,828	-	7,186	5,620	31,634	31,634	-
Investment income	11	237	119	367	2,869	744	28	1,026	4,667	5,034	8,830
Total operating revenues	88,600	222,599	147,950	459,149	1,174,423	1,291,206	690,623	1,021,687	4,177,939	4,637,088	3,966,083
Operating expenses:											
Housing and supportive services	136,172	147,121	181,774	465,067	1,044,675	1,303,698	841,456	1,185,406	4,375,235	4,840,302	3,924,657
Depreciation and amortization	21,266	43,728	57,373	122,367	420,425	207,508	146,955	512,709	1,287,597	1,409,964	1,200,590
Total operating expenses	157,438	190,849	239,147	587,434	1,465,100	1,511,206	988,411	1,698,115	5,662,832	6,250,266	5,125,247
Changes in net assets without donor restrictions from operations	(68,838)	31,750	(91,197)	(128,285)	(290,677)	(220,000)	(297,788)	(676,428)	(1,484,893)	(1,613,178)	(1,159,164)
Other expenses:											
Ground lease expense	-	-	-	-	-	-	-	(321,715)	(321,715)	(321,715)	(327,016)
Write-off of debt issuance costs	-	-	-	-	-	(191,402)	-	-	(191,402)	(191,402)	-
Prepayment fee	-	-	-	-	-	(223,573)	-	-	(223,573)	(223,573)	-
Deferred interest on contingent debt	-	(37,162)	-	(37,162)	-	-	(207,880)	(89,772)	(297,652)	(334,814)	(262,612)
Total other expenses	1,695	(37,162)	-	(35,467)	-	(414,975)	(207,880)	(411,487)	(1,034,342)	(1,069,809)	(589,628)
Changes in net assets without donor restrictions	(67,143)	(5,412)	(91,197)	(163,752)	(290,677)	(634,975)	(505,668)	(1,087,915)	(2,519,235)	(2,682,987)	(1,748,792)
Changes in Net Assets Attributable to Non-Controlling Interest	-	-	-	-	290,648	-	-	1,087,806	1,378,454	1,378,454	1,072,113
Changes in net assets attributable to Hearth	$ (67,143)	$ (5,412)	$ (91,197)	$ (163,752)	$ (29)	$ (634,975)	$ (505,668)	$ (109)	$ (1,140,781)	$ (1,304,533)	$ (676,679)

HEARTH, INC. AND AFFILIATES

Supplementary Consolidating Statement of Activities - Rental Properties
For the Year Ended December 31, 2021

	Non-Profits				For-Profits					
	Bishop	Beacon	Burroughs	Total Non-Profits	HOLP	ECLP	Ruggles	Four Corners	Total For-Profits	Total Rental Properties
Changes in Net Assets Without Donor Restrictions:										
Operating revenues:										
Fee income and other revenue:										
Rental income, net	$ 98,348	$ 145,032	$ 156,364	$ 399,744	$ 1,077,562	$ 1,268,618	$ 647,146	$ 564,183	$ 3,557,509	$ 3,957,253
Investment income	6	100	228	334	7,918	472	106	-	8,496	8,830
Total operating revenues	98,354	145,132	156,592	400,078	1,085,480	1,269,090	647,252	564,183	3,566,005	3,966,083
Operating expenses:										
Housing and supportive services	126,983	123,110	179,343	429,436	973,545	1,063,569	770,428	687,679	3,495,221	3,924,657
Depreciation and amortization	28,319	42,017	53,536	123,872	432,333	191,782	153,522	299,081	1,076,718	1,200,590
Total operating expenses	155,302	165,127	232,879	553,308	1,405,878	1,255,351	923,950	986,760	4,571,939	5,125,247
Changes in net assets without donor restrictions from operations	(56,948)	(19,995)	(76,287)	(153,230)	(320,398)	13,739	(276,698)	(422,577)	(1,005,934)	(1,159,164)
Other expenses:										
Ground lease expense	-	-	-	-	-	-	-	(327,016)	(327,016)	(327,016)
Deferred interest on contingent debt	-	(35,085)	-	(35,085)	-	-	(197,584)	(29,943)	(227,527)	(262,612)
Total other expenses	-	(35,085)	-	(35,085)	-	-	(197,584)	(356,959)	(554,543)	(589,628)
Changes in net assets without donor restrictions	(56,948)	(55,080)	(76,287)	(188,315)	(320,398)	13,739	(474,282)	(779,536)	(1,560,477)	(1,748,792)
Changes in Net Assets Attributable to Non-Controlling Interest	-	-	-	-	320,366	-	-	751,747	1,072,113	1,072,113
Changes in net assets attributable to Hearth	$ (56,948)	$ (55,080)	$ (76,287)	$ (188,315)	$ (32)	$ 13,739	$ (474,282)	$ (27,789)	$ (488,364)	$ (676,679)