EPISCOPAL RETIREMENT SERVICES
AFFORDABLE LIVING LLC

Financial Statements
and Independent Auditor's Report

December 31, 2023 and 2022

TIDWELL group

Episcopal Retirement Services Affordable Living LLC

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INDEPENDENT AUDITOR'S REPORT

To the Sole Member of
Episcopal Retirement Services Affordable Living LLC

**Qualified Opinion**

We have audited the accompanying financial statements of Episcopal Retirement Services Affordable Living LLC, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects on the financial statements of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Retirement Services Affordable Living LLC, as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Basis for Qualified Opinion**

As disclosed in Note 2 to the financial statements, accounting principles generally accepted in the United States of America require the consolidation of variable interest entities when certain conditions exist. Management has informed us that the financial statements only represent the Company's operations and does not include the accounts of various limited liability companies and limited partnerships of which are variable interest entities of the Company. The financial statements and related disclosures of those variable interest entities should be consolidated with the financial statements of the Company in accordance with accounting principles generally accepted in the United States of America.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Episcopal Retirement Services Affordable Living LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Episcopal Retirement Services Affordable Living LLC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Retirement Services Affordable Living LLC'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.

Tidwell Group, LLC

Columbus, Ohio
May 31, 2024

Episcopal Retirement Services Affordable Living LLC
Statements of Financial Position
December 31, 2023 and 2022

## Assets

| | 2023 | 2022 |
|---|---|---|
| Cash | $ 756,956 | $ 1,004,680 |
| Investments | 1,996,419 | 1,898,370 |
| Accounts receivable - affiliates | 655,966 | 290,500 |
| Accounts receivable - developer fees | 1,896,232 | 1,512,654 |
| Interprogram balances receivable | 5,231,561 | 5,027,675 |
| Notes and accrued interest receivable - affiliates | 7,684,930 | 6,645,576 |
| Development costs | 508,809 | 989,245 |
| Prepaid expenses and other assets | 14,614 | - |
| Property and equipment | 769,838 | 769,838 |
| Less: accumulated depreciation | (670,480) | (631,247) |
| **Total Assets** | $ 18,844,845 | $ 17,507,291 |

## Liabilities and Net Assets

| | 2023 | 2022 |
|---|---|---|
| Accounts payable and accrued expenses | $ 798,565 | $ 531,410 |
| Advances from affiliate | - | 263,601 |
| Deferred revenue | 719,001 | 858,749 |
| Accrued fees | 645,478 | 417,180 |
| Notes payable and accrued interest | 3,339,238 | 3,055,126 |
| **Total Liabilities** | 5,502,282 | 5,126,066 |
| **Net Assets** | | |
| Net assets without donor restrictions | 6,558,180 | 5,596,842 |
| Net assets with donor restrictions | 6,784,383 | 6,784,383 |
| **Total Net Assets** | 13,342,563 | 12,381,225 |
| **Total Liabilities and Net Assets** | $ 18,844,845 | $ 17,507,291 |

See Notes to Financial Statements.

Episcopal Retirement Services Affordable Living LLC
Statements of Activities and Changes in Net Assets
Years ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Operating Revenues** | | |
| Contracted management | $ 2,635,473 | $ 2,851,019 |
| Development and consulting fees | 1,002,508 | 306,419 |
| Management and partnership fees | 1,418,155 | 1,448,562 |
| Grant revenue | 50,000 | - |
| Financial | 121,649 | 60,397 |
| Ministry | 673,433 | 495,037 |
| Other | 621,238 | 538,065 |
| **Total Revenue** | 6,522,456 | 5,699,499 |
| **Operating Expenses** | | |
| Salaries and wages | 3,223,302 | 2,960,693 |
| Employee benefits and payroll taxes | 1,171,771 | 1,196,254 |
| Operating supplies and expenses | 103,548 | 140,720 |
| Professional services and consultant fees | 374,701 | 34,632 |
| Management fees | 680,000 | 880,000 |
| Donations | 2,500 | 7,290 |
| **Total Operating Expenses** | 5,555,822 | 5,219,589 |
| **Operating Income** | 966,634 | 479,910 |
| **Other Income (Expenses)** | | |
| Interest | (14,112) | (8,565) |
| Depreciation | (39,233) | (60,816) |
| Gain (Loss) on investments | 98,049 | (167,977) |
| **Total Non-Operating Expenses** | 44,704 | (237,358) |
| **Excess of Revenues Over Expenses** | $ 1,011,338 | 242,552 |
| | | |
| **Net Assets Without Donor Restrictions, Beginning of Year** | $ 5,596,842 | $ 8,594,575 |
| Excess of revenues over expenses | 1,011,338 | 242,552 |
| Contributions to affiliates | (50,000) | (3,240,285) |
| **Net Assets Without Donor Restrictions, End Of Year** | $ 6,558,180 | $ 5,596,842 |
| **Net Assets With Donor Restrictions, Beginning of Year** | $ 6,784,383 | $ 3,875,181 |
| Grant revenue | - | 2,909,202 |
| **Net Assets With Donor Restrictions, End Of Year** | $ 6,784,383 | $ 6,784,383 |

See Notes to Financial Statements.

Episcopal Retirement Services Affordable Living LLC
Statements of Cash Flows
Years ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Excess of revenues over expenses | $ 1,011,338 | $ 242,552 |
| **Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities** | | |
| Depreciation | 39,233 | 60,816 |
| (Gain) Loss on investments | (98,049) | 167,977 |
| Interest on notes payable | 14,112 | 8,565 |
| Amortization of deferred revenue | (139,748) | (306,419) |
| Changes in: | | |
| Accounts receivable - developer fees | (383,578) | 2,655,517 |
| Interprogram balances receivable | (203,886) | (2,222,346) |
| Prepaid expenses and other assets | (14,614) | 3,856 |
| Accounts payable and accrued expenses | 267,155 | 136,768 |
| Accrued fees | 228,298 | (741,883) |
| **Net Cash Provided by Operating Activities** | 720,261 | 5,403 |
| **Cash Flows from Investing Activities** | | |
| Notes and accrued interest receivable - affiliates | (1,039,354) | (27,293) |
| Development costs | 480,436 | 313,032 |
| Contributions to affiliates | (50,000) | (2,909,202) |
| **Net Cash Used in Investing Activities** | (608,918) | (2,623,463) |
| **Cash Flows from Financing Activities** | | |
| Proceeds from notes payable | 270,000 | - |
| Principal and interest payments on notes payable | - | (12,456) |
| Grant proceeds | - | 2,909,202 |
| Payments to affiliates | (629,067) | (1,113,575) |
| **Net Cash (Used in) Provided by Financing Activities** | (359,067) | 1,783,171 |
| **Net Decrease in Cash and Restricted Cash** | (247,724) | (834,889) |
| **Cash and Restricted Cash - Beginning of Year** | 1,004,680 | 1,839,569 |
| **Cash and Restricted Cash - End of Year** | $ 756,956 | $ 1,004,680 |
| **Supplemental Disclosure of Non-Cash Investing Activities** | | |
| Contributions to affiliates | $ - | $ (331,083) |

See Notes to Financial Statements.

## 1. Organization and Nature of Operations

Episcopal Retirement Services Affordable Living LLC (ERSAL) (the Company) was formed in June 2012 as an Ohio nonprofit limited liability company organized pursuant to Section 1705.04 of the Ohio Revised Code. The Company is wholly owned by Episcopal Retirement Services (the Sole Member), which is exempt under Section 501(c)(3) of the Internal Revenue Code. The Written Declaration provides that the Company shall continue in perpetuity unless it is earlier dissolved and terminated by provisions of the Written Declaration.

The Company's mission is to foster low-income housing, to directly or indirectly own, operate, manage and/or develop affordable housing primarily for the elderly; to provide necessary guidance, management services, strategic planning and corporate infrastructure for affordable housing facilities sponsored by the Company, the Sole Member or other organizations primarily for the benefit of the elderly and their families and their caregivers. In furthering this mission, the Company also engages in activities to support affordable housing facilities whether owned or operated directly or indirectly by the Company or other organizations, including providing financial support through fundraising, financings or guarantees of financings.

## 2. Significant Accounting Policies

### Qualified Opinion Due to Non-Consolidated Variable Interest Entities

Accounting principles generally accepted in the United States of America require the consolidation of variable interest entities when certain conditions exist. Management has determined various limited liability companies and limited partnerships of which are variable interest entities of the Company (the non-consolidated affiliates) meet the requirements for consolidation. However, management believes that consolidating the non-consolidated affiliates with the Company, would be misleading to the users of the Company's financial statements and, therefore, has elected to not consolidate.

### Basis of Presentation

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

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

*With Donor Restrictions:* Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets are reported as reclassifications between applicable net asset classes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2023 or 2022.

Revenue and Cost Recognition

The Company accounts for management and project maintenance services and development fees under the accrual method when the criteria for recognition have been met. Under the accrual method, revenues and related expenditures are recognized when the applicable services have been provided.

Receivables and Bad Debt Policy

Accounts receivable, development fees receivable and notes receivable, as applicable, are stated at unpaid principal balances.

The Company has not established an allowance for doubtful accounts and does not use the reserve method for recognizing bad debts. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Bad debts are treated as direct write-offs in the period management determines that collection is not probable. There were no bad debts for the years ended December 31, 2023 or 2022.

Capitalization and Depreciation

Depreciable assets are recorded at cost and depreciated over their estimated useful life. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method. The depreciable life of the assets may be different than their actual economic useful lives.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since the Sole Member is organized as a not-for-profit corporation and has secured tax exempt status under Section 501(c)(3) of the Internal Revenue Code. The Company is included in the tax return of the Sole Member. The Company accounts for uncertainty in income taxes in accordance with ASC for Income Taxes. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Sole Member has determined that all income tax filing positions would be sustained upon examination and accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions as of December 31, 2023 or 2022. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2020 remain open.

Fair Value Measurements

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuations techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The Company elected to use a Level 1 input for recognition of its investments in money market funds, fixed income, and mutual funds. This input is based on the quoted market price.

## 3. Investments

The fair value of investments measured on a recurring basis as of December 31, 2023 and 2022 is as follows:

| December 31, 2023 Asset Category | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Recurring Basis (Investments):** | | | | |
| Money market funds | $ 117,795 | $ 117,795 | $ - | $ - |
| Fixed income | 1,878,624 | 1,878,624 | - | - |
| Total investments | $ 1,996,419 | $ 1,996,419 | $ - | $ - |

| December 31, 2022 Asset Category | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Recurring Basis (Investments):** | | | | |
| Money market funds | $ 144,280 | $ 144,280 | $ - | $ - |
| Fixed income | 1,754,090 | 1,754,090 | - | - |
| Total investments | $ 1,898,370 | $ 1,898,370 | $ - | $ - |

## 4. Notes Payable and Accrued Interest

The Company entered into a note payable agreement with the Ohio Housing Finance Agency (OHFA) under its Financial Adjustment Factor (FAF) Program in the original amount of $350,000 and bearing interest at 2% per annum. The purpose of the promissory note is for the proceeds to be loaned to Cambridge Heights Limited Partnership (Cambridge Heights), an affiliate of the Company, to construct an affordable housing apartment community. The note is secured by the apartment community and assignment of its rents and security. In accordance with the promissory note payable with OHFA, principal and interest are payable annually in April in an amount equal to 25% of Cambridge Heights' available cash flow. All outstanding principal and accrued interest are due and payable in December 2053. As of December 31, 2023 and 2022, the principal balance totaled $350,000 and accrued interest totaled $93,333 and $86,333, respectively.

The Company entered into a promissory note with OHFA under its Housing Development Assistance Program (HDAP) in the original amount of $1,750,000 and bearing interest at 0.25% per annum. The purpose of the promissory note is for the proceeds to be loaned to Walnut Court Limited Partnership (Walnut Court), an affiliate of the Company, to construct an affordable housing apartment community. The note is secured by the apartment community and assignment of its rents and security. In accordance with the promissory note with OHFA, principal and interest are payable annually in April in an amount equal to 50% of Walnut Court's surplus cash. All outstanding principal and accrued interest are due and payable in January 2045. As of December 31, 2023 and 2022, the principal balance totaled $1,722,743 and accrued interest totaled $31,234 and $26,857, respectively.

The Company entered into a promissory note with OHFA under its HDAP program in the original amount of $1,000,000 and bearing interest at 0.25% per annum. The purpose of the promissory note is for the proceeds to be loaned to Thomaston Woods Limited Partnership (Thomaston Woods), an affiliate of the Company, to construct an affordable housing apartment community. The note is secured by the apartment community and assignment of its rents and security. In accordance with the promissory note with OHFA, principal and interest are payable annually in April in an amount equal to 50% of Thomaston Woods' available cash flow. All outstanding principal and accrued interest are due and payable in November 2054. As of December 31, 2023 and 2022, the principal balance totaled $866,944 and accrued interest totaled $4,422 and $2,249, respectively.

During 2023, the Company entered into a promissory note with OHFA under its HDAP program in the original amount of $300,000 and bearing interest at 4% per annum. The purpose of the promissory note is for the proceeds to be loaned to Prairie Gardens Limited Partnership (Prairie Gardens), an affiliate of the Company, to construct an affordable housing apartment community. The note is secured by the apartment community and assignment of its rents and security. In accordance with the promissory note with OHFA, principal and interest are payable annually in April in an amount equal to 75% of Prairie Gardens' available cash flow. All outstanding principal and accrued interest are due and payable in June 2053. As of December 31, 2023, the principal balance totaled $270,000 and accrued interest totaled $562.

Future maturities of these notes are subject to the financial performance of the respective entity. Therefore, future maturities of these notes are not provided in the accompanying financial statements as they could be misleading.

## 5. Related Party Transactions

### Receivables and Revenue

The Company provides services for the development, management and maintenance of affiliated entities owning affordable housing apartment communities. As of December 31, 2023 and 2022, accounts receivable from related parties in connection with these services totaled $2,186,732 and $1,803,154, respectively, and are included in Accounts Receivable - Affiliates and Accounts Receivable – Developer Fees in the accompanying Statements of Financial Position. During 2023 and 2022, the Company recognized revenues from related parties related to these services totaling $4,053,628 and $4,299,581, respectively.

Interprogram Activity

The Company advances funds to various affiliated entities for operations and predevelopment costs. As of December 31, 2023 and 2022, outstanding receivables from affiliates totaled $5,740,370 and $6,016,920, respectively, and are included in Interprogram Balances Receivable and Development Costs on the accompanying Statements of Financial Position.

Notes and Accrued Interest Receivable - Affiliates

The Company has entered into note receivable agreements with various affiliated entities. The outstanding principal as of December 31, 2023 and 2022 totaled $7,284,005 and $6,278,101, respectively. The outstanding interest receivable as of December 31, 2023 and 2022 totaled $400,925 and $367,475, respectively. The outstanding principal and interest receivable are included in Notes and Accrued Interest Receivable – Affiliates in the accompanying Statements of Financial Position.

Activities with Affiliates

An affiliate of the Company, ERH, Inc. advances funds through an interprogram account. The outstanding amount due to ERH, Inc. as of December 31, 2023 and 2022 totaled $-0- and $263,601, respectively, and is included in Advances from Affiliate in the accompanying Statements of Financial Position. The amount due from ERH, Inc. as of December 31, 2023 and 2022 totaled $365,466 and $-0- and is included in Accounts Receivable – Affiliate on the accompanying Statements of Financial Position.

ERH, Inc. provides management services to the Company and other affiliated entities. Management fees charged during 2023 and 2022 totaled $680,000 and $880,000, respectively.

ERS Foundation provides support to the Company in the form of contributions. Contributions from ERS Foundation during 2023 and 2022 totaled $483,716 and $391,111, respectively, and are included in Other Revenue in the accompanying Statements of Activities and Changes in Net Assets.

Contributions to / from Affiliates

During 2023 and 2022, the Company made contributions to various affiliated entities in the amount of $50,000 and $3,240,285, respectively. These amounts are included as Contributions to Affiliates in the accompanying Statements of Activities and Changes in Net Assets.

Deferred Revenue

The Company has received guaranty fees totaling $1,846,250 from affiliated entities for extending its obligations under the operating guaranty periods. The guaranty fees are being amortized using the straight-line method over the fifteen-year operating guaranty period. Amortization income for the years ended December 31, 2023 and 2022 was $139,748 and $306,419, respectively, and is included in Development and Consulting Fees on the accompanying Statements of Activities and Changes in Net Assets. Accumulated amortization as of December 31, 2023 and 2022 totaled $1,127,249 and $987,501, respectively. Amortization income for each of the next five years is estimated to be $139,750 in 2024-2025, and $56,417 in 2026-2028.

## 6. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2023 and 2022 consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| During 2016, the Company received a grant in the amount of $400,000 from the City of Anderson, Indiana (the City), through its Department of Community and Economic Development. The funds were granted under the City's HOME Investment Partnerships Program and after the Company received the funds, they were loaned to ERHAL Senior Housing at Anderson LP (ERHAL Anderson), an affiliated entity. In connection with the related grant agreement and subsequent loan, ERHAL Anderson is required to maintain certain tenant affordability requirements through 2030. | $ 400,000 | $ 400,000 |
| During 2016, the Company received a grant in the amount of $299,970 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were loaned to ERHAL Anderson, an affiliated entity. In connection with the related grant agreement and subsequent loan, ERHAL Anderson is required to maintain certain tenant affordability requirements through 2030. | 299,970 | 299,970 |
| During 2017, the Company received a grant in the amount of $540,500 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Trent Senior Village GP LLC, which contributed to Trent Senior Village Limited Liability Limited Partnership (Trent Senior Village). In connection with the related grant agreement, Trent Senior Village is required to maintain certain tenant affordability requirements through 2030. | 540,500 | 540,500 |

| | | |
|---|---|---|
| The Company received a grant in the amount of $379,558 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. The Company received $139,986 of the grant in 2016 which was originally loaned to Knowlton Northside GP, LLC, which provided the funds to Knowlton Northside Limited Partnership (Knowlton Place) in the form of a note payable to the Company. In 2018, the Company received the remaining $239,572 of the grant which was contributed to Knowlton Northside GP, LLC which provided the funds to Knowlton Place in the form of a note payable. During 2018, the previous amount of $139,986 that was originally recorded as a note was also converted to a capital contribution. In connection with the related grant agreement, Knowlton Place is required to maintain certain tenant affordability requirements through 2029. | 379,558 | 379,558 |
| During 2018, the Company received a grant in the amount of $397,460 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Marlowe Court GP, LLC, which contributed to Marlowe Court Limited Partnership (Marlowe Court). In connection with the related grant agreement, Marlowe Court is required to maintain certain tenant affordability requirements through 2030. | 397,460 | 397,460 |
| During 2019, the Company received a grant in the amount of $232,476 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Madison Villa GP, LLC, which contributed to Madison Villa Limited Partnership (Madison Villa). In connection with the related grant agreement, Madison Villa is required to maintain certain tenant affordability requirements through 2032. | 232,476 | 232,476 |
| During 2020, the Company received a grant in the amount of $655,483 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Sunrise Terrace GP, LLC, which contributed to Sunrise Terrace Limited Partnership (Sunrise Terrace). In connection with the related grant agreement, Sunrise Terrace is required to maintain certain tenant affordability requirements through 2032. | 655,483 | 655,483 |

| | | |
|---|---|---|
| During 2021, the Company received a grant in the amount of $1,000,000 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Scheper Ridge GP, LLC, which contributed to Scheper Ridge Limited Liability Limited Partnership (Scheper Ridge). In connection with the related grant agreement, Scheper Ridge is required to maintain certain tenant affordability requirements through 2034. During 2022 and 2021, grant proceeds of $750,000 and $250,000 were received, respectively, resulting in total proceeds of $1,000,000. | 1,000,000 | 1,000,000 |
| During 2021, the Company received a grant in the amount of $879,936 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Westminster Court I GP, LLC, which contributed to Westminster Court I Limited Partnership (Westminster Court I). In connection with the related grant agreement, Westminster Court I is required to maintain certain tenant affordability requirements through 2033. During 2022 and 2021, grant proceeds of $659,952 and $219,984 were received, respectively, resulting in total proceeds of $879,936. | 879,936 | 879,936 |
| During 2021, the Company received a grant in the amount of $999,000 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Prairie View GP, LLC, which contributed to Prairie View Limited Partnership (Prairie View Apartments). In connection with the related grant agreement, Prairie View Apartments is required to maintain certain tenant affordability requirements through 2034. During 2022 and 2021, grant proceeds of $749,250 and $249,750 were received, respectively, resulting in total proceeds of $999,000. | 999,000 | 999,000 |

| | 2023 | 2022 |
|---|---|---|
| During 2021, the Company received a grant in the amount of $1,000,000 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Rachel Court GP, LLC, which contributed to Rachel Court Limited Partnership (Rachel Court). In connection with the related grant agreement, Rachel Court is required to maintain certain tenant affordability requirements through 2034. During 2022 and 2021, grant proceeds of $750,000 and $250,000 were received, respectively, resulting in total proceeds of $1,000,000. | 1,000,000 | 1,000,000 |
| **Total Net Assets With Donor Restrictions** | $ 6,784,383 | $ 6,784,383 |

## 7. Functional Allocation of Expenses

The Company's program is to provide housing, directly or indirectly, through owning, operating, managing and developing affordable housing for elderly persons. These related costs have been summarized on a functional basis in the table below. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Company.

| | 2023 | 2022 |
|---|---|---|
| **Program Services:** | | |
| Administrative | $ 3,225,802 | $ 2,967,983 |
| Operating and professional | 478,249 | 175,352 |
| Taxes and insurance | 1,171,771 | 1,196,254 |
| Interest | 14,112 | 8,565 |
| Depreciation | 39,233 | 60,816 |
| **Total Program Services** | 4,929,167 | 4,408,970 |
| **Management and General:** | | |
| Administrative | 680,000 | 880,000 |
| **Total Management and General** | 680,000 | 880,000 |
| **Total** | $ 5,609,167 | $ 5,288,970 |

## 8. Financing Receivables and the Allowance for Credit Losses

The Company considers the notes and accrued interest receivable summarized in Note 5 related to low-income housing development to be performing in accordance with the low-income housing tax credit programs for their real estate investments. These notes and accrued interest receivable will be repaid either from the cash flow of the properties or the ultimate outcome and valuation of the transfer of the properties at year 15 which is used to settle any unpaid amounts due on the notes and interest. Principal and interest payments are due based on the cash flow of the properties and, therefore, are not considered past due based on the Company's policy and terms for these notes. As of December 31, 2023 and 2022, management does not believe that the notes receivable are impaired and, therefore, there is no allowance for uncollectible amounts.

## 9. Commitments and Contingencies

The Company acts as a guarantor for several of the non-consolidated affiliates owning rental real estate (the projects) serving the affordable housing industry. As a guarantor, the Company is contingently liable to the extent the liabilities of the projects are not otherwise satisfied by their assets and contingently liable to the investors in the event tax credits do not meet projected amounts. The non-consolidated entities guaranteed by the Company have had no history of tax credits being recaptured.

As a guarantor in the non-consolidated entities, the Company has guaranteed the operating deficits of these entities and is obligated for a specified amount, as determined by the governing agreements, from initial operations through a specified period, also as determined by the governing agreements.

The Company also provides guarantees for construction and rehabilitation loans for the projects and may provide a construction period completion guarantee, whereby the Company guarantees the projects will be constructed in accordance with defined plans and specifications. The guaranty includes funding all amounts incurred to complete construction or rehabilitation in excess of existing sources of financing. Any financing arrangements made and funds provided by the Company under these guarantees would be in the form of a non-interest bearing loan and would be repaid as cash flow of the projects permit or as income to the respective entity based on the specific language of the governing agreements.

The Company's maximum exposure to the guarantees is not determinable with any degree of accuracy, as determination of the ultimate amounts is dependent upon the Company's and certain related parties' ability to oversee, manage and optimize cash flows of the projects.

## 10. Current Vulnerability Due to Certain Concentrations

### Concentration of Credit Risk

The Company maintains its cash, restricted deposits, and reserves with financial institutions. The bank balances are insured by the Federal Deposit Insurance Corporation up to $250,000 at each bank. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these bank balances at December 31, 2023 and 2022. As of December 31, 2023 and 2022, the cash balances of the Company exceeded the FDIC insured limit by $286,012 and $541,814, respectively.

The Company maintains its cash, restricted deposits, and reserves with financial institutions. The bank balances are insured by the Securities Investor Protection Corporation (SIPC) up to $500,000 at each bank. At times, these balances may exceed the SIPC insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these bank balances at December 31, 2023 and 2022. As of December 31, 2023 and 2022, the cash balances of the Company exceeded the SIPC insured limit by $1,402,982 and $1,309,459, respectively.

Customers

A significant portion of the development fees, contracted management and project service fees earned by the Company are earned from services to affiliated entities. These entities either operate or are developing housing projects for affordable housing.

Revenues earned from such services amounted to 78% and 81% of total operating revenue for the years ended December 31, 2023 and 2022, respectively. In addition, as of December 31, 2023 and 2022, 50% and 51%, respectively, of total receivables are in connection with these services and the remaining receivables are in connection with notes receivables from affiliated entities.

Geographic Region

The Company provides services without collateral to customers located throughout the greater Cincinnati area and the tri-state region (Ohio, Kentucky and Indiana). The ability of each of the Company's customers to honor their obligations to the Company is dependent upon their operations, and upon economic and other factors unique to this geographic region.

## 11. Liquidity and Availability of Resources

The Company has financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditures. This amount consists of cash and accounts receivable as presented on the accompanying Statements of Financial Position. None of these amounts are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date.

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

## 12. Subsequent Events

Events that occur after the Statement of Financial Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Position date require disclosure in the accompanying notes. Management evaluated the activity of Episcopal Retirement Services Affordable Living LLC and Affiliates through May 31, 2024 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.