HOUSING DEVELOPMENT ALLIANCE, INC.
HAZARD, KENTUCKY
* * * * *
AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2021

CRAFT, WANINGER, NOBLE
& COMPANY, PLLC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Housing Development Alliance, Inc.
Hazard, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Housing Development Alliance, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2021, and the related statement of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Development Alliance, Inc., as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 24, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal* Awards, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 2, 2022 on our consideration of Housing Development Alliance, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Development Alliance, Inc.'s internal control over financial reporting and compliance.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
March 2, 2022

HOUSING DEVELOPMENT ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Assets			
Current assets			
Cash and cash equivalents	$ 802,045	$ 354,990	$ 1,157,035
Investments	4,685	-	4,685
Receivables (net of allowances):			
Contracts receivable	-	310,597	310,597
Grants receivable	64,845	-	64,845
Loans receivable	73,960	-	73,960
Mortgages receivable	723,399	-	723,399
Other receivables	106,272	-	106,272
Inventories- materials and supplies	26,354	-	26,354
Inventories- land and homes for sale	1,798,718	-	1,798,718
Prepaid items and other assets	32,103	-	32,103
Total current assets	3,632,381	665,587	4,297,968
Noncurrent assets			
Deferred mortgages receivable	116,456	568,582	685,038
Replacement reserves	-	57,935	57,935
Land held for development	797,067	-	797,067
Property and equipment, net	1,029,438	1,292,343	2,321,781
Total noncurrent assets	1,942,961	1,918,860	3,861,821
Total Assets	$ 5,575,342	$ 2,584,447	$ 8,159,789
Liabilities & Net Assets			
Liabilities			
Current liabilities			
Accounts payable	$ 277,796	$ -	$ 277,796
Accrued payroll and withholding	39,664	-	39,664
Accrued fringe benefits	116,044	-	116,044
Other current liabilities	987,943	-	987,943
Current portion of notes payable	57,957	-	57,957
Total current liabilities	1,479,404	-	1,479,404
Noncurrent liabilities			
Long-term portion of notes payable	2,136,314	-	2,136,314
Rental security deposits	9,176	-	9,176
Total noncurrent liabilities	2,145,490	-	2,145,490
Total Liabilities	3,624,894	-	3,624,894
Net Assets			
Net assets	1,950,448	2,584,447	4,534,895
Total Net Assets	1,950,448	2,584,447	4,534,895
Total Liabilities & Net Assets	$ 5,575,342	$ 2,584,447	$ 8,159,789

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

HOUSING DEVELOPMENT ALLIANCE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenue			
Construction revenues and grants	$ -	$ 2,307,391	$ 2,307,391
Contributions and grants	36,618	1,071,354	1,107,972
Developer fees	-	-	-
Interest income	10,992	-	10,992
Rental income	128,127	-	128,127
Volunteer services & fees	12,340	-	12,340
Management contract	71,893	-	71,893
Gain on PPP loan forgiveness	263,700	-	263,700
Gain (Loss) on disposal of assets	(4,888)	-	(4,888)
Unrealized gain (loss) on investments	1,389	-	1,389
Miscellaneous income	13,856	-	13,856
Net assets released from restrictions			
Satisfaction of program restrictions	3,378,970	(3,378,970)	-
Total Revenue	3,912,997	(225)	3,912,772
Expenses			
Program services	3,204,308	-	3,204,308
Management and general	360,008	-	360,008
Rental	156,066	-	156,066
Fundraising	64,089	-	64,089
Total Expenses	3,784,471	-	3,784,471
Increase (decrease) in net assets	128,526	(225)	128,301
Net Assets at Beginning of Period	1,821,922	2,584,672	4,406,594
Net Assets at End of Period	$ 1,950,448	$ 2,584,447	$ 4,534,895

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

HOUSING DEVELOPMENT ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

Expenses	Management & General	Fundraising	Rental	Program Services: Rehab	Program Services: New Homes	Program Services: Other	Total Program Services	Total
Personnel Expenses	$ 148,782	$ 56,715	$ 47,360	$ 453,150	$ 623,529	$ 265,451	$ 1,342,130	$ 1,594,987
Materials	-	-	-	245,493	124,821	114	370,428	370,428
Subcontractors	-	-	-	182,140	696,531	-	878,671	878,671
Outside services	-	-	-	9,077	29,714	-	38,791	38,791
Warranty Work Expense	-	-	-	253	23,302	-	23,555	23,555
Professional Services	12,151	2,100	-	-	-	-	-	14,251
Advertising	2,186	1,652	8	978	3,133	930	5,041	8,887
Volunteer Expense	-	-	-	-	6,715	-	6,715	6,715
Networking and Software Expense	13,193	-	-	-	600	-	600	13,793
Copies and Copies Supplies	591	118	58	1,766	2,942	412	5,120	5,887
Insurance	18,698	2,508	3,295	13,040	20,840	5,080	38,960	63,461
Equipment and Storage Rent	-	-	-	-	1,500	-	1,500	1,500
Cleaning Supplies and Services	8,738	-	15,621	-	-	-	-	24,359
Maintenance	7,039	-	24,017	6	-	-	6	31,062
Office Supplies	3,516	32	-	-	-	-	-	3,548
Postage	1,292	55	-	-	105	-	105	1,452
Publications	85	-	-	-	-	-	-	85
Seminars and Training	1,300	-	-	200	3,406	-	3,606	4,906
Travel and Meals	358	180	-	1,131	2,922	138	4,191	4,729
Telephone	4,748	265	31	4,687	9,366	90	14,143	19,187
Utilities	1,776	147	27,629	2,465	4,138	565	7,168	36,720
Membership	12,826	-	-	50	100	-	150	12,976
Tools and Tool Repairs	37	-	-	5,706	27,138	-	32,844	32,881
Vehicles	30,082	-	-	20,520	38,584	1,202	60,306	90,388
Inspection Fees	-	-	-	1,000	10,670	-	11,670	11,670
Closing, Settlement and Recording Fees	29,527	-	106	2,830	13,201	-	16,031	45,664
Interest Expense	29,082	317	-	5,871	12,879	1,325	20,075	49,474
Miscellaneous Expense	3,697	-	-	-	70	-	70	3,767
Depreciation	30,304	-	37,941	10,664	19,187	-	29,851	98,096
Contributions Expense	-	-	-	104	22,538	-	22,642	22,642
Land and Land Development Expense	-	-	-	-	175,358	-	175,358	175,358
Sweat Equity Expense	-	-	-	-	10,500	-	10,500	10,500
Uncollected Receivables	-	-	-	-	48,573	-	48,573	48,573
Forgivable Loan Expense	-	-	-	-	35,508	-	35,508	35,508
In-Kind Expenses	-	-	-	-	-	-	-	-
Total Expenses	$ 360,008	$ 64,089	$ 156,066	$ 961,131	$ 1,967,870	$ 275,307	$ 3,204,308	$ 3,784,471

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

HOUSING DEVELOPMENT ALLIANCE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$	128,300
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization		98,096
Gain on PPP loan forgiveness		(263,700)
(Increase) decrease in operating assets		
Receivables		
Contracts		96,336
Grants		(64,845)
Mortgages		45,125
Deferred mortgages		35,780
Other		173,577
Inventories- materials and supplies		(20,845)
Inventories- homes for sale		(1,060,568)
Prepaid or other assets		221
Increase (decrease) in operating liabilities		
Accounts payable		133,421
Accrued payroll and withholding		17,809
Accrued fringe benefits		(2,043)
Other current liabilities		141,455
NET CASH USED BY OPERATING ACTIVITIES		(541,881)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment		(764,191)
Sale and disposal of property and equipment		418,677
(Increase) in investments		(1,412)
(Increase) in replacement reserve account		(4,086)
NET CASH USED BY INVESTING ACTIVITIES		(351,012)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds and advances		675,264
Reductions on long-term debt principal		(72,262)
Net increase in rental security deposits		1,060
NET CASH PROVIDED BY FINANCING ACTIVITIES		604,062
NET INCREASE (DECREASE) IN CASH		(288,831)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR		1,445,866
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	$	1,157,035
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$	47,498

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

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Housing Development Alliance, Inc. believes safe, decent, affordable housing is a basic human right. Housing Development Alliance, Inc. strives to develop a variety of housing options including shelter for the homeless, transitional housing, affordable rental housing, repair and rehabilitation of existing homes, and affordable new homes for persons with low and very low incomes. As a community-based nonprofit, it seeks to bring together all sectors of the community to help eliminate substandard housing. Hazard- Perry County Housing Development Alliance, Inc., incorporated September 7, 1993, held its first board meeting February 15, 1994, and received its first funding August 4, 1994. In January 2008, due to the expansion of services into surrounding counties, Hazard-Perry County Housing Development Alliance, Inc. amended its articles of incorporation to change its name to Housing Development Alliance, Inc.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Entities. ASC 958-205 was effective January 1, 2018. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

- Net Assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is satisfied), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Housing Development Alliance, Inc. uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management stated that no material promises to give by individuals existed at June 30, 2021.

Contributed Services/Property

During the year ended June 30, 2021, various groups volunteered time in rehab and new home projects. These contributions are reflected in the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Housing Development Alliance, Inc. reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Housing Development Alliance, Inc. reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed on a straight-line basis over their estimated useful lives: buildings (30 to 50 years), vehicles (3 to 5 years), furniture and fixtures (5 to 7 years), and tools and equipment (3 to 5 years). Housing Development Alliance, Inc. currently capitalizes, at cost, all expenditures for fixed assets in excess of $1,500 (a policy they updated in 2017).

Income Taxes

Housing Development Alliance, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that in not a private foundation under Section 509(a)(1).

The Financial Accounting Standards Board (FASB) has issued ASC 740-10, Income Taxes (formerly FIN 48, Accounting for Uncertainty in Income Taxes), which requires entities to disclose known or anticipated positions of income tax uncertainty. The Organization is not aware of any uncertain income tax positions as of March 2, 2022. The Organization could be subject to examination by the Internal Revenue Service or other applicable tax jurisdictions.

Inventories

Inventories are valued at the lower of cost or market.

Loans

Loans are reported at their recorded investment, which is the outstanding principal balance plus accrued interest and net of any unearned income, such as deferred fees or costs, charge-offs and unamortized premiums or discounts on originated loans. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Allowance For Loan Losses

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. Management uses disciplined processes and methodology to establish the allowance for losses each quarter. To determine the total allowance for loan losses, the Company estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. The allowance for loan losses consists of amounts applicable to the real estate portfolio.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Loan Charge-off Policies

Real Estate- Loans are generally charged down to the net realizable value when the loan is 180 days past due.

Troubled Debt Restructurings

In situations where, for economic or legal reasons related to a borrower's financial difficulties, management may grant a concession for other than an insignificant period of time to the borrower that would not otherwise be considered, the related loan is classified as a TDR. Management strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, management measures any impairment on the restructuring as noted above for impaired loans.

Cash and Cash Equivalents

Due to the adoption of *ASU 2016-18- Statement of Cash Flows (Topic 230): Restricted Cash* all cash held is reported in the Statements of Financial Position and the Statements of Cash Flows.

Restrictions on Assets

Net assets released from restrictions consist of those construction related projects and programs that had been completed meeting project or program specifications.

Contribution Expense

Contribution expenses are expenses that Housing Development Alliance, Inc. elects to incur related to the home closing process that may or may not be directly or indirectly reimbursed or subsidized by another funding source.

Functional Expense Reporting

The cost of providing program and supporting services has been summarized by function, based on estimates developed by management.

Note 2 – Cash

The composition of cash as of June 30, 2021, is as follows:

	Book Balance	Bank Balance	Interest Rate	Financial Institution
Regular Operating Account	$ 615,017	$ 805,121	0.00%	Peoples Bank & Trust
Revolving Loan Fund	5,375	5,375	0.35%	Peoples Bank & Trust
HAC/SHOP Restricted Account	141,602	141,602	0.35%	Peoples Bank & Trust
HOME Restriced Account	5	5	0.00%	Peoples Bank & Trust
Operating Reserve	26,777	26,777	0.35%	Peoples Bank & Trust
RCDF	24,840	24,840	0.00%	Peoples Bank & Trust
Paypal Account	2,039	2,039	0.00%	Peoples Bank & Trust
Money Market Account	188,543	188,543	0.50%	Community Trust Bank
CHDO Proceeds	81,224	81,224	0.00%	Community Trust Bank
Rehab Account	21,118	21,118	0.00%	Community Trust Bank
Loan Fund	5,662	5,662	0.75%	First Trust Bank
RHED Fund	43,955	43,955	0.00%	Whitaker Bank
Balance, June 30, 2021	1,156,157	$ 1,346,261		
Cash Equivalents	-			
Deposits in Transit	878			
Total Cash per Financials	$ 1,157,035			

Custodial credit risk is the risk that in the event of bank failure the deposits may not be returned or Housing Development Alliance, Inc. may not recover collateral securities. Housing Development Alliance, Inc. does not require deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. At June 30, 2021, $846,261 of the Organization's deposits were uncollateralized. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The organization has no significant long-term investment accounts. Concentrations of credit risk are the risk of loss attributed to the magnitude of the Entity's investment in a single issuer. Substantially all of the organization's cash and investments are held at local financial institutions.

Note 3 – Endowment

The Foundation for Appalachian Kentucky has established and currently maintains an endowment fund for the benefit of Housing Development Alliance, Inc. The balance of that endowment fund at June 30, 2021 was $150,290 in cash and cash equivalents, this amount is excluded from the reporting entity because it is not held in a fiduciary capacity on behalf of Housing Development Alliance, Inc.

The principal of the endowment fund is an asset with donor restrictions. The income from the endowment fund may be used to support Housing Development Alliance, Inc. The Foundation will annually distribute the earnings from the fund according to spending guidelines, except for any amount that Housing Development Alliance, Inc. wishes to be reinvested in the principal. The fund is excluded from the reporting entity because it is not held in a fiduciary capacity on behalf of Housing Development Alliance, Inc.

Note 4 – Investments

Investments include cash and stocks in publicly traded companies managed by an outside investment firm. The investments are recorded at fair market value. Changes in the market values are shown as "Change in value of investments" in the statement of activities in accordance with FASB ASC 958. Realized gains and losses from the sale of investments are separately reported. No realized gain or loss was reported during the fiscal year. Income from investments is used to support the goals of the Organization.

Note 4 – Investments (Continued)

Investments held by the Organization consisted of the following as of June 30, 2021:

	Cost	Market Value	Unrealized Appreciation
Public company stock	$ 2,127	$ 4,685	$ 2,558
Balance, June 30, 2021	$ 2,127	$ 4,685	2,558
Balance, June 30, 2020	$ 2,127	$ 3,287	1,160
Unrealized gain (loss) on investments			$ 1,398

The Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable whether directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Organization's fair value of securities available for sale measured on a recurring basis at June 30, 2021 is as follows:

		Fair Value Measurements at Reporting Date Using		
June 30, 2021	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Public company stock	$ 4,685	$ 4,685	$ -	$ -
	$ 4,685	$ 4,685	$ -	$ -

Fair value for investments is determined by reference to quoted market prices and other relevant information generated by market transactions. There have been no changes in valuation techniques and related inputs.

Note 5 – Financing Receivables

Mortgages/Loans Receivable Reporting

Mortgages/Loans Receivable are reported at their recorded investment, which is the outstanding principal balance plus accrued interest and net of any unearned income, such as deferred fees or costs, charge-offs, and unamortized premiums or discounts on originated loans. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Mortgages/Loans Receivables are classified by Portfolio, Portfolio Segment, and Portfolio Class. The matrix on the following page presents the system of classification of the Organization with regards to Mortgages/Loans Receivable at June 30, 2021.

Portfolio	Portfolio Segment	Portfolio Class
Revolving Loan Fund	Loans individually evaluated for impairment	Consumer real estate related loans receivable (unsecured)
Revolving Loan Fund	Loans individually evaluated for impairment	Real estate mortgage loans receivable (secured)
Revolving Loan Fund	Loans individually evaluated for impairment	Consumer real estate related loans receivable (deferred)
Revolving Loan Fund	Loans individually evaluated for impairment	Real estate mortgage loans receivable (deferred)
Revolving Loan Fund	Loans collectively evaluated for impairment	Consumer real estate related loans receivable (unsecured)
Revolving Loan Fund	Loans collectively evaluated for impairment	Real estate mortgage loans receivable (secured)
Revolving Loan Fund	Loans collectively evaluated for impairment	Consumer real estate related loans receivable (deferred)
Revolving Loan Fund	Loans collectively evaluated for impairment	Real estate mortgage loans receivable (deferred)
Revolving Loan Fund	Loans not evaluated for impairment	Consumer real estate related loans receivable (forgivable)
Revolving Loan Fund	Loans not evaluated for impairment	Real estate mortgage loans receivable (forgivable)
Revolving Loan Fund	Loans acquired with deteriorated credit quality	Consumer real estate related loans receivable (unsecured)
Revolving Loan Fund	Loans acquired with deteriorated credit quality	Consumer real estate related loans receivable (forgivable)
Revolving Loan Fund	Loans acquired with deteriorated credit quality	Consumer real estate related loans receivable (deferred)
Revolving Loan Fund	Loans acquired with deteriorated credit quality	Real estate mortgage loans receivable (secured)
Revolving Loan Fund	Loans acquired with deteriorated credit quality	Real estate mortgage loans receivable (forgivable)
Revolving Loan Fund	Loans acquired with deteriorated credit quality	Real estate mortgage loans receivable (deferred)

Mortgages/Loans Receivable Charge-Off Policies

Mortgage/Loans are generally charged down to the net realizable value when the loan is 180 days past due. The difference between the net realizable value of the loan and its recorded value is booked to uncollectible accounts receivable expense. Recoveries of amounts that have been charged to uncollectible accounts receivable expense are used to reduce such expense at the time of recovery.

Forgivable Mortgages/Loans Receivable Policies

Some of the Organization’s Mortgages/Loans Receivable consists of zero percent loans that are forgivable over five, ten, fifteen, thirty, or other individualized terms of years. A contra-asset adjustment is made to reflect the pro-rata share that is forgiven for each year that the homeowner dwells in the unit. The entire Forgivable Mortgages/Loans Expense, however, is matched to the time period that the home was sold to the homeowner. The Forgivable Mortgages/Loans Receivable balance at June 30, 2021 was $1,125,573 and its contra-asset account balance was ($1,125,573).

Note 5 – Financing Receivables (Continued)

Troubled Debt Restructurings (TDR) Policies

Management may grant a concession for other than an insignificant period of time to the borrower that would not otherwise be considered in situations where the borrower has financial difficulties due to economic or legal reasons. Such a related loan is classified as a Troubled Debt Restructuring (TDR). Management strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance, and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, Management measures any impairment on the restructuring as noted above for impaired loans.

The Organization did not work out any TDRs during the fiscal year that ended June 30, 2021. Any debt restructuring that The Organization facilitated during that time were related to the re-deferral of deferred loans that had or were about to mature.

Mortgage/Loan Loss Allowances

The allowance for Mortgage/Loan losses reflects Management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. Management uses a disciplined process and methodology to establish the allowance for losses each quarter. To determine the total allowance for loan losses, the Organization estimates the reserves needed for each Portfolio Segment by using the Loss Allowance guidelines as follows:

Portfolio	Portfolio Segment	Portfolio Class	Loss Allowance Minimum %	Loss Allowance Maximum %
Revolving Loan Fund	Loans individually evaluated for impairment	Consumer real estate-related loans receivable (unsecured)	0%	100%
Revolving Loan Fund	Loans individually evaluated for impairment	Real estate mortgage loans receivable (secured)	0%	100%
Revolving Loan Fund	Loans individually evaluated for impairment	Consumer real estate-related loans receivable (deferred)	0%	100%
Revolving Loan Fund	Loans individually evaluated for impairment	Real estate mortgage loans receivable (deferred)	0%	100%
Revolving Loan Fund	Loans collectively evaluated for impairment	Consumer real estate-related loans receivable (unsecured)	3%	100%
Revolving Loan Fund	Loans collectively evaluated for impairment	Real estate mortgage loans receivable (secured)	3%	100%
Revolving Loan Fund	Loans collectively evaluated for impairment	Consumer real estate-related loans receivable (deferred)	3%	100%
Revolving Loan Fund	Loans collectively evaluated for impairment	Real estate mortgage loans receivable (deferred)	3%	100%
Revolving Loan Fund	Loans not evaluated for impairment	Consumer real estate-related loans receivable (forgivable)	0%	0%
Revolving Loan Fund	Loans not evaluated for impairment	Real estate mortgage loans receivable (forgivable)	0%	0%
Revolving Loan Fund	Loan acquired with deteriorated credit quality	Consumer real estate-related loans receivable (unsecured)	3%	100%
Revolving Loan Fund	Loan acquired with deteriorated credit quality	Consumer real estate-related loans receivable (forgivable)	0%	0%
Revolving Loan Fund	Loan acquired with deteriorated credit quality	Consumer real estate-related loans receivable (deferred)	3%	100%
Revolving Loan Fund	Loan acquired with deteriorated credit quality	Real estate mortgage loans receivable (secured)	3%	100%
Revolving Loan Fund	Loan acquired with deteriorated credit quality	Real estate mortgage loans receivable (forgivable)	0%	0%
Revolving Loan Fund	Loan acquired with deteriorated credit quality	Real estate mortgage loans receivable (deferred)	3%	0%

Note 5 – Financing Receivables (Continued)

Mortgage/Loan Loss Allowances (Continued)

The minimum loan loss allowance percentage of three percent is reflective of Management's historical minimum loss threshold estimation processes and policies for collectively evaluated loans. In addition, Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior Management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Management has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the Loan Portfolio. Management exercises significant judgment over classifying each loan by Portfolio Class into a Portfolio Segment. Management seeks to best match the credit risk characteristics of each loan in a Portfolio Class to its proper Portfolio Segment. The Organization uses internally developed models in this process. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions used to determine the allowance are validated independently and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices, and end-user controls are appropriate and properly documented.

Consumer Real Estate- Related Loans Receivable – Consumer Real Estate-Related Loans are pooled by one of four Portfolio Segments: Loans Individually Evaluated for Impairment; Loans Collectively Evaluated for Impairment; Loans Not Evaluated for Impairment; or Loans Acquired with Deteriorated Credit Quality. The time frames for historical losses are based on historical loss experience modeling and other qualitative, quantitative, and mathematical migration techniques over the loss emergence period. At June 30, 2021, the historical loss time frame for this class was 18 months. In addition, based on Management's analysis of leading predictors of losses, additional loss multipliers are likely to be applied to relevant loan balances.

Real Estate Mortgage Loans Receivables – Real Estate Mortgage Loans are pooled by one of four Portfolio Segments: Loans Individually Evaluated for Impairment; Loans Collectively Evaluated for Impairment; Loans Not Evaluated for Impairment; or Loans Acquired with Deteriorated Credit Quality. The time frames for historical losses are based on historical loss experience modeling and other qualitative, quantitative, and mathematical migration techniques over the loss emergence period. At June 30, 2021, the historical loss time frame for this class was 18 months. In addition, based on Management's analysis of leading predictors of losses, additional loss multipliers are likely to be applied to relevant loan balances.

The Organization's Estimation Process – The Organization estimates loan losses under multiple scenarios to establish a range of potential outcomes for each criterion applied to the allowance calculation. Management applies judgment to develop its own view of loss probability within that range, using external and internal parameters with the objective of establishing an allowance for the losses inherent within these portfolios as of the reporting date.

Generally, Portfolio Class loans that are segmented into Loans Evaluated Individually for Impairment will be assessed objectively on individual merits for a proper per loan percentage loss estimate that translates into a Portfolio Segment loss percentage. Portfolio Class loans that are segmented into Loans Collectively Evaluated for Impairment will be assessed a loss allowance percentage that is equal to one-half the average percentage of loan balances that are greater than 180 days delinquent over the historical loss timeframe. The minimum assessment will not be below three percent according to the Organization's policies and procedures. In other words, 18 months of loan balances that are greater than 180 days delinquent are divided by 18 months of the total Portfolio balance and then multiplied by 100 percent to arrive at the loan loss percentage that is then halved to be applied against the collectively assessed segment. This assessment, again, must exceed three percent. Data relevant to these calculations are reported directly to the Organization from its outsourced loan servicing provider. The Organization nets out Forgivable Loans from the reported Portfolio Balance to arrive at the denominator for the above- described calculation. Portfolio Class Loans

Note 5 – Financing Receivables (Continued)

Mortgage/Loan Loss Allowances (Continued)

that are segmented into Loans Not Evaluated for Impairment are forgivable loans that have already been expensed entirely at origination and, therefore, have nothing remaining to be written down. This segment is dealt with by way of a contra-asset account. Portfolio Class loans that are segmented into Loans Acquired with Deteriorated Credit Quality will be assessed a loss percentage that is to be the greater of three percent or the actual greater than one-half of the 180-day delinquency percentage reported by the Acquiree. Loans in this Portfolio Segment will be charged-off according to the previously described procedure.

In addition, reflected in portions of the allowance methodologies afore described are amounts for imprecision or uncertainty that incorporate the range of probable outcomes inherent in estimates used for the allowance that might change from period to period. Such amounts are the results of the Organization's judgment of risks inherent in the portfolios, economic uncertainties, historical loss experience and other subjective factors, including industry trends, calculated to better reflect the Organization's view of risk in each loan portfolio. No single statistic or measurement determines the adequacy of the allowance for loan loss. Changes in the allowance for loan loss and the related provision expense can materially affect net income.

Allowance for Loans Losses and Recorded Investment by Portfolio Segment and Portfolio Class

The total allowance reflects Management's estimate of loan losses inherent in the Portfolio at the balance sheet date. The Organization considers the allowance for loan losses of $109,718 adequate to cover loan losses inherent in the Portfolio at June 30, 2021. The following tables present the Allowance for Loan Losses by Portfolio Segment and the Recorded Investments in Loans by Portfolio Segment and Portfolio Class at June 30, 2021.

Allowance for Loan Losses

		Total
Beginning Balance	$	122,061
Charge-Offs booked directly to allowance for loan loss		(13,093)
Recoveries booked directly to allowance for loan loss		750
Additional provisions for allowance for loan loss		-
Ending Balance	$	109,718

Constituents of Allowance for Loan Losses

		Total
Individually evaluated for impairment	$	79,970
Collectively evaluated for impairment		29,748
Not evaluated for impairment		-
Acquired with deteriorated credit quality		-
Ending Balance	$	109,718

Recorded Investment in Loans by Portfolio Segment

		Total
Individually evaluated for impairment	$	79,970
Collectively evaluated for impairment		1,512,145
Not evaluated for impairment		1,125,573
Not evaluated for impairment (contra)		(1,125,573)
Acquired with deteriorated credit quality		-
Allowance for loan losses		(109,718)
Ending Balance	$	1,482,397

Note 5 – Financing Receivables (Continued)

Allowance for Loans Losses and Recorded Investment by Portfolio Segment and Portfolio Class (Continued)

Recorded Investment in Loans by Portfolio Class

		Total
Consumer real estate related loans receivable (unsecured)	$	-
Real estate mortgage loans receivable (secured)		907,077
Consumer real estate related loans receivable (deferred)		-
Real estate mortgage loans receivable (deferred)		685,038
Consumer real estate related loans receivable (forgivable)		-
Consumer real estate related loans receivable contra (forgivable)		-
Real estate mortgage loans receivable (forgivable)		1,125,573
Real estate mortgage loans receivable contra (forgivable)		(1,125,573)
Indirect mortgages loans receivable with KHC		4,100
Indirect mortgages loans receivable with KHC contra		(4,100)
Allowance for loan loss		(109,718)
Ending Balance	$	1,482,397

Credit Quality Information

The Organization grades consumer credit exposures by internally assigned grades. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Organization's internal credit risk grading system is based on experiences with similarly graded loans. Credit risk grades are refreshed each quarter, incorporating external statistics and other credit risk factors.

The Organization's internally assigned grades are as follows:

Pass-No change in the Organization's credit rating of borrower or the loan-to-value of the asset;

Special Mention-Deterioration in the Organization's credit rating of borrower or loan-to-value of the asset; and

Substandard-Significant deterioration in the Organization's credit rating of the borrower and loan-to-value ratio of asset.

Note 5 – Financing Receivables (Continued)

Credit Quality Information (Continued)

The following tables represent consumer credit exposures by internally assigned grades at the year end June 30, 2021.

Credit Risk Profile Assigned Grade by Class of Loan

Recorded Investment in Loans

	Pass	Special Mention	Substandard
Consumer real estate related loans receivable (unsecured)	$ -	$ -	$ -
Consumer real estate related loans receivable (deferred)	-	-	-
Consumer real estate related loans receivable (forgivable)	-	-	-
Real estate mortgage loans receivable (secured)	911,177	18,426	95,564
Real estate mortgage loans receivable (deferred)	654,038	-	31,000
Real estate mortgage loans receivable (forgivable)	1,125,573	-	-
Ending Balance	$ 2,690,788	$ 18,426	$ 126,564
Grand Total			$ 2,835,778

Credit Risk Profile Assigned Grade by Class of Loan

Number of Loans

	Pass	Special Mention	Substandard
Consumer real estate related loans receivable (unsecured)	-	-	-
Consumer real estate related loans receivable (deferred)	-	-	-
Consumer real estate related loans receivable (forgivable)	-	-	-
Real estate mortgage loans receivable (secured)	57	3	9
Real estate mortgage loans receivable (deferred)	38	-	2
Real estate mortgage loans receivable (forgivable)	146	-	-
Ending Balance	241	3	11
Grand Total			255

Age Analysis of Past Due Financing Receivables

The following table presents an aging analysis of the Organization's recorded investment of past due financing receivables at June 30, 2021. Loans are included that were 90 days or more past due as to interest and principal, and still accruing, because they are (1) well-secured and in the process of collection or (2) real estate loans or loans exempt under regulatory rules from being classified as nonaccrual.

Age Analysis of Past Due Financing Receivables by Class

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Financing Receivables
Consumer (unsecured)	$ -	$ -	$ -	$ -	$ -	$ -
Consumer (deferred)	-	-	-	-	-	-
Consumer (forgivable)	-	-	-	-	-	-
Real estate (secured)	-	18,426	126,564	144,990	880,177	1,025,167
Real estate (deferred)	-	-	-	-	685,038	685,038
Real estate (forgivable)	-	-	-	-	1,125,573	1,125,573
Total	$ -	$ 18,426	$ 126,564	$ 144,990	$ 2,690,788	$ 2,835,778

Note 5 – Financing Receivables (Continued)

Impaired Loans

Management considers a loan to be impaired when, based on current information and events, it is determined that the Organization will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all classes of loans. When Management identifies a loan as impaired, the impairment is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, Management uses the current fair value of the collateral, less selling costs when foreclosure is probable, instead of discounted cash flows. If Management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance.

When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

The Organization did not have any impaired loans at June 30, 2021.

Note 6 – Receivables

Receivables consisted of the following at June 30, 2021:

Contracts receivable		$ 310,597
Grants receivable		64,845
Other receivables		
New home closing	46,276	
Related party receivable	76,058	
Other receivables	3,938	126,272
Mortgage and loans receivable	1,572,115	
Less: allowance for loan loss	(109,718)	1,462,397
Total		$ 1,964,111

Mortgage and loans receivable consisted of the following at June 30, 2021:

Mortgage receivable	$ 833,117
Loans receivable	73,960
Deferred mortgage receivable (other asset)	685,038
Indirect mortgage receivable	4,100
Less: payments made directly to Kentucky Housing Corp.	(4,100)
Less: allowance for loan loss	(109,718)
Total	$ 1,482,397

Note 7 – Property and Equipment

Changes in the property and equipment during the year ended June 30, 2021 are as follows:

	July 1, 2020	Additions	Deletions	June 30, 2021
Buildings and offices	$ 1,468,218	$ 155,865	$ (146,230)	$ 1,477,853
Land	242,983	30,000	(40,671)	232,312
Equipment and vehicles	623,279	92,357	(98,590)	617,046
Properties for use	1,184,399	-	-	1,184,399
Land- held for development	624,886	485,969	(313,788)	797,067
Subtotal	4,143,765	764,191	(599,279)	4,308,677
Accumulated Depreciation	(1,272,336)	(98,096)	180,602	(1,189,830)
Property and Equipment, net	$ 2,871,429	$ 666,095	$ (418,677)	$ 3,118,847

Total depreciation expense for the year ended June 30, 2021 was $98,096.

Note 8 – Other Current Liabilities

Other current liabilities at June 30, 2021 consisted of the following:

Construction lines of credit	$ 739,906
Construction obligations	96,262
Deferred revenues	150,000
Accrued interest	1,775
Total Other Current Liabilities	$ 987,943

<u>Note 9 – Contract Balances</u>

The following table provides information about the receivables and contract liabilities from contracts with customers.

	Balance 6/30/2020	Revenue Recognized	Revenue Received	Balance 6/30/2021
Receivables	$ 406,933	$ 2,307,391	$ 2,403,727	$ 310,597

	Balance 6/30/2020	Total Construction Contract Revenues	Obligations Completed	Balance 6/30/2021
Contract liability- Deferred construction revenues	$ 568,097	$ 2,403,727	$ 1,678,484	$ 1,293,340

The contract asset relates to construction and rehabilitation contracts. At the end of the year ended June 30, 2021, there were forty-one new construction and rehabilitation projects in progress. At the end of the year ended June 30, 2020, there were ten new construction projects in progress and no rehabilitation projects in progress. The revenues are recorded over-time and measured based on the completion of certain performance obligations based on total estimated project costs. Once the obligations are met the Organization has the right to the revenues which is shown on the financial statements as Unbilled construction revenues. The Organization expects to complete the required performance obligations during the year ended June 30, 2022.

Note 10 – Long-term Debt

Long-term debt at June 30, 2021, consisted of notes payables to various organizations as detailed below:

	Rate	Term	Balance July 1, 2020	Additions/ (Reductions)	Balance June 30, 2021	Current Portion
Kentucky Housing Corporation						
KHC Home- High Street #500120	0.00%	30 Years	$ 59,573	$ (7,525)	$ 52,048	$ 7,659
KHC Home- High Street #500120	0.00%	Forgivable	85,112	-	85,112	-
KHC Home- Guyla's Grace #500665	0.00%	30 Years	79,880	-	79,880	-
KHC Home- Duplexes #500697	0.00%	30 Years	47,652	(2,433)	45,219	2,433
KHC Home- Duplexes Deferred #500697	0.00%	30 Years	425,950	-	425,950	-
KHC AHTF Ross Loan #7040	1.00%	30 Years	13,122	(1,006)	12,116	1,006
KHC AHTF Ross Loan #7096	1.00%	30 Years	8,059	(1,007)	7,052	-
KHC AHTF Bridge III Loan #7124	0.00%	Demand	20,344	(1,237)	19,107	1,250
KHC AHTF Loan #7013	1.00%	Demand	26,112	(2,257)	23,855	2,147
KHC Loan #500043	0.00%	Forgivable	33,875	-	33,875	-
Federation of Appalachian Housing Enterprises						
Fahe- NHPR #10- 9290	1.00%	12 Years	83,994	(13,191)	70,803	13,320
Fahe #9436	4.50%	25 Years	-	80,992	80,992	1,952
Various Lenders						
RLF/CLF	0.00%	Demand	134,561	90	134,651	-
Community Trust Bank #389711	4.07%	5 Years	6,413	(5,501)	912	912
First Federal S&L (New Office) #8896	5.00%	15 Years	94,198	(13,399)	80,799	13,329
First Trust Bank Note #400481300	4.50%	5 Years	6,653	(5,317)	1,336	1,336
First Trust Bank Note #400482800	4.50%	5 Years	6,502	(6,502)	-	-
Hyden Citizens Bank #1747748	5.50%	30 Years	57,581	(829)	56,752	953
Hyden Citizens Bank- 321 Baker	4.00%	30 Years	-	103,564	103,564	1,816
Hyden Citizens Bank- 30 Forsytia	4.00%	30 Years	-	103,541	103,541	1,816
USDA Rural Development Loan	4.00%	32 Years	386,502	(10,734)	375,768	8,028
Foundation for Appalachian KY	2.00%	5 Years	100,000	100,000	200,000	-
Community Ventures	3.00%	2 Years	50,000	-	50,000	-
Payroll Protection Program Loan	1.00%	2 Years	263,700	21,800	285,500	-
Subtotal Long-term Debt			1,989,783	339,049	2,328,832	57,957
Less: Contra Accounts			(134,561)	-	(134,561)	-
Total Long-term Debt			$ 1,855,222	$ 339,049	$ 2,194,271	$ 57,957

The principal repayment requirements at June 30, 2021, relating to the above long-term debt is as follows:

2022	$ 57,957
2023	106,788
2024	158,481
2025	159,470
2026	58,952
Later Years	1,652,623
Total	$ 2,194,271

Note 10 – Long-term Debt (Continued)

The following loans are collateralized by the organization's fixed assets:

	Collateral Description	Asset with Lien (if identified)
Kentucky Housing Corporation		
KHC Home- High Street #500120	Real Estate	High Street Apartments
KHC Home- High Street #500120	Real Estate	High Street Apartments
KHC Home- Guyla's Grace #500665	Real Estate	Guyla's Grace House
KHC Home- Duplexes #500697	Real Estate	Duplex Apartment Buildings
KHC Home- Duplexes Deferred #500697	Real Estate	Duplex Apartment Buildings
KHC AHTF Ross Loan #7040	Mortgages Receivable	
KHC AHTF Ross Loan #7096	Mortgages Receivable	
KHC AHTF Bridge III Loan #7124	Mortgages Receivable	
KHC AHTF Loan #7013	Mortgages Receivable	
KHC Loan #500093	Mortgages Receivable	
Federation of Appalachian Housing Enterprises		
Fahe- NHPR #10- 9290	Mortgages Receivable	
Fahe- #9436	Real Estate	Rental House
Various Lenders		
RLF/CLF	Unsecured	
Community Trust #389711	Vehicle	New Company Van
First Federal S&L (New Office) #8896	Real Estate	New Office Building
First Trust Bank Note #400481300	Vehicle	New Company Van
First Trust Bank Note #400482800	Vehicle	New Company Van
Hyden Citizens Bank #1747748	Real Estate	Rental House
Hyden Citizens Bank- 321 Baker	Real Estate	Rental House
Hyden Citizens Bank- 30 Forsythia	Real Estate	Rental House
USDA Rural Development Loan	Real Estate	New Office Building
Foundation for Appalachian KY	Unsecured	
Community Ventures	Unsecured	
Payroll Protection Program	Unsecured	

During fiscal year 2021, Housing Development Alliance, Inc. applied and qualified for a Payroll Protection Program loan through the CARES Act related to the COVID response. The Organization fully spent the funds according to the program guidelines and will apply for loan forgiveness in fiscal year 2021. Management anticipates the full balance to be forgiven, but this is not guaranteed until the forgiveness application is processed and approved by SBA.

Note 11 – Net Assets

Net assets at June 30, 2021 consisted of the following items:

Net Assets without Donor Restrictions		$ 1,950,448
Net Assets with Donor Restrictions		
Cash	$ 354,990	
Receivables	310,597	
Inventories- Homes/Land for Sale	-	
Fixed Assets	1,292,343	
Replacement Reserves	57,935	
Mortgage Receivable	568,582	2,584,447
Total Net Assets		$ 4,534,895

Note 12 – Retirement Plan

Housing Development Alliance, Inc.'s employees were eligible to participate in a defined contribution benefit plan beginning with the fiscal year ended June 30, 2006. The plan is tax deferred. The Board approved a SIMPLE IRA plan whereby employer will match employee's contributions up to limit of 3% of compensation. Total employer contributions by Housing Development Alliance, Inc. for the current fiscal year ended were $20,717.

Note 13 – Insurance and Related Activities

The Organization is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The Organization has purchased certain policies that are retrospectively rated, such as worker's compensation insurance.

Note 14 – Commitments and Contingencies

The Organization receives funding from federal, state and local government agencies and private contributions. These funds are generally used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Organization for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Organization's grant program is predicated upon the grantor's satisfaction that funds provided are being spent as intended and the grantor's intent to continue the programs.

Portions of Housing Assistance Council Loan Numbers 1-1807-1503 ($180,000), 1-1902-1610 ($195,000) and 1-2002-1705 ($195,000) remain contingent upon formal forgiveness by the Housing Assistance Council according to funding guidelines.

Note 15 – Financial Instruments and Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and various receivables.

The Organization maintains most of its cash accounts in Perry County, Kentucky. The balances are insured by the Federal Deposit Insurance Corporation. At June 30, 2021, $846,261 of the Organization's cash balances were uncollateralized.

The Organization acting as mortgagor, provides low interest loans to residents located in Perry County, Kentucky and surrounding areas. Allowance accounts have been established and no significant balance sheet losses are expected.

Note 16 – Redbud Financial Alternatives, Inc.

Redbud Financial Alternatives, Inc. was formed by Housing Development Alliance, Inc. on November 5, 2014 as a nonprofit corporation to provide fair and equitable consumer loans and mortgages. Redbud Financial Alternatives, Inc. has a separate and distinct Board of Directors, its own Federal Tax identification number and is now recognized as an independent 501(c)(3) entity by the Internal Revenue Service. Housing Development Alliance, Inc. retains a level of control by reserving the right to appoint and remove members of the Redbud Financial Alternatives, Inc. Board of Directors and the right to approve or reject any changes to the Organization's articles of incorporation and bylaws. As a matter of compliance and fiscal autonomy, Redbud Financial Alternatives, Inc. is audited as a separate legal entity resulting in its own audit report. Thus, the financial statements of Housing Development Alliance, Inc. do not include any financial data from Redbud Financial Alternatives, Inc.

Note 17 – Expansion of Program into Surrounding Counties

The Organization continues to expand its operations into Leslie, Knott, and Breathitt counties as per its strategic plan. The Organization plans to help 1,000 families within the next 10 years. The Organization is currently working on a new strategic plan.

Note 18 – Schedule of Liquidity

The following table shows the Organization's financial assets, reduced by amounts not available within one year. Certain financial assets are designated as illiquid when they are unavailable as cash within a year, have donor restrictions, or held in reserves for others.

The following is the detail of the Organization's liquidity:

	June 30, 2021
Cash and cash equivalents	$ 1,157,035
Investments	4,685
Contracts receivable	310,597
Grants receivable	64,845
Mortgages receivable, net	703,399
Other receivables	200,232
Less: Cash and cash equivalents with restrictions	(354,990)
Cash available for operations within one year	$ 2,085,803

Note 19 – Coronavirus (COVID-19) Impact

The global coronavirus (COVID-19) pandemic continues to impact the Organization. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future. The extent to which COVID-19 may impact the Organization will depend on future developments and government regulations, which are highly uncertain and cannot be predicted. As a result, the Organization has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2022.

Note 20 – Subsequent Events

Housing Development Alliance, Inc. has evaluated subsequent events through March 2, 2022, the date financial statements were available to be issued.

HOUSING DEVELOPMENT ALLIANCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CDFA Number	Pass-Through Grantor's Number	Expenditures
Department of Housing & Urban Development			
Passed through Kentucky Housing Corporation (KHC)			
Home Program (HOME)	14.239*		$ 548,993
Section 8 Rental Assistance	14.856		51,180
Tenant Based Rental Assistance	14.239*		14,989
CHDO Operating Grant	14.239*		15,000
Subtotal passed through KHC			630,162
Passed through Housing Assistance Council (HAC)			
Self-Help Home Ownership Program (SHOP)	14.247		60,553
Passed through Federation of Appalachian Housing Enterprises (Fahe)			
Home Investment Partnership Program (HOME)	14.239*		70,805
Total Department of Housing & Urban Development			761,520
Appalachian Regional Commission (ARC)			
Passed through Federation of Appalachian Housing Enterprises (Fahe)			
Passed through Fahe	23.001		47,808
Power Grant- Hope Building	23.001		172,618
Total Appalachian Regional Commission			220,426
Department of Agriculture			
Rural Housing Service			
RD- 502 Programs	10.410*		1,204,600
RD- 504 Programs	10.417		138,404
RD- Housing Preservation Grant	10.433		27,123
Total Department of Agriculture			1,370,127
TOTAL FEDERAL AWARDS			$ 2,352,073

* Major Program under Uniform Guidance

See accompanying notes to Schedule of Expenditures of Federal Awards.

HOUSING DEVELOPMENT ALLIANCE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Housing Development Alliance, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements. The Organization did not elect to use the 10% de minimis indirect cost rate during the audit year.

NOTE B – INSURANCE

The Organization carried insurance coverage during the entire year in amounts sufficient to or in excess of required levels, including coverage for general and professional liability, real and personal property, workers' compensation and fidelity bonding of employees who have access to funds.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Housing Development Alliance, Inc.
Hazard, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Development Alliance, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Development Alliance, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Development Alliance, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Development Alliance, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Development Alliance, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

CRAFT, WANINGER, NOBLE
& COMPANY, PLLC
CPAs & Trusted Advisors

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
March 2, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Housing Development Alliance, Inc.
Hazard, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Housing Development Alliance, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Development Alliance, Inc.'s major federal programs for the year ended June 30, 2021. Housing Development Alliance, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Development Alliance, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Development Alliance, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Housing Development Alliance, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Development Alliance, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Housing Development Alliance, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Development Alliance, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures

CRAFT, WANINGER, NOBLE
& COMPANY, PLLC
CPAs & Trusted Advisors

that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Development Alliance, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
March 2, 2022

HOUSING DEVELOPMENT ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Housing Development Alliance, Inc.

2. Our report on the financial statements disclosed no significant deficiencies or material weaknesses in the internal control structure.

3. No instances of noncompliance material to the financial statements of Housing Development Alliance, Inc. were disclosed during our audit.

4. The auditor's report on compliance for the major federal awards programs for Housing Development Alliance, Inc. expresses an unmodified opinion on all major federal programs.

5. Our unmodified audit report disclosed no audit finding required to be reported in accordance with 2 CFR 200.516(a).

6. The programs tested as major programs included:

Rural Development 502 Program	CFDA #10.410	Type A
HOME Investment Partnership Program	CFDA #14.239	Type B

7. The threshold to determine Type A: $750,000.

8. Housing Development Alliance, Inc. was determined to be a high-risk auditee.

9. In connection with tests of internal control and compliance with laws and regulations, no material weaknesses were noted in internal control, and the Organization was in substantial compliance with laws and regulations.

10. There were no questioned costs with respect to major programs selected for compliance tests.