

DREAMKEY PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
(WITH SUPPLEMENTAL INFORMATION)
AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021



DreamKey Partners, Inc. and Subsidiaries

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DreamKey Partners, Inc. and Subsidiaries

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
DreamKey Partners, Inc. and Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of DreamKey Partners, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, other comprehensive income (loss), functional expenses, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DreamKey Partners, Inc. and Subsidiaries as of December 31, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of DreamKey Partners, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information on pages 70 through 90 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying information on pages 91 and 92 is presented for purposes of additional analysis is required by the Neighborhood Reinvestment Corporation (NeighborWorks) and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, state financial assistance and other awards and the related notes to the schedule of expenditures of federal awards, state financial assistance and other awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. That information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The accompanying other information on page 102 has not been subject to auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express any opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022 on our consideration of DreamKey Partners, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DreamKey Partners, Inc. and Subsidiaries' 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 DreamKey Partners, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Tidwell Group, LLC

Atlanta, Georgia

April 29, 2022

DreamKey Partners, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 6,437,477
Grants receivable	1,283,238
Accounts receivable/Due from affiliates	434,338
Deferred rent asset	8,525
Notes receivable - current	1,172,673
Prepaid expenses	135,040
Total current assets	<u>9,471,291</u>

RESTRICTED DEPOSITS AND FUNDED RESERVES

Restricted cash	12,977,433
Funds held for others	1,313,524
Escrows	694,096
Replacement and operating reserves	9,940,180
Other reserves	196,000
Total restricted deposits and funded reserves	<u>25,121,233</u>

PROPERTY AND EQUIPMENT

Rental property, net of accumulated depreciation of \$30,874,205	50,700,222
Rental property - consolidating entities, net of accumulated depreciation of \$31,452,038	126,599,847
Personal property and equipment, net of accumulated depreciation of \$298,305	58,986
Total property and equipment	<u>177,359,055</u>

OTHER ASSETS

Mortgage notes receivable, net of allowance for loan loss of \$3,960,899	1,905,292
Interest receivable, net of allowance for loss on interest receivable of \$233,730	867,497
Projects in development	28,219,891
Land held for sale	3,767,923
Land leasehold interest	93,067
Deferred tax credit fees, net of accumulated amortization of \$807,268	1,152,930
Investments - other	844,650
Total other assets	<u>36,851,250</u>

Total assets	<u>\$ 248,802,829</u>
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DreamKey Partners, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2021

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 633,797
Accrued expenses and other liabilities	700,428
Development costs payable	743,390
Due to others	116,941
Interest payable	5,997,810
Notes payable - current	7,842,634
Total current liabilities	<u>16,035,000</u>

DEPOSITS AND PREPAID LIABILITY

Funds held for others	1,305,039
Deferred revenue	12,330,994
Total deposits and prepaid liability	<u>13,636,033</u>

LONG-TERM LIABILITIES

Fair value - interest rate swap liability	482,308
Notes payable, net of unamortized debt issuance costs of \$2,597,337	139,388,976
Due to affiliates	5,329
Total long-term liabilities	<u>139,876,613</u>

Total liabilities	<u>169,547,646</u>
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NET ASSETS:

Without donor restrictions - controlling interest	20,183,646
Without donor restrictions - noncontrolling interest	48,978,897
Net assets without donor restrictions	<u>69,162,543</u>
Net assets with donor restrictions purpose or period restricted	10,092,640
Net assets with donor restrictions invested in perpetuity	-
Net assets with donor restrictions	<u>10,092,640</u>
Total net assets	<u>79,255,183</u>
Total liabilities and net assets	<u>\$ 248,802,829</u>

See notes to consolidated financial statements.

DreamKey Partners, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2021

Change in net assets - without donor restrictions:

Revenues and support

Grant revenue - federal awards	\$ 67,778,601
Grant revenue - other awards	3,315,539
Contributions	173,766
Real estate sales	63,675
Rental income	10,116,200
Rental income - consolidating entities	11,883,219
Counseling fees	280,651
Loan fees	31,801
Interest income	104,344
Other income	<u>962,481</u>

Total revenues and support	94,710,277
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Other releases from net assets

Net assets released from donor restrictions	<u>661,938</u>
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Total revenues, support and net assets released from donor restrictions	<u>95,372,215</u>
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Expenses and losses

Program services	
Home ownership program	1,404,026
COVID mortgage, rental and utility relief	66,046,188
Construction and development	2,240,416
Asset management	849,600
Multifamily rental housing	9,039,253
Multifamily rental housing consolidating entities	14,115,831
Support services	
Management and general	2,770,213
Provision (recovery) for loan loss and bad debt expense	<u>424,089</u>

Total expenses and losses	<u>96,889,616</u>
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Decrease in net assets without donor restrictions	<u>(1,517,401)</u>
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DreamKey Partners, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES - CONTINUED

Year ended December 31, 2021

Net assets released from donor restrictions	<u>\$ (1,336)</u>
Increase in net assets with donor restrictions, purpose or period restricted	<u>(1,336)</u>
Change in net assets with donor restrictions, invested in perpetuity:	
Net assets released from donor restrictions	<u>(660,602)</u>
Decrease in net assets with donor restrictions, invested in perpetuity	<u>(660,602)</u>
Excess (deficiency) of revenues over expenses - consolidated	(2,179,339)
Excess (deficiency) of revenues over expenses attributable to noncontrolling interest	<u>3,005,539</u>
Excess (deficiency) of revenues over expenses attributable to DreamKey Partners, Inc.	<u><u>\$ 826,200</u></u>

See notes to consolidated financial statements.

DreamKey Partners, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (LOSS)

Year ended December 31, 2021

Net loss	\$	(2,179,339)
Unrealized gains (losses) on securities:		
Unrealized holding gains arising during period		<u>257,438</u>
Other comprehensive income (loss)		<u>257,438</u>
Comprehensive income (loss)	\$	<u><u>(1,921,901)</u></u>

See notes to consolidated financial statements.

DreamKey Partners, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021

	Home Ownership	COVID Relief	Constr & Dev	Asset Mgmt	MFRH	MFRH - CE	Total	Mgmt & Gen	Total
Payroll Expenses - office	\$ 1,209,319	\$ -	\$ 1,656,021	\$ 345,725	\$ -	\$ -	\$ 3,211,065	\$ 1,401,838	\$ 4,612,903
Rent	132,692	-	51,166	19,500	-	-	203,358	85,369	288,727
Professional Fees	4,000	-	113,252	-	14,163	33,391	164,806	273,083	437,889
Insurance	1,069	-	7,032	8,526	747	117,735	135,109	42,751	177,860
Technology	6,400	-	-	-	-	-	6,400	76,655	83,055
Travel & Education	6,683	-	13,191	967	-	-	20,841	37,411	58,252
Marketing	2,185	-	9,773	-	-	13	11,971	237,471	249,442
Other Administrative Expenses	31,905	3,893,977	43,767	127,222	22,929	14,206	4,134,006	363,420	4,497,426
Program Expenses	9,773	62,152,211	218,884	-	(9,424)	4,875	62,376,319	33,145	62,409,464
Other Operating Expenses	-	-	-	4,175	-	1,843	6,018	-	6,018
Interest	-	-	91,250	-	84,640	609,762	785,652	198,258	983,910
Depreciation and Amortization	-	-	-	66,778	1,944,217	4,708,420	6,719,415	20,061	6,739,476
Property Operating Expenses:									
Administrative	-	-	33,407	49,919	1,017,737	1,532,176	2,633,239	561	2,633,800
Payroll	-	-	-	53,738	1,319,225	1,722,920	3,095,883	-	3,095,883
Utilities	-	-	2,673	18,514	850,967	1,049,502	1,921,656	-	1,921,656
Service Contracts	-	-	-	21,555	228,589	275,068	525,212	-	525,212
Maintenance	-	-	-	43,612	933,925	743,827	1,721,364	-	1,721,364
Non-Capital Major Repairs	-	-	-	58,305	672,239	491,586	1,222,130	-	1,222,130
Taxes, Insurance & Other	-	-	-	29,637	422,956	664,881	1,117,474	190	1,117,664
Interest	-	-	-	1,427	1,536,343	2,145,626	3,683,396	-	3,683,396
Total Operating Expenses	1,404,026	66,046,188	2,240,416	849,600	9,039,253	14,115,831	93,695,314	2,770,213	96,465,527
Bad Debt Expense	204,641	-	-	15,825	110,586	93,037	424,089	-	424,089
Total Expenses and losses	\$ 1,608,667	\$ 66,046,188	\$ 2,240,416	\$ 865,425	\$ 9,149,839	\$ 14,208,868	\$ 94,119,403	\$ 2,770,213	\$ 96,889,616

See notes to consolidated financial statements.

DreamKey Partners, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2021

	Net Assets Without Donor Restrictions			Total	Net Assets With Donor Restrictions	Total Net Assets
	Controlling Interest	Noncontrolling Interest	Accumulated Other Comprehensive Income (Loss)			
Balance, December 31, 2020	\$ 19,169,478	\$ 39,217,963	\$ (731,408)	\$ 57,656,033	\$ 10,754,578	\$ 68,410,611
Contributions	-	13,661,850	-	13,661,850	-	13,661,850
Distributions	-	(895,377)	-	(895,377)	-	(895,377)
Other comprehensive income (loss)	-	-	257,438	257,438	-	257,438
Excess (deficiency) of revenues over expenses - consolidated	<u>1,488,138</u>	<u>(3,005,539)</u>	<u>-</u>	<u>(1,517,401)</u>	<u>(661,938)</u>	<u>(2,179,339)</u>
Balance, December 31, 2021	<u>\$ 20,657,616</u>	<u>\$ 48,978,897</u>	<u>\$ (473,970)</u>	<u>\$ 69,162,543</u>	<u>\$ 10,092,640</u>	<u>\$ 79,255,183</u>

See notes to consolidated financial statements.

DreamKey Partners, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2021

Cash flows from operating activities:	
Excess (deficiency) of revenues over expenses - consolidated	\$ (2,179,339)
Adjustment to reconcile excess (deficiency) of revenues over expenses - consolidated to cash flows from operating activities:	
Depreciation	6,622,071
Amortization of debt issuance costs	272,686
Amortization	117,405
Gain on land held for sale, net	(63,675)
Amortization of discount on loans receivable	1,945
Provision for loan loss and bad debt expense	422,144
Fair value - interest rate swap	(9,425)
Forgiveness of PPP loans	(596,175)
Amortization - fair value land lease	1,600
(Increase) decrease in operating assets	
Grants receivable	(168,133)
Accounts receivable/Due from affiliates	160,693
Prepaid expenses	(15,592)
Deferred rent asset	(8,525)
Interest receivable	(21,496)
Land held for sale	56,224
Increase (decrease) in operating liabilities	
Accounts payable	139,313
Accrued expenses and other liabilities	92,032
Funds held for others	142,097
Interest payable	587,016
Deferred rent liability	(4,909)
Deferred revenue	9,587,277
Due to others	(49,273)
Due to affiliates	445,610
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Net cash provided by operating activities	<u>15,531,571</u>

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DreamKey Partners, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS - CONTINUED

Year ended December 31, 2021

Cash flows from investing activities:	
Principal collected/other reductions	\$ 574,737
Mortgage loans originated	(859,218)
Investment in projects in development	(14,844,412)
Purchase of rental property	(4,470,150)
Tax credit fees paid	<u>(249,740)</u>
Net cash used in investing activities	<u>(19,848,783)</u>
Cash flows from financing activities:	
Proceeds from borrowings	17,456,760
Repayment of debt	(15,560,997)
Loan fees paid	(577,713)
Contributions - noncontrolling members	13,661,850
Distributions - noncontrolling members	<u>(895,377)</u>
Net cash provided by financing activities	<u>14,084,523</u>
Net increase in cash, cash equivalents and restricted cash	9,767,311
Cash, cash equivalents and restricted cash, beginning of year	<u>21,791,399</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 31,558,710</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest, net of amounts capitalized	<u>\$ 3,708,420</u>
Significant non-cash investing activities:	
Rental property	\$ (743,390)
Development costs payable	743,390
Changes in fair market value of swap liability	(257,438)
Unrealized loss on interest rate swap	<u>257,438</u>
	<u>\$ -</u>

See notes to consolidated financial statements.

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Charlotte-Mecklenburg Housing Partnership, Inc. is a nonprofit housing development and finance corporation organized in the State of North Carolina on July 5, 1988 to expand affordable and well-maintained housing and promote stable neighborhoods for low and moderate income families with a continuing interest in the ability of occupants to more fully enter the economic mainstream. On March 4, 2021, Charlotte-Mecklenburg Housing Partnership, Inc. filed Articles of Amendment with the North Carolina Department of the Secretary of State to change its name to DreamKey Partners, Inc. (DKP or the Organization), effective as of January 27, 2021. The strategies that DKP has adopted to fulfill its mission are as follows: revitalizing targeted inner city neighborhoods, developing and managing affordable rental property, and providing homeownership opportunities. DKP currently markets under the name of DreamKey Partners and is designated as a Community Based Development Organization (CBDO) by the City of Charlotte.

DKP primarily receives funding from the City of Charlotte, Mecklenburg County and the Neighborhood Reinvestment Corporation (NeighborWorks). Funding from the City of Charlotte is from federal and local sources. The federal funds are generally Community Development Block Grant under Title I of the Housing and Community Development Act of 1974 (CDBG) funds, HOME Investment Partnerships Act (HOME) funds, Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds, and U.S. Department of Treasury Emergency Rental Assistance (ERA) Program funds. The local funds are City Innovative Housing Funds (Innovative). Funding from Mecklenburg County is generally from federal sources. The federal funds are generally Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds and U.S. Department of Treasury Emergency Rental Assistance (ERA) Program funds. NeighborWorks, (a public, congressionally chartered nonprofit organization receiving direct federal funds) provides funding through two NeighborWorks programs: Permanently Restricted Capital Funds and Unrestricted Expendable Grants.

DKP and its affiliates also receive significant funding from federal, state, and local government programs in various other forms including low-income housing tax credits, low interest rate loans, and rent subsidies for low and moderate income tenants and home buyers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of DKP, nonprofit entities in which DKP has an economic interest in and control of through majority voting on the respective governing board, its wholly owned subsidiaries, and subsidiaries in which it has majority ownership or less than a majority ownership but for which DKP exercises control. These entities are included in the consolidation according to U.S. generally accepted accounting principles (GAAP) which require that partnership accounts be consolidated for all limited partnerships or limited liability companies which are deemed to be controlled by DKP.

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

All significant intercompany transactions and balances have been eliminated in consolidation.

The following entities are included in the consolidated financial statements of DKP:

CMHP Properties, Inc. (controlling economic interest)

Druid Hills, LLC (wholly owned subsidiary)

Tyvola Crossing LLC (managing member controlled)

CMHP TECE, Inc. (wholly owned subsidiary)

South Oak Crossing, LLC (managing member controlled)

Fairview Senior Housing, Inc. (Anita Stroud Center) (majority governing board)

DreamKey Partners Mortgage, Inc. (majority governing board)

Double Oaks Development, LLC (wholly owned subsidiary)

Cheshire Seversville, LLC (wholly owned subsidiary)

CFU Brighton Place, LLC (wholly owned subsidiary)

CFU Pleasant View, LLC (wholly owned subsidiary)

CFU Portfolio, LLC (wholly owned subsidiary)

CFU Shelton Knoll, LLC (wholly owned subsidiary)

Tyvola Crossing II, LLC (wholly owned subsidiary)

Rosedale II, LLC (wholly owned subsidiary)

Rocky Branch II, LLC (wholly owned subsidiary)

South Park Manager, LLC (wholly owned subsidiary)

South Park Seniors, LLC (managing member controlled)

Kohler Manager, Inc. (wholly owned subsidiary)

Kohler Avenue, LLC (managing member controlled)

Gables II Manager, Inc. (wholly owned subsidiary)

Gables II, LLC (managing member controlled)

Statesville Avenue Manager, Inc. (wholly owned subsidiary)

Statesville Avenue Homes, LLC (managing member controlled)

Westinghouse Manager, Inc. (wholly owned subsidiary)

Westinghouse Apartments, LLC (managing member controlled)

CMHP Walden Pond, LLC (wholly owned subsidiary)

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Catawba Manager, Inc. (wholly owned subsidiary)
 Catawba Senior Housing, LLC (managing member controlled)
Weddington Road Apartments, LLC (wholly owned subsidiary)
CMHP Development, LLC (wholly owned subsidiary)
Atando Manager, Inc. (wholly owned subsidiary)
 Atando Apartments, LLC (managing member controlled)
Cindy Lane Development, LLC (wholly owned subsidiary)
Tuckaseegee Manager, Inc. (wholly owned subsidiary)
 Tuckaseegee Senior, LLC (managing member controlled)
CMHP Forest Ridge, LLC (wholly owned subsidiary)
CMHP TECE Georgia, Inc. (wholly owned subsidiary)
Wellspring Manager, Inc. (wholly owned subsidiary)
 Wellspring Village, LLC (managing member controlled)
Freedom Manager, Inc. (wholly owned subsidiary)
 Freedom Apartments, LLC (managing member controlled)
Nolley Manager, Inc. (wholly owned subsidiary)
 Nolley Apartments, LLC (managing member controlled)
CMHP Wendover Walk, LLC (wholly owned subsidiary)
Billingsley Road, LLC (wholly owned subsidiary)
CMHP Orange Street, LLC (wholly owned subsidiary)
Connelly Manager, Inc. (wholly owned subsidiary)
 Connelly Apartments, LLC (managing member controlled)
Grounds for Change Apartments LLC (wholly owned subsidiary)
JOS Apartments LLC (wholly owned subsidiary)
Mayfield Apartments LLC (wholly owned subsidiary)

DKP is the non-profit general partner of Breckenridge Oaks, LLC, which is the general partner of Breckenridge Oaks, LP. DKP's investment in Breckenridge Oaks, LLC is being accounted for using the equity method.

DKP is the sole member of CMHP TECE Georgia, Inc., which is the non-managing member of Hearthside Lafayette Partners, LLC, which is the general partner of Hearthside Lafayette, LP. CMHP TECE Georgia, Inc. accounts for its investment in Hearthside Lafayette Partners, LLC using the equity method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

DKP owns a non-majority interest in Freedom Land JV, LLC, which is a joint venture formed for the purpose of owning and leasing land related to an affordable multifamily housing project. DKP accounts for its investment using the equity method. During the year ended December 31, 2018, DKP was donated land with a fair value of \$790,000, which it deeded to Freedom Land JV, LLC, except for a small portion retained by DKP. DKP has an investment in Freedom Land JV, LLC in the amount of \$785,000, the fair value of land donated to Freedom Land JV, LLC, as of December 31, 2021, which is included in investments – other on the accompanying consolidated statement of financial position.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). 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. Gains and losses on investments and other assets or liabilities, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of restrictions on net assets are reported as reclassifications between applicable net asset classes.

Contributions are recognized as revenue in the period received or upon the receipt of an unconditional promise to give. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Non-controlling Interest in Limited Liability Companies

GAAP requires consolidated subsidiaries that have non-controlling interests to include the non-controlling ownership interest in the net assets of DKP. GAAP also requires that the

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

aggregate negative balances, if any, of investor member interests prior to January 1, 2010 remain in DKP's net assets.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents include all cash balances, bank overdrafts, and highly liquid short term investments, if any, with a maturity of three months or less when purchased. The cash balances also include amounts that are restricted for member distributions or payment of entity expenses and are not available for operations.

DKP and its subsidiaries are subject to restrictions on certain funds received. These funds are separately classified on the consolidated statement of financial position.

Cash, cash equivalents, and restricted cash as of December 31, 2021 consisted of the following:

Cash and cash equivalents	\$ 6,437,477
Restricted cash	<u>25,121,233</u>
Total cash, cash equivalents, and restricted cash shown on the consolidated statement of cash flows	<u>\$ 31,558,710</u>

Receivables and Bad Debts

First mortgage loans to qualified single family home buyers that were fully funded by related borrowings from a loan consortium through December 31, 1999 are presented net in the consolidated statement of financial position. The risk of any loss from foreclosure on the first mortgages has been assumed by the respective funding source.

Mortgages and loans receivable, except for one loan, are stated at unpaid principal balances, less an allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on DKP's past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. DKP carries one loan to a multifamily entity at the net present value and amortizes the discount under the interest method.

It is reasonably possible that management's estimate of the allowance will change from time to time, based on market conditions.

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method for tenant receivables is not materially different from the results that would have been obtained under the allowance method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Interest income, as applicable, is recognized on the accrual basis.

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and promises become unconditional.

DKP uses the allowance method to determine uncollectible promises to give. The allowance is based on prior experience and management's analysis of specific promises made.

Projects in Development

Projects in Development (PID) consist of single family homes purchased for rehabilitation and rental or resale, including costs for the acquisition of land and buildings, as well as rehabilitation costs incurred. Interest incurred during the period of development is capitalized as part of the related project. PID is recorded at the lower of costs incurred or fair value. Fair value is based on management's best estimate of current market conditions. Due to the nature of DKP's purpose of facilitating the purchase of affordable housing by low-income families, it is likely that the fair value (including estimated costs to complete) will be lower than the costs incurred.

PID also include multifamily affordable housing projects in the initial stages of development. Predevelopment costs incurred, such as market studies, environmental studies, relocation costs and legal and accounting are capitalized as projects in development until such time as the project is either abandoned or becomes an approved project with independent funding sources. Predevelopment costs are charged to operations when a potential project is no longer feasible.

PID also include the land and development costs associated with the Double Oaks redevelopment, an original 70-acre master planned land development project. DKP owns the land and is acting in the role of the master developer to prepare building pads to be sold to other developers to create a mixed-use, mixed-income community. As of December 31, 2021, approximately 5.8 acres remain land held for development under the Double Oaks project. The Double Oaks project is recorded at the lower of cost incurred or fair value. Fair value is based on management's best estimate of current market conditions.

PID also include land held for future development in DKP's targeted neighborhoods. This is a combination of land purchased by DKP or one of its affiliates and land and buildings purchased by DKP where DKP has demolished the buildings. DKP or one of its affiliates is holding this land until the proper time to develop it. The land is recorded at the lower of cost incurred or fair value. Fair value is based on management's best estimate of current market

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

conditions. Since most of the land was purchased with buildings that were later demolished, it is likely that the fair value is lower than the costs incurred.

Because of the inherent uncertainties in estimating market conditions, it is at least reasonably possible that the estimates used will change significantly within the near term.

Land Held for Sale

Land held for sale is recorded at cost, if purchased, and at fair value, if donated or contributed. Land is recorded as held for sale if management expects to sell the land within the next twelve months. Land held for sale is measured at the lower of carrying amount or fair value less costs to sell. Expected losses in excess of cost are recorded as cost of sales.

Property and Equipment

Acquisitions of apartment communities or interests in companies that own apartment communities are accounted for as asset acquisitions and recorded at total cost and allocated to the net assets acquired based on relative fair value. Transaction costs are capitalized as a cost of the acquisition. Fair value of the individual assets acquired and liabilities assumed are determined generally using internal valuation techniques that consider comparable market transactions, replacement costs and other available information, such as property tax assessments and third party appraisals. The fair value of identified intangible assets, which typically relate to in-place leases, are generally determined to be immaterial due to the limited leases in place at the time of acquisition and the short duration of such leases.

Property and equipment are carried at cost, if purchased, and at fair value at the time of receipt, if donated. Expenditures for property and equipment in excess of \$5,000 are capitalized. Maintenance and repairs that do not improve or extend the useful lives of the related asset are expensed in the respective reporting period. Major repairs to existing rental property are evaluated for capitalization on a case-by-case basis. If a major repair is replacing an existing system that is relatively new and not adding new value to the rental property, the major repair is expensed in the respective reporting period. If the major repair is either adding a new system in addition to an existing one, or replacing a system at or near the end of its life, the major repair is capitalized.

Rental property is carried at cost, with the exception of the rental homes owned by DKP, which are recorded at lower of cost incurred or fair value. The fair value is based on management's best estimate of current market conditions. Due to the nature of DKP's mission, it is likely that the fair value of the rental houses will be lower than the cost incurred. Minor repairs and replacements are recognized as expenses when incurred.

Depreciation is provided for in amounts sufficient to relate the costs of the depreciable assets to operations over their estimated economic lives by use of the straight-line method. Depreciation expense for the year ended December 31, 2021 was \$6,622,071. The estimated lives used in determining straight-line depreciation are:

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Building and improvements	30 - 40 years
Rental houses	30 years
Land improvements	15 - 20 years
Personal property and equipment	3 - 12 years

Impairment of Long-lived Assets

DKP reviews its rental property, notes receivable, projects in development, and investments for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference.

Assets held for sale are measured at the lower of carrying amount or the fair value, less costs to sell. No impairment losses related to assets held for sale have been recognized during the year ended December 31, 2021.

Projects in development are measured at the lower of carrying amount or the fair value, less costs to sell. No impairment losses related to projects in development have been recognized during the year ended December 31, 2021.

Debt Issuance Costs

In accordance with GAAP, debt issuance costs are presented as an offset of the related debt instruments within the liabilities section of the consolidated statement of financial position. Debt issuance costs are amortized using the straight-line method over the life of the related debt instrument and amortization expense is included in interest expense on the accompanying consolidated statement of functional expenses. Prepaid debt issuance costs with no outstanding borrowings are classified as an asset on the accompanying consolidated statement of financial position.

GAAP requires that the effective interest method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective interest method. Estimated annual amortization expense for the next five years through December 31, 2026 is \$191,319, \$141,975, \$114,986, \$101,475, and \$85,062, respectively.

Tax Credit Fees

Tax credit application and monitoring fees are amortized using the straight-line method over the mandatory compliance period of fifteen years.

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Amortization expense charged to operations for the year ended December 31, 2021 was \$117,405, which is included in depreciation and amortization on the accompanying statement of functional expenses. Estimated annual amortization expense for the next five years through December 31, 2026 is \$122,406, \$114,712, \$111,943, \$103,902 and \$88,783, respectively.

Deferred Rent

Rental expense under operating leases is recorded on the straight-line method over the term of the respective leases. Rental expense in excess of rental payments is recorded as a deferred rent liability on the consolidated statement of financial position. Rental payments in excess of rental expense is recorded as a deferred rent asset on the accompanying consolidated statement of financial position.

Revenue With Donor Restrictions and Revenue Without Donor Restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions that are temporary in nature are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Recognition of Grant Revenue

DKP recognizes non-reimbursable grants as revenue without donor restrictions when awarded. Certain grants are received under the cost reimbursement method and are recognized in revenue without donor restrictions as reimbursable expenditures are incurred. Amounts received that are designated for future periods or restricted by the grantor are reported as donor restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the grant is received, the organization reports the grant as support without donor restriction.

Sales Revenue

Sales revenue from houses and land sales is recognized when the sale is consummated. Sales revenue, cost of sales, and gain, if any, with related parties is eliminated in consolidation.

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. Leases between DKP, either directly or through its affiliates or

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

subsidiaries, and tenants of the properties are operating leases and the terms are generally one year or less.

Rental income from commercial leases is recognized using the straight-line method over the term of the related leases. Rental income recognized under the straight-line method in excess of payments received is recorded as rent receivable. The commercial leases between DKP and the tenants are operating leases. See Note 21.

Tenant Subsidies

A portion of the tenant rental income from the consolidating subsidiaries is in the form of subsidy payments from the U.S. Department of Housing and Urban Development (HUD) under Section 8 of the National Housing Act. Tenants are subsidized based on level of income and rent increases require approval of HUD. Tenant subsidy payments are also received from the Housing Authority of the City of Charlotte, North Carolina (CHA) under its HUD Consolidated Annual Contributions Contract and Section 8 programs.

Developer Fees

Developer fees are recognized during construction and development based on percentage of completion as defined. Developer fees earned and paid for with investor equity or project debt are capitalized in the respective entity's building basis and recorded as income by DKP and are not eliminated in consolidation. The corresponding receivable and payable for developer fees not paid as of December 31, 2021 are eliminated in consolidation. Developer fees that are earned, but for which payment is deferred and payable from cash flows of the respective operating entity, are eliminated in consolidation. Developer fees earned from wholly-owned subsidiaries are eliminated in consolidation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by persons with those skills and would otherwise be purchased. DKP receives a substantial amount of legal services donated by its general counsel. Donated services are recorded at fair value. For the year ended December 31, 2021, DKP recorded \$122,360 of donated legal services from its general counsel, which is included in contributions on the consolidated statement of activities.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities and consolidated statement of functional expenses. Certain costs attributable to more than one program or supporting function have been allocated among the programs and supporting services benefited. Expenses are allocated among program and supporting services on a basis of time and effort

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

(such as salaries and benefits) as well as square footage (such as depreciation, office and occupancy) or other reasonable and consistent methodology.

Income Taxes

DKP, CMHP Properties, Inc. (CMHPP), DreamKey Partners Mortgage, Inc. (DKP Mortgage) and Fairview Senior Housing, Inc. (FSH) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). DKP is classified as a charitable organization under Section 509(a)(1) of the IRC, CMHPP is classified as a charitable organization under Section 509(a)(3) of the IRC, DKP Mortgage and FSH are classified as charitable organizations under Section 509(a)(2) of the IRC. Accordingly, no provision for income taxes has been made in the consolidated financial statements. DKP did not have any unrelated business income tax for the year ended December 31, 2021.

DKP's corporate taxable affiliates recognize income taxes under the asset and liability method. For the year ended December 31, 2021, taxable income or loss and temporary differences, individually and in the aggregate, are not material to the consolidated financial statements.

DKP's affiliates, single member limited liability companies and limited liability companies that are controlled and consolidated by DKP, are entities that have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by their owners on their respective income tax returns. Each entity's federal tax status as a pass-through entity is based on their respective legal status as a limited liability company. Accordingly, the entities are not required to take any tax positions in order to qualify as pass-through entities. The individual entities (unless a single member limited liability company which is not required to file a tax return with the Internal Revenue Service) are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the entities have no other tax positions which must be considered for disclosure.

Generally, income tax returns filed by DKP and its affiliates are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2018 remain open.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Fair Value of Financial Instruments

The carrying amounts of DKP's cash and cash equivalents, investments, receivables (other than long-term notes receivable), payables and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of DKP's long-term notes receivable and notes payable is assessed by management. Management evaluates its notes receivable and notes payable based on analysis of underlying investments and historical trends and records loss provisions as necessary. DKP has provided financial guarantees for its affiliated affordable housing projects. It is impractical to estimate the fair value of DKP's financial guarantees because there are no quoted market prices for transactions that are similar in nature.

Derivative Instruments and Hedging Activities

During the year ended December 31, 2021, CFU Portfolio, LLC had an interest rate swap with a notional amount of \$234,500 outstanding at December 31, 2021 that was used to mitigate the economic impact of changes in interest rates. Management does not enter into derivative transactions for trading or other speculative purposes. The swap is designated as a cash flow hedge and is being used to offset the risk of changes in cash flow associated with benchmark interest payments on its variable rate mortgage loan. The interest rate swap does not qualify for hedge accounting and therefore, all changes in activity are recorded in the consolidated statement of activities. The swap was reported at fair value on the consolidated statement of financial position as a liability in the amount of \$8,338 at December 31, 2021.

Tuckaseegee Senior, LLC had an interest rate swap with a notional amount of \$3,171,982 outstanding at December 31, 2021 that was used to mitigate the economic impact of changes in interest rates. Management does not enter into derivative transactions for trading or other speculative purposes. The swap is designated as a cash flow hedge and is being used to offset the risk of changes in cash flow associated with benchmark interest payments on its variable rate mortgage loan. The interest rate swap is fixed at 5.21 percent per annum and qualifies for hedge accounting. Therefore, all changes in activity are recorded in the consolidated statement of other comprehensive income (loss). The swap was reported at fair value on the consolidated statement of financial position as a liability in the amount of \$473,970 at December 31, 2021.

NOTE 3 - PROMISES TO GIVE

Promises to give are recorded as revenue at net realizable value based on historical trends. Payments due in future periods are discounted to present value and recorded as net assets with donor restrictions. As of December 31, 2021, there were no promises to give.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE 4 - FUNDS HELD FOR OTHERS

Maintenance and Security Deposit Accounts

Homeowners who financed homes through DKP prior to January 1999 have a portion of their monthly mortgage payment deposited into a maintenance escrow account. These funds are then available to the homeowner for approved major home repairs not covered by homeowners insurance and to bring accounts current under rules established by the loan consortium. These funds are segregated from the rest of DKP's cash accounts and are included in funds held for others. In addition, DKP and its affiliates maintain security deposit accounts for their rental tenants.

Funds held for others consist of the following at December 31, 2021:

Maintenance accounts	\$ 262,016
Tenant security deposits	1,046,450
Other funds held	5,058
	<u>\$ 1,313,524</u>

NOTE 5 - ESCROWS AND RESERVES

Escrows and reserves include the following at December 31, 2021:

Escrows

As of December 31, 2021, DKP and its affiliates maintain accounts representing escrows for property taxes, insurance, and mortgage insurance in the total amount of \$694,096.

Replacement and Operating Reserves

Multifamily projects owned by DKP and its subsidiaries or affiliates are required to establish, fund, and maintain replacement reserve accounts at an amount predetermined by the owner, regulatory agencies and/or lender. The use of the reserves is for major replacements and non-routine maintenance. The replacement reserve accounts are held in the name of the respective entities. Replacement reserves held by the respective entities at December 31, 2021 total \$7,218,857 and are included in replacement and operating reserves on the accompanying consolidated statement of financial position.

Pursuant to the various operating and/or regulatory agreements of the multifamily affiliates of DKP, the entities are required to maintain operating reserves as defined in the respective agreements. Operating reserves held by the respective entities at December 31, 2021 total \$2,721,323 and are included in replacement and operating reserves on the accompanying consolidated statement of financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Other Reserves

Other reserves consist of various reserves required to be funded by the respective lender or investors during the lease up and pre-stabilization of DKP tax credit investment projects as well as reserves for ongoing supportive services for certain tenants in several of the consolidated entities. As of December 31, 2021, other reserves totaled \$196,000.

NOTE 6 - NOTES RECEIVABLE

To provide financing for qualified home buyers, DKP entered into agreements with third parties to provide the necessary funding. These sources of funds include:

An Affordable Housing Loan Pool Agreement with three local banks effective January 2000 through December 2004, in which the banks collectively committed \$15,000,000 for below market interest rate first mortgages. DKP manages the loan program to the extent of providing pre-homeownership counseling and mortgage delinquency counseling as necessary. DKP originates, processes, and prepares credit packages, as defined, for eligible applicants. Additional mortgages granted by DKP will be subordinated to the first lien mortgages. DKP retains the option of working with a delinquent homeowner during the first 30 days after delinquency to obtain a work out plan and has the right to purchase a delinquent loan. DKP has no liability and does not guarantee any payments under the first mortgage loans. As such, DKP has not recorded any activity regarding the first mortgage loans in its accounts and records.

A consortium of Charlotte banks (the loan consortium) agreed to provide up to \$19.25 million to fund long-term first mortgage loans under an original loan agreement and four amendments through December 31, 1999. At closing of a loan between DKP and a borrower, the first deed of trust on the property is transferred to the loan consortium and any and all risk of loss is transferred from DKP to the consortium. DKP is not liable to repay the consortium should the borrowers default on any loan. All loan payments of principal and interest are paid by the borrowers directly to the loan consortium and DKP does not receive substantial compensation for its services provided in underwriting and originating the loans or in other services provided to the borrowers, nor does it incur any interest expense on the loans from the loan consortium. Given DKP has no risk of loss, no continuing involvement of substance in the mortgage notes and effectively acting as a closing agent for the single family mortgages the mortgages receivable and offsetting notes payable to the loan consortium are not recorded by DKP.

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Second mortgage loans are provided through Community Development Financial Institution (CDFI), NeighborWorks, CDBG, and unrestricted funds of DKP. The types of second mortgage programs offered to home buyers are as follows:

Notes receivable from various home buyers bearing interest at 2% compounded annually with payment deferred until the payoff and cancellation of the first mortgage loans. The notes are secured by second mortgages and maturity dates range from 2021 to 2029. Accrued interest at December 31, 2021 was \$954,575. \$1,414,585

Notes receivable from various home buyers bearing interest ranging from 1% to 5%. The mortgages are amortizing notes and require monthly payments of principal and interest. The notes are secured by second mortgages and maturity dates range from 2030 to 2040. 343,677

In 2012, DKP and DreamKey Partners Mortgage, Inc. received \$110,000 from the Wells Fargo Foundation for the purpose of providing self-amortizing second mortgages. Loans can be made for amounts up to \$20,000 and will be forgiven after ten years. The loans bear interest at 3% per annum. Beginning on the sixth anniversary, the notes receivable will be amortized by 20% annually until the balances are zero. The notes are secured by second mortgages. These funds were combined with additional DreamKey Partners Mortgage unrestricted cash. 200,225

Notes receivable pursuant to the NeighborWorks LIFT program. All LIFT mortgages receivable are from various home buyers and bear no interest. After a specified time period, as defined, the notes receivable are reduced by 20% annually until balances are zero. If a house is sold within the first five years, the unamortized portion of the loan balance is payable. The notes are secured by second mortgages and are recorded by DreamKey Partners Mortgage, Inc. 3,204,500

Notes receivable pursuant to the Community Development Financial Institution Fund (CDFI). All CDFI mortgages receivable are from various home buyers and bear no interest. After a specified time period, as defined, the notes receivable are reduced by 20% annually until balances are zero. The notes are secured by second mortgages and are recorded by DreamKey Partners Mortgage Inc. 276,731

5,439,718

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Note receivable from Accessible Apartments, Inc., in the principal amount of \$123,275. The note matures upon final payment of Accessible Apartments, Inc.'s first mortgage note with HUD and bears no interest. The note is secured by a second lien deed of trust and is recorded net of a 2% net present value discount of \$24,129 as of December 31, 2021. \$99,146

Two notes receivable from First Ward Place, LLC in the principal amounts of \$900,000 and \$200,000, respectively. The notes bear interest at 2% per annum. Interest is payable monthly, as defined, and the notes mature in 2027 and 2031, respectively. The notes are secured by a third mortgage. 1,100,000

Promissory note with the Young Woman's Christian Association of the Central Carolinas, Inc. The note bears interest at 8% and is deferred until the Acceleration Date, as defined, at which time outstanding principal and all accrued interest will be due, but no later than November 9, 2034, at which time the note may be forgiven. Accrued interest receivable at December 31, 2021 was \$146,652. 400,000

7,038,864

Allowance for loan loss (3,960,899)

\$3,077,965

Maturities of the mortgage notes receivable in the next five years and thereafter are as follows:

	2022	\$	1,172,673
	2023		1,188,424
	2024		1,180,373
	2025		170,582
	2026		139,991
	Thereafter		<u>3,186,821</u>
	Total	\$	<u><u>7,038,864</u></u>

As of December 31, 2021, DKP has \$22,391,871 in notes receivable and other lines of credit due from its affiliates net of an allowance of \$10,298,056 with accrued interest totaling \$493,064 due, all of which has been eliminated in consolidation. In prior years, DKP had written off certain interest receivable as uncollectable and records interest income as it is received. These notes and lines of credit receivable, related accrued interest and related allowances for loan losses have been eliminated in consolidation. In addition, other notes receivable and payable among and between DKP's subsidiaries have been eliminated in consolidation.

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE 7 - ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is increased by charges to bad debt expense and decreased by recoveries. Loans are considered impaired if full principal or interest payments are not anticipated to be received in accordance with the contractual terms. DKP will record a permanent impairment on any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons. DKP did not record any permanent impairment for the year ended December 31, 2021.

Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful. Interest income on nonaccrual loans is recognized only to the extent cash payments are received in excess of the accrued interest already recorded.

Activity in the allowance for loan loss account during the year ended December 31, 2021 is as follows:

Balance, December 31, 2020, of which \$235,459 is included as allowance for loss on interest receivable	\$ 5,181,846
Decrease in allowance for loan forgiveness and bad debts written off	<u>(987,217)</u>
Balance, December 31, 2021, of which \$233,730 is included as allowance for loss on interest receivable	<u>\$ 4,194,629</u>

The reconciliation for the allowance for loan loss account to provision for loan loss and bad debt expense in the consolidated statement of activities for the year ended December 31, 2021 is as follows:

Loan forgiveness	\$ (301,675)
Tenant bad debt expense (recovery), net	<u>129,589</u>
Provision for loan loss and bad debt expense	<u>\$ (172,086)</u>

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE 8 - LAND HELD FOR SALE

During the year ended December 31, 2021, Double Oaks reclassified land with a cost basis of \$2,760,472 at December 31, 2021 that was previously held for development to land held for sale. The land is approximately 5.26 acres and was the site for a planned grocery store. The land is currently being marketed for sale and has received an offer in excess of cost basis.

In 2017, Cindy Lane Development, LLC entered into an Assignable Real Estate Sales Contract with an unrelated third party to subdivide and sell sixty seven acres of land for \$3,400,000. During the year ended December 31, 2019, Cindy Lane Development, LLC sold approximately 43 acres of land for a sales price of \$2,00,000, net of transactions costs, for a loss of \$247,509. As of December 31, 2021, the balance of land held for sale was \$1,007,451, which is net of previous impairments taken of \$235,903.

NOTE 9 - PROJECTS IN DEVELOPMENT

Major components of projects in development at December 31, 2021 are as follows:

Land and land development - Double Oaks	\$ 1,435,557
Commercial property development	328,120
Land and development - multifamily	8,055,393
Land and development - planning stages	<u>18,400,821</u>
	<u>\$ 28,219,891</u>

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE 10 - RENTAL PROPERTY

Rental property consists of the following as of December 31, 2021:

Multifamily Housing

Property Description	Land	Building, Site Improvements and Equipment	Accumulated Depreciation	Net Book Value
Brighton Place	\$ 98,000	\$ 1,742,047	\$ (1,198,443)	\$ 641,604
Pleasant View I & II	90,000	3,870,555	(2,417,970)	1,542,585
Shelton Knoll	98,000	1,630,762	(1,071,924)	656,838
West Downs	56,000	1,231,647	(745,562)	542,085
West Downs II	75,000	586,952	(205,368)	456,584
Anita Stroud Center	-	6,664,552	(3,123,177)	3,541,375
Tyvola Crossing II	139,441	2,522,106	(559,122)	2,102,425
Rosedale Phase II	557,185	8,433,037	(4,536,270)	4,453,952
Cheshire Seversville LLC	363,520	6,879,842	(4,097,451)	3,145,911
Forest Ridge	1,350,000	11,671,664	(1,730,401)	11,291,263
CMHP Wendover Walk	3,817,404	5,784,102	(416,163)	9,185,343
Gables at Druid Hills	313,041	4,240,525	(2,140,196)	2,413,370
Rivermere	1,260,290	13,931,705	(7,135,849)	8,056,146
Billingsley Road	1,285,000	-	-	1,285,000
Total multifamily	\$ 9,502,881	\$ 69,189,496	\$ (29,377,896)	\$ 49,314,481

Rental Homes - Owned by DKP

Property Description	Land	Building, Site Improvements and Equipment	Accumulated Depreciation	Net Book Value
Orlando Street	\$ 150,000	\$ 891,100	\$ (616,390)	\$ 424,710
Rachel Street I & II	98,444	313,823	(187,707)	224,560
Druid Hills	100,000	421,937	(254,521)	267,416
Franklin Street	212,114	172,088	(91,546)	292,656
Scattered sites	28,633	237,007	(164,193)	101,447
Belmont Springs	-	256,904	(181,952)	74,952
Total rental homes	589,191	2,292,859	(1,496,309)	1,385,741
Total rental property	\$ 10,092,072	\$ 71,482,355	\$ (30,874,205)	\$ 50,700,222

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Consolidated Multifamily Housing - Tax Credit Investment Entities

Property Description	Land	Building, Site Improvements and Equipment	Accumulated Depreciation	Net Book Value
South Oak Crossing	\$ 1,084,394	\$ 15,952,429	\$ (6,587,917)	\$ 10,448,906
Tyvola Crossing	305,029	6,131,341	(3,035,508)	3,400,862
Atando Apartments	578,707	17,749,816	(2,492,182)	15,836,341
Springcroft at Ashley Park	900,000	6,995,392	(2,686,274)	5,209,118
The McNeel	485,000	5,398,623	(1,909,714)	3,973,909
Gables II	408,286	7,170,963	(2,412,769)	5,166,480
The Alexander	925,000	9,650,961	(3,531,539)	7,044,422
Chambers Point at Aysley	1,135,705	9,257,509	(2,105,518)	8,287,696
The Dannelly	607,414	6,960,298	(1,460,906)	6,106,806
Nolley	1,414,725	14,830,742	(449,089)	15,796,378
Freedom	-	28,721,378	(1,243,299)	27,478,079
Tuckaseegee Senior	731,953	13,478,741	(1,232,718)	12,977,976
Wellspring Village	578,324	5,835,543	(2,304,605)	4,109,262
Connelly Apartments	763,612	-	-	763,612
Total consolidated multifamily	9,918,149	148,133,736	(31,452,038)	126,599,847
Combined total	\$ 20,010,221	\$ 219,616,091	\$ (62,326,243)	\$ 177,300,069

Fairview Senior Housing, Inc. (Anita Stroud Center) leases land under an operating lease.

Rosedale II, LLC had a land lease with Hope Haven Foundation, Inc. for a term of sixty five years terminating December 31, 2067. In a prior year, the land lease was terminated and Rosedale II, LLC purchased the land from Hope Haven Foundation, Inc. for \$361,661.

South Park Seniors, LLC's (Springcroft at Ashley Park) land is recorded under a capital lease. See Note 1.

Freedom Apartments, LLC leases land under an operating lease.

NOTE 11 - INVESTMENT IN INSURANCE EXCHANGE

DKP has an investment interest (approximately 1%) in Housing Partnership Insurance Exchange (HPIEx). Insurance is provided by subsidiaries of the American Insurance Group. DKP and its affiliates are insured by the program. DKP's total investment is \$59,650 and is accounted for using the cost method and is included in investment – other on the accompanying consolidated statement of financial position. Distributions will be paid as approved by state regulators. During the year ended December 31, 2021, distributions of \$0 were received.

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE 12 - NOTES PAYABLE

Notes payable consists of the following at December 31, 2021:

In a prior year, DKP entered into an amended and restated loan agreement with Wells Fargo Bank, National Association that converted the previously existing revolving line of credit to a term loan in the original principal amount of \$1,700,000. The note bears interest at 3.5 percent plus the one month LIBOR divided by one minus the Reserve Percentage, as defined, but no less than 5.0 percent per annum. Principal and interest payments are made monthly, as defined. During the year ended December 31, 2020, the promissory note was amended to extend the maturity date to October 31, 2023. The note is secured by an amended and restated deed of trust with absolute assignment of leases and rents, security agreements and fixture filing on the rental properties, as defined. The loan was paid in full during the year ended December 31, 2021.

\$ -

DKP has a loan agreement with the City of Charlotte, financed pursuant to a Contract for Loan Guarantee Assistance between the City of Charlotte and HUD pursuant to HUD's Section 108 loan program in the original amount of \$10,000,000. The note bears interest at a blended rate equal to approximately 3.8 percent based on the interest on the underlying Treasuries used by HUD to fund the loan. DKP is required to make scheduled principal and interest payments pursuant to the City of Charlotte's terms with HUD. Interest payments are due semi-annually and annual principal payments are scheduled to be made each year on August 1. The loan has been passed through to Double Oaks Development, LLC pursuant to an obligor note with similar principal and interest terms as DKP's note with the City of Charlotte. The note is secured by a second lien deed of trust on land owned by Double Oaks Development, LLC and matures February 1, 2028. The note receivable and note payable and related interest between Double Oaks Development, LLC and DKP have been eliminated in consolidation. Accrued interest payable as of December 31, 2021 is \$79,811.

1,719,941

DKP executed a promissory note in the principal amount of \$1,500,000 with the Housing Partnership Fund Inc. The note bears interest at 5.5% per annum with interest only payments commencing on May 1, 2018. The loan was paid in full during the year ended December 31, 2021.

-

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

DKP executed a promissory note in the principal amount of \$800,000 with the Housing Partnership Fund Inc. The note bears interest at 10% per annum with interest only payments commencing on December 1, 2020. The loan was paid in full during the year ended December 31, 2021. -

DKP executed a promissory note in the principal amount of \$2,000,000 with the Housing Partnership Fund Inc. The note bears interest at 5.8% per annum with interest only payments commencing on August 1, 2021. The loan matures on July 29, 2025 when all outstanding interest and principal are due in full. 2,000,000

DKP executed a promissory note in the principal amount of \$2,014,263 with the Housing Partnership Fund Inc. The note bears interest at 2.75% per annum with interest only payments commencing on December 1, 2021. The loan matures on November 16, 2022 when all outstanding interest and principal are due in full. 2,014,263

During 2019, DKP executed a promissory note in the principal amount of \$300,000 with Wells Fargo Bank, National Association in the form of a line of credit. The note has a variable interest rate, which was 5.0% as of December 31, 2020. The note was paid in full during the year ended December 31, 2021. -

Double Oaks Development, LLC executed a promissory note in the principal amount of \$1,591,693 with the City of Charlotte. The note bears interest at 2% per annum with interest only payments due annually on the anniversary date of the loan beginning June 7, 2012. During the year ended December 31, 2018, the maturity date was extended to December 31, 2020. During the year ended December 31, 2021, the maturity date was extended to December 30, 2023. The loan is secured by a deed of trust and security agreement on the rental property of Double Oaks. As of December 31, 2021, accrued interest of \$13,264 remained payable. 1,591,693

In July 2004, DKP entered into a loan agreement with the City of Charlotte in the original amount of \$856,000. On September 8, 2005, the loan was modified to be in the amount of \$285,380, bearing interest at .5% and due in full 20 years from the date of the modification. The note is secured by an amended and restated deed of trust with an assignment of leases and rents and security agreement. 285,380

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

During the year ended December 31, 2019, CMHP Walden Pond, LLC entered into a loan agreement with NeighborWorks Capital Inc. in the amount of \$1,200,000 bearing interest at 6 percent, payable in monthly installments of interest only until maturity on June 1, 2022. The loan is secured by a deed of trust and security agreement on the property, as defined. The proceeds of the loan are to be used to acquire land for the development of the project Walden Ponds, which will consist of 52 single family residential homes.

989,185

During the year ended December 31, 2021, DKP entered into a loan agreement with NeighborWorks Capital Inc. in the amount of \$750,000 bearing interest at 5 percent, payable in monthly installments of interest only until maturity on January 2, 2025. The loan is secured by a deed of trust and security agreement on the property, as defined. The proceeds of the loan are to be used to acquire land for the development of the project Mallard Creek Seniors, which will consist of 107 single family residential homes.

750,000

During the year ended December 31, 2021, DKP entered into a loan agreement with NeighborWorks Capital Inc. in the amount of \$431,000 bearing interest at 5 percent, payable in monthly installments of interest only until maturity on November 1, 2024. The loan is secured by a deed of trust and security agreement on the property, as defined. The proceeds of the loan are to be used to acquire vacant land.

431,000

During the year ended December 31, 2019, DKP entered into a loan agreement with Community Housing Capital, Inc. with a credit limit of \$500,000 bearing interest at 6 percent, payable in monthly installments of interest only until maturity on September 19, 2022. The loan is secured by assets acquired using the proceeds of the loan including real and personal property, as defined.

379,830

During the year ended December 31, 2019, DKP entered into a loan agreement with Community Housing Capital, Inc. with a credit limit of \$2,000,000 bearing interest at 4.5 percent, payable in monthly installments of interest only until maturity on September 26, 2022. The loan is secured by assets acquired using the proceeds of the loan including real and personal property, as defined.

2,000,000

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

On May 1, 2020, DKP entered into a loan agreement with Self-Help Federal Credit Union in the amount of \$596,175, made pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan bears interest at a rate of 1.00 percent. Payments and interest payments are owed six months from the date of the note based on an 18 month amortization period. The loan was forgiven during the year ended December 31, 2021. DKP recognized income of \$596,175 from the forgiveness and is included in other income on the accompanying consolidated statement of activities.

-

During the year ended December 31, 2020, DKP entered into a loan agreement with Community Housing Capital, Inc. with a credit limit of \$250,000 bearing interest at 4.5 percent, payable in monthly installments of interest only until maturity on July 14, 2022. The loan is secured by assets acquired using the proceeds of the loan including real and personal property, as defined.

457,519

During the year ended December 31, 2020, DKP entered into a loan agreement with Community Housing Capital, Inc. with a credit limit of \$3,700,000 bearing interest at 4.50 percent, payable in monthly installments of interest only until maturity on September 29, 2023. The loan is secured by assets acquired using the proceeds of the loan including real and personal property, as defined.

2,144,007

During the year ended December 31, 2021, DKP entered into a loan agreement with Community Housing Capital, Inc. with a credit limit of \$840,000 bearing interest at 4.75 percent, payable in monthly installments of interest only until maturity on October 19, 2024. The loan is secured by assets acquired using the proceeds of the loan including real and personal property, as defined.

840,000

During the year ended December 31, 2021, DKP entered into a loan agreement with Community Housing Capital, Inc. with a credit limit of \$1,846,520 bearing interest at 4.75 percent, payable in monthly installments of interest only until maturity on November 18, 2024. The loan is secured by assets acquired using the proceeds of the loan including real and personal property, as defined.

1,846,520

During the year ended December 31, 2021, DKP entered into a loan agreement with Community Housing Capital, Inc. with a credit limit of \$680,000 bearing interest at 4.75 percent, payable in monthly installments of interest only until maturity on August 10, 2024. The loan is secured by assets acquired using the proceeds of the loan including real and personal property, as defined.

680,000

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

During the year ended December 31, 2021, DKP entered into multiple loan agreements with Low Income Investment Fund with a total limit of \$1,000,000 bearing interest at 6.25 percent, payable in monthly installments of interest only until maturity on September 6, 2022. The loan is secured by assets acquired using the proceeds of the loan including real and personal property, as defined. 366,621

CFU Brighton Place, LLC had a multifamily note payable to Centerline Mortgage Capital, Inc. in the original principal amount of \$1,400,000. The note bears interest at a fixed rate of 4.5 percent. In October 2015, the note was transferred from Centerline Mortgage Capital Group to Hunt Mortgage Group. During 2020, Hunt Mortgage Group was acquired by Orix Real Estate Capital, LLC, doing business as Lument Capital. Monthly payments of principal and interest are due based on a thirty year amortization schedule and a final balloon payment of approximately \$1,136,000 at maturity on March 1, 2023. The note is secured by a deed of trust and security agreement on the rental property of CFU Brighton Place, LLC. 1,172,701

CFU Portfolio, LLC executed a mortgage in the principal amount of \$420,000 with Certus Bank, N.A. The note bears interest of 2.50 percent plus the LIBOR Index Rate. In October 2015, the note was transferred from CertusBank to Bank of North Carolina. As of December 31, 2021, the interest rate is 2.60 percent. Any unpaid principal balance is due in full on February 1, 2023, the note's maturity date. The note is secured by a deed of trust and security agreement on the rental property of CFU Portfolio, LLC (West Downs I). CFU Portfolio, LLC also entered into an interest rate swap agreement which effectively fixes the interest rate at 6.1 percent. See Note 13. Accrued interest at December 31, 2021 was \$1,894. 234,500

CFU Shelton Knoll, LLC had a multifamily note payable to Centerline Mortgage Capital, Inc. in the original principal amount of \$1,190,000. The note bears interest at a fixed rate of 4.5 percent. In October 2015, the note was transferred from Centerline Mortgage Capital Group to Hunt Mortgage Group. During 2020, Hunt Mortgage Group was acquired by Orix Real Estate Capital, LLC, doing business as Lument Capital. Monthly payments of principal and interest are due based on a thirty year amortization schedule and a final balloon payment of approximately \$966,000 at maturity on March 1, 2023. The note is secured by a deed of trust and security agreement on the rental property of CFU Shelton Knoll, LLC. 996,795

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

CFU Pleasant View, LLC had a multifamily note payable to Centerline Mortgage Capital, Inc. in the original principal amount of \$959,688. The note bears interest at a fixed rate of 4.5 percent. In October 2015, the note was transferred from Centerline Mortgage Capital Group to Hunt Mortgage Group. During 2020, Hunt Mortgage Group was acquired by Orix Real Estate Capital, LLC, doing business as Lument Capital. Monthly payments of principal and interest are due based on a thirty year amortization schedule and a final balloon payment of approximately \$778,600 at maturity on May 1, 2023. The note is secured by a deed of trust and security agreement on the rental property of CFU Pleasant View, LLC.

807,677

CFU Pleasant View, LLC entered into a loan modification and spreader agreement with the City of Charlotte for the principal amount of \$2,222,812 which is subordinated to the Orix Real Estate Capital, LLC loan and secured by the underlying rental property. The loan bears interest at 1% per annum which is payable monthly in arrears and matures August 1, 2023.

2,222,812

Cheshire Seversville, LLC has a note payable in the original principal amount of \$2,680,000 which is a HUD insured mortgage pursuant to Section 223(f) of the National Housing Act. The note bears interest at 3.25 percent per annum. Principal and interest payments of \$10,692 are due monthly through maturity on July 1, 2047. The note is secured by the underlying rental property of Cheshire Chase Apartments and Seversville Apartments.

2,226,842

In a prior year, the loan agreement between Seversville Apartments Limited Partnership and the NCHFA was modified to bear no interest, be subordinated to the HUD-insured mortgage and be repaid after payment of the HUD-insured mortgage in 2037.

94,958

Tyvola Crossing II, LLC had a construction loan with the State Employees' Credit Union Foundation in the original amount of \$600,000. In October 2014 a tri-party agreement was entered into between North Carolina Housing Finance Agency (the Permanent Lender), State Employees' Credit Union Foundation (the Construction Lender) and Tyvola Crossing II, LLC. In summary, the agreement converted the \$600,000 construction loan to a permanent loan in the same amount. The permanent loan does not bear interest and matures in July 2039. The loan is secured by a deed of trust on the underlying property of Tyvola Crossing II, LLC.

600,000

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

CMHP Forest Ridge, LLC had two promissory notes and loan and security agreements with Community Housing Capital, Inc. in a total original principal amount of \$12,150,000. The loans bore interest at 5.25 percent. Interest only was payable beginning on June 1, 2016 and continuing through maturity on April 29, 2019, at which time all outstanding indebtedness was due. The note was secured by a first lien leasehold deed of trust and security agreement and assignment of rents, leases and profits. On March 16, 2017 this debt was refinanced with a 35 year, fully amortizing promissory note with Bellwether Real Estate Capital, LLC in the amount of \$13,500,000. The loan bears interest at 3.40% per annum with monthly payments of principal and interest beginning May 1, 2017 and continuing through maturity.

12,484,192

In July 2017, Weddington Road Apartments, LLC entered into a loan agreement with the City of Charlotte in the original amount of \$3,150,000. The loan bears interest at 1 percent, annually. The outstanding principal balance and all accrued interest is due in full on the date of maturity on July 31, 2021. During the year ended December 31, 2021, the maturity date was extended through July 31, 2024. The note is secured by an amended and restated deed of trust with an assignment of leases and rents and security agreement. Accrued interest at December 31, 2021 was \$5,417.

1,300,000

In 2018, Druid Hills, LLC entered into a loan agreement with the Barings Capital in the original amount of \$750,000. The loan bears interest at 5.36 percent, annually. Principal and interest payments are due monthly until the loan matures on September 1, 2028 when all outstanding principal and accrued interest are due in full. The note is secured by an amended and restated deed of trust with an assignment of leases and rents and security agreement.

716,201

Rosedale II, LLC has a first mortgage note payable with the City of Charlotte in an original principal amount of \$500,000. The terms of the loan provide for annual payments of interest which accrues at a rate of 3 percent per annum. The loan is secured by a deed of trust and assignment of leases and matures February 20, 2024. As of December 31, 2021, accrued interest payable was \$12,912.

500,000

Rosedale II, LLC has a second mortgage note payable with Barings Capital, LLC in an original principal amount of \$2,681,000. The terms of the loan provide for annual payments of interest which accrues at a rate of 4.18 percent per annum. The loan is secured by a deed of trust and assignment of leases and matures February 20, 2024. As of December 31, 2021, accrued interest payable was \$9,424.

2,471,601

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

During the year ended December 31, 2019, Billingsley Road, LLC entered into a loan agreement with Greir Heights Affordable Housing Project, LLC in the original amount of \$910,000. The loan bears no interest and the outstanding principal balance is due in full on February 12, 2020 when the note matures. During the year ended December 31, 2021 the maturity date was extended through February 12, 2022. 910,000

During the year ended December 31, 2020, CMHP Wendover Walk, LLC entered into a loan agreement with Walker & Dunlop, LLC with a principal amount of \$7,000,000 bearing interest at 3.47 percent, payable in monthly installments of interest only until maturity in April 2032. The loan is secured by a deed of trust. As of December 31, 2021, accrued interest payable was \$20,916. 7,000,000

During the year ended December 31, 2020, CMHP Wendover Walk, LLC entered into a loan agreement with Charlotte Housing Opportunity Investment Fund, LLC with a principal amount of \$1,300,000 bearing interest at 3.00 percent, payable in monthly installments of interest only until maturity on March 24, 2032. The loan is unsecured. 1,300,000

During the year ended December 31, 2020, CMHP Wendover Walk, LLC entered into a loan agreement with the City of Charlotte with a principal amount of \$1,700,000 bearing interest at 1.00 percent, payable in monthly installments of interest only until maturity on January 1, 2040. The loan is secured by a deed of trust. 1,700,000

Rocky Branch II, LLC has a deed of trust note in the original amount of \$9,010,600 with Hunt Mortgage Group which was endorsed for insurance by HUD acting by and through the Federal Housing Commissioner (FHA) under the provisions of the Section 221(d)(4) pursuant to Section 223(a)(7) of the National Housing Act. During 2020, Hunt Mortgage Group was acquired by Orix Real Estate Capital, LLC, doing business as Lument Capital. The loan bears interest at 3.8 percent per annum and requires monthly installments of principal and interest in the amount of \$41,146. The loan matures on October 1, 2045 and is secured by a deed of trust. As of December 31, 2021, accrued interest payable was \$25,108. 7,733,030

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Rocky Branch II, LLC has a promissory note in the original amount of \$2,800,000 with the City of Charlotte. The note bears interest at a rate of 1 percent per annum compounded annually. Interest is payable annually within 90 days of the Company's fiscal year end from surplus cash, as defined. The outstanding principal and accrued interest is due no later than 40 years after the closing of the loan or ninety days after the final principal payment on the first mortgage. As of December 31, 2021, accrued interest payable was \$211,471. 2,800,000

Rocky Branch II, LLC has a promissory note in the original amount of \$1,241,324 with the Housing Authority of the City of Charlotte (CHA). The note bears interest at a rate of 1 percent per annum compounded annually. Interest is payable annually no later than March 31 of the succeeding fiscal year from surplus cash, as defined. Principal and any accrued but unpaid interest shall be deferred with a balloon payment due on March 30, 2046, or upon the sale of any portion or interest of the Project. As of December 31, 2021, accrued interest payable was \$13,829. 1,241,324

Loans and notes payable, bearing interest from 0 percent to 6.1 percent, generally with principal and interest due monthly. Maturity dates range from 2023 through 2055. The loans are generally secured by first or subordinate deeds of trust and security agreements on the respective real estate and personal property collateral. Accrued interest payable under these notes at December 31, 2021 is \$5,566,855. 82,820,355

\$ 149,828,947

Maturities of notes payable during the next five years and thereafter are as follows:

	2022	\$	7,842,634
	2023		11,415,587
	2024		9,352,211
	2025		3,922,958
	2026		1,222,522
	Thereafter		<u>116,073,035</u>
	Total		149,828,947
	Less current maturities		(7,842,634)
	Less unamortized debt issuance costs		<u>(2,597,337)</u>
	Net long-term portion	\$	<u><u>139,388,976</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Amortization expense charged to operations for the year ended December 31, 2021 was \$272,686. Unamortized debt issuance costs as of December 31, 2021 were \$2,597,337. Estimated annual amortization expense for the next five years through December 31, 2026 is \$191,319, \$141,975, \$114,986, \$101,475, and \$85,062, respectively.

NOTE 13 - INTEREST RATE SWAP AGREEMENTS

CFU Portfolio, LLC entered into an interest rate swap agreement with CertusBank, N.A. effective February 5, 2013 under which it pays interest at a fixed rate of 6.1 percent through February 1, 2023. In October 2015, the note was transferred from CertusBank to Bank of North Carolina. CFU Portfolio, LLC receives interest at a variable rate based on the USD LIBOR-BBA rate plus 2.5 percent, as defined. The variable rate is reset on the first day of each calculation period, as defined. As of December 31, 2021, the variable interest rate was 3.54 percent and the notional amount under the swap agreement was \$234,500. The result is that CFU Portfolio, LLC pays interest at a fixed effective rate of 6.05 percent. Valued separately, the interest rate swap agreement represents a liability as of December 31, 2021 in the amount of \$8,338, which is included in fair value – interest rate swap liability on the accompanying consolidated statement of financial position. This represents the fair value of the current difference in the variable rate and the interest paid under the swap agreement over the remaining term of the agreement. Actual interest payments are recognized in current operating results as a component of interest expense as settlements occur under the agreement. Changes in the fair value of the swap asset or liability are recognized in the consolidated statement of activities. The effect for the year ended December 31, 2021 was to increase interest expense by \$8,702 and to record the effect of the change in the fair value liability in the amount of \$9,425.

Tuckaseegee Senior, LLC entered into an interest rate swap agreement with Truist Bank during the year ending December 31, 2019. The interest rate swap outstanding has a notional amount of \$3,171,982 as of December 31, 2021, maturing on September 5, 2037, which was used to mitigate the economic impact of changes in interest rates. The interest rate swap is fixed at 5.21 percent per annum. The swap is designated as a cash flow hedge and is being used to offset the risk of changes in cash flows associated with variable interest payments on its variable rate mortgage loan. For the year ended December 31, 2021, Tuckaseegee Senior, LLC reported a gain of \$257,438 related to the interest rate swap, which is included in accumulated other comprehensive income. As of December 31, 2021, the swap liability was reported at fair value on the consolidated statement of financial position in the amount of \$473,970, which is included in fair value – interest rate swap liability on the accompanying consolidated statement of financial position.

NOTE 14 - FAIR VALUE MEASUREMENTS

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that DKP and subsidiaries has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used by DKP and subsidiaries for the year ended December 31, 2021. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while DKP and subsidiaries believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets and liabilities measured at fair value, within the fair value hierarchy, on a recurring basis as of December 31, 2021 are as follows:

	<u>Assets (liabilities) at Fair Value as of December 31, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Derivatives - interest rate swap	<u>\$ -</u>	<u>\$ (482,308)</u>	<u>\$ -</u>	<u>\$ (482,308)</u>

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions – Purpose or Period Restricted

Net assets with donor restrictions not invested in perpetuity, subject to purpose and period restrictions at December 31, 2021 are as follows:

Purpose or period restrictions:	
CDBG - Orlando/Rachel Street rental units	\$ 506,697
CDBG grant - mortgages receivable	1,915,376
HOME grant - Belmont Springs	160,000
HOME grant - Statesville Avenue Corridor	15,000
HUD 202 capital advance	6,962,500
Fair value - Fairview Senior Housing, Inc. land lease	93,067
CHDO Druid Hills contract	375,000
NeighborWorks Healing Communities and NOAH	<u>65,000</u>
	<u>\$ 10,092,640</u>

Prior to its designation as a CBDO, DKP was required to recycle DKP funds received under contractual arrangements with the City of Charlotte and use the proceeds identified as CDBG program income in accordance with the national objectives of the program, as defined. The funds are released from restrictions to the extent allowable by the funding requirements. As of December 31, 2021, DKP recorded \$2,422,073 (rental units and mortgages receivable) of cumulative CDBG funds received as retaining their restrictive nature.

Funds awarded in a prior year from HUD’s HOME program for the purpose of providing mortgage financing related to affordable housing at Belmont Springs in the amount of \$260,000 are recorded as rental property. The original cost was reduced in a prior year to fair value. As of December 31, 2021, net assets with donor restrictions subject to purpose or period restrictions were \$160,000.

HOME funds were awarded by the City of Charlotte in the amount of \$549,000 in a prior year for the Statesville Avenue Corridor project. The award stipulated that program income, as defined, be reinvested in the Statesville Avenue Corridor project. The original land purchased was reduced to its fair value in a prior year and four lots remain in projects in development. Net assets with donor restrictions subject to purpose or period restrictions at December 31, 2021 for the remaining lots are \$15,000.

The construction of Fairview Senior Housing, Inc. (FSH) was funded with proceeds from the HUD Section 202 Capital Advance program. The Capital Advance is secured by a deed of trust and requires the project to be available to very low-income elderly individuals/families as approved by HUD for no less than 40 years. The Capital Advance funds are not required

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to be repaid unless the project's units are no longer available to very low income tenants. The funds are restricted for the compliance period of 40 years beginning in March 2007. Total proceeds of \$6,962,500 are recorded as net assets with donor restrictions subject to purpose or period restrictions at December 31, 2021.

The fair value of FSH's land lease has been recorded by FSH as a net asset with donor restrictions subject to purpose or period restrictions. Funds are released on an annual basis in the amount of \$1,600. As of December 31, 2021, the fair value of the land lease that remains restricted is \$93,067.

In a prior year, DKP received a grant in the amount of \$375,000 funded with HOME funds from the City of Charlotte related to the development of affordable single family housing. In a prior year, \$375,000 was expended and is recorded as net assets with donor restrictions subject to purpose or period restrictions. Any proceeds from the project may be retained by DKP and used for any HOME eligible activities.

During the year ended December 31, 2021, DKP was awarded various expendable grant funds and a reimbursable grant from NeighborWorks in the total amount of \$542,000 to fund DKP's home ownership and outreach programs and other operating and development expenses. As of December 31, 2021, \$65,000 related to prior year NeighborWorks awards is included in net assets with donor restrictions subject to purpose or period restrictions.

Net assets with donor restrictions subject to purpose or period restrictions, net of \$1,336 were released from donor restrictions by satisfying the restricted purposes for the year ended December 31, 2021.

Net Assets with Donor Restrictions – Investment in Perpetuity:

The Permanently Restricted Capital Fund Grants were primarily for mortgage loans to individuals not adequately served by local financial institutions and for financing of development costs, as allowed. Under the requirements of the capital grant with NeighborWorks, DKP separately identifies the funds which must be maintained permanently, however, DKP is permitted to use or expend the income (or other economic benefits) derived from these donated assets. Even though proceeds earned on the NeighborWorks permanently restricted funds may transfer to DKP, should DKP be dissolved, all remaining grant funds, interest earnings, capital project proceeds, and the loan and capital projects portfolios representing the use of these funds will revert to Neighborhood Reinvestment Corporation.

Certain restricted funds received on behalf of affiliates of DKP are passed through to the affiliates and recorded as notes receivable on DKP's books and as notes payable on the affiliate's books. The notes are eliminated in consolidation.

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During the year ended December 31, 2021, DKP applied to NeighborWorks and received approval to release the remaining \$660,602 of permanently restricted funds to unrestricted funds. At December 31, 2021, there were no net assets with donor restrictions, to be invested in perpetuity.

NOTE 16 - NONCONTROLLING INTEREST

As of December 31, 2021, the consolidated net assets (deficit) without donor restrictions allocated to noncontrolling interests were as follows:

Wellsprings Village, LLC	\$	1,901,806
Freedom Apartments, LLC		4,851,470
Tyvola Crossing, LLC		1,958,610
South Oak Crossing, LLC		(2,214,280)
South Park Seniors, LLC		(1,113,652)
Kohler Avenue, LLC		1,473,452
Gables II, LLC		3,712,763
Statesville Avenue Homes, LLC		3,774,930
Tuckaseegee Senior, LLC		7,455,666
Westinghouse Apartments, LLC		6,213,495
Catawba Senior Housing, LLC		4,715,462
Atando Apartments, LLC		5,518,440
Nolley Apartments, LLC		8,820,710
Connely Apartments, LLC		1,910,025
	\$	<u>48,978,897</u>

NOTE 17 - GRANTS AND SIGNIFICANT CONTRIBUTIONS

During the year ended December 31, 2019, DKP entered into two contracts with the City of Charlotte for the development of affordable housing and related services in the total amount of \$1,860,000, of which \$1,470,000 is funded with CDBG funds and \$390,000 is funded with the City of Charlotte Innovative Housing Funds. The contract for the CDBG funding may be used to fund construction costs and to subsidize the sale of developed homes to low or moderate income buyers. In prior years, total funds in the amount of \$571,291 were expended primarily for the rehabilitation of the real property owned by CMHP Wendover Walk, LLC. During the year ended December 31, 2021, total funds in the amount of \$898,709 were expended primarily for the rehabilitation of the real property owned by CMHP Wendover Walk, LLC, which are included in grant revenue – federal awards on the accompanying consolidated statement of activities. As of December 31, 2021, no amounts remain to be expended on the grant. During the year ended December 31, 2020, all Innovative Housing Funds were received and expended. As of December 31, 2021, \$296,916 remains receivable under this grant and is included in grants receivable on the accompanying consolidated statement of financial position.

DreamKey Partners, Inc. and Subsidiaries

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During the year ended December 31, 2020, DKP entered into a contract with the City of Charlotte for the development of affordable housing and related services in the total amount of \$798,400. During the year ended December 31, 2021, total funds in the amount of \$210,019 were expended primarily for the rehabilitation of the real property owned by CMHP Wendover Walk, LLC, which are included in grant revenue – federal awards on the accompanying consolidated statement of activities. As of December 31, 2021, \$588,381 remains available to be expended under the grant. As of December 31, 2021, \$210,019 remains receivable under this grant and is included in grants receivable on the accompanying consolidated statement of financial position.

During the year ended December 31, 2020, DKP entered into a contract with the City of Charlotte for the development of affordable housing and related services in the total amount of \$671,600. During the year ended December 31, 2021, total funds in the amount of \$422,625 were expended primarily for the rehabilitation of the real property owned by CFU Pleasant View, LLC, which are included in grant revenue – federal awards on the accompanying consolidated statement of activities. As of December 31, 2021, \$248,975 remains available to be expended under the grant. As of December 31, 2021, \$422,625 remains receivable under this grant and is included in grants receivable on the accompanying consolidated statement of financial position.

During the year ended December 31, 2020, DKP entered into a contract with the City of Charlotte to provide services on behalf of the City of Charlotte for mortgage relief in response to the COVID-19 pandemic in the total amount of \$225,000 funded with CDBG funds. During the year ended December 31, 2021, this contract was amended to provide additional funding in the amount of \$555,000 for a total contract sum of \$780,000. As of December 31, 2021, \$288,631 has been expended under the grant contract and is included in grant revenue - federal awards on the accompanying consolidated statement of activities. As of December 31, 2021, \$174,599 remains receivable under this program and is included in grants receivable on the accompanying consolidated statement of financial position.

During the year ended December 31, 2020, DKP entered into a contract with the City of Charlotte to provide services on behalf of the City of Charlotte for rental and utility relief in response to the COVID-19 pandemic in the total amount of \$1,087,500 funded with CDBG funds. As of December 31, 2021, no amounts have been advanced to DKP or expended by DKP under the grant contract. During the year ended December 31, 2021, DKP received contracts from the City of Charlotte to administer funds under the U.S. Department of Treasury emergency rental assistance programs and these CDBG funds were reallocated. As such, no amounts were expended or are expected to be expended under this grant contract.

During the year ended December 31, 2021, DKP was awarded various expendable unrestricted grant funds from NeighborWorks in the total amount of \$542,000 to fund DKP's home ownership and outreach programs and other operating and development expenses, which is included in grant revenue - federal awards on the accompanying consolidated statement of activities. NeighborWorks funds received in a prior year of \$65,000 were not

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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expended as of December 31, 2021 and are included in net assets with donor restrictions subject to purpose or period restrictions on the accompanying consolidated statement of financial position.

DKP has a continuing contract with the City of Charlotte for the House Charlotte Program (see Note 18). The annual contract is for \$231,000 which includes funding sources from the HOME program and the City of Charlotte's local Innovative Housing Funds. During the year ended December 31, 2021, DKP recognized income of \$231,000 of which \$173,250 was from HOME funding and is included in grant revenue – federal awards on the accompanying consolidated statement of activities and \$57,750 was from innovative funds which is included in counseling fees income on the accompanying consolidated statement of activities. As of December 31, 2021, \$115,500 remains receivable under this program and is included in grants receivable on the accompanying consolidated statement of financial position.

During the year ended December 31, 2021, DKP was awarded a grant from the North Carolina Department of Public Safety, Office of Recovery and Resiliency (NCORR) in the amount of \$7,709,490, funded from federal funds that include U.S. Department of Treasury Coronavirus Relief Funds and HUD Community Development Block Grant – Coronavirus Funds to provide emergency assistance payments to prevent evictions and utility disconnections, and encourage housing stability in response to the COVID-19 pandemic. During the year ended December 31, 2021, DKP expended \$2,833,237 under the grant award, which is included in grant revenue - federal awards on the accompanying consolidated statement of activities. As of December 31, 2021, \$905,864 remains receivable under this grant and is included in grants receivable on the accompanying consolidated statement of financial position.

During the year ended December 31, 2020, DKP was awarded a grant from the North Carolina Department of Public Safety, Office of Recovery and Resiliency (NCORR) in the amount of \$7,709,490, which was subsequently amended to increase the available funds to \$23,931,946, funded from federal funds that include U.S. Department of Treasury Coronavirus Relief Funds and HUD Community Development Block Grant - Coronavirus Funds to provide emergency assistance payments to prevent evictions and utility disconnections, and encourage housing stability in response to the COVID-19 pandemic. During the year ended December 31, 2021, DKP expended \$3,422,101 under the grant award, which is included in grant revenue - federal awards on the accompanying consolidated statement of activities. As of December 31, 2021, the performance period of the grant has ended and unused funds in the amount of \$1,716,329 were returned by DKP to NCORR.

During the year ended December 31, 2019, DreamKey Partners Mortgage, Inc. was awarded a grant for a down payment assistance program from the Community Development Financial Institutions Fund Program in the amount of \$868,000. Under the program, DreamKey Partners Mortgage, Inc. provides second mortgages for qualified and eligible recipients, as defined. The second mortgages bear no interest and will be reduced by 20 percent annually for five years as forgiveness of the mortgage. If a house sells within the five-year period, the

DreamKey Partners, Inc. and Subsidiaries

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unamortized portion of the loan will be repayable back to the program. As the mortgages are funded, an allowance for the forgiveness will be made and grant revenue equal to the forgiveness will be recognized by DreamKey Partners Mortgage, Inc. As of December 31, 2021, second mortgages totaling \$276,731 have been made and are outstanding for which an allowance has been fully recorded. During the year ended December 31, 2021, DreamKey Partners Mortgage, Inc. recognized grant revenue of \$105,000 for second mortgages originated, which is included in grant revenue - federal awards on the accompanying consolidated statement of activities and recognized bad debt expense of \$105,000, which is included in provision (recovery) for loan loss and bad debt expense on the accompanying consolidated statement of activities. As of December 31, 2021, \$483,103 is recorded as deferred revenue on the accompanying consolidated statement of financial position. For the year ended December 31, 2021, DreamKey Partners Mortgage, Inc. earned administrative fees of \$18,529 related to loan closings, which is included in grant revenue - federal awards on the accompanying consolidated statement of activities.

During the year ended December 31, 2018, DKP entered into a down payment assistance program designed to advance the recovery of cities impacted by the housing crisis (LIFT) sponsored by NeighborWorks and funded from the Wells Fargo Foundation to provide second mortgages for qualified and eligible recipients, as defined. The total funding under the program was projected to be \$6,000,000 for mortgages of which \$6,000,000 was received as of December 31, 2019. DKP passed the funding for the second mortgages to DreamKey Partners Mortgage, Inc. where the mortgages originated and are serviced. The second mortgages bear no interest and will be reduced by 20 percent annually for five years as forgiveness of the mortgage. If a house sells within the five year period, the unamortized portion of the loan will be repayable back to the program. As the mortgages are funded, an allowance for the forgiveness will be made and grant revenue equal to the forgiveness will be recognized by DreamKey Partners Mortgage, Inc. As of December 31, 2021, second mortgages totaling \$5,490,000 have been made for which an allowance has been fully recorded. During the year ended December 31, 2021, DreamKey Partners Mortgage, Inc. recognized grant revenue of \$174,500 for second mortgages originated, which is included in grant revenue - other awards on the accompanying consolidated statement of activities and recognized bad debt expense of \$174,500, which is included in provision (recovery) for loan loss and bad debt expense on the accompanying consolidated statement of activities. During the year ended December 31, 2021, DKP recognized income of \$273,797 for payments received on second mortgages originated that were previously reserved which is included in grant revenue - other awards on the accompanying consolidated statement of activities. As of December 31, 2021, \$251,500 is recorded as deferred revenue on the accompanying consolidated statement of financial position. For the year ended December 31, 2021, DreamKey Partners Mortgage, Inc. earned administrative fees of \$29,800 related to loan closings, which is included in grant revenue - other awards on the accompanying consolidated statement of activities.

During the year ended December 31, 2021, DKP entered into a contract with the City of Charlotte for the development of affordable housing and related services in the total amount of \$390,000, which is funded with the City of Charlotte Innovative Housing Funds. During

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the year ended December 31, 2021, all of the funds were expended and are included in grant revenue - other awards on the accompanying consolidated statement of activities.

During the year ended December 31, 2020, DKP was awarded a contract with the City of Charlotte for administration and mortgage, rent and utility relief payments in the amount of \$17,480,000, which was funded through CARES Act funding. Under the terms of the contract, DKP is a contractor and not a sub recipient. During the year ended December 31, 2020, \$17,480,000 was advanced from the City of Charlotte and \$16,254,745 was expended under the contract. During the year ended December 31, 2021, \$1,236,665, which includes additional amounts invoiced and paid by City of Charlotte of \$11,410, was expended and recorded as grant revenue - other awards on the accompanying consolidated statement of activities. As of December 31, 2021, the entire grant award was expended and paid.

During the year ended December 31, 2021, DKP was awarded a contract with the City of Charlotte for administration and mortgage, rent and utility relief payments in the amount of \$26,179,874, which was funded through U.S. Department of Treasury Emergency Rental Assistance Program funds established by the Consolidated Appropriations Act, 2021. During the year ended December 31, 2021, \$26,179,874 was advanced and expended under the grant agreement and recorded as grant revenue - federal awards on the accompanying consolidated statement of activities.

During the year ended December 31, 2021, DKP was awarded a contract with the City of Charlotte for administration and mortgage, rent and utility relief payments in the amount of \$26,823,000, which was funded through U.S. Department of Treasury Emergency Rental Assistance Program funds established by the American Rescue Plan Act of 2021. During the year ended December 31, 2021, \$20,681,500 was advanced to DKP under the grant agreement and \$19,855,337 was expended under the grant agreement and recorded as grant revenue - federal awards on the accompanying consolidated statement of activities. As of December 31, 2021, \$826,163 is recorded as deferred revenue on the accompanying consolidated statement of financial position.

During the year ended December 31, 2021, DKP was awarded a contract with Mecklenburg County for administration and mortgage, rent and utility relief payments in the amount of \$6,775,690, which was funded through U.S. Department of Treasury Emergency Rental Assistance Program funds established by the Consolidated Appropriations Act, 2021. During the year ended December 31, 2021, \$6,775,690 was advanced and expended under the grant agreement and recorded as grant revenue - federal awards on the accompanying consolidated statement of activities.

During the year ended December 31, 2021, DKP was awarded a contract with Mecklenburg County for administration and mortgage, rent and utility relief payments in the amount of \$29,081,697, which was funded through U.S. Department of Treasury Emergency Rental Assistance Program funds established by the Consolidated Appropriations Act, 2021. During the year ended December 31, 2021, \$16,924,214 was advanced to DKP under the grant and \$7,245,222 was expended under the grant agreement and recorded as grant revenue - federal

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awards on the accompanying consolidated statement of activities. As of December 31, 2021, \$9,678,992 is recorded as deferred revenue on the accompanying consolidated statement of financial position.

During the year ended December 31, 2021, DKP was awarded a contract with Mecklenburg County for administration and mortgage, rent and utility relief payments in the amount of \$5,361,286, which was funded through U.S. Department of Treasury Emergency Rental Assistance Program funds established by the Consolidated Appropriations Act, 2021. During the year ended December 31, 2021, \$2,144,514 was advanced to DKP under the grant agreement and \$1,641,614 was expended under the grant agreement and recorded as grant revenue - federal awards on the accompanying consolidated statement of activities. As of December 31, 2021, \$502,900 is recorded as deferred revenue on the accompanying consolidated statement of financial position.

During the year ended December 31, 2021, DKP received a grant from Faison Enterprises, Inc. in the amount of \$344,175, which is included in grant revenue - other awards on the accompanying consolidated statement of activities. The grant is restricted for use to finance a portion of the cost to construct a new affordable residential project containing approximately 14 townhome units that is in the predevelopment stage as of December 31, 2021.

During the year ended December 31, 2021, DKP received grant awards from Bank of America of \$40,000 for a student leadership intern program and \$50,000 for general operating support, which are recorded as grant revenue-other awards on the accompanying consolidated statement of activities.

During the year ended December 31, 2021, DKP received grant awards from Wells Fargo of \$50,000 for the Homeownership program and \$81,102 from Housing Partnership Network funded through funds from Wells Fargo Foundation for housing counseling services and COVID-19 relief, which are recorded as grant revenue-other awards on the accompanying consolidated statement of activities.

During the year ended December 31, 2021, DKP received grant awards from United Way of Central Carolinas and Foundation For The Carolinas of \$200,000 for COVID-19 response, which are recorded as grant revenue - other awards on the accompanying consolidated statement of activities.

During the year ended December 31, 2021, DKP received a grant from Covenant Presbyterian Church in the amount of \$300,000, which is included in grant revenue - other awards on the accompanying consolidated statement of activities. The grant is for use to finance a portion of the cost to construct a new affordable residential project that is in the predevelopment stage as of December 31, 2021.

During the year ended December 31, 2021, DKP received a grant from Elevation Church in the amount of \$125,000, which is included in grant revenue - other awards on the accompanying consolidated statement of activities. The grant is for use to finance a portion

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of the cost to construct a new affordable residential project that is in the predevelopment stage as of December 31, 2021 and for general operating support.

During the year ended December 31, 2021, DKP received grants and contributions from various donors in the amount of \$25,000, which is included in grant revenue - other awards on the accompanying consolidated statement of activities.

NOTE 18 - PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying consolidated financial statements:

Home Ownership

DKP's Home Ownership program provides pre-homeownership education and counseling through its in-house education center, The Homeownership Center of Charlotte. The program aids potential homeowners in mortgage qualification and works with borrowers to achieve homeowner self-sufficiency. Through successful relationships with local banks, DKP has been able to implement loan pools which allow the banks and DKP to make loans and second mortgages, respectively, at competitive rates to low-income families previously not deemed good candidates for financing. These mortgage programs are more fully described in Note 6.

DKP provides mortgage delinquency and foreclosure prevention counseling both to homeowners who obtained a mortgage through DKP and those who received a mortgage through other mortgage providers. The program is designed to work with the homeowner and the loan servicing company to prevent foreclosure for the homeowner through loan modifications and other strategies. The program is funded from mortgage servicing fees and a variety of grants from foundations and governmental agencies.

Dreamkey Partners Mortgage, Inc., a nonprofit corporation owned by DKP that originates and services first mortgage loans on behalf of DKP and other agencies as contracted, became the first entity supported by a nonprofit owner to provide origination and related services for North Carolina Housing Finance Agency (NCHFA) mortgages, offering families mortgages at below market rates with flexible underwriting. These loans are funded by DreamKey Partners Mortgage, Inc., and then sold without recourse to the NCHFA, typically within 14 days of the loan closing. All servicing rights are assigned to Marsh Associates, Inc. DreamKey Partners Mortgage, Inc. has no responsibility for these loans after the loan is purchased.

In a prior year, DKP entered into a continuing contract with the City of Charlotte to take over the underwriting and customer service functions of the House Charlotte program. House Charlotte is the City of Charlotte's down payment assistance program. Under the terms of the contract, DKP fields phone calls seeking information about House Charlotte as well as underwrites and approves all House Charlotte loans on behalf of the City. The City of

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Charlotte will continue to fund the loans at closing and will continue to service the loans. The annual contract is for \$231,000. See Note 17.

DKP has an ongoing agreement with the NCHFA under the Fourth Amendment to the Participation Agreement of the North Carolina Foreclosure Prevention Fund in connection with the Mortgage Prevention Program to provide counseling services.

DKP has an ongoing agreement with the NCHFA for the State Home Foreclosure Prevention Project. The current agreement is for the period July 1, 2020 to June 30, 2021 to provide foreclosure prevention counseling services. DKP will receive quarterly payments of \$4,688 and reimbursement on a case by case basis. As of December 31, 2021, DKP has recorded \$875 of counseling fee revenue, of which \$0 remains receivable as of December 31, 2021.

During the year ended December 31, 2020, DKP entered into an agreement with the City of Charlotte to provide housing counseling and education services for a maximum amount of \$316,300. During the year ended December 31, 2021, DKP entered into an additional agreement with the City of Charlotte for an additional amount of \$316,300 expiring on June 30, 2022. During the year ended December 31, 2021, DKP recorded \$203,401 of counseling fee revenue related to the contract.

Summarized information for the Home Ownership program for year ended December 31, 2021 is as follows:

Homebuyer program expenses	\$ 1,303,833
Foreclosure prevention program expenses	100,193
	<u>\$ 1,404,026</u>

COVID Mortgage, Rent and Utility Relief

DKP entered various contracts and grant agreements with the City of Charlotte, the North Carolina Department of Public Safety, Office of Recovery and Resiliency and Mecklenburg County for the administration of mortgage, rent and utility relief payments to qualifying tenants in response to the COVID-19 pandemic (see Note 17). In addition, DKP entered in grant agreements and received funding from various grantors for operating costs associated with the COVID-19 pandemic.

Summarized information to COVID mortgage, rent and utility program expenses for the year ended December 31, 2021 is as follows:

Temporary services	\$ 2,717,793
COVID relief administration	1,176,184
Program delivery	<u>62,152,211</u>
Total COVID mortgage, rent and utility relief	<u>\$ 66,046,188</u>

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Construction and Development

Within targeted neighborhoods, DKP is involved in acquiring residential properties for single family and multifamily development, housing rehabilitation, new residential construction and property management. Single family properties acquired are resold to qualified buyers.

Since its adoption by the Charlotte City Council in 2001, DKP has been working to implement the Statesville Avenue Corridor Plan. This work has included the acquisition, demolition, and rehabilitation of numerous properties within the Druid Hills neighborhood east of Statesville Avenue and the Kohler Avenue cul-de-sac west of Statesville Avenue, along with construction of affordable senior rental units at the Gables at Druid Hills.

As a complement to implementation of the Statesville Avenue Corridor Plan, DKP organized and owns Double Oaks Development, LLC, a single-member limited liability company, in order for DKP to be the land developer for the Double Oaks Redevelopment Plan across Statesville Avenue from Druid Hills. In November 2007, DKP entered into a Development Agreement with the City of Charlotte in which the City of Charlotte provides financial assistance for the redevelopment of Double Oaks. The financial assistance pledged includes a \$10 million HUD Section 108 loan, a \$6 million grant for new infrastructure, a \$3.4 million Synthetic Tax-Increment Financing Grant, \$5 million in affordable housing loans from the City of Charlotte Housing Trust Fund, and \$500,000 CDBG funds for relocation expenses. DKP is in the process of developing the area into a mixed-use, mixed-income community featuring affordable multi-family and senior rental units, market rate rental units and single-family homeownership opportunities. At least 51% of the housing units included in the redevelopment will be priced for affordable housing.

Part of the Double Oaks development includes a new community named Brightwalk. Brightwalk's master plan comprises more than 98 acres inclusive of parks, greenway trails, roads, commercial and residential offerings. The master plan combines single family homes, townhomes and apartments with an extensive trail system, shops, offices and restaurants. Distinctive landscape elements include a variety of green spaces, a signature bridge, and public art consistent with the community's vision. As master developer of Brightwalk, DKP has worked closely with nationally recognized planners, builders and community partners to create a plan enhancing connections to neighborhoods, schools, churches, parks and greenways. DKP's redevelopment of Double Oaks is an ideal model for showcasing the HUD/EPA/DOT Sustainable Communities Initiative.

DKP has also completed 346 units of affordable rental housing in Double Oaks in four federal low income housing tax credits developments. The four developments include the 96 unit Alexander Apartments, the 48 unit McNeel Apartments, the 72 unit Gables II senior apartments and 130 units in the Stevenson Apartments.

CMHP Development, LLC is solely owned by DKP and was reinstated during the year ended December 31, 2014, to oversee DKP's commercial redevelopment activities. During the year ended December 31, 2014, DKP acquired the assets and related liabilities of Charlotte

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Mecklenburg Development Corporation (CMDC) in order to take over the activities related to commercial and industrial redevelopment in economically distressed areas for the City of Charlotte.

Weddington Road Apartments, LLC is a single member limited liability company solely owned by DKP for the purpose of acquiring, developing, maintaining, operating, and leasing an affordable housing project qualifying for Federal low income housing tax credits in Charlotte, North Carolina. As of December 31, 2021, the project is in the planning stages.

Cindy Lane Development, LLC is a single member limited liability company solely owned by DKP for the purpose of acquiring, developing, maintaining, operating, and leasing an affordable housing project qualifying for Federal low income housing tax credits in Charlotte, North Carolina. As of December 31, 2021, the project is in the planning stages.

Billingsley Road, LLC is a single member limited liability company solely owned by wholly owned subsidiary of DKP for the purpose of acquiring, developing, maintaining, operating, and leasing an affordable housing project qualifying for Federal low income housing tax credits in Charlotte, North Carolina. As of December 31, 2021, the project is in the development stages.

DKP is the sole member of CMHP Orange Street, LLC, which was formed for the purpose of owning, constructing, leasing and operating 18 townhomes, 11 of which will be market rate and 7 of which will be affordable. During the year ended December 31, 2020, an unrelated party donated 3.24 acres of land to CMHP Orange Street, LLC. CMHP Orange Street recorded the donated land in the amount of \$444,549, the fair value of the land donated based on independent appraisal, which is included in projects in development on the accompanying consolidated statement of financial position. As of December 31, 2021, the project is in the planning stages.

Asset Management

DKP has scattered site residential rental units that are available for rental to families with incomes at 60% or less of Area Median Income (AMI), as defined. Management of the scattered sites is performed by S.L. Nusbaum Realty, Co. which also manages DKP's affiliated multifamily affordable housing projects. DKP provides asset management oversight to these scattered site units, as well as to multifamily projects in which it owns a managing member/general partner interest.

Multifamily Rental Housing

Multifamily rental housing includes the following activities:

CMHPP supports and operates exclusively for the benefit of CMHP. As of December 31, 2021, CMHPP owns a multifamily housing project for low and moderate income families consisting of five single family rental homes in the West Downs II neighborhood. In

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addition, CMHPP owns managing member interests and has property management oversight in several multi-family affordable housing projects.

CFU Portfolio, LLC is a single member limited liability company solely owned by DKP for the purpose of owning and operating a multifamily housing project for low and moderate income families. The project consists of 28 units currently operating as West Downs.

CFU Brighton Place, LLC is a single member limited liability company solely owned by DKP for the purpose of owning and operating a multifamily housing project for low and moderate income families. The project consists of 49 units currently operating as Brighton Place.

CFU Shelton Knoll, LLC is a single member limited liability company solely owned by DKP for the purpose of owning and operating a multifamily housing project for low and moderate income families. The project consists of 49 units currently operating as Shelton Knoll.

CFU Pleasant View, LLC is a single member limited liability company solely owned by DKP for the purpose of owning and operating a multifamily housing project for low and moderate income families. The project consists of 85 units currently operating as Pleasant View Apartments.

Cheshire Seversville, LLC is a single member limited liability company solely owned by DKP for the purpose of owning and operating two multifamily housing projects for low and moderate income families, Cheshire Chase Apartments consisting of 55 units and Seversville Apartments consisting of 47 units. The entity was financed with a HUD-insured mortgage and as such, distributions are limited to surplus cash, as defined. Cheshire Chase Apartments and Seversville Apartments are subject to the regulations of Section 42 (tax credit regulations) during the extended compliance period, as defined.

Tyvola Crossing II, LLC is a single member limited liability company solely owned by DKP for the purpose of owning and operating affordable supportive housing for veterans and their families. The project consists of 20 units.

Fairview Senior Housing (FSH) operates an elderly housing facility financed pursuant to HUD's Section 202 of the Housing Act of 1959, as amended. The project, the Anita Stroud Center, consists of 83 units. DKP has control of FSH through a majority voting interest on the governing board.

CMHP Forest Ridge, LLC is limited liability company solely owned by DKP for the purpose of owning and operating a 136-unit multifamily housing project known as Forest Ridge Apartments located in Fort Mill, South Carolina.

Rosedale II, LLC was a limited liability company with DKP as the managing member and Wells Fargo Affordable Housing Community Development Corporation as the tax credit investor. During the year ended December 31, 2017, Rosedale II, LLC assumed the assets

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

and liabilities of the Village of Rosedale Apartments Phase I. In addition, DKP bought out the tax credit investor equity interest in both projects for \$200 in total. As part of the buyout, Rosedale II, LLC was required to fund a cash collateral reserve of \$365,339 that was released during the year ended December 31, 2020 once the tax credit compliance milestones were achieved. As of December 31, 2018, Rosedale II, LLC is a single member limited liability company owned by DKP which operates a combined 106 units for low income housing tenants.

Druid Hills, LLC was a limited liability company with CMHPP as the managing member and The Banc of America Housing Fund IIIH Limited Partnership as the tax credit investor. Effective January 31, 2018, the tax credit investor assigned its equity interest to CMHPP, making CMHPP the sole owner. Druid Hills was formed for the purpose of owning and operating a 63-unit senior housing project known as The Gables at Druid Hills located in Charlotte, North Carolina.

Rocky Branch II, LLC was a limited liability company with Rocky Branch Manager II, LLC, a wholly owned subsidiary of DKP, as the managing member and Apollo Tax Credit Fund – XXIX, Limited Partnership as the tax credit investor. Effective July 22, 2020, the tax credit investor assigned its equity interest to Rocky Branch Manager II, LLC. Effective December 31, 2020, DKP dissolved Rocky Branch Manager II, LLC, making DKP the sole owner. Rocky Branch II, LLC was formed for the purpose of developing, constructing, owning and operating a multifamily apartment complex that has been endorsed for insurance pursuant to Section 221(d)(4) of the National Housing Act as regulated by HUD. The project consists of 192 units located in Charlotte, North Carolina and is operating under the name of Rivermere Apartments.

DKP is the non-managing member of Breckinridge Oaks, LLC, which is the general partner of Breckinridge Oaks, LP, formed for the purpose of acquiring, developing, maintaining, operating, and leasing a 110-unit affordable senior housing project qualifying for Federal and State low income housing tax credits in Duluth, Georgia. As of December 31, 2021, the project is operational.

CMHP TECE Georgia, Inc., an entity wholly owned by DKP, is the non-managing member of Hearthside Lafayette Partners, LLC, which is the general partner of Hearthside Lafayette, LP, formed for the purpose of acquiring, developing, maintaining, operating and leasing a 125-unit mixed income senior housing project qualifying for Federal and State low income housing tax credits in Fayetteville, Georgia. As of December 31, 2021, the project is operational.

CMHP Wendover Walk, LLC is a single member limited liability company solely owned by DKP for the purpose of owning and operating a multifamily housing project for low and moderate income families. The project consists of 91 units currently operating as Wendover Walk.

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Multifamily Rental Housing - Consolidated

In conjunction with establishing certain affordable housing programs in the Charlotte-Mecklenburg area, DKP, directly or through its affiliates and subsidiaries, has an investment in and exerts control over several multifamily housing projects that have or are expected to qualify for low-income housing tax credits pursuant to Section 42. The entity receiving the federal low income housing tax credits must meet the provisions of the Section 42 regulations during each of fifteen consecutive years to remain qualified to receive the credits.

The multi-family housing activities of the investments disclosed in the chart below are consolidated in the accompanying consolidated financial statements.

Project Description	Ownership	Low-income Housing Tax Credits Annual Allocation
Tyvola Crossing Apartments Affordable Housing, 80 units	Tyvola Crossing LLC (0.01% CMHP Properties, Inc., managing member; 99.99% private investors)	Federal, \$622,509: 10 years through 2015 State of North Carolina, \$739,795 in the form of a state credit loan from NCHFA
South Oak Crossing Apartments ¹ Mixed income housing, 192 units of which 100 are affordable units including 20 designated as public housing units	South Oak Crossing LLC (0.009% CMHP TECE, Inc., managing member; 99.991% private investor)	Federal, \$307,106: 10 years \$45,824 through 2017 \$261,282 through 2018
Springcroft at Ashley Park Affordable senior housing, 50 units of which 18 are designated as public housing units and 18 are project-based Section 8 units	South Park Seniors, LLC (0.0045% South Park Manager, LLC, managing member; 99.9955% private investors)	Federal, \$404,778: 10 years through 2019 State of North Carolina, \$476,210 in the form of a state credit loan from NCHFA
The Mulberry Affordable senior housing, 104 units of which 104 are designated as affordable units.	Tuckaseegee Senior, LLC (0.01% Tuckaseegee Manager, Inc., managing member; 99.99% private investors)	Federal, \$747,041: 10 years through 2028
Wellspring Village Affordable housing, 48 units of which 48 are designated as affordable units.	Wellspring Village, LLC (0.009% Wellspring Manager, Inc, managing member; 99.999% private investors)	Federal, \$441,012: 10 years through 2020

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

<u>Project Description</u>	<u>Ownership</u>	<u>Low-income Housing Tax Credits Annual Allocation</u>
The McNeel Affordable housing, 48 units	Kohler Avenue LLC (0.09% Kohler Manager, Inc., managing member; 99.991% private investors)	Federal, \$492,523: 10 years through 2020 State of North Carolina, \$543,348 in the form of a state credit loan from NCHFA
The Gables at Druid Hills, Phase II Affordable senior housing, 72 units	Gables II, LLC (0.01% Gables II Manager, Inc., managing member; 99.99% private investors)	Federal, \$838,989: 10 years through 2020
The Alexander Affordable housing with planned day care center, 96 units	Statesville Avenue Homes, LLC (0.01% Statesville Avenue Manager, Inc., managing member; 99.99% private investors)	Federal, \$1,000,000: 10 years through 2021 State of North Carolina, \$946,179 in the form of a state credit loan from NCHFA
Westinghouse Senior Apartments Affordable senior housing, 86 units	Westinghouse Apartments, LLC (0.01% Westinghouse Manager, Inc., managing member; 99.99% private investors)	Federal, \$728,763: 10 years through 2025 State of North Carolina, \$848,740 in the form of a state credit loan from NCHFA
Catawba Senior Apartments Affordable senior housing, 62 units	Catawba Senior Housing, LLC (0.01% Catawba Senior Manager, Inc., managing member; 99.99% private investors)	Federal, \$565,201: 10 years through 2026
Atando Avenue Apartments Affordable housing, 130 units	Atando Apartments, LLC (0.01% Atando Manager, Inc., managing member; 99.99% private investors)	Federal tax credit reservation of \$626,981 annually for 10 years
Freedom Apartments Affordable housing, 185 units and 110 are affordable	Freedom Apartments, LLC (Freedom Manager, Inc. 0.01%, managing member; 99.99% private investors)	Federal tax credit reservation of \$721,762 annually for 10 years
Nolley Apartments Affordable housing, 103 units	Nolley Apartments, LLC (0.01% Nolley Manager, Inc., managing member; 99.99% private investors)	Federal tax credit reservation of \$999,900 annually for 10 years

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Connelly Apartments Affordable housing, 78 units	Connelly Apartments, LLC (0.01% Connelly Manager, Inc., managing member; 99.99% private investors)	Federal tax credit reservation of \$974,600 annually for 10 years
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¹The project is partially financed by HUD pursuant to Section 221(d)(4) of the National Housing Act and must comply with a HUD regulatory agreement. Cash distributions are limited by the regulatory agreement between the LLC and HUD to the extent of surplus cash, as defined by HUD. The project is also partially funded by tax credit equity proceeds pursuant to Section 42.

Management and General

Management and general includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of DKP's program strategy through the Office of the President, secure proper administrative functioning of the Board of Directors, maintain competent legal services for the program administration of DKP and manage the financial and budgetary responsibilities of DKP.

NOTE 19 - RELATED PARTY TRANSACTIONS

Supportive Services Fees

During the year ended December 31, 2021, DKP was entitled to supportive services fees from several of its investment properties for coordinating services and activities related to tenants achieving their goals of self-sufficiency. Fees received have been eliminated in consolidation.

Asset Management Fees

DKP received asset management fees during the year ended December 31, 2021 for services rendered in connection with managing the affairs of certain of its affiliates. These amounts have been eliminated in consolidation.

Development Fees

DKP entered into development agreements with several affiliates. The agreements provide for development and overhead services rendered in connection with the development of the projects and supervision of construction. Developer fees are recognized as income to the extent not deferred or financed with investor equity and capitalized to the building of the respective project. Developer fee receivable and payable amounts are eliminated in consolidation. During the year ended December 31, 2021, developer fees earned were eliminated in consolidation. As of December 31, 2021, \$17,358 of developer fees remained receivable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE 20 - EMPLOYEE BENEFIT PLAN

After ninety calendar days of employment, all full-time DKP employees are eligible to contribute to a tax deferred annuity account. Beginning at the time of enrollment, DKP makes a contribution of 2 percent of the employee's gross salary. After one year at the 2% rate, DKP increases the contribution to 4 percent of gross salary, and after 3 years of employment, the contribution increases to 6 percent of gross salary. Employer contributions for the year ended December 31, 2021 were approximately \$123,273.

NOTE 21 - LEASES

Operating Leases

DKP entered into a rental agreement for its office space for 124 months expiring June 30, 2016. Upon expiration, effective June 30, 2016, the rental agreement was extended for 5 years, expiring June 30, 2021. On February 1, 2021, the rental agreement was extended through June 30, 2026. Annual rent for the lease is subject to increases of 3 percent per year, as defined. Annual rent expense under the straight-line method is approximately \$269,597. The deferred rent asset as of December 31, 2021 was \$8,525. The monthly payment at December 31, 2021 was \$21,140.

DKP entered into a rental agreement for office space for 36 months expiring January 20, 2022. Annual rent for the lease is subject to increase approximately 3 percent per year, as defined. Annual rent expense for the year ended December 31, 2021 was \$20,608.

FSH entered into a ground lease with CHA requiring annual payments of one dollar during the lease term. The lease term is 75 years expiring November 17, 2079. Upon expiration of the lease, all improvements to the property revert to CHA. FSH is responsible for all real estate taxes and maintenance of improvements during the term of the lease. The fair value of the land at the initial lease commencement was recorded as a temporarily restricted net asset. The leasehold interest, \$93,067 at December 31, 2021, amortizes to expense by \$1,600 annually.

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Future minimum lease payments under the operating leases for the next five years and thereafter are as follows:

Year ending December 31, 2022	\$	264,177
2023		265,206
2024		273,162
2025		281,357
2026		142,758
Thereafter		<u>54</u>
	\$	<u><u>1,226,714</u></u>

Commercial Lease

On September 25, 2018, DKP entered into a lease agreement to lease commercial space under an operating lease to the Bethlehem Center of Charlotte Inc. for use of the Child Care center and nonexclusive right to common areas in the Double Oaks community. The lease term is 5 years with an option to extend for an additional 5 year period. Rents are due on a monthly basis and are subject to increases as defined in the Lease. Rental income under the straight-line method for the period ending December 31, 2021 was \$91,067

Future minimum lease payments under the commercial lease for the next five years and thereafter are as follows:

Year ending December 31, 2022	\$	93,799
2023		105,584
2024		102,496
2025		105,571
2026		108,738
Thereafter		<u>197,877</u>
	\$	<u><u>714,065</u></u>

Capital Lease

South Park Seniors, LLC has a ground lease with CHA commencing May 23, 2007 for a period of 99 years. South Park Seniors, LLC acquired a leasehold interest in the land for a lease acquisition fee of \$900,000, secured by a deed of trust with CHA. The lease is accounted for as a capital lease and provides an option for South Park Seniors to purchase the land for \$100 at the end of the lease period. No rental payments are required under the lease. The capital lease is recorded in the consolidated statement of financial position in rental property - consolidating entities in the amount of \$900,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE 22 - CONCENTRATION OF RISK

DKP receives a significant portion of its revenues through grants provided by HUD, NeighborWorks, and the City of Charlotte. Such grants are provided for the development and financing of affordable housing in a relatively small geographical area in and around the City of Charlotte, North Carolina. Consequently, the ultimate collections of its receivables and the economic realization of its developments are subject to economic downturns in that area. DKP seeks to mitigate this potentially through expansion into new markets, through ongoing review of the credit worthiness of its customers, collateralizing its notes and continuously monitoring its neighborhood developments.

In addition, the operations of DKP and its subsidiaries are subject to the administrative directives, rules and regulations of federal agencies. Such administrative directives, rules and regulations, and appropriation of Federal and local funds are subject to change by an act of Congress or an administrative change. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

DKP and subsidiaries 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, 2021. As of December 31, 2021, the cash balances of the Company exceeded the FDIC insured limit by \$22,571,814.

NOTE 23 - GUARANTEES

DKP has entered into various agreements with certain affiliates or their affiliated managing members whereby DKP has guaranteed to loan funds to its affiliates in the event that the affiliates incur operating deficits as defined in their respective operating agreements or fail to meet their current financial obligations. The agreements expire at various times according to the terms of the underlying operating agreements or debt agreements. Loans made pursuant to these guarantees may bear interest and are unsecured. The maximum potential amount of future payments under these guarantees is equal to the amount guaranteed to affiliates under the tax indemnification agreements discussed below. DKP records such payment as due from affiliated entities when funded. As of December 31, 2021, DKP has committed to fund operating deficits of at least \$2,291,143.

DKP has entered into various agreements with certain affiliates or their affiliated managing member whereby DKP offers tax indemnification in the event of low-income housing tax credit recapture. DKP's potential liability under these agreements is dependent upon IRS and state audits and final letters of determination of the limited liability companies' eligible basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

However, management is not aware of any known liability for tax credit recapture. The maximum potential liability under these guarantees as of December 31, 2021 is \$65,739,041 relating to eleven limited liability companies. DKP has not been required to fund any amounts under these guarantees and has not recorded any liabilities associated with these guarantees.

DKP provides guarantees to certain lenders for acquisition, construction, and development loans entered into by DKP's affiliated entities for development projects. Under these guarantees, DKP guarantees the payment and obligations of the entities under the associated promissory notes and deeds of trust. The total amount of these obligations as of December 31, 2021 is \$29,428,392. The outstanding principal of the development loans guaranteed by DKP are included in Note 12.

NOTE 24 - COMMITMENTS AND CONTINGENCIES

Pledged Assets and Recourse Liabilities

Consolidated assets of DKP and subsidiaries total \$248,802,829. Of these assets, \$150,014,217 is owned by affiliates of DKP in which DKP does not have 100% ownership but is required to consolidate. In addition, DKP and its wholly owned subsidiaries, have \$12,974,784 of assets that are pledged as collateral for certain of their respective liabilities.

Consolidated liabilities of DKP and subsidiaries total \$169,541,767 of which \$149,828,947 are notes payable. Of the notes payable, \$26,140,444 are recourse liabilities to DKP and \$123,688,503 are nonrecourse liabilities.

Management Services

CMHPP, FSH, and the consolidated limited liability companies have contracts with third party management companies to provide management services for their multifamily housing projects.

Rosedale II LLC has a case management services agreement with Hope Haven Foundation, Inc. for the provision of case management services to the project's residents.

Construction Contracts

DKP and affiliates of DKP have several construction contracts with third party contractors in process as of December 31, 2021 totaling \$42,219,908 including approved change orders. As of December 31, 2021, contract costs incurred under the contracts were \$41,531,370 of which \$311,945, including retainage of \$180,101, remained payable. Accrued contract and retainage costs of \$311,945 and \$180,101, respectively, are included in development costs payable and accounts payable, respectively, on the consolidated statement of financial position at December 31, 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

Housing Assistance Payments

FSH entered into a project rental assistance contract with HUD pursuant to Section 8 of the Housing Act of 1959 effective December 31, 2005 to make housing assistance payments to FSH on behalf of qualified tenants. The initial term of the agreement was five years. The agreement includes a commitment to extend the contract during the year prior to the expiration of the contract. During 2016, the contract was extended for an additional year. Upon the termination of the contract by FSH opting out of the contract or by HUD, any unused balance in the residual receipts reserve may be remitted to HUD.

South Park Seniors, LLC entered into a project rental assistance contract with CHA pursuant to HUD's Project-Based Assistance Housing Choice Voucher Program effective January 5, 2009 to make housing assistance payments to South Park Seniors, LLC on behalf of qualified tenants in 18 of the project's units. The initial term of the agreement was ten years.

Several of the consolidating tax credit entities have agreed to set aside certain units as public housing units. The entities receive tenant assistance payments from CHA pursuant to its HUD Consolidated Annual Contributions Contract and Section 8 programs. Appropriations to CHA are subject to Congressional appropriations on an annual basis.

Other Fees

Pursuant to the operating and/or individual fee agreements, certain affiliates of DKP are required to pay asset or incentive management fees to their investor members or their investors' affiliates. Fees are payable annually from net cash flow as defined.

Property Use Restrictions

Several properties owned by DKP and its subsidiaries were developed using funds provided by federal grants, restrictive low interest rate loans, the City of Charlotte, NCHFA, HUD, CHA and Section 42 tax credits. The terms of the various funding and related regulatory agreements restrict the use of the property and require units to be rented to low-income qualified tenants for a defined period of affordability. Failure to comply with the terms could result in a requirement to repay a portion or all of the proceeds received.

The consolidated limited liability companies with tax credit allocations have each executed a land use restriction agreement which requires utilization of the respective project pursuant to Section 42 for a minimum of 30 years even if the entity disposes of the project.

NOTE 25 - LIQUIDITY AND AVAILABILITY OF RESOURCES

DKP and subsidiaries' financial assets available within one year of the statement of financial position date for general expenditures are as follows:

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

CURRENT ASSETS

Cash and cash equivalents	\$	6,437,477
Grants receivable		1,283,238
Accounts receivable/Due from affiliates		434,338
Notes receivable - current		1,172,673
Total current assets	\$	<u>9,327,726</u>

DKP and subsidiaries 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 come due. DKP and subsidiaries maintains financial assets on hand to meet 60 days of normal operating expenses.

NOTE 26 - UNCERTAINTY RELATED TO COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged, and has since spread around the globe to affect many countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Project's operations. However, future potential impacts may include disruptions or restrictions on the employees' ability to work or the tenants' ability to pay the required monthly rent as a result of job loss or other pandemic related circumstance. In addition, some jurisdictions have enacted a moratorium on evictions in response to various impacts of the pandemic. Also, changes to the operating environment may increase operating costs. The future effects of these issues are unknown.

NOTE 27 - SUBSEQUENT EVENTS

Events that occur after the consolidated statement of financial position date but before the consolidated 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 consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events, which provide evidence about conditions that existed after the consolidated statement of financial position date, require disclosure in the accompanying notes. Management evaluated the activity of DreamKey Partners, Inc. and subsidiaries through April 29, 2022 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events, except as noted below, have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

On January 11, 2022, Rocky Branch II, LLC paid all outstanding principal and accrued interest on the first mortgage with the proceeds of a note agreement with ORIX Real Estate Capital, LLC which was endorsed for insurance by HUD acting by and through the Federal Housing Commissioner (FHA) under the provisions of the Section 221(d)(4) pursuant to Section 223(a)(7) of the National Housing Act.

DreamKey Partners, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

On March 24, 2022, CFU Brighton Place, LLC paid all outstanding principal and accrued interest on the first mortgage with the proceeds of a note agreement with ORIX Real Estate Capital, LLC which was endorsed for insurance by HUD acting by and through the Federal Housing Commissioner (FHA) under the provisions of the Section 221(d)(4) pursuant to Section 223(a)(7) of the National Housing Act.

On April 12, 2022, CFU Pleasant View, LLC paid all outstanding principal and accrued interest on the first mortgage with the proceeds of a note agreement with ORIX Real Estate Capital, LLC which was endorsed for insurance by HUD acting by and through the Federal Housing Commissioner (FHA) under the provisions of the Section 221(d)(4) pursuant to Section 223(a)(7) of the National Housing Act.

SUPPLEMENTAL INFORMATION

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING SUMMARY STATEMENT OF
FINANCIAL POSITION

December 31, 2021

	DKP and Wholly Owned Subsidiaries	Multifamily Rental Consolidated	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,590,056	\$ 1,847,421	\$ -	\$ 6,437,477
Grants receivable	1,283,238	-	-	1,283,238
Accounts receivable/Due from affiliates	2,983,388	150,923	(2,699,973)	434,338
Deferred rent asset	8,525	-	-	8,525
Notes receivable - current	1,172,673	-	-	1,172,673
Prepaid expenses	56,718	78,322	-	135,040
Total current assets	<u>10,094,598</u>	<u>2,076,666</u>	<u>(2,699,973)</u>	<u>9,471,291</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES				
Restricted cash	12,977,433	-	-	12,977,433
Funds held for others	661,474	652,050	-	1,313,524
Escrows	313,871	380,225	-	694,096
Replacement and operating reserves	3,156,940	6,783,240	-	9,940,180
Other reserves	-	196,000	-	196,000
Total restricted deposits and funded reserves	<u>17,109,718</u>	<u>8,011,515</u>	<u>-</u>	<u>25,121,233</u>
PROPERTY AND EQUIPMENT				
Rental property, net	42,938,948	8,056,146	(294,872)	50,700,222
Rental property - consolidating entities, net	-	131,657,233	(5,057,386)	126,599,847
Personal property and equipment, net	58,986	-	-	58,986
Total property and equipment	<u>42,997,934</u>	<u>139,713,379</u>	<u>(5,352,258)</u>	<u>177,359,055</u>
OTHER ASSETS				
Due from affiliates	3,529,319	4,100	(3,533,419)	-
Mortgage notes receivable, net	13,999,107	-	(12,093,815)	1,905,292
Interest receivable, net	1,360,561	-	(493,064)	867,497
Projects in development	25,670,765	2,382,930	166,196	28,219,891
Land held for sale	3,767,923	-	-	3,767,923
Land leasehold interest	93,067	-	-	93,067
Deferred tax credit fees, net	-	1,152,930	-	1,152,930
Investments - affiliates	(4,714,619)	(180,761)	4,895,380	-
Investments - other	844,650	-	-	844,650
Total other assets	<u>44,550,773</u>	<u>3,359,199</u>	<u>(11,058,722)</u>	<u>36,851,250</u>
Total assets	<u>\$ 114,753,023</u>	<u>\$ 153,160,759</u>	<u>\$ (19,110,953)</u>	<u>\$ 248,802,829</u>

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING SUMMARY STATEMENT OF
FINANCIAL POSITION - CONTINUED

December 31, 2021

	DKP and Wholly Owned Subsidiaries	Multifamily Rental Consolidated	Eliminations	Total
CURRENT LIABILITIES				
Accounts payable	\$ 590,467	\$ 43,330	\$ -	\$ 633,797
Accrued expenses and other liabilities	661,871	38,557	-	700,428
Development costs payable	301,595	2,628,193	(2,186,398)	743,390
Due to others	31,027	109,601	(23,687)	116,941
Interest payable	1,619,184	5,858,118	(1,479,492)	5,997,810
Notes payable - current	7,162,304	680,330	-	7,842,634
Total current liabilities	<u>10,366,448</u>	<u>9,358,129</u>	<u>(3,689,577)</u>	<u>16,035,000</u>
DEPOSITS AND PREPAID LIABILITY				
Funds held for others	653,075	651,964	-	1,305,039
Deferred revenue	12,153,480	177,514	-	12,330,994
Total deposits and prepaid liability	<u>12,806,555</u>	<u>829,478</u>	<u>-</u>	<u>13,636,033</u>
LONG-TERM LIABILITIES				
Fair value - interest rate swap liability	8,338	473,970	-	482,308
Notes payable	48,071,935	96,568,006	(2,653,628)	141,986,313
Deferred loan fees, net	(1,026,446)	(1,570,891)	-	(2,597,337)
Due to affiliates	21,034,763	2,824,289	(23,853,723)	5,329
Total long-term liabilities	<u>68,088,590</u>	<u>98,295,374</u>	<u>(26,507,351)</u>	<u>139,876,613</u>
NET ASSETS:				
Without donor restrictions - controlling interest	13,398,790	44,677,778	(37,892,922)	20,183,646
Without donor restrictions - noncontrolling interest	-	-	48,978,897	48,978,897
Net assets without donor restrictions	<u>13,398,790</u>	<u>44,677,778</u>	<u>11,085,975</u>	<u>69,162,543</u>
Net assets with donor restrictions purpose or period restricted	10,092,640	-	-	10,092,640
Net assets with donor restrictions invested in perpetuity	-	-	-	-
Total net assets	<u>23,491,430</u>	<u>44,677,778</u>	<u>11,085,975</u>	<u>79,255,183</u>
Total liabilities and net assets	<u>\$ 114,753,023</u>	<u>\$ 153,160,759</u>	<u>\$ (19,110,953)</u>	<u>\$ 248,802,829</u>

See independent auditor's report.

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING SUMMARY STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS

Year ended December 31, 2021

	DKP and Wholly Owned Subsidiaries	Multifamily Rental Consolidated	Eliminations	Total
Change in net assets:				
Revenues and support				
Grant revenue - federal awards	\$ 67,778,601	\$ -	\$ -	\$ 67,778,601
Grant revenue - other awards	3,315,539	-	-	3,315,539
Contributions	173,766	-	-	173,766
Real estate sales	63,675	-	-	63,675
Rental income	7,996,433	2,119,767	-	10,116,200
Rental income - consolidating entities	421,474	11,461,745	-	11,883,219
Development fees	230,829	-	(230,829)	-
Counseling fees	280,651	-	-	280,651
Loan fees	31,801	-	-	31,801
Interest income	134,744	5,566	(35,966)	104,344
Other income	1,547,217	837	(585,573)	962,481
	<u>81,974,730</u>	<u>13,587,915</u>	<u>(852,368)</u>	<u>94,710,277</u>
Total revenues and support	81,974,730	13,587,915	(852,368)	94,710,277
Other releases from net assets	-	-	-	-
Net assets released from donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, support and net assets released from donor restrictions	<u>81,974,730</u>	<u>13,587,915</u>	<u>(852,368)</u>	<u>94,710,277</u>
Expenses and losses				
Program services				
Home ownership program	1,404,026	-	-	1,404,026
COVID mortgage, rental and utility relief	66,046,188	-	-	66,046,188
Construction and development	2,240,416	-	-	2,240,416
Asset management	838,378	200,788	(189,566)	849,600
Multifamily rental housing	7,107,976	1,940,438	(9,161)	9,039,253
Multifamily rental housing - consolidated	451,013	14,244,936	(580,118)	14,115,831
Support services				
Management and general	2,770,958	-	(745)	2,770,213
Investment in subsidiaries (gain) loss	(730,807)	3	730,804	-
Provision (recovery) for loan loss and bad debt expense	378,694	45,395	-	424,089
	<u>80,506,842</u>	<u>16,431,560</u>	<u>(48,786)</u>	<u>96,889,616</u>
Total expenses and losses	80,506,842	16,431,560	(48,786)	96,889,616
Excess (deficiency) of revenues over expenses - consolidated	1,467,888	(2,843,645)	(803,582)	(2,179,339)
Excess (deficiency) of revenues over expenses - noncontrolling interest	<u>-</u>	<u>-</u>	<u>3,005,539</u>	<u>3,005,539</u>
Excess (deficiency) of revenues over expenses - DKP	<u>\$ 1,467,888</u>	<u>\$ (2,843,645)</u>	<u>\$ 2,201,957</u>	<u>\$ 826,200</u>
Net assets at beginning of year				
Contributions	\$ 21,619,179	\$ 35,384,173	\$ 11,407,259	\$ 68,410,611
Distributions	1,923,534	13,812,484	(2,074,168)	13,661,850
Other comprehensive income (loss)	(1,519,171)	(1,932,672)	2,556,466	(895,377)
Excess (deficiency) of revenues over expenses - consolidated	-	257,438	-	257,438
	<u>1,467,888</u>	<u>(2,843,645)</u>	<u>(803,582)</u>	<u>(2,179,339)</u>
Net assets at end of year	<u>\$ 23,491,430</u>	<u>\$ 44,677,778</u>	<u>\$ 11,085,975</u>	<u>\$ 79,255,183</u>

See independent auditor's report.

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2021

	DreamKey Partners, Inc.	CMHP Properties, Inc.	Tyvola Crossing, LLC	Druid Hills, LLC
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,312,015	\$ 13,102	\$ 18,514	\$ 10,256
Grants receivable	1,283,238	-	-	-
Accounts receivable	2,865,993	3,953	5,305	-
Deferred rent asset	8,525	-	-	-
Notes receivable - current	59,261	-	-	-
Prepaid expenses	5,047	-	-	-
Total current assets	<u>7,534,079</u>	<u>17,055</u>	<u>23,819</u>	<u>10,256</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES				
Restricted cash	12,232,829	-	-	-
Funds held for others	296,086	2,610	29,573	21,028
Escrows	64,417	1,186	16,596	17,508
Replacement and operating reserves	174,298	30,363	628,901	249,303
Other reserves	-	-	-	-
Total restricted deposits and funded reserves	<u>12,767,630</u>	<u>34,159</u>	<u>675,070</u>	<u>287,839</u>
PROPERTY AND EQUIPMENT				
Rental property, net	1,385,741	456,584	-	2,413,370
Rental property - consolidating entities, net	-	-	3,400,862	-
Personal property and equipment, net	58,986	-	-	-
Total property and equipment	<u>1,444,727</u>	<u>456,584</u>	<u>3,400,862</u>	<u>2,413,370</u>
OTHER ASSETS				
Due from affiliates	3,529,419	(100)	-	-
Mortgage notes receivable, net	15,001,377	-	-	-
Interest receivable, net	1,360,561	-	-	-
Projects in development	18,400,821	-	-	-
Land held for sale	-	-	-	-
Land leasehold interest	-	-	-	-
Deferred tax credit fees, net	-	-	-	-
Investments - affiliates	(6,532,748)	1,818,129	-	-
Investments - other	844,650	-	-	-
Total other assets	<u>32,604,080</u>	<u>1,818,029</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 54,350,516</u>	<u>\$ 2,325,827</u>	<u>\$ 4,099,751</u>	<u>\$ 2,711,465</u>
CURRENT LIABILITIES				
Accounts payable	\$ 480,761	\$ 200	\$ -	\$ 1,124
Accrued expenses and other liabilities	619,790	152	1,605	2,153
Development costs payable	274,564	-	127,320	-
Due to others	22,481	-	-	-
Interest payable	116,720	-	2,667	-
Notes payable - current	5,788,233	-	-	11,681
Total current liabilities	<u>7,302,549</u>	<u>352</u>	<u>131,592</u>	<u>14,958</u>
DEPOSITS AND PREPAID LIABILITY				
Funds held for others	290,911	2,610	29,573	21,028
Deferred revenue	11,376,411	120	1,325	2,820
Total deposits and prepaid liability	<u>11,667,322</u>	<u>2,730</u>	<u>30,898</u>	<u>23,848</u>
LONG-TERM LIABILITIES				
Fair value - interest rate swap liability	-	-	-	-
Notes payable	11,116,033	-	1,991,677	704,520
Deferred loan fees, net	(305,150)	-	(4,078)	(39,599)
Due to affiliates	-	100,197	-	-
Total long-term liabilities	<u>10,810,883</u>	<u>100,197</u>	<u>1,987,599</u>	<u>664,921</u>
Total liabilities	<u>29,780,754</u>	<u>103,279</u>	<u>2,150,089</u>	<u>703,727</u>
NET ASSETS:				
Without donor restrictions - controlling interest	21,532,689	2,222,548	1,949,662	2,007,738
Without donor restrictions - noncontrolling interest	-	-	-	-
Net assets without donor restrictions	<u>21,532,689</u>	<u>2,222,548</u>	<u>1,949,662</u>	<u>2,007,738</u>
Net assets with donor restrictions purpose or period restricted	3,037,073	-	-	-
Net assets with donor restrictions invested in perpetuity	-	-	-	-
Net assets with donor restrictions	<u>3,037,073</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>24,569,762</u>	<u>2,222,548</u>	<u>1,949,662</u>	<u>2,007,738</u>
Total liabilities and net assets	<u>\$ 54,350,516</u>	<u>\$ 2,325,827</u>	<u>\$ 4,099,751</u>	<u>\$ 2,711,465</u>

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2021

	Consolidated CMHP TECE, Inc.	Double Oaks Development, LLC	Consolidated Freedom Manager, Inc.	DreamKey Partners Mortgage, Inc.
CURRENT ASSETS				
Cash and cash equivalents	\$ 632,981	\$ 27,199	\$ 215,841	\$ 47,902
Grants receivable	-	-	-	-
Accounts receivable	2,909	-	35,317	-
Deferred rent asset	-	-	-	-
Notes receivable - current	-	-	-	1,113,412
Prepaid expenses	40,312	-	-	-
Total current assets	<u>676,202</u>	<u>27,199</u>	<u>251,158</u>	<u>1,161,314</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES				
Restricted cash	-	-	-	744,604
Funds held for others	92,028	-	99,507	-
Escrows	59,546	-	36,756	-
Replacement and operating reserves	1,496,367	-	50,871	-
Other reserves	30,000	-	166,000	-
Total restricted deposits and funded reserves	<u>1,677,941</u>	<u>-</u>	<u>353,134</u>	<u>744,604</u>
PROPERTY AND EQUIPMENT				
Rental property, net	-	-	-	-
Rental property - consolidating entities, net	10,852,025	-	28,610,709	-
Personal property and equipment, net	-	-	-	-
Total property and equipment	<u>10,852,025</u>	<u>-</u>	<u>28,610,709</u>	<u>-</u>
OTHER ASSETS				
Due from affiliates	100	-	-	-
Mortgage notes receivable, net	-	-	-	(1,002,270)
Interest receivable, net	-	-	-	-
Projects in development	-	1,435,557	-	-
Land held for sale	-	2,760,472	-	-
Land leasehold interest	-	-	-	-
Deferred tax credit fees, net	8,233	-	443,382	-
Investments - affiliates	(180,761)	-	-	-
Investments - other	-	-	-	-
Total other assets	<u>(172,428)</u>	<u>4,196,029</u>	<u>443,382</u>	<u>(1,002,270)</u>
Total assets	<u>\$ 13,033,740</u>	<u>\$ 4,223,228</u>	<u>\$ 29,658,383</u>	<u>\$ 903,648</u>
CURRENT LIABILITIES				
Accounts payable	\$ 4,112	\$ 450	\$ 3,525	\$ -
Accrued expenses and other liabilities	5,142	-	4,316	-
Development costs payable	-	-	1,332,709	-
Due to others	35,019	-	10,417	-
Interest payable	261,999	1,062,293	130,000	-
Notes payable - current	176,651	-	-	-
Total current liabilities	<u>482,923</u>	<u>1,062,743</u>	<u>1,480,967</u>	<u>-</u>
DEPOSITS AND PREPAID LIABILITY				
Funds held for others	92,028	-	99,507	-
Deferred revenue	-	-	45,369	734,603
Total deposits and prepaid liability	<u>92,028</u>	<u>-</u>	<u>144,876</u>	<u>734,603</u>
LONG-TERM LIABILITIES				
Fair value - interest rate swap liability	-	-	-	-
Notes payable	15,233,253	1,591,693	23,559,054	-
Deferred loan fees, net	(198,760)	-	(547,360)	-
Due to affiliates	-	14,807,958	170,123	229,674
Total long-term liabilities	<u>15,034,493</u>	<u>16,399,651</u>	<u>23,181,817</u>	<u>229,674</u>
Total liabilities	<u>15,609,444</u>	<u>17,462,394</u>	<u>24,807,660</u>	<u>964,277</u>
NET ASSETS:				
Without donor restrictions - controlling interest	(2,575,704)	(13,239,166)	4,850,723	(60,629)
Without donor restrictions - noncontrolling interest	-	-	-	-
Net assets without donor restrictions	<u>(2,575,704)</u>	<u>(13,239,166)</u>	<u>4,850,723</u>	<u>(60,629)</u>
Net assets with donor restrictions purpose or period restricted	-	-	-	-
Net assets with donor restrictions invested in perpetuity	-	-	-	-
Net assets with donor restrictions	-	-	-	-
Total net assets	<u>(2,575,704)</u>	<u>(13,239,166)</u>	<u>4,850,723</u>	<u>(60,629)</u>
Total liabilities and net assets	<u>\$ 13,033,740</u>	<u>\$ 4,223,228</u>	<u>\$ 29,658,383</u>	<u>\$ 903,648</u>

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2021

	Consolidated Westinghouse Manager, Inc.	Consolidated Nolley Manager, Inc.	CFU Portfolio, LLC	CFU Brighton Place, LLC
CURRENT ASSETS				
Cash and cash equivalents	\$ 229,252	\$ 44,867	\$ 11,588	\$ 26,350
Grants receivable	-	-	-	-
Accounts receivable	-	402	27,535	19,287
Deferred rent asset	-	-	-	-
Notes receivable - current	-	-	-	-
Prepaid expenses	-	-	-	-
Total current assets	<u>229,252</u>	<u>45,269</u>	<u>39,123</u>	<u>45,637</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES				
Restricted cash	-	-	-	-
Funds held for others	40,838	38,196	14,283	23,861
Escrows	31,772	43,597	6,060	6,250
Replacement and operating reserves	420,889	17,167	51,723	110,619
Other reserves	-	-	-	-
Total restricted deposits and funded reserves	<u>493,499</u>	<u>98,960</u>	<u>72,066</u>	<u>140,730</u>
PROPERTY AND EQUIPMENT				
Rental property, net	-	-	542,085	641,604
Rental property - consolidating entities, net	8,287,696	17,051,041	-	-
Personal property and equipment, net	-	-	-	-
Total property and equipment	<u>8,287,696</u>	<u>17,051,041</u>	<u>542,085</u>	<u>641,604</u>
OTHER ASSETS				
Due from affiliates	-	-	-	-
Mortgage notes receivable, net	-	-	-	-
Interest receivable, net	-	-	-	-
Projects in development	-	-	-	-
Land held for sale	-	-	-	-
Land leasehold interest	-	-	-	-
Deferred tax credit fees, net	59,258	186,781	-	-
Investments - affiliates	-	-	-	-
Investments - other	-	-	-	-
Total other assets	<u>59,258</u>	<u>186,781</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 9,069,705</u>	<u>\$ 17,382,051</u>	<u>\$ 653,274</u>	<u>\$ 827,971</u>
CURRENT LIABILITIES				
Accounts payable	\$ 2,260	\$ -	\$ 1,733	\$ 13,254
Accrued expenses and other liabilities	2,912	2,172	825	658
Development costs payable	-	509,581	-	-
Due to others	10,456	5,000	-	1,374
Interest payable	20,620	91,624	1,894	-
Notes payable - current	24,124	39,903	21,000	32,291
Total current liabilities	<u>60,372</u>	<u>648,280</u>	<u>25,452</u>	<u>47,577</u>
DEPOSITS AND PREPAID LIABILITY				
Funds held for others	40,838	38,196	14,283	23,861
Deferred revenue	12,046	15,752	2,748	10,127
Total deposits and prepaid liability	<u>52,884</u>	<u>53,948</u>	<u>17,031</u>	<u>33,988</u>
LONG-TERM LIABILITIES				
Fair value - interest rate swap liability	-	-	8,338	-
Notes payable	3,337,517	8,006,122	213,500	1,140,410
Deferred loan fees, net	(34,071)	(146,951)	(4,379)	(46,879)
Due to affiliates	88,851	-	-	-
Total long-term liabilities	<u>3,392,297</u>	<u>7,859,171</u>	<u>217,459</u>	<u>1,093,531</u>
Total liabilities	<u>3,505,553</u>	<u>8,561,399</u>	<u>259,942</u>	<u>1,175,096</u>
NET ASSETS:				
Without donor restrictions - controlling interest	5,564,152	8,820,652	393,332	(347,125)
Without donor restrictions - noncontrolling interest	-	-	-	-
Net assets without donor restrictions	<u>5,564,152</u>	<u>8,820,652</u>	<u>393,332</u>	<u>(347,125)</u>
Net assets with donor restrictions purpose or period restricted	-	-	-	-
Net assets with donor restrictions invested in perpetuity	-	-	-	-
Net assets with donor restrictions	-	-	-	-
Total net assets	<u>5,564,152</u>	<u>8,820,652</u>	<u>393,332</u>	<u>(347,125)</u>
Total liabilities and net assets	<u>\$ 9,069,705</u>	<u>\$ 17,382,051</u>	<u>\$ 653,274</u>	<u>\$ 827,971</u>

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2021

	CFU Shelton Knoll, LLC	CFU Pleasant View, LLC	Cheshire Seversville, LLC	Tyvola Crossing II, LLC
CURRENT ASSETS				
Cash and cash equivalents	\$ 19,761	\$ 23,178	\$ 263,115	\$ 258,716
Grants receivable	-	-	-	-
Accounts receivable	10,758	3,248	20,333	1,080
Deferred rent asset	-	-	-	-
Notes receivable - current	-	-	-	-
Prepaid expenses	35,696	-	5,826	55
Total current assets	66,215	26,426	289,274	259,851
RESTRICTED DEPOSITS AND FUNDED RESERVES				
Restricted cash	-	-	-	-
Funds held for others	23,352	37,698	40,792	8,431
Escrows	12,920	31,055	28,951	7,682
Replacement and operating reserves	62,918	202,100	258,115	88,119
Other reserves	-	-	-	-
Total restricted deposits and funded reserves	99,190	270,853	327,858	104,232
PROPERTY AND EQUIPMENT				
Rental property, net	656,838	1,641,457	3,145,911	2,298,425
Rental property - consolidating entities, net	-	-	-	-
Personal property and equipment, net	-	-	-	-
Total property and equipment	656,838	1,641,457	3,145,911	2,298,425
OTHER ASSETS				
Due from affiliates	-	-	-	-
Mortgage notes receivable, net	-	-	-	-
Interest receivable, net	-	-	-	-
Projects in development	-	432,976	-	-
Land held for sale	-	-	-	-
Land leasehold interest	-	-	-	-
Deferred tax credit fees, net	-	-	-	-
Investments - affiliates	-	-	-	-
Investments - other	-	-	-	-
Total other assets	-	432,976	-	-
Total assets	\$ 822,243	\$ 2,371,712	\$ 3,763,043	\$ 2,662,508
CURRENT LIABILITIES				
Accounts payable	\$ 14,915	\$ 42,438	\$ 8,312	\$ -
Accrued expenses and other liabilities	1,094	22,377	3,010	434
Development costs payable	-	-	-	-
Due to others	327	2,366	808	53
Interest payable	-	-	-	-
Notes payable - current	27,448	22,226	56,766	-
Total current liabilities	43,784	89,407	68,896	487
DEPOSITS AND PREPAID LIABILITY				
Funds held for others	23,352	37,698	40,583	8,431
Deferred revenue	5,124	5,962	1,708	-
Total deposits and prepaid liability	28,476	43,660	42,291	8,431
LONG-TERM LIABILITIES				
Fair value - interest rate swap liability	-	-	-	-
Notes payable	969,347	3,008,263	2,265,035	600,000
Deferred loan fees, net	(6,868)	(51,491)	(115,669)	(5,023)
Due to affiliates	-	600,000	-	575,042
Total long-term liabilities	962,479	3,556,772	2,149,366	1,170,019
Total liabilities	1,034,739	3,689,839	2,260,553	1,178,937
NET ASSETS:				
Without donor restrictions - controlling interest	(212,496)	(1,318,127)	1,502,490	1,483,571
Without donor restrictions - noncontrolling interest	-	-	-	-
Net assets without donor restrictions	(212,496)	(1,318,127)	1,502,490	1,483,571
Net assets with donor restrictions purpose or period restricted	-	-	-	-
Net assets with donor restrictions invested in perpetuity	-	-	-	-
Net assets with donor restrictions	-	-	-	-
Total net assets	(212,496)	(1,318,127)	1,502,490	1,483,571
Total liabilities and net assets	\$ 822,243	\$ 2,371,712	\$ 3,763,043	\$ 2,662,508

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2021

	Rosedale II, LLC	Rocky Branch II, LLC	Consolidated South Park Manager, LLC	Consolidated Kohler Manager, Inc.
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,119	\$ 461,589	\$ 28,755	\$ 39,624
Grants receivable	-	-	-	-
Accounts receivable	7,387	68,567	-	6,060
Deferred rent asset	-	-	-	-
Notes receivable - current	-	-	-	-
Prepaid expenses	-	23,073	-	-
Total current assets	<u>10,506</u>	<u>553,229</u>	<u>28,755</u>	<u>45,684</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES				
Restricted cash	-	-	-	-
Funds held for others	37,830	94,107	17,025	16,947
Escrows	26,537	61,191	11,080	11,184
Replacement and operating reserves	371,809	714,173	299,148	301,739
Other reserves	-	-	-	-
Total restricted deposits and funded reserves	<u>436,176</u>	<u>869,471</u>	<u>327,253</u>	<u>329,870</u>
PROPERTY AND EQUIPMENT				
Rental property, net	4,453,952	8,056,146	-	-
Rental property - consolidating entities, net	-	-	5,290,294	3,973,909
Personal property and equipment, net	-	-	-	-
Total property and equipment	<u>4,453,952</u>	<u>8,056,146</u>	<u>5,290,294</u>	<u>3,973,909</u>
OTHER ASSETS				
Due from affiliates	-	-	-	4,000
Mortgage notes receivable, net	-	-	-	-
Interest receivable, net	-	-	-	-
Projects in development	-	-	-	-
Land held for sale	-	-	-	-
Land leasehold interest	-	-	-	-
Deferred tax credit fees, net	-	-	8,397	14,346
Investments - affiliates	-	-	-	-
Investments - other	-	-	-	-
Total other assets	<u>-</u>	<u>-</u>	<u>8,397</u>	<u>18,346</u>
Total assets	<u>\$ 4,900,634</u>	<u>\$ 9,478,846</u>	<u>\$ 5,654,699</u>	<u>\$ 4,367,809</u>
CURRENT LIABILITIES				
Accounts payable	\$ 5,414	\$ 5,580	\$ 488	\$ 2,871
Accrued expenses and other liabilities	2,930	4,825	4,070	1,064
Development costs payable	-	-	-	-
Due to others	-	18,720	28,224	-
Interest payable	22,336	250,408	2,802,814	613,939
Notes payable - current	53,233	203,413	-	-
Total current liabilities	<u>83,913</u>	<u>482,946</u>	<u>2,835,596</u>	<u>617,874</u>
DEPOSITS AND PREPAID LIABILITY				
Funds held for others	37,830	94,021	17,025	16,947
Deferred revenue	11,917	37,663	2,828	5,120
Total deposits and prepaid liability	<u>49,747</u>	<u>131,684</u>	<u>19,853</u>	<u>22,067</u>
LONG-TERM LIABILITIES				
Fair value - interest rate swap liability	-	-	-	-
Notes payable	2,918,368	11,570,941	3,924,139	2,064,255
Deferred loan fees, net	(84,698)	(285,160)	(33,469)	(5,509)
Due to affiliates	-	363,944	22,467	199,293
Total long-term liabilities	<u>2,833,670</u>	<u>11,649,725</u>	<u>3,913,137</u>	<u>2,258,039</u>
Total liabilities	<u>2,967,330</u>	<u>12,264,355</u>	<u>6,768,586</u>	<u>2,897,980</u>
NET ASSETS:				
Without donor restrictions - controlling interest	1,933,304	(2,785,509)	(1,113,887)	1,469,829
Without donor restrictions - noncontrolling interest	-	-	-	-
Net assets without donor restrictions	<u>1,933,304</u>	<u>(2,785,509)</u>	<u>(1,113,887)</u>	<u>1,469,829</u>
Net assets with donor restrictions purpose or period restricted	-	-	-	-
Net assets with donor restrictions invested in perpetuity	-	-	-	-
Net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>1,933,304</u>	<u>(2,785,509)</u>	<u>(1,113,887)</u>	<u>1,469,829</u>
Total liabilities and net assets	<u>\$ 4,900,634</u>	<u>\$ 9,478,846</u>	<u>\$ 5,654,699</u>	<u>\$ 4,367,809</u>

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2021

	Consolidated Statesville Avenue Manager, Inc.	Consolidated Gables II Manager, Inc.	Consolidated Catawaba Senior Housing, LLC	Fairview Senior Housing, Inc.
CURRENT ASSETS				
Cash and cash equivalents	\$ 17,622	\$ 29,265	\$ 26,816	\$ 13,835
Grants receivable	-	-	-	-
Accounts receivable	2,246	4,668	-	2
Deferred rent asset	-	-	-	-
Notes receivable - current	-	-	-	-
Prepaid expenses	-	-	-	-
Total current assets	<u>19,868</u>	<u>33,933</u>	<u>26,816</u>	<u>13,837</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES				
Restricted cash	-	-	-	-
Funds held for others	39,811	22,906	20,840	27,675
Escrows	21,716	14,470	10,297	16,900
Replacement and operating reserves	742,418	619,266	289,346	473,381
Other reserves	-	-	-	-
Total restricted deposits and funded reserves	<u>803,945</u>	<u>656,642</u>	<u>320,483</u>	<u>517,956</u>
PROPERTY AND EQUIPMENT				
Rental property, net	-	-	-	3,541,375
Rental property - consolidating entities, net	7,044,422	5,370,194	6,106,806	-
Personal property and equipment, net	-	-	-	-
Total property and equipment	<u>7,044,422</u>	<u>5,370,194</u>	<u>6,106,806</u>	<u>3,541,375</u>
OTHER ASSETS				
Due from affiliates	-	-	-	-
Mortgage notes receivable, net	-	-	-	-
Interest receivable, net	-	-	-	-
Projects in development	-	-	-	-
Land held for sale	-	-	-	-
Land leasehold interest	-	-	-	93,067
Deferred tax credit fees, net	41,309	25,090	53,982	-
Investments - affiliates	-	-	-	-
Investments - other	-	-	-	-
Total other assets	<u>41,309</u>	<u>25,090</u>	<u>53,982</u>	<u>93,067</u>
Total assets	<u>\$ 7,909,544</u>	<u>\$ 6,085,859</u>	<u>\$ 6,508,087</u>	<u>\$ 4,166,235</u>
CURRENT LIABILITIES				
Accounts payable	\$ 5,396	\$ -	\$ 1,333	\$ 20,866
Accrued expenses and other liabilities	3,245	2,036	1,526	2,364
Development costs payable	-	-	-	-
Due to others	1,457	2,938	-	-
Interest payable	729,435	827,083	-	-
Notes payable - current	-	-	56,424	-
Total current liabilities	<u>739,533</u>	<u>832,057</u>	<u>59,283</u>	<u>23,230</u>
DEPOSITS AND PREPAID LIABILITY				
Funds held for others	39,811	22,906	20,840	24,660
Deferred revenue	10,510	7,912	2,257	1,940
Total deposits and prepaid liability	<u>50,321</u>	<u>30,818</u>	<u>23,097</u>	<u>26,600</u>
LONG-TERM LIABILITIES				
Fair value - interest rate swap liability	-	-	-	-
Notes payable	3,346,179	1,512,000	1,740,476	-
Deferred loan fees, net	-	(1,568)	(12,663)	-
Due to affiliates	-	-	240	-
Total long-term liabilities	<u>3,346,179</u>	<u>1,510,432</u>	<u>1,728,053</u>	<u>-</u>
Total liabilities	<u>4,136,033</u>	<u>2,373,307</u>	<u>1,810,433</u>	<u>49,830</u>
NET ASSETS:				
Without donor restrictions - controlling interest	3,773,511	3,712,552	4,697,654	(2,939,162)
Without donor restrictions - noncontrolling interest	-	-	-	-
Net assets without donor restrictions	<u>3,773,511</u>	<u>3,712,552</u>	<u>4,697,654</u>	<u>(2,939,162)</u>
Net assets with donor restrictions purpose or period restricted	-	-	-	7,055,567
Net assets with donor restrictions invested in perpetuity	-	-	-	-
Net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,055,567</u>
Total net assets	<u>3,773,511</u>	<u>3,712,552</u>	<u>4,697,654</u>	<u>4,116,405</u>
Total liabilities and net assets	<u>\$ 7,909,544</u>	<u>\$ 6,085,859</u>	<u>\$ 6,508,087</u>	<u>\$ 4,166,235</u>

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2021

	CMHP Development, LLC	Weddington Road Apartments, LLC	Cindy Lane Development, LLC	Consolidated Atando Manager, Inc.
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,851	\$ -	\$ 1,528	\$ 60,146
Grants receivable	-	-	-	-
Accounts receivable	-	-	-	18,048
Deferred rent asset	-	-	-	-
Notes receivable - current	-	-	-	-
Prepaid expenses	-	-	-	-
Total current assets	<u>3,851</u>	<u>-</u>	<u>1,528</u>	<u>78,194</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES				
Restricted cash	-	-	-	-
Funds held for others	-	-	-	72,521
Escrows	-	-	-	34,978
Replacement and operating reserves	-	-	-	538,446
Other reserves	-	-	-	-
Total restricted deposits and funded reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>645,945</u>
PROPERTY AND EQUIPMENT				
Rental property, net	-	-	-	-
Rental property - consolidating entities, net	-	-	-	16,893,425
Personal property and equipment, net	-	-	-	-
Total property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,893,425</u>
OTHER ASSETS				
Due from affiliates	-	-	-	-
Mortgage notes receivable, net	-	-	-	-
Interest receivable, net	-	-	-	-
Projects in development	328,120	1,684,252	1,268,407	-
Land held for sale	-	-	1,007,451	-
Land leasehold interest	-	-	-	-
Deferred tax credit fees, net	-	-	-	163,908
Investments - affiliates	-	-	-	-
Investments - other	-	-	-	-
Total other assets	<u>328,120</u>	<u>1,684,252</u>	<u>2,275,858</u>	<u>163,908</u>
Total assets	<u>\$ 331,971</u>	<u>\$ 1,684,252</u>	<u>\$ 2,277,386</u>	<u>\$ 17,781,472</u>
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 5,186
Accrued expenses and other liabilities	-	-	-	2,459
Development costs payable	-	-	-	-
Due to others	-	-	-	534
Interest payable	-	5,417	389,608	49,908
Notes payable - current	-	-	-	101,645
Total current liabilities	<u>-</u>	<u>5,417</u>	<u>389,608</u>	<u>159,732</u>
DEPOSITS AND PREPAID LIABILITY				
Funds held for others	-	-	-	72,521
Deferred revenue	-	-	-	16,953
Total deposits and prepaid liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,474</u>
LONG-TERM LIABILITIES				
Fair value - interest rate swap liability	-	-	-	-
Notes payable	-	1,300,000	-	11,043,315
Deferred loan fees, net	-	-	-	(33,998)
Due to affiliates	-	787,403	3,188,240	1,002,853
Total long-term liabilities	<u>-</u>	<u>2,087,403</u>	<u>3,188,240</u>	<u>12,012,170</u>
Total liabilities	<u>-</u>	<u>2,092,820</u>	<u>3,577,848</u>	<u>12,261,376</u>
NET ASSETS:				
Without donor restrictions - controlling interest	331,971	(408,568)	(1,300,462)	5,520,096
Without donor restrictions - noncontrolling interest	-	-	-	-
Net assets without donor restrictions	<u>331,971</u>	<u>(408,568)</u>	<u>(1,300,462)</u>	<u>5,520,096</u>
Net assets with donor restrictions purpose or period restricted	-	-	-	-
Net assets with donor restrictions invested in perpetuity	-	-	-	-
Net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>331,971</u>	<u>(408,568)</u>	<u>(1,300,462)</u>	<u>5,520,096</u>
Total liabilities and net assets	<u>\$ 331,971</u>	<u>\$ 1,684,252</u>	<u>\$ 2,277,386</u>	<u>\$ 17,781,472</u>

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2021

	CMHP Forest Ridge, LLC	Consolidated Tuckasegee Manager Inc.	Consolidated Wellspring Village, LLC	Billingsley Road, LLC
CURRENT ASSETS				
Cash and cash equivalents	\$ 521,260	\$ 20,371	\$ 21,778	\$ 202
Grants receivable	-	-	-	-
Accounts receivable	22,786	7,401	-	-
Deferred rent asset	-	-	-	-
Notes receivable - current	-	-	-	-
Prepaid expenses	10,094	14,937	-	-
Total current assets	554,140	42,709	21,778	202
RESTRICTED DEPOSITS AND FUNDED RESERVES				
Restricted cash	-	-	-	-
Funds held for others	67,828	48,949	18,802	-
Escrows	93,452	16,590	10,452	-
Replacement and operating reserves	774,738	415,425	249,084	-
Other reserves	-	-	-	-
Total restricted deposits and funded reserves	936,018	480,964	278,338	-
PROPERTY AND EQUIPMENT				
Rental property, net	11,291,263	-	-	1,285,000
Rental property - consolidating entities, net	-	13,902,976	4,109,262	-
Personal property and equipment, net	-	-	-	-
Total property and equipment	11,291,263	13,902,976	4,109,262	1,285,000
OTHER ASSETS				
Due from affiliates	-	-	-	-
Mortgage notes receivable, net	-	-	-	-
Interest receivable, net	-	-	-	-
Projects in development	-	-	-	344,945
Land held for sale	-	-	-	-
Land leasehold interest	-	-	-	-
Deferred tax credit fees, net	-	148,244	-	-
Investments - affiliates	-	-	-	-
Investments - other	-	-	-	-
Total other assets	-	148,244	-	344,945
Total assets	\$ 12,781,421	\$ 14,574,893	\$ 4,409,378	\$ 1,630,147
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ 4,821	\$ 7,758	\$ -
Accrued expenses and other liabilities	3,841	2,020	1,165	-
Development costs payable	-	68,766	104,750	-
Due to others	3,618	2,161	4	-
Interest payable	-	72,480	5,141	-
Notes payable - current	239,426	37,714	40,456	910,000
Total current liabilities	246,885	187,962	159,274	910,000
DEPOSITS AND PREPAID LIABILITY				
Funds held for others	67,828	48,949	18,802	-
Deferred revenue	-	18,567	1,212	-
Total deposits and prepaid liability	67,828	67,516	20,014	-
LONG-TERM LIABILITIES				
Fair value - interest rate swap liability	-	473,970	-	-
Notes payable	12,244,766	5,525,798	2,302,402	-
Deferred loan fees, net	(212,680)	(49,991)	(13,699)	(4,800)
Due to affiliates	-	1,383,384	43,619	746,249
Total long-term liabilities	12,032,086	7,333,161	2,332,322	741,449
Total liabilities	12,346,799	7,588,639	2,511,610	1,651,449
NET ASSETS:				
Without donor restrictions - controlling interest	434,622	6,986,254	1,897,768	(21,302)
Without donor restrictions - noncontrolling interest	-	-	-	-
Net assets without donor restrictions	434,622	6,986,254	1,897,768	(21,302)
Net assets with donor restrictions purpose or period restricted	-	-	-	-
Net assets with donor restrictions invested in perpetuity	-	-	-	-
Net assets with donor restrictions	-	-	-	-
Total net assets	434,622	6,986,254	1,897,768	(21,302)
Total liabilities and net assets	\$ 12,781,421	\$ 14,574,893	\$ 4,409,378	\$ 1,630,147

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2021

	CMHP Wendover Walk, LLC	Consolidated Connelly Manager, Inc.	Eliminations	Consolidated DreamKey Partners, Inc.
CURRENT ASSETS				
Cash and cash equivalents	\$ 33,079	\$ -	\$ -	\$ 6,437,477
Grants receivable	-	-	-	1,283,238
Accounts receivable	1,026	-	(2,699,973)	434,338
Deferred rent asset	-	-	-	8,525
Notes receivable - current	-	-	-	1,172,673
Prepaid expenses	-	-	-	135,040
Total current assets	<u>34,105</u>	<u>-</u>	<u>(2,699,973)</u>	<u>9,471,291</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES				
Restricted cash	-	-	-	12,977,433
Funds held for others	60,000	-	-	1,313,524
Escrows	953	-	-	694,096
Replacement and operating reserves	309,454	-	-	9,940,180
Other reserves	-	-	-	196,000
Total restricted deposits and funded reserves	<u>370,407</u>	<u>-</u>	<u>-</u>	<u>25,121,233</u>
PROPERTY AND EQUIPMENT				
Rental property, net	9,185,343	-	(294,872)	50,700,222
Rental property - consolidating entities, net	-	763,612	(5,057,386)	126,599,847
Personal property and equipment, net	-	-	-	58,986
Total property and equipment	<u>9,185,343</u>	<u>763,612</u>	<u>(5,352,258)</u>	<u>177,359,055</u>
OTHER ASSETS				
Due from affiliates	-	-	(3,533,419)	-
Mortgage notes receivable, net	-	-	(12,093,815)	1,905,292
Interest receivable, net	-	-	(493,064)	867,497
Projects in development	1,775,687	2,382,930	166,196	28,219,891
Land held for sale	-	-	-	3,767,923
Land leasehold interest	-	-	-	93,067
Deferred tax credit fees, net	-	-	-	1,152,930
Investments - affiliates	-	-	4,895,380	-
Investments - other	-	-	-	844,650
Total other assets	<u>1,775,687</u>	<u>2,382,930</u>	<u>(11,058,722)</u>	<u>36,851,250</u>
Total assets	<u>\$ 11,365,542</u>	<u>\$ 3,146,542</u>	<u>\$ (19,110,953)</u>	<u>\$ 248,802,829</u>
CURRENT LIABILITIES				
Accounts payable	\$ 1,000	\$ -	\$ -	\$ 633,797
Accrued expenses and other liabilities	2,243	-	-	700,428
Development costs payable	27,031	485,067	(2,186,398)	743,390
Due to others	-	-	(23,687)	116,941
Interest payable	20,916	-	(1,479,492)	5,997,810
Notes payable - current	-	-	-	7,842,634
Total current liabilities	<u>51,190</u>	<u>485,067</u>	<u>(3,689,577)</u>	<u>16,035,000</u>
DEPOSITS AND PREPAID LIABILITY				
Funds held for others	60,000	-	-	1,305,039
Deferred revenue	-	-	-	12,330,994
Total deposits and prepaid liability	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>13,636,033</u>
LONG-TERM LIABILITIES				
Fair value - interest rate swap liability	-	-	-	482,308
Notes payable	10,000,000	1,410,878	(2,653,628)	141,986,313
Deferred loan fees, net	(149,210)	(203,614)	-	(2,597,337)
Due to affiliates	-	(455,814)	(23,853,723)	5,329
Total long-term liabilities	<u>9,850,790</u>	<u>751,450</u>	<u>(26,507,351)</u>	<u>139,876,613</u>
Total liabilities	<u>9,961,980</u>	<u>1,236,517</u>	<u>(30,196,928)</u>	<u>169,547,646</u>
NET ASSETS:				
Without donor restrictions - controlling interest	1,403,562	1,910,025	(37,892,922)	20,183,646
Without donor restrictions - noncontrolling interest	-	-	48,978,897	48,978,897
Net assets without donor restrictions	<u>1,403,562</u>	<u>1,910,025</u>	<u>11,085,975</u>	<u>69,162,543</u>
Net assets with donor restrictions purpose or period restricted	-	-	-	10,092,640
Net assets with donor restrictions invested in perpetuity	-	-	-	-
Net assets with donor restrictions	-	-	-	10,092,640
Total net assets	<u>1,403,562</u>	<u>1,910,025</u>	<u>11,085,975</u>	<u>79,255,183</u>
Total liabilities and net assets	<u>\$ 11,365,542</u>	<u>\$ 3,146,542</u>	<u>\$ (19,110,953)</u>	<u>\$ 248,802,829</u>

See independent auditor's report.

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS

Year ended December 31, 2021

	<u>DreamKey Partners, Inc.</u>	<u>CMHP Properties, Inc.</u>	<u>Tyvola Crossing, LLC</u>	<u>Druid Hills, LLC</u>
Change in net assets:				
Revenues and support				
Grant revenue - federal awards	\$ 67,655,072	\$ -	\$ -	\$ -
Grant revenue - other awards	2,837,442	-	-	-
Contributions	173,766	-	-	-
Real estate sales	40,000	-	-	-
Rental income	549,160	64,631	-	-
Rental income - consolidating entities	-	-	618,469	421,474
Development fees	230,829	-	-	-
Counseling fees	280,651	-	-	-
Loan fees	27,117	-	-	-
Interest income	129,449	10	707	147
Other income	1,248,643	30,128	-	-
Total revenues and support	73,172,129	94,769	619,176	421,621
Other releases from net assets	-	-	-	-
Net assets released from donor restrictions	-	-	-	-
Total revenues, support and net assets released from donor restrictions	73,172,129	94,769	619,176	421,621
Expenses and losses				
Program services				
Home ownership program	1,303,833	-	-	-
COVID mortgage, rental and utility relief	66,046,188	-	-	-
Construction and development	2,052,599	-	-	-
Asset management	838,378	-	-	-
Multifamily rental housing	-	56,696	-	-
Multifamily rental housing - consolidated	-	-	708,246	441,672
Support services	-	-	-	-
Management and general	2,770,958	-	-	-
Investment in subsidiaries (gain) loss	(751,989)	21,182	-	-
Provision (recovery) for loan loss and bad debt expense	15,825	(770)	-	-
Total expenses and losses	72,275,792	77,108	708,246	441,672
Excess (deficiency) of revenues over expenses - consolidated	896,337	17,661	(89,070)	(20,051)
Excess (deficiency) of revenues over expenses - noncontrolling interest	-	-	-	-
Excess (deficiency) of revenues over expenses - DKP	\$ 896,337	\$ 17,661	\$ (89,070)	\$ (20,051)
Net assets at beginning of year	\$ 23,673,425	\$ 2,314,573	\$ 2,302,830	\$ 2,100,878
Contributions	-	-	-	-
Distributions	-	(109,686)	(264,098)	(73,089)
Other comprehensive income (loss)	-	-	-	-
Excess (deficiency) of revenues over expenses - consolidated	896,337	17,661	(89,070)	(20,051)
Net assets at end of year	\$ 24,569,762	\$ 2,222,548	\$ 1,949,662	\$ 2,007,738

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS - CONTINUED

Year ended December 31, 2021

	Consolidated CMHP TECE, Inc.	Double Oaks Development, LLC	Consolidated Freedom Manager, Inc.	DreamKey Partners Mortgage, Inc.
Change in net assets:				
Revenues and support				
Grant revenue - federal awards	\$ -	\$ -	\$ -	\$ 123,529
Grant revenue - other awards	-	-	-	478,097
Contributions	-	-	-	-
Real estate sales	-	23,675	-	-
Rental income	-	-	-	-
Rental income - consolidating entities	2,257,104	-	2,037,043	-
Development fees	-	-	-	-
Counseling fees	-	-	-	-
Loan fees	-	-	-	4,684
Interest income	2,589	-	22	3,909
Other income	-	267,089	-	-
Total revenues and support	2,259,693	290,764	2,037,065	610,219
Other releases from net assets	-	-	-	-
Net assets released from donor restrictions	-	-	-	-
Total revenues, support and net assets released from donor restrictions	2,259,693	290,764	2,037,065	610,219
Expenses and losses				
Program services				
Home ownership program	-	-	-	100,193
COVID mortgage, rental and utility relief	-	-	-	-
Construction and development	-	78,787	-	-
Asset management	1,119	-	-	-
Multifamily rental housing	-	-	1,140	-
Multifamily rental housing - consolidated	2,280,101	-	2,655,359	-
Support services				
Management and general	-	-	-	-
Investment in subsidiaries (gain) loss	3	-	-	-
Provision (recovery) for loan loss and bad debt expense	31,845	-	-	294,500
Total expenses and losses	2,313,068	78,787	2,656,499	394,693
Excess (deficiency) of revenues over expenses - consolidated	(53,375)	211,977	(619,434)	215,526
Excess (deficiency) of revenues over expenses - noncontrolling interest	-	-	-	-
Excess (deficiency) of revenues over expenses - DKP	\$ (53,375)	\$ 211,977	\$ (619,434)	\$ 215,526
Net assets at beginning of year	\$ (2,267,255)	\$ (13,451,143)	\$ 1,636,401	\$ (276,155)
Contributions	1,199	-	3,833,756	-
Distributions	(256,273)	-	-	-
Other comprehensive income (loss)	-	-	-	-
Excess (deficiency) of revenues over expenses - consolidated	(53,375)	211,977	(619,434)	215,526
Net assets at end of year	\$ (2,575,704)	\$ (13,239,166)	\$ 4,850,723	\$ (60,629)

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS - CONTINUED

Year ended December 31, 2021

	Consolidated Westinghouse Manager, Inc.	Consolidated Nolley Manager, Inc.	CFU Portfolio, LLC	CFU Brighton Place, LLC
Change in net assets:				
Revenues and support				
Grant revenue - federal awards	\$ -	\$ -	\$ -	\$ -
Grant revenue - other awards	-	-	-	-
Contributions	-	-	-	-
Real estate sales	-	-	-	-
Rental income	-	-	258,292	556,200
Rental income - consolidating entities	724,387	782,647	-	-
Development fees	-	-	-	-
Counseling fees	-	-	-	-
Loan fees	-	-	-	-
Interest income	556	-	242	70
Other income	-	-	-	-
Total revenues and support	724,943	782,647	258,534	556,270
Other releases from net assets	-	-	-	-
Net assets released from donor restrictions	-	-	-	-
Total revenues, support and net assets released from donor restrictions	724,943	782,647	258,534	556,270
Expenses and losses				
Program services				
Home ownership program	-	-	-	-
COVID mortgage, rental and utility relief	-	-	-	-
Construction and development	-	-	-	-
Asset management	42,382	-	-	-
Multifamily rental housing	-	1,120	196,254	423,413
Multifamily rental housing - consolidated	766,646	1,282,604	-	-
Support services				
Management and general	-	-	-	-
Investment in subsidiaries (gain) loss	-	-	-	-
Provision (recovery) for loan loss and bad debt expense	125	-	383	3,314
Total expenses and losses	809,153	1,283,724	196,637	426,727
Excess (deficiency) of revenues over expenses - consolidated	(84,210)	(501,077)	61,897	129,543
Excess (deficiency) of revenues over expenses - noncontrolling interest	-	-	-	-
Excess (deficiency) of revenues over expenses - DKP	\$ (84,210)	\$ (501,077)	\$ 61,897	\$ 129,543
Net assets at beginning of year	\$ 5,763,830	\$ 1,400,260	\$ 354,096	\$ (339,064)
Contributions	1,121	7,921,469	-	-
Distributions	(116,589)	-	(22,661)	(137,604)
Other comprehensive income (loss)	-	-	-	-
Excess (deficiency) of revenues over expenses - consolidated	(84,210)	(501,077)	61,897	129,543
Net assets at end of year	\$ 5,564,152	\$ 8,820,652	\$ 393,332	\$ (347,125)

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS - CONTINUED

Year ended December 31, 2021

	CFU Shelton Knoll, LLC	CFU Pleasant View, LLC	Cheshire Seversville, LLC	Tyvla Crossing II, LLC
Change in net assets:				
Revenues and support				
Grant revenue - federal awards	\$ -	\$ -	\$ -	\$ -
Grant revenue - other awards	-	-	-	-
Contributions	-	-	-	-
Real estate sales	-	-	-	-
Rental income	519,782	776,976	1,029,315	133,086
Rental income - consolidating entities	-	-	-	-
Development fees	-	-	-	-
Counseling fees	-	-	-	-
Loan fees	-	-	-	-
Interest income	24	162	74	59
Other income	-	966	-	391
Total revenues and support	519,806	778,104	1,029,389	133,536
Other releases from net assets	-	-	-	-
Net assets released from donor restrictions	-	-	-	-
Total revenues, support and net assets released from donor restrictions	519,806	778,104	1,029,389	133,536
Expenses and losses				
Program services				
Home ownership program	-	-	-	-
COVID mortgage, rental and utility relief	-	-	-	-
Construction and development	-	-	-	-
Asset management	-	-	-	-
Multifamily rental housing	416,570	746,870	916,295	171,614
Multifamily rental housing - consolidated	-	-	-	-
Support services	-	-	-	-
Management and general	-	-	-	-
Investment in subsidiaries (gain) loss	-	-	-	-
Provision (recovery) for loan loss and bad debt expense	22,249	22,770	6,597	533
Total expenses and losses	438,819	769,640	922,892	172,147
Excess (deficiency) of revenues over expenses - consolidated	80,987	8,464	106,497	(38,611)
Excess (deficiency) of revenues over expenses - noncontrolling interest	-	-	-	-
Excess (deficiency) of revenues over expenses - DKP	\$ 80,987	\$ 8,464	\$ 106,497	\$ (38,611)
Net assets at beginning of year	\$ (198,884)	\$ (1,605,141)	\$ 1,651,820	\$ 1,522,182
Contributions	-	278,550	-	-
Distributions	(94,599)	-	(255,827)	-
Other comprehensive income (loss)	-	-	-	-
Excess (deficiency) of revenues over expenses - consolidated	80,987	8,464	106,497	(38,611)
Net assets at end of year	\$ (212,496)	\$ (1,318,127)	\$ 1,502,490	\$ 1,483,571

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS - CONTINUED

Year ended December 31, 2021

	Rosedale II, LLC	Rocky Branch II, LLC	Consolidated South Park Manager, LLC	Consolidated Kohler Manager, Inc.
Change in net assets:				
Revenues and support				
Grant revenue - federal awards	\$ -	\$ -	\$ -	\$ -
Grant revenue - other awards	-	-	-	-
Contributions	-	-	-	-
Real estate sales	-	-	-	-
Rental income	808,806	2,114,412	-	-
Rental income - consolidating entities	-	-	397,223	398,798
Development fees	-	-	-	-
Counseling fees	-	-	-	-
Loan fees	-	-	-	-
Interest income	167	1,080	372	156
Other income	-	-	-	-
Total revenues and support	808,973	2,115,492	397,595	398,954
Other releases from net assets	-	-	-	-
Net assets released from donor restrictions	-	-	-	-
Total revenues, support and net assets released from donor restrictions	808,973	2,115,492	397,595	398,954
Expenses and losses				
Program services				
Home ownership program	-	-	-	-
COVID mortgage, rental and utility relief	-	-	-	-
Construction and development	-	-	-	-
Asset management	-	-	7,903	24,579
Multifamily rental housing	947,456	1,938,178	-	-
Multifamily rental housing - consolidated	-	1,424	765,980	519,560
Support services	-	-	-	-
Management and general	-	-	-	-
Investment in subsidiaries (gain) loss	-	-	-	-
Provision (recovery) for loan loss and bad debt expense	-	-	-	2,502
Total expenses and losses	947,456	1,939,602	773,883	546,641
Excess (deficiency) of revenues over expenses - consolidated	(138,483)	175,890	(376,288)	(147,687)
Excess (deficiency) of revenues over expenses - noncontrolling interest	-	-	-	-
Excess (deficiency) of revenues over expenses - DKP	\$ (138,483)	\$ 175,890	\$ (376,288)	\$ (147,687)
Net assets at beginning of year	\$ 2,147,582	\$ (2,398,867)	\$ (738,002)	\$ 1,616,376
Contributions	253,612	137,732	403	1,140
Distributions	(329,407)	(700,264)	-	-
Other comprehensive income (loss)	-	-	-	-
Excess (deficiency) of revenues over expenses - consolidated	(138,483)	175,890	(376,288)	(147,687)
Net assets at end of year	\$ 1,933,304	\$ (2,785,509)	\$ (1,113,887)	\$ 1,469,829

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS - CONTINUED

Year ended December 31, 2021

	Consolidated Statesville Avenue Manager, Inc.	Consolidated Gables II Manager, Inc.	Consolidated Catawaba Senior Housing, LLC	Fairview Senior Housing, Inc.
Change in net assets:				
Revenues and support				
Grant revenue - federal awards	\$ -	\$ -	\$ -	\$ -
Grant revenue - other awards	-	-	-	-
Contributions	-	-	-	-
Real estate sales	-	-	-	-
Rental income	-	-	5,355	451,602
Rental income - consolidating entities	848,996	514,163	434,585	-
Development fees	-	-	-	-
Counseling fees	-	-	-	-
Loan fees	-	-	-	-
Interest income	24	16	39	7
Other income	-	95	-	-
Total revenues and support	849,020	514,274	439,979	451,609
Other releases from net assets	-	-	-	-
Net assets released from donor restrictions	-	-	-	-
Total revenues, support and net assets released from donor restrictions	849,020	514,274	439,979	451,609
Expenses and losses				
Program services				
Home ownership program	-	-	-	-
COVID mortgage, rental and utility relief	-	-	-	-
Construction and development	-	-	-	-
Asset management	63,693	37,803	8,640	-
Multifamily rental housing	-	-	-	635,551
Multifamily rental housing - consolidated	968,330	598,507	528,563	-
Support services	-	-	-	-
Management and general	-	-	-	-
Investment in subsidiaries (gain) loss	-	-	-	-
Provision (recovery) for loan loss and bad debt expense	5,495	5,392	-	3,190
Total expenses and losses	1,037,518	641,702	537,203	638,741
Excess (deficiency) of revenues over expenses - consolidated	(188,498)	(127,428)	(97,224)	(187,132)
Excess (deficiency) of revenues over expenses - noncontrolling interest	-	-	-	-
Excess (deficiency) of revenues over expenses - DKP	\$ (188,498)	\$ (127,428)	\$ (97,224)	\$ (187,132)
Net assets at beginning of year	\$ 4,297,393	\$ 4,075,641	\$ 4,815,902	\$ 4,303,537
Contributions	1,119	1,120	1,140	-
Distributions	(336,503)	(236,781)	(22,164)	-
Other comprehensive income (loss)	-	-	-	-
Excess (deficiency) of revenues over expenses - consolidated	(188,498)	(127,428)	(97,224)	(187,132)
Net assets at end of year	\$ 3,773,511	\$ 3,712,552	\$ 4,697,654	\$ 4,116,405

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS - CONTINUED

Year ended December 31, 2021

	CMHP Development, LLC	Weddington Road Apartments, LLC	Cindy Lane Development, LLC	Consolidated Atando Manager, Inc.
Change in net assets:				
Revenues and support				
Grant revenue - federal awards	\$ -	\$ -	\$ -	\$ -
Grant revenue - other awards	-	-	-	-
Contributions	-	-	-	-
Real estate sales	-	-	-	-
Rental income	-	-	-	-
Rental income - consolidating entities	-	-	-	1,332,347
Development fees	-	-	-	-
Counseling fees	-	-	-	-
Loan fees	-	-	-	-
Interest income	-	-	-	-
Other income	-	-	-	742
Total revenues and support	-	-	-	1,333,089
Other releases from net assets	-	-	-	-
Net assets released from donor restrictions	-	-	-	-
Total revenues, support and net assets released from donor restrictions	-	-	-	1,333,089
Expenses and losses				
Program services				
Home ownership program	-	-	-	-
COVID mortgage, rental and utility relief	-	-	-	-
Construction and development	2,197	-	106,833	-
Asset management	-	-	-	1,140
Multifamily rental housing	-	28,039	-	-
Multifamily rental housing - consolidated	-	-	-	1,572,416
Support services	-	-	-	-
Management and general	-	-	-	-
Investment in subsidiaries (gain) loss	-	-	-	-
Provision (recovery) for loan loss and bad debt expense	-	-	-	-
Total expenses and losses	2,197	28,039	106,833	1,573,556
Excess (deficiency) of revenues over expenses - consolidated	(2,197)	(28,039)	(106,833)	(240,467)
Excess (deficiency) of revenues over expenses - noncontrolling interest	-	-	-	-
Excess (deficiency) of revenues over expenses - DKP	\$ (2,197)	\$ (28,039)	\$ (106,833)	\$ (240,467)
Net assets at beginning of year	\$ 331,051	\$ (380,529)	\$ (1,193,629)	\$ 5,759,423
Contributions	3,117	-	-	1,140
Distributions	-	-	-	-
Other comprehensive income (loss)	-	-	-	-
Excess (deficiency) of revenues over expenses - consolidated	(2,197)	(28,039)	(106,833)	(240,467)
Net assets at end of year	\$ 331,971	\$ (408,568)	\$ (1,300,462)	\$ 5,520,096

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS - CONTINUED

Year ended December 31, 2021

	CMHP Forest Ridge, LLC	Consolidated Tuckaseegee Manager Inc.	Consolidated Wellspring Village, LLC	Billingsley Road, LLC
Change in net assets:				
Revenues and support				
Grant revenue - federal awards	\$ -	\$ -	\$ -	\$ -
Grant revenue - other awards	-	-	-	-
Contributions	-	-	-	-
Real estate sales	-	-	-	-
Rental income	1,815,943	-	-	-
Rental income - consolidating entities	-	755,652	360,331	-
Development fees	-	-	-	-
Counseling fees	-	-	-	-
Loan fees	-	-	-	-
Interest income	413	5	-	-
Other income	-	-	-	-
Total revenues and support	1,816,356	755,657	360,331	-
Other releases from net assets	-	-	-	-
Net assets released from donor restrictions	-	-	-	-
Total revenues, support and net assets released from donor restrictions	1,816,356	755,657	360,331	-
Expenses and losses				
Program services				
Home ownership program	-	-	-	-
COVID mortgage, rental and utility relief	-	-	-	-
Construction and development	-	-	-	-
Asset management	-	11,729	1,800	-
Multifamily rental housing	1,530,456	-	-	6,777
Multifamily rental housing - consolidated	9,341	1,121,891	475,309	-
Support services	-	-	-	-
Management and general	-	-	-	-
Investment in subsidiaries (gain) loss	-	-	-	-
Provision (recovery) for loan loss and bad debt expense	10,103	-	36	-
Total expenses and losses	1,549,900	1,133,620	477,145	6,777
Excess (deficiency) of revenues over expenses - consolidated	266,456	(377,963)	(116,814)	(6,777)
Excess (deficiency) of revenues over expenses - noncontrolling interest	-	-	-	-
Excess (deficiency) of revenues over expenses - DKP	\$ 266,456	\$ (377,963)	\$ (116,814)	\$ (6,777)
Net assets at beginning of year	\$ 168,166	\$ 7,105,659	\$ 2,014,582	\$ (14,525)
Contributions	-	1,120	-	-
Distributions	-	-	-	-
Other comprehensive income (loss)	-	257,438	-	-
Excess (deficiency) of revenues over expenses - consolidated	266,456	(377,963)	(116,814)	(6,777)
Net assets at end of year	\$ 434,622	\$ 6,986,254	\$ 1,897,768	\$ (21,302)

(continued)

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS - CONTINUED

Year ended December 31, 2021

	CMHP Wendover Walk, LLC	Consolidated Connelly Manager, Inc.	Eliminations	Consolidated DreamKey Partners, Inc.
Change in net assets:				
Revenues and support				
Grant revenue - federal awards	\$ -	\$ -	\$ -	\$ 67,778,601
Grant revenue - other awards	-	-	-	3,315,539
Contributions	-	-	-	173,766
Real estate sales	-	-	-	63,675
Rental income	1,032,640	-	-	10,116,200
Rental income - consolidating entities	-	-	-	11,883,219
Development fees	-	-	(230,829)	-
Counseling fees	-	-	-	280,651
Loan fees	-	-	-	31,801
Interest income	11	-	(35,966)	104,344
Other income	-	-	(585,573)	962,481
Total revenues and support	1,032,651	-	(852,368)	94,710,277
Other releases from net assets	-	-	-	-
Net assets released from donor restrictions	-	-	-	-
Total revenues, support and net assets released from donor restrictions	1,032,651	-	(852,368)	94,710,277
Expenses and losses				
Program services				
Home ownership program	-	-	-	1,404,026
COVID mortgage, rental and utility relief	-	-	-	66,046,188
Construction and development	-	-	-	2,240,416
Asset management	-	-	(189,566)	849,600
Multifamily rental housing	1,031,985	-	(9,161)	9,039,253
Multifamily rental housing - consolidated	-	-	(580,118)	14,115,831
Support services	-	-	-	-
Management and general	-	-	(745)	2,770,213
Investment in subsidiaries (gain) loss	-	-	730,804	-
Provision (recovery) for loan loss and bad debt expense	-	-	-	424,089
Total expenses and losses	1,031,985	-	(48,786)	96,889,616
Excess (deficiency) of revenues over expenses - consolidated	666	-	(803,582)	(2,179,339)
Excess (deficiency) of revenues over expenses - noncontrolling interest	-	-	3,005,539	3,005,539
Excess (deficiency) of revenues over expenses - DKP	\$ 666	\$ -	\$ 2,201,957	\$ 826,200
Net assets at beginning of year	\$ 510,939	\$ -	\$ 11,407,259	\$ 68,410,611
Contributions	1,388,255	1,910,025	(2,074,168)	13,661,850
Distributions	(496,298)	-	2,556,466	(895,377)
Other comprehensive income (loss)	-	-	-	257,438
Excess (deficiency) of revenues over expenses - consolidated	666	-	(803,582)	(2,179,339)
Net assets at end of year	\$ 1,403,562	\$ 1,910,025	\$ 11,085,975	\$ 79,255,183

See independent auditor's report.

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

SUPPORTING DATA REQUIRED BY NEIGHBORHOOD REINVESTMENT CORPORATION

SCHEDULE OF UNRESTRICTED EXPENDABLE GRANT FUNDS

NEIGHBORHOOD REINVESTMENT CORPORATION

Year ended December 31, 2021

Net assets without donor restrictions:	
Revenue and support:	
Grant revenue	<u>\$ 542,000</u>
Total revenue and support	542,000
Net assets released from donor restrictions	<u>-</u>
Total revenue, support and net assets released from donor restrictions	<u>542,000</u>
Expenses:	
Program services	
Homeownership program and community engagement	
Salaries and benefits	211,500
COVID expenses	20,000
Program expense and management fees	<u>260,500</u>
Total program services	<u>492,000</u>
Construction and development	
Capital funding	<u>50,000</u>
Total construction and development	<u>50,000</u>
Total expenses	<u>542,000</u>
Increase in net assets without donor restrictions - NeighborWorks	<u><u>\$ -</u></u>
Change in net assets with period or purpose donor restrictions - NeighborWorks:	
Revenue and support:	
Grant revenue	<u>\$ -</u>
Total revenue and support	-
Net assets released from donor restrictions	<u>-</u>
Increase in net assets with period or purpose donor restrictions - NeighborWorks	-
Net assets with period or purpose donor restrictions - NeighborWorks - beginning	<u>65,000</u>
Net assets with period or purpose donor restrictions - NeighborWorks - ending	<u><u>\$ 65,000</u></u>

See independent auditor's report.

DreamKey Partners, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

SUPPORTING DATA REQUIRED BY NEIGHBORHOOD REINVESTMENT CORPORATION

SCHEDULE OF PERMANENTLY RESTRICTED CAPITAL GRANT FUNDS

NEIGHBORHOOD REINVESTMENT CORPORATION

Year ended December 31, 2021

STATEMENT OF FINANCIAL POSITION

ASSETS

Intercompany receivable - Tyvola Crossing II	\$ -
Note receivable - Forest Ridge	-
	<hr/>
	\$ -
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

Net assets - with donor restrictions, invested in perpetuity	\$ -
	<hr/> <hr/>

STATEMENT OF ACTIVITIES

Revenue and support:	
Grant revenue - federal awards - NeighborWorks	\$ -
	<hr/>
Total revenue and support	-
Other releases from net assets	
Net assets released from restrictions	(660,602)
	<hr/>
Change in net assets - permanently restricted	(660,602)
Net assets - with donor restrictions, invested in perpetuity, beginning	660,602
	<hr/>
Net assets - with donor restrictions, invested in perpetuity, ending	\$ -
	<hr/> <hr/>

See independent auditor's report.

DreamKey Partners, Inc. and Subsidiaries

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>	<u>Passed-through to Subrecipients</u>
organization)				
Permanently Restricted Capital Fund:				
Converted to unrestricted funds	21.000	N/A	\$ (660,602)	
Converted to unrestricted funds	21.000	N/A	(283,114)	
Converted to unrestricted funds	21.000	N/A	(404,450)	
Converted to unrestricted funds	21.000	N/A	(577,786)	
Converted to unrestricted funds	21.000	N/A	(825,408)	
Award year ended December 31, 2016 - Real Estate	21.000	N/A	350,000	
Converted to unrestricted funds	21.000	N/A	(687,840)	
Award year ended December 31, 2015 - Real Estate	21.000	N/A	280,000	
Award year ended December 31, 2014 - Real Estate	21.000	N/A	315,000	
Award year ended December 31, 2013 - General Line of Business	21.000	N/A	233,750	
Award year ended December 31, 2012 - Real Estate	21.000	N/A	562,500	
Award year ended December 31, 2012 - Lending	21.000	N/A	75,000	
Award year ended December 31, 2011	21.000	N/A	362,500	
Converted to unrestricted funds	21.000	N/A	(314,550)	
Award year ended December 31, 2011 - Converted to Real Estate	21.000	N/A	405,000	
Award year ended December 31, 2010	21.000	N/A	356,500	
Converted to unrestricted funds	21.000	N/A	(356,500)	
Award 2010 - Real Estate: Rehabilitation of Existing Portfolio Residential Property	21.000	N/A	32,500	
Converted to unrestricted funds	21.000	N/A	(32,500)	
Awarded year ended June 20, 2005, net	21.000	N/A	440,000	
Awarded year ended June 20, 2004	21.000	N/A	130,000	
Awarded year ended June 20, 2003	21.000	N/A	600,000	
Unrestricted Expendable Grant				
Awarded for the period January 1, 2021 through December 31, 2021 - COVID-19	21.000	N/A	20,000	
Awarded for the period January 1, 2021 through December 31, 2021	21.000	N/A	<u>520,500</u>	
			\$ 540,500	\$ -
U.S. Department of Treasury				
Community Development Financial Institutions Fund Program - 9/9/2018-12/31/2021	21.020	N/A	<u>123,529</u>	<u>-</u>
Total Direct Awards			<u>\$ 664,029</u>	<u>\$ -</u>

(continued)

DreamKey Partners, Inc. and Subsidiaries

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended December 31, 2021

Pass through from U.S. Department of Treasury

The North Carolina Department of Public Safety, Office of Recovery and Resiliency - Coronavirus Relief Funds - 9/18/2020-2/28/2021 - COVID-19

21.019	N/A	\$	3,422,101	\$	54,000
COVID-19	21.023	N/A	26,179,874		345,000
- COVID-19	21.023	N/A	19,855,337		268,230
9/30/2022 - COVID-19	21.023	N/A	6,775,690		49,939
12/31/2022 - COVID-19	21.023	N/A	1,608,781		-
8/31/2022 - COVID-19	21.023		7,014,415		69,242

Pass through from U.S. Department of Housing and Urban Development

City of Charlotte, North Carolina:

Community Development Block Grant 10/1/2019-9/30/2020

14.218	N/A	\$	898,709		
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Community Development Block Grant 4/22/2020-3/31/2021

14.218	N/A		287,161		
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Community Development Block Grant 7/1/2020-6/30/2021

14.218	N/A		<u>632,644</u>		
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1,818,514 -

Community Development Block Grant - Section 108 Loan Guarantee

14.248	N/A		2,262,941		-
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HOME Investment Partnerships Act Program - House Charlotte - 7/1/2020-6/30/2021

14.239	N/A		86,625		
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HOME Investment Partnerships Act Program - House Charlotte - 7/1/2021-6/30/2022

14.239	N/A		86,625		
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173,250 -

Total Indirect Awards

69,110,903 786,411

\$ 69,774,932 \$ 786,411

See notes to schedule of expenditures of federal awards and independent auditor's report.

DreamKey Partners, Inc. and Subsidiaries

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of DreamKey Partners, Inc. and subsidiaries, under programs of the federal government for the year ended December 31, 2021. The information in the 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). Because the Schedule presents only a selected portion of the operations of DreamKey Partnership, Inc. and subsidiaries, it is not intended to and does not present the consolidated statements of activities, changes in net assets, and cash flows of DreamKey Partners, Inc. and subsidiaries.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in OMB Circular A-122, "Cost Principles for Non-Profit Organizations" and the cost principles contained in the Uniform Guidance.

DreamKey Partners, Inc. and subsidiaries has elected not to use the 10 percent de minimus indirect cost rate as allowed under the uniform guidance.

NOTE 3 - LOAN AND CAPITAL ADVANCE PROGRAM

DreamKey Partners, Inc. and subsidiaries have received direct loans and capital grant advances under multiple federal programs as listed below. The loan balances outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. DreamKey Partners, Inc. and subsidiaries received no additional loans during the year. The balance of the loans outstanding at December 31, 2021 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at December 31, 2021</u>
14.248	Community Development Block Grant - Section 108 Loan Guarantee	\$ 1,591,693



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
DreamKey Partners, Inc. and Subsidiaries

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 consolidated financial statements of DreamKey Partners, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered DreamKey Partners, Inc. and Subsidiaries' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of DreamKey Partners, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of DreamKey Partners, Inc. and Subsidiaries' 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 consolidated 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether DreamKey Partners, Inc. and Subsidiaries' consolidated financial statements are free from 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 consolidated 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 or other matters that are required to be reported under *Government Auditing Standards*.

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 DreamKey Partners, Inc. and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DreamKey Partners, Inc. and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tidwell Group, LLC

Atlanta, Georgia
April 29, 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
DreamKey Partners, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited DreamKey Partners, Inc. and Subsidiaries' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of DreamKey Partners, Inc. and Subsidiaries' major federal programs for the year ended December 31, 2021. DreamKey Partners, Inc. and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

DreamKey Partners, Inc. and Subsidiaries' basic consolidated financial statements include the operations of Fairview Senior Housing, Inc., which expended \$7,152,153 in federal awards which is not included in DreamKey Partners, Inc. and Subsidiaries' schedule of expenditures of federal awards during the year ended December 31, 2021. Our audit, described below, did not include the operations of Fairview Senior Housing, Inc. because a separate audit is performed for Fairview Senior Housing, Inc. as required by a regulatory agency and the federal awards are presented and reported on in a separate schedule of expenditures of federal awards for Fairview Senior Housing, Inc. only.

In our opinion, DreamKey Partners, Inc. and Subsidiaries 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 December 31, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of DreamKey Partners, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of DreamKey Partners, Inc. and Subsidiaries' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts applicable to DreamKey Partners, Inc. and Subsidiaries' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on DreamKey Partners, Inc. and Subsidiaries' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about DreamKey Partners, Inc. and Subsidiaries' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 DreamKey Partners, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of DreamKey Partners, Inc. and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 DreamKey Partners, Inc. and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Tidwell Group, LLC

Atlanta, Georgia
April 29, 2022

DreamKey Partners, Inc. and Subsidiaries

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2021

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of DreamKey Partners, Inc. and subsidiaries were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies related to the audit of the consolidated financial statements were reported in the 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*. No material weaknesses were reported.
3. No instances of noncompliance material to the consolidated financial statements of DreamKey, Inc. and subsidiaries, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies related to the audit of major federal award programs were disclosed in the Independent Auditor's Report on Compliance for Each Federal Major Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses were reported.
5. The auditor's report on compliance for the major federal award programs DreamKey Partners, Inc. and subsidiaries expresses an unmodified opinion.
6. There are no audit findings relative to the major federal award programs for Dreamkey Partners, Inc. and subsidiaries.
7. The program tested as a major program included:
 - a. Pass through from U.S. Department of Treasury, The North Carolina Department of Public Safety, Office of Recovery and Resiliency, CFDA No. 21.019 – COVID – 19
 - b. Pass through from U.S. Department of Treasury, City of Charlotte, North Carolina and Mecklenburg County, North Carolina, CFDA No. 21.023 – COVID – 19
8. The threshold for distinguishing Type A and B programs was \$2,093,248.
9. DreamKey Partners, Inc. and subsidiaries qualified as a low-risk auditee.

DreamKey Partners, Inc. and Subsidiaries

SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (UNAUDITED)

December 31, 2021

1. Audit Report, dated April 23, 2021, for the year ended December 31, 2020, issued by Tidwell Group, LLC.

Findings - Financial Statement Audit

None

Findings and Questioned Costs - Major Federal Awards Programs Audit

None

2. There were no reports issued by HUD OIG or other Federal agencies or contract administrators during the period covered by this audit.
3. There were no letters or reports issued by HUD management during the period covered by this audit.