

**VALLEY HOUSING  
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**WITH  
REPORT OF INDEPENDENT AUDITORS**

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
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**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**REPORT OF INDEPENDENT AUDITORS**

The Board of Directors of  
Valley Housing Development Corporation:

***Opinion***

We have audited the accompanying financial statements of Valley Housing Development Corporation ("VHDC" or the "Corporation") which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of 100 South Third Street Associates - PHFA No. O-0143, Turner Street Associates - PHFA No. H-0013, and Gordon Street Associates - PHFA No. O-0080, which statements reflect cumulative total assets as of December 31, 2021 and 2020 of \$2 million for both years, and cumulative total revenues for the years ended December 31, 2021 and 2020 of \$0.5 million for both years. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for 100 South Third Street Associates - PHFA No. O-0143, Turner Street Associates - PHFA No. H-0013, and Gordon Street Associates - PHFA No. O-0080, is based solely on the reports of the other auditors.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

***Other Matter***

***Supplementary Information***

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

*Novogrudac & Company LLP*

November 3, 2022  
Toms River, New Jersey

## **FINANCIAL STATEMENTS**

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2021 AND 2020**

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 2,723,660	\$ 2,587,827
Tenant security deposits	384,865	382,876
Accounts receivable, net	645,313	565,645
Prepaid expenses	<u>68,391</u>	<u>52,721</u>
Total current assets	<u>3,822,229</u>	<u>3,589,069</u>
Non-current assets:		
Restricted cash	618,888	399,455
Accounts receivable non-current, net	39,888	36,023
Notes receivable, net	3,392,835	3,609,364
Accrued interest receivable, net	848,832	1,006,768
Developer fees receivable, net	92,335	92,336
Property and equipment, net	<u>3,297,581</u>	<u>2,557,511</u>
Total non-current assets	<u>8,290,359</u>	<u>7,701,457</u>
Total assets	<u>\$ 12,112,588</u>	<u>\$ 11,290,526</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 608,915	\$ 569,931
Accrued expenses	153,137	145,147
Prepaid rents	10,042	10,795
Security deposits payable	377,979	376,047
Current portion of notes payable	<u>799,048</u>	<u>799,048</u>
Total current liabilities	<u>1,949,121</u>	<u>1,900,968</u>
Non-current liabilities:		
Notes payable, net, excluding current portion	<u>591,999</u>	<u>241,999</u>
Total liabilities	<u>2,541,120</u>	<u>2,142,967</u>
Net assets:		
Without donor restrictions	<u>9,571,468</u>	<u>9,147,559</u>
Total liabilities and net assets	<u>\$ 12,112,588</u>	<u>\$ 11,290,526</u>

See accompanying notes to financial statements.

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

	<u>2021</u>	<u>2020</u>
Support and revenue:		
Rental income, net of vacancies	\$ 501,485	\$ 718,648
Government contracts and grants	640,997	677,677
Interest income	498,246	456,535
Other revenue	<u>100,276</u>	<u>377,354</u>
Total support and revenue	<u>1,741,004</u>	<u>2,230,214</u>
Expenses:		
Program services	1,919,174	1,606,227
Management and general	<u>72,593</u>	<u>125,645</u>
Total expenses	<u>1,991,767</u>	<u>1,731,872</u>
Change in net assets without donor imposed restrictions	(250,763)	498,342
Transfer of net assets from entities under common control	674,672	(865,046)
Gain (loss) on sale of assets	<u>-</u>	<u>(200,388)</u>
Net assets, beginning of year	<u>9,147,559</u>	<u>9,714,651</u>
Net assets, end of year	<u>\$ 9,571,468</u>	<u>\$ 9,147,559</u>

See accompanying notes to financial statements.

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

<u>December 31, 2021</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and benefits	\$ 120,910	\$ 24,765	\$ 145,675
Utilities	110,589	-	110,589
Office expense	69,591	14,254	83,845
Professional fees	63,915	15,979	79,894
Insurance	70,381	17,595	87,976
Maintenance	330,029	-	330,029
Interest and financing costs	18,654	-	18,654
Depreciation	211,337	-	211,337
Rental property expense	255,050	-	255,050
Real estate taxes	92,586	-	92,586
Bad debt expense	<u>576,132</u>	<u>-</u>	<u>576,132</u>
Total expenses	<u>\$ 1,919,174</u>	<u>\$ 72,593</u>	<u>\$ 1,991,767</u>

<u>December 31, 2020</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and benefits	\$ 139,195	\$ 28,510	\$ 167,705
Utilities	126,478	-	126,478
Office expense	83,127	17,026	100,153
Professional fees	83,314	20,829	104,143
Insurance	66,009	16,502	82,511
Maintenance	382,436	-	382,436
Interest and financing costs	49,876	-	49,876
Depreciation	205,236	-	205,236
Rental property expense	291,280	-	291,280
Real estate taxes	127,590	-	127,590
Partnership transfer fees	-	42,778	42,778
Bad debt expense	<u>51,686</u>	<u>-</u>	<u>51,686</u>
Total expenses	<u>\$ 1,606,227</u>	<u>\$ 125,645</u>	<u>\$ 1,731,872</u>

See accompanying notes to financial statements.

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Cash received from support and revenue	\$ 1,726,490	\$ 1,590,290
Interest received	3,899	8,730
Cash paid to suppliers and employees	(1,828,230)	(1,682,722)
Interest paid	<u>(18,654)</u>	<u>(49,876)</u>
Net cash used in operating activities	<u>(116,495)</u>	<u>(133,578)</u>
Cash Flows from Investing Activities:		
Advances on notes receivable	(4,255)	(21,625)
Repayments of notes receivable	64,142	103,929
Gain on sale of capital assets	-	36,662
Property and equipment purchases	<u>(27,795)</u>	<u>(36,587)</u>
Net cash provided by investing activities	<u>32,092</u>	<u>82,379</u>
Cash Flows from Financing Activities:		
Contribution of capital	<u>441,658</u>	<u>-</u>
Net cash provided by financing activities	<u>441,658</u>	<u>-</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	357,255	(51,199)
Cash, cash equivalents, and restricted cash, beginning of year	<u>3,370,158</u>	<u>3,421,357</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 3,727,413</u>	<u>\$ 3,370,158</u>
Reconciliation of cash, cash equivalents, and restricted cash to the Statement of Financial Position		
Cash and cash equivalents	\$ 2,723,660	\$ 2,587,827
Restricted cash	618,888	399,455
Tenant security deposits	<u>384,865</u>	<u>382,876</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 3,727,413</u>	<u>\$ 3,370,158</u>
Schedule of non-cash investing and financing activities:		
Issuance of note receivable - seller financing	<u>\$ -</u>	<u>\$ 400,000</u>
Transfer of notes receivable and reduction of allowance for doubtful accounts upon property acquisition	<u>\$ -</u>	<u>\$ 1,001,138</u>
Increase in allowance for doubtful accounts on notes receivable	<u>\$ 10,042</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ (250,763)	\$ 498,342
Items which did not use cash:		
Depreciation expense	211,337	205,236
Bad debt expense - tenants	13,429	8,386
Bad debt expense - other	562,703	43,300
Gain on sale of capital assets	-	200,388
Interest income	(494,347)	(447,805)
Changes in operating assets and liabilities:		
Accounts receivable	(195,132)	(362,083)
Prepaid expenses	(15,670)	(3,680)
Accounts payable	38,984	(277,676)
Accrued expenses	7,990	7,991
Security deposits payable	5,727	(8,071)
Unearned revenue	<u>(753)</u>	<u>2,094</u>
Net cash used in operating activities	<u>\$ (116,495)</u>	<u>\$ (133,578)</u>

See accompanying notes to financial statements.

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

Valley Housing Development Corporation ("VHDC" or "the Corporation") is a non-profit corporation exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. VHDC was formed to receive and administer funds to provide loans for housing for low and moderate income households that would otherwise be unable to find housing in the private market; provide transitional housing for low and moderate income households coming out of shelters for the homeless; and provide low cost rental housing for low and moderate income households.

100 South Third Street Associates - PHFA No. O-0143, Turner Street Associates - PHFA No. H-0013, Gordon Street Associates - PHFA No. O-0080 and 627 Hamilton Associates - PHFA No. O-0100 (the "entities") are all single member limited liability companies of which VHDC is the sole member. As a single member limited liability company, the entities are considered part of VHDC for financial reporting purposes and not wholly owned subsidiaries.

VHDC also holds general partner interests in numerous low income housing tax credit partnerships. VHDC is not responsible for, nor guarantees the debt of the partnerships and has no right to their operating results. VHDC manages the partnerships under management agreements with the limited partners which requires limited partner approval to sell assets, borrow funds and set budgets.

**B. Basis of Accounting**

The Corporation prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**C. Basis of Presentation**

Basis of Presentation

The Corporation is required to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Contributions that are restricted by the donor are reported as an increase to net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**C. Basis of Presentation (continued)**

For the years ended December 31, 2021 and December 31, 2020, the Corporation had net assets in only the *net assets without donor restrictions* classification. These net assets are not subject to donor imposed restrictions.

**D. Cash and Cash Equivalents**

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition.

Tenant security deposits are not considered cash and cash equivalents.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for funding of operating deficits, repairs or improvements to the buildings that extend their useful lives, annual payments of tax and insurance and debt service payments.

**E. Accounts Receivable, Net**

Rents are due from tenants on the first day of each month. As a result, tenants' accounts receivable balances primarily consist of rents past due and vacated tenants. Also included in accounts receivable are operating deficit payments, which consist of amounts advanced from VHDC to limited partnerships to cover operating expenses. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts.

**F. Investments In and Receivables From Real Estate Limited Partnerships**

The Corporation uses the equity method of accounting for its investments in limited partnerships in which the Corporation serves as general partner, as the Corporation has significant influence over, but not control of the major operating and financial policies of the limited partnerships. Under this method, the Corporation's share of income, losses, and distributions incurred by the limited partnerships is recognized as an increase or reduction of the carrying value of the investments. The Corporation's percentage ownership in these partnerships approximates .01% and the Corporation's investment as of December 31, 2021 and December 31, 2020 totaled \$0.

Receivables from partnerships include amounts from operating deficit payments, accrued interest on mortgages, developer fees, notes, and mortgages.

**G. Prepaid Expenses**

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**H. Contributions**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional pledges to give are recorded as contributions when pledged at the net present value of the amounts expected to be collected. Unconditional pledges to give that are expected to be received in future periods are discounted annually using the current interest rate the funds would earn. Amortization of the discount is recorded as contribution revenue.

**I. Revenue Recognition**

Rental income is recognized as the rents are earned in accordance with the lease terms. Revenue resulting from special events, fees charged by the Corporation, refunded grants and other income is also recorded when earned.

**J. Property and Equipment**

Land, building and improvements, and furniture and equipment are recorded at cost. Betterments and major renewals that extend useful lives of property and equipment are capitalized. Routine repairs and maintenance are expensed as incurred. Contributed assets are recorded at their fair market value at the date of gift. In the absence of original cost records, appraisals of historical cost or fair market value at the date of gift have been recorded. Depreciation is computed by using the straight-line and accelerated methods over the estimated useful lives of the related assets. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statements of Activities. A summary of the estimated useful lives is as follows:

	<u>Years</u>
Buildings and site improvements	25-30
Furniture, equipment, and machinery	5-7

VHDC has set a capitalization threshold of \$1,000.

**VALLEY HOUSING DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**K. Income Taxes**

The Corporation is a not-for-profit corporation which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). The Corporation is not taxed on income derived from its exempt functions. However, the Corporation is subject to tax on unrelated business income, which is generated from the Corporation's investment income and other activities not related to their stated exempt purposes.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. The Corporation has determined whether any tax positions have met the recognition threshold and has measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Corporation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

**L. Functional Expenses**

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and administrative and support. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Utilities	Time and effort
Office expenses	Time and effort
Professional fees	Time and effort
Insurance	Usage of space
Maintenance	Time and effort
Rental property expense	Usage of space
Real estate taxes	Usage of space
Partnership transfer fees	Time and effort
Bad debt expense	Time and effort
Depreciation	Usage of space
Interest and financing costs	Usage of space

**M. Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**N. Impairment of Long-Lived Assets**

The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. For the years ended December 31, 2021 and December 31, 2020, there were no impairment losses.

**O. Notes and Developer Fees Receivable**

The Corporation has utilized funds to assist in the redevelopment and operation of numerous developments through the issuance of notes and through the deferral of developer fees. When preparing financial statements in accordance with generally accepted accounting principles, management is required to make estimates as to the collectability of such notes and developer fees. When estimating collectability, management analyzes the value of the underlying mortgaged property; the property's ability to generate positive cash flow and current economic trends and conditions. Management utilizes these estimates and judgments in connection with establishing an allowance for uncollectable amounts during an accounting period.

**P. Economic Concentrations**

The Corporation receives a significant amount of revenue from the projects in which it is the general partner. These sources of funds are dependent upon the continued successful development and management of these projects.

The Corporation, either as a direct owner, advisor or general partner, has an economic interest in real estate projects that are subject to business risks associated with the economy and level of unemployment in Pennsylvania, which affects occupancy, as well as the tenants' ability to make rental payments. In addition, these projects operate in a heavily regulated environment. The operations of these projects are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the Department of Housing and Urban Development ("HUD"). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Q. Concentration of Credit Risk**

The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk on cash and cash equivalents.

**R. Reclassifications**

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

**NOTE 2. ACCOUNTS RECEIVABLE, NET**

At December 31, 2021 and December 31, 2020, accounts receivable consisted of the following:

<u>Category</u>	<u>2021</u>	<u>2020</u>
Operating deficit payments	\$ 1,912,950	\$ 1,687,768
Grants	6,158	1,325
Tenant receivables	16,699	19,446
Allowance for doubtful accounts	<u>(1,250,606)</u>	<u>(1,106,871)</u>
Total accounts receivable, net	685,201	601,668
Less: accounts receivable, current	<u>645,313</u>	<u>565,645</u>
Accounts receivable, noncurrent	<u>\$ 39,888</u>	<u>\$ 36,023</u>

**A. Operating Deficit Payments**

Operating deficit payments consist of amounts advanced from VHDC to limited partnerships to cover operating expenses. A substantial amount of these receivables have been classified as long term due to significant cash flow problems of the partnerships. The allowance for doubtful accounts of \$1,250,606 and \$1,106,871, respectively, has been established to provide for potential future uncollectable operating deficit payments due from these limited partnerships. Actual losses, if any, will not be determined until each limited partnership has reached the end of its low-income housing tax credit compliance period.

**B. Grants**

Grants consist of amounts owed for monthly rental assistance in the MHMR and Supportive programs from the Counties of Lehigh and Northampton. VHDC expects all these receivables to be collected and accordingly, no allowance for doubtful accounts has been made.

**C. Tenant Receivables**

Tenant receivables consist of amounts owed for monthly tenant rental charges from the various properties. VHDC expects all these receivables to be collected and accordingly, no allowance for doubtful accounts has been made.

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 3. RESTRICTED CASH**

Restricted cash of \$618,888 and \$399,455, respectively, at December 31, 2021 and December 31, 2020, represents amounts held in escrow for various properties that is generally not available for operating purposes.

**NOTE 4. DEVELOPER FEES RECEIVABLE, NET**

At December 31, 2021 and December 31, 2020, developer fees receivable consisted of developer fees earned and due from the following partnerships:

<u>Partnership</u>	<u>2021</u>	<u>2020</u>
Knox Avenue Senior Associates	\$ 160,656	\$ 160,656
Wilson Manor Apartments Associates	27,222	27,222
AP54 Associates	215,333	215,333
Allowance for doubtful accounts	<u>(310,876)</u>	<u>(310,875)</u>
Total developer fees receivable, net	\$ <u>92,335</u>	\$ <u>92,336</u>

Developer fees are earned for consulting services performed on various developmental projects, most of which are from related partnerships. Amounts are expected to be received over a ten to fifteen year period from the date of initial operations. Some amounts are due as balloon payments at the end of the term or are paid from the respective partnerships' available net cash flows.

As of December 31, 2021 and December 31, 2020, an allowance for doubtful accounts of \$310,876 and \$310,875, respectively, has been established to provide for potential future uncollectable development fees due from these limited partnerships. Actual losses, if any, will not be determined until each limited partnership has reached the end of its low-income housing tax credit compliance period.

**NOTE 5. ACCRUED INTEREST RECEIVABLE, NET**

Accrued interest on notes receivable as of December 31, 2021 and December 31, 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Accrued interest	\$ 9,137,960	\$ 8,866,887
Allowance for doubtful accounts	<u>(8,289,128)</u>	<u>(7,860,119)</u>
Accrued interest, net	\$ <u>848,832</u>	\$ <u>1,006,768</u>

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6. NOTES RECEIVABLE, NET**

Notes receivable at December 31, 2021 and December 31, 2020 consisted of the following loans with limited partnerships in which VHDC is the general partner or shares common board members:

	<u>2021</u>	<u>2020</u>
7.5% mortgage receivable from Mill II Associates, collateralized by a third mortgage, all principal and accrued interest are deferred until day of sale or May 2023, its 30th year of operation.	\$ 189,025	\$ 189,025
Two (2) \$100,000 mortgages and (1) \$230,000 mortgage receivable from AP54 Associates, LP as part of the sale and rehabilitation of various properties. The notes are non-interest bearing which are collateralized by real property and due in September, 2042.	430,000	430,000
7.17% mortgage receivable from Canal Park Associates, collateralized by a second mortgage, payment of principal and accrued interest are due in a lump sum in 2025.	165,197	165,197
6.02% mortgage receivable from Wind Gap Associates, collateralized by a second mortgage, payment of principal and interest are due from excess cash flows, any remaining principal and interest are due in 2026.	253,653	253,653
Non-interest bearing operating deficit loan receivable from 901 Mill Associates, payable from excess cash flow and unsecured.	7,132	7,132
6.02% mortgage receivable from Bath Elderly Apartment Associates, collateralized by a third mortgage, payment of principal and interest only if the project generates residual revenue each year, any remaining unpaid principal and interest due in a lump sum in 2026 provided that there is no default of any terms in accordance with the provisions of the mortgage note.	363,330	363,330
Operating deficit loan receivable from Mill II Associates, LP payable from excess cash flow, interest free and unsecured.	364,508	364,508

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6. NOTES RECEIVABLE, NET (continued)**

	<u>2021</u>	<u>2020</u>
5% mortgage receivable from Valley Housing Finance Corporation, collateralized by a second mortgage on property held by Grandview Apartments Associates, payment of principal and interest due only if the project generates residual revenue, any remaining unpaid principal and interest due in a lump sum in 2027 provided there is no default in accordance with the provisions of the mortgage note.	500,000	500,000
5.09% mortgage receivable due from Valley Housing Finance Corporation collateralized by a third mortgage on the Nazareth Senior Apartments. Payment of principal and interest are deferred during the term of the note unless there is residual revenue generated by the project.	500,000	500,000
5% mortgage receivable from Valley Housing Finance Corporation, collateralized by a second mortgage on property held by Grandview Apartments Associates, payment of principal and interest due only if the project generates residual revenue, any remaining unpaid principal and interest due in a lump sum in 2027 provided there is no default in accordance with the provisions of the mortgage note.	500,000	500,000
5.75% mortgage receivable from Knox Avenue Senior Associates collateralized by a second mortgage, payment of principal and interest deferred during the term of the note unless there is residual revenue generated by the project.	497,705	497,705
5.00% mortgage receivable from Grandview Apartment Associates, collateralized by a fourth mortgage, payment of principal and interest due only if the project generates residual revenue each year, any remaining unpaid principal and interest due in a lump sum in 2029 provided there is no default in accordance with the provisions of the mortgage note.	239,000	239,000
Operating deficit loan receivable from Bath Elderly, payable from excess cash flow, interest free and unsecured.	99,396	99,396

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6. NOTES RECEIVABLE, NET (continued)**

	<u>2021</u>	<u>2020</u>
5.10% mortgage receivable from Lexie's Dream Apartments Associates, LP, collateralized by a second mortgage payment of principal and interest deferred during the term of the note unless there is residual revenue generated by the project.	-	166,684
4.08% mortgage receivable from Cedar Street Apartments Associates, LP, collateralized by a second mortgage on property, payment of principal and interest deferred during the term of the note unless there is residual revenue generated by the project.	500,000	500,000
Operating deficit loan receivable from East Penn Place Associates. The loan is interest free, unsecured and has no specific repayment terms.	315,163	315,163
3.65% mortgage receivable from Wilson Manor Apartments Associates, LP, collateralized by a second mortgage on property, payment of principal and interest deferred during the term of the note unless there is residual revenue generated by the project.	636,847	636,847
4.48% mortgage receivable from Forte Apartments Associates, LP, collateralized by a third mortgage on property, payment of principal and interest deferred during the term of the note unless there is residual revenue generated by the project.	133,366	133,366
Non-interest bearing mortgage receivable from Nazareth Senior Apartments Associates, LP, collateralized by a third mortgage on property, unpaid principal due at the date the project is sold or the note is refinanced.	176,163	188,928
3.65% mortgage receivable from Wilson Manor Apartments Associates, LP, collateralized by a third mortgage, payment of principal and interest deferred unless residual revenue is generated by the project.	125,000	125,000
Operating deficit loan receivable from Northampton Elderly Apartments Associates, due in a lump sum payment on the date the Partnership sells or transfers the property. The loan is interest free and unsecured.	45,674	45,674
Operating deficit loan receivable from Mill II Associates, The loan is interest free, unsecured and has no specific repayment terms.	240,313	240,313
Operating deficit note receivable from 901 Mill Avenue Associates, payable from excess cash flow, interest free and unsecured.	44,259	44,258

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6. NOTES RECEIVABLE, NET (continued)**

	<u>2021</u>	<u>2020</u>
4.48% mortgage receivable from Forte Apartments Associates, LP, collateralized by a mortgage on property, payment of principal and interest deferred during the term of the note unless there is residual revenue generated by the project.	96,124	96,124
Note receivable from AP54 Associates, LP in connection with their purchase of VHDC properties. The note bears interest at 2.18% and payable out of excess cash flow as defined by the partnership agreement. The note is secured by a second mortgage on the property and due in 2042.	253,304	253,303
4.5% note receivable from the LCHA in connection with LCHA's purchase of the Cedar Village property located in Allentown, PA which is collateralized by real property. In the event the project has excess revenue, 50% of any surplus revenues shall be applied to accrued interest, and any remainder to principal. The Note matures June 2036.	138,181	151,405
2.75% note receivable from the LCHA in connection with LCHA's purchase of the North Catasauqua project which is collateralized by real property. In the event the project has excess revenue, 50% of any surplus revenues shall be applied to accrued interest, and any remainder to principal. The Note matures December 2036.	239,464	239,464
Operating deficit loan receivable from Cedar Street Apartments Associates, LP payable from excess cash flow, interest free and unsecured.	111,786	111,786
Operating deficit loan receivable from Wind Gap Associates, LP payable from excess cash flow, interest free and unsecured.	131,415	131,415
2.525% note receivable from the LCHA in connection with LCHA's purchase of the Hellertown project which is collateralized by real property. No regular payments are due for twenty-five (25) years but 50% of any surplus revenues of the Hellertown project shall be paid annually first to accrued interest and any remainder to principal. The note matures in February, 2038.	188,580	188,580
Operating deficit loan receivable from Ferry Street Associates, LP payable from excess cash flow, interest free and unsecured.	43,640	43,640

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6. NOTES RECEIVABLE, NET (continued)**

	<u>2021</u>	<u>2020</u>
Operating deficit loan receivable from Knox Avenue Associates, LP payable from excess cash flow, interest free and unsecured.	75,865	75,865
Operating deficit loan receivable from Nazareth Senior Apartments Associates, LP payable from excess cash flow, interest free and unsecured.	185,731	185,731
Operating deficit loan receivable from Forte Apartments Associates. The loan is unsecured, non-interest bearing and has no specific repayment terms.	211,754	211,754
Note receivable from Lehigh County Housing Authority in connection with the sale of Sixth Street Elderly, bearing interest at 2.67%, principal and interest is paid based on residual revenue available as determined at the close of each fiscal period, all principal and interest is due in 2029; collateralized by property and improvements.	144,127	174,494
Note receivable from Lehigh County Housing Authority in connection with the sale of Locust Street property in November 2017. This note accrues interest at 2.67%. No regular payments are due but 50% of any surplus revenues of the Locust Street project shall be paid to VHDC annually first to accrued interest and any remainder to principal. The note is secured by real property and matures in 2042.	100,000	100,000
Operating deficit loan receivable from Canal Park, LP payable from excess cash flow, interest free and unsecured.	8,561	8,561
7.25% mortgage receivable from Ferry Street, LP, collateralized by a mortgage on property, payment of principal and interest deferred during the term of the note unless there is residual revenue generated by the project.	62,946	58,691

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6. NOTES RECEIVABLE, NET (continued)**

	<u>2021</u>	<u>2020</u>
Affordable Housing Loan receivable in the original amount of \$675,000 from the Northampton County Housing Authority ("NCHA") in connection with Goepf Street Apartments. This note accrues interest at 4.09%. No regular payments are due, but 50% of any surplus cash of the Goepf Street Apartments shall be received from NCHA annually, first to accrued interest and any remainder to principal. The loan is secured by real property and is due October 31, 2044.	667,212	675,000
Support note with the Lehigh County Housing Authority in the amount of \$400,000 in connection with the purchase of Schoenersville Apartments. This note accrues interest at 3.02%. No regular payments are due but 50% of any surplus revenues of the project shall be paid to VHDC annually first to accrued interest and any remainder to principal. The note is secured by real property and will mature in 2045.	<u>400,000</u>	<u>400,000</u>
Total notes receivable	9,384,421	9,610,992
Less: allowance for doubtful accounts	<u>(5,991,586)</u>	<u>(6,001,628)</u>
Notes receivable , net	<u>\$ 3,392,835</u>	<u>\$ 3,609,364</u>

As of December 31, 2021 and December 31, 2020, an allowance for doubtful accounts of \$5,991,586 and \$6,001,628, respectively, has been established to provide for potential future uncollectable loans and notes receivable due from these limited partnerships. Actual losses, if any, will not be determined until each limited partnership has reached the end of its low-income housing tax credit compliance period.

**NOTE 7. INVESTMENTS IN LIMITED PARTNERSHIPS**

VHDC owns various interests in numerous limited partnerships. The limited partnerships operate apartment complexes which provide low income housing eligible for tax credits in accordance with Section 42 of the Internal Revenue Code.

The Corporation uses the equity method of accounting for its investments in 17 limited partnerships in which the Corporation serves as a co-general partner, as the Corporation has significant influence over, but not control of the major operating and financial policies of the limited partnerships. Under this method, the Corporation's share of income, losses, and distributions incurred by the limited partnerships is recognized as an increase or reduction of the carrying value of the investments.

Accordingly, the investment is carried at cost and adjusted for the proportionate share of earnings or losses. Since the accumulated losses attributed to VHDC has exceeded its investment in the partnerships, the carrying value of the investment as of December 31, 2021 and December 31, 2020 is recorded as \$0.

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 7. INVESTMENTS IN LIMITED PARTNERSHIPS (continued)**

The following partnerships are recorded under the equity method:

AP54 Associates, LP	Grandview Apartments Assoc.
Cedar Street Apartments Assoc.	Wind Gap Associates
Mill II Associates	Northampton Elderly Apartments
Bath Elderly Apartments Assoc.	901 Mill Associates
Ferry Street Apartments	Nazareth Senior Apartments Assoc.
Fort Apartments Associates	East Penn Place Associates
Wilson Manor Apartments Assoc.	Knox Avenue Senior Associates

**NOTE 8. PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following at December 31, 2021 and December 31, 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 454,674	\$ 254,674
Building and site improvements	7,619,997	6,267,260
Furniture and equipment	<u>1,159,172</u>	<u>930,919</u>
Subtotal	9,233,843	7,452,853
Less: accumulated depreciation	<u>(5,936,262)</u>	<u>(4,895,342)</u>
Total	<u>\$ 3,297,581</u>	<u>\$ 2,557,511</u>

Depreciation expense for the years ended December 31, 2021 and December 31, 2020 totaled \$211,337 and \$205,236, respectively.

**NOTE 9. NOTES PAYABLE**

Notes payable at December 31, 2021 and December 31, 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Second mortgage payable to PHFA bearing interest at 1% and payable out of surplus cash from the Gordon Street project. The loan is secured by the property at Gordon Street in Allentown, PA and matured on June 1, 2017 and is still outstanding as of the audit report date. Management anticipates that as long as the property remains affordable, PHFA will extend the loan indefinitely. Included in accrued expenses is \$83,680 and \$80,600, respectively, of accrued interest related to this mortgage.	\$ 308,000	\$ 308,000

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 9. NOTES PAYABLE (continued)**

Second mortgage loan to PHFA in connection with the Turner Street Project bearing 0% interest subordinate to the primary mortgage with principal payments payable from surplus cash as determined by PHFA, split 50% to return on equity and 50% to repayment of the mortgage, collateralized by property and equipment. The mortgage is due in 2029.	241,999	241,999
First mortgage loan to PHFA bearing interest at 1% with an effective rate of 1.25% and payable out of surplus cash of the 100 South Third Street project. The loan matured in 2018 and is still outstanding as of the audit report date. Management anticipates that as long as the property remains affordable, PHFA will extend the loan indefinitely. The loan is collateralized by the property at 100 South Third Street. Included in accrued expenses is \$69,457 and \$64,547, respectively, of accrued interest related to this mortgage.	491,048	491,048
Mortgage payable to general partner bearing interest at 5.10%; interest and principal payments are deferred unless there is surplus cash of the Lexie's Dream project. All accrued interest and principal is due 90 days after the Partnership ceases to be qualified low-income building, 90 days after the date which is 15 years after December 31, 2031, or the date the partnership is sold.		
Term note payable to Bank of America, bears interest at 0%, principal payment deferred until January 5, 2031; collateralized by property of the Lexie's Dream project.	150,000	-
Term note payable to Lehigh County Housing Authority, bears interest at 0%, principal payment is due 15 years after the close of the partnership's compliance period with Lexie's Dream, December 31, 2031.	<u>200,000</u>	<u>-</u>
Total notes payable	1,391,047	1,041,047
Less: current portion	<u>799,048</u>	<u>799,048</u>
Total notes payable, excluding current portion	<u>\$ 591,999</u>	<u>\$ 241,999</u>

The maturities of notes payable over the next five years and thereafter are as follows:

December 31, 2022	\$	799,048
2023		-
2024		-
2025		-
2026		-
Thereafter		<u>591,999</u>
Total	\$	<u>1,391,047</u>

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 10. TRANSFER OF NET ASSETS FROM ENTITIES UNDER COMMON CONTROL**

During the years ended December 31, 2021 and December 31, 2020, VHDC acquired assets and liabilities of entities which were under common control. Accordingly, the assets and liabilities were combined with VHDC at their carrying amounts and recorded in the period of the transfer. The net assets (equity) that were transferred into and out of VHDC during the years ended December 31, 2021 and December 31, 2020 totaled \$674,672 and \$(865,046), respectively.

<u>Entity</u>	<u>2021</u>	<u>2020</u>
Lexie's Dream Apartments	\$ 674,672	\$ -
Schoenersville Apartments	<u>-</u>	<u>(865,046)</u>
	<u>\$ 674,672</u>	<u>\$ (865,046)</u>

A summary of assets and liabilities transferred during the year ended December 31, 2021 from entities under common control is as follows:

<u>Account</u>	<u>Lexie's Dream Apartments</u>
Cash	\$ 163,304
Restricted cash	216,666
Tenant security deposits	3,795
Account receivable	434
Prepaid expenses	15,983
Property and equipment, net	959,261
Accounts payable	(3,724)
Accrued interest	(160,353)
Prepaid rents	(215)
Security deposits payable	(3,795)
Notes payable	<u>(516,684)</u>
Net assets	<u>\$ 674,672</u>

A summary of assets and liabilities transferred during the year ended December 31, 2020 from entities under common control is as follows:

<u>Account</u>	<u>Schoenersville Apartments</u>
Cash	\$ 1,575
Restricted cash	19,114
Tenant security deposits	21,704
Account receivable	23,508
Prepaid expenses	23,467
Accrued interest receivable (payable)	(2,143)
Other assets, net	95,000
Property and equipment, net	1,257,358
Accounts payable	(103,736)
Security deposits payable	(21,704)
Other liabilities	(113,903)
Operating deficit notes payable	(49,067)
Notes payable	<u>(2,016,219)</u>
Net assets	<u>\$ (865,046)</u>

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

As a general partner, VHDC has assumed certain financial guarantees on behalf of the various partnerships. While the guarantees vary, they include such things as requirements to provide letters of credit during construction and limited operational periods, and guarantees related to the loss of tax benefits to investors under certain terms and conditions. Certain operating loss guarantees have no limitation to the maximum potential future payments under those guarantees. Estimates on these guarantees cannot be reasonably determined.

VHDC has also guaranteed through various agreements the operational debts of certain limited partnerships. Many of these partnerships are experiencing various levels of cash flow problems. VHDC could be required to contribute significant amounts of cash annually to the partnerships to support the operating deficits unless changes can be made at the partnership-level to ease this burden. At December 31, 2021 and December 31, 2020, future losses from these agreements cannot be reasonably estimated.

Vulnerability – Impact of COVID-19

The severity of the impact of COVID-19 on VHDC's operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the VHDC's tenants, all of which are uncertain and cannot be predicted. VHDC's future results could be adversely impacted by delays in rent collections. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.

**NOTE 12. SUBSEQUENT EVENT**

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through November 3, 2022 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**SUPPLEMENTARY INFORMATION**

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2021**

	COMBINED	ELIM.	VALLEY HOUSING DEV. CORP.	VALLEY HOUSING DEV. CORP. TENANT SEC.	SUPPORTIVE HOUSING	PERSONAL CARE HOME	MHMR LC	MHMR NC	GORDON STREET	100 SOUTH THIRD ST.	MOUNTAIN VILLE	TURNER STREET	GOEPP STREET	RESTLAWN	WASHINGTON AVE APARTMENTS	LEXIE'S DREAM
<b>ASSETS</b>																
<b>Current assets:</b>																
Cash and cash equivalents																
Undesignated	\$ 2,723,660	\$ -	\$ 2,222,350	\$ -	\$ 12,412	\$ 8,329	\$ 103,830	\$ 11,197	\$ 4,735	\$ 70,914	\$ 34,384	\$ 3,954	\$ -	\$ 20,809	\$ 58,532	\$ 172,214
Tenant security deposits	384,865	(21,082)	455	361,051	-	-	-	-	7,094	12,802	8,949	3,463	-	-	8,338	3,795
<b>Total cash</b>	<b>3,108,525</b>	<b>(21,082)</b>	<b>2,222,805</b>	<b>361,051</b>	<b>12,412</b>	<b>8,329</b>	<b>103,830</b>	<b>11,197</b>	<b>11,829</b>	<b>83,716</b>	<b>43,333</b>	<b>7,417</b>	<b>-</b>	<b>20,809</b>	<b>66,870</b>	<b>176,009</b>
Accounts receivable, net	645,313	-	620,743	-	-	663	5,495	-	375	11,293	1,933	1,067	-	-	2,031	1,713
Prepaid expenses	68,391	-	-	-	-	-	-	-	8,985	13,935	11,948	12,714	-	-	6,793	14,016
<b>Total current assets</b>	<b>3,822,229</b>	<b>(21,082)</b>	<b>2,843,548</b>	<b>361,051</b>	<b>12,412</b>	<b>8,992</b>	<b>109,325</b>	<b>11,197</b>	<b>21,189</b>	<b>108,944</b>	<b>57,214</b>	<b>21,198</b>	<b>-</b>	<b>20,809</b>	<b>75,694</b>	<b>191,738</b>
Restricted cash	618,888	-	7,911	-	-	-	-	-	141,067	145,750	-	85,003	-	-	34,929	204,228
Accounts receivable - noncurrent, net	39,888	(128,806)	168,694	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes receivable, net	3,392,835	(1,278,595)	4,671,430	-	-	-	-	-	-	-	-	-	-	-	-	-
Developer fees receivable, net	92,335	-	92,335	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest receivable, net	848,832	(1,262,454)	2,111,286	-	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment, net	3,297,581	-	76,782	-	-	-	-	-	227,880	838,153	420,343	253,813	-	-	562,895	917,715
<b>Total non-current assets</b>	<b>8,290,359</b>	<b>(2,669,855)</b>	<b>7,128,438</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>368,947</b>	<b>983,903</b>	<b>420,343</b>	<b>338,816</b>	<b>-</b>	<b>-</b>	<b>597,824</b>	<b>1,121,943</b>
<b>TOTAL ASSETS</b>	<b>\$ 12,112,588</b>	<b>\$ (2,690,937)</b>	<b>\$ 9,971,986</b>	<b>\$ 361,051</b>	<b>\$ 12,412</b>	<b>\$ 8,992</b>	<b>\$ 109,325</b>	<b>\$ 11,197</b>	<b>\$ 390,136</b>	<b>\$ 1,092,847</b>	<b>\$ 477,557</b>	<b>\$ 360,014</b>	<b>\$ -</b>	<b>\$ 20,809</b>	<b>\$ 673,518</b>	<b>\$ 1,313,681</b>
<b>LIABILITIES AND NET ASSETS</b>																
<b>Current liabilities:</b>																
Accounts payable	\$ 608,915	\$ -	\$ 502,857	\$ -	\$ 670	\$ -	\$ 1,516	\$ -	\$ 34,977	\$ 3,770	\$ 7,557	\$ 49,134	\$ -	\$ 686	\$ 5,290	\$ 2,458
Accrued expenses	153,137	(53,000)	-	-	-	-	-	-	83,680	122,457	-	-	-	-	-	-
Tenant security deposits payable	377,979	(21,082)	455	354,165	-	-	-	-	7,094	12,802	8,949	3,463	-	-	8,338	3,795
Prepaid rents	10,042	-	-	-	-	-	-	-	2,587	3,421	1,847	115	-	-	2,071	1
Current portion of notes payable	799,048	(1,151,355)	-	-	-	-	15,029	-	308,000	550,985	671,459	375,047	-	-	29,883	-
<b>Total current liabilities</b>	<b>1,949,121</b>	<b>(1,225,437)</b>	<b>503,312</b>	<b>354,165</b>	<b>670</b>	<b>-</b>	<b>16,545</b>	<b>-</b>	<b>436,338</b>	<b>693,435</b>	<b>689,812</b>	<b>427,759</b>	<b>-</b>	<b>686</b>	<b>45,582</b>	<b>6,254</b>
Notes payable, net of current maturities	591,999	(1,465,500)	-	-	-	-	-	-	-	331,361	1,041,437	-	-	-	-	684,701
<b>Total liabilities</b>	<b>2,541,120</b>	<b>(2,690,937)</b>	<b>503,312</b>	<b>354,165</b>	<b>670</b>	<b>-</b>	<b>16,545</b>	<b>-</b>	<b>436,338</b>	<b>1,024,796</b>	<b>1,731,249</b>	<b>427,759</b>	<b>-</b>	<b>686</b>	<b>45,582</b>	<b>690,955</b>
<b>Net assets:</b>																
Without donor restrictions	9,571,468	-	9,468,674	6,886	11,742	8,992	92,780	11,197	(46,202)	68,051	(1,253,692)	(67,745)	-	20,123	627,936	622,726
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,112,588</b>	<b>\$ (2,690,937)</b>	<b>\$ 9,971,986</b>	<b>\$ 361,051</b>	<b>\$ 12,412</b>	<b>\$ 8,992</b>	<b>\$ 109,325</b>	<b>\$ 11,197</b>	<b>\$ 390,136</b>	<b>\$ 1,092,847</b>	<b>\$ 477,557</b>	<b>\$ 360,014</b>	<b>\$ -</b>	<b>\$ 20,809</b>	<b>\$ 673,518</b>	<b>\$ 1,313,681</b>

**VALLEY HOUSING DEVELOPMENT CORPORATION  
COMBINING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	COMBINED	ELIM.	VALLEY HOUSING DEV. CORP.	VALLEY HOUSING DEV. CORP. TENANT SEC.	SUPPORTIVE HOUSING	PERSONAL CARE HOME	MHMR LC	MHMR NC	GORDON STREET	100 SOUTH THIRD ST	MOUNTAIN VILLE	TURNER STREET	GOEPP STREET	WASHINGTON AVE RESTLAWN	APARTMENTS	LEXIE'S DREAM
<b>REVENUES, GAINS, (LOSSES), AND OTHER SUPPORT:</b>																
Government contracts and grants	\$ 640,997	\$ -	\$ -	\$ -	\$ 276,779	\$ -	\$ 35,764	\$ -	\$ 40,564	\$ 88,274	\$ 45,773	\$ 100,626	\$ -	\$ -	\$ 43,657	\$ 9,560
Rental income	501,485	-	23,881	-	-	-	-	-	94,192	144,270	94,933	38,834	-	4,192	92,962	8,221
Management fees	77,444	-	77,444	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	498,246	(92,076)	589,668	72	-	-	-	-	234	203	-	127	-	-	-	18
Other income	22,832	-	356	-	672	-	-	-	1,271	7,903	4,800	1,561	-	-	5,756	513
<b>Total revenues, gains, (losses), and other support</b>	<b>1,741,004</b>	<b>(92,076)</b>	<b>691,349</b>	<b>72</b>	<b>277,451</b>	<b>-</b>	<b>35,764</b>	<b>-</b>	<b>136,261</b>	<b>240,650</b>	<b>145,506</b>	<b>141,148</b>	<b>-</b>	<b>4,192</b>	<b>142,375</b>	<b>18,312</b>
<b>EXPENSES:</b>																
Salaries, wages, and benefits	145,675	-	(1,462)	-	15,865	-	8,162	-	27,120	31,187	27,120	18,984	-	2,675	12,889	3,135
Utilities	110,589	-	-	-	7,291	-	3	2	14,130	36,374	7,664	23,840	-	2	19,371	1,912
Office expense	83,845	-	3,546	15	113	-	1,772	511	12,260	11,382	9,772	11,497	-	2,103	14,483	16,391
Professional fees	79,894	-	26,825	-	-	-	1,851	21	7,144	7,213	7,716	13,727	-	1,488	8,080	5,829
Insurance	87,976	-	4,124	-	-	-	241	-	11,783	13,067	13,859	11,765	-	385	11,258	21,494
Maintenance	330,029	-	928	-	164	-	3,214	101	89,920	65,227	48,174	65,216	-	4,417	46,233	6,435
Interest and financing costs	18,654	(92,076)	-	-	-	-	-	-	3,080	7,910	92,076	-	-	-	-	7,664
Depreciation and amortization	211,337	-	8,558	-	-	-	-	-	26,182	51,549	55,567	29,740	-	-	33,844	5,897
Rental property expense	255,050	-	2,895	-	251,759	-	-	-	-	-	157	109	-	21	109	-
Real estate taxes	92,586	-	3,823	-	-	-	-	1	13,321	22,897	20,353	17,709	-	-	13,018	1,464
Bad debt expense	576,132	-	562,703	-	-	-	-	-	1,399	-	-	2,695	-	-	9,298	37
<b>Total expenses</b>	<b>1,991,767</b>	<b>(92,076)</b>	<b>611,940</b>	<b>15</b>	<b>275,192</b>	<b>-</b>	<b>15,243</b>	<b>636</b>	<b>206,339</b>	<b>246,806</b>	<b>282,458</b>	<b>195,282</b>	<b>-</b>	<b>11,091</b>	<b>168,583</b>	<b>70,258</b>
Change in net assets	(250,763)	-	79,409	57	2,259	-	20,521	(636)	(70,078)	(6,156)	(136,952)	(54,134)	-	(6,899)	(26,208)	(51,946)
Net assets - beginning	9,147,559	-	9,389,265	6,829	9,483	8,992	72,259	11,833	23,876	74,207	(1,116,740)	(13,611)	-	27,022	654,144	-
Transfer of net assets from entities under common control	674,672	-	-	-	-	-	-	-	-	-	-	-	-	-	-	674,672
Net assets - ending	\$ 9,571,468	\$ -	\$ 9,468,674	\$ 6,886	\$ 11,742	\$ 8,992	\$ 92,780	\$ 11,197	\$ (46,202)	\$ 68,051	\$ (1,253,692)	\$ (67,745)	\$ -	\$ 20,123	\$ 627,936	\$ 622,726

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2020**

	COMBINED	ELIM.	VALLEY HOUSING DEV. CORP.	VALLEY HOUSING DEV. CORP. TENANT SEC.	SUPPORTIVE HOUSING	PERSONAL CARE HOME	SCHOENERSVILLE APARTMENTS	MHMR LC	MHMR NC	GORDON STREET	100 SOUTH THIRD ST.	MOUNTAIN VILLE	TURNER STREET	GOEPP STREET	RESTLAWN	WASHINGTON AVE APARTMENTS	627 HAMILTON ASSOCIATES
<b>ASSETS</b>																	
<b>Current assets:</b>																	
Cash and cash equivalents																	
Undesignated	\$ 2,587,827	\$ -	\$ 2,210,990	\$ -	\$ 9,908	\$ 7,667	\$ -	\$ 87,943	\$ 12,381	\$ 15,136	\$ 107,215	\$ 50,358	\$ 14,037	\$ -	\$ 22,506	\$ 49,686	\$ -
Tenant security deposits	382,876	(19,860)	455	358,207	-	-	-	-	-	7,194	12,396	10,078	4,624	-	-	9,782	-
<b>Total cash</b>	<b>2,970,703</b>	<b>(19,860)</b>	<b>2,211,445</b>	<b>358,207</b>	<b>9,908</b>	<b>7,667</b>	<b>-</b>	<b>87,943</b>	<b>12,381</b>	<b>22,330</b>	<b>119,611</b>	<b>60,436</b>	<b>18,661</b>	<b>-</b>	<b>22,506</b>	<b>59,468</b>	<b>-</b>
Accounts receivable, net	565,645	-	540,729	-	-	1,325	-	-	-	921	7,563	905	3,701	-	4,516	5,985	-
Prepaid expenses	52,721	-	-	-	-	-	-	-	-	8,649	13,614	10,602	13,227	-	-	6,629	-
<b>Total current assets</b>	<b>3,589,069</b>	<b>(19,860)</b>	<b>2,752,174</b>	<b>358,207</b>	<b>9,908</b>	<b>8,992</b>	<b>-</b>	<b>87,943</b>	<b>12,381</b>	<b>31,900</b>	<b>140,788</b>	<b>71,943</b>	<b>35,589</b>	<b>-</b>	<b>27,022</b>	<b>72,082</b>	<b>-</b>
Restricted cash	399,455	-	7,910	-	-	-	-	-	-	147,625	130,077	-	78,914	-	-	34,929	-
Accounts receivable - noncurrent, net	36,023	(128,806)	164,829	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes receivable, net	3,609,364	(1,130,911)	4,740,275	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Developer fees receivable, net	92,336	-	92,336	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest receivable, net	1,006,768	(1,030,361)	2,037,129	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment, net	2,557,511	-	85,340	-	-	-	-	-	-	245,634	874,135	472,110	283,553	-	-	596,739	-
<b>Total non-current assets</b>	<b>7,701,457</b>	<b>(2,290,078)</b>	<b>7,127,819</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>393,259</b>	<b>1,004,212</b>	<b>472,110</b>	<b>362,467</b>	<b>-</b>	<b>-</b>	<b>631,668</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 11,290,526</b>	<b>\$ (2,309,938)</b>	<b>\$ 9,879,993</b>	<b>\$ 358,207</b>	<b>\$ 9,908</b>	<b>\$ 8,992</b>	<b>\$ -</b>	<b>\$ 87,943</b>	<b>\$ 12,381</b>	<b>\$ 425,159</b>	<b>\$ 1,145,000</b>	<b>\$ 544,053</b>	<b>\$ 398,056</b>	<b>\$ -</b>	<b>\$ 27,022</b>	<b>\$ 703,750</b>	<b>\$ -</b>
<b>LIABILITIES AND NET ASSETS</b>																	
<b>Current liabilities:</b>																	
Accounts payable	\$ 569,931	\$ -	\$ 490,273	\$ -	\$ 425	\$ -	\$ -	\$ 655	\$ 548	\$ 4,831	\$ 11,492	\$ 29,235	\$ 28,484	\$ -	\$ -	\$ 3,988	\$ -
Accrued expenses	145,147	(81,000)	-	-	-	-	-	-	-	80,600	145,547	-	-	-	-	-	-
Tenant security deposits payable	376,047	(19,860)	455	351,378	-	-	-	-	-	7,194	12,396	10,078	4,624	-	-	9,782	-
Prepaid rents	10,795	-	-	-	-	-	-	-	-	658	12	660	3,512	-	-	5,953	-
Current portion of notes payable	799,048	(407,425)	-	-	-	-	-	15,029	-	308,000	78,937	671,459	133,048	-	-	-	-
<b>Total current liabilities</b>	<b>1,900,968</b>	<b>(508,285)</b>	<b>490,728</b>	<b>351,378</b>	<b>425</b>	<b>-</b>	<b>-</b>	<b>15,684</b>	<b>548</b>	<b>401,283</b>	<b>248,384</b>	<b>711,432</b>	<b>169,668</b>	<b>-</b>	<b>-</b>	<b>19,723</b>	<b>-</b>
Notes payable, net of current maturities	241,999	(1,801,653)	-	-	-	-	-	-	-	-	822,409	949,361	241,999	-	-	29,883	-
<b>Total liabilities</b>	<b>2,142,967</b>	<b>(2,309,938)</b>	<b>490,728</b>	<b>351,378</b>	<b>425</b>	<b>-</b>	<b>-</b>	<b>15,684</b>	<b>548</b>	<b>401,283</b>	<b>1,070,793</b>	<b>1,660,793</b>	<b>411,667</b>	<b>-</b>	<b>-</b>	<b>49,606</b>	<b>-</b>
<b>Net assets:</b>																	
Without donor restrictions	9,147,559	-	9,389,265	6,829	9,483	8,992	-	72,259	11,833	23,876	74,207	(1,116,740)	(13,611)	-	27,022	654,144	-
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 11,290,526</b>	<b>\$ (2,309,938)</b>	<b>\$ 9,879,993</b>	<b>\$ 358,207</b>	<b>\$ 9,908</b>	<b>\$ 8,992</b>	<b>\$ -</b>	<b>\$ 87,943</b>	<b>\$ 12,381</b>	<b>\$ 425,159</b>	<b>\$ 1,145,000</b>	<b>\$ 544,053</b>	<b>\$ 398,056</b>	<b>\$ -</b>	<b>\$ 27,022</b>	<b>\$ 703,750</b>	<b>\$ -</b>

**VALLEY HOUSING DEVELOPMENT CORPORATION**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2020**

	COMBINED	ELIM.	VALLEY HOUSING DEV. CORP.	VALLEY HOUSING DEV. CORP. TENANT SEC.	SUPPORTIVE HOUSING	PERSONAL CARE HOME	SCHOENERSVILLE APARTMENTS	MHMR LC	MHMR NC	GORDON STREET	100 SOUTH THIRD ST	MOUNTAIN VILLE	TURNER STREET	GOEPP STREET	RESTLAWN	WASHINGTON AVE APARTMENTS	627 HAMILTON ASSOCIATES
<b>REVENUES, GAINS, (LOSSES), AND OTHER SUPPORT:</b>																	
Government contracts and grants	\$ 677,677	\$ -	\$ -	\$ -	\$ 316,943	\$ -	\$ 60	\$ 21,841	\$ 1,885	\$ 51,846	\$ 87,944	\$ 59,761	\$ 101,964	\$ -	\$ -	\$ 35,433	\$ -
Rental income	718,648	-	21,780	-	-	-	237,176	-	-	95,996	136,174	90,923	45,065	-	9,312	82,222	-
Management fees	88,314	-	88,314	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	542,507	-	538,580	6	-	-	10	-	-	1,666	1,386	-	859	-	-	-	-
Gain / (loss) on sale of assets	(200,388)	-	-	-	-	-	(200,388)	-	-	-	-	-	-	-	-	-	-
Other income	289,040	(1,087,348)	275,147	-	-	-	1,092,108	-	-	885	3,891	1,976	569	-	-	1,812	-
<b>Total revenues, gains, (losses), and other support</b>	<b>2,115,798</b>	<b>(1,087,348)</b>	<b>923,821</b>	<b>6</b>	<b>316,943</b>	<b>-</b>	<b>1,128,966</b>	<b>21,841</b>	<b>1,885</b>	<b>150,393</b>	<b>229,395</b>	<b>152,660</b>	<b>148,457</b>	<b>-</b>	<b>9,312</b>	<b>119,467</b>	<b>-</b>
<b>EXPENSES:</b>																	
Salaries, wages, and benefits	167,705	-	1,921	-	23,023	-	14,338	8,938	1	26,753	30,767	26,753	18,728	-	3,663	12,820	-
Utilities	126,478	-	6	-	7,923	-	20,173	2	2	14,822	35,420	8,046	21,717	-	3	18,364	-
Office expense	100,153	-	9,616	-	-	-	34,912	1,027	983	9,908	12,135	8,117	7,478	-	2,804	13,173	-
Professional fees	104,143	-	61,618	-	-	-	18,049	5	48	6,521	7,284	290	7,464	-	47	2,817	-
Insurance	82,511	-	9,244	-	-	-	18,696	141	141	10,322	12,852	12,022	10,033	-	425	8,635	-
Maintenance	382,436	-	2,429	-	-	-	73,727	4,906	82	49,325	75,694	72,508	55,536	-	7,285	40,944	-
Interest and financing costs	135,848	-	-	-	-	-	38,886	-	-	3,080	7,910	85,972	-	-	-	-	-
Depreciation and amortization	205,236	-	8,558	-	-	-	-	-	-	26,391	52,503	54,491	29,211	-	-	34,082	-
Rental property expense	291,280	-	69	-	283,081	-	6,100	-	1,653	-	-	141	103	-	29	104	-
Real estate taxes	127,590	-	2,720	-	-	-	39,039	-	2	13,072	22,749	19,928	17,296	-	-	12,784	-
Partnership transfer fees	42,778	-	-	-	-	-	-	-	-	-	-	-	-	10,739	-	-	32,039
Bad debt expense	51,686	(1,087,348)	1,130,648	-	-	-	-	-	-	-	-	-	-	-	-	8,386	-
<b>Total expenses</b>	<b>1,817,844</b>	<b>(1,087,348)</b>	<b>1,226,829</b>	<b>-</b>	<b>314,027</b>	<b>-</b>	<b>263,920</b>	<b>15,019</b>	<b>2,912</b>	<b>160,194</b>	<b>257,314</b>	<b>288,268</b>	<b>167,566</b>	<b>10,739</b>	<b>14,256</b>	<b>152,109</b>	<b>32,039</b>
<b>Change in net assets</b>	<b>297,954</b>	<b>-</b>	<b>(303,008)</b>	<b>6</b>	<b>2,916</b>	<b>-</b>	<b>865,046</b>	<b>6,822</b>	<b>(1,027)</b>	<b>(9,801)</b>	<b>(27,919)</b>	<b>(135,608)</b>	<b>(19,109)</b>	<b>(10,739)</b>	<b>(4,944)</b>	<b>(32,642)</b>	<b>(32,039)</b>
Net assets - beginning	9,714,651	-	9,692,273	6,823	6,567	8,992	-	65,437	12,860	33,677	102,126	(981,132)	5,498	10,739	31,966	686,786	32,039
Transfer of net assets (deficit) to Lehigh County Housing Authority	(865,046)	-	-	-	-	-	(865,046)	-	-	-	-	-	-	-	-	-	-
<b>Net assets - ending</b>	<b>\$ 9,147,559</b>	<b>\$ -</b>	<b>\$ 9,389,265</b>	<b>\$ 6,829</b>	<b>\$ 9,483</b>	<b>\$ 8,992</b>	<b>\$ -</b>	<b>\$ 72,259</b>	<b>\$ 11,833</b>	<b>\$ 23,876</b>	<b>\$ 74,207</b>	<b>\$ (1,116,740)</b>	<b>\$ (13,611)</b>	<b>\$ -</b>	<b>\$ 27,022</b>	<b>\$ 654,144</b>	<b>\$ -</b>