

INNOVATIVE HOUSING, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Board of Directors
Innovative Housing, Inc. and Affiliates
Portland, Oregon

Report on Consolidated Financial Statements

We have audited the accompanying financial statements of Innovative Housing, Inc. and Affiliates (the Organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, the related consolidated statements of activities and functional expenses for the year ended June 30, 2020, and the related statement of cash flows for the years ended June 30, 2020 and 2019 and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Innovative Housing, Inc. and Affiliates as of June 30, 2020, and the changes in its net assets and its cash flows for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Innovative Housing, Inc. and Affiliates 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional information shown on pages 31 to 43 is presented for the purpose 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. The information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021, on our consideration of the Organization's 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 the Innovative Housing, Inc. and Affiliates' 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 the Organization's internal control over financial reporting and compliance applicable to 2020.


Louise Hunt
Bellevue, Washington
April 28, 2021

INNOVATIVE HOUSING, INC. AND AFFILIATES
(A Not-For-Profit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2020	2019
		(Restated)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 5,183,713	\$ 4,644,825
Cash - restricted reserves	1,538,998	1,555,754
Prepaid expenses	148,091	78,826
Accounts receivable:		
Management fees	24,700	25,000
Development fees	5,589,002	3,771,991
Other	186,646	113,770
Investments	<u>3,454,537</u>	<u>3,449,841</u>
	16,125,687	13,640,007
Tenant trust - security deposits	<u>281,315</u>	<u>288,105</u>
Property, leasehold improvements and equipment, at cost:		
Building, leasehold improvements and equipment	30,710,704	30,406,531
Accumulated depreciation	<u>(11,119,337)</u>	<u>(10,054,485)</u>
	19,591,367	20,352,046
Construction in progress	9,664,108	266,824
Land	<u>4,262,077</u>	<u>4,217,437</u>
	33,517,552	24,836,307
Other assets:		
Notes receivable - partnerships	20,948,602	19,151,066
Notes receivable - shared appreciation mortgages	41,835	41,835
Investment in limited partnerships	<u>1,747,478</u>	<u>1,836,026</u>
	<u>22,737,915</u>	<u>21,028,927</u>
	<u>\$ 72,662,469</u>	<u>\$ 59,793,346</u>

Continued on page 5.

INNOVATIVE HOUSING, INC. AND AFFILIATES
(A Not-For-Profit Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - (CONTINUED)

	June 30,	
	2020	2019
		(Restated)
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 164,085	\$ 93,360
Current portion of notes payable	<u>12,318,772</u>	<u>3,538,290</u>
	12,482,857	3,631,650
Other liabilities:		
Security deposits payable	282,646	290,938
Deferred liabilities and prepaid rent	<u>14,759</u>	<u>13,705</u>
	<u>297,405</u>	<u>304,643</u>
Long-term debt:		
Notes payable, net of current portion	<u>23,946,396</u>	<u>24,558,514</u>
Total liabilities	36,726,658	28,494,807
Net assets:		
Without donor restrictions	28,859,673	26,248,845
With donor restrictions	<u>7,076,138</u>	<u>5,049,694</u>
Total net assets	<u>35,935,811</u>	<u>31,298,539</u>
	<u>\$ 72,662,469</u>	<u>\$ 59,793,346</u>

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

Innovative Housing, Inc. and Affiliates
(A Not-For-Profit Corporation)

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

	2020			2019
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	(Restated)
Support and Revenue:				
Grants and contributions	\$ 63,460	\$ 2,208,711	\$ 2,272,171	\$ 857,974
Partnership and asset management fees	159,884	-	159,884	119,240
Property development fees	3,052,797	-	3,052,797	3,053,933
Rental income	4,823,791	-	4,823,791	5,144,197
Resident services fees	189,193	-	189,193	93,066
Interest income	635,408	-	635,408	609,690
Other	<u>49,028</u>	<u>-</u>	<u>49,028</u>	<u>4,590,861</u>
	8,973,561	2,208,711	11,182,272	14,468,961
Expenses:				
Program services:				
Asset management	219,742	-	219,742	194,863
Resident services	509,013	-	509,013	458,061
Housing development	385,817	-	385,817	310,732
Property ownership	<u>5,290,426</u>	<u>-</u>	<u>5,290,426</u>	<u>5,071,439</u>
	6,404,998	-	6,404,998	6,035,095
Supporting services:				
Management and general	97,455	-	97,455	133,148
Communication	24,000	-	24,000	26,445
Fundraising	<u>18,547</u>	<u>-</u>	<u>18,547</u>	<u>39,926</u>
	<u>6,545,000</u>	<u>-</u>	<u>6,545,000</u>	<u>6,234,614</u>
Change in net assets from operations	<u>\$ 2,428,561</u>	<u>\$ 2,208,711</u>	<u>\$ 4,637,272</u>	<u>\$ 8,234,347</u>
Change in net assets with donor restrictions	182,267	(182,267)	-	

Continued on page 7.

Innovative Housing, Inc. and Affiliates
(A Not-For-Profit Corporation)

CONSOLIDATED STATEMENT OF ACTIVITIES - (CONTINUED)

For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

	<u>2020</u>			<u>2019</u>
	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>	<u>(Restated)</u>
Change in net assets	\$ 2,610,828	\$ 2,026,444	\$ 4,637,272	\$ 8,234,347
Net assets - beginning of year	<u>26,248,845</u>	<u>5,049,694</u>	<u>31,298,539</u>	<u>23,064,192</u>
Net assets - end of year	<u>\$ 28,859,673</u>	<u>\$ 7,076,138</u>	<u>\$ 35,935,811</u>	<u>\$ 31,298,539</u>

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

Innovative Housing, Inc. and Affiliates
CONSOLIDATED STATEMENT
OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

	For the Year Ended June 30, 2020									
	Program Services					Supporting Services			2020 Total	2019 Total
	Asset Management	Resident Services	Housing Development	Property Ownership	Total Programs	Management and General	Communic.	Fundraising		
Payroll	\$ 167,378	\$ 311,391	\$ 289,891	\$ -	\$ 768,660	\$ 38,124	\$ 15,178	\$ 15,059	\$ 837,021	\$ 744,013
Payroll taxes	12,892	26,666	22,648	-	62,206	2,706	1,082	1,082	67,076	63,084
Health benefits	12,700	34,045	20,331	-	67,076	1,851	740	740	70,407	67,156
Retirement	10,474	11,241	13,670	-	35,385	1,993	781	754	38,913	28,148
Grants & contributions expense	-	-	-	-	-	-	-	-	-	2,000
Travel & training	835	3,560	1,121	-	5,516	461	132	44	6,153	11,589
Printing	250	1,067	336	-	1,653	138	40	13	1,844	2,494
Telephone & utilities	1,579	6,733	2,120	-	10,432	873	249	83	11,637	9,532
Rent/occupancy	4,346	18,527	5,833	-	28,706	2,402	686	229	32,023	29,865
Dues & subscriptions	1,558	6,641	2,091	-	10,290	861	246	82	11,479	2,886
Professional fees & consultants	2,920	12,448	3,919	-	19,287	1,614	461	154	21,516	19,916
Supplies	683	2,910	916	-	4,509	377	108	36	5,030	6,965
Insurance	1,199	5,113	1,610	-	7,922	663	189	63	8,837	7,650
Postage & shipping	82	349	110	-	541	45	13	4	603	480
Depreciation & amortization	-	-	-	1,683,958	1,683,958	-	-	-	1,683,958	1,141,772
Special events	-	-	-	-	-	-	-	60	60	19,119
Interest expense	-	-	-	687,596	687,596	-	-	-	687,596	754,005
Equipment rental & maintenance	2,729	11,633	3,662	-	18,024	1,508	431	144	20,107	28,654
Direct program expenses	<u>117</u>	<u>56,689</u>	<u>17,559</u>	<u>2,918,872</u>	<u>2,993,237</u>	<u>43,839</u>	<u>3,664</u>	<u>-</u>	<u>3,040,740</u>	<u>3,295,286</u>
Total	\$ <u>219,742</u>	\$ <u>509,013</u>	\$ <u>385,817</u>	\$ <u>5,290,426</u>	\$ <u>6,404,998</u>	\$ <u>97,455</u>	\$ <u>24,000</u>	\$ <u>18,547</u>	\$ <u>6,545,000</u>	\$ <u>6,234,614</u>

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

Innovative Housing, Inc. and Affiliates
(A Not-For-Profit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	June 30,	
	2020	2019
		(Restated)
Cash flows from operating activities:		
Change in net assets	\$ 4,637,272	\$ 8,234,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,064,852	1,116,185
Amortization of debt issuance costs	19,106	25,587
Forgiveness of notes receivable	600,000	-
Gain on transfer of fixed assets	-	(917,933)
Changes in certain assets and liabilities:		
Prepaid expenses	(69,265)	10,280
Accounts receivable	(1,889,587)	(2,719,960)
Accounts payable	70,729	(183,485)
Security deposits payable	(8,292)	151
Prepaid rent	<u>1,054</u>	<u>583</u>
Net cash provided by operating activities	4,425,869	5,565,755
Cash flows from investing activities:		
Sale (purchase) of fixed assets, net	(348,813)	2,638,475
Payments for construction-in-progress	(9,397,284)	-
Purchase of investments	(4,696)	(156,211)
Notes receivable - partnerships	(2,405,351)	(4,741,528)
Distributions & earnings/losses from partnerships	<u>88,548</u>	<u>27,164</u>
Net cash used by investing activities	(12,067,596)	(2,232,100)
Cash flows from financing activities:		
Proceeds from notes payable	8,571,181	5,796,895
Principal payments on notes payable	<u>(414,112)</u>	<u>(8,345,498)</u>
Net cash provided (used) by financing activities	<u>8,157,069</u>	<u>(2,548,603)</u>
Net increase in cash and restricted cash	515,342	764,808
Cash and restricted cash, beginning of year	<u>6,488,684</u>	<u>5,723,876</u>
Cash and restricted, end of year	<u>\$ 7,004,026</u>	<u>\$ 6,488,684</u>

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

Innovative Housing, Inc. and Affiliates
(A Not-For-Profit Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS - (CONTINUED)

For the Years Ended June 30, 2020 and 2019

Supplemental disclosure of cash flow information:

Cash paid for interest	\$	685,152	\$	763,689
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The accompanying notes are an integral part of these financial statements.

Innovative Housing, Inc. and Affiliates
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES

Innovative Housing, Inc. (IHI) is a nonprofit organization that develops, preserves and operates affordable housing for low-income households. IHI complements its housing with a Resident Services Program designed to help residents maintain their housing stability, improve their quality of life and break the cycle of poverty. IHI's affiliates include 527 SE Morrison MT LLC, 82nd & Broadway LLC, IHI/Musolf LLC, Bridgeview Housing LLC, Clifford Apartments, LLC, Hewitt Place II GP LLC, ITH Inc., IHI/Clifford LLC, Innovative 4-Plex LLC, Innovative Cambrian LLC, Innovative Center Village LLC, Innovative CVGP LLC, Innovative Eliot LLC, Innovative Erickson LLC, Innovative Fargo LLC, Innovative Garden Park LLC, Innovative KWVS LLC, Innovative Merwyn LLC, Innovative Raleigh LLC, Innovative Rich LLC, Innovative Woodland Square LLC, IHI and its affiliates are referred to throughout the notes as "IHI."

IHI's four major program areas include:

Housing Development - IHI creates and preserves affordable housing through new construction and the acquisition/rehabilitation of existing multifamily properties and historic buildings. IHI's rental housing serves low and very low-income families and individuals, seniors, people with disabilities, formerly homeless people, veterans, and households escaping domestic violence. The average income level of IHI's residents in 2019 was 29 percent of area median income, or \$17,864 per year for an individual and \$25,491 per year for a family of four. In fiscal year 2019-2020, IHI began its historic renovation of the Merwyn Apartments in Astoria, Oregon, to create 40 new apartment homes, and completed construction of Magnolia Phase 2, a new 50-unit building adjacent to the Magnolia Apartments in Northeast Portland. IHI also completed rehabilitation of the Center Village Apartments, a 60-unit property in Northeast Portland. IHI acquired, via the Anna Mann Limited Partnership, a 3.14 acre property in Northeast Portland and began predevelopment work to create 128 units of new affordable housing by historically renovating the existing landmark structure and constructing two new buildings on the site. IHI continued to seek capital funds for the redevelopment of Garden Park Estates, a 63-unit property in Southeast Portland that IHI acquired in 2017 and plans to redevelop into 117 units.

Resident Services - IHI complements its housing with Resident Services designed to help residents maintain their housing stability, improve their quality of life, and break the cycle of poverty. Resident service staff connect residents with existing community resources and service providers, advocate for residents, sponsor community building activities, coordinate on-site classes and workshops, and offer site-based programs including an Eviction Prevention Program, Financial Education, an Emergency Fund, and a comprehensive Youth and Family Program. In FY 2019-2020 IHI was approved by the Joint Office of Homeless Services as a PSH service provider to provide housing stability and case management services at the Anna Mann House and for 20 homeless preference units at the Vibrant! Apartments. In response to COVID-19, IHI staff adapted its site-based programming and began providing services remotely and in socially distant settings. Significant focus was shifted to ensuring residents have adequate access to basic needs like food, utilities, and masks, and additional resources were allocated to support resident families and students succeed in remote/virtual school.

Innovative Housing, Inc. and Affiliates
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES - (CONTINUED)

IHI's four major program areas - (CONTINUED)

Asset Management - At the end of FY 2020, IHI is the managing general partner or managing member of 10 unaffiliated Limited Partnerships/Limited Liability Companies that own 948 affordable rental units in Oregon and Washington. IHI manages this portfolio to ensure that each property is well-maintained, financially sustainable and makes a positive contribution to its neighborhood. Asset management includes hiring and supervising professional property managers, compliance and reporting, handling audits/tax matters, and structuring/refinancing debt. In FY 2019-2020 IHI stabilized and converted from rehab construction to permanent financing at the Center Village Apartments. IHI completed lease-up of the Magnolia 2 apartments in March 2020, but due to COVID-19 and a statewide eviction moratorium, rent collection has not yet been sufficient to stabilize and convert to permanent financing.

Property Ownership - In addition to managing affordable properties owned by unaffiliated LP/LLCs, IHI or wholly controlled affiliates own 459 affordable rental units at 10 Portland area properties. The operating expenses and income from these properties are included in IHI's financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Innovative Housing, Inc., 527 SE Morrison MT LLC, 82nd & Broadway LLC, Anna Mann LP, Bridgeview Housing LLC, Clifford Apartments LLC, Hewitt Place II GP LLC, IHI/Musolf LLC, Innovative 4 Plex, LLC, Innovative Anna Mann LLC, Innovative Cambrian LLC, Innovative Center Village LLC, Innovative CVGP LLC, Innovative Eliot LLC, Innovative Erickson LLC, Innovative Fargo LLC, Innovative Garden Park LLC, Innovative KWVS LLC, Innovative Merwyn LLC, Innovative Raleigh LLC, Innovative Rich LLC, Innovative Woodland Square LLC, and ITH Inc. Most entities are single member LLCs wholly controlled by IHI and six entities have made IRS code section 168(h) elections. All material inter-organization transactions have been eliminated.

Amortization of Debt Issuance Costs

Debt issuance (loan) costs related to a recognized debt liability are presented in the statements of financial position as a direct deduction from the carrying amount of that debt liability and amortization of debt issuance costs are reported as interest expense in accordance with ASU 2015-03. See Note 9 for additional information. Debt issuance costs are amortized over the period the obligation is outstanding using the straight-line method. This does not result in a significant difference from the effective interest rate method.

Method of Accounting

The accrual method of accounting is used for financial statement purposes in accordance with generally accepted accounting principles.

Innovative Housing, Inc. and Affiliates
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES - (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, all investment instruments purchased with a maturity of three months or less are considered to be cash equivalents. At June 30, 2020 and 2019 cash and cash equivalents totaling \$5,183,713 and \$4,644,825 were held by Innovative Housing, Inc, respectively.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 5,183,713	\$ 4,644,825
Cash - restricted reserves	1,538,998	1,555,754
Tenant trust - security deposits	<u>281,315</u>	<u>288,105</u>
Total cash and restricted cash shown in the statements of cash flows	<u>\$ 7,004,026</u>	<u>\$ 6,488,684</u>

Financial Instruments

All financial instruments are carried at amounts that approximate fair value.

Estimates

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

Concentration of Credit Risk

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

Investment in Property and Equipment

All expenditures for land, land improvements, buildings and equipment are capitalized at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the individual assets: 27.5 to 30 years for buildings, 7 to 15 years for land improvements, and 5 to 7 years for furnishings and equipment. For the years ended June 30, 2020 and 2019, depreciation expense was \$1,064,852 and \$1,116,185, respectively. Improvements, additions and replacements in excess of \$5,000 are generally capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of operations.

Innovative Housing, Inc. and Affiliates
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES - (CONTINUED)

Management reviews investments in property and equipment for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. Management believes no such adjustment is required in the consolidated financial statements as of June 30, 2020 or 2019, respectively.

Property Under Development

All direct costs related to property under development (including land acquisition costs, land improvement and construction costs for clearing and grading, roads, utility systems, architectural, surveying, engineering and legal fees and construction costs) are capitalized as costs of property under development. Costs when incurred relating to the pre-development are evaluated by management for recoverability and capitalized if deemed appropriate.

Impairment

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low-income housing tax credits (if applicable) and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses for 2020 or 2019.

Advertising Expenses

Advertising costs are charged to expense as they are incurred.

Income Tax Status

IHI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no taxes have been provided for in the consolidated financial statements. With respect to the six entities which made 168(h) elections, none had taxable income.

Revenue Recognition

Developer fees are earned on housing projects developed for affiliates or related entities (limited partnerships or limited liability companies in which IHI, through its affiliates, is either the general partner or the managing member). Revenue from developer fees is recognized as performance obligations are satisfied during the development period of the project.

Innovative Housing, Inc. and Affiliates
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES - (CONTINUED)

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the year in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions. During 2020 and 2019, \$2,208,711 and \$750,000 were received that resulted in donor restrictions.

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. Conditional contributions received are accounted as a liability or are unrecognized initially, that is, until the barriers to entitlement are overcome. Unconditional contributions with no purpose or time restricted are recognized as revenue without donor restrictions.

Contributed property and equipment is recorded at fair value at the date of donation. If the donor stipulates how long the assets must be used, the contributions are recorded as net assets with donor restrictions. In the absence of such stipulation, contributions of property and equipment are recorded as net assets without donor restrictions.

Accounts Receivable

Management fees receivable represents amounts due from multi-family housing projects (limited partnerships or limited liability companies) in which IHI owns varying percentages, up to 21 percent. Accounts receivable are reported at the amount management expects to collect on balances outstanding at June 30, 2020 and 2019. Management closely monitors outstanding balances and writes off all balances deemed uncollectible. No allowance was deemed necessary as all receivables are deemed fully collectible.

Innovative Housing, Inc. and Affiliates
(A Not-For-Profit Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES - (CONTINUED)

Basis of Presentation

Net assets, revenue, and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions:

Net assets that are not subject to donor-imposed stipulations but are controlled and designated by the Board.

Net Assets with Donor Restrictions:

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire 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. When a restriction expires, net assets with donor restrictions are reclassified into net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

As of June 30, 2020 and 2019, the Organization had \$7,076,138 and \$5,049,694, respectively, in net assets with donor restrictions.

Subsequent Events

Management has evaluated events and transactions occurring after June 30, 2020 through April 28, 2021, the date the consolidated financial statements were available for issuance, for recognition or disclosure in the consolidated financial statements. There were no events and transactions that required recognition and disclosure in the consolidated financial statements, other than disclosed in Note 12.

Innovative Housing, Inc. and Affiliates
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - RESTRICTED CASH

Loan agreements between IHI, Oregon Housing and Community Services, the Portland Housing Bureau, the Portland Development Commission and certain lenders require IHI to deposit funds into separate reserve accounts for each of the buildings financed. These funds are to be used for the purposes indicated below.

Restricted cash comprised of the following as of:

	June 30,	
	2020	2019
Capital asset replacement reserves - established to fund the replacement of capital assets	\$ 1,401,903	\$ 1,430,801
Tax & Insurance Reserves - established to fund the annual payment of insurance	137,095	124,953
Security Deposits - IHI is required to set up separate accounts in which tenant security deposits are held	<u>281,315</u>	<u>288,105</u>
Total	<u>\$ 1,820,313</u>	<u>\$ 1,843,859</u>

NOTE 4 - NOTES RECEIVABLE - SHARED APPRECIATION MORTGAGES

Notes receivable include second mortgages on condominiums sold to eligible buyers. The notes carry no interest and are to be repaid only if and when the borrowers sell, transfer or cease to occupy the property as a primary residence. IHI collects a share of the appreciation in lieu of interest not being charged. The notes are subordinate to the first mortgages. At June 30, 2020 and 2019, the aggregate balances of the receivables were \$41,835, each year. Management expects all amounts to be collected. Accordingly, no allowances for uncollectible amounts have been established.

NOTE 5 - NOTES RECEIVABLE - RELATED PARTIES

IHI and affiliates held notes receivable secured by the underlying assets from the following related parties as of June 30, 2020 and 2019. The payment terms are subject to cashflow with interest ranging from 1 percent to 6 percent.

Innovative Housing, Inc. and Affiliates
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - NOTES RECEIVABLE - RELATED PARTIES - (CONTINUED)

	June 30,	
	2020	2019
Note Receivable - Musolf Manor LP, 3 percent interest compounded annually, payments are subject to Net Cash Flow, maturing October, 2037	\$ -	\$ 79,652
Note Receivable - Center Village LP seller note, 2.91 percent interest compounded annually, payments are subject to Net Cash Flow, maturing December 31, 2059	3,224,818	3,739,896
Note Receivable - Owed to 82nd & Broadway by 82nd Ave LP including accrued interest	321,255	311,978
Note Receivable - Eliot for PHB including accrued interest	1,327,979	1,278,416
Note Receivable - Eliot Trust Fund including accrued interest	556,086	535,753
Note Receivable - Eliot PDC	139,619	133,387
Note Receivable - Center Village OHCS	1,988,711	-
Note Receivable - Woodland Square, LP including accrued interest	2,213,170	2,119,522
Note Receivable - Erickson Housing, LP including accrued interest	6,377,258	6,315,401
Note Receivable - 82nd Avenue LP, at 3 percent to 4.32 percent interest, including accrued interest, maturing 2037 to 2043	3,800,287	3,683,259
Note Receivable - Raleigh predevelopment	-	203,802
Note Receivable - Raleigh FHLB	750,000	750,000
Note Receivable - Magnolia 2	29,419	-
Note Receivable - Merwyn	220,000	-
Total	\$ 20,948,602	\$ 19,151,066

NOTE 6 - LAND, PROPERTY AND EQUIPMENT

Changes in land, property and equipment are as follows:

	July 1, 2019	Additions	Dispositions	June 30, 2020
Land	\$ 4,217,437	\$ 44,640	\$ -	\$ 4,262,077
Buildings and improvements	30,161,352	288,372	(28,839)	30,420,885
Furniture and equipment	245,179	44,640	-	289,819
Construction in progress	266,824	9,397,284	-	9,664,108
	34,890,792	9,774,936	(28,839)	44,636,889
Less: accumulated depreciation	(10,054,485)	(1,064,852)	-	(11,119,337)
	\$ 24,836,307	\$ 8,710,084	\$ (28,839)	\$ 33,517,552

Innovative Housing, Inc. and Affiliates
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LAND, PROPERTY AND EQUIPMENT - (CONTINUED)

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2019</u>
Land	\$ 5,193,328	\$ 702,000	\$ (1,677,891)	\$ 4,217,437
Buildings and improvements	30,958,325	-	(796,973)	30,161,352
Furniture and equipment	285,295	322,795	(362,911)	245,179
Construction in progress	<u>1,092,319</u>	<u>-</u>	<u>(825,495)</u>	<u>266,824</u>
	37,529,267	1,024,795	(3,663,270)	34,890,792
Less: accumulated depreciation	<u>(8,938,300)</u>	<u>(1,116,185)</u>	<u>-</u>	<u>(10,054,485)</u>
	<u>\$ 28,590,967</u>	<u>\$ 1,024,795</u>	<u>\$ (4,779,455)</u>	<u>\$ 24,836,307</u>

NOTE 7 - Construction in Progress

Construction in progress includes building and land purchased for development and the costs incurred during the development period. At June 30, 2020 and 2019, construction in progress includes the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Anna Mann	\$ 9,399,621	\$ -
Barbur Boulevard	44,913	-
Center Village	836	(1,452)
Garden Park	93,359	50,035
Lincoln City	48,842	-
Merwyn Astoria	45,503	205,681
MLK2	31,203	4,606
14th & Raleigh	<u>(169)</u>	<u>7,954</u>
	<u>\$ 9,664,108</u>	<u>\$ 266,824</u>

Innovative Housing, Inc. and Affiliates
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - INVESTMENT IN PARTNERSHIPS

IHI is the general partner and manager for several limited partnerships and limited liability companies that own and operate low income housing projects. These projects are owned by limited partnerships or limited liability companies (the Partnerships) in which IHI has varying ownership percentages, up to 21 percent interest. As general partner or member, IHI accounts for its investment in Partnerships in accordance with Accounting Standards Codification 323 - 30, formerly AICPA Statement of Position No. 78-9, Accounting for Investments in Real Estate, which requires the use of the equity method unless IHI has a controlling interest or its interest is not deemed to be temporary. As a result, IHI's investments in Partnerships are accounted for under the equity method. Under the equity method, the initial investment is recorded at cost and is increased or decreased by IHI's share of income or losses and is increased by contributions and decreased by distributions. IHI has also considered whether it has a controlling interest in the Partnerships, as discussed in the Accounting Standards Codification 323-30, formerly discussed in EITF 04-05, and has concluded that IHI does not have a controlling interest, and therefore is not required to consolidate the Partnerships.

IHI receives the following fees from the Partnerships:

Partnership Management Fees

IHI receives management fees from several partnerships and companies in which IHI has an ownership interest. Management fee income for the years ended June 30, 2020 and 2019, was \$33,459 and \$28,250, respectively.

Asset Management Fees

IHI receives asset management fees from several partnerships and companies in which IHI has an ownership interest. Asset management fee income for the years ended June 30, 2020 and 2019, was \$126,425 and \$90,990, respectively.

Property Development Fees

IHI enters into development services agreements whereby it acts as the developer on certain properties. Fees earned under these agreements during the years ended June 30, 2020 and 2019, were \$3,052,797 and \$3,052,797, respectively. As of June 30, 2020 and 2019, development fee receivable was \$5,589,002 and \$3,771,991, respectfully.

Resident Services Fees

IHI receives Resident Services fees from several partnerships for services provided to residents. Resident services fee income for the years ended June 30, 2020 and 2019, was \$189,193 and \$93,066, respectively.

Innovative Housing, Inc. and Affiliates
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - NOTES PAYABLE AND SUBSEQUENT EVENT

Notes payable (non-recourse) as of June 30, 2020 and 2019 consist of the following:

	2020	2019
<p>Mortgage note payable to Network for Oregon Affordable Housing secured by investment in real estate known as the Clifford Apartments. Principal and interest at 2.75 percent are payable in monthly installments of \$6,886; the note matures in April, 2021, as of April 28, 2021, the note was being extended. Interest expense during 2020 and 2019 totaled \$33,422 and \$24,078, respectively.</p>	\$ 783,524	\$ 843,703
<p>Mortgage notes payable to Umpqua Bank, secured by investment in real estate known as Bridgeview Apartments. If no demand is made, principal and interest at 6.75 percent is payable in monthly installments of \$1,117 through June 1, 2021 when the remaining balance is due (estimated at \$126,540). Interest expense during 2020 and 2019 totaled \$8,784 and \$9,081, respectively.</p>	127,962	132,581
<p>Mortgage note payable to Network for Oregon Affordable Housing secured by investment in real estate known as Cambrian Apartments was obtained in November, 2017. Interest at 5 percent is payable in monthly installments of \$10,577. On September 22, 2020, the note was extended for 1 year and matures on November 1, 2021. Interest expense during 2020 and 2019 totaled \$126,929 each year.</p>	2,538,576	2,538,576
<p>Note payable to Network for Oregon Affordable Housing is secured by investment in real estate known as Garden Park Apartments. Interest only payments at 5 percent are payable in monthly installments of \$13,576 beginning in January, 2018. On October 30, 2020, the note was extended for 1 year and matures December 1, 2021 and can be extended for one period up to 12 months. Interest expense during 2020 and 2019 totaled \$162,916 each year.</p>	3,258,319	3,258,319
<p>Predevelopment note for the Anna Mann project, payable to the City of Portland of up to \$1,244,470. The note has a 0 percent interest and is due the earlier of (i) December 1, 2021 or (ii) when the Construction or permanent loan is funded.</p>	550,000	-

Innovative Housing, Inc. and Affiliates
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - NOTES PAYABLE AND SUBSEQUENT EVENT - (CONTINUED)	2020	2019
<p>Promissory note payable to The Movement Center secured by investment in real estate known as the Anna Mann House. Interest payments at 4.5 percent are payable in monthly installments beginning in June, 2020. Principal reduction payments of \$500,000 are due on or before December 1, 2020 and March 1, 2021. All unpaid principal and accrued but unpaid interest is due on the Maturity Date of December 1, 2021.</p>	\$ 7,850,000	\$ -
<p>Promissory note payable to Riverview Community Bank for the Paycheck Protection Plan program through the Small Business Administration. The unsecured note has a 1 percent interest rate and principal and interest payments of \$9,633 are due beginning in April 2022. The note matures on April 2022. Per the requirements of the Paycheck Protection Program rules, IHI may apply to the lender for forgiveness. The note was forgiven February 17, 2021.</p>	171,181	-
<p>Note payable to Wells Fargo Bank, National Association for construction of and secured by the Rich Building. The note has a variable interest rate and matures in August, 2025. Interest expense during 2020 and 2019 totaled \$58,011 and \$72,647, respectively.</p>	1,499,904	1,550,060
<p>Note payable to Columbia Bank, secured by investment in real estate known as Kinnaman, Whitmarsh Building, and Village Square. This note was obtained as part of the transfer of the three properties into Innovative KWVS, LLC. Principal and interest at 3.79 percent are payable in monthly installments of \$20,892; the note matures in January 1, 2026. Interest expense during 2020 and 2019 totaled \$138,815 and \$144,176, respectively.</p>	3,561,653	3,673,547
<p>Note payable to Columbia Bank, secured by investment in real estate known as Kinnaman, Whitmarsh Building, and Village Square. This note was obtained as part of the transfer of the three properties into Innovative KWVS, LLC. Principal and interest at 5.71 percent are payable in monthly installments of \$3,841; the note matures in January 1, 2026. Interest expense during 2020 and 2019 totaled \$32,370 and \$33,422.</p>	553,527	567,247

Innovative Housing, Inc. and Affiliates
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - NOTES PAYABLE AND SUBSEQUENT EVENT - (CONTINUED)	2020	2019
Mortgage note payable to Key Bank, secured by investment in real estate known as Hewitt Place Townhomes. Principal and interest at 6.82 percent are payable in monthly installments of \$10,209; the note matures February 28, 2026. Interest expense during 2020 and 2019 totaled \$93,679 and \$94,187, respectively.	\$ 1,332,817	\$ 1,361,644
Mortgage note payable to Bank of the West secured by investment in real estate known as the Innovative 4 Plex. Principal and interest at 5.9 percent are payable in monthly installments of \$2,349 beginning February 28, 2019 and one last payment of \$281,027 when the note matures in January 31, 2029. Interest expense during 2020 totaled \$21,539 and \$8,822, respectively.	355,429	362,077
Note payable to City of Portland, secured by investment in real estate known as Broadway Vantage Apartments. The note carries no interest. Principal is payable in annual installments equal to 1/2 annual cash flow as defined in the loan agreement. The note matures on February 1, 2038 if not paid off earlier by annual cash flow payments.	2,186,280	2,186,280
Note payable to City of Portland, secured by investment in real estate known as the Magnolia Apartments. The note carries no interest. Principal is payable in annual installments equal to 1/2 the property's annual cash flow, as defined in the loan agreement. The note matures in 2043 if not paid off earlier by annual cash flow payments.	975,000	975,000
Note payable to City of Portland, for up to \$6,339,093, secured by investment in real estate known as the Erickson/Fritz Apartments. The note carries no interest. Principal is payable in annual installments equal to 1/2 the property's annual cash flow, as defined in the loan agreement. The note matures March 1, 2056 if not paid off earlier by annual cash flow payments.	6,084,262	6,084,262
Note payable to City of Portland, secured by investment in real estate known as the Bridgeview Apartments. The note carries no interest. Principal is payable in annual installments equal to 1/2 annual cash flow as defined in the loan agreement. The note matures on February 1, 2067 if not paid off earlier by annual cash flow payments.	889,885	904,320

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - NOTES PAYABLE AND SUBSEQUENT EVENT - (CONTINUED)	2020	2019
Note payable to City of Portland for equity gap contribution secured by investment in real estate known as The Clifford Apartments. The note carries no interest. Principal is payable in annual installments equal to 1/2 the property's annual cash flow, as defined in the loan agreement. The note matures in 2070 if not paid off earlier by annual cash flow payments.	\$ 3,350,000	\$ 3,350,000
Note payable to City of Portland secured by investment in real estate known as the Hewitt Place Townhomes. The note carries no interest. Principal is payable in annual installments equal to 1/2 the property's annual cash flow, as defined in the loan agreement, as amended in FY 2019. The note matures in 2070 if not paid off earlier by annual cash flow payments.	562,865	686,493
Total	36,631,184	28,474,109
Less: unamortized debt issuance costs	(366,016)	(377,305)
Less: current maturities of long term debt	(12,318,772)	(3,538,290)
Long term debt, net of current maturities	\$ 23,946,396	\$ 24,558,514

NOTE 9 -NOTES PAYABLE AND SUBSEQUENT EVENT - (CONTINUED)

The following schedule outlines principal amounts due on the notes:

Year	Amount
2021	\$ 12,318,772
2022	3,417,288
2023	245,098
2024	257,103
2025	1,479,678
2026 and later years	18,913,245
	\$ 36,631,184

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

The bulk of net assets with donor restrictions are grants made for specific affordable housing developments. Funds were spent in accordance with funder restrictions, but the grants carry long term use restrictions - in most cases, 60-year terms. Net assets with donor restrictions increased by \$2,026,444 for the year ended June 30, 2020 and decreased by \$231,079 for the year ended June 30, 2019.

Innovative Housing, Inc. and Affiliates
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS - (CONTINUED)

Net assets with donor restrictions are made up of the following grants as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Acquisition and rehabilitation of Hewitt Place Townhomes - American Recovery and Reinvestment funding	\$ 2,734,005	\$ 2,734,005
ARRA net assets released from restrictions	(1,822,662)	(1,640,395)
HDGP capital grant for Hewitt Place	70,000	70,000
WX capital grant for Musolf Manor	52,393	52,393
HDGP capital grant for Musolf Manor	100,000	100,000
Restricted grant assumed by IHI as part of donated land and building - Whitmarsh	300,000	300,000
WX capital grant for Broadway Vantage	95,779	95,779
Multnomah County capital grant for Broadway Vantage	50,000	50,000
HDGP capital grant for Broadway Vantage	100,000	100,000
FHLB capital grant for Broadway Vantage	250,000	250,000
GHAP capital grant for the Clifford	197,000	197,000
HELP capital grant for the Clifford	75,000	75,000
WX capital grant for the Clifford	100,000	100,000
FHLB capital grant for the Clifford	791,912	791,912
HDGP capital grant for Magnolia	200,000	200,000
HELP capital grant for Magnolia	200,000	200,000
GHAP capital grant for Woodwind	200,000	200,000
HOPWA capital grant for Cornerstone	300,000	300,000

Innovative Housing, Inc. and Affiliates
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS -(CONTINUED)

	2020	2019
HOPWA capital grant for Cornerstone	\$ 24,000	\$ 24,000
HDGP capital grant for Kinnaman	100,000	100,000
OHCS GHAP Grant for Center Village	1,988,711	-
FHLB grant for Vibrant!	750,000	750,000
Meyer Grant for Merwyn	195,000	-
OCF Grant for Merwyn	25,000	-
Total	\$ 7,076,138	\$ 5,049,694

NOTE 11 - SECTION 403(B) SAVINGS PLAN

IHI maintains a qualified cash or deferred compensation plan (the "Plan") under Section 403(b) of the Internal Revenue Code. Under the Plan, employees may elect to defer up to 25 percent of their salary, subject to the Internal Revenue Service limitations. IHI matches employee contributions up to a maximum of 5 percent of the employee's eligible salary. Employees are immediately 100 percent vested in all employer contributions. For the years ended June 30, 2020 and 2019, IHI contributed \$37,002 and \$28,148 to the plan, respectively.

NOTE 12 - RESTATEMENT

A restatement was made to record a transfer of land into Magnolia 2 LP. The restatement increased other income for 2019 by \$917,929. IHI is sole member of Innovative Fargo LLC, the General Partner of Magnolia 2 LP. The transfer occurred in late 2018.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Operating Deficit Guaranty - Erickson Housing Limited Partnership

IHI, as owner of the general partner in Erickson Housing Limited Partnership, is obligated, jointly and severally, to pay any excess costs and expenses incurred by the Partnership through the operating deficit guaranty period. Any such funds shall be limited to a maximum of \$443,000 and shall be in the form of a loan.

Operating Deficit Guaranty - Woodland Square Limited Partnership

IHI, as the owner of the general partner in Woodland Square Limited Partnership, is obligated jointly and severally, to pay any excess costs and expenses incurred by the Partnership through the operating deficit guaranty period. Any such funds shall be limited to a maximum of \$170,000 and shall be in the form of a loan to the Partnership.

Innovative Housing, Inc. and Affiliates
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - COMMITMENTS AND CONTINGENCIES - (CONTINUED)

Operating Deficit Guaranty - Raleigh Housing Limited Partnership

IHI, as the sole member of the general partner of Innovative Raleigh LLC, is obligated jointly and severally, to pay any excess costs and expenses incurred by the Partnership through the operating deficit guaranty period. Any such funds shall be limited to a maximum of \$725,000 and shall be in the form of a loan to the Partnership.

Operating Deficit Guaranty - Magnolia 2 Limited Partnership

IHI, as sole member of the general partner of Magnolia 2 LP, is obligated jointly and severally, under the terms of the Partnership agreement, to fund deficits to the operating reserve for approximately the five year period ending December 31, 2025. Any advances under this guarantee will be recognized as subordinate loans, as provided for in the partnership agreement. However, IHI shall not be obligated to provide funding for operating deficits in excess of \$250,000. As of June 30, 2020 no operating deficit funding was required.

Operating Deficit Guaranty - Center Village Limited Partnership

IHI, as the sole member of the general partner of Center Village LP, is obligated jointly and severally, under the terms of the Partnership agreement, to fund deficits to the operating reserve for approximately the five year period ending after the stabilization capital contribution date. Any advances under this guarantee will be recognized as subordinate loans, as provided for in the partnership agreement. However, IHI shall not be obligated to provide funding for operating deficits in excess of \$315,000. As of June 30, 2020 no operating deficit funding was required.

Construction Completion Guaranty -Merwyn Apartments LLC

IHI, as the owner of the managing member in Merwyn Apartments LLC, IHI is obligated to pay all excess development costs. Any amounts paid shall be treated as a loan to be repaid without interest from available Net Cash Flow or upon sale or refinancing. The Managing Member shall advance funds to the Company as and when needed to pay costs of acquisition and/or Construction (even though such costs are not expected to be Excess Development Costs) if it is anticipated that such costs will be paid from the proceeds of the Construction Loan, Permanent Financing, Net Interim Income or the Investor Limited Partners' Capital Contributions, but such funds are not available at the time such costs must be paid. The obligation of the Managing Member includes repayment of the Construction Loan in full at its maturity if conditions for Capital Contributions to be used to pay off such Construction Loan have not then been met. Such advances to the Company by IHI shall be repaid as and when amounts become available from such sources or from Net Interim Income.

Operating Deficit Guaranty - Merwyn Apartments LLC

IHI, as the owner of the managing member of Merwyn Apartments LLC, IHI is obligated jointly and severally, under the terms of the Operating agreement, to fund deficits to the operating reserve for approximately the five year period ending after the stabilization capital contribution date. Any advances under this guarantee will be recognized as subordinate loans, as provided for in the operating agreement. However, IHI shall not be obligated to provide funding for operating deficits in excess of \$150,000. As of June 30, 2020 no operating deficit funding was required.

NOTE 14 - SUBSEQUENT EVENTS

Innovative Housing, Inc. and Affiliates
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IHI listed the Cambrian Apartments for sale in August, 2020.

IHI entered into a 24-month Option Agreement to buy property on SW Barbur Boulevard in October 2020.

IHI applied to the State of Oregon through a special offering for affordable landlords for rent assistance to benefit households who owe rent from April to December 2020. IHI has been approved for a lump sum, made as a loan to IHI, that will be distributed throughout its portfolio properties that have rent arrearages. As long as IHI applies the money to tenant balances, the loan will be forgiven.

IHI's Promissory note payable to Riverview Community Bank of \$171,181 was forgiven on February 17, 2021.



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Innovative Housing, Inc. and Affiliates
Portland, Oregon

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 Innovative Housing, Inc. and Affiliates (the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2021.

Internal Control Over Financial Reporting

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

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

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

ADDITIONAL INFORMATION

INNOVATIVE HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
As of June 30, 2020

	Innovative Housing, Inc	82nd & Broadway LLC	Bridgeview Housing LLC	Clifford Apartments LLC	Innovative Fargo LLC	Hewitt Place II GP LLC	IHI/Musolf LLC	Innovative 4 Plex LLC
Assets:								
Cash and cash equivalents	\$ 3,177,659	\$ 101,084	\$ 64,045	\$ 78,977	\$ -	\$ 147,871	\$ 6,791	\$ 14,183
Restricted cash	-	-	55,277	578,125	-	479,307	-	-
Investments	3,454,537	-	-	-	-	-	-	-
Prepaid expenses	2,615	-	3,905	9,518	-	13,180	-	1,457
Receivables:								
Management fees	24,700	-	-	-	-	-	-	-
Development fees	5,742,537	-	-	-	-	-	-	-
Other	1,010,200	-	457	70,249	-	3,844	-	-
Construction in progress	812,795	-	-	-	-	-	-	-
Notes receivable from related parties	18,504,744	321,255	-	-	-	-	-	-
Notes receivable - shared appreciation mortgages	41,835	-	-	-	-	-	-	-
Investment in limited partnerships	5,747,201	214,464	-	-	917,933	-	314,691	-
Property and equipment, net	557,843	-	596,228	4,697,211	-	3,146,170	-	674,439
Security deposits	<u>3,781</u>	<u>-</u>	<u>7,039</u>	<u>20,133</u>	<u>-</u>	<u>39,993</u>	<u>-</u>	<u>4,095</u>
Total assets	<u>39,080,447</u>	<u>636,803</u>	<u>726,951</u>	<u>5,454,213</u>	<u>917,933</u>	<u>3,830,365</u>	<u>321,482</u>	<u>694,174</u>
Liabilities and net assets:								
Accounts payable and accrued liabilities	147,552	-	3,569	76,537	-	-	-	-
Developer fee payable	-	-	-	153,535	-	-	-	-
Tenant security deposits	3,781	-	7,039	21,300	-	39,993	-	4,095
Deferred liabilities & prepaid rent	-	-	8,437	728	-	52	-	-
Notes payable	<u>9,956,466</u>	<u>93,000</u>	<u>1,017,511</u>	<u>4,109,148</u>	<u>-</u>	<u>1,742,341</u>	<u>-</u>	<u>349,131</u>
Total liabilities	<u>10,107,799</u>	<u>93,000</u>	<u>1,036,556</u>	<u>4,361,248</u>	<u>-</u>	<u>1,782,386</u>	<u>-</u>	<u>353,226</u>
Change in net assets	5,101,598	9,458	(13,856)	(144,587)	-	33,582	(25)	(450)
Net assets	<u>23,871,050</u>	<u>534,345</u>	<u>(295,749)</u>	<u>1,237,552</u>	<u>917,933</u>	<u>2,014,397</u>	<u>321,507</u>	<u>341,398</u>
	28,972,648	543,803	(309,605)	1,092,965	917,933	2,047,979	321,482	340,948
Total liabilities and net assets	<u>\$ 39,080,447</u>	<u>\$ 636,803</u>	<u>\$ 726,951</u>	<u>\$ 5,454,213</u>	<u>\$ 917,933</u>	<u>\$ 3,830,365</u>	<u>\$ 321,482</u>	<u>\$ 694,174</u>

INNOVATIVE HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED
As of June 30, 2020

	Innovative Cambrian LLC	Innovative Center Village LLC	Innovative Garden Park	Innovative KWVS LLC	Innovative Rich LLC	Innovative Anna Mann	Anna Mann LP	Innovative Woodland Square LLC
Assets:								
Cash and cash equivalents	\$ 52,405	\$ -	\$ 137,949	\$ 1,048,447	\$ 336,679	\$ -	\$ -	\$ 2,431
Restricted cash	118,452	-	58,079	137,561	112,197	-	-	-
Investments	-	-	-	-	-	-	-	-
Prepaid expenses	3,128	-	10,304	100,852	3,132	-	-	-
Receivables:								
Management fees	-	-	-	-	-	-	-	-
Development fees	-	-	-	-	-	-	-	-
Other	10,034	-	17,831	32,454	24,001	-	100	-
Construction in progress	-	-	-	-	-	-	8,851,313	-
Notes receivable from related parties	-	3,224,818	-	-	-	-	-	-
Notes receivable - shared appreciation mortgages	-	-	-	-	-	-	-	-
Investment in limited partnerships	-	-	-	-	-	-	-	(159)
Property and equipment, net	3,812,023	-	3,884,409	4,280,222	2,204,899	-	-	-
Security deposits	<u>12,570</u>	<u>-</u>	<u>43,133</u>	<u>125,067</u>	<u>25,504</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	4,008,612	3,224,818	4,151,705	5,724,603	2,706,412	-	8,851,413	2,272
Liabilities and net assets:								
Accounts payable and accrued liabilities	1,500	-	7,956	30,793	-	-	-	-
Developer fee payable	-	-	-	-	-	-	-	-
Tenant security deposits	12,570	-	43,133	125,231	25,504	-	-	-
Deferred liabilities & prepaid rent	927	-	1,240	2,779	596	-	-	-
Notes payable	<u>2,508,856</u>	<u>-</u>	<u>3,213,930</u>	<u>4,028,142</u>	<u>1,489,643</u>	<u>-</u>	<u>8,851,313</u>	<u>3,500</u>
Total liabilities	2,523,853	-	3,266,259	4,186,945	1,515,743	-	8,851,313	3,500
Change in net assets	(68,391)	(515,077)	(81,526)	230,332	64,374	-	-	(212)
Net assets	<u>1,553,150</u>	<u>3,739,895</u>	<u>966,972</u>	<u>1,307,326</u>	<u>1,126,295</u>	<u>-</u>	<u>100</u>	<u>(1,016)</u>
	1,484,759	3,224,818	885,446	1,537,658	1,190,669	-	100	(1,228)
Total liabilities and net assets	<u>\$ 4,008,612</u>	<u>\$ 3,224,818</u>	<u>\$ 4,151,705</u>	<u>\$ 5,724,603</u>	<u>\$ 2,706,412</u>	<u>\$ -</u>	<u>\$ 8,851,413</u>	<u>\$ 2,272</u>

INNOVATIVE HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED
As of June 30, 2020

	Innovative Fargo, LLC	ITH Inc	Eliminating	Consolidated Total
Assets:				
Cash and cash equivalents	\$ -	\$ 15,192	\$ -	\$ 5,183,713
Restricted cash	-	-	-	1,538,998
Investments	-	-	-	3,454,537
Prepaid expenses	-	-	-	148,091
Receivables:				
Management fees	-	-	-	24,700
Development fees	-	-	(153,535)	5,589,002
Other	-	-	(982,524)	186,646
Construction in progress	-	-	-	9,664,108
Notes receivable from related parties	-	-	(1,102,215)	20,948,602
Notes receivable - shared appreciation mortgages	-	-	-	41,835
Investment in limited partnerships	-	-	(5,446,652)	1,747,478
Property and equipment, net	-	-	-	23,853,444
Security deposits	-	-	-	<u>281,315</u>
Total assets	<u>-</u>	<u>15,192</u>	<u>(7,684,926)</u>	<u>72,662,469</u>
Liabilities and net assets:				
Accounts payable and accrued liabilities	-	99	(103,921)	164,085
Developer fee payable	-	-	(153,535)	-
Tenant security deposits	-	-	-	282,646
Deferred liabilities & prepaid rent	-	-	-	14,759
Notes payable	<u>917,933</u>	<u>-</u>	<u>(2,015,746)</u>	<u>36,265,168</u>
Total liabilities	917,933	99	(2,273,202)	36,726,658
Change in net assets	2,451	2,451	19,603	4,639,725
Net assets	<u>(920,384)</u>	<u>12,642</u>	<u>(5,431,327)</u>	<u>31,296,086</u>
	(917,933)	15,093	(5,411,724)	35,935,811
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 15,192</u>	<u>\$ (7,684,926)</u>	<u>\$ 72,662,469</u>

INNOVATIVE HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
As of June 30, 2019

	Innovative Housing, Inc	82nd & Broadway	Bridgeview Housing LLC	Clifford Apartments LLC	Innovative Fargo LLC	Hewitt Place II GP LLC	IHI/Musolf LLC	Innovative 4 Plex LLC
Assets:								
Cash and cash equivalents	\$ 2,815,844	\$ 100,847	\$ 81,083	\$ 83,680	\$ -	\$ 275,096	\$ 6,787	\$ 603
Restricted cash	-	-	78,204	564,987	-	503,963	-	-
Investments	3,449,841	-	-	-	-	-	-	-
Prepaid expenses	2,271	-	3,593	9,110	-	12,431	-	-
Receivables:								
Management fees	25,000	-	-	-	-	-	-	-
Development fees	3,953,545	-	-	-	-	-	-	-
Other	146,245	-	318	43,134	-	2,770	-	-
Construction in progress	266,824	-	-	-	-	-	-	-
Notes receivable from related parties	15,200,094	311,979	-	-	-	-	-	-
Notes receivable - shared appreciation mortgages	41,835	-	-	-	-	-	-	-
Investment in limited partnerships	6,050,500	214,519	-	-	917,933	-	314,719	-
Property and equipment, net	316,174	-	623,046	4,948,028	-	3,282,776	-	693,894
Security deposits	<u>3,781</u>	<u>-</u>	<u>5,040</u>	<u>20,234</u>	<u>-</u>	<u>38,469</u>	<u>-</u>	<u>4,095</u>
Total assets	<u>32,271,954</u>	<u>627,345</u>	<u>791,284</u>	<u>5,669,173</u>	<u>917,933</u>	<u>4,115,505</u>	<u>321,506</u>	<u>698,592</u>
Liabilities and net assets:								
Accounts payable and accrued liabilities	50,517	-	2,900	59,812	-	-	-	-
Developer fee payable	-	-	-	181,554	-	-	-	-
Security deposits	3,781	-	5,040	22,500	-	38,469	-	4,095
Deferred liabilities & prepaid rent	116	-	8,861	341	-	213	-	90
Notes payable	<u>9,245,539</u>	<u>93,000</u>	<u>1,036,162</u>	<u>4,167,413</u>	<u>-</u>	<u>1,885,996</u>	<u>-</u>	<u>355,559</u>
Total liabilities	9,299,953	93,000	1,052,963	4,431,620	-	1,924,678	-	359,744
Change in net assets	3,762,952	15,367	10,486	(199,691)	24,045	24,045	(21)	(9,312)
Net assets	<u>19,209,049</u>	<u>518,978</u>	<u>(272,165)</u>	<u>1,437,244</u>	<u>893,888</u>	<u>2,166,782</u>	<u>321,527</u>	<u>348,160</u>
	22,972,001	534,345	(261,679)	1,237,553	917,933	2,190,827	321,506	338,848
Total liabilities and net assets	<u>\$ 32,271,954</u>	<u>\$ 627,345</u>	<u>\$ 791,284</u>	<u>\$ 5,669,173</u>	<u>\$ 917,933</u>	<u>\$ 4,115,505</u>	<u>\$ 321,506</u>	<u>\$ 698,592</u>

INNOVATIVE HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - (CONTINUED)
As of June 30, 2019

	Innovative Cambrian LLC	Innovative Center Village LLC	Innovative Garden Park	Innovative KWVS LLC	Innovative Rich LLC	Innovative Woodland Square LLC	ITH Inc	Eliminating
Assets:								
Cash and cash equivalents	\$ 33,953	\$ 57,732	\$ 118,155	\$ 766,166	\$ 289,529	\$ 2,609	\$ 12,741	\$ -
Restricted cash	106,992	-	75,312	130,411	95,885	-	-	-
Investments	-	-	-	-	-	-	-	-
Prepaid expenses	2,887	-	9,409	35,897	3,228	-	-	-
Receivables:								
Management fees	-	-	-	-	-	-	-	-
Development fees	-	-	-	-	-	-	-	(181,554)
Other	1,135	-	4,595	7,959	4,521	-	-	(96,907)
Construction in progress	-	-	-	-	-	-	-	-
Notes receivable from related parties	-	3,739,895	-	-	-	-	-	(100,902)
Notes receivable - shared appreciation mortgages	-	-	-	-	-	-	-	-
Investment in limited partnerships	-	-	-	-	-	(124)	-	(5,661,521)
Property and equipment, net	3,930,951	-	3,973,163	4,530,197	2,271,254	-	-	-
Security deposits	16,570	-	43,297	125,115	31,504	-	-	-
Total assets	<u>4,092,488</u>	<u>3,797,627</u>	<u>4,223,931</u>	<u>5,595,745</u>	<u>2,695,921</u>	<u>2,485</u>	<u>12,741</u>	<u>(6,040,884)</u>
Liabilities and net assets:								
Accounts payable and accrued liabilities	15,000	-	54	12,015	-	-	-	(46,938)
Developer fee payable	-	-	-	-	-	-	-	(181,554)
Security deposits	16,570	-	43,297	125,682	31,504	-	-	-
Deferred liabilities & prepaid rent	-	-	1,296	2,440	348	-	-	-
Notes payable	2,507,769	-	3,212,309	4,148,281	1,537,776	3,500	-	(96,500)
Total liabilities	<u>2,539,339</u>	<u>-</u>	<u>3,256,956</u>	<u>4,288,418</u>	<u>1,569,628</u>	<u>3,500</u>	<u>-</u>	<u>(324,992)</u>
Change in net assets	(89,868)	3,621,450	(129,645)	232,999	88,010	(33)	2,748	(13,073)
Net assets	<u>1,643,017</u>	<u>176,177</u>	<u>1,096,620</u>	<u>1,074,328</u>	<u>1,038,283</u>	<u>(982)</u>	<u>9,993</u>	<u>(5,702,819)</u>
	1,553,149	3,797,627	966,975	1,307,327	1,126,293	(1,015)	12,741	(5,715,892)
Total liabilities and net assets	<u>\$ 4,092,488</u>	<u>\$ 3,797,627</u>	<u>\$ 4,223,931</u>	<u>\$ 5,595,745</u>	<u>\$ 2,695,921</u>	<u>\$ 2,485</u>	<u>\$ 12,741</u>	<u>\$ (6,040,884)</u>

INNOVATIVE HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - (CONTINUED)
As of June 30, 2019

	Consolidated Total
Assets:	
Cash and cash equivalents	\$ 4,644,825
Restricted cash	1,555,754
Investments	3,449,841
Prepaid expenses	78,826
Receivables:	
Management fees	25,000
Development fees	3,771,991
Other	113,770
Construction in progress	266,824
Notes receivable from related parties	19,151,066
Notes receivable - shared appreciation mortgages	41,835
Investment in limited partnerships	1,836,026
Property and equipment, net	24,569,483
Security deposits	<u>288,105</u>
Total assets	59,793,346
Liabilities and net assets:	
Accounts payable and accrued liabilities	93,360
Developer fee payable	-
Security deposits	290,938
Deferred liabilities & prepaid rent	13,705
Notes payable	<u>28,096,804</u>
Total liabilities	28,494,807
Change in net assets	7,340,459
Net assets	<u>23,958,080</u>
	31,298,539
Total liabilities and net assets	<u>\$ 59,793,346</u>

INNOVATIVE HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

	Innovative Housing, Inc	82nd & Broadway	Bridgeview Housing LLC	Clifford Apartments LLC	Innovative Fargo LLC	Hewitt Place II GP LLC	IHI/Musolf LLC	Innovative 4 Plex LLC
Support and revenue:								
Grants and contributions	\$ 2,272,171	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Partnership and asset mgmt fees	229,036	-	-	-	-	-	-	-
Property development fees	3,052,797	-	-	-	-	-	-	-
Rental income	82,461	-	153,805	811,288	-	538,647	-	56,700
Resident services fees	291,628	-	-	-	-	-	-	-
Interest income	537,731	9,513	37	309	-	502	3	-
Other	<u>39,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	6,505,527	9,513	153,842	811,597	-	539,149	3	56,700
Expenses								
Program services								
Asset management	219,743	-	-	-	-	-	-	-
Resident services	509,013	-	-	-	-	-	-	-
Housing development	385,814	-	-	-	-	-	-	-
Property ownership	149,357	55	167,698	956,184	-	505,567	28	57,150
Supporting services								
Management and general	97,455	-	-	-	-	-	-	-
Communications	24,000	-	-	-	-	-	-	-
Fundraising	<u>18,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	1,403,929	55	167,698	956,184	-	505,567	28	57,150
Change in net assets	<u>\$ 5,101,598</u>	<u>\$ 9,458</u>	<u>\$ (13,856)</u>	<u>\$ (144,587)</u>	<u>\$ -</u>	<u>\$ 33,582</u>	<u>\$ (25)</u>	<u>\$ (450)</u>

INNOVATIVE HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES - (CONTINUED)
For the year ended June 30, 2020

	Innovative Cambrian LLC	Innovative Center Village LLC	Innovative Garden Park	Innovative KWVS LLC	Innovative Rich LLC	Innovative Anna Mann	Anna Mann LP	Innovative Woodland Square LLC
Support and revenue:								
Grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Partnership and asset mgmt fees	-	-	-	-	-	-	-	-
Property development fees	-	-	-	-	-	-	-	-
Rental income	328,518	-	674,860	1,779,745	395,218	-	-	-
Resident services fees	-	-	-	-	-	-	-	-
Interest income	86	84,923	47	1,822	433	-	-	-
Other	-	-	-	-	-	-	-	-
Total support and revenue	<u>328,604</u>	<u>84,923</u>	<u>674,907</u>	<u>1,781,567</u>	<u>395,651</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses								
Program services								
Asset management	-	-	-	-	-	-	-	-
Resident services	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-
Property ownership	396,995	600,000	756,433	1,551,235	331,277	-	-	212
Supporting services								
Management and general	-	-	-	-	-	-	-	-
Communications	-	-	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-	-	-
Total expenses	<u>396,995</u>	<u>600,000</u>	<u>756,433</u>	<u>1,551,235</u>	<u>331,277</u>	<u>-</u>	<u>-</u>	<u>212</u>
Change in net assets	<u>\$ (68,391)</u>	<u>\$ (515,077)</u>	<u>\$ (81,526)</u>	<u>\$ 230,332</u>	<u>\$ 64,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (212)</u>

INNOVATIVE HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES - (CONTINUED)
For the year ended June 30, 2020

	<u>ITH Inc</u>	<u>Eliminating</u>	<u>Consolidated Total</u>
Support and revenue:			
Grants and contributions	\$ -	\$ -	\$ 2,272,171
Partnership and asset mgmt fees	-	(69,152)	159,884
Property development fees	-	-	3,052,797
Rental income	2,549	-	4,823,791
Resident services fees	-	(102,435)	189,193
Interest income	2	-	635,408
Other	-	<u>9,325</u>	<u>49,028</u>
Total support and revenue	<u>2,551</u>	<u>(162,262)</u>	<u>11,182,272</u>
Expenses			
Program services			
Asset management	-	-	219,743
Resident services	-	-	509,013
Housing development	-	-	385,814
Property ownership	100	(181,865)	5,290,426
Supporting services			
Management and general	-	-	97,455
Communications	-	-	24,000
Fundraising	-	-	<u>18,547</u>
Total expenses	<u>100</u>	<u>(181,865)</u>	<u>6,544,998</u>
Change in net assets	<u>\$ 2,451</u>	<u>\$ 19,603</u>	<u>\$ 4,637,274</u>

INNOVATIVE HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

	Innovative Housing, Inc	82nd & Broadway	Bridgeview Housing LLC	Clifford Apartments LLC	Innovative Fargo LLC	Hewitt Place II GP LLC	IHI/Musolf LLC	Innovative 4 Plex LLC
Support and revenue:								
Grants and contributions	\$ 857,974	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Partnership and asset mgmt fees	194,396	-	-	-	-	-	-	-
Property development fees	3,053,933	-	-	-	-	-	-	-
Rental income	60,835	-	183,365	839,859	-	521,778	-	20,472
Resident services fees	227,627	-	-	-	-	-	-	-
Interest income	547,415	15,419	58	326	-	632	3	-
Sale of property	-	-	-	-	-	-	-	-
Other	<u>167,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>917,933</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	5,109,500	15,419	183,423	840,185	917,933	522,410	3	20,472
Expenses								
Program services								
Asset management	194,863	-	-	-	-	-	-	-
Resident services	458,061	-	-	-	-	-	-	-
Housing development	310,732	-	-	-	-	-	-	-
Property ownership	183,373	52	172,937	1,039,876	-	498,365	24	29,784
Supporting services								
Management and general	133,150	-	-	-	-	-	-	-
Communications	26,444	-	-	-	-	-	-	-
Fundraising	<u>39,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	1,346,548	52	172,937	1,039,876	-	498,365	24	29,784
Change in net assets	<u>\$ 3,762,952</u>	<u>\$ 15,367</u>	<u>\$ 10,486</u>	<u>\$ (199,691)</u>	<u>\$ 917,933</u>	<u>\$ 24,045</u>	<u>\$ (21)</u>	<u>\$ (9,312)</u>

INNOVATIVE HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES - (CONTINUED)
For the year ended June 30, 2019

	Innovative Cambrian LLC	Innovative Center Village LLC	Innovative Garden Park	Innovative KWVS LLC	Innovative Rich LLC	Innovative Woodland Square LLC	ITH Inc	Eliminating
Support and revenue:								
Grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Partnership and asset mgmt fees	-	-	-	-	-	-	-	(75,156)
Property development fees	-	-	-	-	-	-	-	-
Rental income	302,953	461,866	675,280	1,678,572	396,019	-	3,198	-
Resident services fees	-	-	-	-	-	-	-	(134,561)
Interest income	80	41,560	69	3,594	531	-	3	-
Sale of property	-	-	-	-	-	-	-	-
Other	<u>812</u>	<u>3,511,671</u>	<u>164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,039)</u>
Total support and revenue	303,845	4,015,097	675,513	1,682,166	396,550	-	3,201	(216,756)
Expenses								
Program services								
Asset management	-	-	-	-	-	-	-	-
Resident services	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-
Property ownership	393,713	393,647	805,158	1,449,167	308,540	33	453	(203,683)
Supporting services								
Management and general	-	-	-	-	-	-	-	-
Communications	-	-	-	-	-	-	-	-
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	393,713	393,647	805,158	1,449,167	308,540	33	453	(203,683)
Change in net assets	<u>\$ (89,868)</u>	<u>\$ 3,621,450</u>	<u>\$ (129,645)</u>	<u>\$ 232,999</u>	<u>\$ 88,010</u>	<u>\$ (33)</u>	<u>\$ 2,748</u>	<u>\$ (13,073)</u>

INNOVATIVE HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES - (CONTINUED)
For the year ended June 30, 2019

	Consolidated Total
Support and revenue:	
Grants and contributions	\$ 857,974
Partnership and asset mgmt fees	119,240
Property development fees	3,053,933
Rental income	5,144,197
Resident services fees	93,066
Interest income	609,690
Sale of property	-
Other	<u>4,590,861</u>
Total support and revenue	14,468,961
Expenses	
Program services	
Asset management	194,863
Resident services	458,061
Housing development	310,732
Property ownership	5,071,439
Supporting services	
Management and general	133,150
Communications	26,444
Fundraising	<u>39,925</u>
Total expenses	6,234,614
Change in net assets	<u>\$ 8,234,347</u>