Development Corporation of Tarrant County

Independent Auditor’s Reports and Consolidated Financial Statements

December 31, 2021

Development Corporation of Tarrant County
December 31, 2021

Contents

FORVIS

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Independent Auditor's Report

Board of Directors
Development Corporation of Tarrant County
Fort Worth, Texas

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Development Corporation of Tarrant County (DCTC) and its subsidiaries, DCTC Cornerstone, LP, MAEDC Gainesville Seniors, LP, Sansom Ridge, LP, Sansom Bluff, LP and San Germaine, LP (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audit and the report of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Sansom Ridge, LP, Sansom Bluff, LP and MAEDC Gainesville Seniors, LP, which statements reflect assets constituting 82% of consolidated total assets and net assets constituting 63% of consolidated total net assets at December 31, 2021, and revenues, gains and other support constituting 68% of consolidated total revenues, gains, and other support for the year then ended. 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 Sansom Ridge, LP, Sansom Bluff, LP and MAEDC Gainesville Seniors, LP is based solely on the reports of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Sansom Ridge, LP, Sansom Bluff, LP, and MAEDC Gainesville Seniors, LP were not audited in accordance with *Government Auditing Standards.*

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2022, 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 Organization's 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.

FORVIS, LLP

Dallas, Texas
September 22, 2022

Development Corporation of Tarrant County

Consolidated Statement of Financial Position

December 31, 2021

Assets

Cash and cash equivalents	$	1,239,063
Restricted cash		919,802
Investments		219,684
Accounts receivable		825,393
Notes receivable		951,029
Accrued interest		575,370
Prepaid expenses and other		240,603
Due from Sansom Pointe Senior, LP		16,772
House inventory		2,271,749
Property and equipment, net		71,705,031
Total assets	$	78,964,496

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	$	834,596
Line of credit		1,309,427
Contractor and retainage payable		292,612
Security deposits		142,623
Due to related parties		2,629,634
Development fee payable		7,999,307
Notes payable		3,448,365
Construction loan payable		2,906,884
Bonds payable		35,096,552
Total liabilities		54,660,000
Net Assets		
Without donor restrictions		
Undesignated		6,187,646
Noncontrolling interest		18,116,850
Total net assets		24,304,496
Total liabilities and net assets	$	78,964,496

Development Corporation of Tarrant County
Consolidated Statement of Activities
Year Ended December 31, 2021

Revenues, Gains and Other Support	
Federal grants	$ 750,808
Contributions	106,277
Developer fees	174,966
Sale of property	771,050
Rental income	4,707,009
Investment return, net	66,699
Casualty gain	859,984
Other income	709,605
Total revenues, gains and other support	8,146,398
Expenses	
Program expenses	
Housing	9,188,225
Supporting service expenses	
Management and general	1,115,247
Total expenses	10,303,472
Change in Net Assets Before Capital Contributions and Distributions	(2,157,074)
Capital contributions	6,756,648
Capital distributions	(43,750)
Change in Net Assets	4,555,824
Net Assets, Beginning of Year	19,748,672
Net Assets, End of Year	$ 24,304,496

Development Corporation of Tarrant County
Consolidated Statement of Cash Flows
Year Ended December 31, 2021

Operating Activities	
Change in net assets	$ 4,512,074
Items not requiring (providing) operating cash flows	
Depreciation	3,125,221
Interest reinvested	(1,024)
Gain from casualty event	(859,984)
Amortization of debt issuance costs	67,054
Capital contributions	(6,756,648)
Capital distribution	43,750
Changes in	
Accounts receivable	(585,323)
Prepaid expenses and other	(31,180)
Accrued interest	(47,872)
House inventory	(677,413)
Accounts payable and accrued expenses	413,926
Ground lease payable	15,000
Security deposits	56,893
Net cash used in operating activities	(725,526)
Investing Activities	
Purchase of property and equipment	(12,445,547)
Increase in contractor payable	256,612
Repayment of contractor payable	(949,054)
Repayment of development fee payable	(125,000)
Proceeds from insurance	906,804
Purchase of investments	27,660
Net cash used in investing activities	(12,328,525)
Financing Activities	
Repayment of bonds payable	(75,000)
Repayment of loan payable	(194,098)
Net short-term borrowings	1,009,712
Proceeds from issuance of long-term debt and notes payable	3,914,869
Advance from related parties, net	3,714
Repayment of related party loans	(90,000)
Capital distributions	(43,750)
Capital contributions	6,756,648
Net cash provided by financing activities	11,282,095
Decrease in Cash, Cash Equivalents and Restricted Cash	(1,771,956)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	3,930,821
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 2,158,865
Reconciliation to Consolidated Statement of Financial Position	
Cash and cash equivalents	$ 1,239,063
Restricted cash	919,802
Total Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 2,158,865
Supplemental Cash Flows Information	
Interest paid - expensed	$ 2,122,082
Interest paid - capitalized	128,683
Increase in fixed assets due to insurance proceeds receivable	73,528
Decrease in fixed assets related to casualty event	308,133
Accounts payable - construction	4
Capitalized amortization of debt issuance costs	223,909
Development fee payable	3,604,347

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Development Corporation of Tarrant County (DCTC), DCTC Cornerstone, LP, MAEDC Gainesville Seniors, LP, Sansom Ridge, LP, Sansom Bluff, LP, and San Germaine, LP (collectively the “Organization”). All significant interorganizational balances and transactions have been eliminated in consolidation.

Nature of Operations

DCTC was incorporated in 1998 and is a not-for-profit organization whose mission is to lessen the burden of government, combat community deterioration, and relieve the poor and distressed by performing activities to ensure that low- and moderate-income residents of Tarrant County, Texas have access to decent, affordable housing and community-based facilities in all areas of the county. DCTC is primarily supported by grant funds which are passed through Tarrant County from the U.S. Department of Housing and Urban Development and the proceeds from the sale of those grant-funded houses.

DCTC Cornerstone is a multi-family housing complex serving low-to-moderate income residents in Haltom City, Texas, in which DCTC is the sole owner.

MAEDC Gainesville Seniors, LP (the "Partnership"), a Texas limited partnership, was formed on October 28, 2003, to construct, develop and operate a 76-unit apartment project, known as Summit Senior Village (the "Project"), in Gainesville, Texas. The Project is expected to be rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code.

The general partner is Gainesville DCTC, LLC (the "General Partner"). The limited partner is Gainesville Senior Living, LLC (the "Limited Partner"). The General Partner and the Limited Partner are wholly owned by DCTC. DCTC is a community housing development organization ("CHDO"), as designated by the Texas Tax Code. As such, the Partnership is eligible for and receives ad valorem tax exemptions on its rental property.

Profits, losses, and tax credits are allocated in accordance with the Amended and Restated Limited Partnership Agreement, dated July 28, 2020, and amendments thereon (the "Partnership Agreement"). Profits and losses from operations and low-income housing tax credits are allocated 0.01 % to the General Partner and 99.99% to the Limited Partner.

Sansom Ridge, LP was formed on January 26, 2016 to construct, develop and operate a 100-unit apartment project, known as Sansom Ridge Apartments (Project), in Sansom Park, Texas. The Project is to be rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code (IRC). The general partner is Sansom Ridge GP, LLC (General Partner) and is solely owned by DCTC. The initial investor limited partner was Sansom Ridge SLP, LLC; however, on August 1, 2016, Sansom Ridge SLP, LLC transferred 99.98% of its interest in the Partnership to Garnet LIHTC Fund XLVIII, LLC (Investor Limited Partner). After the transfer on August 1, 2016, Sansom Ridge SLP, LLC became the Class B limited partner (Class B Limited Partner).

The special limited partner is Transamerica Affordable Housing, Inc. (Special Limited Partner). Sansom Ridge, LP will operate until December 31, 2070, or until its earlier dissolution or termination.

Profits, losses and tax credits are allocated in accordance with the Amended and Restated Limited Partnership Agreement, dated August 1, 2016, and amendments thereon. Profits and losses from operations and low-income housing tax credits are allocated 0.01% to the General Partner, 99.98% to the Investor Limited Partner, 0.00% to the Special Limited Partner and 0.01% to the Class B Limited Partner.

Pursuant to the Partnership Agreement, the Investor Limited Partner is required to provide capital contributions to the Partnership totaling $7,735,538, subject to adjustments based on the amount and timing of low-income housing tax credits allocated to the Project in addition to other occurrences which are fully explained in the Partnership Agreement. As of December 31, 2021, the required capital contributions were reduced to $7,374,130 for downward adjustments based on the amount and timing of low-income housing tax credits. As of December 31, 2021, the Limited Partner had provided cumulative capital contributions in the amount of $7,374,130.

Sansom Bluff, LP was formed on October 19, 2017, to construct, develop and operate a 256-unit apartment project, known as Sansom Bluff Apartments in Sansom Park, Texas. The apartments are to be rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The general partner is Sansom Bluff GP, LLC (General Partner) and is solely owned by DCTC. The Investor Limited Partner is BF Sansom Bluff, LLC (Investor Limited Partner). Sansom Bluff LDG SLP, LLC is the Class B limited partner (Class B Limited Partner). The special limited partner is BFIM Special Limited Partner, Inc. (Special Limited Partner). Sansom Bluff, LP will operate until December 31, 2070, or until its earlier dissolution or termination.

Profits, losses and tax credits are allocated in accordance with the Amended and Restated Limited Partnership Agreement, dated November 1, 2018, and amendments thereon. Profits and losses from operations and low-income housing tax credits are allocated 0.01% to the General Partner, 99.98% to the Investor Limited Partner and 0.01% to the Class B Limited Partner.

Pursuant to the Sansom Bluff, LP Partnership Agreement, the Investor Limited Partner is required to provide capital contributions to the Partnership totaling $17,203,000, subject to adjustments based on the amount and timing of low-income housing tax credits allocated to the Project in addition to other occurrences which are fully explained in the Partnership Agreement. As of December 31, 2021, the Limited Partner had provided cumulative capital contributions in the amount of $13,332,325.

San Germaine, LP was formed on July 26, 2021, to acquire, develop, construct, own and operate an affordable housing apartment complex to be known as Villas Del San Xavier consisting of 156 total units in 27 residential buildings (and 1 nonresidential clubhouse building) located in San Marcos, Hays County, Texas (the "Project" or "Apartment Complex"). The Partnership expects that the Project will qualify for federal low-income housing tax credits ("Housing Tax Credits") under Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"). The general partner is The Villas Del San Xavier GP, LLC (General Partner) and is solely owned by DCTC. The Investor Limited Partner is AHP Housing Fund 227, LLC (Investor Limited Partner). The special limited partner is SGTX Development, LLC (Special Limited Partner).

Profits, losses and tax credits are allocated in accordance with the Amended and Restated Limited Partnership Agreement, dated July 26, 2021, and amendments thereon. Profits and losses from operations and low-income housing tax credits are allocated 0.005% to the General Partner, 99.99% to the Investor Limited Partner and 0.005% to the Special Limited Partner.

Pursuant to the San Germaine, LP Partnership Agreement, the Investor Limited Partner is required to provide capital contributions to the Partnership totaling $14,429,865, subject to adjustments based on the amount and timing of low-income housing tax credits allocated to the Project in addition to other occurrences which are fully explained in the Partnership Agreement. As of December 31, 2021, the Limited Partner had provided capital contributions in the amount of $2,885,973.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.

At December 31, 2021, the Organization’s cash accounts exceeded federally insured limits by approximately $92,000.

Restricted Cash

Restricted cash includes cash held with financial institutions for refunds of tenant security deposits, operating deficits, project construction, interest reserves, debt repayment, and for funding of repairs or improvements to the buildings which extend their useful lives.

Investments and Net Investment Return

Investments consist of certificates of deposits with original maturities of six months. The certificates of deposit are valued at cost which approximates fair value. Investment return includes interest earned on cash and cash equivalents and certificates of deposits.

Accounts Receivable

Accounts receivable consist primarily of amounts due from government agencies in accordance with cost-reimbursement contracts. These receivables are considered fully collectible and therefore, the Organization does not consider an allowance necessary at December 31, 2021.

Notes Receivable

Notes receivable is reported at the outstanding principal balance. Notes receivable represents a loan made to a partnership to provide financing to construct two apartment complexes for low-to-moderate income family households. Interest income on the notes receivable is recognized when earned.

House Inventory

Houses that are purchased or constructed with the intent to resell to low-income families are recorded at cost including any needed repairs.

Property and Equipment

Property and equipment with a cost greater than $1,000 and a useful life greater than one year are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	3 - 40 years
Furniture and equipment	3 - 10 years

Long-lived Asset Impairment

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount. No asset impairment was recognized during the year ended December 31, 2021.

Government Grants

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. No adjustments have been required during 2021.

Rental Income

Rental income is recognized as rent becomes due. All leases between the Organization and the tenants of the property are operating leases. Rental payments received in advance are deferred until earned, if applicable. Other income resulting from fees earned for late payments, cleaning, damages, and laundry facilities are recognized when earned.

Developer Fees

Developer fees are generally earned by DCTC at a rate of either 15% of the sales price on all projects funded by Tarrant County or 15% and 10% of the development cost on all City of Arlington and City of Fort Worth projects, respectively.

Income Taxes

DCTC is exempt from income taxes under Section 501 of the IRC and a similar provision of state law. However, DCTC is subject to federal income tax on any unrelated business taxable income. DCTC files tax returns in the U.S. federal jurisdiction.

With a few exceptions, DCTC is no longer subject to U.S. federal examinations by tax authorities for years before 2018.

Income taxes on partnership income for DCTC Cornerstone, LP, MAEDC Gainesville Seniors, LP, Sansom Ridge, LP, Sansom Bluff, LP and San Germaine, LP are levied on the partners at the partner level. Accordingly, all profits and losses of the Partnership are recognized by each partner on its respective tax return. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Partnership to report information regarding its exposure to various tax positions taken by the Partnership. Management has determined whether any tax positions have met the recognition threshold and has measured the Partnership's exposure to those tax positions. Management believes that the Partnership 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 Partnership are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor-imposed barrier is met

Nature of the Gift	**Value Recognized**
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique.

Conditional contributions which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Note 2: Grant Commitments

DCTC receives its government grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of DCTC are prepared on the accrual basis, all unconditional portions of the grants not yet received as of December 31, 2021, have been recorded as grants receivable. Following are the grant commitments that extend beyond December 31, 2021:

Grant	Term	Grant Amount	Earned Through 2021	Funding Available at December 31, 2021
U.S. Department of Housing & Urban Development				
HOME Investment Partnerships Program - City of Fort Worth (CHDO)	April 22, 2021 - December 30, 2022	$ 479,328	$ 447,851	$ 31,477
Home Investment Partnerships Program (Operating) - Tarrant County CHDO	May 26, 2020 - June 30, 2021	50,000	50,000	-
Home Investment Partnerships Program (Operating) - Tarrant County CHDO	October 6, 2020 - June 30, 2021	50,000	48,660	1,340
Home Investment Partnerships Program (Operating) - Tarrant County CHDO	March 24, 2020 - June 30, 2024	350,000	227,347	122,653
HOME Investment Partnerships Program (Operating) - City of Fort Worth (CHDO)	May 11, 2021 - January 30, 2022	45,000	13,550	31,450
		$ 974,328	$ 787,408	$ 186,920

Note 3: Restricted Cash

Cash Held in Separate Account

DCTC receives grant funds to acquire and rehabilitate housing units for resale to eligible homebuyers. The grant agreement requires that the unspent grant proceeds and proceeds from the sale of houses be placed in a separate bank account. At December 31, 2021, the balance in this account totaled $193,202.

Bond Funds

Sansom Ridge, LP and Sansom Bluff, LP established various funds and accounts held with the Bank of Texas, N.A. and BOKF, NA (Trustees), respectively.

The bond funds are used for payments including, but not limited to, construction of the Projects, interest, fees and repayment of the bonds. As of December 31, 2021, the balances of the bond funds of Sansom Ridge, LP and Sansom Bluff, LP were $100,780 and $228,059, respectively, and are recorded in restricted cash in the accompanying consolidated statement of financial position.

Insurance Escrow

Sansom Bluff, LP has monthly deposits that are made to the Trustee for the payment of property insurance. As of December 31, 2021, the insurance escrow balance was $279,753.

Tax Escrow

Sansom Ridge, LP has monthly deposits that are made to the Trustee for the payment of property taxes. All deposits are pledged as additional security for the Project's mortgage. As of December 31, 2021, the balance of the property tax escrow was $11,250.

Replacement Reserve

Pursuant to the Sansom Ridge, LP Partnership Agreement, beginning in the month in which the last unit is leased to a tenant, the Partnership is required to make annual deposits equal to $250 per unit, increasing annually by 3% beginning on January 1 of the first fiscal year following the initial funding of the replacement reserve. Withdrawals from the replacement reserve greater than $10,000 require the approval of the Investor Limited Partner, Special Limited Partner and Class B Limited Partner. As of December 31, 2021, the balance of the replacement reserve was $56,406, and is recorded in the accompanying consolidated statement of financial position.

Pursuant to the Sansom Bluff, LP Partnership Agreement, beginning in the month in which the last unit is leased to a tenant, the Partnership is required to make annual deposits equal to $250 per unit, increasing annually by 3% beginning on January 1 of the first fiscal year following the initial funding of the replacement reserve. Withdrawals from the replacement reserve are required to be used for capital improvements and repairs to the Project, and require the approval of the Special Limited Partner. As of December 31, 2021, the replacement reserve was $7,402, and is recorded in the accompanying consolidated statement of financial position.

Operating Reserve

Pursuant to the Sansom Ridge, LP Partnership Agreement, upon the receipt of the Investor Limited Partner's Fourth Federal Payment contribution, the Partnership is required to deposit $485,494 into an operating reserve account in order to fund operating deficits through the compliance period of the Partnership. Disbursements from the operating reserve require the approval of the Investor Limited Partner and Class B Limited Partner. During 2019, the LDG Development, LLC ("LDG Development"), a related party of the Class B Limited Partner, obtained an irrevocable letter of credit from Republic Bank & Trust Company in the amount of $485,494, to the benefit of the Trustee, to be used to fund operating deficits of the Partnership, in lieu of funding the operating reserve account. The irrevocable letter of credit renews annually in successive one-year periods unless otherwise cancelled, until the final expiry date of June 28, 2034. During 2021, the irrevocable letter of credit was renewed through June 24, 2022. As of December 31, 2021, the balance of the operating reserve was $20.

Pursuant to the Sansom Bluff, LP Partnership Agreement, upon the receipt of the Investor Limited Partner's Fourth Federal Payment contribution, the Partnership is required to deposit $1,031,000 into an operating reserve account in order to fund operating deficits through the compliance period of the Partnership. Disbursements from the operating reserve require the approval of the Special Limited Partner. As of December 31, 2021, the Investor Limited Partner's Fourth Installment contribution had not been provided and the operating reserve had not been funded.

Note 4: Notes Receivable

DCTC made a loan to a partnership to provide financing to construct two apartment complexes for low-to-moderate income family households. This action furthers its mission to supply affordable housing. This loan is detailed below as of December 31, 2021:

Annual payments of $61,404, including interest of 5.02%, to begin after the borrower's 2009 fiscal year-end, subject to available net cash flow, maturing October 27, 2036, secured by the complex, subordinated to a first lien holder.	$	951,029

Interest is recognized when earned. Accrued interest on this note receivable was $575,370 as of December 31, 2021. Based upon evaluation of the property's operations, management considers the note and accrued interest fully collectable, and no allowance is necessary. Since the loan is fully collateralized by the properties, management considers the credit risk to be minimal.

Note 5: House Inventory

DCTC constructs and rehabilitates housing units with the intent of reselling them to low-income families. As of December 31, 2021, DCTC has completed and sold homes with costs as detailed below:

Inventory, at beginning of year	$	1,594,336
Property purchased and constructed		635,365
Rehabilitation expenses		941,930
Sale of homes		(899,882)
Balance, at end of year	$	2,271,749

Note 6: Property and Equipment

Property and equipment as of December 31, 2021, consists of:

Land	$	3,555,000
Building and building improvements		69,765,183
Furniture, equipment, and software		3,781,572
Construction in progress		5,225,436
		82,327,191
Less accumulated depreciation		(9,168,218)
	$	73,158,973

Note 7: Lines of Credit

DCTC has a line of credit of $150,000 to accommodate cash flow needs expiring on March 16, 2023. At December 31, 2021, there was $0 borrowed against the line of credit. The line of credit is collateralized by a certificate of deposit. Interest on this line is 3.25% and is payable monthly.

Cornerstone Apartments has a line of credit that was increased effective October 7, 2020 to $1,990,000 and expires on May 14, 2023. At December 31, 2021 there was $1,309,427, borrowed against this line. The line is collateralized by the Cornerstone Apartments. Interest varies based on the Wall Street Journal prime rate, which was 3.25% on December 31, 2021, and is payable monthly.

Note 8: Construction Loans Payable

San Germaine, LP entered into a mortgage note dated July 1, 2021, for the construction of the project with a maximum amount of $25,550,000. The mortgage note bears interest at the rate of 4.32% per annum. Principal and interest will be payable by San Germaine, LP in monthly installments starting August 1, 2021. As of December 31, 2021, the principal balance was $2,806,884, net of debt issuance costs of $1,453,942, and is included in construction loan payable on the accompanying consolidated statement of financial position.

San Germaine, LP entered into a mortgage note dated July 26, 2021, for the construction of the project in the amount of $2,100,000. The mortgage note bears an adjustable interest rate per annum that shall not be less than 5.75% or greater than 12%. Principal and interest will be payable by San Germaine, LP in monthly installments starting August 1, 2021. As of December 31, 2021, the principal balance was $100,000 and is included in construction loan payable on the accompanying consolidated statement of financial position.

Note 9: Notes Payable

Note Payable – Second Lien Note

On July 26, 2021, San Germaine, LP executed a $974,881 note (“Second Lien Note”) payable to Senior Living San Marcos, LLC. The note bears interest at a rate of 4% per annum and is secured by a second lien. All outstanding principal and accrued interest is payable on August 26, 2051. $974,881 of principal is outstanding on December 31, 2021 and is included in notes payable on the accompanying consolidated statement of financial position.

Land Note Payable

During the year ended December 31, 2020, DCTC purchased a tract of land by issuing a note payable in the amount of $488,000. The note bears interest at 3.25% and all outstanding principal and interest is due on October 7, 2022. The note payable is secured by a Deed of Trust. Interest only payments are due until maturity. As of December 31, 2021, the balance on this note was $313,000.

Mortgage Note Payable

On July 30, 2020, DCTC acquired the permanent loan with respect to MAEDC Gainesville Seniors, LP, with a bank payable in the amount of $2,175,000. The note bears interest at a floating rate of 1.5% plus prime and all outstanding principal and interest is due on July 30, 2021. The note payable is secured by a First Deed of Trust, Security Agreement Statement, an Assignment of Rents and Leases and is guaranteed by Richard Shaw (the "Guarantor"), owner of the property management company. Interest only payments are due until maturity. Effective July 30, 2021, the mortgage note was modified and extended. The maturity date was extended to July 30, 2022, and interest was changed to a fixed rate of 4.75%. Commencing August 30, 2021, monthly principal and interest payments of $12,400 commence until maturity. Interest only payments are due until maturity. During 2021, interest expense was $103,167. As of December 31, 2021, the outstanding principal balance was $2,155,902 and accrued interest was $8,609.

As of December 31, 2021, mortgage payable consisted of:

Principal balance	$ 2,155,902
Less: unamortized debt issuance costs	(32,662)
	$ 2,123,240

Future minimum principal payment due for the year ending December 31, 2022, is $2,155,902.

Unsecured Note Payable-AHP

On March 31, 2006, MAEDC Gainesville Seniors, LP executed a $152,000 note ("AHP Loan") payable to the previous general partner of the Partnership to provide funds used for the construction of the Project in accordance with the Federal Home Loan Bank of Dallas Affordable Housing Program. The note is non-interest bearing and was secured by the Partnership's real property. The lien was released upon the transfer of Partnership interest on July 31, 2020. All principal is due March 31, 2046. The note is subordinate to the first mortgage and payable from cash flow of the Project. As of December 31, 2021, the outstanding balance was $152,000, and is included in due to related parties on accompanying consolidated statement of financial position.

Unsecured Note Payable-SS/LSD

To provide funds to take out the Withdrawing Limited Partners, on July 30, 2020, MAEDC Gainesville Seniors, LP executed a $300,000 note (“SS/LSD Note”) payable to SS/LSD Investments LLC, an affiliate of the Guarantor. The note bears interest at a rate of 6% per annum and is subordinate to the Partnership’s senior debt. All outstanding principal and accrued interest is payable on the earlier of July 28, 2025, the pay-off of the senior debt, or the transfer of the property. Interest only payments commenced in August 2020. Interest expense equaled $18,000 during 2021 and accrued interest was $1,500 on December 31, 2021. As of December 31, 2021, the balance was $300,000, and is included in due to related parties on the accompanying consolidated statement of financial position.

Unsecured Note Payable-WEJ

To provide funds to take out the Withdrawing Limited Partners, on July 30, 2020, MAEDC Gainesville Seniors, LP executed a $300,000 note (“WEJ Note”) payable to WEJ Investments, GP, an affiliate of the Guarantor. The note bears interest at a rate of 6% per annum and is subordinate to the Partnership’s senior debt. All outstanding principal and accrued interest is payable on the earlier of July 28, 2025, the pay-off of the senior debt, or the transfer of the property. Interest only payments commenced August 2020. Interest expense equaled $18,000 during 2021 and accrued interest was $1,500 on December 31, 2021. As of December 31, 2021, the balance was $300,000, and is included in due to related parties on the accompanying consolidated statement of financial position.

Note Payable – Second Lien Note

As payment for the assignment of its Limited Partner interests, on July 30, 2020, MAEDC Gainesville Seniors, LP executed a $200,000 note ("Second Lien Note") payable to the owner of the Original General Partner. The note bears interest at a rate of 2% per annum and is secured by a second lien. All outstanding principal and accrued interest is payable on the earlier of January 30, 2022, the transfer of the property, or the pay-off of the senior note payable. $200,000 of principal is outstanding on December 31, 2021 and is included in due to related parties on the accompanying consolidated statement of financial position. Interest expense equaled $4,000 and accrued interest equaled $5,667 as of December 31, 2021.

Note 10: Bonds Payable

Series 2016A

In order to provide funds for Sansom Ridge, LP to finance the construction of the Project, Tarrant County Housing Finance Corporation (TCHFC) issued Multi-Family Housing Revenue Bonds (Sansom Ridge Apartments) Series 2016A (Series A Bonds) in the principal amount of $9,500,000, which are secured by the Project. On August 1, 2016, FMSbonds, Inc. entered into a purchase agreement with TCHFC whereby it agreed to purchase the bonds and lend the proceeds to the Partnership.

The Partnership executed a note with TCHFC which set forth the Partnership's obligation to pay to the Trustee sufficient funds to enable the Trustee to pay any principal, premiums and interest due on the Bonds. TCHFC assigned its rights, title and interest, subject to certain contingency claims, in the notes to the Trustee.

The Series A Bonds mature on July 1, 2056. The Series A Bonds bear interest at the rate of 4.50% per annum. The Series A Bonds are subject to optional redemption in whole or in part on or after January 1, 2033.

During 2021, interest of $346,954 was incurred. As of December 31, 2021, outstanding principal and accrued interest were $7,750,000 and $29,570, respectively.

As of December 31, 2021, bonds payable – Series A consisted of:

Principal balance	$ 7,750,000
Less: unamortized debt issuance costs	(272,651)
	$ 7,477,349

Debt issuance costs associated with the Series A Bonds are being amortized to interest expense over the term of the bonds. During 2021, the average effective interest rate was 4.83% and amortization of the debt issuance costs was $25,864.

For each of the next five years and thereafter, future minimum principal payments are due as follows:

2022	$ 95,000
2023	100,000
2024	100,000
2025	110,000
2026	115,000
Thereafter	7,230,000
	$ 7,750,000

Series 2018

In order to provide funds for Sansom Bluff, LP to finance the construction of the Project, Tarrant County Housing Finance Corporation (TCHFC) issued Multi-Family Housing Revenue Bonds (Sansom Bluff Apartments) Series 2018 (Bonds) in the principal amount of $28,865,000, which are secured by the Project. On November 1, 2018, FMSbonds, Inc. (the "Purchaser") entered into a purchase agreement with the Issuer whereby it agreed to purchase the bonds and lend proceed to the Partnership.

The Bonds were issued on November 1, 2018 and bear interest at 5.225% annum. Interest payments are due monthly, commencing January 1, 2019. Principal and interest payments are due quarterly, commencing January 1, 2022. The maturity date of the Bonds is December 1, 2058.

During 2021, interest costs of $125,683 were capitalized to property and equipment and $1,588,856 were expensed. As of December 31, 2021, the outstanding principal balance and accrued interest were $28,865,000 and $125,683, respectively.

As of December 31, 2021, Series 2018 bonds consisted of:

Principal balance	$ 28,865,000
Less: unamortized debt issuance costs	(1,245,797)
	$ 27,619,203

For each of the next five years and thereafter, future minimum principal payments are due as follows:

2022	$ 165,000
2023	215,000
2024	225,000
2025	235,000
2026	250,000
Thereafter	27,775,000
	$ 28,865,000

Note 11: Application and Distribution of Operating Cash Flow

Pursuant to the Sansom Ridge, LP Partnership Agreement, operating cash flow is distributable as follows:

1. To the Investor Limited Partner to pay any unpaid Excess Federal Adjuster and/or any Capital Adjuster Distribution;
2. To AEGON USA Realty Advisors, LLC (AEGON) to pay any unpaid asset management fees;
3. $250 per unit into the replacement reserve, increased annually by 3%;
4. To the payment of the Development Fee Note until it is paid in full;
5. $15,000 to LDG Development, LLC (LDG), to pay the annual rent pursuant to the ground lease agreement;
6. To the repayment of any Operating Deficit Loans;
7. 90% of the remaining balance to pay the Incentive Management Fee, and thereafter as a distribution; and
8. The remaining balance to the partners in accordance with their respective partnership interests.

Pursuant to the Sansom Bluff, LP Partnership Agreement, operating cash flow is distributable as follows:

1. To the Investor Limited Partner in an amount equal to the Asset Management Fee (including any accrued but unpaid Asset Management Fee from prior fiscal years);
2. To the payment of all amounts due and owing to the Investor Limited Partner, including without limitation, any theretofore unpaid Tax Credit Shortfall Payments;
3. Prior to the end of the Operating Obligation Period, to replenish the Operating Reserve up to its initial balance;
4. To the payment of the Deferred Development Fee Note;
5. To pay principal and interest on the HOME Loan up to an amount of $54,635;
6. To the repayment of any Voluntary Loans then outstanding which the General Partner is entitled to receive;
7. To payment of the Deferred Property Management Fee (if any) and any outstanding Operating Expense Loans (pro rata); and
8. 9% to the General Partner and 81% to the Class B Limited Partner (first, as payment of the Supervisory Management Fee and, thereafter, as a distribution), and 10% to the Investor Limited Partner.

Pursuant to the San Germaine, LP Partnership Agreement, operating cash flow is distributable as follows:

1. To the payment of any outstanding Asset Management Fee, then to the payment of any outstanding Excess Investor LP Loan Amount, then to the payment of Partnership Agreement San Germaine, LP any outstanding Excess Special LP Loan Amount and then to the payment of any remaining Investor LP Loans and Special LP Loans pro rata based on their respective outstanding balances;
2. To the payment of the Deferred Development note in full, in the following percentages: (A) the DDF Percentage to the payment of the Deferred Development Fee; and (B) 100% minus the DDF Percentage to be distributed to the Partners, pro rata, in accordance with their Percentage Interests;
3. To the repayment of any Operating Deficit Loans;
4. To the payment of the Seller Loan;
5. The remaining balance to the partners in accordance with their respective partnership interests.

Note 12: Related Party Transactions

Development Fee Payable

Pursuant to the Development Services Agreement between LDG Multifamily, LLC (Developer), a related party of the Class B Limited Partner and Sansom Ridge, LP, the Developer is entitled to earn a development fee in the amount of $2,351,540 for services rendered to the Partnership for overseeing the construction of the Project, payable from capital contributions and operating cash flow. The development fee payable does not bear interest. The development fee payable is required to be paid in full by December 31 of the 15th year following the year in which Substantial Completion occurs. As of December 31, 2021, the development fee payable was $2,149,803.

Pursuant to the Development Services Agreement between LDG Multifamily, LLC (Developer), a related party of the Class B Limited Partner and Sansom Bluff, LP, the Developer is entitled to earn a development fee in the amount of $5,974,504 for services rendered to the Partnership for overseeing the construction of the Project, payable from capital contributions and operating cash flow. The development fee payable does not bear interest. The development fee payable is required to be paid in full by the 13th anniversary of the Completion Date. As of December 31, 2021, the development fee payable was $5,849,504.

Pursuant to the Development Services Agreement between San Germaine, LLC (Developer), a related party of the Class B Limited Partner and San Germaine, LP, the Developer is entitled to earn a development fee in the amount of $4,244,000 for services rendered to the Partnership for overseeing the construction of the Project, payable from capital contributions and operating cash flow. The development fee payable was $0 as of December 31, 2021, due to the project being in the preliminary stages of construction.

Contractor and Retainage Payable

Sansom Bluff, LP entered into a construction agreement with a general contractor for the original contract sum of $33,521,307, plus change orders of $399,197. As of December 31, 2021, the outstanding contractor and retainage payable was $36,000.

MAEDC Gainesville Seniors, LP entered into a construction agreement with a general contractor to repair the damage done due to the 2021 winter storm. As of December 31, 2021, the outstanding contractor and retainage payable was $256,612.

Operating Deficit Loans

Pursuant to the Sansom Ridge, LP Partnership Agreement, if the Partnership requires any funds to cover operating deficits during the Operating Deficit Guaranty Period, the General Partner is required to provide operating deficit loans up to $1,900,000. The Operating Deficit Guaranty Period begins on the Rent-Up Date and ends on fifth anniversary of the Investor Limited Partner's Fourth Federal Payment contribution. As of December 31, 2021, no operating deficit loans were provided.

Pursuant to the Sansom Bluff, LP the Partnership Agreement, the Class B Limited Partner is required to furnish amounts required by the Partnership to fund operating deficits, beginning on the Admission Date and ending on fifth anniversary of the Development Obligation Date. As of December 31, 2021, the Development Obligation Date had not yet occurred. Operating deficits funded by the Class B limited Partner prior to the Development Obligation Date are deemed special capital contributions, and are not repayable. After the Development Obligation Date, amounts provided by the Class B Limited Partner to fund operating deficits are considered operating expense loans, and are limited to $2,062,000. The operating expense loans are unsecured, non-interest bearing, and repayable from surplus cash. As of December 31, 2021, no operating deficits had occurred or were required to be funded.

Due to LDG Development, LLC

Sansom Ridge, LP received advances from LDG Development for various working capital needs. The advances are non-interest bearing, unsecured, and repayable from available cash flow. As of December 31, 2021, advances due to LDG Development were $86,228, which are included in due to related parties in the accompanying consolidated statement of financial position.

Due to Xpert Design and Construction, LLC

Sansom Ridge, LP received advances from Xpert Design and Construction, LLC (Xpert), a related party of the Class B Limited Partner, for various working capital needs. The advances are non-interest bearing, unsecured, and repayable from available cash flow. As of December 31, 2021, advances due to Xpert were $156,367, which are included in due to related parties in the accompanying consolidated statement of financial position.

Due to Developer

Sansom Ridge, LP received advances from the Developer for various working capital needs. The advances are non-interest bearing, unsecured, and repayable from available cash flow. As of December 31, 2021, advances due to the Developer were $1,214,905, which are included in due to related parties in the accompanying consolidated statement of financial position.

Sansom Bluff, LP received advances from the Developer for various working capital needs. The advances are non-interest bearing, unsecured, and repayable from available cash flow. As of December 31, 2021, advances due to the Developer were $220,134, which are included in due to related parties in the accompanying consolidated statement of financial position.

Note 13: Defined Contribution Plan

The Organization has a defined contribution plan, which allows its employees to elect to have a portion of their salary deposited directly into a 401(k) account on their behalf. In addition to their own salary deferrals, they may be eligible to receive an additional employer contribution under the Plan. The Organization contributed $24,849, as employer contributions for the year ended December 31, 2021.

Note 14: Functional Allocation of Expenses

Certain costs attributable to more than one function have been allocated amount the program and supporting services based on the direct identification, square footage and other methods. The following schedule presents the natural classification of expenses by function as follows:

	Housing	Management and General	Total Expenses
Salaries and benefits	$ 558,151	$ 586,209	$ 1,144,360
Rent and utilities	520,444	26,602	547,046
Property taxes and fees	240,829	144,926	385,755
Insurance	117,331	6,175	123,506
Dues and subscriptions	4,075	214	4,289
Office supplies and equipment	27,850	1,466	29,316
Marketing and advertising	2,188	80,080	82,268
Legal and other professional fees	47,389	223,420	270,809
Bank charges and service fees	34,235	1,802	36,037
Cost of property sold	899,882	-	899,882
Other program expenses	699,487	6,563	706,050
Repairs and maintenance	718,006	37,790	755,796
Depreciation	3,125,221	-	3,125,221
Interest expense	2,193,137	-	2,193,137
	$ 9,188,225	$ 1,115,247	$ 10,303,472

Note 15: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021, is $2,284,140. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Note 16: Low-Income Housing Tax Credits

Sansom Ridge, LP expects to generate an aggregate of $7,382,660 of Tax Credits. Generally, such Tax Credits are expected to become available for use by its partners' pro-rata over a ten-year period that began in 2017. The year in which the credit period begins is determined on a building-by-building basis within the Partnership. In order to qualify for these credits, the Project must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operation. The Partnership has also agreed to maintain and operate the Project as low-income housing for an additional 15 years beyond the initial 15-year compliance period. Because the Tax Credits are subject to compliance with certain requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized, and failure to meet all such requirements or to correct noncompliance within a specified time period may result in generating a lesser amount of Tax Credits than expected in future years, and/or recapture of Tax Credits previously allocated. A reduction of future credits or recapture would require credit deficit payments to the Investor Limited Partner under the terms of the Partnership Agreement.

Sansom Bluff, LP expects to generate an aggregate of $18,304,250 of Tax Credits. Generally, such Tax Credits are expected to become available for use by its partners' pro-rata over a ten-year period that began in 2020. In order to qualify for these credits, the Project must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operation. The Partnership has also agreed to maintain and operate the Project as low-income housing for an additional 15 years beyond the initial 15-year compliance period. Because the Tax Credits are subject to compliance with certain requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized, and failure to meet all such requirements or to correct noncompliance within a specified time period may result in generating a lesser amount of Tax Credits than expected in future years, and/or recapture of Tax Credits previously allocated. A reduction of future credits or recapture would require credit deficit payments to the Investor Limited Partner under the terms of the Partnership Agreement.

San Germaine, LP expects to generate an aggregate of $5,002,537 of Tax Credits. Generally, such Tax Credits are expected to become available for use by its partners' pro-rata over a ten-year period that began in 2021. In order to qualify for these credits, the Project must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operation. The Partnership has also agreed to maintain and operate the Project as low-income housing for an additional 15 years beyond the initial 15-year compliance period. Because the Tax Credits are subject to compliance with certain requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized, and failure to meet all such requirements or to correct noncompliance within a specified time period may result in generating a lesser amount of Tax Credits than expected in future years, and/or recapture of Tax Credits previously allocated. A reduction of future credits or recapture would require credit deficit payments to the Investor Limited Partner under the terms of the Partnership Agreement.

Note 17: Casualty Event

On February 19, 2021, a property under the MAEDC Gainesville Seniors, LP suffered extensive freeze damage from the winter storm. Insurance proceeds of $833,276 were received during the year ended December 31, 2021. The proceeds were used to offset damage to the rental property with a net book value of $308,133. The total amount of the insurance claim was $916,804 with a deductible of $10,000. As a result of the damages, the Partnership recognized a gain of $859,984. As of December 31, 2021, insurance proceeds receivable of $73,528 remained outstanding.

Note 18: Revenue from Contracts with Customers

Sale of Property

Performance obligations related to the sale of property are determined based on the date of closing in accordance with the contract. Revenue for performance obligations satisfied at a point in time is generally recognized on the date of closing at a single point in time, and the Organization does not believe it is required to provide any additional obligations related to that sale.

Transaction Price and Recognition

The Organization determines the transaction price based on each property for sale. There are no explicit or implicit price concessions and the contracts do not contain a significant financing component or variable consideration.

The Organization has not incurred material refunds in the past, and accordingly, has not provided for a refund liability at December 31, 2021.

For the year ended December 31, 2021, the Organization recognized no revenue from goods or services that transfer to the customer over time.

Note 19: Subsequent Events

Subsequent events have been evaluated through September 22, 2022, which is the date the consolidated financial statements were available to be issued.

On June 21, 2022, MAEDC Gainesville Seniors, LP refinanced its mortgage with a note payable from Veritex Community Bank in the amount of $4,500,000. The note payable bears interest at a rate of 4.75% per annum and is payable in monthly installments of principal and interest of $23,665. The note is secured by the property and matures on June 21, 2025. Proceeds from the refinanced note payable were used to pay off the existing mortgage payable.

Note 20: Future Change in Accounting Principle

Accounting for Leases

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement.

On June 3, 2020, the FASB issued an ASU that granted a delay in the effective date. As a result, the new lease standard is effective for the Organization for fiscal year 2022.

The Organization is evaluating the impact the standard will have on the consolidated financial statements.

Supplementary Information

Development Corporation of Tarrant County
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Housing & Urban Development				
Passed through Tarrant County				
HOME Investment Partnerships Program	14.239	PY2017	$ -	$ 48,660
		PY2019	-	13,400
		M19-DC-48-0200	-	227,346
Passed through City of Fort Worth				
HOME Investment Partnerships Program	14.239	CSC#5559	-	13,550
		CSC#5558	-	110,040
		CSC#5557	-	113,618
		CSC#5556	-	114,154
		CSC#5555	-	110,040
Total HOME Investment Partnerships Program			-	750,808
Total Federal Awards Expended			$ -	$ 750,808

Development Corporation of Tarrant County

Notes to the Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Development Corporation of Tarrant County (DCTC) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of DCTC, it is not intended to and does not present the financial position, changes in net assets or cash flows of DCTC.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

DCTC has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Programs

DCTC did not have any federal loan programs during the year ended December 31, 2021.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Development Corporation of Tarrant County
Fort Worth, Texas

We have audited, 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, the consolidated financial statements of Development Corporation of Tarrant County (the "Organization") and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 22, 2022, which included a reference to other auditors who audited the financial statements of Sansom Ridge, LP, Sansom Bluff, LP and MAEDC Gainesville Seniors, LP. The financial statements of Sansom Ridge, LP, Sansom Bluff, LP and MAEDC Gainesville Seniors, LP were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Sansom Ridge, LP, Sansom Bluff, LP and MAEDC Gainesville Seniors, LP.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

FORVIS, LLP

Dallas, Texas
September 22, 2022

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Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

Board of Directors
Development Corporation of Tarrant County
Fort Worth, Texas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Development Corporation of Tarrant County's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2021. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

FORVIS, LLP

Dallas, Texas
September 22, 2022

Development Corporation of Tarrant County

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Material weakness(es) identified?	☐ Yes	☒ No

3. Noncompliance material to the consolidated financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over the major federal awards program:

Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Material weakness(es) identified?	☐ Yes	☒ No

5. Type of auditor's report issued on compliance for the major federal program:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
14.239	HOME Investment Partnerships Program

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

9. Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

Development Corporation of Tarrant County

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2021

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Development Corporation of Tarrant County

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2021

Reference Number	Summary of Finding	Status
	No matters are reportable.	