Development Corporation of Tarrant County

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2022

Development Corporation of Tarrant County
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Contents

FORVIS

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Development Corporation of Tarrant County (DCTC) and its subsidiaries, 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, 2022, 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, 2022, 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 and MAEDC Gainesville Seniors, LP, which statements reflect assets constituting 23% of consolidated total assets and net assets constituting 13% of consolidated total net assets at December 31, 2022, and revenues, gains and other support constituting 17% 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 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). 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.

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 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, 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.

FORVIS, LLP

Dallas, Texas
October 3, 2023

Development Corporation of Tarrant County

Consolidated Statement of Financial Position

December 31, 2022

Assets

Cash and cash equivalents	$ 4,592,291
Restricted cash	1,521,147
Investments	470,528
Accounts receivable	301,034
Notes receivable	951,029
Accrued interest	640,216
Prepaid expenses and other	430,167
Due from Sansom Pointe Senior, LP	16,772
House inventory	2,220,283
Right of use asset	316,921
Property and equipment, net	77,735,805
Total assets	$ 89,196,193

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	$ 919,771
Contractor and retainage payable	962,624
Security deposits	124,314
Due to related parties	1,874,800
Lease payable	413,244
Development fee payable	7,939,815
Notes payable	5,625,208
Construction loan payable	12,312,252
Bonds payable	34,924,360
Total liabilities	65,096,388
Net Assets	
Without donor restrictions	
Undesignated	10,096,790
Noncontrolling interest	14,003,015
Total net assets	24,099,805
Total liabilities and net assets	$ 89,196,193

Development Corporation of Tarrant County

Consolidated Statement of Activities

Year Ended December 31, 2022

Revenues, Gains and Other Support	
Federal grants	$ 289,130
Contributions	65
Developer fees	364,216
Sale of property	759,890
Rental income	6,061,621
Investment return, net	76,633
Other income	682,219
Gain on sale of property and equipment	4,217,670
Total revenues, gains and other support	12,451,444
Expenses	
Program expenses	
Housing	9,904,428
Supporting service expenses	
Management and general	1,751,707
Profit-sharing fee	1,000,000
Total supporting service expenses	2,751,707
Total expenses	12,656,135
Change in Net Assets	(204,691)
Net Assets, Beginning of Year	24,304,496
Net Assets, End of Year	$ 24,099,805

Development Corporation of Tarrant County
Consolidated Statement of Cash Flows
Year Ended December 31, 2022

Operating Activities	
Change in net assets	$ (204,691)
Items not requiring (providing) operating cash flows	
Depreciation and amortization	3,145,913
Interest reinvested	(844)
Amortization of debt issuance costs	113,976
Gain on sale of property and equipment	(4,217,670)
Changes in	
Accounts receivable	552,019
Prepaid expenses and other	(275,804)
Accrued interest	(64,846)
House inventory	51,466
Accounts payable and accrued expenses	252,474
Lease payable	15,073
Security deposits	(18,309)
Net cash used in operating activities	(651,243)
Investing Activities	
Purchase of property and equipment	(9,524,153)
Proceeds from sale of property and equipment	5,235,148
Repayment of development fee payable	(59,492)
Purchase of investments	(240,640)
Net cash used in investing activities	(4,589,137)
Financing Activities	
Repayment of bonds payable	(80,000)
Repayment of loan payable	(2,330,655)
Repayment on line of credit	(1,309,427)
Proceeds from issuance of long-term debt and notes payable	13,669,678
Advance from related parties, net	197,357
Repayment of related party loans	(952,000)
Net cash provided by financing activities	9,194,953
Increase in Cash, Cash Equivalents and Restricted Cash	3,954,573
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	2,158,865
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 6,113,438
Reconciliation to Consolidated Statement of Financial Position	
Cash and cash equivalents	$ 4,592,291
Restricted cash	1,521,147
Total Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 6,113,438
Supplemental Cash Flows Information	
Interest paid - expensed	$ 2,122,791
Property and equipment in accounts and retainage payable	670,012

Development Corporation of Tarrant County

Notes to Consolidated Financial Statements

December 31, 2022

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), 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. In addition, DCTC is the sole owner of Cornerstone Apartments. Effective December 7, 2022, Cornerstone apartments were sold, and DCTC recognized a gain on the sale of property and equipment of $4,217,670, which is included the accompanying consolidated statement of activities.

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, 2022, 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, 2022, 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 296-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, 2022, the required capital contributions were increased to $17,266,966 for upward adjustments based on the amount and timing of low-income housing tax credits. As of December 31, 2022, the Investor 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, 2022, 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, 2022, the Organization’s cash accounts exceeded federally insured limits by approximately $3,865,000.

Restricted Cash

Restricted cash includes cash held with financial institutions for refunds of tenant security deposits, operating deficits, project construction, annual tax and insurance payments, administration of bond proceeds, 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, 2022.

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.

Right of Use Asset

Sansom Ridge, LP determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of and to obtain substantially all of the economic benefits from the use of an asset for a period of time in exchange for consideration.

Operating lease right-of use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Sansom Ridge, LP uses its incremental borrowing rate at the commencement date in determining the present value of lease payments. Using the incremental borrowing rate requires judgment and is based on the interest rate secured on Sansom Ridge, LP's permanent loan financing at the time of lease commencement.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Sansom Ridge, LP will exercise that option. The ground lease agreement does contain material residual value guarantees or material restrictive covenants. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Sansom Ridge, LP accounts for the ground lease as an operating lease and records expense based on the average minimum yearly base lease accrual calculated over the term of the lease (see *Note 12*). The cumulative difference between the annual expense and the actual base lease amount will be recorded as a lease payable in the accompanying consolidated statement of financial position.

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, 2022.

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 2022.

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 2019.

Income taxes on partnership income for 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
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.

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases* ("F ASB ASC 842") to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet by lessees and the disclosure of key information about leasing arrangements. FASB ASC 842 was adopted January 1, 2022, and any adjustment necessary, if any, was recognized through a cumulative effect adjustment, with certain practical expedients available. Sansom Ridge, LP elected the available practical expedients to account for its existing ground lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under the new standard, (b) whether classification of a lease would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of FASB ASC 842, a ground lease payable of $413,244 was recognized as of December 31, 2022, which represents the present value of the remaining ground lease payments of $1,035,000, discounted using it's incremental borrowing rate of 4.50%, and a right-of-use asset of $316,921, which represents the ground lease payable of $331,994 adjusted for accrued rent of $15,073.

FASB ASC 842 did not have a material impact on the financial statements of Development Corporation of Tarrant County (DCTC), MAEDC Gainesville Seniors, LP, Sansom Bluff, LP, and San Germaine, LP.

Note 2: 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, 2022, the balance in this account totaled $101,219.

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, 2022, the balances of the bond funds of Sansom Ridge, LP and Sansom Bluff, LP were $113,010 and $101,177, 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, 2022, the insurance escrow balance was $340,926.

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, 2022, the balance of the property tax escrow was $195,609.

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, 2022, the balance of the replacement reserve was $84,618, 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, 2022, the replacement reserve was $7,473, 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, and was not renewed subsequent to this date. As of December 31, 2022, 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, 2022, the Investor Limited Partner's Fourth Installment contribution had not been provided and the operating reserve had not been funded.

Expense Reserve

MAEDC Gainesville Seniors, LP, established a reserve for the payment of expenses related to the operations of the Project when prompt payment is required prior to delinquency. As of December 31, 2022, the balance of the expense reserve was $451,061, and is recorded in the accompanying consolidated statement of financial position.

Note 3: 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, 2022:

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 $623,242 as of December 31, 2022. 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 4: House Inventory

DCTC constructs and rehabilitates housing units with the intent of reselling them to low-income families. As of December 31, 2022, DCTC has completed and sold homes with costs as detailed below:

Inventory, at beginning of year	$ 2,271,749
Rehabilitation expenses	857,550
Sale of homes	(909,016)
Balance, at end of year	$ 2,220,283

Development Corporation of Tarrant County

Notes to Consolidated Financial Statements

December 31, 2022

Note 5: Property and Equipment

Property and equipment as of December 31, 2022, consists of:

Land	$ 3,305,000
Building and building improvements	68,107,736
Furniture, equipment, and software	3,783,431
Construction in progress	13,846,633
	89,042,800
Less accumulated depreciation	(11,306,995)
	$ 77,735,805

Note 6: Line of Credit

DCTC has a line of credit of $150,000 to accommodate cash flow needs expiring on March 16, 2023. At December 31, 2022, 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.

Note 7: 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, 2022, the principal balance was $12,181,966 and is included in construction loan payable in 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, 2022, the principal balance was $100,000 and is included in construction loan payable in the accompanying consolidated statement of financial position.

Note 8: 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, 2022 and is included in notes payable on the accompanying consolidated statement of financial position.

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 bore interest at a floating rate of 1.5% plus prime and all outstanding principal and interest was 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.

On June 21, 2022, MAEDC Gainesville Seniors, LP, refinanced its mortgage note payable 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 until maturity. The note is secured by the property and matures on June 21, 2025. Proceeds from the refinanced mortgage payable were used to pay off the existing mortgage payable noted above and to finance future capital improvement needs.

During 2022, interest expense was $169,131. As of December 31, 2022, the outstanding principal balance was $4,466,330 and accrued interest was $17,679. The balance on the mortgage note payable that was extended to July 30, 2022, was fully repaid from proceeds from this refinance.

As of December 31, 2022, mortgage payable consisted of:

Principal balance	$ 4,466,330
Less: unamortized debt issuance costs	(41,479)
	$ 4,424,851

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

2023	$ 73,503
2024	77,072
2025	4,315,755
	$ 4,466,330

Residential Construction Note Payable

Effective October 23, 2022, DCTC entered into two residential construction notes with a bank in the amount of $112,748 and $112,728, respectively. The residential construction notes bear interest at a rate of 7.5% per annum. All outstanding principal and interest will be payable by January 21, 2023. At December 31, 2022, the principal balance was $112,748 and $112,728, respectively, and is included in notes payable in the accompanying consolidated statement of financial position.

Note 9: 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 2022, interest of $347,393 was incurred. As of December 31, 2022, outstanding principal and accrued interest were $7,670,000 and $29,570, respectively.

As of December 31, 2022, bonds payable – Series A consisted of:

Principal balance	$ 7,670,000
Less: unamortized debt issuance costs	(247,093)
	$ 7,422,907

Debt issuance costs associated with the Series A Bonds are being amortized to interest expense over the term of the bonds. During 2022, the average effective interest rate was 4.83% and amortization of the debt issuance costs was $25,558.

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

2023	$ 100,000
2024	100,000
2025	110,000
2026	115,000
2027	115,000
Thereafter	7,130,000
	$ 7,670,000

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 2022, interest costs of $1,480,851 were expensed. As of December 31, 2022, the outstanding principal balance and accrued interest were $28,700,000 and $125,683, respectively.

As of December 31, 2022, Series 2018 bonds consisted of:

Principal balance	$ 28,700,000
Less: unamortized debt issuance costs	(1,198,547)
	$ 27,501,453

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

2023	$ 215,000
2024	225,000
2025	235,000
2026	250,000
2027	265,000
Thereafter	27,510,000
	$ 28,700,000

Note 10: 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 of any accrued and unpaid Asset Management Fees (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 11: Related Party Transactions

Right of Use Asset and Lease Payable

On August 1, 2016, Sansom Ridge, LP Partnership entered into a 75-year ground lease agreement ("the Ground Lease") with LDG Development. The Partnership is bound by the responsibilities and obligations in the Ground Lease. Annual rent in the amount of $15,000 is required to be paid from available cash flow. The ground lease requires no minimum annual lease payments. During 2022, the ground lease rent expense of $15,073 was incurred. During 2022, a lease payable was recognized in the amount of $317,683. As of December 31, 2022, the lease payable to LDG Development was $413,244.

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, 2022, the development fee payable was $2,090,311.

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, 2022, 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, 2022, 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, 2022, 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, 2022, 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, 2022, 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, 2022, 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, 2022, no operating deficits had occurred or were required to be funded.

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, 2022, advances due to the Developer were $1,477,500, 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, 2022, advances due to the Developer were $397,300, which are included in due to related parties in the accompanying consolidated statement of financial position.

Profit-Sharing Fee

MAEDC Gainesville Senior, LP entered into an assignment of net profits agreement with SS/LSD Investments, LLC ("SS/LSD") and WEJ Investments GP ("WEJ") on July 30, 2020. SS/LSD and WEJ are entitled to a non-cumulative profit-sharing fee equal to 37.5% of Property Net Monthly Operating Revenues, as defined in the agreements. The agreements expire when their respective notes mature or the date the notes are fully repaid, whichever occurs earlier. During 2022, the respective notes were fully repaid by proceeds from a refinance. During 2022, profit-sharing fees of $1,000,000 were incurred and paid.

Note 12: 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 $21,607, as employer contributions for the year ended December 31, 2022.

Note 13: 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	Supporting Services	Total Expenses
Salaries and benefits	$ 581,508	$ 788,079	$ 1,369,587
Rent and utilities	627,715	32,244	659,959
Property taxes and fees	1,263,364	66,493	1,329,857
Insurance	247,166	13,009	260,175
Dues and subscriptions	4,708	248	4,956
Office supplies and equipment	4,528	238	4,766
Marketing and advertising	2,042	50,803	52,845
Legal and other professional fees	47,087	488,663	535,750
Bank charges and service fees	30,752	1,619	32,371
Cost of housing inventory sold	909,016	-	909,016
Other program expenses	290,635	-	290,635
Profit-sharing fee	-	1,000,000	1,000,000
Repairs and maintenance	775,826	40,833	816,659
Depreciation and amortization	2,988,617	157,296	3,145,913
Interest expense	2,131,464	112,182	2,243,646
	$ 9,904,428	$ 2,751,707	$ 12,656,135

Note 14: 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, 2022, is $5,363,853. 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 15: 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, or a reduction of remaining capital contributions required, 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 16: 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, 2022.

For the year ended December 31, 2022, the Organization recognized no revenue from goods or services that transfer to the customer over time.

Note 17: Significant Estimates and Concentrations

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Note 18: Subsequent Events

Subsequent events have been evaluated through October 3, 2023, which is the date the consolidated financial statements were available to be issued.