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**CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**

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CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION

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## INDEPENDENT AUDITOR'S REPORT

July 29, 2022

To the Board of Directors  
Chris White Community Development Corporation  
Wilmington, Delaware

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of the Chris White Community Development Corporation (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Chris White Community Development Corporation as of December 31, 2021, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("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 Chris White Community Development Corporation 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.

To the Board of Directors  
Chris White Community Development Corporation

### Other Matter

The financial statements of the Chris White Community Development Corporation for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on March 22, 2021.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Chris White Community Development Corporation's ability to continue as a going concern for one year after the date that the financial statements are 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Chris White Community Development Corporation's internal control. Accordingly, no such opinion is expressed.

To the Board of Directors  
Chris White Community Development Corporation

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Chris White Community Development Corporation's ability to continue as a going concern for a reasonable period of time.

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

#### Other Information

Management is responsible for the other information. The other information comprises the condensed consolidating summaries for 2021 and 2020 but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP

**CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2021 AND 2020**

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash	\$ 10,620	\$ 6,901
Tenant accounts receivable, net	7,173	3,060
Prepaid expenses	6,213	7,681
Total Current Assets	<u>24,006</u>	<u>17,642</u>
Restricted Cash:		
Building operating cash	18,884	7,529
Tenants' security deposits	15,474	12,605
Replacement reserve	132,602	125,336
Operating deficit reserve	38,625	38,658
Total Restricted Cash	<u>205,585</u>	<u>184,128</u>
Rental Property:		
Building and improvements	6,488,353	6,488,353
Land improvements	15,655	15,655
Furniture and equipment	53,899	53,899
	<u>6,557,907</u>	<u>6,557,907</u>
Accumulated depreciation	<u>(2,775,186)</u>	<u>(2,537,912)</u>
	3,782,721	4,019,995
Land	236,660	236,660
Total Rental Property, Net	<u>4,019,381</u>	<u>4,256,655</u>
Other Assets:		
Mortgage costs, net	5,239	5,521
Tax credit monitoring fees, net	8,091	10,347
Total Other Assets	<u>13,330</u>	<u>15,868</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,262,302</u></b>	<b><u>\$ 4,474,293</u></b>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 12,882	\$ 15,825
Accrued expenses	13,850	12,700
Accrued interest payable - first mortgage	2,217	2,283
Current maturities of long-term debt - first	15,915	15,105
Total Current Liabilities	<u>44,864</u>	<u>45,913</u>
Deposits and Prepaid Liability:		
Security deposits	15,474	12,605
Prepaid rent	14,259	2,815
Total Deposits and Prepaid Liability	<u>29,733</u>	<u>15,420</u>
Long-term Liabilities:		
First mortgage note due December 31, 2028,	491,779	507,694
Second mortgage note due December 31, 2039	400,000	400,000
Third mortgage note due December 31, 2039	325,000	325,000
Accrued interest due December 31, 2039	321,148	298,170
Accrued investor service fee payable	6,000	4,500
Total Long-term Liabilities	<u>1,543,927</u>	<u>1,535,364</u>
Net Assets, Without Donor Restrictions:		
Non-controlling (non-CWCDC) interest	1,052,818	1,288,411
CWCDC interest	1,590,960	1,589,185
Total Net Assets	<u>2,643,778</u>	<u>2,877,596</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,262,302</u></b>	<b><u>\$ 4,474,293</u></b>

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

**CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Without Donor Restrictions	
	2021	2020
<b>REVENUES</b>		
Contributions and grants	\$ 8,589	\$ 10,473
Rental income	240,331	227,387
Vacancies and concessions	(1,856)	(5,544)
Gallery event income	435	405
Forgiveness of loan	4,566	-
Other income	5,148	5,387
<b>TOTAL REVENUES</b>	<b>257,213</b>	<b>238,108</b>
<b>EXPENSES</b>		
Program Services:		
Artists' Residence and Gallery:		
Salaries and employee benefits	40,465	37,610
Property operation, repairs, and maintenance	48,758	40,037
Utilities	32,822	38,647
Building administration	7,683	7,606
Property management fee	19,879	18,704
Property and liability insurance	23,999	24,097
Rental marketing costs	1,413	2,328
Professional fees	12,788	13,206
Bad debts	4,918	-
Interest expense - first mortgage	26,969	27,742
Interest expense - other loans	22,978	22,942
Investor service fee	1,500	1,500
Depreciation	237,274	237,279
Amortization	2,538	2,538
<b>Total Artists' Residence and Gallery</b>	<b>483,984</b>	<b>474,236</b>
Community Arts Program:		
Gallery event expenses	4,340	5,777
<b>Total Community Arts Program</b>	<b>4,340</b>	<b>5,777</b>
<b>Total Program Services</b>	<b>488,324</b>	<b>480,013</b>
Supporting Services:		
Administrative expense	2,707	2,129
<b>Total Supporting Services</b>	<b>2,707</b>	<b>2,129</b>
<b>TOTAL EXPENSES</b>	<b>491,031</b>	<b>482,142</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (233,818)</b>	<b>\$ (244,034)</b>

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

**CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

	<u>Non-controlling (Non-CWCDC) Interest</u>	<u>CWCDC Interest</u>	<u>Total Net Assets</u>
Balance, January 1, 2019	1,535,271	1,586,359	3,121,630
Change in net assets	<u>(246,860)</u>	<u>2,826</u>	<u>(244,034)</u>
Balance, December 31, 2020	\$ 1,288,411	\$ 1,589,185	\$ 2,877,596
Change in net assets	<u>(235,593)</u>	<u>1,775</u>	<u>(233,818)</u>
Balance, December 31, 2021	<u>\$ 1,052,818</u>	<u>\$ 1,590,960</u>	<u>\$ 2,643,778</u>

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

**CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash collected from tenants	\$ 265,613	\$ 247,722
Contributions and grants	8,589	10,473
Gallery event receipts	435	405
Other operating receipts	13	3,989
Cash paid to vendors	(207,334)	(202,124)
Interest paid on first mortgage	(27,035)	(27,804)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>40,281</u>	<u>32,661</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on first mortgage	(15,105)	(14,334)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	<u>(15,105)</u>	<u>(14,334)</u>
NET CHANGE IN CASH AND RESTRICTED CASH	25,176	18,327
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	<u>191,029</u>	<u>172,702</u>
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 216,205</u>	<u>\$ 191,029</u>
RECONCILIATION OF NET CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ (233,818)	\$ (244,034)
Depreciation	237,274	237,279
Amortization	2,538	2,538
(Increase) decrease in assets:		
Tenant accounts receivable, net	(4,113)	2,537
Prepaid expenses	1,468	(11)
Increase (decrease) in liabilities:		
Accounts payable	(2,943)	4,274
Accrued expenses	1,150	1,250
Accrued interest payable	22,912	22,880
Security deposits	2,869	1,716
Prepaid rent	11,444	2,732
Accrued investor service fee payable	1,500	1,500
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ 40,281</u>	<u>\$ 32,661</u>
RECONCILIATION OF CASH AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION:		
Cash	\$ 10,620	\$ 6,901
Restricted cash	205,585	184,128
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 216,205</u>	<u>\$ 191,029</u>

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

CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS

The Chris White Community Development Corporation ("CWCDC"), which was named Shipley Village Community Development Corporation until September 2013, is a nonprofit organization. Its mission is to develop and sustain affordable artist housing and other infrastructures that encourage and support a Wilmington art community capable of innovative and enduring collaborations with the surrounding community.

Since its inception in 1999, CWCDC's principal activity has been the development and operation of Shipley Artist Lofts ("the Project"), a 23-unit apartment building and art gallery located at 701 Shipley Street in Downtown Wilmington, Delaware. A majority of the tenants are engaged in artistic endeavors. The project is held and operated through Shipley Lofts Limited Partnership ("the Partnership") whose sole general partner is Shipley Lofts, Inc. ("SLI"), CWCDC's wholly-owned subsidiary.

The low-income housing tax credit ("LIHTC") units of the Project have qualified for and been allocated LIHTCs pursuant to Internal Revenue Code Section 42 ("Section 42") which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The LIHTC units of the Project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. In addition, the Partnership has executed an Indenture of Restrictive Covenants for Low-Income Housing Tax Credit, which requires the utilization of the Project pursuant to Section 42 for a minimum of 30 years, even should disposition of the Project by the Partnership occur.

The Partnership received a LIHTC reservation from the Delaware State Housing Authority in the annual amount of \$248,462 under Section 42 of the Internal Revenue Code. The Partnership is restricted as to rental charges and is required to lease 18 of the 23 total units to low or moderate-income individuals or families subject to the provisions of Section 42(g)(1)(b) of the Internal Revenue Code.

The Project also qualifies for a historic tax credit, within the meaning of Section 47 (C)(3) of the Internal Revenue Code, which was allocated under Section 47 (a)(2) for the rehabilitation of the certified historic structure. The historic tax credit is \$1,234,682. Additionally, the Project qualified for state historic tax credits, as governed by the State of Delaware Historic Preservation Tax Credit Program, for \$1,739,790.

As general partner, SLI holds a 0.01 percent equity interest and operating control, while the sole investor limited partner, Delaware Equity Fund for Housing Limited Partnership VII, holds a 99.99 percent interest. CWCDC holds \$1,481,716 of its interest in the Partnership in the form of deferred notes and accrued interest, which are secured by the property and subordinate to the notes shown on the consolidated balance sheet. The investor limited partner's original capital contribution was \$4,063,640.

CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS (cont'd)

Pursuant to its mission, CWCDC operates the street-level Chris White Gallery portion of the Project, conducting or facilitating art-related and community events. From September 2018 through August 2019, CWCDC was engaged in a joint program with the Delaware Art Museum ("DAM") that awarded a Teacher-Artist-Curator-in-Residence ("TACIR") position to a qualified individual, whose efforts were evenly divided between the two organizations. In September 2019, a third partner, Delaware College of Art & Design ("DCAD"), and a new TACIR were added to the program. DCAD provided the TACIR's lodging, while CWCDC added an annual stipend of \$4,000. DAM's teaching activities and stipends were as before, while the TACIR's curation and management duties were split between the Chris White Gallery and DCAD. Gallery volunteer efforts of CWCDC board members and others increased accordingly. Because of the COVID-19 pandemic, almost all gallery operations were suspended from March 2020 onward, but TACIR stipends and housing arrangements continued through the end of that year. For the first half of 2021, CWCDC continued its relationship with the TACIR, concentrating on winding up carry-over projects and planning. Gallery exhibits were resumed in November 2021, with curation contracted on a per-exhibit basis. Expenses of program activities not directly related to the artists' residence or physical maintenance of the gallery are designated as community arts program expenses on the statement of activities.

As indicated in Note 13, access to Partnership cash by CWCDC is limited by the Partnership agreement; for clarity, CWCDC has elected to include such cash among the restricted cash items on the consolidated statement of financial position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of CWCDC, SLI, and the Partnership which are consolidated due to CWCDC's operating control over SLI and the Partnership as discussed in Note 1. All significant inter-company transactions, assets, liabilities, revenues, and expenses have been eliminated.

Basis of Presentation

In accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 958 - Not-for-Profit Entities, CWCDC reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All of CWCDC's consolidated net assets are without donor restrictions.

CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Allowance Method

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. At December 31, 2021 and 2020, the allowance for doubtful accounts was \$6,245 and \$3,425, respectively.

Rental Property

Land, land improvements, building, improvements, and furniture and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method over a 27.5-year life for building and improvements, over an 11.7-year life for land improvements, and over a 5-year life for furniture and equipment. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statements of activities.

Impairment of Long-Lived Assets

CWCDC reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2021 or 2020.

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Project and tenants of the property are operating leases.

Amortization

Mortgage costs are amortized over the term of the mortgage loan using the straight-line method. Accounting principles generally accepted in the United States of America require that mortgage costs be amortized over the term of the mortgage loan using the effective

CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

interest method; but the straight-line method is not materially different from the effective interest method in this instance. Similarly, presentation of net mortgage costs as an asset rather than a reduction of the liability does not materially affect the consolidated statements of financial position. Accumulated amortization at December 31, 2021 and 2020 was \$3,219 and \$2,937, respectively.

Tax credit monitoring fees are being amortized using the straight-line method over the 15-year compliance period. Accumulated amortization at December 31, 2021 and 2020 was \$25,755 and \$23,499, respectively.

Amortization expense for the years ended December 31, 2021 and 2020 was \$2,538 each year. Estimated amortization expense for each of the ensuing years through December 31, 2024 is \$2,538 and \$1,605 for December 31, 2025.

Income Taxes

CWCDC is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and, therefore, has made no provision for federal income taxes in the accompanying consolidated financial statements. In addition, CWCDC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a)(2) of the IRC. Income not related to CWCDC's tax-exempt purpose may be subject to taxation as unrelated business income.

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the IRS and other taxing authorities.

The Partnership's policy for penalties and interest assessed by income taxing authorities is to include them in administrative expenses. For the years ended December 31, 2021 and 2020, the Partnership did not incur any penalties and interest from taxing authorities.

CWCDC's Return of Organization Exempt from Income Tax (Form 990) and income tax returns filed by the Partnership are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2018 remain open.

SLI has no financial activities other than its 0.01 percent share, totaling \$295 of accumulated net losses of the Partnership, and therefore has incurred no income taxes.

CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Accordingly, these consolidated financial statements do not reflect a provision for income taxes, and none of the entities have any other tax positions requiring disclosure.

Use of Estimates

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

Fair Value

FASB ASC 820-10 establishes a hierarchy that requires use of observable inputs, such as market quotations, as much as practical in measuring fair value of recorded assets. The three levels of the hierarchy are as follows:

Level 1 – Unadjusted quoted prices for identical items in active markets that are accessible at the measurement date;

Level 2 – Quoted prices in markets not considered active, or financial instruments for which there are significant inputs other than market quotations that are observable;

Level 3 – Prices or valuations that require inputs that are both unobservable and significant to the fair value measurement.

Restricted Cash

Restricted cash consists of reserve funds and cash held for building operations.

NOTE 3 STATEMENT OF CASH FLOWS AND AVAILABILITY AND LIQUIDITY

The cash, cash equivalents, and restricted cash, as presented on the statements of financial position and cash flows, are held separately by the Partnership and CWCDC; and they may not be used or commingled except as shown in Notes 1, 6, 7, 11, and 13. Within these limitations (which are separate from, and do not include, any "donor restrictions" referenced in Note 2, Basis of Presentation), management believes that funds will be available to cover all obligations and needs of CWCDC and the Partnership as they arise.

CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 FUNCTIONAL EXPENSES

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

NOTE 5 LONG TERM LIABILITIES

First Mortgage

The Partnership has a permanent primary mortgage from Cinnaire (formerly Delaware Community Investment Corporation). The mortgage, in the amount of \$636,648, bears interest at 5.24 percent per annum and requires monthly principal and interest installments of \$3,512 beginning February 2011 through December 2028 when a balloon payment is due. The loan is secured by the rental property and an assignment of rents. The balance outstanding at December 31, 2021 and 2020 was \$507,694 and \$522,799, respectively.

Aggregate annual maturities of the first mortgage payable over each of the next five years and thereafter are as follows:

For the Year Ending December 31,

2022	\$ 15,915
2023	16,770
2024	17,670
2025	18,618
2026	19,618
Thereafter	<u>419,103</u>
Total	<u>\$ 507,694</u>

Second Mortgage

The Partnership has a permanent loan from the Episcopal Church of Saints Andrew and Matthew in the amount of \$400,000, connected with the ground lease (Note 11). Interest accrues at the applicable federal rate (4.84 percent). No payments of principal or interest are required until the end of the 30-year term on December 31, 2039, at which time all principal and accrued interest will be due. The loan is secured by the rental property. At December 31, 2021 and 2020, the outstanding balance was \$400,000, and accrued interest was \$280,720 and \$261,360, respectively.

CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 LONG TERM LIABILITIES (cont'd)

Third Mortgage

CWCDC has a permanent loan from the City of Wilmington, Delaware in the amount of \$325,000. Interest accrues at the rate of 1 percent per annum, compounded annually. No payments of principal and interest are required until December 31, 2039, at which time all principal and accrued interest will be due. The loan is secured by a similar note from the Partnership in favor of CWCDC maturing on December 17, 2040 (eliminated in consolidation) which is in turn secured only by the rental property. At December 31, 2021 and 2020, the outstanding balance was \$325,000, and accrued interest was \$40,428 and \$36,810, respectively.

NOTE 6 REPLACEMENT RESERVE

A replacement reserve began to be funded in July 2010 in the amount of \$500 per unit per year, to be increased by 3 percent each year thereafter. The Partnership is in compliance with these funding requirements and may use the reserve to fund major repairs, capital expenditures, and replacement of capital items. Reserve funds are generally invested in U.S. Treasury notes, FDIC-insured certificates of deposit, and a mutual fund that holds only U.S. government obligations and are carried at quoted value, Level 1 in the hierarchy described above. As of December 31, 2021 and 2020, the balance was \$132,602 and \$125,336, respectively.

NOTE 7 OPERATING DEFICIT RESERVE

As required by the partnership agreement, an operating reserve was funded in the initial amount of \$54,772 for operating expenses in the event available cash becomes inadequate. If the reserve should be depleted, and available cash still insufficient, CWCDC would be required to fund at least an additional \$54,652 of operating expenses. Drawdowns from this reserve require consent from the primary mortgage note holder and the investor limited partner. Replenishments may occur as shown in Note 13. Reserve funds are generally invested in U.S. Treasury notes, FDIC-insured certificates of deposit, and a mutual fund that holds only U.S. government obligations and are carried at quoted value, Level 1 in the hierarchy described above. At December 31, 2021 and 2020, the balance in the reserve was \$38,625 and \$38,658, respectively.

NOTE 8 RELATED PARTY TRANSACTIONS

Investor Service Fee

The investor limited partner is entitled to an annual investor service fee of \$1,500 from the Partnership for services performed, as revised in December 2016. Payments can only be

CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 RELATED PARTY TRANSACTIONS (cont'd)

made out of available cash flow, as defined (see Note 13); otherwise the fees accrue without interest until cash becomes available. As of December 31, 2021 and 2020, the amount unpaid was \$6,000 and \$4,500, respectively.

NOTE 9 PROPERTY MANAGEMENT FEES

The Project is managed by Moderate Income Management, Inc. ("MIMC"). The property management agreement provides for a monthly management fee of 8 percent of gross revenues, as defined. For the year ended December 31, 2021 and 2020, \$19,879 and \$18,704, respectively, has been earned and \$2,630 and \$1,628, respectively, remains unpaid, and is included in accounts payable.

NOTE 10 REIMBURSED COSTS

MIMC, as agent, pays most Project expenditures (including its management fees) directly from a Partnership bank account. Certain payroll and other related expenses of the Project are incurred by MIMC and subsequently reimbursed. Such additional reimbursed costs totaled \$37,763 and \$35,058 during the years ended December 31, 2021 and 2020, respectively.

NOTE 11 SECURITY DEPOSITS

Since December 1, 2011, incoming tenants have generally been required to make security deposits equal to one month's rent. Those funds, which can be used to recover unpaid rents or other charges, are segregated in a separate bank account. Five tenants, whose initial lease was signed before that date, do not have security deposits, the Partnership's initial exposure to damage or collection loss having been covered by a surety bond arrangement; that arrangement has since lapsed. Any future losses not recoverable from those tenants, if incurred, will be borne by the Partnership.

NOTE 12 GROUND LEASE

The Partnership entered into a ground lease with the Episcopal Church of Saints Andrew and Matthew. An initial payment of \$500,000 (\$100,000 in cash and \$400,000 in a subordinate mortgage loan) was incurred and has been capitalized on the consolidated statements of financial position to land and building. Additional rent of \$100 per year through the end of the lease term on December 31, 2095 is required.

CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 PROJECT PROFITS, LOSSES, AND DISTRIBUTIONS

Partnership profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the investor limited partner. The Project's capitalization and commitments to provide low-income housing are configured to result in operation at or near break-even on a net cash flow basis, despite substantial operating losses shown after charges for depreciation and amortization are taken into account.

Use of available cash flow from the Project, if any, is governed by the partnership agreement. It is to be allocated first to replenishment of the operating reserve (mandatory if the reserve balance should fall below \$27,386 and if replenishment is required by the investor limited partner); next to pay the investor limited partner any preference amounts that might arise from events referred to in Note 14; and then to pay the investor limited partner any outstanding investor service fee. In the event of any further excess, at least 80 percent would be available to the general partner and the remainder to the investor limited partner.

Before December 31, 2021, the unpaid portion (\$15,107, eliminated in consolidation) of a development fee was payable by the Partnership to CWCDC, only from distributable cash flow as specified above. Since the Partnership would have been obligated to pay all of the balance without such limitation after that date, the parties agreed to a financing arrangement under which it will be paid over five years beginning in 2022, with annual interest at three percent. Installments of \$3,200 are due each year through 2025, and the remaining balance in 2026.

NOTE 14 CONTINGENCY

The Project's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance could require an adjustment to the contributed capital by the investor limited partner or recapture of substantial amounts of the grants that enabled CWCDC to finance its portion of the project.

NOTE 15 CONCENTRATION OF CREDIT RISK

CWCDC and the Partnership maintain balances in several accounts in two banks and a brokerage house. Cash holdings in the banks and investments in certificates of deposit are protected by the Federal Deposit Insurance Corporation; and in the case of brokerage accounts, cash is protected by the Securities Investor Protection Corporation, all to a limit of \$250,000. Other than exposure to interest-rate fluctuations, obligations of the U.S. Government are considered risk free. It is not likely (but possible) that these balances will

CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 CONCENTRATION OF CREDIT RISK (cont'd)

exceed federal insurance limits; neither CWCDC nor the Partnership have experienced any losses with respect to bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2021 or 2020.

NOTE 16 IMPACT OF THE COVID-19 PANDEMIC AND ECONOMIC DOWNTURN

During 2020, the World Health Organization declared COVID-19 to be a pandemic. The virus has spread throughout the world and governments have taken various actions, attempting to slow transmission and alleviate its economic impact. The Partnership has been seriously affected by the economic impact of the COVID-19 pandemic and related restrictions on schools, businesses, and personal contact. The impact of the pandemic on CWCDC's gallery operations is discussed in Note 1.

MIMC has received a Payroll Protection Program ("PPP") loan, part of which was used to cover a portion of the cost of an MIMC employee billed to the Partnership. As of December 31, 2020, \$4,566 of that cost was included in accounts payable; the loan was formally forgiven during 2021, and the balance was taken into income.

Several tenants have experienced losses of employment or other income, but the effect on rent collections has not been great, largely because of government rental assistance. That may worsen, perhaps significantly – the impact of these restrictions, and the potential effect to the Partnership, cannot be reasonably estimated at this time. Management believes that through engagement with tenants, (helping them in seeking unemployment benefits and other forms of relief), use of its reserve funds, seeking additional direct aid from governments and other sources, and, possibly, creditor forbearance, building operations will continue for the foreseeable future.

NOTE 17 SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has concluded that no events through the date these financial statements were issued have occurred that require disclosure.

## **OTHER INFORMATION**

**CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION**  
**CONDENSED CONSOLIDATING SUMMARY - UNAUDITED**  
**DECEMBER 31, 2021**

	Shipley Lofts LP	CWCDC	Adjustments	Eliminations	CWCDC Consolidated
<b>Balance Sheet</b>					
Operating cash	\$ 18,884	\$ 10,620	\$ (18,884)	\$ -	\$ 10,620
Restricted cash	186,701	-	18,884	-	205,585
Receivables, net	7,173	-	-	-	7,173
Prepayments	6,213	-	-	-	6,213
Land, building, equipment, net	3,932,247	-	87,134	-	4,019,381
Accounts receivable from affiliate	-	11,907	-	(11,907)	-
Notes receivable from affiliate	-	1,847,144	-	(1,847,144)	-
Other assets	13,330	-	-	-	13,330
Investment in affiliate	-	1	-	(1)	-
<b>Total Assets</b>	<b>4,164,548</b>	<b>1,869,672</b>	<b>87,134</b>	<b>(1,859,052)</b>	<b>4,262,302</b>
Operating liabilities	62,343	3,417	-	(3,295)	62,465
Accounts payable to affiliate	11,907	(3,295)	-	(8,612)	-
Notes payable to affiliate	1,847,144	-	-	(1,847,144)	-
First mortgage note payable	509,911	-	-	-	509,911
Deferred Church mortgage note payable	680,720	-	-	-	680,720
Deferred City mortgage note payable	-	365,428	-	-	365,428
<b>Total Liabilities</b>	<b>3,112,025</b>	<b>365,550</b>	<b>-</b>	<b>(1,859,051)</b>	<b>1,618,524</b>
Net assets	1,052,523	1,504,122	(4,098)	(2,552,547)	-
Non-controlling (non-CWCDC) interest	-	-	-	1,052,818	1,052,818
CWCDC interest	-	-	91,232	1,499,728	1,590,960
<b>Total Liabilities and Net Assets</b>	<b>4,164,548</b>	<b>1,869,672</b>	<b>87,134</b>	<b>(1,859,052)</b>	<b>4,262,302</b>
<b>Statement of Activities</b>					
Building revenue, net	238,475	-	-	-	238,475
Gallery revenue	-	435	-	-	435
Contributions and grants	-	8,589	-	-	8,589
Interest income of affiliate mortgages	-	7,618	-	(7,618)	-
Forgiveness of loan	4,566	-	-	-	4,566
Other income	5,228	-	-	(80)	5,148
<b>Net Revenue</b>	<b>248,269</b>	<b>16,642</b>	<b>-</b>	<b>(7,698)</b>	<b>257,213</b>
Building administration and maintenance	194,225	-	-	-	194,225
Gallery event expenses	-	4,420	-	(80)	4,340
CWCDC non-program expenses	-	2,707	-	-	2,707
Interest on first mortgage	26,969	-	-	-	26,969
Interest on deferred mortgages	19,360	3,618	-	-	22,978
Interest expense of affiliate mortgages	7,618	-	-	(7,618)	-
Depreciation and amortization	235,714	-	4,098	-	239,812
<b>Total Expenses</b>	<b>483,886</b>	<b>10,745</b>	<b>4,098</b>	<b>(7,698)</b>	<b>491,031</b>
<b>Change in Net Assets</b>	<b>\$ (235,617)</b>	<b>\$ 5,897</b>	<b>\$ (4,098)</b>	<b>\$ -</b>	<b>\$ (233,818)</b>

**CHRIS WHITE COMMUNITY DEVELOPMENT CORPORATION**  
**CONDENSED CONSOLIDATING SUMMARY - UNAUDITED**  
**DECEMBER 31, 2020**

	Shipley Lofts LP	CWCDC	Adjustments	Eliminations	CWCDC Consolidated
<b>Balance Sheet</b>					
Operating cash	\$ 7,529	\$ 6,901	\$ (7,529)	\$ -	\$ 6,901
Restricted cash	176,599	-	7,529	-	184,128
Receivables, net	3,060	-	-	-	3,060
Prepayments	7,681	-	-	-	7,681
Land, building, equipment, net	4,165,423	-	91,232	-	4,256,655
Accounts receivable from affiliate	-	15,107	-	(15,107)	-
Notes receivable from affiliate	-	1,839,526	-	(1,839,526)	-
Other assets	15,868	-	-	-	15,868
Investment in affiliate	-	1	-	(1)	-
<b>Total Assets</b>	<b>4,376,160</b>	<b>1,861,535</b>	<b>91,232</b>	<b>(1,854,634)</b>	<b>4,474,293</b>
Operating liabilities	46,945	1,500	-	-	48,445
Accounts payable to affiliate	15,107	-	-	(15,107)	-
Notes payable to affiliate	1,839,526	-	-	(1,839,526)	-
First mortgage note payable	525,082	-	-	-	525,082
Deferred Church mortgage note payable	661,360	-	-	-	661,360
Deferred City mortgage note payable	-	361,810	-	-	361,810
<b>Total Liabilities</b>	<b>3,088,020</b>	<b>363,310</b>	<b>-</b>	<b>(1,854,633)</b>	<b>1,596,697</b>
Net assets	1,288,140	1,498,225	(4,098)	(2,782,267)	-
Non-controlling (non-CWCDC) interest	-	-	-	1,288,411	1,288,411
CWCDC interest	-	-	95,330	1,493,855	1,589,185
<b>Total Liabilities and Net Assets</b>	<b>4,376,160</b>	<b>1,861,535</b>	<b>91,232</b>	<b>(1,854,634)</b>	<b>4,474,293</b>
<b>Statement of Activities</b>					
Building revenue, net	221,843	-	-	-	221,843
Gallery revenue	-	405	-	-	405
Contributions and grants	-	10,473	-	-	10,473
Interest income of affiliate mortgages	-	7,582	-	(7,582)	-
Other income	5,410	1	-	(24)	5,387
<b>Net Revenue</b>	<b>227,253</b>	<b>18,461</b>	<b>-</b>	<b>(7,606)</b>	<b>238,108</b>
Building administration and maintenance	183,735	-	-	-	183,735
Gallery event expenses	-	5,801	-	(24)	5,777
CWCDC non-program expenses	-	2,129	-	-	2,129
Interest on first mortgage	27,742	-	-	-	27,742
Interest on deferred mortgages	19,360	3,582	-	-	22,942
Interest expense of affiliate mortgages	7,582	-	-	(7,582)	-
Depreciation and amortization	235,719	-	4,098	-	239,817
<b>Total Expenses</b>	<b>474,138</b>	<b>11,512</b>	<b>4,098</b>	<b>(7,606)</b>	<b>482,142</b>
<b>Change in Net Assets</b>	<b>\$ (246,885)</b>	<b>\$ 6,949</b>	<b>\$ (4,098)</b>	<b>\$ -</b>	<b>\$ (244,034)</b>