

Magnificat Houses, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2022 and 2021

Magnificat Houses, Inc.

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Independent Auditors' Report

To the Board of Directors of
Magnificat Houses, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Magnificat Houses, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Magnificat Houses, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Magnificat Houses, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Blazek & Vetterling

February 14, 2023

Magnificat Houses, Inc.

Statements of Financial Position as of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 202,622	\$ 366,343
Contributions receivable <i>(Note 3)</i>	259,622	182,716
Prepaid expenses and other assets	79,348	20,509
Investments <i>(Note 4)</i>	417,146	765,989
Property, net <i>(Note 5)</i>	<u>3,493,822</u>	<u>3,620,425</u>
TOTAL ASSETS	<u>\$ 4,452,560</u>	<u>\$ 4,955,982</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 43,778	\$ 26,385
Resident trust accounts	<u>12,209</u>	<u>22,787</u>
Total liabilities	<u>55,987</u>	<u>49,172</u>
Commitments and contingencies <i>(Note 9)</i>		
Net assets:		
Without donor restrictions	4,352,727	4,893,102
With donor restrictions for resident services	<u>43,846</u>	<u>13,708</u>
Total net assets	<u>4,396,573</u>	<u>4,906,810</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,452,560</u>	<u>\$ 4,955,982</u>

See accompanying notes to financial statements.

Magnificat Houses, Inc.

Statement of Activities for the year ended June 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions of cash and other financial assets:			
Government grants <i>(Note 7)</i>		\$ 282,893	\$ 282,893
Other	\$ 649,458	351,836	1,001,294
Contributions of nonfinancial assets <i>(Note 6)</i> :			
Food commodities	680,730		680,730
Contributed thrift store items	172,520		172,520
Resident rent	227,137		227,137
Thrift store revenue	135,520		135,520
Thrift store cost of goods sold	(135,520)		(135,520)
Special events	81,008		81,008
Direct donor benefit costs	(15,291)		(15,291)
Loss on impairment of property	(15,000)		(15,000)
Net investment return and other income	<u>(48,428)</u>		<u>(48,428)</u>
Total revenue	1,732,134	634,729	2,366,863
Net assets released from restrictions:			
Program expenditures	<u>604,591</u>	<u>(604,591)</u>	
Total	<u>2,336,725</u>	<u>30,138</u>	<u>2,366,863</u>
EXPENSES:			
Program services	2,223,050		2,223,050
Management and general	429,893		429,893
Fundraising	<u>224,157</u>		<u>224,157</u>
Total expenses	<u>2,877,100</u>		<u>2,877,100</u>
CHANGES IN NET ASSETS	(540,375)	30,138	(510,237)
Net assets, beginning of year	<u>4,893,102</u>	<u>13,708</u>	<u>4,906,810</u>
Net assets, end of year	<u>\$ 4,352,727</u>	<u>\$ 43,846</u>	<u>\$ 4,396,573</u>

See accompanying notes to financial statements.

Magnificat Houses, Inc.

Statement of Activities for the year ended June 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions of cash and other financial assets:			
Government grants <i>(Note 7)</i>		\$ 681,815	\$ 681,815
Other	\$ 639,340	250,596	889,936
Contributions of nonfinancial assets <i>(Note 6)</i> :			
Food commodities	550,787		550,787
Contributed thrift store items	134,457		134,457
Resident rent	203,176		203,176
Thrift store revenue	134,457		134,457
Thrift store cost of goods sold	(134,457)		(134,457)
Special events	61,112		61,112
Direct donor benefit costs	(25,240)		(25,240)
Net investment return	89,502		89,502
Total revenue	1,653,134	932,411	2,585,545
Net assets released from restrictions:			
Program expenditures	1,014,863	(1,014,863)	
Total	2,667,997	(82,452)	2,585,545
EXPENSES:			
Program services	2,070,502		2,070,502
Management and general	289,385		289,385
Fundraising	172,958		172,958
Total expenses	2,532,845		2,532,845
CHANGES IN NET ASSETS	135,152	(82,452)	52,700
Net assets, beginning of year	4,757,950	96,160	4,854,110
Net assets, end of year	\$ 4,893,102	\$ 13,708	\$ 4,906,810

See accompanying notes to financial statements.

Magnificat Houses, Inc.

Statements of Functional Expenses for the years ended June 30, 2022 and 2021

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2022 TOTAL</u>
Salaries and related expense	\$ 560,121	\$ 178,832	\$ 159,967	\$ 898,920
Food	680,730			680,730
Professional services and contract labor	60,055	225,560	38,475	324,090
Repairs and maintenance	218,567			218,567
Insurance	155,481	4,933	16	160,430
Utilities	155,577	3,412	562	159,551
Supplies	119,656	16,778	21,617	158,051
Depreciation	154,221	378	378	154,977
Security	60,050			60,050
Travel and transportation	25,752		3,142	28,894
Direct assistance to or on behalf of residents	28,705			28,705
Other	4,135			4,135
Total expenses	<u>\$ 2,223,050</u>	<u>\$ 429,893</u>	<u>\$ 224,157</u>	2,877,100
Thrift store cost of goods sold				135,520
Direct donor benefit costs				<u>15,291</u>
Total				<u>\$ 3,027,911</u>

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2021 TOTAL</u>
Salaries and related expense	\$ 544,850	\$ 142,301	\$ 98,519	\$ 785,670
Food	550,787			550,787
Professional services and contract labor	56,640	125,335	52,816	234,791
Repairs and maintenance	207,200	49		207,249
Insurance	156,109	4,992	144	161,245
Utilities	186,834	1,095	759	188,688
Supplies	105,164	15,235	17,759	138,158
Depreciation	160,242	378	1,727	162,347
Security	41,599			41,599
Travel and transportation	28,962		1,234	30,196
Direct assistance to or on behalf of residents	32,115			32,115
Total expenses	<u>\$ 2,070,502</u>	<u>\$ 289,385</u>	<u>\$ 172,958</u>	2,532,845
Thrift store cost of goods sold				134,457
Direct donor benefit costs				<u>25,240</u>
Total				<u>\$ 2,692,542</u>

See accompanying notes to financial statements.

Magnificat Houses, Inc.

Statements of Cash Flows for the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (510,237)	\$ 52,700
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	154,977	162,347
Loss on impairment of property	15,000	
Net realized and unrealized (gain) loss on investments	62,538	(75,301)
Changes in operating assets and liabilities:		
Contributions receivable	(76,906)	(182,716)
Prepaid expenses and other assets	(58,839)	3,469
Accounts payable and accrued expenses	17,393	25,354
Resident trust accounts	(10,578)	12,301
Refundable advances		(137,079)
Net cash used by operating activities	<u>(406,652)</u>	<u>(138,925)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(541,459)	(475,752)
Proceeds from sale of investments	726,324	470,726
Net sales of money market mutual funds held as investments	101,440	90,825
Purchase of property	<u>(43,374)</u>	
Net cash provided by investing activities	<u>242,931</u>	<u>85,799</u>
NET CHANGE IN CASH	(163,721)	(53,126)
Cash, beginning of year	<u>366,343</u>	<u>419,469</u>
Cash, end of year	<u>\$ 202,622</u>	<u>\$ 366,343</u>

See accompanying notes to financial statements.

Magnificat Houses, Inc.

Notes to Financial Statements for the years ended June 30, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Magnificat Houses, Inc. (Magnificat Houses), a nonprofit organization, provides various services for the poor, disadvantaged and those with a mental health diagnosis. Magnificat Houses operates 16 group homes, a clubhouse for mentally challenged adults, and *Loaves and Fishes* soup kitchen which feeds Houston's street community. Magnificat Houses' clubhouse is approved by the Substance Abuse and Mental Health Services Administration and certified by the International Center for Clubhouse Development.

Federal income tax status – Magnificat Houses is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property is reported at cost, if purchased, or at fair value at the date of gift, if donated. Magnificat Houses capitalizes property that has a cost or fair value of \$5,000 or greater and an estimated useful life of more than one year. Magnificat Houses recognizes depreciation using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years.

Resident trust accounts – Magnificat Houses holds accounts to help residents manage their finances and pay for expenses. Each resident's account is tracked separately. Magnificat Houses does not have discretion over the use of these funds and the receipts and disbursements are not reported as revenue and expenses of Magnificat Houses. Such accounts are reflected in cash offset by a corresponding liability in the statement of financial position.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions of cash and other financial assets are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Magnificat Houses is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been substantially met. Contributions receivable expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present

value of future cash flows, if material. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. Funding received before conditions are met is reported as a refundable advance.

Contributions of nonfinancial assets are recognized as revenue at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used or sold. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Resident rent arises from short-term rental agreements. Rental rates are set based on the operating expenses of each property and include utilities and three home-cooked meals per day. Payment is due at the beginning of each month. Revenue is recognized at the amount collected net of any price concessions. There are no receivables, or other assets or liabilities associated with resident rent at June 30, 2022, 2021 or 2020.

Thrift store revenue is recognized net of sales tax at the point in time when goods are sold at the amount collected from the customer at the time of sale. There are no receivables, or other assets or liabilities associated with thrift store revenue at June 30, 2022, 2021 or 2020.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the events occur. Direct donor benefit costs represent the cost of goods and services provided to attendees of the special events.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and utilities are allocated based on square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. Magnificat Houses is required to adopt this ASU for fiscal year 2023.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 202,622	\$ 366,343
Contributions receivable	259,622	182,716
Other receivables	21,622	
Investments	<u>417,146</u>	<u>765,989</u>
Total financial assets	901,012	1,315,048
Less financial assets not available for general expenditure:		
Resident trust accounts	(12,209)	(22,787)
Donor-restricted for future periods and future projects	<u>(10,000)</u>	<u></u>
Total financial assets available for general expenditure	<u>\$ 878,803</u>	<u>\$ 1,292,261</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Magnificat Houses considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. As part of Magnificat Houses' liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due by maintaining a significant portion of its assets in cash and investments.

Magnificat Houses received a \$127,079 Paycheck Protection Program loan through the U. S. Small Business Administration (SBA) in May 2020. Additionally, Magnificat Houses received a \$10,000 loan through the SBA Economic Injury Disaster Loan Program in May 2020. The loans were forgiven in full during 2021 and have been recognized as government grant contributions.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Daybreak Foundation	\$ 198,956	\$ 95,000
Government agencies	57,112	84,162
Other	<u>3,554</u>	<u>3,554</u>
Total contributions receivable	<u>\$ 259,622</u>	<u>\$ 182,716</u>

All contributions receivable at June 30, 2022 are expected to be collected within one year.

At June 30, 2022, Magnificat Houses had received approximately \$98,000 of conditional contributions from government agencies. These contributions will be recognized as revenue as allowable expenses are incurred.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement inputs at June 30, 2022 and 2021 are unadjusted quoted prices in active markets for identical assets that Magnificat Houses has the ability to access at the reporting date and therefore fall within Level 1 of the fair value hierarchy.

Assets measured at fair value are as follows:

	2022 <u>LEVEL 1</u>	2021 <u>LEVEL 1</u>
Investments:		
Exchange-traded funds	\$ 242,571	\$ 229,655
Mutual funds:		
Intermediate-term bonds	78,905	153,166
Large-cap equities	30,151	111,033
Money market	28,651	130,091
Short-term bonds	4,106	77,641
Mid-cap equities		56,295
Small-cap equities		8,108
U. S. Treasury notes	<u>32,762</u>	<u> </u>
Total assets measured at fair value	<u>\$ 417,146</u>	<u>\$ 765,989</u>

Valuation methods used for assets measured at fair value are as follows:

- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the reported net asset value of shares held.
- *U. S. Treasury notes* are valued at the closing price reported on the active market on which the individual securities are traded, or prices obtained from independent quotation bureaus that use computerized valuation formulas to calculate fair values.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Magnificat Houses believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 5 – PROPERTY

Property consists of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,220,499	\$ 1,235,499
Building and improvements	5,316,345	5,272,921
Furniture, fixtures and equipment	483,769	483,769
Vehicles	<u>153,959</u>	<u>160,484</u>
Total property, at cost	7,174,572	7,152,673
Accumulated depreciation	<u>(3,680,750)</u>	<u>(3,532,248)</u>
Property, net	<u>\$ 3,493,822</u>	<u>\$ 3,620,425</u>

NOTE 6 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

Food commodities are received from area food banks and from the general public. Food commodities are used in programs to provide meals to residents and to Houston's street community at the *Loaves and Fishes* soup kitchen. Food commodities are valued based on the average price per pound of a typical basket of commodities estimated by the most recent Feeding America Product Valuation Survey. Clothing, furniture, and other household goods are received from the general public and are sold in the thrift store. These items are valued based on the estimated net realizable value.

Magnificat Houses relies on the generosity of volunteers who provide services at no cost. While these contributed services do not meet the criteria for recognition in the financial statements, they are nonetheless valuable to the programs and administration of Magnificat Houses. During the fiscal year ended June 30, 2022, management estimates volunteers provided the following support:

	<u>HOURS OF SERVICE</u>
<i>Loaves and Fishes</i> soup kitchen	9,269
Thrift store	2,186
Maintenance	2,042
Club House	<u>108</u>
Program support	13,605
Administration	<u>760</u>
Total volunteer hours of service	<u>14,365</u>

NOTE 7 – GOVERNMENT GRANTS

Government grant revenue includes the following:

	<u>2022</u>	<u>2021</u>
U. S. Department Health and Human Services	\$ 169,409	\$ 192,299
U. S. Department of Housing and Urban Development	113,484	248,954
U. S. Small Business Administration		137,079
U. S. Department of Homeland Security	<u></u>	<u>103,483</u>
Total government grants	<u>\$ 282,893</u>	<u>\$ 681,815</u>

Magnificat Houses' government grants require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by Magnificat Houses with the terms of the contracts. Management believes such disallowances, if any, would not be material to Magnificat Houses' financial position or changes in net assets.

NOTE 8 – DAYBREAK FOUNDATION

Daybreak Foundation (Daybreak) is a separate, independent §501(c)(3) nonprofit organization established in 1985 as a supporting organization operated exclusively for the benefit of Magnificat Houses. Under the terms of the agreement, Magnificat Houses may draw down the Daybreak investment earnings each year. Additional requests, subject to a majority approval by the Daybreak Board of Directors, may be made for special projects, such as asset acquisitions and operations. During 2022 and 2021, Daybreak made unconditional contributions of \$103,956 and \$95,000, respectively, to Magnificat Houses for unrestricted purposes.

NOTE 9 – ROSEMARY'S PLACE

In early October 2022, Magnificat Houses and NHP Foundation (NHPF), a national not-for-profit provider of affordable housing, finalized a 99-year ground lease of land from Magnificat Houses, Inc. on which a 149-unit apartment development for those experiencing homelessness in Houston will be built. The new apartments at 3300 Caroline will be known as RoseMary's Place.

The development was made possible with \$18,656,493 from the City of Houston Housing and Community Development Department, \$10,248,169 from Harris County Community Services Department, \$13,554,324 from the sale of tax credits to Hudson Housing, and \$2,363,369 from Magnificat Houses, Inc. (MHI) as a sponsor loan. The City of Houston requires a *Fee Joinder* for its forgivable loan amount. In the event of a catastrophic event such as breach of guarantees by NHPF, the land and project could be sold. Upon termination, the land and project revert to Magnificat Houses.

MHI acquired a 99-year office lease on the first floor of the new project. As a partner, MHI will receive a portion of developer fees and project cash flow, if any. For at least the first year, MHI will provide supportive services to the apartment residents.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 14, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than those related to RoseMary's Place were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.