

## **CitySquare and Subsidiaries**

Consolidated Financial Statements  
and Supplementary Information  
and Single Audit Reports and Schedules

December 31, 2020



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
CitySquare and Subsidiaries  
Dallas, Texas

We have audited the accompanying consolidated financial statements of CitySquare and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Akard Walk Residential, LLC, Wynnewood Family Housing, LP, and Wynnewood Seniors Housing, LP, all controlled subsidiaries, whose statements reflect total assets constituting 58% of consolidated total assets at December 31, 2020 and total revenues constituting 11% of consolidated total revenues for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Akard Walk Residential, LLC, Wynnewood Family Housing, LP, and Wynnewood Seniors Housing, LP, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and, except for the audit of Akard Walk Commercial, LLC, Akard Walk Residential, LLC, City Walk at Akard Master Condominium Association, Inc., St. Anne's Hospital, LLC, TEOF, Wynnewood Family Housing, LP, Wynnewood Seniors Housing, LP, and CitySquare Housing, the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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



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## Opinion

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CitySquare and Subsidiaries as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 34 - 38 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Additionally, the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2021, on our consideration of the Organization's, excluding Akard Walk Commercial, LLC, Akard Walk Residential, LLC, City Walk at Akard Master Condominium Association, Inc., St. Anne's Hospital, LLC, TEOF, Wynnewood Family Housing, LP, Wynnewood Seniors Housing, LP, and CitySquare Housing, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Armanino<sup>LLP</sup>  
Dallas, Texas

July 28, 2021

CitySquare and Subsidiaries  
Consolidated Statement of Financial Position  
December 31, 2020

ASSETS

Cash and cash equivalents	\$ 5,041,779
Cash held for agency	3,077,548
Restricted deposits and reserves	3,252,964
Grants receivable	1,032,513
Rents receivable, net	505,206
Contributions receivable	100,000
Receivables from related entities	183,779
Investments in related entities	1,120,792
Prepaid and other assets	839,768
Tax credit fees, net	467,411
Cash restricted for acquisition of long-lived assets	65,842
Property and equipment, net	77,671,407
Pledged assets	
Cash and cash equivalents	933,529
Property and equipment, net	<u>3,534,995</u>
 Total assets	 <u><u>\$ 97,827,533</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable to unrelated entities	\$ 1,224,792
Accounts payable to related entities	1,694,635
Accrued expenses and other liabilities	2,106,148
Agency liability	3,077,548
Lines of credit	150,000
Contingent notes payable	10,310
Notes payable, net	25,388,263
Pledged liabilities	
Accounts payable	65,291
Accrued expenses	<u>4,349,965</u>
Total liabilities	<u><u>38,066,952</u></u>
Net assets	
Without donor restrictions	
Controlling	25,710,519
Noncontrolling	<u>33,472,205</u>
Total without donor restrictions	59,182,724
With donor restrictions	<u>577,857</u>
Total net assets	<u><u>59,760,581</u></u>
 Total liabilities and net assets	 <u><u>\$ 97,827,533</u></u>

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

CitySquare and Subsidiaries  
Consolidated Statement of Activities  
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions and grants			
Individuals	\$ 2,284,208	\$ 38,669	\$ 2,322,877
Religious organizations	806,696	-	806,696
Corporations	1,006,151	108,888	1,115,039
Foundations	5,061,260	48,899	5,110,159
Federal, state, and city	10,284,849	48,196	10,333,045
United Way	403,627	66,332	469,959
In-kind contributions	6,566,357	-	6,566,357
Contribution of Tax Increment Financing fund	8,662,565	-	8,662,565
Total contributions and grants	35,075,713	310,984	35,386,697
Program revenue	878,876	-	878,876
Sales of merchandise	7,352	-	7,352
Proceeds from fundraising events	224,403	-	224,403
Less: direct benefit to donors	(21,902)	-	(21,902)
Interest income	14,778	-	14,778
Rental income, net of vacancies	5,759,702	-	5,759,702
Tenant expense reimbursements	55,315	-	55,315
Other revenue	363,866	-	363,866
Total revenues and other support	42,358,103	310,984	42,669,087
Net assets released from restriction	484,718	(484,718)	-
Total revenues and other support	42,842,821	(173,734)	42,669,087

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

CitySquare and Subsidiaries  
Consolidated Statement of Activities  
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Functional expenses			
Program services			
Hope	7,072,257	-	7,072,257
Housing	14,048,765	-	14,048,765
Hunger	7,150,879	-	7,150,879
Health	1,544,033	-	1,544,033
Total program services	<u>29,815,934</u>	<u>-</u>	<u>29,815,934</u>
Support services			
Management and general	4,506,375	-	4,506,375
Fundraising	907,716	-	907,716
Total support services	<u>5,414,091</u>	<u>-</u>	<u>5,414,091</u>
Total functional expenses	<u>35,230,025</u>	<u>-</u>	<u>35,230,025</u>
Change in net assets from operations	<u>7,612,796</u>	<u>(173,734)</u>	<u>7,439,062</u>
Other income/(expense) and gains/(losses)			
Loss on equity in earnings of related entities	(5,138)	-	(5,138)
Other income	7,030	-	7,030
Loss on sale of property and equipment	(7,888)	-	(7,888)
Loss on extinguishment of debt	(550,119)	-	(550,119)
Loss on impairment of investments	(8,616,699)	-	(8,616,699)
Gain on put option	3,767,750	-	3,767,750
Contribution of net assets (See Note 14)	(5,233,897)	-	(5,233,897)
Total other income/(expense) and gains/(losses)	<u>(10,638,961)</u>	<u>-</u>	<u>(10,638,961)</u>
Change in net assets	(3,026,165)	(173,734)	(3,199,899)
Noncontrolling interest	<u>(1,446,718)</u>	<u>-</u>	<u>(1,446,718)</u>
Change in net assets attributable to the controlling interest	(1,579,447)	(173,734)	(1,753,181)
Net assets, beginning of year	62,268,574	751,591	63,020,165
Distributions	(59,685)	-	(59,685)
Noncontrolling interest	<u>(1,446,718)</u>	<u>-</u>	<u>(1,446,718)</u>
Net assets, end of year	<u>\$ 59,182,724</u>	<u>\$ 577,857</u>	<u>\$ 59,760,581</u>

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

CitySquare and Subsidiaries  
Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2020

	Hope	Housing	Hunger	Health	Total Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Operating expenses									
Personnel expenses	\$ 4,008,696	\$ 3,627,582	\$ 614,926	\$ 244,562	\$ 8,495,766	\$ 2,495,359	\$ 561,125	\$ -	\$ 11,552,250
Direct assistance to clients	1,411,748	3,174,963	1,143,547	-	5,730,258	1,094	2,709	-	5,734,061
Bad debt expense	-	260,480	-	-	260,480	2,330	-	-	262,810
Bank charges	6,297	2,976	898	296	10,467	13,581	20,071	-	44,119
Other in-kind expenses	141,340	90,862	4,897,178	1,265,982	6,395,362	49,845	118,390	-	6,563,597
Dues and subscriptions	10,397	4,801	1,050	346	16,594	21,370	7,362	-	45,326
Information technology	46,831	40,578	20,509	4,266	112,184	19,899	3,474	-	135,557
Interest expense	1,876	875,032	971	5	877,884	228,147	-	-	1,106,031
Legal and professional fees	314,055	896,512	19,695	12,012	1,242,274	507,725	88,941	-	1,838,940
Marketing	1,080	11,873	-	-	12,953	494	25,776	-	39,223
Special events	-	-	-	-	-	-	-	21,902	21,902
Office expenses	12,333	12,332	2,787	162	27,614	2,058	276	-	29,948
Occupancy expenses	448,849	1,858,060	344,052	9,615	2,660,576	451,673	10,930	-	3,123,179
Printing and postage	14,350	800	644	125	15,919	442	39,596	-	55,957
Property taxes	83,020	522,723	-	-	605,743	107,382	-	-	713,125
Other	352,336	112,047	975	111	465,469	34,579	256	-	500,304
Supplies and materials	65,569	276,922	49,735	1,402	393,628	38,099	905	-	432,632
Telephone	50,262	52,240	8,740	2,632	113,874	12,730	2,720	-	129,324
Travel	38,968	85,074	13,204	36	137,282	3,194	56	-	140,532
Depreciation and amortization	64,250	2,142,908	31,968	2,481	2,241,607	516,374	25,129	-	2,783,110
Total expenses	7,072,257	14,048,765	7,150,879	1,544,033	29,815,934	4,506,375	907,716	21,902	35,251,927
Less expenses included with revenues on the consolidated statement of activities									
Special events	-	-	-	-	-	-	-	(21,902)	(21,902)
Total expenses included in the expense section on the consolidated statement of activities	<u>\$ 7,072,257</u>	<u>\$ 14,048,765</u>	<u>\$ 7,150,879</u>	<u>\$ 1,544,033</u>	<u>\$ 29,815,934</u>	<u>\$ 4,506,375</u>	<u>\$ 907,716</u>	<u>\$ -</u>	<u>\$ 35,230,025</u>

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

CitySquare and Subsidiaries  
Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2020

Cash flows from operating activities	
Change in net assets	\$ (3,199,899)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	2,955,379
Amortization of tax credit fees	55,696
Amortization of debt issuance costs	54,686
Loss on impairment of investments	8,616,699
Loss on equity in earnings of related entities	5,138
Loss on sale of property and equipment	7,888
Loss on extinguishment of debt	550,119
Gain on put option	(3,767,750)
Gain on forgiveness of contingent payable	(1,017,753)
Contribution from investment of related entity	(172,502)
Contribution of Tax Increment Financing fund	(8,662,565)
Changes in operating assets and liabilities	
Grants receivable	(278,966)
Rents receivable, net	58,145
Contributions receivable	317,500
Receivables from related entities	(26,374)
Prepaid and other assets	99,781
Accounts payable to unrelated entities	(26,391)
Accounts payable to related entities	(336,669)
Accrued expenses and other liabilities	5,148,540
Agency liability	2,922,401
Net cash provided by operating activities	<u>3,303,103</u>
Cash flows from investing activities	
Distributions from investments in related entities	641,923
Purchase of property and equipment	(747,458)
Proceeds from sale of property and equipment	311,779
Purchase of noncontrolling interest of investment in related party	(8,662,565)
Purchase of put option	(1,000)
Net cash used in investing activities	<u>(8,457,321)</u>
Cash flows from financing activities	
Receipt of Tax Increment Financing fund	8,662,565
Payments on notes payable	(686,657)
Proceeds from notes payable	3,908,167
Payments on line of credit	(1,450,000)
Proceeds on line of credit	900,000
Noncontrolling distributions of equity	(59,685)
Net cash provided by financing activities	<u>11,274,390</u>
Net increase in cash, cash equivalents and restricted cash	6,120,172
Cash, cash equivalents and restricted cash, beginning of year	<u>6,251,490</u>

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

CitySquare and Subsidiaries  
Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2020

Cash, cash equivalents and restricted cash, end of year	<u>\$ 12,371,662</u>
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Cash, cash equivalents and restricted cash consisted of the following:

Cash and cash equivalents	\$ 5,041,779
Cash held for agency	3,077,548
Restricted deposits and reserves	3,252,964
Cash restricted for acquisition of long-lived assets	65,842
Pledged cash and cash equivalents	<u>933,529</u>
	<u>\$ 12,371,662</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 1,138,651
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Supplemental schedule of noncash investing and financing activities

In-kind donation of property and equipment	\$ 15,000
Payment of notes receivable through reassignment of notes payable	\$ 8,356,250
Payment of notes payable through assumption of notes receivable	\$ (8,356,250)

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

CitySquare and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

1. NATURE OF OPERATIONS

Nature of operations

CitySquare (the Organization) is a Texas nonprofit corporation organized in 1990 under Section 501(c)(3) of the Internal Revenue Code that provides a number of services to the East and South Dallas communities as well as Abilene and Paris, Texas. Aiming to address all aspects of poverty, CitySquare hosts a long list of programs including;

HOPE - This program is driven by a belief that people are good and want an opportunity to do better. That belief is where hope starts. Hope programs include services such as low-cost legal services, job training and placement services for the unemployed, and programs for youth aging out of foster care.

HOUSING - This program fights the growing problem of homelessness by advocating for homeless neighbors, creating communities that support transitional and permanent housing, and integrating programs for neighbors with increasingly diverse needs.

HUNGER - This program combats hunger to increase the quality and quantity of nutritious food available to neighbors. Hunger services include a full-service hunger relief food pantry in Dallas County, along with after-school and summer food programs.

HEALTH - This program's initiatives aim to improve access to healthcare. The work of this program is based at the CitySquare Community Clinic in South Dallas, where a team of medical professionals provide the local community with a permanent medical home.

These activities are funded primarily through private and public foundations, individual contributions, and federal and state grants.

Principles of consolidation

All significant inter-organizational transactions have been eliminated in the accompanying consolidated financial statements. The consolidated financial statements include the financial statements of CitySquare and the following:

- *CDM Center of Hope, Inc. ("CDM")* - A Texas nonprofit corporation under CitySquare's common control formed in February 2010 under Section 501(c)(3) of the Internal Revenue Code to own, operate and lease to CitySquare the Opportunity Center Facility. CDM was formed to facilitate New Market Tax Credit financing. CDM was dissolved effective December 31, 2020.
- *CitySquare Arts Opportunity Center, LLC ("Arts Opportunity Center")* - A Texas nonprofit corporation created in 2017 with CitySquare operating as the sole member. The Arts Opportunity Center was created to facilitate the purchase of the former Forest Theater area and the development of the Purpose Built Community.

CitySquare and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

1. NATURE OF OPERATIONS (continued)

Principles of consolidation (continued)

- *CitySquare Housing Denver, LLC ("CitySquare Denver")* - A Texas nonprofit corporation created in 2017 with CitySquare operating as the sole member. CitySquare Denver was created to buy land in Denver, Colorado with the future vision of a CitySquare supported housing program in the Denver area. CitySquare Denver is consolidated within CitySquare in the consolidating schedules. The property acquired under CitySquare Denver was sold during the year ending December 31, 2020. CitySquare Denver had no other transactions, assets, or liabilities for the year ended December 31, 2020.
- *CitySquare Housing ("Housing")* - Housing was founded in 2001 as a Texas nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code to provide affordable housing in Dallas, Texas by anchoring capital locally through the development of residential and commercial property. The following entities are consolidated with Housing in the accompanying consolidated financial statements and are discussed separately in the notes and supplementary information:
  - *CityWalk at Akard Master Condominium Association, Inc. ("MCA")* - CityWalk is a multi-use fifteen story building in downtown Dallas with commercial, residential, and condominium units owned by individuals. MCA was established to pay and charge common building expenses to Akard Walk Commercial, LLC, Akard Walk Residential, LLC and Akard Walk Condo, LLC.
  - *Akard Walk Commercial, LLC ("Commercial")* - Formed to develop, construct, own, maintain, and operate floors one through three and the parking facilities of the CityWalk building for commercial tenants.
  - *Akard Walk Residential, LLC ("Residential")* - Formed to develop, construct, own, maintain, and operate floors four through fourteen for residential tenants in the CityWalk building.
  - *St. Anne's Hospital, LLC ("St. Anne's")* - Formed to redevelop the former St. Anne Hospital in Abilene, Texas into a multi-unit housing complex for the formerly homeless.
  - *TEOF ("TEOF")* - Formed to enhance communities and establish economic opportunities in Dallas, Texas through the creation of opportunities for employment of and housing for low-income workers.
  - *Wynnewood Family Housing, LP ("WFH")* - Formed to construct, develop and operate a 161-unit apartment project for low-income families known as High Point Family Apartments in Dallas, Texas.

CitySquare and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

1. NATURE OF OPERATIONS (continued)

Principles of consolidation (continued)

- *Wynnewood Seniors Housing, LP ("WSH")* - Formed to acquire, construct and develop a 140-unit apartment project for low-income senior citizens known as High Point Senior Living in Dallas, Texas.

The following limited liability companies, in which Housing is the sole member, are consolidated within Housing and are not discussed separately in the consolidated financial statements, notes, or supplementary information:

- *Akard Walk Commercial GP, LLC* - The general partner entity of Akard Walk Commercial, LLC.
- *Akard Walk Residential GP, LLC* - The general partner entity of Akard Walk Residential, LLC.
- *Wynnewood Family Housing GP, LLC* - The general partner entity of Wynnewood Family Housing, LLC.
- *Wynnewood Seniors Housing GP, LLC* - The general partner of Wynnewood Seniors Housing, LLC.

CitySquare and subsidiaries are collectively referred to herein as "the Organization".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - These are resources that are not subject to donor-imposed restrictions and can be used for the general operations of the Organization. The Organization's governing board may designate net assets without restrictions for specific purposes.

CitySquare and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and presentation (continued)

- *Net assets with donor restrictions* - These are resources that are subject to donor-imposed restrictions that may be met, either by actions of the Organization and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are no net assets restricted in perpetuity as of December 31, 2020.

Noncontrolling interests

The noncontrolling interests represent the aggregate balance of Limited Partner and Investor Member equity interests in consolidated entities that are not wholly-owned by Housing.

Cash and cash equivalents

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short-term maturities of those financial instruments.

Cash restricted for acquisition of long-lived assets.

Restricted cash is classified as cash restricted for the acquisition of long-lived assets within the accompanying consolidated statement of financial position.

Restricted deposits and reserves

Restricted deposits and reserves represent escrow accounts, pledged deposits and reserves required by mortgage loans and operating agreements, and tenant security deposits. Certain lenders and operating agreements require monthly deposits for replacement reserves, insurance, and real estate taxes which are controlled by lenders.

Grants receivable

Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues to the extent of disbursements and commitments that are allowable for reimbursement. Grants receivable represent these pending reimbursements of allowable expenses incurred as of December 31, 2020 and expected to be received from funding sources in the subsequent year. Management considers such receivables at December 31, 2020 to be fully collectible. Accordingly, no allowance for grants receivable was recorded in the accompanying consolidated financial statements.

CitySquare and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rents receivable

Rents receivable from tenants that are expected to be satisfied within one year after year-end are reported net of an allowance for doubtful accounts of \$3,908 as of December 31, 2020. Management's estimate of allowance is based on historical collection experience and a review of these receivables. Uncollectible receivables are charged to bad debt expense upon management's assessment that further collection attempts will be unsuccessful. On August 6, 2020, WFH and the U.S. Department of Housing and Urban Development (HUD) entered into a Housing Assistance Payments renewal contract (the Contract) for 34 apartments. The Contract is for 20 years and provides assistance for up to 34 occupied apartments designated as contract apartments. Under the terms of the Contract, rents for apartments designated as contract apartments prior to January 1, 2019 are excluded from payment by HUD. As a result, WFH recorded an additional \$198,205 in bad debt expense for rents receivable for the year ending December 31, 2020.

Receivables from related entities

Receivables from related entities represent amounts owed to Housing from entities that are considered related parties due to either ownership or control. See Note 13 for further disclosure of related party transactions. Management considers such receivables at December 31, 2020 to be fully collectible. Accordingly, no allowance was recorded in the accompanying consolidated financial statements.

Investments in related entities

Investments in related entities accounts for the activity of the Organization recorded under the equity and cost method. Investments in consolidated entities have been eliminated in the consolidated financial statements. See Note 6 for further detail.

Equity method accounting

The Organization uses the equity method to account for investments in which it owns a more-than-minor noncontrolling interest with the ability to exert significant influence over the investee. Under the equity method, the investment is originally recorded at cost and is adjusted annually to recognize the Organization's proportionate share of investee earnings or losses which is presented in the equity in earnings (loss) of related entities in the accompanying consolidated statement of activities.

Cost method accounting

The Organization uses the cost method to account for investments in which it owns a minor noncontrolling interest without the ability to exert significant influence over the investee. Under the cost method, the investment is originally recorded at cost, and investment earnings are recognized by the Organization when declared by the investee.

CitySquare and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of investments

The Organization reviews its investments in related entities each reporting period to determine whether there are identified events or circumstances that would indicate there is a decline in the fair value that would be considered other than temporary. If an investment is deemed to have experienced an other-than-temporary decline below its cost basis, the Organization reduces the carrying amount of the investment to its estimated fair value and establishes a new cost basis for the investment. The Organization presents any such impairment in the other income/(expense) and gains/(losses) section of the accompanying consolidated statement of activities. During the year ended December 31, 2020, the Organization identified and recorded an impairment of \$8,056,699 related to the Hamilton Atmos GP LLC (HAGP) investment and \$560,000 related to the TEOF investment in TEOF Hotel.

Tax credit fees

Tax credit fees are amortized using the straight-line method over the fifteen-year tax credit compliance period. At December 31, 2020, cumulative tax credit fees were \$832,263 and accumulated amortization was \$364,852. Amortization expense was \$55,696 for the year ended December 31, 2020.

Property and equipment

Property and equipment are recorded at cost, or if donated, at their estimated fair value at the date of donation. Such donations are recorded as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or maintain property and equipment are recorded as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Presently, the Organization does not have any assets which have related donor-imposed restrictions.

The Organization's policy is to capitalize all expenditures for property and equipment in excess of \$5,000 per unit. Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 40 years. Maintenance and repairs are charged to expense when incurred. Significant renovations and replacements, which extend the estimated useful life of an asset, are capitalized.

The estimated useful lives are as follows:

Land improvements	15 - 20 years
Buildings and leasehold improvements	15 - 40 years
Furniture and equipment	3 - 10 years
Software	5 years
Vehicles	5 years

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

The Organization assesses long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is assessed by comparing the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset and any estimated proceeds from the eventual disposition of the asset. If such assets are impaired, the impairment to be recognized is measured as the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There was no impairment loss related to long-lived assets recognized for the year ended December 31, 2020.

Pre-development project costs

Housing incurs costs in connection with properties it is considering for development as well as costs associated with properties in the initial stages of development. These costs include such items as market studies, purchase options, environmental studies, and legal and accounting fees. These costs are capitalized within property and equipment on the accompanying consolidated statement of financial position and recorded as pre-development project costs until the project is either abandoned or becomes an approved project with independent funding sources. Pre-development project costs are charged to operations at the time a potential project is no longer considered desirable or feasible.

Agency fund

Within the "Cash held for agency" asset account and the liability account "Agency liability" in the consolidated statement of financial position are funds received by the Organization on behalf of the agency it serves. The Organization's policy is to recognize the funds received and an offsetting liability until the funds are distributed to the ultimate beneficiary, at which time the asset and liability are removed from the Organization's books.

Loan fees

Loan fees in connection with financing agreements are amortized over the life of the related loan utilizing the straight-line method, which approximates the effective interest method. Loan fees are amortized to interest expense over the terms of the respective loans. Loan fees are presented as a reduction of notes payable in the accompanying consolidated statement of financial position. During the year ended December 31, 2020, as the result of the NMTC transaction described in Note 3 coming to a conclusion. The Organization recognized \$550,119 within loss on extinguishment of debt in the accompanying statement of activities, representing the unamortized loan costs related to the extinguished debt. At December 31, 2020, loan fees net of accumulated amortization were \$439,577. Amortization expense for the loan fees was \$54,686 during the year ended December 31, 2020.

CitySquare and Subsidiaries  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent note payable

During the year ended December 31, 2020, the Organization received a conditional funding agreement from a foundation for certain costs related to a food recovery program. The Organization borrowed funds from the foundation in the form of a contingent note payable. Once evidence is provided to the foundation that the Organization has overcome the performance barrier of providing the required number of meals and/or pounds of food, the Organization will qualify for loan forgiveness. As such, the Organization has recorded a short-term non-interest bearing note payable for all payments received from the foundation. Management has determined the imputed interest of this short-term note is not material to the accompanying consolidated financial statements and therefore no imputed interest has been recorded for the year ended December 31, 2020 in connection to this contingent note payable.

Revenue recognition

Revenues from special events are recognized when the events are held as the performance obligation is simultaneously received and consumed at the time of the event. Interest income is recognized when earned based on the passage of time. The performance obligation of program income is simultaneously received and consumed by the participants; therefore, the revenue is recognized ratably over the course of the program. Rental income, principally from short-term leases on apartment units and long-term leases for commercial space, is recognized as the rentals become due. Advance receipts of revenue are deferred and classified within accrued expenses and other liabilities until earned.

Contributions and promises to give

The Organization recognizes contributions when they are received or unconditionally pledged and records these amounts as net assets without donor restrictions or net assets with donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the contribution as net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

CitySquare and Subsidiaries  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give (continued)

Contributions expected to be collected in less than one year are reported at net realizable value. Contributions that are promised in one year but are not expected to be collected until after the end of the year are discounted at an appropriate rate. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Management has evaluated the discount for the year ended December 31, 2020 and does not believe the discount to be material. Accordingly, no discount is recorded within the accompanying consolidated financial statements. Any allowance for doubtful contributions receivable is provided based on management's judgment including such factors as prior collection history, type of contribution, and current aging of contributions receivable. The Organization considers all contributions receivable to be fully collectible at December 31, 2020. Accordingly, no allowance for doubtful contribution receivable is recorded within the accompanying consolidated financial statements. Contribution receivables of \$100,000 at December 31, 2020 are deemed collectible within one year.

Conditional promises to give are not included in contributions or contributions receivable until such time as the conditions are substantially met. The Organization receives federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with the underlying grant or contract. The Organization has received cost-reimbursable grants of approximately \$5,751,000 that have not been recognized at December 31, 2020 because qualifying expenditures have not yet been incurred.

In-kind contributions

The Organization's policy is to recognize in-kind goods when donated as revenue at fair value in the period such contributions are made. Donated food was valued at \$1.74 per pound in 2020, based on a cost study conducted for Feeding America during each fiscal year. Contributed professional services are recognized if the services create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization also recognizes interest forgiveness on debt within in-kind contributions. The amount of interest forgiven for the year is recorded as part of interest expense and in-kind contributions at the value of the interest that would have otherwise been required for payment.

CitySquare and Subsidiaries  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tenant subsidy payments

A portion of rental income received by Housing is in the form of subsidy payments under Section 8 of the National Housing Act. Section 8 is a program under the United States Department of Housing and Urban Development (HUD) whose objective is to provide rental assistance to help very-low and low-income families afford decent, safe, and sanitary rental housing. In doing so, housing assistance payments are provided to subsidize rent payments for qualifying housing units that approved low-income tenants occupy. Housing receives these Section 8 housing assistance payments from the Dallas Housing Authority (the Public Housing Authority awarded the Section 8 funding through HUD).

Construction management and developer fees

Construction management and developer fees are earned during the construction period based on the percentage of completed construction, or other terms of the related agreements. Fees are capitalized to construction and recognized as revenue when earned and paid from investor equity or project debt. Earned fees not paid from investor equity or project debt are eliminated in consolidation.

Functional allocation of expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain expenses have been allocated among the various programs and supporting services benefited. Certain administrative expenses are allocated on a pro-rata basis. Salaries and benefits and certain contract services are allocated based on estimates of time and effort. Various occupancy costs are allocated on a square footage basis.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. The Organization did not report any taxable unrelated business income for the year ended December 31, 2020. The Organization's estimate of the potential outcome of any uncertain tax issues is subject to management's assessment of relevant risks, facts and circumstances existing at the time. The Organization uses a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. To the extent that the Organization's assessment of such tax position changes, the change in estimate is recorded in the period in which the determination is made. The Organization reports tax-related interest and penalties, if applicable, as a component of income tax expense as incurred. As of December 31, 2020, Housing has identified uncertain tax positions in previously filed tax returns but does not anticipate those positions to have a material adverse effect on its operations.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

The limited partnerships and limited liability companies consolidated within the Organization have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by their owners on their respective income tax returns. Accordingly, these consolidated financial statements do not reflect a provision for income taxes. Income tax returns filed by the entities are subject to examination by the IRS for a period of three years.

St. Anne's is considered a disregarded entity for tax purposes and is included on Housing's exempt tax return. Arts Opportunity Center and CitySquare Denver are considered disregarded entities for tax purposes and are included on CitySquare's exempt tax return.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates, included in the consolidated financial statements, relate primarily to the useful lives applied in asset depreciation, estimates of the values of in-kind contributions, impairment of investments in related entities, as well as the allocation of functional expenses.

New accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019. The Organization has adopted the standard as of January 1, 2020; the adoption of the new standard had no impact on the Organization's consolidated financial statements.

3. TAX CREDIT FINANCING

In June 2013, CitySquare entered into a New Market Tax Credit (NMTC) transaction agreement in order to fund the costs of construction of the Opportunity Center facility. The Opportunity Center was fully constructed in 2017, complete with a community food distribution center, café, community health and wellness center, a workforce development center and subleased training space for the Dallas County Local Workforce Board and LIFT (Literacy Instruction for Texas).

CitySquare and Subsidiaries  
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December 31, 2020

3. TAX CREDIT FINANCING (continued)

The NMTC program was established by the United States Congress to stimulate investment and economic growth in low-income communities by offering a seven-year, 39% federal tax credit for Qualified Equity Investments (QEI) made through investment vehicles known as Community Development Entities (CDE). CDEs use capital derived from tax credits to make loans to or investments in Qualified Low-Income Community Investments (QLICI) businesses and projects in low-income areas. CitySquare, and more specifically the Portion of Business, as described below, is considered the Qualified Active Low-Income Community Business (QALICB) who receives the QLICI. To earn the tax credit, the QEI must remain invested in the CDE for a seven-year period, known as the compliance period.

AT&T Corporation created and invested money into becoming the 100% owner of the AT&T Investment Fund. The AT&T Investment Fund (the Investor) invested a QEI with DDF Delta (the CDE) in the amount of \$12,500,000. Subsequently, DDF Delta provided CitySquare the QLICI two loans to help finance the construction of the Opportunity Center. These loans totaled \$12,125,000. Additionally, as part of this transaction, CDM was created to act as a leveraged lender to loan \$8,356,250 to AT&T Investment Fund. No payments were required on the note receivable until June 2020.

CDM and AT&T Corporation have entered into a put/call option agreement to take place at the end of the seven-year compliance period. Under the agreement, AT&T Corporation can exercise a put option to sell all interest in the AT&T Investment Fund for \$1,000 to CDM. If AT&T Corporation does not exercise the put option within 180 days of the end of the seven-year period, CDM can exercise a call option to purchase the interest of the AT&T Investment Fund at an appraised fair market value.

In June 2020, the NMTC transaction described above came to a conclusion. AT&T Corporation exercised their put option to sell all interest in the AT&T Investment Fund at the purchase price of \$1,000 to CDM resulting in a gain to the Organization of \$3,767,750. The total interest assumed in the AT&T Investment Fund by CDM equaled \$12,125,000 which satisfied the note receivable of \$8,356,250 between CDM and the AT&T Investment Fund. Additionally, DDF Delta assigned the two loans provided to CitySquare of \$12,125,000 to CDM. The two loans between CDM and CitySquare were fully forgiven in their entirety.

As a community development corporation, Housing receives significant federal, state, and local government sourced subsidies as part of normal operations. These arrangements may include Low Income Housing Tax Credits (LIHTCs), State of Texas historic tax credits, low-income housing tax credits, and Section 108 financing. These funding sources and financing arrangements help further Housing's mission to enhance communities and establish economic opportunities in Dallas, Texas through development of affordable, workforce housing and permanent supportive housing for the chronically homeless in the city of Dallas.

CitySquare and Subsidiaries  
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4. LIQUIDITY AND FUNDS AVAILABLE

The following is a quantitative disclosure which describes assets that are available or expected to be available within one year of December 31, 2020 to fund general expenditures:

Financial assets:

Cash and cash equivalents	\$ 5,041,779
Cash held for agency	3,077,548
Restricted deposits and reserves	3,252,964
Grants receivable	1,032,513
Rents receivable, net	505,206
Contributions receivable	100,000
Receivables from related entities	183,779
Investments in related entities	1,120,792
Cash restricted for acquisition of long-lived assets	65,842
Pledged cash and cash equivalents	<u>933,529</u>
	<u>15,313,952</u>

Less amounts unavailable for general expenditure within one year:

Cash restricted for acquisition of long-lived assets	(65,842)
Cash held within an agency fund	(3,077,548)
Restricted deposits and reserves	(3,252,964)
Investments in related entities	(1,120,792)
Pledged cash and cash equivalents	(933,529)
Donor imposed restrictions	<u>(512,015)</u>
	<u>(8,962,690)</u>
Financial assets available for general expenditure within one year	<u>\$ 6,351,262</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As stated in Note 8 to the financial statements, the Organization has lines of credit, which it could draw upon in the event of a liquidity need.

Cash and cash equivalents held at individual operating entities within Housing are unavailable for use outside the respective entity. In addition to the financial assets available to meet cash needs for general expenditures within one year outlined above, certain Housing consolidating entities have access to certain operating reserves within restricted deposits and reserves in the event of an unanticipated liquidity need. Disbursements from these operating reserves require approval of the lender and the investor partner in most instances.

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5. RESTRICTED DEPOSITS AND RESERVES

Restricted deposits and reserves consisted of the following:

Reserves for operating deficits and replacements	\$ 2,596,668
Security deposits	133,505
Insurance and real estate tax escrows	<u>522,791</u>
	<u><u>\$ 3,252,964</u></u>

6. INVESTMENTS IN RELATED ENTITIES

Housing owns a 7.94% membership interest in HAGP and a 10% limited partnership interest in TEOF Hotel at December 31, 2020 as described in Note 2 and 13. The investment in HAGP constitutes a more-than-minor noncontrolling interest with the ability to exert significant influence and is accounted for under the equity method in accordance with GAAP. The investment in TEOF Hotel represents a minor noncontrolling interest and is accounted for using the cost method in accordance with GAAP.

Investments in related entities consisted of the following:

Balance, beginning of year	\$ 1,549,485
Receipt of Tax Increment Financing fund	8,662,565
Loss on impairment of investments	(8,616,699)
Loss on equity in earnings of related entities	(5,138)
Distributions from investments in related entities	(641,923)
HAGP contribution income	<u>172,502</u>
Balance, end of year	<u><u>\$ 1,120,792</u></u>

Loss on equity in earnings of related entities on the accompanying consolidated statement of activities consists of the portion of HAGP's net operating loss attributable to Housing.

CitySquare and Subsidiaries  
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7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Land	\$ 6,705,884
Land improvements	4,101,622
Buildings	76,946,298
Leasehold improvements	6,493,559
Furniture and equipment	3,711,338
Software	845,713
Vehicles	468,216
Real estate under development	<u>1,087,357</u>
	100,359,987
Accumulated depreciation and amortization	<u>(22,688,580)</u>
	<u>\$ 77,671,407</u>

Depreciation and amortization expense for the year ended December 31, 2020 was \$2,955,379. A portion of depreciation and amortization is allocated to occupancy on the consolidated statement of functional expenses due to the costs being associated with the Opportunity Center and for reporting requirements of the NMTC.

8. LINES OF CREDIT

CitySquare has multiple lines of credit outstanding with certain financial institutions as of December 31, 2020.

One line of credit is determined monthly based on 95% of the balance held in CitySquare's associated savings account with the same financial institution. The line of credit is subject to annual renewal and interest is payable at the corresponding liquidity access line index plus 1.75%. The line of credit had no outstanding balance as of December 31, 2020.

The second line of credit was obtained in March 2020. The revolving line of credit has a maximum borrowing of \$500,000. Interest is charged at a variable rate based on the Wall Street Journal prime rate plus 1.25%, currently at 4.5%. The line of credit is secured by accounts, chattel paper, and general intangibles of the Organization. Additionally, it is cross-collateralized against all obligations, debts and liabilities of CitySquare. The line of credit is payable in full on the Lender's demand or otherwise at the maturity date of March 2, 2021. The line of credit had no outstanding balances as of December 31, 2020.

The third line of credit was obtained in November 2020. The line of credit has a maximum borrowing of \$850,000, of which \$100,000 is reserved for Corporate credit cards and the remaining \$750,000 is a revolving line of credit. Interest is charged at a variable rate based on a rate index set by BOK Financial Corporation, currently at 6.0%. The line of credit is secured by all inventory and equipment of the Organization. The line of credit is payable in full on the Lender's demand or otherwise at the maturity date of November 13, 2021. The line of credit has an outstanding balance of \$150,000 at December 31, 2020.

CitySquare and Subsidiaries  
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9. NOTES PAYABLE

Notes payable are detailed as follows:

Mortgage loan secured by WFH real estate that bears interest at 5.68% and is payable in monthly payments of principal and interest based on a 30-year amortization schedule. The loan matures in 2035.	\$ 5,434,220
Permanent loans from governmental entities that bear no interest and mature through 2030. These loans are secured by Residential's real estate.	5,558,058
Mortgage loan secured by Residential's real estate, which bears interest at 7.79% and is payable in monthly installments of principal and interest based on a 30-year amortization schedule. The loan matures in 2029.	3,846,449
Loan secured by Commercial's real estate from a bank requiring monthly payments of principal and interest at Wall Street prime plus .5% (3.75% at December 31, 2020) and maturing in 2040.	3,454,907
Mortgage loan secured by WSH real estate that bears interest at 6.18% and is payable in monthly installments of principal and interest based on a 30-year amortization schedule. The loan matures in 2033.	2,131,106
Loan secured by Housing real estate from a bank which bears interest at 4.25% and is payable in monthly installments of principal and interest based on a 20-year amortization schedule. The loan matures in 2042.	864,058
Unsecured investment bond from bank that bears interest at 2% with interest due monthly. The loan matures in 2024.	2,000,000
Construction loan from third-party. All interest is waived and thus recorded as imputed interest revenue in the consolidated statement of activities. The loan matures in 2027.	647,734
Payroll Protection Program (PPP) loan program was established under the CARES Act and is administered by the U.S. Small Business Administration (SBA). The term on the loans are two years and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. Subsequent to December 31, 2020, the Organization received full forgiveness of the loans from the SBA. See Note 17 for more information.	1,391,308

CitySquare and Subsidiaries  
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9. NOTES PAYABLE (continued)

Unsecured loan from an investment fund that bears interest at 3% with interest due quarterly. The loan is payable in interest only payments through December 1, 2026 with annual principal payments of \$100,000 starting December 1, 2026 through December 1, 2030. Subsequent to December 31, 2020, this obligation was assumed by another organization under the Purpose Built Communities Network. See Note 17 for more information.

	500,000
	25,827,840
Less unamortized debt issuance costs	(439,577)
	\$ 25,388,263

The future maturities of the notes payable are as follows:

Year ending December 31,

2021	\$ 1,827,805
2022	455,715
2023	476,308
2024	2,497,268
2025	521,582
Thereafter	20,049,162
	\$ 25,827,840

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Scholarships	\$ 101,031
Program grants	310,984
Capital projects	65,842
Time restricted	100,000
	\$ 577,857

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Scholarships	\$ 19,879
Program grants	99,782
Capital projects	47,557
Time restricted	317,500
	\$ 484,718

CitySquare and Subsidiaries  
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11. IN-KIND CONTRIBUTIONS

The estimated fair value of donated food, facilities, materials, and supplies are recorded as contributions. The Organization received contributed professional services during the year from medical, legal, and social work professionals in connection with their program services. The Organization also receives interest forgiveness on a note payable and accordingly records the in-kind contribution for the amount relating to imputed interest.

In-kind contributions received during the year were as follows:

Donated professional services	\$ 842,725
Donated food	4,897,178
Donated facilities	381,662
Donated materials and supplies	406,187
Imputed interest	<u>38,605</u>
	<u><u>\$ 6,566,357</u></u>

12. EMPLOYEE BENEFIT PLAN

The Organization has a 401(k) Savings Incentive Match Plan (the "Plan") for its employees. Substantially all employees are eligible to participate in the Plan. The Organization may apply limits per payroll period. As such, its percentage match of the employee compensation is discretionary.

The Organization's matching contribution charged to expense was \$136,480 for the year ended December 31, 2020.

13. RELATED PARTY TRANSACTIONS

The Organization has numerous transactions with related parties providing development, construction financing, property management and administrative services to assist CitySquare Housing in carrying out its affordable housing mission. In certain situations, Housing advances funds to related parties to pay operating costs. The Organization's related party transactions are as follows:

- An individual who was a Housing board member through December 11, 2018 is part owner of T&G Leasing, LLC, which leased space from Commercial. T&G paid \$25,610 to Commercial for the year ended December 31, 2020. The lease agreement between Commercial and T&G Leasing was renewed on January 17, 2020 for five years with an annual rent of \$25,046 with a 2.25% annual escalator.

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13. RELATED PARTY TRANSACTIONS (continued)

- Alliant, Ltd. and affiliates are administrative and investor members of Residential. Bridge loan financing of \$4,733,247 was provided by Alliant, Ltd. to close the Residential mortgage loan. The bridge loan bore interest at 10% and converted to equity when Residential met certain conversion conditions. Conversion took place as of December 22, 2015, at which time accrued interest totaled \$1,794,690. The interest is due at the end of the fifteen-year tax credit compliance period in July 2023 unless certain conditions are met that could result in forgiveness of the interest. Residential released certain reserves aggregating \$155,758 to Alliant, Ltd. on February 16, 2018 as repayment of accrued interest. Accrued interest on the bridge loan totaled \$1,638,965 at December 31, 2020.
- Alliant, Ltd. earned asset management fees from Residential of \$11,760 in 2020. There were no asset management fees payable at December 31, 2020.
- CityWalk is a multi-use fifteen story building in the Dallas, Texas Central Business District with the following ownership structure: floors one through three and parking facilities are owned by Commercial; floors four through fourteen are owned by Residential; and the fifteenth floor consists of six condominium units owned by individuals. MCA was established to pay and charge common building expenses to Commercial, Residential, and City Walk at Akard Residential Loft Condominium Association (LOFT), a homeowner's association for the condominiums. Two of the condominiums are owned by the Housing President who also serves on Housing's board, and one condominium is owned by an individual who was a Housing board member through December 11, 2018. Housing had receivables of \$46,459 for operating expenses from the LOFT at December 31, 2020.
- TEOF Hotel is a subsidiary of TEOF, 10% owned by TEOF and 90% owned by Hamilton 1011 LP (1011LP), which owns a 237-room hotel project known as the Lorenzo Hotel. A Housing board member is the majority owner of 1011LP. TEOF earned developer fees of \$235,978 upon completion of the Hotel in 2017, of which \$137,319 was outstanding at December 31, 2020.
- WFH pays partnership management fees to Bank of America Community Development Corporation (BACDC), a limited partner in WFH. Partnership management and asset management fees payable to BACDC by WFH are \$35,000 at December 31, 2020.
- On June 15, 2011, Housing executed a \$1,600,000 promissory note (the Note) with Atmos LIHTC LLC, an entity in which a Housing board member and their family member have a direct controlling financial interest and a member of Housing management has an indirect non-controlling financial interest. Atmos LIHTC LLC was formed to develop certain affordable housing units located in Dallas County commonly known as the Lone Star Gas Lofts project.

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13. RELATED PARTY TRANSACTIONS (continued)

The Note bears interest at 5.5% per year and matures on January 1, 2033 and is secured by a subordinated deed of trust in certain Lone Star Gas Loft property. The Note requires annual principal and interest payments commencing January 1, 2013 payable solely from 25% of the Net Cash Flows (as defined in the Amended and Restated Atmos LIHTC LLC Operating Agreement date June 1, 2011) from the prior fiscal year in excess of \$100,000. In the event of insufficient available Net Cash Flow to fully pay a scheduled payment, the deficiency accrues to the Note balance in accordance with the Note agreement.

As of December 31, 2020, no payments have been made on the Note due to insufficient Net Cash Flows in each annual period commencing January 1, 2013. Prior to December 31, 2019, Housing determined that the likelihood of collecting repayment of the Note is remote and therefore, fully reserved all amounts due under the Note. This remains the assessment of Housing as of December 31, 2020. However, Housing has not released Atmos LIHTC LLC from the Note instrument and would seek to enforce its terms in the event funds sufficient to pay amounts due were available in the future.

- On January 14, 2015, Housing was admitted as a variable interest member in Hamilton Atmos GP LLC (HAGP), an entity in which a Housing board member and their family member have a direct controlling financial interest and a member of Housing management has a direct non-controlling financial interest. HAGP was formed to develop certain affordable housing units located in Dallas County commonly known as the Lone Star Gas Lofts project.

Housing's membership interest levels in HAGP are dependent upon the completion of certain transactional events as follows: 2.12% upon the completion of Housing contributing to HAGP certain City of Dallas Tax Increment Financing funds (TIF Tranche 1), an additional 4.00% upon the completion of Housing contributing to HAGP proceeds from the sale of certain State of Texas Historic Tax Credits (HTC), and a final 1.82% upon the completion of Housing contributing to HAGP certain City of Dallas Tax Increment Financing funds (TIF Tranche 2).

In February 2020, Housing contributed \$8,662,565 of TIF Tranche 2 funding to HAGP, which was impaired to \$605,866. See Note 2 for additional details related to the impairment. The contribution increased Housing's membership interest level in HAGP to 7.94% that resulted in contribution income of \$172,502. See Note 6 for additional detail regarding the investment in related entities.

CitySquare and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

14. CONTRIBUTION OF NET ASSETS

For several years, the Organization has been pursuing redevelopment of the neighborhood surrounding the Forest Theater using a Purpose Built Communities (PBC) model. The PBC model has three primary components: mixed-income housing, community wellness, and education. The PBC redevelopment effort is led by a community quarterback, defined as an “independent non-profit organization solely dedicated to the ongoing revitalization of the neighborhood”. During 2020, in consultation with PBC, the decision was made to form a new independent non-profit called Forest Forward to serve as the community quarterback. Forest Forward is a separate legal entity with its own governance and 501(c)3 status from the IRS.

Effective on December 1, 2020, the Board of Directors voted to pledge all the assets and liabilities of the Arts Opportunity Center to be under the ownership of Forest Forward. A donation agreement was entered into between the Organization and Forest Forward with an effective date of January 1, 2021. Accordingly, the Organization's consolidated financial statements have been prepared with the pledged assets, liabilities, and contribution of net assets displayed separately in the consolidated financial statements.

The contribution of net assets consisted of the following:

Assets pledged to Forest Forward in 2020 consisted of:

Cash and cash equivalents	\$ 933,529
Property and equipment, net	3,534,995
	4,468,524

Assets transferred to Forest Forward in 2020 consisted of:

Cash	250,000
Land	633,932
	883,932

Less outstanding liabilities associated with the Arts Opportunity Center:

Accounts payable	(65,291)
Intercompany related party payable, net	(53,268)
	(118,559)

\$ 5,233,897

15. COMMITMENTS AND CONTINGENCIES

Future minimum rents

Commercial leases office space to tenants under net operating leases. All of the leases are non-cancelable and expire on various dates through 2025.

CitySquare and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

15. COMMITMENTS AND CONTINGENCIES (continued)

Future minimum rents (continued)

The future contractual minimum lease payments to be received (excluding operating expense reimbursements) by Housing, under non-cancelable operating leases are as follows:

Year ending December 31,

2021	\$	237,494
2022		92,114
2023		92,717
2024		93,333
2025		<u>63,316</u>
		<u>\$ 578,974</u>

Guarantees

Housing has guaranteed loan funds to certain limited liability companies and partnerships if they incur operating deficits as defined in the respective partnership or operating agreements. These guarantees expire at various dates through 2026 upon the expiration of the operating or partnership agreements. Loans made pursuant to these guarantees are generally interest-free and unsecured.

Housing has agreed to provide tax indemnification in the event of low-income housing or historical tax credit recapture to certain limited liability companies and partnerships in which Housing or an affiliate is the general partner. The potential liability under these agreements is dependent upon IRS audits and final letters of determination of the qualified basis in the tax credit properties. Housing's management is not aware of any known liability related to tax credit recapture.

Grant and property use restrictions

Many of the properties owned and operated by Housing and its subsidiaries were developed using funds from grants and restricted, low interest rate loans. The terms of these grants and loans restrict the use of the property and generally require that it be rented to low-income qualified tenants for the period of the grant or related loan term. Failure to comply with the terms of the grant or the loans would result in a requirement to repay a portion or all of the funding.

Rental assistance contracts

Some of the properties owned by Housing and its subsidiaries have entered into rental assistance contracts with HUD through the DHA, as described in Note 2. These contracts have various terms and require the projects to operate as low-income housing properties and to obtain HUD approval of all rent increases.

CitySquare and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

15. COMMITMENTS AND CONTINGENCIES (continued)

Litigation

Housing and its subsidiaries are periodically involved as defendants in claims and litigation relating to a variety of matters. Some claims may be recovered from insurance reimbursements. Although the ultimate disposition of asserted claims cannot be predicted with certainty, management believes that the outcome of any such claims will not have a material adverse effect on the consolidated financial position of the Organization. Accruals are recorded for any claim that arises whenever it is probable that Housing and subsidiaries are exposed to a loss contingency and the amount of the loss contingency can be reasonably estimated.

16. CONCENTRATION OF CREDIT RISK

The Organization's cash accounts are subject to concentrations of credit risk. The Organization maintains its cash deposits in accounts at various financial institutions, which may exceed the federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account category per financial institution. Management believes that any credit risk exposure is mitigated by the financial strength of the banking institutions in which the deposits are held. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant credit risk.

Real estate owned by Housing is geographically concentrated in the metro Dallas area. As a result, real estate held by Housing is subject to market volatility from changes in economic conditions or real estate values in the metro Dallas market. However, Housing has not experienced any losses with respect to such volatility, and therefore believes that geographic concentration poses no significant financial risk.

For the year ended December 31, 2020, contributions from three donors represent approximately 10% of total contributions and grants and one of the three donors represents 100% of outstanding contributions receivable. Additionally, the U.S. Department of Housing and Urban Development contributed approximately 16% of the total contributions and grants for the year ended December 31, 2020.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 28, 2021, the date which the financial statements were available for issue.

- Effective January 1, 2021, all assets and liabilities noted in the donation agreement between the Organization and Forest Forward were transferred to Forest Forward.
- Effective January 1, 2021, the Organization entered into a co-borrowing agreement with Forest Forward, whereby Forest Forward assumed responsibility for the \$500,000 loan and performance obligations related to the unsecured loan discussed in Note 9.

CitySquare and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2020

17. SUBSEQUENT EVENTS (continued)

- In March 2021, CitySquare Housing received legal forgiveness of the PPP loan from its financial institution and the SBA. In addition, in April 2021, CitySquare received legal forgiveness of the PPP loan from its financial institution and the SBA.
- After December 31, 2020, CitySquare Housing entered into lease renewals with terms expiring through 2026 for one of its tenants.

The future contractual minimum lease payments to be received (excluding operating expense reimbursements) by CitySquare Housing under non-cancelable operating leases including lease renewals entered into in 2021 are as follows:

Year ending December 31,

2021	\$ 255,357
2022	113,999
2023	115,105
2024	116,266
2025	86,824
Thereafter	<u>4,923</u>
	<u><u>\$ 692,474</u></u>

The Organization determined that no additional disclosures were required.

SUPPLEMENTARY INFORMATION

CitySquare and Subsidiaries  
CitySquare Consolidating Statement of Financial Position  
December 31, 2020

ASSETS

	CitySquare	CDM Center of Hope	CitySquare Arts Opportunity Center, LLC	CitySquare Housing	Eliminating Entries	Consolidated CitySquare
Cash and cash equivalents	\$ 2,040,127	\$ -	\$ -	\$ 3,001,652	\$ -	\$ 5,041,779
Cash held for agency	3,077,548	-	-	-	-	3,077,548
Restricted deposits and reserves	19,820	-	-	3,233,144	-	3,252,964
Grants receivable	1,032,513	-	-	-	-	1,032,513
Rents receivable, net	-	-	-	511,000	(5,794)	505,206
Contributions receivable	100,000	-	-	-	-	100,000
Due from related entities	2,443,827	-	2,390,559	-	(4,834,386)	-
Receivables from related entities	35,040	-	-	183,778	(35,039)	183,779
Notes receivable	4,005,534	-	-	-	(4,005,534)	-
Investments in related entities	-	-	-	1,120,792	-	1,120,792
Prepaid and other assets	569,714	-	-	270,054	-	839,768
Tax credit fees, net	-	-	-	467,411	-	467,411
Cash restricted for acquisition of long-lived assets	65,842	-	-	-	-	65,842
Property and equipment, net	12,660,302	-	-	64,897,860	113,245	77,671,407
Pledged assets						
Cash and cash equivalents	-	-	933,529	-	-	933,529
Property and equipment, net	-	-	3,534,995	-	-	3,534,995
<b>Total assets</b>	<b><u>\$26,050,267</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,859,083</u></b>	<b><u>\$73,685,691</u></b>	<b><u>\$ (8,767,508)</u></b>	<b><u>\$ 97,827,533</u></b>

CitySquare and Subsidiaries  
CitySquare Consolidating Statement of Financial Position  
December 31, 2020

LIABILITIES AND NET ASSETS

	<u>CitySquare</u>	<u>CDM Center of Hope</u>	<u>CitySquare Arts Opportunity Center, LLC</u>	<u>CitySquare Housing</u>	<u>Eliminating Entries</u>	<u>Consolidated CitySquare</u>
<b>Liabilities</b>						
Accounts payable to unrelated entities	\$ 58,769	\$ -	\$ -	\$ 1,201,062	\$ (35,039)	\$ 1,224,792
Accounts payable to related entities	-	-	-	1,700,429	(5,794)	1,694,635
Accrued expenses and other liabilities	1,942,915	-	-	163,233	-	2,106,148
Agency liability	3,077,548	-	-	-	-	3,077,548
Due to related parties	2,390,559	-	2,443,827	-	(4,834,386)	-
Lines of credit	150,000	-	-	-	-	150,000
Contingent notes payable	10,310	-	-	-	-	10,310
Notes payable, net	2,431,034	-	-	26,962,763	(4,005,534)	25,388,263
Pledged liabilities						
Accounts payable	-	-	65,291	-	-	65,291
Accrued expenses	-	-	<u>4,349,965</u>	-	-	<u>4,349,965</u>
Total liabilities	<u>10,061,135</u>	<u>-</u>	<u>6,859,083</u>	<u>30,027,487</u>	<u>(8,880,753)</u>	<u>38,066,952</u>
<b>Net assets</b>						
Without donor restrictions						
Controlling	15,411,275	-	-	10,185,999	113,245	25,710,519
Noncontrolling	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,472,205</u>	<u>-</u>	<u>33,472,205</u>
Total without donor restrictions	15,411,275	-	-	43,658,204	113,245	59,182,724
With donor restrictions	<u>577,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>577,857</u>
Total net assets	<u>15,989,132</u>	<u>-</u>	<u>-</u>	<u>43,658,204</u>	<u>113,245</u>	<u>59,760,581</u>
Total liabilities and net assets	<u>\$26,050,267</u>	<u>\$ -</u>	<u>\$ 6,859,083</u>	<u>\$73,685,691</u>	<u>\$ (8,767,508)</u>	<u>\$ 97,827,533</u>

CitySquare and Subsidiaries  
CitySquare Consolidating Statement of Activities  
For The Year Ended December 31, 2020

	<u>CitySquare</u>	<u>CDM Center of Hope</u>	<u>CitySquare Arts Opportunity Center, LLC</u>	<u>CitySquare Housing</u>	<u>Eliminating Entries</u>	<u>Consolidated CitySquare</u>
Revenues and other support						
Contributions and grants						
Individuals	\$ 2,321,977	\$ -	\$ 900	\$ -	\$ -	\$ 2,322,877
Intercompany contributions	130,443	588,779	-	87,000	(806,222)	-
Religious organizations	391,487	-	415,209	-	-	806,696
Corporations	1,115,039	-	-	-	-	1,115,039
Foundations	2,675,912	-	2,434,247	-	-	5,110,159
Federal, state, and city	10,333,045	-	-	-	-	10,333,045
United Way	469,959	-	-	-	-	469,959
In-kind contributions	6,551,357	-	15,000	-	-	6,566,357
Contribution of Tax Increment Financing fund	-	-	-	8,662,565	-	8,662,565
Total contributions and grants	<u>23,989,219</u>	<u>588,779</u>	<u>2,865,356</u>	<u>8,749,565</u>	<u>(806,222)</u>	<u>35,386,697</u>
Program revenue	878,876	-	-	-	-	878,876
Sales of merchandise	7,352	-	-	-	-	7,352
Proceeds from fundraising events	224,403	-	-	-	-	224,403
Less: direct benefit to donors	(21,902)	-	-	-	-	(21,902)
Interest income	14,778	-	-	-	-	14,778
Rental income, net of vacancies	-	93,706	-	5,754,231	(88,235)	5,759,702
Tenant expense reimbursements	-	-	-	55,315	-	55,315
Other revenue	231,302	77,194	-	172,502	(117,132)	363,866
Total revenues and other support	<u>25,324,028</u>	<u>759,679</u>	<u>2,865,356</u>	<u>14,731,613</u>	<u>(1,011,589)</u>	<u>42,669,087</u>
Functional expenses						
Programs	22,071,284	-	288,886	7,527,917	(72,153)	29,815,934
Management and general	4,362,279	114,412	-	969,120	(939,436)	4,506,375
Fundraising	907,716	-	-	-	-	907,716
Total functional expenses	<u>27,341,279</u>	<u>114,412</u>	<u>288,886</u>	<u>8,497,037</u>	<u>(1,011,589)</u>	<u>35,230,025</u>
Change in net assets from operations	<u>(2,017,251)</u>	<u>645,267</u>	<u>2,576,470</u>	<u>6,234,576</u>	<u>-</u>	<u>7,439,062</u>
Other income/(expense) and gains/(losses)						
Loss on equity in earnings of related entities	-	-	-	(5,138)	-	(5,138)
Other income	-	-	-	7,030	-	7,030
Loss on sale of property and equipment	(7,888)	-	-	-	-	(7,888)
Loss on extinguishment of debt	(550,119)	-	-	-	-	(550,119)
Loss on impairment of investments	-	-	-	(8,616,699)	-	(8,616,699)
Gain on put option	-	3,767,750	-	-	-	3,767,750
Contribution of net assets	-	-	(5,233,897)	-	-	(5,233,897)
Intercompany loan forgiveness	12,125,000	(12,125,000)	-	-	-	-
Total other income/(expense) and gains/(losses)	<u>11,566,993</u>	<u>(8,357,250)</u>	<u>(5,233,897)</u>	<u>(8,614,807)</u>	<u>-</u>	<u>(10,638,961)</u>
Change in net assets	9,549,742	(7,711,983)	(2,657,427)	(2,380,231)	-	(3,199,899)
Noncontrolling interest	-	-	-	(1,446,718)	-	(1,446,718)
Change in net assets attributable to the controlling interest	9,549,742	(7,711,983)	(2,657,427)	(933,513)	-	(1,753,181)
Net assets, beginning of year	6,439,390	7,711,983	2,657,427	46,098,120	113,245	63,020,165
Distributions	-	-	-	(59,685)	-	(59,685)
Noncontrolling interest	-	-	-	(1,446,718)	-	(1,446,718)
Net assets, end of year	<u>\$ 15,989,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,658,204</u>	<u>\$ 113,245</u>	<u>\$ 59,760,581</u>

CitySquare and Subsidiaries  
CitySquare Housing Consolidating Statement of Financial Position  
December 31, 2020

ASSETS

	CitySquare Housing	Akard Walk Commercial, LLC	Akard Walk Residential, LLC	City Walk at Akard Master Condominium Association, Inc.	St. Anne's Hospital, LLC	TEOF	Wynnewood Family Housing, LP	Wynnewood Seniors Housing, LP	Eliminating Entries	Consolidated CitySquare Housing
Cash and cash equivalents	\$ 2,046,375	\$ 36,380	\$ 321,730	\$ 82,872	\$ -	\$ 157,680	\$ 49,016	\$ 307,599	\$ -	\$ 3,001,652
Restricted deposits and reserves	-	-	969,500	-	-	-	1,086,366	1,177,278	-	3,233,144
Rents receivable, net	18,370	2,575	17,651	-	-	-	462,194	10,210	-	511,000
Receivables from related entities	3,120,321	9,180	21,459	28,758	-	137,318	-	-	(3,133,258)	183,778
Notes receivable	966,354	-	-	-	-	1,040,150	-	-	(2,006,504)	-
Investments in related entities	554,444	-	-	-	-	500,000	-	-	66,348	1,120,792
Prepaid and other assets	1,836	-	174,202	-	-	-	40,186	53,830	-	270,054
Tax credit fees, net	-	-	22,421	-	-	-	193,392	251,598	-	467,411
Property and equipment, net	8,547,647	6,032,921	19,287,149	-	763,954	-	19,934,254	12,253,560	(1,921,625)	64,897,860
<b>Total assets</b>	<b>\$ 15,255,347</b>	<b>\$ 6,081,056</b>	<b>\$ 20,814,112</b>	<b>\$ 111,630</b>	<b>\$ 763,954</b>	<b>\$ 1,835,148</b>	<b>\$ 21,765,408</b>	<b>\$ 14,054,075</b>	<b>\$ (6,995,039)</b>	<b>\$ 73,685,691</b>

LIABILITIES AND NET ASSETS

<b>Liabilities</b>										
Accounts payable to unrelated entities	\$ 161,080	\$ 107,076	\$ 254,475	\$ 90,171	\$ -	\$ -	\$ 445,508	\$ 142,752	\$ -	\$ 1,201,062
Accounts payable to related entities	19,502	1,145,506	2,845,812	21,459	353,954	-	372,724	114,287	(3,172,815)	1,700,429
Accrued expenses and other liabilities	1,418	15,062	42,614	-	-	-	59,398	44,741	-	163,233
Notes payable, net	6,220,008	5,313,554	11,007,404	-	-	-	5,326,562	2,071,298	(2,976,063)	26,962,763
<b>Total liabilities</b>	<b>6,402,008</b>	<b>6,581,198</b>	<b>14,150,305</b>	<b>111,630</b>	<b>353,954</b>	<b>-</b>	<b>6,204,192</b>	<b>2,373,078</b>	<b>(6,148,878)</b>	<b>30,027,487</b>
<b>Net assets</b>										
Controlling	8,853,339	(500,142)	694,778	-	410,000	1,835,148	-	(260,963)	(846,161)	10,185,999
Noncontrolling	-	-	5,969,029	-	-	-	15,561,216	11,941,960	-	33,472,205
<b>Total net assets</b>	<b>8,853,339</b>	<b>(500,142)</b>	<b>6,663,807</b>	<b>-</b>	<b>410,000</b>	<b>1,835,148</b>	<b>15,561,216</b>	<b>11,680,997</b>	<b>(846,161)</b>	<b>43,658,204</b>
<b>Total liabilities and net assets</b>	<b>\$ 15,255,347</b>	<b>\$ 6,081,056</b>	<b>\$ 20,814,112</b>	<b>\$ 111,630</b>	<b>\$ 763,954</b>	<b>\$ 1,835,148</b>	<b>\$ 21,765,408</b>	<b>\$ 14,054,075</b>	<b>\$ (6,995,039)</b>	<b>\$ 73,685,691</b>

**CitySquare and Subsidiaries**  
**CitySquare Housing Consolidating Statement of Activities**  
**For The Year Ended December 31, 2020**

	CitySquare Housing	Akard Walk Commercial, LLC	Akard Walk Residential, LLC	City Walk at Akard Master Condominium Association, Inc.	St. Anne's Hospital, LLC	TEOF	Wynnewood Family Housing, LP	Wynnewood Seniors Housing, LP	Eliminating Entries	CitySquare Housing
<b>Revenues and other support</b>										
Contributions and grants										
Corporations	\$ 87,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,000
Contribution of Tax Increment Financing fund	8,662,565	-	-	-	-	-	-	-	-	8,662,565
Total contributions and grants	<u>8,749,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,749,565</u>
Rental income, net of vacancies	484,896	528,035	2,048,454	829,368	-	-	1,550,992	1,231,530	(919,044)	5,754,231
Tenant expense reimbursements	-	63,478	-	-	-	-	-	-	(8,163)	55,315
Partnership and asset management fees	83,392	-	-	-	-	-	-	-	(83,392)	-
Other revenue	172,502	-	-	-	-	-	-	-	-	172,502
Total revenues and other support	<u>9,490,355</u>	<u>591,513</u>	<u>2,048,454</u>	<u>829,368</u>	<u>-</u>	<u>-</u>	<u>1,550,992</u>	<u>1,231,530</u>	<u>(1,010,599)</u>	<u>14,731,613</u>
<b>Functional expenses</b>										
Programs	1,494,554	-	2,305,205	829,368	-	-	2,407,641	1,571,904	(1,080,755)	7,527,917
Management and general	246,034	723,086	-	-	-	-	-	-	-	969,120
Total functional expenses	<u>1,740,588</u>	<u>723,086</u>	<u>2,305,205</u>	<u>829,368</u>	<u>-</u>	<u>-</u>	<u>2,407,641</u>	<u>1,571,904</u>	<u>1,080,755</u>	<u>8,497,037</u>
Change in net assets from operations	<u>7,749,767</u>	<u>(131,573)</u>	<u>(256,751)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(856,649)</u>	<u>(340,374)</u>	<u>70,156</u>	<u>6,234,576</u>
<b>Other income/ (expenses)</b>										
Equity in earnings of consolidating partnerships	(131,599)	-	-	-	-	-	-	-	131,599	-
Loss on equity in earnings of related entities	(5,138)	-	-	-	-	-	-	-	-	(5,138)
Other income	42,600	-	990	-	-	-	6,040	-	(42,600)	7,030
Loss on impairment of investments	(8,056,699)	-	-	-	-	(560,000)	-	-	-	(8,616,699)
Total other income/ (expenses)	<u>(8,150,836)</u>	<u>-</u>	<u>990</u>	<u>-</u>	<u>-</u>	<u>(560,000)</u>	<u>6,040</u>	<u>-</u>	<u>88,999</u>	<u>(8,614,807)</u>
Change in net assets	(401,069)	(131,573)	(255,761)	-	-	(560,000)	(850,609)	(340,374)	159,155	(2,380,231)
Net assets, beginning of year	9,254,408	(368,569)	6,959,613	-	410,000	2,395,148	16,411,825	12,099,754	(1,064,059)	46,098,120
Distributions	-	-	(40,045)	-	-	-	-	(78,383)	58,743	(59,685)
Net assets, end of year	<u>\$ 8,853,339</u>	<u>\$ (500,142)</u>	<u>\$ 6,663,807</u>	<u>\$ -</u>	<u>\$ 410,000</u>	<u>\$ 1,835,148</u>	<u>\$ 15,561,216</u>	<u>\$ 11,680,997</u>	<u>\$ (846,161)</u>	<u>\$ 43,658,204</u>

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

To the Board of Directors of  
CitySquare and Subsidiaries  
Dallas, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of CitySquare and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 28, 2021.

Our report includes a reference to other auditors who audited the financial statements of Akard Walk Residential, LLC, Wynnewood Family Housing, LP, and Wynnewood Seniors Housing, LP, as described in our report on CitySquare and Subsidiaries' consolidated financial statements. The financial statements of Akard Walk Residential, LLC, Wynnewood Family Housing, LP, and Wynnewood Seniors Housing, LP, were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Akard Walk Residential, LLC, Wynnewood Family Housing, LP, and Wynnewood Seniors Housing, LP.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



Armanino<sup>LLP</sup>  
Dallas, Texas

July 28, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE

To the Board of Directors of  
CitySquare and Subsidiaries  
Dallas, Texas

### **Report on Compliance for Each Major Federal Program**

We have audited CitySquare and Subsidiaries (the "Organization")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

## Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Armanino<sup>LLP</sup>  
Dallas, Texas

July 28, 2021

CitySquare and Subsidiaries  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Treasury			
Passed-Through City of Dallas:			
Making Food Accessible - COVID-19	21.019	OCC-2020- 00014499	<u>117,796</u>
Total Passed-Through City of Dallas			<u>117,796</u>
Passed-Through United Way of Metropolitan Dallas:			
Dallas Rental Assistance Program Phase II - COVID-19	21.019	OCC-2020- 00014275	125,969
Dallas Rental Assistance Program Phase III - COVID-19	21.019	HOU-2020- 00014211	<u>52,269</u>
Total Passed-Through United Way of Metropolitan Dallas			<u>178,238</u>
Total U.S. Department of Treasury			<u>296,034</u>
U.S. Department of Agriculture			
Passed-Through Texas Department of Agriculture:			
Child Nutrition Cluster			
Summer Food Service Program for Children	10.559	01636	<u>\$ 1,006,350</u>
Total Child Nutrition Cluster			1,006,350
Child and Adult Care Food Program	10.558	01636	<u>523,511</u>
Total Passed-Through Texas Department of Agriculture			<u>1,529,861</u>
Total U.S. Department of Agriculture			<u>1,529,861</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards  
are an integral part of this schedule.

CitySquare and Subsidiaries  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct awards			
Continuum of Care - Destination Home	14.267	N/A	1,578,664
Continuum of Care - Destination Home	14.267	N/A	1,684,975
Continuum of Care - TRAC RRH Dallas	14.267	N/A	91,477
Continuum of Care - TRAC RRH Dallas	14.267	N/A	77,564
Continuum of Care - TRAC RRH Tarrant	14.267	N/A	66,903
Continuum of Care - TRAC RRH Tarrant	14.267	N/A	31,754
Continuum of Care - Shelter Plus Care Program	14.267	N/A	124,779
Continuum of Care - Shelter Plus Care Program	14.267	N/A	93,248
Continuum of Care - Community Life	14.267	N/A	22,919
Continuum of Care - Irving PSH	14.267	N/A	60,169
			<u>3,832,452</u>
Passed-Through United Way of Metropolitan Dallas:			
Community Development Block Grant / Entitlement Grants	14.218	HOU-2020- 00013759	221,991
Total Passed-Through United Way of Metropolitan Dallas			<u>221,991</u>
Passed-Through Department of Housing and Community Affairs			
Emergency Solutions Grant Program	14.231	42196000009	188,211
Emergency Solutions Grant Program	14.231	42196000009	42,881
Total Passed-Through Department of Housing and Community Affairs			<u>231,092</u>
Total U.S. Department of Housing and Urban Development			<u>4,285,535</u>
U.S. Department of Justice			
Passed-through Dallas County			
Victims of Crime Act Legal Actions Work	16.575	3847601	165,148
Victims of Crime Act Legal Actions Work	16.575	3847602	34,575
Victims of Crime Act Transitional Housing	16.575	3782201	257,950
Total Passed-through Dallas County			<u>457,673</u>
Total U.S. Department of Justice			<u>457,673</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards  
are an integral part of this schedule.

CitySquare and Subsidiaries  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Health and Human Services			
Passed-Through Texas Department of Family and Protective Services:			
Preparation for Adult Living	93.674	24259551	95,304
Preparation for Adult Living	93.674	24259551	59,456
Preparation for Adult Living and Aftercare Services	93.674	24259511	382,204
Preparation for Adult Living and Aftercare services	93.674	24259511	<u>186,766</u>
Total Passed-Through Texas Department of Family and Protective Services			<u>723,730</u>
Passed-Through Texas Workforce Commission:			
Temporary Assistance for Needy Families	93.558	0620TAN001	106,998
Temporary Assistance for Needy Families	93.558	0620TAN001	139
Temporary Assistance for Needy Families	93.558	0621TAN001	33,057
Temporary Assistance for Needy Families	93.558	0520TAN001	106,841
Temporary Assistance for Needy Families	93.558	0520TAN001	18
Temporary Assistance for Needy Families	93.558	0521TAN001	<u>35,245</u>
Total Passed-Through Texas Workforce Commission			<u>282,298</u>
Passed-Through National Institute of Environmental Health Sciences:			
Hazardous Waste Worker Health and Safety Training	93.142	U45ES007850	<u>69,922</u>
Total Passed-Through National Institute of Environmental Health Sciences			<u>69,922</u>
Total U.S. Department of Health and Human Services			<u>1,075,950</u>
Corporation for National and Community Services			
Passed-Through OneStar National Service Commission			
AmeriCorps State Program	94.006	16AFHTX0010017	945,580
AmeriCorps State Program	94.006	16AFHTX0010017	<u>340,596</u>
Total Passed-Through OneStar National Service Commission			<u>1,286,176</u>
Total Corporation for National and Community Services			<u>1,286,176</u>
U.S. Department of Homeland Security			
Emergency Food and Shelter National Board Program	97.024	782600-062	8,841
Emergency Food and Shelter National Board Program	97.024	782600-092	<u>50,000</u>
Total U.S. Department of Homeland Security			<u>58,841</u>
Total Expenditures of Federal Awards			<u>\$ 8,990,070</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards  
are an integral part of this schedule.

CitySquare and Subsidiaries  
Notes to Schedule of Expenditures of Federal Awards  
December 31, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of CitySquare and Subsidiaries (the "Organization") under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable. The Organization has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CitySquare and Subsidiaries  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Continuum of Care	14.267
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

CitySquare and Subsidiaries  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2020

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

CitySquare and Subsidiaries  
Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2020

There were no prior year findings.