Episcopal Housing Corporation and Affiliates

Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

Episcopal Housing Corporation and Affiliates
Table of Contents
Years Ended December 31, 2020 and 2019

K.L. HOFFMAN & COMPANY, PC Certified Public Accountants

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AICPA GAQC Member

Independent Auditors' Report

To the Board of Directors
Episcopal Housing Corporation and Affiliates
Baltimore, Maryland

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Episcopal Housing Corporation and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities and change in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in 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 auditors' 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 Organization'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 Organization'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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Episcopal Housing Corporation and Affiliates, as of December 31, 2020 and 2019, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

K.L. Hoffman & Company, PC

CERTIFIED PUBLIC ACCOUNTANTS

June 23, 2021

Episcopal Housing Corporation and Affiliates
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 1,841,023	$ 1,590,051
Investments	317,311	299,740
Restricted deposits	133,960	51,890
Accrued interest receivable	17,659	-
Fees and other receivables, net of allowance for doubtful accounts of $44,907 and $77,157 in 2020 and 2019, respectively	708,939	96,652
Rents receivable, net of allowance for doubtful accounts of $10,466 in 2020 and $5,000 in 2019	812	9,831
Contributions receivable	503,150	1,005,568
Development costs and advances	114,209	42,091
Prepaid expenses	32,037	8,327
Notes receivable	149,721	202,581
Property and equipment, net	4,782,381	4,228,679
Cash restricted under agreement with tenant	186,290	186,265
Total assets	8,787,492	7,721,675
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	101,570	15,626
Tenant security deposits	19,367	17,622
Deferred developer fees	92,976	-
Agency payable	50,000	-
Note payable	60,217	-
Mortgages payable	2,612,820	2,131,821
Total liabilities	2,936,950	2,165,069
Net assets -		
Donor undesignated		
Available for general activities	5,350,542	4,556,606
Donor designated	500,000	1,000,000
Total net assets	5,850,542	5,556,606
Total liabilities and net assets	$ 8,787,492	$ 7,721,675

See the independent auditors' report and accompanying notes.

Episcopal Housing Corporation and Affiliates

Consolidated Statements of Activities and Change in Net Assets
Years Ended December 31, 2020 and 2019

	2020			2019		
	Donor Undesignated	Donor Designated	Total	Donor Undesignated	Donor Designated	Total
Revenues, gains, and other support:						
Contributions and grants	$ 31,845	$ -	$ 31,845	$ 625,237	$ 1,000,000	$ 1,625,237
Development fees	1,171,911	-	1,171,911	48,865	-	48,865
Asset management fees	44,406	-	44,406	38,678	-	38,678
Rental income	425,668	-	425,668	446,880	-	446,880
Investment income	120,576	-	120,576	125,931	-	125,931
	1,794,406	-	1,794,406	1,285,591	1,000,000	2,285,591
Net assets released from designations	500,000	(500,000)	-	-	-	-
Total revenues, gains, and other support	2,294,406	(500,000)	1,794,406	1,285,591	1,000,000	2,285,591
Expenses:						
Program services	1,333,942	-	1,333,942	1,350,688	-	1,350,688
Supporting services						
Management and general	156,260	-	156,260	125,989	-	125,989
Fund raising	10,268	-	10,268	8,522	-	8,522
Total expenses	1,500,470	-	1,500,470	1,485,199	-	1,485,199
Change in net assets	793,936	(500,000)	293,936	(199,608)	1,000,000	800,392
Net assets - beginning of year	4,556,606	1,000,000	5,556,606	4,756,214	-	4,756,214
Net assets - end of year	$ 5,350,542	$ 500,000	$ 5,850,542	$ 4,556,606	$ 1,000,000	$ 5,556,606

See the independent auditors' report and accompanying notes.

Episcopal Housing Corporation and Affiliates

Consolidated Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 293,936	$ 800,392
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	172,172	164,869
Amortization of debt issuance costs	16,516	1,072
Bad debts and project investment losses	49,385	3,531
Unrealized gains on investments	(7,840)	(26,314)
Donated stock	(780)	-
(Increase) decrease in:		
Notes receivable	20,610	-
Accrued interest receivable	(17,659)	-
Fees and other receivables	(622,658)	314,732
Rents receivable	(985)	(9,831)
Contributions receivable	502,418	(993,937)
Development costs and advances	(68,878)	21,674
Prepaid expenses	(23,710)	(7,358)
Increase (decrease) in:		
Accounts payable and accrued expenses	85,944	(12,013)
Tenant security deposits	1,745	152
Deferred developer fees	92,976	-
Agency payable	50,000	-
Net cash provided by operating activities	543,192	256,969
Cash flows from investing activities:		
Purchase of investments, including reinvested dividends	(8,951)	(11,834)
Capital expenditures	(225,874)	-
Net cash used in investing activities	(234,825)	(11,834)
Cash flows from financing activities:		
Principal payments - mortgages	(35,517)	(70,952)
Proceeds of loan payable	60,217	-
Net cash provided by (used in) financing activities	24,700	(70,952)
Net increase in cash, cash equivalents and restricted cash	333,067	174,183
Cash, cash equivalents and restricted cash - beginning of year	1,828,206	1,654,023
Cash, cash equivalents and restricted cash - end of year	$ 2,161,273	$ 1,828,206

See the independent auditors' report and accompanying notes.

Episcopal Housing Corporation and Affiliates
Consolidated Statements of Functional Expenses
Years Ended December 31, 2020 and 2019

	2020				2019			
		Supporting Services				Supporting Services		
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
Payroll and payroll related	$ 342,591	$ 68,981	$ 6,949	$ 418,521	$ 317,541	$ 56,077	$ 5,200	$ 378,818
Grant expense	500,000	-	-	500,000	600,000	-	-	600,000
Professional services	5,994	26,466	-	32,460	3,000	15,000	-	18,000
Office	12,231	17,063	3,029	32,323	17,982	17,787	3,071	38,840
Occupancy	99,189	476	59	99,724	76,327	1,070	49	77,446
Bad debts and project investment losses	29,010	20,375	-	49,385	-	3,531	-	3,531
Repairs and maintenance	77,138	-	-	77,138	80,792	-	-	80,792
Taxes, licenses and insurance	43,617	21,530	56	65,203	69,736	31,507	55	101,298
Interest	53,544	-	-	53,544	21,605	-	-	21,605
Depreciation and amortization	170,628	1,369	175	172,172	163,705	1,017	147	164,869
	$ 1,333,942	$ 156,260	$ 10,268	$ 1,500,470	$ 1,350,688	$ 125,989	$ 8,522	$ 1,485,199

See the independent auditors' report and accompanying notes.

NOTE 1 - CORPORATE ORGANIZATION, MISSION, AND NATURE OF OPERATIONS

Episcopal Housing Corporation (EHC) is a non-stock, charitable organization exempt from federal income tax under section 501(a) of the Internal Revenue Code, as an organization described in section 501(c)(3). EHC was incorporated on March 30, 1995 in the State of Maryland.

EHC's mission is to respond to God's call to establish justice for the most in need by building affordable housing and creating the foundations for healthy and sustainable communities.

Since its incorporation, EHC has been the developer and/or agent for other organizations in the acquisition, construction, and renovation of residential housing and community facilities. Until its adoption of a new strategic plan in early 2005, EHC had not planned to own or operate housing projects. Since 2005, EHC has been pursuing property ownership primarily through control of Single Asset Limited Liability Corporations. In the early stages of evaluating and choosing projects, EHC has, in certain circumstances, made expenditures for acquisition and pre-development costs without assurance that such expenditures would be recovered. When such costs are deemed to be unrecoverable, they are included in bad debt and project investment losses.

In October 2002, EHC purchased and concurrently leased a three-story building to The Johns Hopkins Hospital. See note 14 for details about these transactions and the mortgage loan on this property.

EHC operates the Woodlawn Oxford house and leases the apartments to male tenants who have overcome substance abuse.

On August 9, 2016, EHC formed the Sojourner Argyle, LLC as a wholly owned affiliate of EHC. The purpose of the LLC is to provide permanent supportive housing for disabled persons.

The consolidated financial statements are prepared on the accrual basis of accounting and are intended to present net assets, revenues and support, expenses, gains and losses based on the existence or absence of donor-imposed designations. The consolidated financial statements include the accounts of EHC and affiliates under its control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of Episcopal Housing Corporation Inc., Cason Arms, LLC, Sojourner Argyle, LLC., 2401, LLC., EHC - North Creek Run II, LLC., EHC - Brinkley Hill, LLC., 3401 Ashburton, LLC., EHC - Preserve at Red Run, LLC., EHC - Four Ten Lofts, LLC., Four Ten Lofts Development, LLC and 17 W. Mulberry, LLC. Intra-entity transactions and balances have been eliminated in consolidation. See note 7.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments are recorded at fair value based on quoted prices in active markets (all Level 1 measurements). Investment return, which consists of interest and dividend income earned, realized gains or losses, and the unrealized appreciation (depreciation) on those investments are recorded in the period in which the investment income or losses occur and are included in the consolidated financial statements as undesignated activities unless designated by the donor. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near-term would materially affect the amounts reported in the consolidated financial statements.

Major expenditures for property and equipment having a useful life of five (5) years or more are capitalized. Property and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed over estimated useful lives ranging from five (5) to forty (40) years using the straight-line method. Leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or the terms of the related leases. EHC uses the direct expensing method to account for planned major maintenance activities.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as an increase in donor undesignated support unless the donor has designated the donated asset to a specific purpose. Assets donated with explicit donor designations regarding their use and contributions of cash that must be used to acquire property and equipment are reported as an addition to donor designated support. Absent donor stipulations regarding how long donated assets must be maintained, EHC reports expirations of donor designations when the donated or acquired assets are placed in service as instructed by the donor. EHC reclassifies donor designated net assets to donor undesignated net assets at that time.

EHC reviews its rental properties for impairment whenever changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying value of an asset, an impairment loss would be reported. No impairment loss has been recognized for the years ended December 31, 2020 and 2019, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Sojourner Argyle, LLC and 3401 Ashburton, LLC are subject to Section 8 Housing Assistance Payments (HAP) agreements with HUD, and a significant portion of the projects' rental income is received from HUD.

The consolidated financial statements report certain categories of expenses that are attributable to program or supporting services. Management's estimate of the allocations of expenses to program service, management and general, and fund raising is based on appropriate allocation factors such as estimated time spent in those areas or square footage used.

Unconditional promises to give that are expected to be collected within one (1) year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. When material, the discount on those amounts are computed using rates applicable to the facts and circumstances applicable to each of the promises to give. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable.

Fees receivable are reported at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance. Management's estimate of the allowance is based on historical collection experience and a review of the current status of fees receivable.

Highly liquid investments with maturities of three (3) months or less at date of purchase are considered to be cash equivalents.

Contributions received are recorded as donor undesignated or donor designated support, depending on the existence and/or nature of donor designations. Donations of securities are recorded at fair market value at the date of the gift and the gain or loss on sale is recognized in the period in which the sale is made. Support that is donor designated is reported as an increase in donor undesignated net assets if the designation is satisfied in the reporting period in which the support is recognized.

EHC recognizes donated services that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EHC received commitments of funds to be invested in projects which are in various stages of development or construction. Commitments of funds for projects not owned by EHC are not included in EHC's accounts since the projects for which they are received are to be owned by others.

Development fee revenue is reported at the amount that reflects the consideration to which EHC expects to be entitled to, in exchange for providing developer services.

Developer fees receivable unpaid at the completion of construction are converted to a note receivable with an interest rate of between three (3) and five (5) percent and mature at the expiration of the tax credit period, fifteen (15) to twenty-five (25) years. When material, interest income is recognized in the period it is earned.

NOTE 3 - RETIREMENT PLAN

EHC maintains a 403(b) retirement plan covering all employees. EHC will match each employee's contribution up to 3% of the employee's salary. Retirement plan expense was approximately $9,000 and $8,100 for the years ended December 31, 2020 and 2019, respectively.

NOTE 4 - CONCENTRATIONS

Approximately 69% and 96% of fees and other receivables are from one (1) related party and two (2) customers at December 31, 2020 and 2019, respectively. Approximately 92% and 82% of development fee revenues are from one (1) related party and one (1) customer for the year ended December 31, 2020 and two (2) customers for the year ended December 31, 2019.

NOTE 5 - CREDIT RISK

EHC maintains cash balances at two (2) banks that exceed $250,000. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank; however, EHC has not experienced any losses with respect to its bank balances in excess of government provided insurance.

NOTE 6 - DEVELOPMENT COSTS AND ADVANCES

EHC, as a developer and/or agent, advances money during the development of the project as costs are incurred. During the development stage and upon completion, EHC will be reimbursed costs previously advanced. At December 31, 2020 and 2019, development costs and advances were approximately $114,200 and $42,100, respectively.

NOTE 7 - INVESTMENT IN TAX CREDIT LOW INCOME HOUSING PROJECTS

2401, LLC

EHC is the sole member of 2401, LLC, the managing member of St. Stephen's Court, LLC. PNC Bank is the limited investment member of St. Stephen's Court, LLC, which owns the St. Stephen's Court Apartment (the Project), an affordable housing project in West Baltimore consisting of seventy-two (72) rental units in six (6) buildings and a management office and community amenities in a seventh building. The Project qualified for and received an allocation of low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code. As a result, the Project is subject to regulations relating to eligibility of occupants and unit gross rental charges, among other matters, to the end of the compliance period (in 2050); however, PNC Bank intends to withdraw from the LLC in 2025. The previous owner of the Project has an option to re-purchase it for a price equal to the remaining debt balance at the end of the compliance period. 2401, LLC has the second option to re-purchase it for a price equal to the remaining debt balance at the end of the compliance period at that time.

EHC receives a share of distributions of net cash flow. EHC's share of net cash flow for the years ended December 31, 2020 and 2019 was approximately $79,400 and $63,500 respectively and is included in investment income. EHC has agreed to lend St. Stephen's Court, LLC amounts required to fund operating deficits, if any, incurred by it through the end of the tax credit compliance period (2050) to the extent they exceed the Project's operating reserve.

EHC is entitled to receive an annual company management fee for property management oversight, tax credit compliance monitoring and related services provided to St. Stephen's Court, LLC. The base fee is $10,800, subject to an annual increase of 3%, and was approximately $14,100 and $13,700, for the years ended December 31, 2020 and 2019, respectively. 2401, LLC is also entitled to receive an annual supplementary management fee of $25,000 for services in the ongoing management of the Project. At December 31, 2020 and 2019, management fees receivable from St. Stephen's Court, LLC were approximately $39,100 and $38,700, respectively.

EHC - NORTH CREEK RUN II, LLC

EHC is the sole member of EHC - North Creek Run II, LLC. EHC - North Creek Run II, LLC., is a managing member, holds a .00459% membership interest in North Creek Run II, LLC. There has been no net cash flow available for distribution for the years ended December 31, 2020 and 2019.

EHC - BRINKLEY HILL, LLC

EHC is the sole member of EHC - Brinkley Hill, LLC. EHC - Brinkley Hill, LLC is a co-managing member holding a .0051% membership interest in Brinkley Hill Associates, LLC. There has been no net cash flow available for distribution for the years ended December 31, 2020 and 2019.

NOTE 7 - INVESTMENT IN TAX CREDIT LOW INCOME HOUSING PROJECTS (continued)

EHC - PRESERVE AT RED RUN, LLC

EHC is the sole member of EHC - Preserve at Red Run, LLC. EHC - Preserve at Red Run, LLC is a co-managing member holding a .0025% membership interest in Red Run Associates, LLC. There has been no net cash flow available for distribution for the years ended December 31, 2020 and 2019.

EHC - PEERLESS, LLC

EHC is the sole member of EHC - Peerless, LLC. EHC - Peerless, LLC is a co-managing member holding .0025% membership interest in Peerless Avenue Associates, LLC. The project is currently in development.

NOTE 8 - INCOME TAXES

EHC is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law. Contributions to EHC are tax deductible within the limitations prescribed by the Code. EHC has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

Sojourner Argyle, LLC., 3401 Ashburton, LLC., EHC - Four Ten Lofts, LLC., Cason Arms, LLC,, Sojourner Place at Preston, LLC and 17 W. Mulberry, LLC are for-profit single member LLCs, wholly owned affiliates of EHC, are not required to file separate income tax returns. All income and losses pass through to the member.

2401, LLC is a for-profit single member LLC, wholly owned affiliate of EHC and is required to file a separate income tax return and pay income tax on taxable income, see note 7. Income tax expense for the years ended December 31, 2020 and 2019 was $18,972 and $29,608, respectively. Accrued income tax expense was $0 at December 31, 2020 and 2019, respectively.

EHC - North Creek Run II, LLC, EHC - Brinkley Hill, LLC and EHC - Preserve at Red Run, LLC are all for-profit single member LLC's, wholly owned affiliates of EHC and are required to file a separate income tax return and pay income taxes on taxable income, see note 7. There were no distributions made from these LLC's for the years ended years ended December 31, 2020 and 2019, respectively and as such no tax liabilities were incurred.

The Internal Revenue Service has not examined any of EHC's or related entities' income tax returns for the past three (3) years, which are subject to examination. EHC has not taken any questionable tax positions with respect to unrelated business income or any other matters that might jeopardize its 501(c)(3) status.

NOTE 8 - INCOME TAXES (continued)

2401, LLC filed and paid corporate taxes beginning in 2018. While management considers the possibility of assessing additional back taxes and penalties remote, management recognizes that IRS could elect to review taxable distributions received by 2401, LLC in the past three (3) prior tax years. Should IRS perform such a review, it is within their purview to assess back taxes and any accompanying interest or penalties.

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31,:

	2020	2019
Land	$ 364,664	$ 108,250
Buildings and improvements	5,047,813	4,578,353
Furniture and fixtures	61,157	61,157
	5,473,634	4,747,760
Less accumulated depreciation and amortization	691,253	519,081
	$ 4,782,381	$ 4,228,679

NOTE 10 - COMMITMENTS

Under the terms of a memorandum of understanding with the Episcopal Diocese of Maryland, EHC improved a property owned by the Diocese and will lease the property from the Diocese. The lease term will approximate thirty (30) years and lease payments are satisfied by the value of the improvements made to the building by EHC. The cost of the completed improvements were approximately $292,000, and EHC moved into the new location in late 2013.

Amortization of leasehold improvements was approximately $10,200 for the years ended December 31, 2020 and 2019.

NOTE 11 - ACCOUNTING PRONOUNCEMENTS

EHC adopted the requirements in FASB ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions made. The ASU amends the definition of a donor-imposed condition to state it must include both (a) one or more barriers that must be overcome before the organization is entitled to the promised assets, and (b) a right of return to the contributor of assets transferred or a right of release from its obligation to transfer assets or to reduce, settle, or cancel liabilities.

NOTE 11 - ACCOUNTING PRONOUNCEMENTS (continued)

EHC adopted the requirements in FASB ASU 2016-01, Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities. The primary changes address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments.

NOTE 12 - MORTGAGES PAYABLE

	2020	2019
Mortgage payable - CURE building, interest rate of 4.61%. Monthly principal and interest payments of $3,380 are due through February 2020. See note 14.	$ -	$ 8,227
Mortgage payable - Sojourner building, interest rate of 0%. Principal payments of $17,500 are due annually only from surplus cash. The loan matures approximately October 2057.	660,625	678,125
Mortgage payable - Ashburton building, interest rate of Prime plus 2%, but not less than 7%. Monthly principal and interest payments of $2,388 are due through September 2032.	-	269,823
Mortgage payable - Ashburton building, interest rate of 6.25%. Monthly principal and interest payments of $2,249 are due through September 30, 2025 at which point the remaining unpaid balance is due.	260,032	-
Mortgage payable - Ashburton building, interest rate of 0%. Principal payments of $78,000 are due annually only from surplus cash. The loan matures and subject to various conditions will be forgiven approximately January 2026.	780,000	780,000
Mortgage payable - Muir Street, interest rate of 0%. No payments are due as long as the building is used for permanent housing for men who are in recovery. The loan matures and subject to various conditions will be forgiven approximately October 2021.	$ 80,313	$ 80,313

NOTE 12 - MORTGAGES PAYABLE (continued)

	2020	2019
Mortgage payable - Muir Street, interest rate of 0%. No payments are due as long as the building is used for permanent housing for men who are in recovery. The loan matures and subject to various conditions will be forgiven approximately February 2024.	$ 331,850	$ 331,850
Mortgage payable - 17 W. Mulberry Street, interest rate of 6%. No payments are due until maturity when the entire balance plus accrues interest is due. The maturity dated is May 1, 2022.	500,000	-
	2,612,820	2,148,338
Less: unamortized debt issuance costs	-	16,517
	$ 2,612,820	$ 2,131,821

Future principal payments on all mortgages and notes payable are as follows for the years ended December 31,:

2021	$ 11,047
2022	511,758
2023	12,514
2024	12,730
2025	211,983
Thereafter	$ 1,852,788

Loan financing costs incurred relating to a mortgage loan that was refinanced in 2020 totaled $18,659 and the accumulated amortization was $2,143 at December 31, 2019. The costs were being amortized over 197 months, which coincided with the maturity date of the mortgage note. Amortization of the debt issuance costs is reported as interest expense in the consolidated statements of activities and change in net assets. Amortization expense for the years ended December 31, 2020 and 2019 was $16,516 and $1,072, respectively. The financing costs were written off with the refinancing of the loan.

NOTE 13 - NOTE PAYABLE

EHC was issued a note in the amount of $60,217 under the Coronavirus Aid, Relief, and Economic Security Act's (the "CARES Act") Paycheck Protection Program. All or a portion of the loan may be forgiven in accordance with the program requirements. The balance of the loan not forgiven will convert to an amortizing term loan payable in two (2) years. The note has a one percent (1%) interest rate.

NOTE 14 - CURE BUILDING PURCHASE AND MORTGAGE

On October 18, 2002, EHC purchased the CURE building, a three-story office building on North Broadway in Baltimore City. The aggregate cost of the purchase, including incidental costs, was $224,817. On the same date, EHC entered into a twenty (20) year, triple-net lease agreement with The Johns Hopkins Hospital (JHH) for the use of the building by its child and adolescent psychiatry community programs. In 2012 the lease was amended to correspond with the refinanced loan and now extends through February 2020. The new lease may be terminated with thirty (30) days notice and a termination fee of the lesser of the outstanding principal of the loan or twenty-four (24) months of base rent ($105,120). Annual rentals of $52,560 were paid to EHC in each of the years through 2019 and $20,305 was paid in 2020. Subsequent to expiration, monthly rentals are $1,000 and the lease may be terminated with thirty (30) days notice. The aggregate rentals payable to EHC in 2021 total approximately $12,000.

EHC's purchase of the CURE Building was funded by a first mortgage loan of $400,000 from a commercial bank. Under the lease agreement with JHH, the loan proceeds in excess of the costs incurred by EHC in making the purchase were required to be expended for improvements to the property on behalf of JHH. This excess cash of approximately $186,300 as of December 31, 2020 and 2019, is being held by EHC in a separate bank account and is classified as restricted cash on the consolidated statements of financial position. EHC expects JHH will direct EHC to use this cash to make improvements on the CURE Building.

NOTE 15 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest was approximately $19,200 and $20,500 for the years ended December 31, 2020 and 2019, respectively.

Non-cash investing and financing activities:

EHC refinanced a mortgage payable in the amount of $252,300 for the year ended December 31, 2020.

EHC financed the purchase of a rental property with a mortgage in the amount of $500,000 for the year ended December 31, 2020.

NOTE 15 - SUPPLEMENTAL CASH FLOW INFORMATION (continued)

Development fees receivable in the amount of $67,381 was converted to a note receivable for the year ended December 31, 2019.

The following schedule provides a reconciliation of cash and restricted cash reported within the balance sheet that sums to the total in the statement of cash flows.

	2020	2019
Cash and cash equivalents	$ 1,841,023	$ 1,590,051
Restricted deposits	133,960	51,890
Cash restricted under agreement with tenant	186,290	186,265
	$ 2,161,273	$ 1,828,206

NOTE 16 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of unconditional promises to give of approximately $503,150 and $1,005,568 at December 31, 2020 and 2019, respectively and are due as follows:

	2020	2019
Less than one year	$ 503,150	$ 505,568
One to five years	-	500,000
	$ 503,150	$ 1,005,568

NOTE 17 - CONDITIONAL CONTRIBUTIONS RECEIVABLE

Conditional contributions receivable consist of the following:

	2020	2019
17 W. Mulberry Place project grant which will be released upon the approval of a funding agreement by the Baltimore City Board of Estimates.	$ 180,000	$ -

The following conditional contributions receivable are from related parties and evidenced by notes receivable:

	2020	2019
North Creek Run II, LLC, no interest, due January 1, 2055	177,540	177,540
Red Run Associates, LLC, no interest, due May 1, 2059	170,000	170,000
410 Lofts, LLC, interest of 4.5%, due 40 years after stabilized operations of the project	1,600,000	-
	1,947,540	347,540
	$ 2,127,540	$ 347,540

NOTE 18 - FAIR VALUE MEASUREMENTS

The accounting codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the assets and liabilities. The hierarchy requires the use of observable market data when available. The three levels of the fair value hierarchy as defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities and market-corroborated inputs.

If the assets or liabilities have a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the assets or liabilities.

Level 3 - Inputs to the valuation methodology are unobservable for the assets or liabilities and are significant to the fair value measurement.

The assets' or liabilities' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

EHC recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels for the years ended December 31, 2020 and 2019.

NOTE 18 - FAIR VALUE MEASUREMENTS (continued)

Fair values of assets' and liabilities' measured on a recurring basis of December 31, are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Mutual funds	$ 317,311	$ 317,311	$ -	$ -
December 31, 2019				
Mutual funds	$ 299,740	$ 299,740	$ -	$ -

NOTE 19 - INVESTMENTS

EHC's investments are carried at fair value (as determined in quoted prices in an active market for identical assets).

Investments consisted of the following at December 31,:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Publicly traded mutual funds	$ 290,538	$ 317,311	$ 280,781	$ 299,740

NOTE 19 - INVESTMENTS (continued)

Investment revenue consisted of the following for the years ended December 31,:

	2020	2019
Interest and dividends	$ 33,379	$ 36,099
Distribution from St. Steven's Court, LLC	79,357	63,518
Realized and unrealized (losses) gains	7,840	26,314
	$ 120,576	$ 125,931

NOTE 20 - CONTINGENCIES

In March 2020, the World Heath Organization declared the spread of the Coronavirus Disease (Covid-19) a worldwide pandemic. The Covid-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. The Covid-19 outbreak is still evolving and the financial impact remains unknown. There is uncertainty regarding Covid-19's impact on the world's economy and therefore on the Organization and its stakeholders.

NOTE 21 - RECLASSIFICATION

Certain amounts pertaining to fiscal year 2019 have been reclassified to conform to current year presentation.

NOTE 22 - FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR

EHC's financial assets available within one year of the consolidated statements of financial position dates for general expenditures are as follows:

	2020	2019
Financial assets at year-end	$ 3,298,573	$ 2,253,568
Unavailable for general expenditures within one year, due to donor designations	500,000	1,000,000
	$ 2,798,573	$ 1,253,568

NOTE 22 - FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR (continued)

As part of EHC's liquidity management, it invests cash in excess of daily requirements in government money mutual funds.

NOTE 23 - DONOR DESIGNATED NET ASSETS

Donor designated net assets consist of the following at December 31, 2020 and 2019,:

	2020	2019
Construction of Four Ten Lofts	$ 500,000	$ 1,000,000

NOTE 24 - NET ASSETS RELEASED FROM DESIGNATIONS

Net assets were released from designations due to satisfaction of the following designation for the years ended December 31,:

	2020	2019
Construction of Four Ten Lofts	$ 500,000	$ -

NOTE 25 - SUBSEQUENT EVENTS

EHC has evaluated subsequent events through the date the financial statements were available to be issued on June 23, 2021, and determined the following to be disclosed:

The paycheck protection note (Note 13) was forgiven in full.