New Directions Housing Corporation and Subsidiaries

Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

New Directions Housing Corporation and Subsidiaries
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Independent Auditor's Report

Board of Directors
New Directions Housing Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of New Directions Housing Corporation (a non-profit organization) and Subsidiaries (collectively the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note B.18. to the consolidated financial statements, effective July 1, 2022, the Organization adopted Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

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Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 29-32 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 33, as required by the audit requirements of Title 2 United States Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is also 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 supplementary 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 accompanying supplementary information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the Organization's 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 solely 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.

MCM CPAs & Advisors LLP

Louisville, Kentucky
October 31, 2023

New Directions Housing Corporation and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 4,356,238	$ 3,958,791
Restricted cash - deposits and funded reserves	947,059	1,327,163
Accounts receivable, net	1,399,447	648,094
Grants and pledges receivable	26,169	658,339
Notes receivable	14,606,007	3,014,684
Prepaid expenses	212,108	219,931
Other assets	499,516	353,235
Property and equipment, net	13,678,523	18,339,580
Total assets	$ 35,725,067	$ 28,519,817
Liabilities and net assets		
Liabilities		
Accounts payable	$ 721,274	$ 786,086
Accrued expenses	990,421	905,420
Deferred revenue	94,209	197,879
Tenant deposits liability	78,737	109,364
Other liabilities	38,650	-
Operating lines of credit	955,824	469,782
Long-term debt obligations, net of unamortized debt issuance costs	10,948,843	12,795,316
Net deficit position in unconsolidated entities	88,936	86,691
Total liabilities	13,916,894	15,350,538
Net assets		
Without donor restrictions		
Undesignated	20,970,461	11,593,199
With donor restrictions		
Purpose or time restrictions	837,712	1,576,080
Total net assets	21,808,173	13,169,279
Total liabilities and net assets	$ 35,725,067	$ 28,519,817

See accompanying notes.

New Directions Housing Corporation and Subsidiaries
Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support						
Rent and rental assistance, net	$ 5,467,988	$ -	$ 5,467,988	$ 6,109,958	$ -	$ 6,109,958
Maintenance fees and tenant charges	534,259	-	534,259	349,782	-	349,782
Property management and incentive fees	301,611	-	301,611	304,785	-	304,785
Housing development and home sales	288,745	-	288,745	1,494	-	1,494
Contributions and grants	1,811,421	1,532,862	3,344,283	1,613,453	2,212,015	3,825,468
Program services	657,750	-	657,750	600,952	-	600,952
Interest income	109,871	-	109,871	80,385	-	80,385
Miscellaneous	867,653	-	867,653	33,516	-	33,516
	10,039,298	1,532,862	11,572,160	9,094,325	2,212,015	11,306,340
Net assets released from restriction	2,271,230	(2,271,230)	-	2,381,042	(2,381,042)	-
Total revenues, gains, and other support	12,310,528	(738,368)	11,572,160	11,475,367	(169,027)	11,306,340
Expenses						
Program services						
Rental properties	5,689,679	-	5,689,679	5,405,237	-	5,405,237
Real estate development	464,803	-	464,803	400,583	-	400,583
Asset and property management	2,793,250	-	2,793,250	2,304,067	-	2,304,067
Resident services	569,756	-	569,756	1,105,106	-	1,105,106
Home ownership preservation	2,051,718	-	2,051,718	1,247,072	-	1,247,072
Community building and engagement	36,419	-	36,419	258,494	-	258,494
Early childhood development	1,423,859	-	1,423,859	1,164,014	-	1,164,014
	13,029,484	-	13,029,484	11,884,573	-	11,884,573
Fundraising and development	373,431	-	373,431	261,641	-	261,641
Management and general	854,092	-	854,092	790,436	-	790,436
Total expenses	14,257,007	-	14,257,007	12,936,650	-	12,936,650
Change in net assets before other activities	(1,946,479)	(738,368)	(2,684,847)	(1,461,283)	(169,027)	(1,630,310)
Other activities						
Forgiveness of debt	19,758	-	19,758	19,758	-	19,758
Net gain on the disposals of assets	11,303,983	-	11,303,983	-	-	-
Net income from investments in limited partnerships	-	-	-	2,054	-	2,054
Total other activities	11,323,741	-	11,323,741	21,812	-	21,812
Change in net assets	9,377,262	(738,368)	8,638,894	(1,439,471)	(169,027)	(1,608,498)
Net assets, beginning of year	11,593,199	1,576,080	13,169,279	13,032,670	1,745,107	14,777,777
Net assets, end of year	$ 20,970,461	$ 837,712	$ 21,808,173	$ 11,593,199	$ 1,576,080	$ 13,169,279

See accompanying notes.

New Directions Housing Corporation and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program services									
	Rental properties	Real estate development	Asset and property management	Resident services	Home ownership preservation	Community building and engagement	Early childhood development	Fundraising and development	Management and general	Total
Advertising	$ 11,675	$ 332	$ (2,664)	$ 132	$ 133	$ 19	$ 114	$ 7,677	$ 473	$ 17,891
Bad debts	274,049	-	-	-	-	-	-	-	-	274,049
Bank charges and other fees	30,856	206	207	264	207	29	177	-	1,182	33,128
Depreciation	1,108,552	1,124	58,079	1,124	3,403	161	37,994	118	40,376	1,250,931
Direct assistance and other program expenses	11,759	-	-	74	-	-	345,229	-	-	357,062
Dues and publications	2,326	1,987	1,095	322	220	25	190	1,888	11,701	19,754
Events/volunteers	1,983	214	496	8,533	1,208	31	4,182	75,178	2,674	94,499
Grants	-	25,000	-	51,758	1,674,634	-	3,151	-	-	1,754,543
Insurance	266,826	-	-	-	-	-	-	-	17,392	284,218
Interest	403,856	17,346	56,503	2,496	2,496	357	19,170	-	49,149	551,372
In-kind expenses	-	-	-	-	5,848	-	-	-	-	5,848
Licenses and permits	-	-	-	-	-	-	415	-	-	415
Maintenance and repairs	2,042,179	7,572	72,378	1,638	42,230	38	32,055	435	28,671	2,227,196
Office supplies	60,623	3,134	3,173	4,224	2,633	364	2,002	2,899	26,906	105,958
Other	245,316	6,060	35,317	3,141	3,142	352	9,812	10,602	32,572	346,314
Professional development/conferences	5,309	247	14,529	11,128	1,407	28	13,296	3,537	13,222	62,703
Professional fees	254,726	5,545	6,723	5,499	8,362	786	9,247	16,500	64,520	371,908
Rent	-	-	-	-	-	-	64,800	-	7,200	72,000
Salaries/wages, payroll taxes, and employee benefits	446,303	393,914	2,491,373	474,568	302,813	34,098	901,863	252,764	526,624	5,824,320
Staff and management fees	772,737	-	-	-	-	-	-	-	-	772,737
Telephone	46,882	2,147	10,480	4,880	3,007	135	663	885	8,282	77,361
Transportation	29,473	-	-	-	-	-	64	-	-	29,537
Utilities	1,000,601	(25)	45,561	(25)	(25)	(4)	46,099	948	30,348	1,123,478
	7,016,031	464,803	2,793,250	569,756	2,051,718	36,419	1,490,523	373,431	861,292	15,657,223
Eliminations	(1,326,352)	-	-	-	-	-	(66,664)	-	(7,200)	(1,400,216)
Totals	$ 5,689,679	$ 464,803	$ 2,793,250	$ 569,756	$ 2,051,718	$ 36,419	$ 1,423,859	$ 373,431	$ 854,092	$ 14,257,007

See accompanying notes.

New Directions Housing Corporation and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program services									
	Rental properties	Real estate development	Asset and property management	Resident services	Home ownership preservation	Community building and engagement	Early childhood development	Fundraising and development	Management and general	Total
Advertising	$ 404	$ 16	$ 16	$ 16	$ 16	$ 2	$ 13	$ 2,805	$ 56	$ 3,344
Bad debts	172,124	-	-	-	-	-	-	-	-	172,124
Bank charges and other fees	42,505	1,722	2,532	1,414	2,735	168	1,425	787	5,745	59,033
Depreciation	1,213,213	121	52,013	121	2,400	17	34,007	-	33,259	1,335,151
Direct assistance and other program expenses	2,790	-	-	6,355	-	-	257,964	-	-	267,109
Dues and publications	1,248	1,447	53	509	53	18	740	1,129	9,052	14,249
Events/volunteers	722	72	72	200	-	10	2,965	19	2,156	6,216
Grants	-	10,000	-	732,852	882,276	220,668	6,315	-	-	1,852,111
Incentive performance fee	102,896	-	-	-	-	-	-	-	-	102,896
Insurance	388,499	2,850	17,650	1,455	1,455	208	8,733	-	26,725	447,575
Interest	541,129	17,658	73,272	884	884	126	28,000	-	52,647	714,600
In-kind expenses	-	-	-	-	4,572	-	-	-	-	4,572
Licenses and permits	1,544	275	39	39	39	6	59	-	140	2,141
Maintenance and repairs	1,519,507	912	16,899	101	6,007	1	20,372	-	36,570	1,600,369
Office supplies	62,478	3,616	6,397	5,286	4,643	502	2,110	13,423	19,909	118,364
Other	53,330	161	71	100	54,118	10	55	2,406	1,402	111,653
Professional development/conferences	6,445	541	7,811	1,847	522	37	7,718	1,394	11,225	37,540
Professional fees	258,387	9,047	9,047	9,047	9,452	1,292	12,149	21,720	57,592	387,733
Rent	-	-	-	-	-	-	43,200	-	4,800	48,000
Salaries/wages, payroll taxes, and employee benefits	403,372	350,006	2,036,468	341,051	271,314	35,262	748,958	217,035	500,481	4,903,947
Staff and management fees	911,615	-	-	-	12	-	-	-	-	911,627
Telephone	45,828	2,059	10,095	3,593	3,105	167	858	885	8,610	75,200
Transportation	26,582	80	31,069	236	3,469	-	36	38	3	61,513
Utilities	1,154,548	-	40,563	-	-	-	32,463	-	24,864	1,252,438
	6,909,166	400,583	2,304,067	1,105,106	1,247,072	258,494	1,208,140	261,641	795,236	14,489,505
Eliminations	(1,503,929)	-	-	-	-	-	(44,126)	-	(4,800)	(1,552,855)
Totals	$ 5,405,237	$ 400,583	$ 2,304,067	$ 1,105,106	$ 1,247,072	$ 258,494	$ 1,164,014	$ 261,641	$ 790,436	$ 12,936,650

See accompanying notes.

New Directions Housing Corporation and Subsidiaries
Consolidated Statement of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 8,638,894	$ (1,608,498)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Bad debts	274,049	172,124
Net (gain) loss on the disposals of assets	(11,303,983)	6,830
Depreciation	1,250,931	1,335,151
Debt forgiveness	(19,758)	(19,758)
Amortization of debt issuance costs	64,299	24,926
Changes in operating assets and liabilities		
Accounts receivable	(1,025,402)	(298,635)
Grants and pledges receivable	632,170	(233,689)
Prepaid expenses and other assets	(34,425)	(15,175)
Accounts payable	(83,102)	218,547
Accrued expenses and other liabilities	(10,646)	(43,844)
Net cash used in operating activities	(1,616,973)	(462,021)
Cash flows from investing activities		
Proceeds from the disposals of assets	4,111,466	-
Proceeds from investments in limited partnerships	2,245	191
Net increase in notes receivable	(82,789)	(82,789)
Purchases of rental properties and other property/equipment	(887,601)	(377,907)
Payments for in-process construction costs	(104,033)	(76,864)
Net cash provided by (used in) investing activities	3,039,288	(537,369)
Cash flows from financing activities		
Proceeds from long-term debt obligations	397,120	664,521
Net borrowings from (payments on) operating lines of credit	486,042	(27,849)
Payments on long-term debt obligations	(2,267,119)	(697,273)
Payments for debt issuance costs	(21,015)	(12,389)
Net cash used in financing activities	(1,404,972)	(72,990)
Net increase (decrease) in cash, cash equivalents, and restricted cash	17,343	(1,072,380)
Cash, cash equivalents, and restricted cash, beginning of year	5,285,954	6,358,334
Cash, cash equivalents, and restricted cash, end of year	$ 5,303,297	$ 5,285,954
Supplemental disclosures		
Cash paid for interest	$ 233,562	$ 534,668
Disposals of assets in exchange for notes receivable	11,508,534	-
Purchases of property/equipment included in accounts payable	18,290	57,390

See accompanying notes.

Note A - Nature of Organization and Operations

New Directions Housing Corporation ("New Directions") and Subsidiaries (collectively the "Organization") was organized as a non-profit entity as prescribed under Internal Revenue Code Section 501(c)(3) and is exempt from federal and state income taxes. New Directions is involved in the following activities, all of which are located in the Louisville, Kentucky metropolitan area, which includes Floyd and Clark counties in Southern Indiana:

- Rental properties: leasing of housing communities for extremely low and low income households
- Real estate development: building and developing multi-family housing communities for low and moderate income families
- Asset and property management: property management services provided to multi-family housing developments
- Resident services: delivering service coordination and youth educational services to benefit extremely low and low income families
- Homeownership preservation: repairing and improving single-family housing for extremely low and low income homeowners and repairing homes owned by elderly and physically disabled persons
- Community building and engagement: efforts to engage with residents and other neighborhood stakeholders to help build a positive sense of community and realize residents' shared vision for their neighborhood
- St. Benedict Center for Early Childhood Education, Inc.: integrated day care services and early childhood education and development programs

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the sole source of authoritative GAAP.

2. Consolidated Financial Statements: The consolidated financial statements include the accounts of New Directions Housing Corporation and its subsidiaries. In accordance with ASC Topic 958: *Not-for-Profit Entities*, the Organization consolidates the following non-profit entities as they are controlled by the Organization through majority voting interests and continuing economic interests.

   - St. Benedict Center for Early Childhood Education, Inc. ("St. Benedict Center")
   - New Vision Residential Services, Inc. dba Clifton Court Apartments
   - St. John Gardens, Inc.

   New Directions is the sole member of New Directions Housing Development, LLC, a Kentucky limited liability company. New Directions Housing Development, LLC owns 99% interests in Directions Apartments, LLC, Russell Apartments, LLC, and Shawnee Apartments, LLC, all Kentucky limited liability companies. New Directions owns 1% interests in each limited liability company (see also Note M). The financial statements of Directions Apartments, LLC, Russell Apartments, LLC, and Shawnee Apartments, LLC are consolidated by the Organization.

   All significant inter-company accounts and transactions have been eliminated in consolidation.

3. Accounting Estimates: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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. Actual results could differ from those estimates.

Note B - Summary of Significant Accounting Policies (Continued)

4. Subsequent Events: Subsequent events for the Organization have been considered through the date of the Independent Auditor's Report which represents the date the accompanying consolidated financial statements were available to be issued. See Note G.

5. Financial Statement Presentation: The Organization records and reports its assets, liabilities, net assets, revenues, gains and losses, and other support based on the existence or absence of donor-imposed restrictions. The Organization reports information regarding its financial position and activities according to the following two classes of net assets:

   - *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.
   - *Net assets with donor restrictions*: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds must be maintained in perpetuity.

6. Cash, Cash Equivalents, and Restricted Cash: The Organization considers all highly liquid investments with maturities when purchased of 3 months or less that are not designated for a special purpose, to be cash equivalents.

   The Organization maintains its cash and cash equivalents at a number of financial institutions. The Organization typically maintains balances in excess of federally insured limits.

7. Accounts Receivable: Accounts receivable consist primarily of charges for tenant rent and management fees. Amounts are considered past due based upon contract or invoice terms. Past due receivables are written-off and charged to operations in the period the balances are deemed to be uncollectible after reasonable collection efforts (generally, with respect to rent, 120 days after a tenant vacates). At June 30, 2023 and 2022, the estimated allowance for uncollectible receivables totals approximately $341,000 and $226,000, respectively.

8. Contributions and Grants Receivable: Contributions and grants receivable are recognized in the year the respective unconditional promise to give is made. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions and grants receivable are expected to be collected within one year and are recorded at net realizable value. No allowance for uncollectible contributions and grants receivable is reflected in the accompanying consolidated financial statements as management considers all such receivables to be fully collectible as of year-end.

9. Property and Equipment: Rental property, including land, buildings, and improvements, are carried at cost or estimated fair value at the date of acquisition, less accumulated depreciation, which is calculated using the straight-line method. The estimated useful lives for the properties range from 27.5 to 40 years for buildings and 5 to 15 years for improvements. Expenditures for ordinary maintenance and repairs are expensed as incurred. Permanent improvements made to increase the value of the property or substantially prolong its life are capitalized and depreciated over the estimated useful lives as determined by management.

Note B - Summary of Significant Accounting Policies (Continued)

9. Property and Equipment (Continued): Office furniture and equipment are carried at cost or estimated fair value if donated. It is the Organization's policy to capitalize expenditures for these items in excess of $1,000. The provision for depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are 3 years for computer and office equipment and 7 years for office furniture.

10. Impairment of Long-lived Assets: The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the expected cash flows to be generated by those assets are less than the related carrying amounts. The Organization evaluated its real estate developments and rental property for impairment, and there was no impairment noted for the years ended June 30, 2023 and 2022.

11. Revenue Recognition: The Organization earns revenue from rental income from wholly-owned properties; fees for property management and property development services; developing and selling wholly-owned single-family homes; service coordination and child development supportive services; and contributions and grants from private sources.

    Rental units are generally leased under operating leases with terms of 12 months. Rental income is recognized according to the terms of the underlying leases and approximates revenue recognition evenly over the lease term. Payments received in advance of providing services, which typically consist of property rental services, are classified as deferred revenue. Such deferred revenue is recognized as revenue when related services are provided. Such deferred revenue totals $94,209 and $197,879 as of June 30, 2023 and 2022, respectively.

    The Organization provides property management services to multi-family housing projects that are not wholly-owned by the Organization. The Organization invoices and recognizes revenue for costs incurred to manage these projects and for management fees representing overhead and profit. Each customer signs a management agreement which specifies the services to be provided by the Organization. These services primarily relate to managing the asset by providing housing to residents and maintaining housing during the life of the management agreement. The management agreements do not last longer than 12 months but do renew automatically unless terminated by either party by giving notice. The management fee is documented in the management agreement and is a percentage of monthly rents. The performance obligations within the management agreements are bundled as none are separately distinct from the property management services provided, therefore management fees are recognized over time (i.e., revenue is recognized monthly when billed). Both parties can terminate the agreement by giving notice and revenue earned through the termination date is to be paid.

    Occasionally, the Organization sells single-family homes primarily to buyers intending on being owner/occupants that participate in the Organization’s homeownership programs. Houses are sold after being renovated and upgraded by the Organization. Revenues from selling single-family homes (and/or lots developed for sale) are recognized upon closing on the sale and transferring the deed. The capitalized costs of land, buildings, and improvements are recognized as expense when the related home sale revenue is recognized. Each home buyer signs a purchase contract specifying the transfer of title to the homeowner as the performance obligation. The transaction price is documented in the purchase agreement. The Organization’s sole performance obligation is the successful transfer of title to the homebuyer. Accordingly, revenue is recognized at a point in time at the sale closing.

Note B - Summary of Significant Accounting Policies (Continued)

11. Revenue Recognition (Continued): The following are the major sources of revenue which are considered third party reimbursement arrangements:

    - Rent Supplements: Under a Housing Assistance Program contract, the Organization receives rent supplements from the U.S. Department of Housing and Urban Development ("HUD") for tenants residing in low income housing units. These contracts are annual contracts unique to each low income complex. These units are regulated by HUD with respect to rental charges and operating methods. Such rent supplements total $3,761,535 and $4,299,472 for the years ended June 30, 2023 and 2022, respectively.
    - Neighborhood Stabilization Program ("NSP"): Under contracts with the City of New Albany, Indiana, a sub-grantee to the Indiana Housing and Community Development Authority, and Louisville/Jefferson County Metro Government, the Organization has undertaken significant community stabilization activities using HUD NSP-1 funds to acquire, develop, or rehabilitate vacant and abandoned single-family housing in focus neighborhoods. Upon project completion, high quality affordable homes will be marketed to qualified buyers, who will be encouraged to secure extensive housing counseling preparation. Reimbursable costs include acquisition, construction, developer fees, home ownership counseling, and program delivery fees.

12. Contributions Other than Cash: Contributions other than cash are recorded in the consolidated financial statements at their estimated fair value. The Organization has notes payable with below-market interest rates. For the years ended June 30, 2023 and 2022, imputed interest related to below-market notes payable totals $175,238 and $78,102, respectively, and is included in contributions and grants revenue per the accompanying consolidated statements of activities and changes in net assets.

13. Donated Services: Throughout a given year, volunteers may give a significant amount of their time and/or perform a variety of tasks to support the operations of the Organization. Donated services are recognized as revenue if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased if not provided by donation. Donated services that do not meet the above criteria are not recognized as revenue and are thus not reported in the accompanying consolidated financial statements.

14. Income Taxes: The Organization has received a determination letter from the Internal Revenue Service indicating that it is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is classified as an organization that is not a private foundation. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

    The Organization recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying consolidated financial statements.

15. Advertising Costs: The Organization expenses advertising costs as incurred. Such costs total $17,891 and $3,344 for the years ended June 30, 2023 and 2022, respectively.

Note B - Summary of Significant Accounting Policies (Continued)

16. Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of these functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on management's estimates. Accordingly, [1] salaries and wages, payroll taxes, and employee benefits have been allocated by function based on an estimate of time and effort, [2] indirect property management and maintenance expenses have been allocated based on an estimate of time and effort and the number of residential units served, and [3] facility and technology expenses have been allocated by function based on occupied square footage of the functional areas.

17. Leases: The Organization determines if an arrangement is a lease at inception of the related contract/ agreement. A contract/agreement is or contains a lease if the contract/agreement conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease right-of-use (ROU) assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term, which is determined as the non-cancelable period, including periods for which termination options are reasonably certain of not being exercised, and periods for which renewal options are reasonably certain of being exercised. The lease liabilities are measured by discounting the future lease payments using either a risk-free rate or the Organization’s collateralized incremental borrowing rate for financing instruments of a similar term unless an implicit rate is readily determinable.

    As applicable, operating lease ROU assets are adjusted for prepaid or deferred lease payments and lease incentives. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. As applicable, a finance lease ROU asset is amortized over the shorter of the estimated useful life of the asset or the term of the related lease.

    Variable lease payments are not considered in the determination of the lease payments for purposes of measuring lease ROU assets and liabilities. Such variable lease payments are recognized as an expense in the period during which the related obligation is incurred.

18. Recently Issued Accounting Pronouncements: In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the consolidated statement of financial position at the date of lease commencement. Leases are classified as either finance or operating. This distinction is relevant for the pattern of expense recognition in the consolidated statement of activities and changes in net assets. The Organization adopted the provisions of ASU 2016-02 as of and for the year ended June 30, 2023 using the optional transition method with no material impact on the accompanying consolidated financial statements. St. Benedict Center recognized an operating lease ROU asset and liability in the amount of $207,131 as of June 30, 2023 related to a related party lease between St. Benedict Center and New Directions. The operating lease ROU asset and liability was however eliminated in consolidation.

Note B - Summary of Significant Accounting Policies (Continued)

18. Recently Issued Accounting Pronouncements (Continued): In connection with the Organization adopting the provisions of ASU 2016-02, management elected to apply certain policy elections and practical expedients with respect to all classes of underlying assets as follows:

    - To carry forward the historical lease classification of the Organization’s existing leases, to not have to reassess whether expired or existing contracts/agreements are and/or contain leases, and to not have to re-assess initial direct costs for existing leases (collectively the "package of three" practical expedients).
    - To not use hindsight with respect to renewals and/or purchase options.
    - As applicable, to combine the lease and the non-lease components.
    - To exclude all short-term leases with an initial term of twelve months or less, recognizing lease expense for such leases on a straight-line basis over the lease term.
    - To use a risk-free rate (the United States Department of the Treasury Daily Treasury Par Yield Curve Rate) as the discount rate.

    In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets*. The standard requires contributed non-financial assets to be shown separate from contributions of cash and other financial assets and provides for qualitative disclosures regarding valuation techniques and categories of contributed non-financial assets and their use. The Organization adopted the provisions of ASU 2020-07 as of and for the year ended June 30, 2022 with no material impact on the consolidated financial statements.

    In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard requires a financial asset (including “trade” receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the consolidated statement of activities and changes in net assets will reflect the measurement of credit losses for newly-recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the fiscal year ending June 30, 2024. The Organization is in the process of evaluating the impact of the adoption of ASU 2016-13 on the consolidated financial statements.

Note C - Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its operating needs, capital improvements, and financing obligations. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, and lines of credit. The Organization maintains lines of credit with two lenders that may be drawn upon as needed during the year to manage cash flows. Lines of credit are also used by the organization for special projects prior to establishing long-term financing (see Notes G and H).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures and debt service related to its on-going activities of property management and multi-family housing operations, as well as the supportive and administrative services undertaken to support the Organization's primary revenue-generating activities, to be general expenditures. The Organization does not have any Board of Director designations impacting its financial assets available for general expenditure over the next 12 months. The Organization does have certain donor-imposed restrictions on its financial assets. These assets have been designated as restricted cash on the consolidated statements of financial position.

Note C - Liquidity and Availability of Resources (Continued)

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization typically operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows at June 30, 2023 and 2022:

	2023	2022
Financial assets		
Cash and cash equivalents	$ 4,356,238	$ 3,958,791
Restricted cash - deposits and funded reserves	947,059	1,327,163
Accounts receivable	1,399,447	648,094
Grants and pledges receivable	26,169	658,339
Notes receivable	14,606,007	3,014,684
	21,334,920	9,607,071
Less amounts not available within one year		
Restricted cash - deposits and funded reserves	(947,059)	(1,327,163)
Long-term receivables	(14,606,007)	(3,014,684)
Net assets with donor restrictions	(463,969)	(1,202,337)
	$ 5,317,885	$ 4,062,887

As of June 30, 2023 and 2022, cash and cash equivalents includes a total of $623,999 and $439,032, respectively, that is comprised of operating cash accounts of properties that are regulated by HUD. These funds are considered unrestricted at the entity-level provided they are used only for the operating expenses.

Note D - Restricted Cash

The Organization maintains an escrow account for security deposits received from tenants. The cash is restricted for reimbursements of security deposits unless there is evidence of default by the tenant under the lease agreement. As of June 30, 2023 and 2022, the total refundable security deposit liability of $78,737 and $109,364, respectively, was properly funded. The liability for refundable security deposits is classified separately on the consolidated statements of financial position.

The Organization is required to make monthly deposits to various reserve for replacement cash accounts. The funds in the replacement reserves are restricted for substantial repairs, capital expenditures, and/or replacement of capital assets. The replacement reserve accounts are funded in accordance with operating or financing agreements, as applicable.

The Organization is required to make monthly deposits into various mortgage escrow accounts, as determined by applicable financing agreements. The cash in mortgage escrow accounts is restricted for payment of the next installment of real estate taxes and/or insurance premiums for the underlying property.

The Organization has various other deposits and reserve cash accounts, which are specifically restricted for operating reserves, pledges, and other regulatory reasons as determined by operating and financing agreements.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position as of June 30, 2023 and 2022 that sums to the total of the same such amounts shown in the consolidated statements of cash flows for the years ended June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$ 4,356,238	$ 3,958,791
Restricted cash - tenant security deposits	74,656	105,241
Restricted cash - replacement reserves	737,337	991,544
Restricted cash - tax and insurance escrows	38,871	60,514
Restricted cash - other deposits and reserves	96,195	169,864
Total restricted cash - deposits and funded reserves	947,059	1,327,163
Total cash, cash equivalents, and restricted cash per the consolidated statements of cash flows	$ 5,303,297	$ 5,285,954

Note E - Notes Receivable

The Organization provides other limited partnerships owning multi-family housing developments with below-market interest loans to cover renovations and improvements (see also Note F) for which no other funding for affordable housing projects is readily available. Notes receivable generally bear interest at interest rates ranging from 1.00% to 5.00%. The Organization considers these notes receivable to be fully collectible based upon the underlying value of the properties that were funded. Accordingly, no related allowance for uncollectible notes receivable is reflected in the accompanying consolidated financial statements. Under the note agreements, the Organization would be repaid from net cash flow arising from a sale of the property or a refinancing of debt as these notes are subordinate to existing liens with institutional lenders or local agencies.

The estimated fair values of the notes receivable represent the outstanding principal balances under the terms of the respective note agreements, plus the unpaid interest accrued thereon. Interest income is recognized over the terms of the notes receivable as calculated on the outstanding principal balances. At June 30, 2023 and 2022, notes receivable consist of the following:

Borrower	Maturity date	2023	2022
Mortgage(s) receivable - Jackson Woods Apartments, LLLP	December 2041	$ 1,858,180	$ 1,858,180
plus accrued interest		213,210	153,901
		2,071,390	2,012,081
Mortgage(s) receivable - Roosevelt Apartments, LLLP	May 2055	2,808,534	-
Mortgage receivable - Shawnee Renaissance Apartments, LLLP	November 2054	8,700,000	-
Mortgage(s) receivable - St. William Apartments, LLLP	December 2040	936,000	936,000
plus accrued interest		90,083	66,603
		1,026,083	1,002,603
Total notes receivable		$ 14,606,007	$ 3,014,684

Note F - Property and Equipment

At June 30, 2023 and 2022, property and equipment, net of accumulated depreciation of $18,650,537 and $23,337,396, respectively, consists of the following:

	2023	2022
Real estate and rental property		
Brandeis Apartments - 50 units	$ 810,732	$ 901,193
Clifton Court Apartments - 14 units	601,225	641,818
Directions Apartments - 110 units	1,966,313	2,037,989
Heverin House - 7 units	96,026	93,665
Market Street Apartments - 8 units	366,832	371,331
Muhammad Ali Apartments - 19 units	323,708	320,235
Parkland I - 12 units	161,025	172,163
Parkland II - 15 units	538,804	562,289
Reeser Court Apartments - 54 units	1,461,318	1,513,543
Roosevelt Apartments	-	1,592,550
Russell Apartments - 183 units	3,227,266	3,320,504
Shawnee Apartments	-	2,742,316
Smoketown Apartments - 16 units	375,556	340,961
St. John Gardens - 20 units	603,014	644,992
Corporate offices, commercial properties, and land	2,198,198	2,179,964
St. Benedict Center	843,806	870,241
	13,573,823	18,305,754
Building and maintenance equipment and vehicles	10,134	11,147
Office furniture and equipment	94,566	22,679
Total property and equipment, net	$ 13,678,523	$ 18,339,580

During the year ended June 30, 2023, the Shawnee (on November 3, 2022) and Roosevelt (on April 28, 2023) apartments properties were sold to Shawnee Renaissance Apartments, LLLP and Roosevelt Apartments, LLLP, respectively (both of which are related parties; see below), in conjunction with two separate low income housing tax credit ("LIHTC") transactions, the purpose of which is to rehabilitate the otherwise aging properties. The consideration between the two transactions totaled $15,620,000 (see also Note E), resulting in an approximately $11,300,000 net gain on the disposals of the two properties which is reflected in the accompanying consolidated statement of activities and changes in net assets for the year ended June 30, 2023.

Shawnee Renaissance GP, LLC, a Kentucky limited liability company whose sole member is New Directions, is the general partner owning a 0.01% interest in Shawnee Renaissance Apartments, LLLP. Roosevelt Apartments GP, LLC, a Kentucky limited liability company whose sole member is New Directions, is the general partner owning a 0.01% interest in Roosevelt Apartments, LLLP.

Note G - Operating Lines of Credit

The Organization has a line of credit agreement with Republic Bank & Trust Company with maximum available borrowings of up to $750,000. Interest accrues and is paid monthly at the Prime Rate (8.25% and 4.75% as of June 30, 2023 and 2022, respectively). The outstanding principal amount, and the unpaid interest accrued thereon, is due at maturity. The line of credit is secured by mortgages (subordinate to the first mortgages) with respect to the 1615 and 1617 Maple Street property, the St. Bendict Center property, and the Smoketown Apartments property. The line of credit has a maturity date of October 2023, however, subsequent to year-end, the maturity date was extended October 2024. The outstanding balance on the line of credit is $227,489 and $191,447 as of June 30, 2023 and 2022, respectively.

The Organization has a line of credit agreement with Fifth Third Bank with maximum available borrowings of up to $750,000. Interest accrues and is paid monthly at the Secured Overnight Financing Rate plus 5.09% (equivalent to an interest rate of 7.38% and 3.75% as of June 30, 2023 and 2022, respectively). The outstanding principal amount, and the unpaid interest accrued thereon, is due at maturity. The line of credit is uncollateralized/unsecured. The line of credit has a maturity date of December 2023. The outstanding balance on the line of credit is $728,335 and $278,335 as of June 30, 2023 and 2022.

Note H - Notes Payable

At June 30, 2023, notes payable consist of the following:

Lender	Amount	Interest rate	Maturity date	Collateral/security
Louisville/Jefferson County Metro Government	$ 840,000	0.00%	1/1/2026	Jackson Woods Apartments
Independence Bank of Kentucky	1,328,242	3.15%	5/1/2026	1000 East Liberty Street
Louisville/Jefferson County Metro Government	60,921	0.00%	8/1/2026	Historic Parkland I properties
NeighborWorks Capital Corporation	297,120	5.20%	11/1/2026	uncollateralized/unsecured
Louisville/Jefferson County Metro Government	583,000	0.00%	1/1/2027	St. Williams Apartments
First Financial Bank	278,564	3.86%	6/6/2027	Muhammad Ali Apartments
Louisville Metro Affordable Housing Trust Fund	200,000	0.00%	6/1/2028	single-family properties
Community Housing Capital	961,507	5.56%	6/3/2029	Brandeis Apartments
Louisville/Jefferson County Metro Government	89,885	0.00%	6/3/2029	Brandeis Apartments
Republic Bank & Trust Company	876,911	3.50%	9/29/2030	1615 and 1617 Maple Street
Republic Bank & Trust Company	549,505	2.99%	7/20/2031	St. Benedict Center property
Republic Bank & Trust Company	323,529	2.99%	10/22/2031	Smoketown Apartments
Louisville/Jefferson County Metro Government	1,427,871	3.00%	5/1/2033	Directions Apartments
Lument Capital	581,868	6.25%	5/1/2033	Directions Apartments
Lument Capital	430,524	4.20%	5/1/2033	Russell Apartments
HUD Flexible Subsidy Loan	31,821	1.00%	2/1/2040	Smoketown Apartments
Lument Capital	736,705	6.50%	6/1/2041	St. John Gardens
Louisville/Jefferson County Metro Government	460,000	0.00%	6/1/2041	St. John Gardens
Lument Capital	987,876	3.20%	8/1/2042	Reeser Court Apartments
	11,045,849			
Less unamortized debt issuance costs	(97,006)			
Net carrying value	$ 10,948,843			

At June 30, 2023 and 2022, unamortized debt issuance costs total $97,006 and $140,290, respectively.

Note H - Notes Payable (Continued)

Louisville/Jefferson County Metro Government
On May 13, 2010, the Organization entered into a loan agreement with Louisville/Jefferson County Metro Government ("Louisville") with respect to the acquisition of and improvements to Jackson Woods Apartments through Louisville's HOME Investment Partnerships Program. The non-interest bearing $840,000 loan has a maturity date of January 1, 2026. If there is no default (as defined in the loan agreement) throughout the term of the loan, the loan shall be forgiven in full on the maturity date. This loan is collateralized by the Jackson Woods Apartments property. At June 30, 2023 and 2022, the outstanding balance of the note payable is $840,000.

Independence Bank of Kentucky
On April 28, 2021, the Organization entered into a $1,387,500 loan agreement with Independence Bank of Kentucky. The interest rate is 3.15% and the loan has a maturity date of May 1, 2026. The loan is payable in monthly interest only payments beginning on May 1, 2021 and monthly principal and interest payments of $6,682 beginning on December 1, 2021. A final balloon payment of principal and the unpaid accrued interest thereon (estimated at $1,218,056) is due at maturity. The loan is collateralized by the 1000 East Liberty Street property. At June 30, 2023 and 2022, the outstanding balance of the note payable is $1,328,244 and $1,365,941, respectively.

Louisville/Jefferson County Metro Government
On August 1, 2014, the Organization entered into a loan agreement with Louisville/Jefferson County Metro Government with respect to the five properties associated with Historic Parkland I. The $237,100 loan is non-interest bearing and has a maturity date of August 1, 2026. The agreement provides for annual forgiveness of $19,758 if certain requirements are met by placing a specified amount each year in the replacement reserve account. The loan is collateralized by the five properties. At June 30, 2023 and 2022, the outstanding balance of the note payable is $60,921 and $80,679, respectively.

NeighborWorks Capital Corporation
On October 5, 2022, the Organization entered into a revolving pre-development line of credit agreement with NeighborWorks Capital Corporation with maximum available borrowings of up to $1,500,000. Interest accrues and is paid monthly at an interest rate of 5.20%. The outstanding principal amount, and the unpaid interest accrued thereon, is due at maturity (November 1, 2026). The line of credit is uncollateralized/unsecured. On a quarterly basis, the Organization must maintain a specific current ratio, as well as a defined amount of cash/cash equivalents, with which the Organization was in compliance as of June 30, 2023. At June 30, 2023, the outstanding balance of the note payable is $297,120.

Louisville/Jefferson County Metro Government
On June 15, 2010, the Organization entered into a loan agreement with Louisville/Jefferson County Metro Government with respect to the acquisition of and improvements to St. William Apartments through Louisville's HOME Investment Partnerships Program. The non-interest bearing $583,000 loan has a maturity date of January 1, 2027. If there is no default (as defined in the loan agreement) throughout the term of the loan, the loan shall be forgiven in full on the maturity date. This loan is collateralized by the St. William Apartments property. At June 30, 2023 and 2022, the outstanding balance of the note payable is $583,000.

First Financial Bank
On June 6, 2017, the Organization entered into a loan agreement with First Financial Bank (formerly MainSource Bank) to obtain a $360,000 loan to finance Muhammad Ali Apartments. The loan has a maturity date of June 6, 2027 and is payable in monthly principal installments of $2,168 plus interest at 3.86%. The loan is collateralized by the Muhammad Ali Apartments property. At June 30, 2023 and 2022, the outstanding balance of the note payable is $278,564 and $294,446, respectively.

Note H - Notes Payable (Continued)

Louisville Metro Affordable Housing Trust Fund
On April 23, 2020, the Organization entered into a loan agreement with Louisville Metro Affordable Housing Trust Fund to obtain four separate $50,0000 non-interest bearing loans ($200,000 in total) to be used for the construction and/or rehabilitation of four single-family residential units on East Breckinridge Street in the Smoketown neighborhood. The Organization has until November 23, 2024 (two of the $50,000 loans) and June 1, 2028 (the other two $50,000 loans) (the respective maturity dates of the loans) to sell each property to a qualified homeowner. Upon the sale of each property, $35,001 shall be paid against the loan balance and $14,999 shall be forgiven. The notes payable are collateralized by the four properties. At June 30, 2023 and 2022, the total outstanding balance of the four notes payable is $200,000 and $100,000, respectively.

Community Housing Capital
On June 3, 2019, the Organization restructured its existing loan agreement with Community Housing Capital, Inc. to increase the loan amount to provide funding for the cost of replacing historical windows and the permanent financing of Brandeis Apartments. The restructured loan provides for funding of up to $1,000,000 at an interest rate of 5.56% (the agreement has a stated interest rate of 6.75%, however the lender has allowed an alternate interest rate of 5.56% assuming no events of default). Management has no reason to believe the lesser alternate interest rate will not otherwise continue through the June 3, 2029 maturity date of the loan. Principal payments were not required until the full $1,000,000 had been drawn upon. Until that time, the agreement required monthly interest only payments. The remaining $51,983 of the $1,000,000 was funded in August 2020. Accordingly, monthly principal and interest payments of $5,716 began in October 2020. The loan is collateralized by the Brandeis Apartments property. The Organization must maintain a specific debt service coverage ratio, with which the Organization was in compliance as of June 30, 2023. At June 30, 2023 and 2022, the outstanding balance of the note payable is $961,507 and $976,183, respectively.

Louisville/Jefferson County Metro Government
On June 3, 2019, the Organization restructured its existing loan agreement with Louisville/Jefferson County Metro Government on Brandeis Apartments. The non-interest bearing $168,000 loan has a maturity date of June 3, 2029. Annual payments of principal shall be paid out of available "net cash flow" (as defined in the loan agreement). The loan is collateralized by the Brandeis Apartments property. At June 30, 2023 and 2022, the outstanding balance of the note payable is $89,885 and $105,989, respectively.

Republic Bank & Trust Company
On May 29, 2019, the Organization entered into a loan agreement with Republic Bank & Trust Company to purchase the properties located at 1615 and 1617 Maple Street. The interest rate on the $975,000 loan is 3.50% (the interest rate changes to the Prime Rate after the first seven years of the loan) and the loan has a maturity date of September 29, 2030. During the year ended June 30, 2021, the loan was restructured. The loan amount was increased from $585,000 to $975,000. The interest rate was decreased from 4.88% to 3.50% and the May 29, 2029 maturity date was extended to September 29, 2030. The loan is collateralized by the 1615 and 1617 Maple Street properties. At June 30, 2023 and 2022, the outstanding balance of the note payable is $876,911 and $914,432, respectively.

Republic Bank & Trust Company
On July 20, 2021, the Organization entered into a $592,000 loan agreement with Republic Bank & Trust Company. The interest rate is 2.99% for the first five years of the loan through June 20, 2026. Thereafter, the interest rate will be the Prime Rate plus 0.50% (the interest rate will never be greater or less than 9.99% and 2.99%, respectively). Monthly payments of principal and interest of $3,293 are required through June 20, 2031, with a final balloon payment of principal and the unpaid accrued interest thereon due at maturity (July 20, 2031). The loan is collateralized by the St. Benedict Center property and the assignment of all leases and rents. At June 30, 2023 and 2022, the outstanding balance of the note payable is $549,505 and $571,995, respectively.

Note H - Notes Payable (Continued)

Republic Bank & Trust Company
On October 22, 2021, the Organization entered into a $345,000 loan agreement with Republic Bank & Trust Company to refinance its existing loan with Berkadia Mortgage Capital. The interest rate is 2.99% for the first five years of the loan through September 22, 2026. Thereafter, the interest rate will be the Prime Rate plus 0.50% (the interest rate will never be greater or less than 9.99% and 2.99%, respectively). Monthly payments of principal and interest of $1,919 are required through September 22, 2031, with a final balloon payment of principal and the unpaid accrued interest thereon due at maturity (October 22, 2031). The loan is collateralized by the Smoketown Apartments property and the assignment of all leases and rents. At June 30, 2023 and 2022, the outstanding balance of the note payable is $323,529 and $336,535, respectively.

Louisville/Jefferson County Metro Government (Directions Apartments, LLC second mortgage loan)
Directions Apartments, LLC has a $1,427,871 loan agreement with Louisville/Jefferson County Metro Government bearing interest at 3.00%. An annual payment of principal and interest is due within 10 days after the related annual HUD filing deadline. The payment amount is defined as 80% of "surplus cash" (as defined in the loan agreement) after the payment of "capital recovery payments and incentive performance fees." A final balloon payment of principal and the unpaid accrued interest thereon is due at maturity (May 1, 2033). The debt obligation is secured by a mortgage encumbering Directions Apartments LLC's real and personal property and is subordinate to the first mortgage loan (see below). At June 30, 2023 and 2022, the outstanding balance of the note payable is $1,427,871.

Lument Capital (Directions Apartments, LLC first mortgage loan)
Directions Apartments, LLC is indebted to Lument Capital, LLC (formerly Red Mortgage Capital, Inc.) under an U.S. Federal Housing Administration ("FHA") insured 30-year mortgage note dated April 28, 2003, in the amount of $1,067,500. The mortgage note, due May 1, 2033, is secured by the real estate, improvements to real estate, and personal property of Directions Apartments. Other security includes the assignment of all rents and the escrows for replacements, insurance, and real estate taxes. The mortgage note is payable in monthly installments of $6,573 of principal and interest of 6.25%. The mortgage note may be prepaid at any time without penalty. At June 30, 2023 and 2022, the outstanding balance of the note payable is $581,868 and $622,969, respectively.

Lument Capital (Russell Apartments, LLC first mortgage loan)
Russell Apartments, LLC is indebted to Lument Capital, LLC (formerly Red Mortgage Capital, Inc.) under an FHA insured 30-year mortgage note dated April 28, 2003, in the amount of $850,000. The mortgage note, due May 1, 2033, is secured by the real estate, improvements to real estate, and personal property of Russell Apartments. Other security includes the assignment of all rents and the escrows for replacements, insurance, and real estate taxes. The mortgage note is payable in monthly installments of $5,234 of principal and interest at 4.20%. The mortgage note may be prepaid at any time without penalty. At June 30, 2023 and 2022, the outstanding balance of the note payable is $430,524 and $464,834 respectively.

HUD Flexible Subsidy Loan
The Organization is indebted under a $31,821 HUD Flexible Subsidy Loan. The interest rate is 1.00% and the loan has a maturity date of February 1, 2040. There are no required payments of principal and/or interest until there is enough "surplus cash" (as defined in the loan agreement). The loan is collateralized by the Smoketown Apartments property. At June 30, 2023 and 2022, the outstanding balance of the note payable is $31,821.

Lument Capital (St. John Gardens, Inc. first mortgage loan)
St. John Gardens, Inc. is indebted to Lument Capital, LLC (formerly Red Mortgage Capital, Inc.) under a mortgage note in the amount of $959,300, which is insured under Section 207 pursuant to Section 223(f) of the National Housing Act, as amended. The mortgage note, which has a maturity date of June 1, 2041, is payable in monthly installments of $5,796 of principal and interest at 6.50%. Monthly deposits to the escrow for replacements and insurance are also required. The mortgage note is secured by the real estate, improvements to real estate, and personal property of St. John Gardens. At June 30, 2023 and 2022, the outstanding balance of the note payable is $736,705 and $756,433, respectively.

Note H - Notes Payable (Continued)

Louisville/Jefferson County Metro Government (St. John Gardens, Inc. second mortgage loan)
St. John Gardens, Inc. obtained a $460,000 non-interest bearing second mortgage loan from Louisville/Jefferson County Metro Government. This loan is from the U.S. Department of Housing and Urban Development's Home Investment Partnership Program. If the Organization meets all of the conditions of the debt agreement, the debt obligation will be fully forgiven on June 1, 2041. No payments are due on the loan unless the Organization fails to meet the requirements of the loan agreement. The debt obligation is secured by a mortgage encumbering St. John Gardens, Inc.'s real and personal property and is subordinate to the first mortgage loan (see above). At June 30, 2023 and 2022, the outstanding balance of the note payable is $460,000.

Lument Capital (Reeser Court Apartments, LLC first mortgage loan)
Reeser Court Apartments, LLC is indebted to Lument Capital, LLC (formerly Red Mortgage Capital, Inc.) under a mortgage note in the amount of $1,330,000, which is insured under Section 221(d)(3) pursuant to Section 223(a)(7) of the National Housing Act, as amended. The mortgage note, which has a maturity date of August 1, 2042, is payable in monthly installments of $5,752 of principal and interest at 3.20%. Monthly deposits to the escrow for replacements and insurance are also required. The mortgage note is secured by the real estate, improvements to real estate, and personal property of Reeser Court Apartments. At June 30, 2023 and 2022, the outstanding balance of the note payable is $987,876 and $1,024,674, respectively.

Lument Capital
Shawnee Apartments, LLC was indebted to Lument Capital, LLC (formerly Red Mortgage Capital, Inc.) under an FHA insured 30-year mortgage note dated April 28, 2003, in the amount of $2,081,900. The mortgage note, due May 1, 2033, was secured by the real estate, improvements to real estate, and personal property of Shawnee Apartments. Other security included the assignment of all rents and the escrows for replacements, insurance, and real estate taxes. The mortgage note was payable in monthly installments of $12,819 of principal and interest at 6.25%. During the year ended June 30, 2023, the property was sold (see also Note F) and the note was paid in-full. At June 30, 2022, the outstanding balance of the note payable was $1,214,949.

First Financial Bank
On June 30, 2016, the Organization entered into a loan agreement with First Financial Bank (formerly MainSource Bank) to obtain a $500,000 loan to finance Roosevelt Apartments. For the first 5 years of the loan through May 2021, the interest rate was 3.59%. Effective June 1, 2021, the interest rate changed to the weekly average yield on U.S. Treasury Securities plus 2.50% (an equivalent interest rate of 3.59% at June 30, 2022). The loan required monthly principal and interest payments of $2,936 through the June 30, 2026 maturity date. The loan was collateralized by the Roosevelt Apartments property. During the year ended June 30, 2023, the property was sold (see also Note F) and the note was paid in-full. At June 30, 2022, the outstanding balance of the note payable was $387,855.

NeighborWorks Capital Corporation
On July 17, 2020, the Organization entered into a loan agreement with NeighborWorks Capital Corporation for a $500,000 stabilization loan. The interest rate was 3.50% and the uncollateralized/unsecured loan had a maturity date of August 1, 2022. The note payable was paid in-full during the year ended June 30, 2023. At June 30, 2022, the outstanding balance of the note payable was $200,000.

First Financial Bank
On October 7, 2019, the Organization entered into a loan agreement with First Financial Bank to obtain a $100,000 loan for the soft costs related to the development of a senior apartment community, "Roosevelt Senior Apartments." The loan was non-interest bearing and had a maturity date of October 5, 2022 and was collateralized by the Roosevelt Apartments property. During the year ended June 30, 2023, the property was sold (see also Note F) and the note was paid in-full. At June 30, 2022, the outstanding balance of the note payable was $100,000.

Note H - Notes Payable (Continued)

Metropolitan Housing Coalition (serviced through Commonwealth Bank and Trust Company)
On January 30, 2019, the Organization entered into a loan agreement with Metropolitan Housing Coalition to obtain a $325,000 Non-profit Housing Production and Repair Program loan. The interest rate was 5.00% and the uncollateralized/unsecured loan had a maturity date of February 1, 2023. Interest was payable quarterly. During the year ended June 30, 2023, the note was paid in-full. At June 30, 2022, the outstanding balance of the note payable was $75,000.

At June 30, 2023, the estimated aggregate principal payments required on the Organization's long-term debt obligations are as follows:

Year ending June 30,	Amount
2024	$ 303,799
2025	317,459
2026	2,379,893
2027	864,377
2028	475,513
Thereafter	6,704,808
	11,045,849
Less unamortized debt issuance costs	(97,006)
Net carrying value	$ 10,948,843

Note I - Paycheck Protection Program Loan

As a result of the initial uncertainty surrounding the novel coronavirus disease 2019 ("COVID-19") pandemic, in May 2020, New Directions and St. Benedict Center received a consolidated Paycheck Protection Program ("PPP") loan under the March 2020 Coronavirus Aid, Relief, and Economic Security ("CARES") Act totaling $779,077.

New Directions and St. Benedict Center accounted for the loan proceeds ($678,691 and $100,386, respectively) as a financial liability (debt) in accordance with ASC Topic 470, *Debt*. As such, New Directions and St. Benedict Center recorded the proceeds from the loan as a financial liability until [1] the loan was partially or fully forgiven and New Directions and St. Benedict Center was legally released by the U.S. Small Business Administration ("SBA") or [2] New Directions and St. Benedict Center paid-off the loan. During the year ended June 30, 2021, the loan was fully forgiven and New Directions and St. Benedict Center was legally released by the SBA. In accordance with the related PPP loan guidelines, for a period of up to six years after the loan is partially or fully forgiven and the borrower has been legally released, the SBA reserves the right to audit any PPP loan.

Note J - Net Assets With Donor Restrictions

The activity of net assets with donor restrictions for the year ended June 30, 2023 consists of the following:

	Beginning balance	Contributions and grants	Released from restrictions	Ending balance
With purpose or time restrictions				
Real estate development	$ -	$ 37,000	$ -	$ 37,000
Asset and property management	45,251	50,000	(95,251)	-
Resident services	103,030	193,243	(250,534)	45,739
Home ownership preservation	1,054,056	1,245,273	(1,925,445)	373,884
Early childhood development	-	7,346	-	7,346
Historic Parkland II	373,743	-	-	373,743
Total net assets with donor restrictions	$ 1,576,080	$ 1,532,862	$ (2,271,230)	$ 837,712

The activity of net assets with donor restrictions for the year ended June 30, 2022 consists of the following:

	Beginning balance	Contributions and grants	Released from restrictions	Ending balance
With purpose or time restrictions				
Real estate development	$ 42,500	$ 194,416	$ (236,916)	$ -
Asset and property management	19,695	171,502	(145,946)	45,251
Resident services	695,712	223,179	(815,861)	103,030
Home ownership preservation	504,920	1,622,918	(1,073,782)	1,054,056
Community building and engagement	15,337	-	(15,337)	-
Early childhood development	93,200	-	(93,200)	-
Historic Parkland II	373,743	-	-	373,743
Total net assets with donor restrictions	$ 1,745,107	$ 2,212,015	$ (2,381,042)	$ 1,576,080

Note K - Retirement Plan

The Organization has a defined contribution retirement plan covering all employees. Under the terms of the plan, the Organization makes matching contributions to the plan each year in an amount specified by the Organization annually, subject to Internal Revenue Service limitations. Retirement plan expense for the years ended June 30, 2023 and 2022 is $42,786 and $40,302, respectively.

Note L - Net Investment Capital (Deficit) Position in Unconsolidated Entities

The Organization accounts for all investments in limited liability entities using the equity method of accounting. In accordance with the ASC, general partners should account for investments in limited liability entities under the equity method of accounting when the presumption of control of the general partners is overcome by the rights of the limited partners. Various affiliates of the Organization are the general partner in each limited partnership, and some have received cash distributions from certain of these limited liability entities. Such distributions in conjunction with operating losses could create a temporary capital deficit position in these partnerships as the distributions or operating losses could be in excess of the capital contributed by the affiliate and its share of the accumulated income from these partnerships. Under the partnership agreements, the affiliates are required to restore any capital deficits at the dissolution of the partnerships. The Organization anticipates that any such capital deficits in these partnerships will be restored through future income allocations from the partnerships.

Capital surplus (deficit) positions in developments held by affiliates of the Organization as of June 30, 2023 and 2022 consist of the following:

		Capital (deficit) amount	
	Ownership interest	2023	2022
Woodbourne House Apartments, LLLP	0.05%	$ 454	$ 454
Shawnee Renaissance Apartments, LLLP	0.01%	10	10
Jackson Woods Apartments, LLLP	0.01%	(88,337)	(86,092)
St. William Apartments, LLLP	0.01%	(1,063)	(1,063)
		$ (88,936)	$ (86,691)

For the years ended June 30, 2023 and 2022, total revenues of $508,510 and $425,690, respectively, were derived from services provided to entities in which the Organization is or was the general partner. These services principally represent property management and incentive performance fees. At June 30, 2023 and 2022, accounts receivable includes $837,661 and $109,134, respectively, due from these entities.

Note M - Investment in Subsidiaries - Broadstreet Properties

During 2003, the Organization acquired the "Broadstreet Properties" (collectively Directions Apartments, LLC, Russell Apartments, LLC, and Shawnee Apartments, LLC), through a mortgage restructuring agreement (see also Note H). Since the acquisition, the Organization has been a 99% member in each of these limited liability companies through its wholly-owned, single member limited liability company, New Directions Housing Development, LLC. Effective June 30, 2020, the Organization acquired the remaining 1% interest in each of the "Broadstreet Properties" limited liability companies for consideration of $1,000 per transaction. The consolidated financial statements reflect this 100% ownership interest in the accounts of Directions Apartments, LLC, Russell Apartments, LLC, and Shawnee Apartments, LLC as of and for the years ended June 30, 2023 and 2022, with the Organization's investment in these entities eliminating in consolidation.

Note N - Guarantor Agreements

Certain affiliates of the Organization are the general partner in various limited partnerships for the purpose of purchasing, rehabilitating, and operating low income housing in the state of Kentucky. As general partner, these affiliates are obligated to lend amounts as necessary for the partnerships' business and to avoid any cash flow deficits from the partnerships' operations.

In addition to the guarantees of the general partners' obligations to the limited partnerships, the Organization also specifically guarantees the following debt obligations of certain limited partnerships as of June 30, 2023:

Borrower	Creditor	Maturity date	Amount
Shawnee Renaissance Apartments, LLLP	HOPE of Kentucky, LLC	September 2040	$ 19,370,000
Roosevelt Apartments, LLLP	HOPE of Kentucky, LLC	April 2028	6,130,000
Brandeis Partners, Ltd.	Community Housing Capital, Inc. (see Note H)	June 2029	961,507
			$ 26,461,507

The Organization has not accrued a liability related to its non-contingent obligation to stand ready to perform on these guarantees as of June 30, 2023 and 2022.

Note O - Related Party Revolving Line of Credit

In May 2021, New Directions, as the borrower, and St. Benedict Center, as the lender, entered into a non-interest bearing $250,000 revolving line of credit promissory note. The uncollateralized/unsecured line of credit has a May 2025 maturity date. The outstanding balance on the line of credit is $199,059 and $0 as of June 30, 2023 and 2022, respectively. Any balance on the line of credit would eliminate in consolidation.

Note P - Employee Retention Credit Program

The Employee Retention Credit ("ERC") program was introduced in 2020 as part of the CARES Act. The program, which was further expanded in December 2020, and again in March 2021, incentivized employers to retain employees during the COVID-19 pandemic by offering a refundable payroll tax credit against an eligible employer's share of certain payroll taxes on qualifying wages incurred by the employer. The ERC program expired effective September 30, 2021 for most entities. Management determined the Organization qualified for the ERC program.

The Organization has accounted for the ERC as a grant by analogy to FASB ASC 450-30, *Contingencies: Gain Contingencies*. Under ASC 450-30, the assistance is not recognized until all of the contingencies related to the receipt of the assistance have been met and the ERC is realized or realizable. Under ASC 450-30, the Organization deferred recognition of the ERC in the consolidated statement of activities and changes in net assets until all uncertainties were resolved and the income was realized or realizable, at which time the earnings impact was recognized, which occurred with respect to the year ended June 30, 2023. The earnings impact of the ERC ($824,657) is presented as miscellaneous income per the accompanying consolidated statement of activities and changes in net assets for the year ended June 30, 2023.

Note Q - Contingencies and Concentrations

Reimbursement claims under federal and/or state programs are subject to audit and adjustment by the respective grantor agencies. Any disallowed claims might become a liability of the Organization. Management is not aware of any communications from grantor agencies regarding the lack of compliance with requirements that could result in such a liability.

The Organization invests in limited partnership entities utilizing the LIHTC. The benefits realized by taking the LIHTC are contingent on the Organization's ability to maintain compliance with applicable sections of Internal Revenue Code Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent or to correct non-compliance within a specified time period could result in the recapture of previously taken tax credits plus interest. In addition, such potential non-compliance may require an adjustment to the contributed capital account of the limited partner.

The Organization, as an owner of real estate, is subject to various environmental laws of federal, state, and local governments. The Organization's compliance with existing laws has not had a material adverse effect on the Organization's financial condition or results of operations.

The Organization's operations are concentrated in the multi-family real estate market. In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Supplementary Information

New Directions Housing Corporation and Subsidiaries
Consolidating Statement of Financial Position
June 30, 2023

	New Directions Housing Corporation	St. Benedict Center for Early Childhood Education, Inc.	New Vision Residential Services, Inc. dba Clifton Court Apartments	St. John Gardens, Inc.	Directions Apartments, LLC	Russell Apartments, LLC	Shawnee Apartments, LLC	Eliminations	Consolidated
Assets									
Cash and cash equivalents	$ 3,061,892	$ 688,024	$ 8,013	$ 9,455	$ 99,589	$ 228,575	$ 260,690	$ -	$ 4,356,238
Restricted cash - deposits and funded reserves	398,417	-	75,518	51,103	181,963	240,058	-	-	947,059
Accounts receivable, net	1,990,389	55,327	5,701	2,552	72,315	64,080	-	(790,917)	1,399,447
Grants and pledges receivable	26,169	-	-	-	-	-	-	-	26,169
Notes receivable	9,654,457	199,059	-	-	-	-	8,700,000	(3,947,509)	14,606,007
Prepaid expenses	38,896	-	624	10,015	66,517	96,056	-	-	212,108
Other assets	457,268	-	-	-	-	42,248	-	-	499,516
Operating lease right-of-use asset	-	207,131	-	-	-	-	-	(207,131)	-
Property and equipment, net	7,225,931	54,774	601,225	603,014	1,966,313	3,227,266	-	-	13,678,523
Net investment in subsidiaries	7,340,479	-	-	-	-	-	-	(7,340,479)	-
Total assets	$ 30,193,898	$ 1,204,315	$ 691,081	$ 676,139	$ 2,386,697	$ 3,898,283	$ 8,960,690	$ (12,286,036)	$ 35,725,067
Liabilities and net assets (deficit)									
Liabilities									
Accounts payable	$ 411,267	$ 62,880	$ 85,383	$ 54,523	493,921	377,913	26,304	$ (790,917)	$ 721,274
Accrued expenses	238,172	46,620	1,278	6,474	679,285	72,895	326,517	(380,820)	990,421
Deferred revenue	34,278	-	1,572	3,734	4,169	50,456	-	-	94,209
Tenant deposits liability	33,940	-	2,656	3,937	14,895	23,309	-	-	78,737
Other liabilities	-	-	-	-	38,650	-	-	-	38,650
Operating lease liability	-	207,131	-	-	-	-	-	(207,131)	-
Operating lines of credit	955,824	-	-	-	-	-	-	-	955,824
Long-term debt obligations, net of unamortized	-	-	-	-	-	-	-	-	-
debt issuance costs	7,560,846	-	-	1,157,809	2,006,249	2,669,080	1,121,548	(3,566,689)	10,948,843
Net deficit position in unconsolidated entities	88,936	-	-	-	-	-	-	-	88,936
Total liabilities	9,323,263	316,631	90,889	1,226,477	3,237,169	3,193,653	1,474,369	(4,945,557)	13,916,894
Net assets (deficit)									
Without donor restrictions - undesignated	20,040,269	880,338	600,192	(550,338)	(850,472)	704,630	7,486,321	(7,340,479)	20,970,461
With donor restrictions - purpose or time restrictions	830,366	7,346	-	-	-	-	-	-	837,712
Total net assets (deficit)	20,870,635	887,684	600,192	(550,338)	(850,472)	704,630	7,486,321	(7,340,479)	21,808,173
Total liabilities net assets (deficit)	$ 30,193,898	$ 1,204,315	$ 691,081	$ 676,139	$ 2,386,697	$ 3,898,283	$ 8,960,690	$ (12,286,036)	$ 35,725,067

See independent auditor's report.

New Directions Housing Corporation and Subsidiaries
Consolidating Statement of Financial Position
June 30, 2022

	New Directions Housing Corporation	St. Benedict Center for Early Childhood Education, Inc.	New Vision Residential Services, Inc. dba Clifton Court Apartments	St. John Gardens, Inc.	Directions Apartments, LLC	Russell Apartments, LLC	Shawnee Apartments, LLC	Eliminations	Consolidated
Assets									
Cash and cash equivalents	$ 2,807,472	$ 753,355	$ 3,250	$ 20,536	$ 21,735	$ 319,603	$ 32,840	$ -	$ 3,958,791
Restricted cash - deposits and funded reserves	554,174	-	74,440	45,472	146,700	278,437	227,940	-	1,327,163
Accounts receivable, net	584,459	108,943	3,923	3,379	64,664	87,865	55,777	(260,916)	648,094
Grants and pledges receivable	658,339	-	-	-	-	-	-	-	658,339
Notes receivable	8,301,653	-	-	-	-	-	-	(5,286,969)	3,014,684
Prepaid expenses	30,955	-	127	7,127	45,030	66,361	70,331	-	219,931
Other assets	353,235	-	-	-	-	-	-	-	353,235
Property and equipment, net	8,898,222	53,739	641,818	644,992	2,037,989	3,320,504	2,742,316	-	18,339,580
Total assets	$ 22,188,509	$ 916,037	$ 723,558	$ 721,506	$ 2,316,118	$ 4,072,770	$ 3,129,204	$ (5,547,885)	$ 28,519,817
Liabilities and net assets (deficit)									
Liabilities									
Accounts payable	$ 350,120	$ 84,563	$ 51,348	$ 29,083	160,013	231,943	139,932	$ (260,916)	$ 786,086
Accrued expenses	196,272	34,235	967	6,118	634,698	45,887	301,256	(314,013)	905,420
Deferred revenue	148,061	-	1,927	5,142	15,713	14,943	12,093	-	197,879
Tenant deposits liability	46,587	-	2,656	3,086	13,900	24,945	18,190	-	109,364
Operating lines of credit	469,782	-	-	-	-	-	-	-	469,782
Long-term debt obligations, net of unamortized									-
debt issuance costs	7,908,980	-	-	1,176,668	2,046,994	2,702,625	3,933,005	(4,972,956)	12,795,316
Net deficit position in unconsolidated entities	86,691	-	-	-	-	-	-	-	86,691
Net deficit position in subsidiaries	778,045	-	-	-	-	-	-	(778,045)	-
Total liabilities	9,984,538	118,798	56,898	1,220,097	2,871,318	3,020,343	4,404,476	(6,325,930)	15,350,538
Net assets (deficit)									
Without donor restrictions - undesignated	10,627,891	797,239	666,660	(498,591)	(555,200)	1,052,427	(1,275,272)	778,045	11,593,199
With donor restrictions - purpose or time restrictions	1,576,080	-	-	-	-	-	-	-	1,576,080
Total net assets (deficit)	12,203,971	797,239	666,660	(498,591)	(555,200)	1,052,427	(1,275,272)	778,045	13,169,279
Total liabilities net assets (deficit)	$ 22,188,509	$ 916,037	$ 723,558	$ 721,506	$ 2,316,118	$ 4,072,770	$ 3,129,204	$ (5,547,885)	$ 28,519,817

See independent auditor's report.

New Directions Housing Corporation and Subsidiaries
Consolidating Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023

	New Directions Housing Corporation	St. Benedict Center for Early Childhood Education, Inc.	New Vision Residential Services, Inc. dba Clifton Court Apartments	St. John Gardens, Inc.	Directions Apartments, LLC	Russell Apartments, LLC	Shawnee Apartments, LLC	Eliminations	Consolidated
Revenues, gains, and other support									
Rent and rental assistance, net	$ 2,013,196	$ -	$ 117,005	$ 276,484	$ 888,270	$ 1,871,905	$ 438,275	$ (137,147)	$ 5,467,988
Maintenance fees and tenant charges	991,460	-	258	129	86,206	45,384	454	(589,632)	534,259
Property management and incentive fees	678,619	-	-	-	-	-	-	(377,008)	301,611
Housing development and home sales	288,745	-	-	-	-	-	-	-	288,745
Contributions and grants	2,548,088	1,041,384	-	-	-	-	-	(245,189)	3,344,283
Program services	-	657,750	-	-	-	-	-	-	657,750
Interest income	159,531	-	7	96	299	1,097	81	(51,240)	109,871
Miscellaneous	881,190	5,186	-	-	-	-	(18,723)	-	867,653
Total revenues, gains, and other support	7,560,829	1,704,320	117,270	276,709	974,775	1,918,386	420,087	(1,400,216)	11,572,160
Expenses									
Program services									
Rental properties	2,392,780	-	183,738	328,456	1,270,047	2,266,183	574,827	(1,326,352)	5,689,679
Real estate development	464,803	-	-	-	-	-	-	-	464,803
Asset and property management	2,793,250	-	-	-	-	-	-	-	2,793,250
Resident services	569,756	-	-	-	-	-	-	-	569,756
Home ownership preservation	2,051,718	-	-	-	-	-	-	-	2,051,718
Community building and engagement	36,419	-	-	-	-	-	-	-	36,419
Early childhood development	107,178	1,383,345	-	-	-	-	-	(66,664)	1,423,859
	8,415,904	1,383,345	183,738	328,456	1,270,047	2,266,183	574,827	(1,393,016)	13,029,484
Fundraising and development	373,431	-	-	-	-	-	-	-	373,431
Management and general	630,762	230,530	-	-	-	-	-	(7,200)	854,092
Total expenses	9,420,097	1,613,875	183,738	328,456	1,270,047	2,266,183	574,827	(1,400,216)	14,257,007
Change in net assets before other activities	(1,859,268)	90,445	(66,468)	(51,747)	(295,272)	(347,797)	(154,740)	-	(2,684,847)
Other activities									
Forgiveness of debt	19,758	-	-	-	-	-	-	-	19,758
Net gain on the disposals of assets	2,387,650	-	-	-	-	-	8,916,333	-	11,303,983
Net income from investments in subsidiaries	8,118,524	-	-	-	-	-	-	(8,118,524)	-
Total other activities	10,525,932	-	-	-	-	-	8,916,333.00	(8,118,524)	11,323,741
Change in net assets	8,666,664	90,445	(66,468)	(51,747)	(295,272)	(347,797)	8,761,593	(8,118,524)	8,638,894
Net assets (deficit), beginning of year	12,203,971	797,239	666,660	(498,591)	(555,200)	1,052,427	(1,275,272)	778,045	13,169,279
Net assets (deficit), end of year	$ 20,870,635	$ 887,684	$ 600,192	$ (550,338)	$ (850,472)	$ 704,630	$ 7,486,321	$ (7,340,479)	$ 21,808,173

See independent auditor's report.

New Directions Housing Corporation and Subsidiaries
Consolidating Statement of Activities and Changes in Net Assets
Year Ended June 30, 2022

	New Directions Housing Corporation	St. Benedict Center for Early Childhood Education, Inc.	New Vision Residential Services, Inc. dba Clifton Court Apartments	St. John Gardens, Inc.	Directions Apartments, LLC	Russell Apartments, LLC	Shawnee Apartments, LLC	Eliminations	Consolidated
Revenues, gains, and other support									
Rent and rental assistance, net	$ 2,062,079	-	$ 108,465	$ 238,033	$ 851,407	$ 1,734,047	$ 1,263,988	$ (148,061)	$ 6,109,958
Maintenance fees and tenant charges	758,345	-	273	1,628	12,760	15,421	71,228	(509,873)	349,782
Property management and incentive fees	834,969	-	-	-	-	-	-	(530,184)	304,785
Housing development and home sales	1,494	-	-	-	-	-	-	-	1,494
Contributions and grants	3,183,461	875,019	-	-	-	-	-	(233,012)	3,825,468
Program services	-	600,952	-	-	-	-	-	-	600,952
Interest income	211,428	233	11	27	93	196	122	(131,725)	80,385
Miscellaneous	30,854	15	-	-	-	2,647	-	-	33,516
Total revenues, gains, and other support	7,082,630	1,476,219	108,749	239,688	864,260	1,752,311	1,335,338	(1,552,855)	11,306,340
Expenses									
Program services									
Rental properties	2,223,919	-	165,252	292,321	1,016,580	1,765,597	1,445,497	(1,503,929)	5,405,237
Real estate development	400,583	-	-	-	-	-	-	-	400,583
Asset and property management	2,304,067	-	-	-	-	-	-	-	2,304,067
Resident services	1,105,106	-	-	-	-	-	-	-	1,105,106
Home ownership preservation	1,247,072	-	-	-	-	-	-	-	1,247,072
Community building and engagement	258,494	-	-	-	-	-	-	-	258,494
Early childhood development	113,031	1,095,109	-	-	-	-	-	(44,126)	1,164,014
	7,652,272	1,095,109	165,252	292,321	1,016,580	1,765,597	1,445,497	(1,548,055)	11,884,572
Fundraising and development	261,641	-	-	-	-	-	-	-	261,641
Management and general	581,885	213,351	-	-	-	-	-	(4,800)	790,436
Total expenses	8,495,798	1,308,460	165,252	292,321	1,016,580	1,765,597	1,445,497	(1,552,855)	12,936,649
Change in net assets before other activities	(1,413,168)	167,759	(56,503)	(52,633)	(152,320)	(13,286)	(110,159)	-	(1,630,310)
Other activities									
Forgiveness of debt	19,758	-	-	-	-	-	-	-	19,758
Net loss from investments in limited partnerships	2,054	-	-	-	-	-	-	-	2,054
Net loss from investments in subsidiaries	(275,765)	-	-	-	-	-	-	275,765	-
Total other activities	(253,953)	-	-	-	-	-	-	275,765	21,812
Change in net assets	(1,667,121)	167,759	(56,503)	(52,633)	(152,320)	(13,286)	(110,159)	275,765	(1,608,498)
Distributions	-	-	-	-	-	(54,814)	-	54,814	-
Net assets (deficit), beginning of year	13,871,092	629,480	723,163	(445,958)	(402,880)	1,120,527	(1,165,113)	447,466	14,777,777
Net assets (deficit), end of year	$ 12,203,971	$ 797,239	$ 666,660	$ (498,591)	$ (555,200)	$ 1,052,427	$ (1,275,272)	$ 778,045	$ 13,169,279

See independent auditor's report.

New Directions Housing Corporation
Schedule of Expenditures of Federal Awards (Unconsolidated)
Year Ended June 30, 2023

Federal grantor/pass-through grantor/program or cluster title	Federal Assistance Listing Number	Agency or pass-through entity identifying number	Passed through to sub-recipients	Federal expenditures
U.S. Department of Housing and Urban Development				
Direct Funding				
Operating Assistance for Troubled Multi-family Housing Projects	14.164	N/A	$ -	$ 31,821
Multi-family Housing Service Coordinator Program	14.191	N/A	-	110,810
Section 8 Housing Assistance Payments Program	14.195	N/A	-	701
Total U.S. Department of Housing and Urban Development - Direct Funding			-	143,332
Passed-through Louisville/Jefferson County Metro Government				
Community Development Block Grants/Entitlement Grants	14.218		-	43,355
Passed-through New Albany (Indiana) Redevelopment Commission				
Community Development Block Grants/Entitlement Grants	14.218		-	54,127
Passed-through Louisville/Jefferson County Metro Government				
Community Development Block Grants Section 108 Loan Guarantees	14.248		-	1,609,668
Passed-through Kentucky Housing Corporation				
Housing Trust Fund	14.275		-	10,000
Total U.S. Department of Housing and Urban Development - Passed-through Funding			-	1,717,150
Total U.S. Department of Housing and Urban Development			-	1,860,482
U.S. Department of Treasury				
Passed-through NeighborWorks America				
Community Development Financial Institutions Program	21.020	95-557	-	296,055
Passed-through the Commonwealth of Kentucky				
Coronavirus State and Local Fiscal Recovery Funds	21.027		-	100,000
Total U.S. Department of Treasury			-	396,055
Total expenditures of federal awards			$ -	$ 2,256,537

See independent auditor's report and accompanying notes.

New Directions Housing Corporation
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards ("schedule") includes the federal grant activity of New Directions Housing Corporation under programs of the federal government for the year ended June 30, 2023. 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 New Directions Housing Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of New Directions Housing Corporation.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the accompanying schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein some types of expenditures are not allowable or are limited as to reimbursement.

New Directions Housing Corporation does not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance

Pass-through entity identifying numbers are presented where available.

Note C - Loan Programs

Balances of mortgages and loans outstanding as of June 30, 2023 are as follows:

Mortgage/loan	Federal Assistance Listing Number	Balance
Smoketown Apartments	14.164	$ 31,821
Jackson Woods Apartments	14.248	$ 840,000
St. Williams Apartments	14.248	583,000
Brandeis Apartments	14.248	89,885
Historic Parkland I properties	14.248	60,921
		$ 1,573,806

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*

Board of Directors
New Directions Housing Corporation

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 New Directions Housing Corporation and Subsidiaries (collectively the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, 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 October 31, 2023.

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) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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, non-compliance with which could have a direct and material effect on the consolidated financial statements. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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* (Continued)

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.

MCM CPAs & Advisors LLP

Louisville, Kentucky
October 31, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance

Board of Directors
New Directions Housing Corporation

Report on Compliance for Each Major Federal Program

We have audited New Directions Housing Corporation and Subsidiaries' (collectively the "Organization") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

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 June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS") and 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 United States Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance (Continued)

Auditor's Responsibilities for the Audit of Compliance (Continued)

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 non-compliance 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 non-compliance 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

MCM CPAs & Advisors LLP

Louisville, Kentucky
October 31, 2023

New Directions Housing Corporation
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Audit Results (Under Section 515(d)(1) of the Uniform Guidance)

Consolidated Financial Statements

1. An unmodified opinion was issued on the audit of the consolidated financial statements of New Directions Housing Corporation and Subsidiaries as of and for the year ended June 30, 2023.

2. No significant deficiencies or material weaknesses were reported that related to internal control over financial reporting.

3. The audit did not disclose any non-compliance which is material to the consolidated financial statements of New Directions Housing Corporation and Subsidiaries.

Federal Awards

4. No significant deficiencies or material weaknesses were reported that related to internal control over New Directions Housing Corporation's major federal programs.

5. An unmodified opinion was issued on compliance for New Directions Housing Corporation's major federal programs for the year ended June 30, 2023.

6. The audit did not disclose audit findings required to be reported in accordance with Section 516(a) of the Uniform Guidance.

7. New Directions Housing Corporation's major federal program for the year ended June 30, 2023 is as follows:

   - Federal Assistance Listing number 14.248 - Community Development Block Grants Section 108 Loan Guarantees

8. The dollar threshold to distinguish between Type A and Type B programs was $750,000 as described in Section 200.518 of the Uniform Guidance.

9. The auditee qualified as a low-risk auditee under Section 200.520 of the Uniform Guidance.

Section II - Findings - Financial Statements Audit (Under Section 515(d)(2) of the Uniform Guidance)

None

Section III - Findings and Questioned Costs - Major Federal Awards Program Audit (Under Section 516(a) of the Uniform Guidance)

None

New Directions Housing Corporation
Schedule of Prior Audit Findings and Their Resolution
Year Ended June 30, 2023

Section I - Findings - Financial Statements Audit (Under Section 515(d)(2) of the Uniform Guidance)

None

Section II - Findings and Questioned Costs - Major Federal Awards Program Audit (Under Section 516(a) of the Uniform Guidance)

None