NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

As of and for the Years Ended June 30, 2024 and 2023

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

Board of Directors
New Directions Housing Corporation
Louisville, Kentucky

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, 2024 and 2023, 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, 2024 and 2023, 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 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.

Prior Year Consolidated Financial Statements

The consolidated financial statements as of and for the year ended June 30, 2023, were audited by MCM CPAs & Advisors LLP, which was acquired by Cherry Bekaert LLP effective October 31, 2023, and whose report dated October 31, 2023, expressed an unmodified opinion on those financial statements.

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 within one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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.

In performing an audit in accordance with auditing standards generally accepted in the United States of America 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental 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 supplemental 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 supplemental 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 December 23, 2024, 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.

Cherry Bekaert LLP

Louisville, Kentucky
December 23, 2024

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 2,585,595	$ 4,356,238
Restricted cash - deposits and funded reserves	2,044,965	947,059
Accounts receivable, net	1,018,038	1,399,447
Development fees receivable	4,445,125	-
Contributions and grants receivable	339,714	26,169
Notes receivable	15,390,360	14,606,007
Prepaid expenses	66,431	212,108
Other assets	1,035,014	499,516
Property and equipment, net	13,365,698	13,678,523
Total Assets	$ 40,290,940	$ 35,725,067
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 787,958	$ 721,274
Accrued expenses	1,035,427	990,421
Deferred revenue	135,129	94,209
Tenant deposits liability	75,105	78,737
Other liabilities	81,577	38,650
Operating lines of credit	1,714,645	955,824
Long-term debt obligations, net of unamortized debt issuance costs	11,271,772	10,948,843
Net deficit position in unconsolidated entities	301,619	88,936
Total Liabilities	15,403,232	13,916,894
Net Assets:		
Without Donor Restrictions:		
Undesignated	24,027,694	20,970,461
With Donor Restrictions:		
Purpose or time restrictions	860,014	837,712
Total Net Assets	24,887,708	21,808,173
Total Liabilities and Net Assets	$ 40,290,940	$ 35,725,067

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

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:						
Rent and rental assistance, net	$ 5,052,848	$ -	$ 5,052,848	$ 5,467,988	$ -	$ 5,467,988
Maintenance fees and tenant charges	747,808	-	747,808	534,259	-	534,259
Property management and incentive fees	562,569	-	562,569	301,611	-	301,611
Housing development and home sales	4,524,555	-	4,524,555	288,745	-	288,745
Contributions and grants	1,856,573	5,164,363	7,020,936	1,811,421	1,532,862	3,344,283
Program services	562,814	-	562,814	657,750	-	657,750
Interest income	881,663	-	881,663	109,871	-	109,871
Miscellaneous	78,347	-	78,347	867,653	-	867,653
	14,267,177	5,164,363	19,431,540	10,039,298	1,532,862	11,572,160
Net assets released from restrictions	5,142,061	(5,142,061)	-	2,271,230	(2,271,230)	-
Total Revenues and Other Support	19,409,238	22,302	19,431,540	12,310,528	(738,368)	11,572,160
Expenses:						
Program Services:						
Rental properties	5,203,827	-	5,203,827	5,689,679	-	5,689,679
Real estate development	210,794	-	210,794	464,803	-	464,803
Asset and property management	2,738,052	-	2,738,052	2,793,250	-	2,793,250
Resident services	618,339	-	618,339	569,756	-	569,756
Home ownership preservation	4,272,439	-	4,272,439	2,051,718	-	2,051,718
Community building and engagement	-	-	-	36,419	-	36,419
Early childhood development	1,499,119	-	1,499,119	1,423,859	-	1,423,859
	14,542,570	-	14,542,570	13,029,484	-	13,029,484
Fundraising and development	260,214	-	260,214	373,431	-	373,431
Management and general	1,316,919	-	1,316,919	854,092	-	854,092
Total Expenses	16,119,703	-	16,119,703	14,257,007	-	14,257,007
Change in Net Assets Before Other Operating Activities	3,289,535	22,302	3,311,837	(1,946,479)	(738,368)	(2,684,847)
Other Operating Activities:						
Forgiveness of debt	16,474	-	16,474	19,758	-	19,758
Net gain (loss) on the disposals of assets	(56,247)	-	(56,247)	11,303,983	-	11,303,983
Net loss from investments in limited partnerships	(192,529)	-	(192,529)	-	-	-
Total Other Operating Activities	(232,302)	-	(232,302)	11,323,741	-	11,323,741
Change in net assets	3,057,233	22,302	3,079,535	9,377,262	(738,368)	8,638,894
Net assets, beginning of year	20,970,461	837,712	21,808,173	11,593,199	1,576,080	13,169,279
Net assets, end of year	$ 24,027,694	$ 860,014	$ 24,887,708	$ 20,970,461	$ 837,712	$ 21,808,173

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

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	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	$ 55,362	$ -	$ -	$ -	$ 900	$ -	$ -	$ 1,580	$ -	$ 57,842
Bank charges and other fees	4,668	263	263	263	263	-	226	-	2,605	8,551
Credit losses	100,732	-	-	-	-	-	-	-	-	100,732
Depreciation	801,198	1,339	63,134	1,490	2,668	-	41,806	283	42,301	954,219
Direct assistance and other program expenses	10,177	-	-	15,743	-	-	327,936	-	-	353,856
Dues and publications	1,751	1,103	1,939	4,767	1,437	-	184	3,459	14,543	29,183
Events/volunteers	668	72	78	108,038	11,051	-	10,564	(1,712)	628	129,387
Insurance	205,032	1,932	38,135	1,290	16,292	-	8,847	-	36,440	307,968
Interest	511,040	15,664	62,539	6,358	10,132	-	21,795	-	60,705	688,232
In-kind expenses	165,116	-	-	-	457	-	-	-	122	165,695
Maintenance and repairs	2,252,902	1,327	72,053	8,070	3,799,106	-	62,133	534	48,441	6,244,566
Office supplies	36,249	2,906	3,499	5,362	3,394	-	18,922	1,597	14,008	85,937
Other	196,413	2,495	4,581	3,140	21,157	-	5,664	7,931	7,007	248,388
Professional development/conferences	4,934	1,317	15,337	30,908	2,118	-	9,973	6,051	13,204	83,842
Professional fees	173,999	1,872	1,720	1,720	15,137	-	1,475	8,550	62,125	266,598
Rent	-	-	-	-	-	-	67,200	-	4,800	72,000
Salaries/wages, payroll taxes, and employee benefits	470,705	177,897	2,417,797	420,292	382,971	-	956,047	230,792	962,700	6,019,201
Staff and management fees	500,677	-	-	-	-	-	-	-	-	500,677
Telephone	43,077	1,793	7,494	10,335	3,724	-	764	1,149	13,734	82,070
Transportation	-	-	-	-	-	-	54	-	-	54
Utilities	738,330	814	49,483	563	1,632	-	34,029	-	38,356	863,207
	6,273,030	210,794	2,738,052	618,339	4,272,439	-	1,567,619	260,214	1,321,719	17,262,206
Eliminations	(1,069,203)	-	-	-	-	-	(68,500)	-	(4,800)	(1,142,503)
Totals	$ 5,203,827	$ 210,794	$ 2,738,052	$ 618,339	$ 4,272,439	$ -	$ 1,499,119	$ 260,214	$ 1,316,919	$16,119,703

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

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS 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
Bank charges and other fees	30,856	206	207	264	207	29	177	-	1,182	33,128
Credit losses	274,049	-	-	-	-	-	-	-	-	274,049
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
Incentive performance fee	-	-	-	-	-	-	-	-	17,392	17,392
Insurance	266,826	-	-	-	-	-	-	-	-	266,826
Interest	403,856	17,346	56,503	2,496	2,496	357	19,170	-	49,149	551,373
In-kind expenses	-	-	-	-	5,848	-	-	-	-	5,848
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	10,227	10,602	32,572	346,729
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

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

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 3,079,535	$ 8,638,894
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Credit losses	100,732	274,049
Net loss (gain) on the disposals of assets	56,247	(11,303,983)
Depreciation	954,219	1,250,931
Forgiveness of debt	(16,474)	(19,758)
Amortization of debt issuance costs	94,153	64,299
Changes in operating assets and liabilities:		
Accounts receivable	280,677	(1,025,402)
Development fees receivable	(4,445,125)	-
Contributions and grants receivable	(313,545)	632,170
Prepaid expenses	145,677	(34,425)
Accounts payable	50,343	(83,102)
Accrued expenses and other liabilities	125,221	(10,646)
Net cash flows from operating activities	111,660	(1,616,973)
Cash flows from investing activities:		
Proceeds from the disposals of assets	-	4,111,466
Proceeds from investments in limited partnerships	212,683	2,245
Net increase in notes receivable	(784,353)	(82,789)
Purchases of rental properties and other property/equipment	(681,300)	(887,601)
Payments for in-process construction costs	(535,498)	(104,033)
Net cash flows from investing activities	(1,788,468)	3,039,288
Cash flows from financing activities:		
Proceeds from long-term debt obligations	642,254	397,120
Net borrowings from operating lines of credit	758,821	486,042
Payments on long-term debt obligations	(397,004)	(2,267,119)
Payments for debt issuance costs	-	(21,015)
Net cash flows from financing activities	1,004,071	(1,404,972)
Net change in cash, cash equivalents, and restricted cash	(672,737)	17,343
Cash, cash equivalents, and restricted cash, beginning of year	5,303,297	5,285,954
Cash, cash equivalents, and restricted cash, end of year	$ 4,630,560	$ 5,303,297
Supplemental disclosures:		
Cash paid for interest	$ 540,289	$ 233,562
Disposals of assets in exchange for notes receivable	-	11,508,534
Purchases of property/equipment included in accounts payable	34,631	18,290

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

Note 1—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 2—Summary of significant accounting policies

Basis of Presentation – 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 (“U.S. GAAP”). The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) is the sole source of authoritative U.S. GAAP.

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. The financial statements of Directions Apartments, LLC, Russell Apartments, LLC, and Shawnee Apartments, LLC (see Note 6) are consolidated by the Organization.

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

Accounting Estimates – The preparation of consolidated financial statements in conformity with U.S. 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 2—Summary of significant accounting policies (continued)

Subsequent Events – Subsequent events for the Organization have been considered through December 23, 2024, which represents the date the accompanying consolidated financial statements were available to be issued (see Notes 7 and 17).

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 of Directors 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.

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

From time to time throughout the year, the Organization's on deposit cash/cash equivalent balances may exceed amounts that are fully insured under Federal Deposit Insurance Coverage (currently $250,000 per depositor). At June 30, 2024, uninsured bank balances, including money market accounts, total approximately $1,400,000.

Accounts and Development Fees Receivable – Accounts receivable consist primarily of charges for tenant rent and management fees, and are uncollateralized. 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). The allowance for credit losses (uncollectible accounts receivable), which represents an amount that, in management's judgment, will be adequate to absorb future credit losses on existing receivables that may become uncollectible, is based on general historical collection experience, including historical levels of credit losses, current economic conditions, reasonable forecasts, and a review of existing individual receivables. The Organization makes on-going estimates relating to the collectability of receivables. At June 30, 2024 and 2023, the estimated allowance for credit losses totals approximately $101,000 and $341,000, respectively.

Development fees receivable consists of fees earned by the Organization for acting as the developer on construction and rehabilitation projects, and are uncollateralized. No related allowance for credit losses (uncollectible development fees receivable) is reflected in the accompanying consolidated financial statements as management considers such receivables to be fully collectible as of year-end.

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 such receivables to be fully collectible as of year-end.

Note 2—Summary of significant accounting policies (continued)

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.

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.

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, 2024 and 2023.

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 $135,129 and $94,209 as of June 30, 2024 and 2023, respectively ($197,879 as of June 30, 2022).

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 pursuant to 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. Revenue earned through the termination date is due to be paid to the Organization.

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 the title to the homebuyer. Accordingly, revenue is recognized at a point in time at the sale closing.

Note 2—Summary of significant accounting policies (continued)

Under a low income housing tax credit ("LIHTC") development fee arrangement, the Organization's customer is the entity formed to own and operate the finished project (property). The related performance obligations are pursuant to the LIHTC development agreement and correlate directly to the payment of development fees to the Organization. In most LIHTC development agreements, the transaction price is allocated to [1] the initial closing and [2] the completion of construction. Revenue is recognized when the initial closing happens and ratably during the construction period. For revenue earned at the initial closing, 100% of the revenue (assigned to the closing) is recorded at the closing. For revenue earned during the construction period, the Organization recognizes revenue over the life of the contract (i.e., the construction period). While development fees are generally paid at the initial closing and upon the completion of construction, such fees may also be paid at a later date when certain other benchmarks are met (i.e., stabilization, conversion to the permanent financing, etc.). Additionally, a portion of a development fee may also be paid out of the project's cash flow if such development fee is still due after the payment of all of the equity installments by the investor limited partner.

The customer receives and consumes the benefit provided by the Organization as the development services are provided. The Organization is creating an asset (the single-family or multi-family property) for the benefit of the customer and the asset is controlled by the customer. In most LIHTC development agreements, there is generally an element of variable consideration in the contract through a penalty if the project is not completed on time or within budget. However, this penalty only delays payment of the development fee until it can be paid using cash flows from operations or future capital contributions from the owner of the property. The Organization records the most likely amount to be collected when accruing revenue, so any uncertainty tied to collectability is evaluated and accounted for separately.

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 property. These units are regulated by HUD with respect to rental charges and operating methods. Such rent supplements total $3,681,761 and $3,761,535 for the years ended June 30, 2024 and 2023, 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, development fees, home ownership counseling, and program delivery fees.

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, 2024 and 2023, imputed interest related to below-market notes payable totals $267,461 and $175,238, respectively, and is included in contributions and grants revenue per the accompanying consolidated statements of activities and changes in net assets.

Note 2—Summary of significant accounting policies (continued)

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.

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.

Advertising Costs – The Organization expenses advertising costs as incurred. Such costs total $57,842 and $17,891 for the years ended June 30, 2024 and 2023, respectively.

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.

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 a risk-free rate (the United States Department of the Treasury Daily Treasury Par Yield Curve Rate) unless an implicit rate is readily determinable.

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.

Note 2—Summary of significant accounting policies (continued)

Accounting Standards Update ("ASU") 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments – In June 2016, the FASB issued ASU 2016-13. 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. The Organization adopted the provisions of ASU 2016-13 as of and for the year ended June 30, 2024 with no material impact on the accompanying consolidated financial statements.

In conjunction with the adoption of the standard, management elected to apply the accounting policy election not to measure an allowance for credit losses related to the interest accrued on notes receivable, as well as the accounting policy election to, as applicable, write-off interest accrued on notes receivable by reversing interest income.

ASU 2016-02, Leases (Topic 842) – In February 2016, the FASB issued ASU 2016-02, which requires all leases with lease terms over 12 months to be capitalized as a lease ROU asset and liability on the consolidated statement of financial position at the date of lease commencement. Leases are classified as either operating or finance, with classification affecting 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.

In conjunction with the adoption of the standard, management elected to apply certain accounting policy elections and practical expedients with respect to all classes of underlying assets as follows: [1] As applicable, to combine the lease and non-lease components; [2] As applicable, 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.

Note 3—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 7 and 8).

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.

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.

Note 3—Liquidity and availability of resources (continued)

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, 2024 and 2023:

	2024	2023
Financial assets		
Cash and cash equivalents	$ 2,585,595	$ 4,356,238
Restricted cash - deposits and funded reserves	2,044,965	947,059
Accounts receivable	1,018,038	1,399,447
Development fees receivable	4,445,125	-
Contributions and grants receivable	339,714	26,169
Notes receivable	15,390,360	14,606,007
	25,823,797	21,334,920
Less amounts not available to be used within one year or without Board approval		
Restricted cash - deposits and funded reserves	(2,044,965)	(947,059)
Long-term receivables	(19,835,485)	(14,606,007)
Net assets with donor restrictions	(486,271)	(463,969)
	$ 3,457,076	$ 5,317,885

As of June 30, 2024 and 2023, cash and cash equivalents includes a total of $174,617 and $623,999, 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 4—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, 2024 and 2023, the total refundable security deposit liability of $75,105 and $78,737, 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 reserves 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 and other regulatory reasons as determined by operating and financing agreements.

Note 4—Restricted cash (continued)

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, 2024 and 2023 that sums to the total of the same such amounts reflected in the consolidated statements of cash flows for the years ended June 30, 2024 and 2023:

	2024	2023
Cash and cash equivalents	$ 2,585,595	$ 4,356,238
Restricted cash - replacement reserves	767,572	737,337
Restricted cash - tax and insurance escrows	369,166	38,871
Restricted cash - operating line of credit collateral (see Note 7)	513,810	-
Restricted cash - tenant security deposits	72,708	74,656
Restricted cash - other deposits and reserves	321,709	96,195
Total restricted cash - deposits and funded reserves	2,044,965	947,059
Total cash, cash equivalents, and restricted cash per the consolidated statements of cash flows	$ 4,630,560	$ 5,303,297

Note 5—Notes receivable

The Organization provides other limited partnerships owning multi-family housing developments with below-market interest loans to fund construction and rehabilitation for which no other funding for such affordable housing projects may otherwise be readily available. Notes receivable generally bear interest at interest rates ranging from 1.00% to 5.00%. The Organization generally considers these notes receivable to be fully collectible based upon the underlying value of the related collateralized properties. At June 30, 2024 and 2023, no related allowance for credit losses (uncollectible notes receivable) is reflected in the accompanying consolidated financial statements as such amount, if any, has been determined by management to be immaterial. When applicable, the Organization provides an allowance for credit losses based on general historical collection experience, including historical levels of credit losses, current economic conditions, reasonable forecasts, and a review of the current status of existing notes receivable. Under the loan 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 generally subordinate to existing liens with other lenders.

An individual note receivable is generally considered past due when payment is not received pursuant to the repayment terms of the respective loan agreement. The Organization evaluates credit exposure using a credit quality indicator based on payment activity. The Organization generally considers notes receivable 90 days or less past due as “performing”. Notes receivable are considered as “non-performing” when they are greater than 90 days past due. The credit quality indicator is updated on an annual basis for all receivables. At June 30, 2024 and 2023, all notes receivable are considered as “performing”.

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.

Note 5—Notes receivable (continued)

At June 30, 2024 and 2023, notes receivable consist of the following:

Borrower	Maturity Date	2024	2023
Mortgage(s) receivable - Jackson Woods Apartments, LLLP	December 2041	$ 1,858,180	$ 1,858,180
plus accrued interest		272,519	213,210
		2,130,699	2,071,390
Mortgage(s) receivable - Roosevelt Apartments, LLLP	May 2055	2,808,534	2,808,534
plus accrued interest		133,164	-
		2,941,698	2,808,534
Mortgage receivable - Shawnee Renaissance Apartments, LLLP	November 2054	8,700,000	8,700,000
plus accrued interest		568,400	-
		9,268,400	8,700,000
Mortgage(s) receivable - St. William Apartments, LLLP	December 2040	936,000	936,000
plus accrued interest		113,563	90,083
		1,049,563	1,026,083
Total notes receivable		$ 15,390,360	$ 14,606,007

Note 6—Property and equipment

At June 30, 2024 and 2023, property and equipment, net of accumulated depreciation of $19,404,330 and $18,650,537, respectively, consists of the following:

	2024	2023
Real estate and rental property:		
Brandeis Apartments - 50 units	$ 797,835	$ 810,732
Clifton Court Apartments - 14 units	569,660	601,225
Directions Apartments - 106 units (110 units as of June 30, 2023)	1,671,320	1,966,313
Heverin House - 11 units (7 units as of June 30, 2023)	351,048	96,026
Market Street Apartments - 8 units	348,381	366,832
Muhammad Ali Apartments - 19 units	315,266	323,708
Historic Parkland I	-	161,025
Historic Parkland II - 15 units	526,202	538,804
Reeser Court Apartments - 54 units	1,396,974	1,461,318
Russell Apartments - 183 units	3,100,030	3,227,266
Smoketown Apartments - 16 units	356,446	375,556
St. John Gardens - 20 units	558,212	603,014
Corporate offices, commercial properties, and land	2,381,633	2,198,198
St. Benedict Center	914,637	843,806
	13,287,644	13,573,823
Building and maintenance equipment and vehicles	5,653	10,134
Office furniture and equipment	72,401	94,566
Total property and equipment, net	$ 13,365,698	$ 13,678,523

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 LIHTC transactions, the purpose of which is to rehabilitate the otherwise aging properties. The consideration between the two transactions totaled $15,620,000, 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 7—Operating lines of credit

The Organization has a line of credit agreement with Republic Bank & Trust Company with maximum available borrowings of up to $1,500,000. Interest accrues and is paid monthly at the Prime Rate (8.50% and 8.25% at June 30, 2024 and 2023, respectively; the interest rate will never be less than 3.00%). The outstanding principal amount, and the unpaid interest accrued thereon, is due at maturity (February 2025; subsequent to year-end, the maturity date was extended from November 2024 to February 2025). 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. Benedict Center property, and the Smoketown Apartments property. In addition, the line of credit is collateralized by the balance of a cash/cash equivalent account on deposit with Republic Bank & Trust Company (see Note 4). The outstanding balance on the line of credit is $1,086,310 and $227,489 as of June 30, 2024 and 2023, 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 2.25% (equivalent to an interest rate of 8.09% as of June 30, 2024; the Secured Overnight Financing Rate plus 5.09% as of June 30, 2023, which was equivalent to 7.38% as of June 30, 2023). The outstanding principal amount, and the unpaid interest accrued thereon, is due at maturity (December 2024). The line of credit is uncollateralized/unsecured. The outstanding balance on the line of credit is $628,335 and $728,335 as of June 30, 2024 and 2023. Management expects to renew/extend the line of credit at the maturity date.

Note 8—Notes payable

At June 30, 2024, 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	1,289,442	3.15%	5/1/2026	1000 East Liberty Street
Louisville/Jefferson County Metro Government	26,653	0.00%	8/1/2026	Historic Parkland II properties
NeighborWorks Capital Corporation	939,374	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	267,396	3.86%	6/6/2027	Muhammad Ali Apartments
Louisville Metro Affordable Housing Trust Fund	100,000	0.00%	6/1/2028	single-family properties
Community Housing Capital	945,988	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	839,325	3.50%	9/29/2030	1615 and 1617 Maple Street
Republic Bank & Trust Company	526,330	2.99%	7/20/2031	St. Benedict Center property
Republic Bank & Trust Company	310,148	2.99%	10/22/2031	Smoketown Apartments
Louisville/Jefferson County Metro Government	1,427,871	3.00%	5/1/2033	Directions Apartments
Lument Capital	538,122	6.25%	5/1/2033	Directions Apartments
Lument Capital	394,803	4.20%	5/1/2033	Russell Apartments
HUD Flexible Subsidy Loan	31,821	1.00%	2/1/2040	Smoketown Apartments
Lument Capital	714,524	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	949,943	3.20%	8/1/2042	Reeser Court Apartments
	11,274,625			
Less unamortized debt issuance costs	(2,853)			
Net carrying value	$ 11,271,772			

At June 30, 2024 and 2023, unamortized debt issuance costs total $2,853 and $97,006, respectively.

Note 8—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, 2024 and 2023, 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, 2024 and 2023, the outstanding balance of the note payable is $1,289,442 and $1,328,242, respectively.

Louisville/Jefferson County Metro Government

On August 1, 2014, the Organization entered into a loan agreement with Louisville/Jefferson County Metro Government. 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 two properties associated with Historic Parkland II. At June 30, 2024 and 2023, the outstanding balance of the note payable is $26,653 and $60,921, 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, 2024. At June 30, 2024 and 2023, the outstanding balance of the note payable is $939,374 and $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, 2024 and 2023, the outstanding balance of the note payable is $583,000.

Note 8—Notes payable (continued)

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, 2024 and 2023, the outstanding balance of the note payable is $267,396 and $278,564, respectively.

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. During the year ended June 30, 2024, two of the four properties were sold. The notes payable are collateralized by the two remaining properties. At June 30, 2024 and 2023, the total outstanding balance of the notes payable is $100,000 and $200,000, 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, 2024. At June 30, 2024 and 2023, the outstanding balance of the note payable is $945,988 and $961,507, 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, 2024 and 2023, the outstanding balance of the note payable is $89,885.

Note 8—Notes payable (continued)

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, 2024 and 2023, the outstanding balance of the note payable is $839,325 and $876,911, 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, 2024 and 2023, the outstanding balance of the note payable is $526,330 and $549,505, respectively.

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, 2024 and 2023, the outstanding balance of the note payable is $310,148 and $323,529, 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, 2024 and 2023, the outstanding balance of the note payable is $1,427,871.

Note 8—Notes payable (continued)

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, 2024 and 2023, the outstanding balance of the note payable is $538,122 and $581,868, respectively.

Lument Capital

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, 2024 and 2023, the outstanding balance of the note payable is $394,803 and $430,524 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 sufficient "surplus cash" (as defined in the loan agreement). The loan is collateralized by the Smoketown Apartments property. At June 30, 2024 and 2023, 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, 2024 and 2023, the outstanding balance of the note payable is $714,524 and $736,705, respectively.

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, 2024 and 2023, the outstanding balance of the note payable is $460,000.

Note 8—Notes payable (continued)

Lument Capital

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, 2024 and 2023, the outstanding balance of the note payable is $949,943 and $987,876, respectively.

At June 30, 2024, the estimated aggregate principal payments required on the Organization's long-term debt obligations are as follows:

Year Ending June 30,	Amount
2025	$ 309,858
2026	2,368,151
2027	2,023,446
2028	375,386
2029	377,730
Thereafter	5,820,054
	11,274,625
Less unamortized debt issuance costs	(2,853)
Net carrying value	$ 11,271,772

Note 9—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 10—Net assets with donor restrictions

The activity of net assets with donor restrictions for the year ended June 30, 2024 consists of the following:

	Beginning Balance	Contributions and Grants	Released from Restrictions	Ending Balance
With purpose or time restrictions:				
Home ownership preservation	$ 373,884	$ 4,021,642	$ (4,141,892)	$ 253,634
Resident services	45,739	487,744	(301,605)	231,878
Asset and property management	-	195,000	(194,241)	759
Real estate development	37,000	74,600	(111,600)	-
Early childhood development	7,346	385,377	(392,723)	-
Historic Parkland II	373,743	-	-	373,743
Total net assets with donor restrictions	$ 837,712	$ 5,164,363	$ (5,142,061)	$ 860,014

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:				
Home ownership preservation	$ 1,054,056	$ 1,245,273	$ (1,925,445)	$ 373,884
Resident services	103,030	193,243	(250,534)	45,739
Asset and property management	45,251	50,000	(95,251)	-
Real estate development	-	37,000	-	37,000
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

Note 11—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, 2024 and 2023 is $55,342 and $42,786, respectively.

Note 12—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, 2024 and 2023 consist of the following:

	Ownership Interest	Capital (Deficit) Amount 2024	Capital (Deficit) Amount 2023
Woodbourne House Apartments, LLLP	0.05%	$ 380	$ 454
Shawnee Renaissance Apartments, LLLP	0.01%	(170,986)	10
Jackson Woods Apartments, LLLP	0.01%	(129,477)	(88,337)
St. William Apartments, LLLP	0.01%	(1,493)	(1,063)
Roosevelt Apartments, LLLP	0.01%	(43)	-
		$ (301,619)	$ (88,936)

For the years ended June 30, 2024 and 2023, total revenues of $685,583 and $508,510, 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, 2024 and 2023, accounts receivable includes $953,489 and $837,661, respectively, due from these entities.

Note 13—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, 2024:

Borrower	Creditor	Maturity Date	Amount
Shawnee Renaissance Apartments, LLLP	PNC Bank, National Association	November 2027	$ 62,915
Shawnee Renaissance Apartments, LLLP	HOPE of Kentucky, LLC	September 2040	14,345,552
Roosevelt Apartments, LLLP	PNC Bank, National Association	April 2028	4,381,195
Roosevelt Apartments, LLLP	HOPE of Kentucky, LLC	April 2041	1,925,860
Brandeis Partners, Ltd.	Community Housing Capital, Inc. (see Note 8)	June 2029	945,988
			$ 21,661,510

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, 2024 and 2023.

Note 14—Related party revolving line of credit

New Directions, as the borrower, and St. Benedict Center, as the lender, have entered into a $250,000 revolving line of credit promissory note which bears interest at 2.00% (non-interest bearing through January 2024). The uncollateralized/unsecured line of credit has a January 2025 maturity date. The outstanding balance on the line of credit is $199,059 as of June 30, 2024 and 2023, respectively. Any balance on the line of credit would eliminate in consolidation.

Note 15—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. Management determined the Organization qualified for the ERC program.

The Organization 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 16—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.

Note 17—Subsequent event

In August 2024, the Organization entered into an additional line of credit agreement with Republic Bank & Trust Company with maximum available borrowings of up to $1,000,000. Interest accrues and is paid monthly at the Prime Rate (8.50% at June 30, 2024; the interest rate will never be less than 5.00%). The outstanding principal amount, and the unpaid interest accrued thereon, is due at maturity (August 2027). The line of credit is secured by mortgages with respect to seventeen specific properties and the assignment of all related leases and rents.

SUPPLEMENTARY INFORMATION

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024

	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	$ 1,748,171	$ 699,728	$ 5,230	$ 5,479	$ 41,841	$ 85,146	$ -	$ -	$ 2,585,595
Restricted cash - deposits and funded reserves	1,023,154	-	67,084	72,747	352,599	529,381	-	-	2,044,965
Accounts receivable, net	2,234,896	64,647	1,080	2,828	19,731	25,354	-	(1,330,498)	1,018,038
Development fees receivable	4,445,125	-	-	-	-	-	-	-	4,445,125
Contributions and grants receivable	339,714	-	-	-	-	-	-	-	339,714
Notes receivable	17,713,206	199,059	-	-	-	-	-	(2,521,905)	15,390,360
Prepaid expenses	30,394	-	1,121	2,093	12,342	20,481	-	-	66,431
Other assets	972,802	-	-	-	14	62,198	-	-	1,035,014
Operating lease right-of-use asset	-	140,077	-	-	-	-	-	(140,077)	-
Property and equipment, net	7,313,396	153,080	569,660	558,212	1,671,320	3,100,030	-	-	13,365,698
Total Assets	$ 35,820,858	$ 1,256,591	$ 644,175	$ 641,359	$ 2,097,847	$ 3,822,590	$ -	$ (3,992,480)	$ 40,290,940
LIABILITIES AND NET ASSETS (DEFICIT)									
Liabilities:									
Accounts payable	$ 751,041	$ 32,345	$ 110,457	$ 110,514	$ 514,946	$ 599,153	$ -	$ (1,330,498)	$ 787,958
Accrued expenses	265,044	37,560	706	4,878	716,548	87,455	-	(76,764)	1,035,427
Deferred revenue	-	-	1,690	384	1,967	131,088	-	-	135,129
Tenant deposits liability	29,752	-	3,140	3,503	15,861	22,849	-	-	75,105
Other liabilities	-	-	-	-	81,577	-	-	-	81,577
Operating lease liability	-	140,077	-	-	-	-	-	(140,077)	-
Operating lines of credit	1,714,645	-	-	-	-	-	-	-	1,714,645
Long-term debt obligations, net of unamortized debt issuance costs	7,982,141	-	-	1,137,809	1,962,861	2,634,102	-	(2,445,141)	11,271,772
Net deficit position in subsidiaries	847,970	-	-	-	-	-	-	(847,970)	-
Net deficit position in unconsolidated entities	301,619	-	-	-	-	-	-	-	301,619
Total Liabilities	11,892,212	209,982	115,993	1,257,088	3,293,760	3,474,647	-	(4,840,450)	15,403,232
Net Assets (Deficit):									
Without donor restrictions - undesignated	23,068,632	1,046,609	528,182	(615,729)	(1,195,913)	347,943	-	847,970	24,027,694
With donor restrictions - purpose or time restrictions	860,014	-	-	-	-	-	-	-	860,014
Total Net Assets (Deficit)	23,928,646	1,046,609	528,182	(615,729)	(1,195,913)	347,943	-	847,970	24,887,708
Total Liabilities Net Assets (Deficit)	$ 35,820,858	$ 1,256,591	$ 644,175	$ 641,359	$ 2,097,847	$ 3,822,590	$ -	$ (3,992,480)	$ 40,290,940

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (CONTINUED)

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
Contributions and grants 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

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2024

	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 and Other Support:									
Rent and rental assistance, net	$ 1,957,419	$ -	$ 134,103	$ 268,655	$ 942,525	$ 1,887,294	$ -	(137,148)	$ 5,052,848
Maintenance fees and tenant charges	1,013,995	-	14,621	8,592	10,067	185,370	-	(484,837)	747,808
Property management and incentive fees	838,538	-	-	-	-	-	-	(275,969)	562,569
Housing development and home sales	4,524,555	-	-	-	-	-	-	-	4,524,555
Contributions and grants	6,055,966	1,192,673	-	-	-	-	-	(227,703)	7,020,936
Program services	-	562,814	-	-	-	-	-	-	562,814
Interest income	895,185	-	6	329	1,001	1,988	-	(16,846)	881,663
Miscellaneous	-	78,347	-	-	-	-	-	-	78,347
Total Revenues and Other Support	15,285,658	1,833,834	148,730	277,576	953,593	2,074,652	-	(1,142,503)	19,431,540
Expenses:									
Program Services:									
Rental properties	1,978,950	-	220,740	342,967	1,299,034	2,431,339	-	(1,069,203)	5,203,827
Real estate development	210,794	-	-	-	-	-	-	-	210,794
Asset and property management	2,738,052	-	-	-	-	-	-	-	2,738,052
Resident services	618,339	-	-	-	-	-	-	-	618,339
Home ownership preservation	4,272,439	-	-	-	-	-	-	-	4,272,439
Early childhood development	110,661	1,456,958	-	-	-	-	-	(68,500)	1,499,119
	9,929,235	1,456,958	220,740	342,967	1,299,034	2,431,339	-	(1,137,703)	14,542,570
Fundraising and development	260,214	-	-	-	-	-	-	-	260,214
Management and general	1,103,768	217,951	-	-	-	-	-	(4,800)	1,316,919
Total Expenses	11,293,217	1,674,909	220,740	342,967	1,299,034	2,431,339	-	(1,142,503)	16,119,703
Change in Net Assets Before Other Operating Activities	3,992,441	158,925	(72,010)	(65,391)	(345,441)	(356,687)	-	-	3,311,837
Other Operating Activities:									
Forgiveness of debt	16,474	-	-	-	-	-	-	-	16,474
Net loss on the disposals of assets	(56,247)	-	-	-	-	-	-	-	(56,247)
Net loss from investments in limited partnerships	(192,529)	-	-	-	-	-	-	-	(192,529)
Net loss from investments in subsidiaries	(702,128)	-	-	-	-	-	-	702,128	-
Total Other Operating Activities	(934,430)	-	-	-	-	-	-	702,128	(232,302)
Change in net assets	3,058,011	158,925	(72,010)	(65,391)	(345,441)	(356,687)	-	702,128	3,079,535
Dissolution of Shawnee Apartments, LLC	-	-	-	-	-	-	(7,486,321)	7,486,321	-
Net assets (deficit), beginning of year	20,870,635	887,684	600,192	(550,338)	(850,472)	704,630	7,486,321	(7,340,479)	21,808,173
Net assets (deficit), end of year	$ 23,928,646	$ 1,046,609	$ 528,182	$ (615,729)	$ (1,195,913)	$ 347,943	$ -	$ 847,970	$ 24,887,708

See report of independent auditor.

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

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 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 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 Operating Activities	(1,859,268)	90,445	(66,468)	(51,747)	(295,272)	(347,797)	(154,740)	-	(2,684,847)
Other Operating 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 Operating Activities	10,525,932	-	-	-	-	-	8,916,333	(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 report of independent auditor.

NEW DIRECTIONS HOUSING CORPORATION AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

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	-	256,163
Section 8 Housing Assistance Payments Program	14.195	N/A	-	1,383
Total U.S. Department of Housing and Urban Development - Direct Funding			-	289,367
Passed-through Louisville/Jefferson County Metro Government				
Community Development Block Grants/Entitlement Grants	14.218		-	2,043,479
Passed-through New Albany (Indiana) Redevelopment Commission				
Community Development Block Grants/Entitlement Grants	14.218		-	23,703
Passed-through Louisville/Jefferson County Metro Government				
Community Development Block Grants Section 108 Loan Guarantees	14.248		-	1,573,806
Passed-through Kentucky Housing Corporation				
Housing Trust Fund	14.275		-	229,119
Total U.S. Department of Housing and Urban Development - Passed-through Funding			-	3,870,107
Total U.S. Department of Housing and Urban Development			-	4,159,474
U.S. Department of Treasury				
Passed-through NeighborWorks America				
Community Development Financial Institutions Program	21.020	95-557	-	264,152
Total U.S. Department of Treasury			-	264,152
Total expenditures of federal awards			$ -	$ 4,423,626

See report of independent auditor.

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal grant activity of New Directions Housing Corporation and Subsidiaries for the year ended June 30, 2024, and is prepared on the accrual basis of accounting. The information in the 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"). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the presentation of, the accompanying consolidated financial statements.

We have audited the consolidated financial statements of New Directions Housing Corporation and Subsidiaries as of and for the year ended June 30, 2024. As discussed in Note 1 to the consolidated financial statements, the consolidated financial statements include the accounts of New Directions Housing Corporation and its subsidiaries. The accompanying Schedule does not include the federal grant activity of those subsidiaries that are otherwise subject to the Uniform Guidance on an individual basis.

Note 2—Summary of significant accounting policies

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

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

Pass-through entity identifying numbers are presented where available.

Note 3—Loan programs

Balances of related mortgages and loans outstanding as of June 30, 2024 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 II properties	14.248	26,653
		$ 1,539,538

Report of Independent Auditor 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
Louisville, Kentucky

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, 2024, 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 December 23, 2024.

Report on 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, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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*.

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.

Cherry Bekaert LLP

Louisville, Kentucky
December 23, 2024

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Guidance

Board of Directors
New Directions Housing Corporation
Louisville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on 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, 2024. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 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 the 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 auditing standards generally accepted in the United States of America, *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.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *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 the 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.

Cherry Bekaert LLP

Louisville, Kentucky
December 23, 2024

Section I—Summary of auditor's results

Consolidated financial statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Non-compliance material to the consolidated financial statements noted?	No

Federal awards

Type of auditor's report issued on compliance for major federal programs	Unmodified
Internal control over major federal programs	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs	
Program Title/Federal Assistance Listing Number	
Community Development Block Grants/Entitlement Grants	14.218
Dollar threshold to distinguish between Type A and Type B programs	$750,000
Auditee qualified as a low-risk auditee?	Yes

Section II—Findings - consolidated financial statements

None

Section III—Findings and questioned costs - federal awards

None

Section I—Findings - consolidated financial statements

None

Section II—Findings and questioned costs - federal awards

None