



Development Corporation of Tarrant County and Subsidiaries

**Consolidated Financial Statements with Report of Independent Auditors
December 31, 2023**



NOVAGRADAC
& COMPANY LLP®

Report of Independent Auditors

To the Board of Directors of
Development Corporation of Tarrant County and Subsidiaries:

Opinion

We have audited the accompanying consolidated financial statements of Development Corporation of Tarrant County and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statement 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Development Corporation of Tarrant County and Subsidiaries as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Development Corporation of Tarrant County and Subsidiaries 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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 Development Corporation of Tarrant County and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Development Corporation of Tarrant County and Subsidiaries' 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 Development Corporation of Tarrant County and Subsidiaries' 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.

Novogradac & Company LLP

Austin, Texas
July 3, 2025

DEVELOPMENT CORPORATION OF TARRANT COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

Cash and cash equivalents	\$	6,978,114
Restricted cash		3,122,572
Investments		1,280,980
Accounts receivable		584,427
Note receivable		951,029
Accrued interest		671,115
Prepaid expenses and other		135,929
House inventory		2,508,221
Right-of-use asset		316,128
Property and equipment, net		<u>89,483,566</u>
Total assets	\$	<u><u>106,032,081</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$	3,709,281
Contractor and retainage payable		1,803,172
Security deposits		124,800
Due to related parties		1,509,500
Lease payable		427,523
Development fee payable		7,348,462
Notes payable		7,057,271
Construction loans payable		23,982,723
Bonds payable		<u>32,756,476</u>
Total liabilities		78,719,208

NON-CONTROLLING INTEREST IN CONSOLIDATED AFFILIATES 18,118,809

NET ASSETS WITHOUT DONOR RESTRICTIONS 9,194,064

Total liabilities and net assets \$ 106,032,081

see accompanying notes

DEVELOPMENT CORPORATION OF TARRANT COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

REVENUE, GAINS AND OTHER SUPPORT	
Federal grants	\$ 330,102
Contributions	664
Developer fees	124,067
Sale of property	569,700
Rental income	5,767,202
Investment return, net	286,669
Other income	747,877
Gain on sale of property and equipment	<u>8,410</u>
Total revenues, gains and other support	7,834,691
EXPENDITURES	
Program services	
Housing	9,425,026
Supporting service expenses	
General and administrative	<u>1,173,114</u>
Total expenditures	<u>10,598,140</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM OPERATIONS BEFORE NON-CONTROLLING INTEREST	(2,763,449)
LESS: CHANGE IN NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	<u>2,499,986</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u><u>\$ (263,463)</u></u>

see accompanying notes

DEVELOPMENT CORPORATION OF TARRANT COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Controlling Interest</u>	<u>Non-controlling Interests</u>	<u>Total</u>
BALANCE, DECEMBER 1, 2023	\$ 9,457,527	\$ 14,642,278	\$ 24,099,805
Contributions by non-controlling interests	-	5,976,517	5,976,517
Change in net assets without donor restrictions	<u>(263,463)</u>	<u>(2,499,986)</u>	<u>(2,763,449)</u>
BALANCE, DECEMBER 31, 2023	<u>\$ 9,194,064</u>	<u>\$ 18,118,809</u>	<u>\$ 27,312,873</u>

see accompanying notes

DEVELOPMENT CORPORATION OF TARRANT COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

EXPENDITURES	Program Services	Supporting Services	Total
Salaries and benefits	\$ 1,612,279	\$ 84,857	\$ 1,697,136
Rent and utilities	656,761	34,566	691,327
Property taxes and fees	518,140	27,271	545,411
Insurance	266,446	14,023	280,469
Dues and subscriptions	7,495	394	7,889
Marketing and advertising	-	213,109	213,109
Legal and other professional fees	-	511,247	511,247
Office supplies and equipment	39,620	2,085	41,705
Other program expenses	173,705	-	173,705
Repairs and maintenance	540,020	28,422	568,442
Bank charges and service fees	9,947	523	10,470
Cost of housing inventory sold	724,886	-	724,886
Depreciation and amortization	2,864,988	150,789	3,015,777
Interest expense	2,010,739	105,828	2,116,567
 Total expenditures	 <u>\$ 9,425,026</u>	 <u>\$ 1,173,114</u>	 <u>\$ 10,598,140</u>

see accompanying notes

DEVELOPMENT CORPORATION OF TARRANT COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (2,763,449)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	3,015,777
Amortization of debt issuance costs	67,275
Changes in	
Accounts receivable	(283,393)
Accrued interest	(34,865)
Prepaid expenses and other	294,238
House inventory	(287,502)
Accounts payable and accrued expenses	2,791,356
Security deposits	50
Lease payable	15,072
Net cash provided by operating activities	2,814,559

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(1,285,245)
Purchase of investments	(810,452)
Net cash used in investing activities	(2,095,697)

CASH FLOWS FROM FINANCING ACTIVITIES

Advances from related party	48,772
Repayment of related party advances	(397,300)
Repayment of contractor payable	(295,303)
Payment of developer fee	(591,353)
Proceeds from notes payable	767,053
Repayment of bonds payable	(2,240,000)
Capital contributions received by noncontrolling interests	5,976,517
Net cash provided by financing activities	3,268,386

Net change in cash, cash equivalents and restricted cash 3,987,248

Cash, cash equivalents and restricted cash at beginning of year \$ 6,113,438

Cash, cash equivalents and restricted cash at end of year \$ 10,100,686

see accompanying notes

DEVELOPMENT CORPORATION OF TARRANT COUNTY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash and cash equivalents	\$ 6,978,114
Restricted cash	<u>3,122,572</u>
Total cash, cash equivalents and restricted cash	<u><u>\$ 10,100,686</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest, net of capitalized interest of \$2,487,576	<u><u>\$ 4,585,015</u></u>
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SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Property and equipment in contractor and retainage payable	<u><u>\$ 1,133,160</u></u>
Property and equipment in notes payable	<u><u>\$ 364,811</u></u>
Property and equipment in construction payable	<u><u>\$ 11,908,674</u></u>

see accompanying notes

DEVELOPMENT CORPORATION OF TARRANT COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. Nature of operations and summary of significant accounting policies

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements include the accounts of the Development Corporation of Tarrant County ("DCTC") and the following limited liability companies in which is the sole member are consolidated within DCTC.

Gainesville DCTC, LLC
Gainesville Senior Living, LLC
Sansom Ridge GP, LLC
Sansom Bluff GP, LLC
The Villas Del San Xavier GP, LLC,

The accompanying consolidated financial statements also include the accounts of DCTC and the limited partnerships listed below in which DCTC has a controlling financial interest as a sole member, general partner or manager.

MAEDC Gainesville Seniors, LP
Sansom Ridge, LP
Sansom Bluff, LP
San Germaine, LP.

DCTC and its consolidated entities are collectively referred to as the "Organization". All significant interorganizational balances and transactions have been eliminated in consolidation.

Nature of operations

DCTC was incorporated in 1998 and is a not-for-profit organization whose mission is to lessen the burden of government, combat community deterioration, and relieve the poor and distressed by performing activities to ensure that low- and moderate-income residents of Tarrant County, Texas have access to decent, affordable housing and community-based facilities in all areas of the county. DCTC is primarily supported by grant funds which are passed through Tarrant County from the U.S. Department of Housing and Urban Development and the proceeds from the sale of those grant-funded houses.

MAEDC Gainesville Seniors, LP ("MAEDC"), a Texas limited partnership, formed on October 28, 2003, to construct, develop and operate a 76-unit apartment project known as Summit Senior Village, in Gainesville, Texas. The project is rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits ("Tax Credits") as provided for in Section 42 of the Internal Revenue Code ("IRC").

The general partner is Gainesville DCTC, LLC. The limited partner is Gainesville Senior Living, LLC. The general partner and the limited partner of MAEDC are wholly owned by DCTC. DCTC is a community housing development organization ("CHDO"), as designated by the Texas Tax Code. As such, the MAEDC is eligible for and receives ad valorem tax exemptions on its rental property.

Profits, losses, and tax credits of MAEDC are allocated in accordance with the amended and restated limited partnership agreement dated July 28, 2020, and amendments thereon. Profits and losses from MAEDC's operations and its Housing Tax Credits are allocated 0.01 % to its general partner and 99.99% to its limited partner.

DEVELOPMENT CORPORATION OF TARRANT COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. Nature of operations and summary of significant accounting policies (continued)

Nature of operations (continued)

Sansom Ridge, LP (“Sansom Ridge”) was formed on January 26, 2016, to construct, develop and operate a 100-unit apartment project known as Sansom Ridge Apartments, in Sansom Park, Texas. The general partner is Sansom Ridge GP, LLC and is solely owned by DCTC. The project is rented to low-income tenants and is operated in a manner necessary to qualify for Tax Credits as provided for in Section 42 of the IRC.

The initial investor limited partner was Sansom Ridge SLP, LLC; however, on August 1, 2016, Sansom Ridge SLP, LLC transferred 99.98% of its interest in Sansom Ridge, LP to Garnet LIHTC Fund XLVIII, LLC. After the transfer on August 1, 2016, Sansom Ridge SLP, LLC became the Class B limited partner. The special limited partner is Transamerica Affordable Housing, Inc. Sansom Ridge, LP will operate until December 31, 2070, or until its earlier dissolution or termination.

Profits, losses and tax credits of Sansom Ridge are allocated in accordance with the amended and restated limited partnership agreement dated August 1, 2016, and amendments thereon. Profits and losses from operations and Housing Tax Credits are allocated 0.01% to Sansom Ridge’s general partner, 99.98% to its investor limited partner, 0.00% to its special limited partner and 0.01% to its Class B limited partner.

Pursuant to its amended and restated limited partnership agreement, Sansom Ridge’s investor limited partner is required to provide capital contributions totaling \$7,735,538, subject to adjustments based on the amount and timing of Housing Tax Credits allocated to its project in addition to other occurrences which are fully explained in its amended and restated limited partnership agreement. The required capital contributions were reduced to \$7,374,130 for downward adjustments based on the amount and timing of Housing Tax Credits. As of December 31, 2023, Sansom Ridge’s limited partner had provided cumulative capital contributions in the amount of \$7,374,130.

Sansom Bluff, LP (“Sansom Bluff”) was formed on October 19, 2017, to construct, develop and operate a 296-unit apartment project known as Sansom Bluff Apartments in Sansom Park, Texas. The apartments are rented to low-income tenants and are operated in a manner necessary to qualify for Tax Credits as provided for in Section 42 of the IRC. The general partner is Sansom Bluff GP, LLC and is solely owned by DCTC. The investor limited partner is BF Sansom Bluff, LLC. Sansom Bluff LDG SLP, LLC is the Class B limited partner. The special limited partner is BFIM Special Limited Partner, Inc. Sansom Bluff, LP will operate until December 31, 2070, or until its earlier dissolution or termination.

Profits, losses and tax credits of Sansom Bluff are allocated in accordance with the amended and restated limited partnership agreement dated November 1, 2018, and amendments thereon. Profits and losses from operations and Housing Tax Credits are allocated 0.01% to Sansom Bluff’s general partner, 99.98% to its investor limited partner and 0.01% to its Class B limited partner.

Pursuant to Sansom Bluff’s amended and restated limited partnership agreement, the investor limited partner is required to provide capital contributions to Sansom Bluff, LP totaling \$17,203,000, subject to adjustments based on the amount and timing of Housing Tax Credits allocated to the project in addition to other occurrences which are fully explained in the amended and restated limited partnership agreement. The required capital contributions were increased to \$17,266,966 for upward adjustments based on the amount and timing of Housing Tax Credits. As of December 31, 2023, Sansom Bluff’s investor limited partner had provided cumulative capital contributions in the amount of \$17,192,278.

DEVELOPMENT CORPORATION OF TARRANT COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. Nature of operations and summary of significant accounting policies (continued)

Nature of operations (continued)

San Germaine, LP (“San Germaine”), which was formed on July 26, 2021, to acquire, develop, construct, own and operate an affordable housing apartment complex to be known as Villas Del San Xavier consisting of 156 total units in 27 residential buildings (and 1 nonresidential clubhouse building) located in San Marcos, Hays County, Texas. San Germaine, LP expects that the project will qualify for Tax Credits under Section 42 of the IRC of 1986, as amended. The general partner is The Villas Del San Xavier GP, LLC and is solely owned by DCTC. The investor limited partner is AHP Housing Fund 227, LLC. The special limited partner is SGTX Development, LLC.

Profits, losses and tax credits of San Germaine are allocated in accordance with its amended and restated limited partnership agreement dated July 26, 2021, and amendments thereon. Profits and losses from operations and Housing Tax Credits are allocated 0.005% to San Germaine’s general partner, 99.99% to its investor limited partner and 0.005% to its special limited partner.

Pursuant to San Germaine’s amended and restated limited partnership agreement, its investor limited partner is required to provide capital contributions to San Germaine, LP totaling \$14,429,865, subject to adjustments based on the amount and timing of Housing Tax Credits allocated to the Project in addition to other occurrences which are fully explained in its amended and restated limited partnership agreement. As of December 31, 2023, its investor limited partner had provided capital contributions in the amount of \$5,002,537.

Use of estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.

Restricted cash

Restricted cash includes cash held with financial institutions for refunds of tenant security deposits, operating deficits, project construction, annual tax and insurance payments, administration of bond proceeds, interest reserves, debt repayment, and for funding of repairs or improvements to the buildings.

Investments and net investment return

Investments consist of certificates of deposits with original maturities of twelve months. The certificates of deposit are valued at cost which approximates fair value. Investment return includes interest earned on cash and cash equivalents and certificates of deposits.

Accounts receivable

Accounts receivable consist primarily of amounts due from government agencies in accordance with cost-reimbursement contracts. These receivables are considered fully collectible and therefore, the Organization does not consider an allowance necessary at December 31, 2023.

Note receivable

Note receivable is reported at the outstanding principal balance. Note receivable represents a loan made to a partnership to provide financing to construct two apartment complexes for low-to-moderate income family households. Interest income on the note receivable is recognized when earned.

DEVELOPMENT CORPORATION OF TARRANT COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. Nature of operations and summary of significant accounting policies (continued)

House inventory

Houses that are purchased or constructed with the intent to resell to low-income families are recorded at cost including any needed repairs.

Right-of-use asset

Sansom Ridge, LP determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of and to obtain substantially all of the economic benefits from the use of an asset for a period of time in exchange for consideration.

Operating lease right-of use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Sansom Ridge, LP uses its incremental borrowing rate at the commencement date in determining the present value of lease payments. Using the incremental borrowing rate requires judgment and is based on the interest rate secured on Sansom Ridge, LP's permanent loan financing at the time of lease commencement.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The ground lease agreement does contain material residual value guarantees or material restrictive covenants. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Sansom Ridge, LP accounts for its ground lease as an operating lease and records expense based on the average minimum yearly base lease accrual calculated over the term of the lease (see Note 11). The cumulative difference between the annual expense and the actual base lease amount will be recorded as a lease payable in the accompanying consolidated statement of financial position.

Fixed assets and depreciation

Property and equipment with a cost greater than \$1,000 and a useful life greater than one year are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Depreciation expense during 2023 was \$3,008,093.

The useful lives of the assets are estimated as follows:

Building and improvements	3 - 40 years
Furniture and equipment	3 - 10 years

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. No impairment losses were recognized during 2023.

Government grants

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. No adjustments have been required during 2023.

DEVELOPMENT CORPORATION OF TARRANT COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. Nature of operations and summary of significant accounting policies (continued)

Revenue recognition

Rental income is recognized as rent becomes due. All leases between the Organization and the tenants of the property are operating leases. Rental payments received in advance are deferred until earned, if applicable. Other income resulting from fees earned for late payments, cleaning, damages, and laundry facilities are recognized when earned.

Developer fees

Developer fees are generally earned by DCTC at a rate of either 15% of the sales price on all projects funded by Tarrant County or 15% and 10% of the development cost on all City of Arlington and City of Fort Worth projects, respectively.

Income taxes

DCTC is exempt from federal income taxes under IRC Section 501(c)(3) and a similar provision of state law. However, DCTC is subject to federal income tax on any unrelated business taxable income. DCTC files tax returns in the U.S. federal jurisdiction.

With a few exceptions, DCTC is no longer subject to U.S. federal examinations by tax authorities for years before 2020.

Income taxes on partnership income for MAEDC, Sansom Ridge, LP, Sansom Bluff, LP, San Germaine, LP (“Consolidated Entities”) are levied on the partners at the partner level. Accordingly, all profits and losses of the Consolidated Entities are recognized by each partner on its respective tax return.

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires the Consolidated Entities to report information regarding its exposure to various tax positions taken by the Consolidated Entities. Management has determined whether any tax positions have met the recognition threshold and has measured the Consolidated Entities’ exposure to those tax positions. Management believes that the Consolidated Entities have adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions.

DEVELOPMENT CORPORATION OF TARRANT COUNTY
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2023

1. Nature of operations and summary of significant accounting policies (continued)

Contributions (continued)

The value recorded for each contribution is recognized as follows:

Nature of the gift	Value recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Conditional contributions which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

2. Restricted cash

Cash held in separate account

DCTC receives grant funds to acquire and rehabilitate housing units for resale to eligible homebuyers. The grant agreement requires that the unspent grant proceeds and proceeds from the sale of houses be placed in a separate bank account. As of December 31, 2023, the balance in this account totaled \$126,759.

Tenant security deposits

MAEDC maintains a separate account for tenant security deposits held in trust. As of December 31, 2023, the security deposits balance was \$17,121.

Sansom Ridge, LP maintains a separate account for tenant security deposits held in trust. As of December 31, 2023, the security deposits balance was \$27,350.

Sansom Bluff, LP maintains a separate account for tenant security deposits held in trust. As of December 31, 2023, the security deposits balance was \$81,950.

Bond funds

Sansom Ridge, LP and Sansom Bluff, LP established various funds and accounts held with the Bank of Texas, N.A. and BOKF, NA.

The bond funds are used for payments including, but not limited to, construction of its projects, interest, fees and repayment of the bonds. As of December 31, 2023, the balances of the bond funds of Sansom Ridge, LP and Sansom Bluff, LP were \$119,945 and \$363,447, respectively, and are recorded in restricted cash in the accompanying consolidated statement of financial position.

DEVELOPMENT CORPORATION OF TARRANT COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

2. Restricted cash (continued)

Tax and insurance escrow

Sansom Ridge, LP has monthly deposits that are made to the Bank of Texas, N.A. for the payment of property taxes. All deposits are pledged as additional security it's project's mortgage. As of December 31, 2023, the balance of the property tax escrow was \$2,632.

Sansom Bluff, LP has monthly deposits that are made to BOKF, NA for the payment of property tax and insurance. As of December 31, 2023, the property tax and insurance escrow balance was \$604,065.

Replacement reserve

Pursuant to the Sansom Ridge, LP amended and restated limited partnership agreement, beginning in the month in which the last unit is leased to a tenant, Sansom Ridge, LP is required to make annual deposits equal to \$250 per unit, increasing annually by 3% beginning on January 1 of the first fiscal year following the initial funding of the replacement reserve. Withdrawals from the replacement reserve greater than \$10,000 require the approval of its investor limited partner, special limited partner and class b limited partner. As of December 31, 2023, the replacement reserve was \$117,550, and is recorded in the accompanying consolidated statement of financial position.

Pursuant to the Sansom Bluff, LP amended and restated limited partnership agreement, beginning in the month in which the last unit is leased to a tenant, the Sansom Bluff, LP is required to make annual deposits equal to \$250 per unit, increasing annually by 3% beginning on January 1 of the first fiscal year following the initial funding of the replacement reserve. Withdrawals from the replacement reserve are required to be used for capital improvements and repairs to its project and require the approval of its special limited partner. As of December 31, 2023, the replacement reserve was \$52,721, and is recorded in the accompanying consolidated statement of financial position.

Expense reserve

MAEDC established a reserve for the payment of expenses related to the operations of its project when prompt payment is required prior to delinquency. As of December 31, 2023, the balance of the expense reserve was \$136,924, and is recorded in the accompanying consolidated statement of financial position.

Certificate of deposit

MAEDC maintains a certificate of deposit fund held by Veritex Community Bank. As of December 31, 2023, the certificate of deposit fund balance was \$412,392.

Earn-out reserve

Pursuant to the Sansom Ridge, LP amended and restated limited partnership agreement, upon receipt of its investor limited partners' third contribution, Sansom Ridge, LP is required to deposit \$775,000 into an earn-out reserve account in accordance with the trust indentures. Disbursements from the earn-out reserve require the approval of its investor limited partner and special limited partner. As of December 31, 2023, the balance of the earn-out reserve was \$1,578.

DEVELOPMENT CORPORATION OF TARRANT COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

2. Restricted cash (continued)

Operating reserve

Pursuant to the Sansom Ridge, LP amended and restated limited partnership agreement, upon the receipt of its investor limited partner's fourth federal payment contribution, Sansom Ridge, LP is required to deposit \$485,494 into an operating reserve account in order to fund operating deficits through the compliance period of the Sansom Ridge, LP. Disbursements from the operating reserve require the approval of its investor limited partner, special limited partner and class b limited partner. During 2019, the LDG Development, LLC ("LDG"), a related party of its class b limited partner, obtained an irrevocable letter of credit from Republic Bank & Trust Company in the amount of \$485,494, to the benefit of its trustee, to be used to fund operating deficits of the Sansom Ridge, LP, in lieu of funding the operating reserve account. The irrevocable letter of credit renews annually in successive one-year periods unless otherwise cancelled, until the final expiry date of June 28, 2034. During 2021, the irrevocable letter of credit was renewed through June 24, 2022, and was not renewed subsequent to this date. As of December 31, 2023, the operating reserve was \$21.

Pursuant to the Sansom Bluff, LP amended and restated limited partnership agreement, upon receipt of its investor limited partner's fourth federal payment contribution, Sansom Bluff, LP is required to deposit \$1,031,000 into an operating reserve account in order to fund operating deficits through the compliance of Sansom Bluff, LP. Disbursements from the operating reserve require the approval of its special limited partner. As of December 31, 2023, the operating reserve was \$1,058,117.

3. Notes receivable

DCTC made a loan to a partnership to provide financing to construct two apartment complexes for low-to-moderate income family households. This action furthers its mission to supply affordable housing.

This loan is detailed below as of December 31, 2023.

Annual payments of \$61,404, including interest of 5.02% to begin after the borrower's 2009 fiscal year-end, subject to available net cash flow, maturing October 27, 2036, secured by the complex, subordinated to a first lien holder.	\$ 951,029
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Interest is recognized when earned. Accrued interest on this note receivable was \$671,115 as of December 31, 2023. Based upon evaluation of the property's operations, management considers the note and accrued interest fully collectible, and no allowance is necessary. Since the loan is fully collateralized by the properties, management considers the credit risk to be minimal.

4. House inventory

DCTC constructs and rehabilitates housing units with the intent of reselling them to low-income families. As of December 31, 2023, DCTC has completed and sold homes with costs as detailed below:

Inventory, at beginning of year	\$ 2,220,283
Rehabilitation expenses	1,074,869
Sale of homes	<u>(786,931)</u>
Balance, at end of year	<u>\$ 2,508,221</u>

DEVELOPMENT CORPORATION OF TARRANT COUNTY
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5. Property and equipment

Property and equipment as of December 31, 2023, consists of:

Land	\$ 3,305,000
Building and building improvements	68,100,044
Furniture, equipment, and software	3,783,431
Construction in progress	<u>28,610,171</u>
Total fixed assets	72,861,184
Less: accumulated depreciation	<u>(14,315,080)</u>
Property and equipment, net	<u>\$ 89,483,566</u>

6. Line of credit

DCTC has a line of credit in the amount of \$1,000,000 to accommodate cash flow needs. As of December 31, 2023, there was \$609,973 borrowed against the line of credit, which is included in notes payable on the accompanying consolidated statement of financial position. The line of credit is collateralized by a certificate of deposit. Interest on this line is 3.25% and is payable monthly.

7. Construction loans payable

San Germaine, LP entered into a mortgage note dated July 1, 2021, for the construction of the project with a maximum amount of \$25,550,000. The mortgage note bears interest at the rate of 4.32% per annum. Principal and interest will be payable by San Germaine, LP in monthly installments starting August 1, 2021. As of December 31, 2023, the principal balance was \$25,550,000 and is included in construction loans payable in the accompanying consolidated statement of financial position.

San Germaine, LP entered into a mortgage note dated July 26, 2021, for the construction of the project in the amount of \$2,100,000. The mortgage note bears an adjustable interest rate per annum that shall not be less than 5.75% or greater than 12%. Principal and interest will be payable by San Germaine, LP in monthly installments starting August 1, 2021. As of December 31, 2023, the principal balance was \$697,630 and is included in construction loans payable in the accompanying consolidated statement of financial position.

Debt issuance costs of \$2,645,041 are being amortized to construction in progress and will continue over the term of the construction loan. As of December 31, 2023, accumulated amortization was \$380,134 was capitalized to construction in progress.

Principal balance	\$ 26,247,630
Less: unamortized debt issuance costs	<u>(2,264,907)</u>
Construction loans payable, net of unamortized debt issuance costs	<u>\$ 23,982,723</u>

8. Notes payable

Notes payable – SGTX Development, LLC

On March 3, 2022, San Germaine, LP executed a \$30,286 note (“Promissory Note”) payable to SGTX Development, LLC. The Promissory Note bears no interest and is unsecured. The principal is due and payable on available cash flows. As of December 31, 2023, principal of \$30,286 was outstanding and is included in notes payable on the accompanying consolidated statement of financial position.

DEVELOPMENT CORPORATION OF TARRANT COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. Notes payable (continued)

Notes payable – SGTX Development, LLC (continued)

On November 8, 2023, San Germaine, LP executed a \$160,000 note (“Promissory Note II”) payable to SGTX Development, LLC. Promissory Note II bears no interest and a maturity date on August 31, 2024. As of December 31, 2023, principal of \$160,000 was outstanding and is included in notes payable on the accompanying consolidated statement of financial position.

Note payable – GML Senior Affordable Housing, LLC

On December 5, 2023, San Germaine, LP executed a \$12,916 note payable to GML Senior Affordable Housing, LLC. The note bears an annual interest rate of 6% and has a maturity date on August 31, 2024. As of December 31, 2023, principal of \$12,917 was outstanding and is included in notes payable on the accompanying consolidated statement of financial position.

Note payable – GSR Contractors LLC

On November 8, 2023, San Germaine, LP executed a \$245,000 note payable to GSR Contractors LLC. The note bears an annual interest rate of 6% and has a maturity date on August 31, 2024. As of December 31, 2023, principal of \$245,000 was outstanding and is included in notes payable on the accompanying consolidated statement of financial position.

Note payable – TX Senior Living, LLC

On December 5, 2023, San Germaine, LP executed a \$200,000 note payable to TX Senior Living, LLC. The note bears an annual interest rate of 6% and has a maturity date on August 31, 2024. As of December 31, 2023, principal of \$200,000 was outstanding and is included in notes payable on the accompanying consolidated statement of financial position.

Note payable – second lien note

On July 26, 2021, San Germaine, LP executed a \$974,881 note (“Second Lien Note”) payable to Senior Living San Marcos, LLC. The note bears interest at a rate of 4% per annum and is secured by a second lien. All outstanding principal and accrued interest are payable on August 26, 2051. \$974,881 of principal is outstanding on December 31, 2023, and is included in notes payable on the accompanying consolidated statement of financial position.

Mortgage payable

On June 21, 2022, MAEDC refinanced its mortgage with a note payable from Veritex Community Bank in the amount of \$4,500,000. The note payable bears interest at a rate of 4.75% per annum and is payable in monthly installments of principal and interest of \$23,665 until maturity. The note is secured by its property. The original maturity date of June 21, 2023, was modified on June 21, 2025. See Note 18 for details of the modification. During 2023, interest expense was \$220,028. As of December 31, 2023, the outstanding principal balance and accrued interest were \$4,395,900 and \$17,679, respectively.

As of December 31, 2023, the mortgage payable consisted of:

Principal balance	\$ 4,395,900
Less: unamortized debt issuance costs	(24,672)
Note payable, net of unamortized debt issuance costs	<u>\$ 4,371,228</u>

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8. Notes payable (continued)

Mortgage payable (continued)

For each of the next two years, future minimum principal payments are due as follows:

For the year ending December 31,

2024	\$ 77,072
2025	<u>4,318,828</u>
Total	<u>\$ 4,395,900</u>

Residential construction notes payable

Effective October 22, 2022, DCTC entered into two residential construction notes with a bank in the amounts of \$112,748 and \$112,728 each. The residential construction notes bore interest at a rate of 7.5% per annum. As of December 31, 2023, the principal balance was paid in full.

On May 24, 2023, DCTC entered three residential construction contracts with Veritex Community Bank and City of Fort Worth in the amount of \$280,822, \$277,052, and \$275,653, respectively. Each residential construction contract bears an interest rate of 9.5% and has a maturity date on May 24, 2024. As of December 31, 2023, the principal balance was \$148,549, \$154,259, and \$150,178, respectively, and is included in notes payable in the accompanying consolidated statement of financial position.

9. Bonds payable

Series 2016A

In order to provide funds for the Sansom Ridge, LP to finance the construction of its project, Tarrant County Housing Finance Corporation ("TCHFC") issued Multi-Family Housing Revenue Bonds (Sansom Ridge Apartments) Series 2016A (the "Series A Bonds") in the principal amount of \$9,500,000, which are secured by its project. On August 1, 2016, FMSbonds, Inc. ("FMS") entered into a purchase agreement with TCHFC whereby it agreed to purchase the bonds and lend the proceeds to the Sansom Ridge, LP.

Sansom Ridge, LP executed a note with TCHFC which set forth its obligation to pay to the trustee sufficient funds to enable the trustee to pay any principal, premiums, and interest due on the Bonds. TCHFC assigned its rights, title and interest, subject to certain contingency claims, in the notes to the trustee.

The Series A Bonds bear interest at the rate of 4.50% per annum and mature on July 1, 2056. The Series A Bonds are subject to optional redemption in whole or in part on or after January 1, 2033.

During 2023, interest expense of \$314,381 was incurred. As of December 31, 2023, outstanding principal was \$7,585,000 and no interest was accrued.

As of December 31, 2023, Series A Bonds payable consisted of:

Principal balance	\$ 7,585,000
Less: unamortized debt issuance costs	<u>(221,859)</u>
Series A Bonds, net of unamortized debt issuance cost	<u>\$ 7,363,141</u>

Debt issuance costs of \$406,627 associated with the Series A Bonds are being amortized to interest expense over the term of the bonds. During 2023, the effective interest rate was 4.83% and amortization of debt issuance costs was \$25,234.

DEVELOPMENT CORPORATION OF TARRANT COUNTY
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9. Bonds payable (continued)

For each of the next five years and thereafter, future minimum principal payments are due as follows:

For the year ending December 31,

2024	\$ 100,000
2025	110,000
2026	115,000
2027	115,000
2028	125,000
Thereafter	<u>7,020,000</u>
Total	<u>\$ 7,585,000</u>

Series 2018

In order to provide funds for Sansom Bluff, LP to finance the construction of its project, TCHFC issued Multifamily Housing Revenue Bonds (Sansom Bluff Apartments) Series 2018 in the principal amount of \$28,865,000, which are secured by its project. On November 1, 2018, FMS entered into a purchase agreement with the TCHFC whereby it agreed to purchase the bonds and lend proceeds to Sansom Bluff, LP.

The Series 2018 were issued on November 1, 2018, and bear interest at 5.225% per annum. Interest payments are due monthly, commencing January 1, 2019.

Principal and interest payments are due quarterly, commencing January 1, 2022, and mature on December 1, 2058. During 2023, interest expense of \$1,464,157 was incurred. As of December 31, 2023, the outstanding principal balance and accrued interest were \$26,545,000 and \$125,683, respectively.

As of December 31, 2023, the Series 2018 bonds payable consisted of:

Principal balance	\$ 26,545,000
Less: unamortized debt issuance costs	(1,151,665)
Series 2018, net of unamortized debt issuance costs	<u>\$ 25,393,335</u>

For each of the next five years and thereafter, future minimum principal payments are due as follows:

For the year ending December 31,

2024	\$ 225,000
2025	235,000
2026	250,000
2027	265,000
2028	275,000
Thereafter	<u>25,295,000</u>
Total	<u>\$ 26,545,000</u>

Debt issuance costs of \$1,629,024 associated with the Series 2018 are being amortized to interest expense over the term of the bonds. During 2023, the effective interest rate was 5.39% and amortization of debt issuance costs was \$46,882.

DEVELOPMENT CORPORATION OF TARRANT COUNTY
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10. Application and distribution of operating cash flow

Pursuant to the Sansom Ridge, LP amended and restated limited partnership agreement, operating cash flow is distributable as follows:

1. To its investor limited partner to pay any unpaid excess federal adjuster and/or any capital adjuster distribution;
2. To Aegon USA Realty Advisors, LLC (“Aegon”) to pay any unpaid asset management fees;
3. \$250 per unit into the replacement reserve, increased annually by 3%
4. To the payment of the development fee until it is paid in full;
5. \$15,000 to LDG, to pay the annual rent pursuant to the ground lease agreement
6. To the repayment of any operating deficit loans;
7. 90% of the remaining balance to pay the incentive management fee, and thereafter as a distribution;
8. The remaining balance to its partners in accordance with their respective partnership interests.

Pursuant to the Sansom Bluff, LP amended and restated limited partnership agreement, available cash flow is distributable as follows:

1. To its investor limited partner in the amount of any accrued and unpaid asset management fees;
2. To its investor limited partner in the amount of any unpaid tax credit shortfall payments;
3. To replenish the operating reserve up to the operating reserve initial amount;
4. To the payment of any deferred development fee note;
5. To pay principal and interest on the HOME loan up to an amount of \$54,635;
6. To its general partner as repayment of any outstanding voluntary loans; and
7. To payment of the deferred property management fee, if any, and any outstanding operating expense loans;

Pursuant to the San Germaine, LP Partnership Agreement, operating cash flow is distributable as follows:

1. To the payment of any outstanding asset management fee, then to the payment of any outstanding excess investor LP loan amount, then to the payment of Partnership Agreement San Germaine, LP any outstanding excess special LP loan amount and then to the payment of any remaining investor LP loans and special LP loans pro rata based on their respective outstanding balances;
2. To the payment of the deferred development note in full, in the following percentages: (A) the DDF percentage to the payment of the deferred development fee; and (B) 100% minus the DDF percentage to be distributed to the partners, pro rata, in accordance with their percentage interests;
3. To the repayment of any operating deficit loans;
4. To the payment of the seller loan;
5. The remaining balance to the partners in accordance with their respective partnership interests.

DEVELOPMENT CORPORATION OF TARRANT COUNTY
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11. Related party transactions

Right-of-use asset and lease payable

On August 1, 2016, Sansom Ridge, LP entered into a 75-year ground lease agreement (the "Ground Lease") with LDG. Sansom Ridge, LP is bound by the responsibilities and obligations in the Ground Lease. Annual rent in the amount of \$15,000 is required to be paid from available cash flow. The ground lease requires no minimum annual lease payments. During 2023, ground lease rent expense of \$15,072 was incurred. As of December 31, 2023, right of use asset payable to LDG was \$427,523.

Development fee payable

Pursuant to the development services agreement between Sansom Ridge, LP and LDG Multifamily, LLC (the "Developer"), a related party of its class b limited partner, the Developer earned a development fee in the amount of \$2,351,540 for services rendered overseeing the construction of its project, which is payable from capital contributions and available cash flow. The development fee payable does not bear interest. The development fee payable is required to be paid in full by December 31st of the 15th year, following the year in which substantial completion occurs. As of December 31, 2023, the development fee payable was \$2,090,311.

Pursuant to the development services agreement between Sansom Bluff, LP and the Developer, a related party of the class b limited partner, the Developer earned a development fee in the amount of \$5,974,504 for services rendered to Sansom Bluff, LP for overseeing the construction of its project, and is payable from capital contributions and available cash flow. The development fee payable bears no interest. The development fee payable is required to be paid in full by the 13th anniversary of the completion date. As of December 31, 2023, development fee payable of \$5,258,151 was outstanding.

Pursuant to the development services agreement between San Germaine, LLC, a related party of the class b limited partner and San Germaine, LP, San Germaine, LLC is entitled to earn a development fee in the amount of \$4,244,000 for services rendered to the partnership for overseeing the construction of the project, payable from capital contributions and operating cash flow. As of December 31, 2023, there was no outstanding development fee payable.

Contractor and retainage payable

Sansom Bluff, LP entered into a construction agreement with DCTC for the original contract sum of \$33,521,307, plus change orders of \$399,197. As of December 31, 2023, there was no outstanding balance.

MAEDC entered into a construction agreement with a general contractor to repair the damage done due to the 2021 winter storm. As of December 31, 2023, the contractor and retainage payable was paid in full.

On July 14, 2021, San Germaine, LP entered into a construction contract with North South Building LLC for the construction of its property. As of December 31, 2023, construction costs and retainage payable in the amount of \$623,290 and \$1,179,882, respectively, remained outstanding and are included in "Contractor and retainage payable" on the accompanying consolidated statement of financial position.

Operating deficit loans

Pursuant to the Sansom Ridge, LP's Partnership Agreement, if the partnership requires any funds to cover operating deficits during the operating deficit guaranty period, its general partner is required to provide operating deficit loans up to \$1,900,000. The operating deficit guaranty period begins on the rent-up date and ends on 5th anniversary of the investor limited partner's Fourth Federal Payment contribution. The investor limited partner's Federal Payment contribution occurred on June 28, 2019. As of December 31, 2023, no operating deficit loans were provided.

DEVELOPMENT CORPORATION OF TARRANT COUNTY
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11. Related party transactions (continued)

Pursuant to the Sansom Bluff, LP's Partnership Agreement, its class b limited partner is required to furnish amounts required by the partnership to fund operating deficits, beginning on the admission date and ending on the fifth anniversary of the development obligation date. As of December 31, 2023, the development obligation date had not yet occurred. Operating deficits funded by its class b limited partner prior to the development obligation date are deemed special capital contributions and are not repayable. After the development obligation date, amounts provided by its class b limited partner to fund operating deficits are considered operating expense loans, and are limited to \$2,062,000. The operating expense loans are unsecured, non-interest bearing, and repayable from surplus cash. As of December 31, 2023, no operating deficits had occurred or were required to be funded.

Due to developer

Sansom Ridge, LP received advances from the Developer for various working capital needs. The advances are non-interest bearing, unsecured, and repayable from available cash flow. As of December 31, 2023, advances due to the Developer were \$1,509,500, which are included in due to related parties in the accompanying consolidated statement of financial position.

Sansom Bluff, LP received advances from the Developer for various working capital needs. The advances are non-interest bearing, unsecured, and repayable from available cash flow. As of December 31, 2023, the remaining balance was paid in full.

12. Defined contribution plan

The Organization has a defined contribution plan, which allows its employees to elect to have a portion of their salary deposited directly into a 401(k) account on their behalf. In addition to their own salary deferrals, they may be eligible to receive an additional employer contribution under the plan. The Organization contributed \$18,200, as employer contributions for the year ended December 31, 2023.

13. Functional allocation of expenses

Certain costs attributable to more than one function have been allocated amount the program and supporting services based on the direct identification, square footage and other methods.

14. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2023, is \$8,843,521. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

15. Low-income housing tax credits

Sansom Ridge, LP expects to generate an aggregate of \$7,382,660 of Tax Credits. Generally, such Tax Credits are expected to become available for use by its partners' pro-rata over a ten-year period that began in 2017. The year in which the credit period begins is determined on a building-by-building basis within the Partnership. In order to qualify for these credits, the Project must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operation.

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15. Low-income housing tax credits (continued)

The partnership has also agreed to maintain and operate its project as low-income housing for an additional 15 years beyond the initial 15-year compliance period. Because the Tax Credits are subject to compliance with certain requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized, and failure to meet all such requirements or to correct noncompliance within a specified time period may result in generating a lesser amount of Tax Credits than expected in future years, and/or recapture of Tax Credits previously allocated. A reduction of future credits or recapture would require credit deficit payments to the Investor Limited Partner under the terms of the Partnership Agreement.

Sansom Bluff, LP expects to generate an aggregate of \$18,304,250 of Tax Credits. Generally, such Tax Credits are expected to become available for use by its partners' pro-rata over a ten-year period that began in 2020. In order to qualify for these credits, the Project must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operation. The partnership has also agreed to maintain and operate its project as low-income housing for an additional 15 years beyond the initial 15-year compliance period. Because the Tax Credits are subject to compliance with certain requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized, and failure to meet all such requirements or to correct noncompliance within a specified time period may result in generating a lesser amount of Tax Credits than expected in future years, and/or recapture of Tax Credits previously allocated. A reduction of future credits or recapture would require credit deficit payments to the Investor Limited Partner, or a reduction of remaining capital contributions required, under the terms of the Partnership Agreement.

San Germaine, LP expects to generate an aggregate of \$5,002,537 of Tax Credits. Generally, such Tax Credits are expected to become available for use by its partners' pro-rata over a ten-year period that began in 2021. In order to qualify for these credits, its project must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operation. The partnership has also agreed to maintain and operate its project as low-income housing for an additional 15 years beyond the initial 15-year compliance period. Because the Tax Credits are subject to compliance with certain requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized, and failure to meet all such requirements or to correct noncompliance within a specified time period may result in generating a lesser amount of Tax Credits than expected in future years, and/or recapture of Tax Credits previously allocated. A reduction of future credits or recapture would require credit deficit payments to the Investor Limited Partner under the terms of the Partnership Agreement.

16. Revenue from contracts with customers

Sale of property

Performance obligations related to the sale of property are determined based on the date of closing in accordance with the contract. Revenue for performance obligations satisfied at a point in time is generally recognized on the date of closing at a single point in time, and the Organization does not believe it is required to provide any additional obligations related to that sale.

Transaction price and recognition

The Organization determines the transaction price based on each property for sale. There are no explicit or implicit price concessions, and the contracts do not contain a significant financing component or variable consideration.

The Organization has not incurred material refunds in the past, and accordingly, has not provided for a refund liability as of December 31, 2023.

DEVELOPMENT CORPORATION OF TARRANT COUNTY
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16. Revenue from contracts with customers (continued)

Transaction price and recognition (continued)

For the year ended December 31, 2023, the Organization recognized no revenue from goods or services that transfer to the customer over time.

17. Significant estimates and concentrations

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

18. Subsequent events

Subsequent events have been evaluated through July 3, 2025, which is the date the consolidated financial statements were available to be issued. The following is a summary of significant transactions through July 3, 2025.

On July 18, 2024, the Agreement of Limited Partnership of 4450 Marine Creek Parkway (TX) Owner LP (“4450 Marine Creek”) was amended and restated to admit general and limited partners, provide for withdrawal of the original limited partner, recharacterize the interest of its class b limited partner and set out more fully the rights, obligations, and duties of its partners. 4450 Marine Creek was formed to acquire, develop, construct, own and operate a 280-unit affordable housing apartment complex in Fort Worth, Tarrant County, Texas to be known as The Meridian Apartments. 4450 Marine Creek expects that the project will qualify for Tax Credits under Section 42 of the IRC of 1986, as amended. The general partner is Housing Meridian GP, LLC and is solely owned by DCTC. The investor limited partner is PNC Bank, National Association, a national banking association, and the special limited partner is Columbia Housing SLP Corporation, an Oregon corporation.

On January 23, 2025, the Agreement of Limited Partnership of 6225 Shady Oaks Manor Drive (TX) Owner LP (“6225 Shady Oaks”) was amended and restated to admit general and limited partners, provide for withdrawal of the original limited partner, recharacterize the interest of its class b limited partner and set out more fully the rights, obligations, and duties of its partners. 6225 Shady Oaks was formed to acquire, develop, construct, own and operate an affordable housing apartment complex to be known as Wildwood Branch Apartments consisting of 280 units located in Fort Worth, Tarrant County, Texas. 6225 Shady Oaks expects that the project will qualify for Tax Credits under Section 42 of the IRC of 1986, as amended. The general partner is Housing Wildwood GP, LLC and is solely owned by DCTC. The investor limited partner is PNC Bank, National Association, a national banking association, and the special limited partner is Columbia Housing SLP Corporation, an Oregon corporation.

On June 21, 2025, MAEDC entered into a modification agreement with Veritex Community Bank related to the note payable originally issued on June 21, 2022, in the amount of \$4,500,000. The modification extends the maturity date to June 21, 2030, and includes a 5-year interest rate swap agreement to fix the interest rate on the note.

Through May 24, 2024 to July 1, 2024, DCTC repaid the three residential construction contracts with Veritex Community Bank and City of Fort Worth in full.