Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidated Financial Statements (with Supplementary Information) and Independent Auditor's Report

December 31, 2017 and 2016

CohnReznick
Accounting • Tax • Advisory

Preservation of Affordable Housing, Inc. and Subsidiaries

Index

Independent Auditor's Report

To the Board of Directors
Preservation of Affordable Housing, Inc. and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Preservation of Affordable Housing, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain Subsidiaries, which statements reflect total assets of $169,603,088 and $172,893,590 as of December 31, 2017 and 2016, respectively, and total revenues of $29,587,057 and $26,005,972, respectively, for the years then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Subsidiaries, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Preservation of Affordable Housing, Inc. and Subsidiaries as of December 31, 2017 and 2016, and the results of their activities, changes in net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 2017 supplementary information on pages 34 to 45 is presented for the 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 underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CohnReznick LLP

Boston, Massachusetts
June 29, 2018

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2017 and 2016

Assets

	2017	2016
Current assets		
Cash and cash equivalents	$ 29,596,060	$ 28,849,287
Restricted cash	1,232,761	448,651
Restricted reserves	803,788	757,016
Accounts receivable		
Rental - tenants and subsidy	1,745,031	1,471,254
Grants receivable	219,231	1,758,063
Properties, net of allowance for doubtful accounts	21,861	4,060
Other	2,203,759	859,268
Escrow deposits	76,169,458	87,018,066
Tenant security deposits	3,148,423	3,057,100
Prepaid expenses	1,640,267	1,557,733
Predevelopment costs reimbursable, current	6,836,255	2,550,840
Total current assets	123,616,894	128,331,338
Other assets		
Notes receivable, net of discount	8,407,000	8,407,000
Investment in partnerships	5,000	405,778
Predevelopment costs reimbursable, net of current	2,808,892	2,710,242
Other assets	4,282,450	3,742,475
Total other assets	15,503,342	15,265,495
Fixed assets		
Land and buildings	929,918,113	899,704,356
Rehabilitation in progress	23,095,661	13,252,781
Furniture, equipment and leasehold improvements	15,029,076	14,375,773
Less: Accumulated depreciation	(163,826,938)	(145,143,631)
Total fixed assets	804,215,912	782,189,279
Total assets	$ 943,336,148	$ 925,786,112

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2017 and 2016

Liabilities and Net Assets

	2017	2016
Liabilities		
Current liabilities		
Accounts payable	$ 4,838,688	$ 5,503,938
Accrued expenses	9,257,174	7,789,157
Accounts payable - development	14,475,723	11,954,612
Accrued interest	1,949,636	1,855,763
Mortgages payable - properties, current	8,001,058	7,706,641
Construction loans - properties, current	18,936,392	17,498,016
Loan payable, current	4,611,049	5,038,137
Line of credit, current	1,493,874	694,181
Deferred liabilities, current	6,865	-
Tenant security deposits	3,006,619	2,884,503
Prepaid revenue	1,216,201	947,697
Due to affiliates	1,102,989	269,029
Total current liabilities	68,896,268	62,141,674
Long-term liabilities		
Loans and notes payable, net of current	14,572,254	15,094,706
Line of credit, net of current	400,000	-
Accrued interest payable - notes payable	486,924	408,280
Notes payable and accrued interest - properties	157,278,828	161,739,059
Mortgages payable - properties, net of current	450,271,267	448,461,636
Contingent deferred purchase obligation	3,528,039	3,727,897
Interest rate swap	1,156,826	1,562,385
Deferred liabilities, net of current	39,222	-
Deferred income	8,420,381	8,586,894
Total long-term liabilities	636,153,741	639,580,857
Total liabilities	705,050,009	701,722,531
Net assets		
Unrestricted controlling	32,280,322	29,333,083
Unrestricted noncontrolling	200,365,365	193,483,599
Total unrestricted net assets	232,645,687	222,816,682
Temporarily restricted net assets	5,640,452	1,246,899
Total net assets	238,286,139	224,063,581
Total liabilities and net assets	$ 943,336,148	$ 925,786,112

See Notes to Consolidated Financial Statements.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidated Statements of Activities
Years Ended December 31, 2017 and 2016

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Support and revenue				
Rental income	$ 115,117,740	$ -	$ 115,117,740	$ 110,069,609
Grant income	3,185,859	1,437,962	4,623,821	4,359,932
Grant income, capital investments	8,656,892	4,300,000	12,956,892	4,250,338
Contribution income	-	25,250	25,250	57,150
Developer fee revenue	2,098,874	-	2,098,874	755,053
State tax credit proceeds	3,576,072	-	3,576,072	4,209,182
Property management and accounting	30,829	-	30,829	39,793
Gain on receipt of mortgage note	494,825	-	494,825	-
Interest income	671,139	-	671,139	510,827
Loss on investment in partnership	(212,192)	-	(212,192)	(50,249)
Investment and other income	6,257,527	-	6,257,527	4,026,127
	139,877,565	5,763,212	145,640,777	128,227,762
Net assets released from restrictions	1,369,659	(1,369,659)	-	-
Total support and revenue	141,247,224	4,393,553	145,640,777	128,227,762
Expenses				
Personnel	12,795,410	-	12,795,410	11,334,525
Development expense	1,246,389	-	1,246,389	1,517,100
Professional services	1,054,254	-	1,054,254	1,320,334
Contributions and grants made	2,059,344	-	2,059,344	1,538,882
Rental	925,178	-	925,178	861,736
Taxes and insurance	364,399	-	364,399	349,225
Travel and lodging	836,469	-	836,469	662,373
Interest	1,090,527	-	1,090,527	1,254,052
Property operations	72,504,501	-	72,504,501	66,306,385
Property mortgage interest	28,522,988	-	28,522,988	30,128,471
Impairment loss	10,521,964	-	10,521,964	-
Office and administration	983,903	-	983,903	927,564
Depreciation and amortization	21,692,534	-	21,692,534	20,510,717
Community impact	2,900,737	-	2,900,737	2,742,231
Bad debt expense	36,904	-	36,904	14,183
Miscellaneous	155,325	-	155,325	174,679
Total expenses	157,690,826	-	157,690,826	139,642,457
Excess of (deficiency) revenue over expenses	(16,443,602)	4,393,553	(12,050,049)	(11,414,695)
Excess of expenses over revenue attributable to noncontrolling interests	(17,805,470)	-	(17,805,470)	(16,308,509)
Excess of revenue over expenses attributable to the Company	$ 1,361,868	$ 4,393,553	$ 5,755,421	$ 4,893,814

See Notes to Consolidated Financial Statements.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses
Years Ended December 31, 2017 and 2016

	2017				2016
	Program services	Management and general	Fundraising	Total	Total
Personnel	$ 10,772,855	$ 1,698,437	$ 324,118	$ 12,795,410	$ 11,334,525
Development expense	1,246,389	-	-	1,246,389	1,517,100
Professional services	1,054,254	-	-	1,054,254	1,320,334
Contributions and grants made	2,059,344	-	-	2,059,344	1,538,882
Rental	778,937	122,806	23,435	925,178	861,736
Taxes and insurance	306,799	48,370	9,230	364,399	349,225
Travel and lodging	836,469	-	-	836,469	662,373
Interest	1,090,527	-	-	1,090,527	1,254,052
Property operations	72,504,501	-	-	72,504,501	66,439,327
Property mortgage interest	28,522,988	-	-	28,522,988	30,128,471
Impairment loss	10,521,964	-	-	10,521,964	-
Office and administration	828,379	130,601	24,923	983,903	794,622
Depreciation and amortization	21,692,534	-	-	21,692,534	20,510,717
Community impact	2,900,737	-	-	2,900,737	2,742,231
Bad debt expense	36,904	-	-	36,904	14,183
Miscellaneous	130,774	20,618	3,934	155,325	174,679
	155,284,355	2,020,832	385,640	157,690,826	$ 139,642,457

See Notes to Consolidated Financial Statements.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2017 and 2016

	Unrestricted net assets			Temporarily restricted net assets	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Beginning balance, January 1, 2016	$ 25,311,168	$ 166,685,573	$ 191,996,741	$ 375,000	$ 192,371,741
Capital contributions from noncontrolling interests	-	43,222,449	43,222,449	-	43,222,449
Distributions to noncontrolling interests	-	(98,414)	(98,414)	-	(98,414)
Noncontrolling interests' syndication costs	-	(17,500)	(17,500)	-	(17,500)
Excess of expenses over revenue attributable to noncontrolling interests	-	(16,308,509)	(16,308,509)	-	(16,308,509)
Excess of revenue over expenses attributable to the Company	4,021,915	-	4,021,915	871,899	4,893,814
Ending balance, December 31, 2016	29,333,083	193,483,599	222,816,682	1,246,899	224,063,581
Increase due to purchase of noncontrolling interests	199,858	-	199,858	-	199,858
Capital contributions from noncontrolling interests	-	26,333,518	26,333,518	-	26,333,518
Distributions to noncontrolling interests	-	(180,769)	(180,769)	-	(180,769)
Noncontrolling interests' syndication costs	-	(80,000)	(80,000)	-	(80,000)
Other changes in equity	1,385,513	(1,385,513)	-	-	-
Excess of expenses over revenue attributable to noncontrolling interests	-	(17,805,470)	(17,805,470)	-	(17,805,470)
Excess of revenue over expenses attributable to the Company	1,361,868	-	1,361,868	4,393,553	5,755,421
Ending balance, December 31, 2017	$ 32,280,322	$ 200,365,365	$ 232,645,687	$ 5,640,452	$ 238,286,139

See Notes to Consolidated Financial Statements.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Excess of expenses over revenue	$ (12,050,049)	$ (11,414,695)
Adjustments to reconcile excess of expenses over revenue to net cash provided by operating activities		
Loss on investment in partnership	(44,222)	50,249
Depreciation and amortization	23,110,060	21,789,795
Effective interest adjustment	1,554,673	2,072,289
Change in fair market value of interest rate swaps	(405,559)	(448,994)
Loss on sale of properties	(4,722)	(106,779)
Impairment loss	10,521,964	-
Forgiveness of debt	(574,311)	(574,311)
Deferred income	(3,576,072)	(2,854,819)
Changes in		
Accounts receivable	1,396,637	(710,636)
Prepaid expenses and other assets	(496,358)	(624,337)
Predevelopment costs reimbursable	(4,635,065)	(551,934)
Accounts payable, accrued expenses and deferred compensation costs	924,123	2,296,905
Prepaid and deferred revenues	(339,270)	163,187
Tenant security deposits, net	30,793	(11,042)
Due to affiliates, net	(588,952)	(57,016)
Net cash provided by operating activities	14,823,670	9,017,862
Cash flows from investing activities		
Escrow deposits and restricted reserves, net	10,801,836	(4,310,943)
Advances on notes receivable and accrued interest	-	(8,407,000)
Investment in partnership	(5,000)	(456,027)
Cash paid for fixed assets	(46,937,128)	(58,214,972)
Net cash used in investing activities	(36,140,292)	(71,388,942)
Cash flows from financing activities		
Proceeds from line of credit	1,493,874	1,700,000
Payments on line of credit	(294,181)	(1,300,000)
Proceeds from notes and mortgages payable	44,674,690	105,349,191
Payment on notes and mortgages payable	(46,135,386)	(82,107,818)
Deferred income	(1,642,866)	(329,307)
Finance fees paid	(791,831)	(2,189,793)
Syndication costs paid	(609,544)	(17,500)
Distributions paid to minority partners	(180,769)	(98,414)
Minority partners' capital contributions received	26,333,518	41,165,351
Net cash provided by financing activities	$ 22,847,505	$ 62,171,710

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Net increase (decrease) in cash and cash equivalents	$ 1,530,883	$ (199,369)
Cash and cash equivalents, beginning of year	29,297,938	29,497,307
Cash and cash equivalents, end of year	$ 30,828,821	$ 29,297,938
Supplemental disclosure of cash flow activities		
Cash paid for interest	$ 27,224,301	$ 28,376,313
Schedule of noncash investing activities		
Fixed asset costs incurred	$ 136,106,187	$ 100,035,829
Fixed assets assets sold in connection with common control transaction	(12,670,474)	(29,579,902)
Accounts payable - development, beginning of year	99,094,999	86,854,045
Accounts payable - development, end of year	(111,758,145)	(99,095,000)
Cash paid for fixed assets	$ 110,772,568	$ 58,214,972
Deferred liability included in residual receipts escrow	$ 204	$ 78
Contribution of notes receivable	$ 4,990,360	$ 2,543,905
Increase from purchase in non-controlling interest	$ 199,585	$ -
Schedule of noncash financing activities		
Increase in liabilities due to interest rate swap	$ 405,559	$ 575,824

See Notes to Consolidated Financial Statements.

Note 1 - Organization

Preservation of Affordable Housing, Inc., ("POAH" or the "Company") was created to do exactly what its name suggests, preserve affordable housing stock. The Company is dedicated to the acquisition of and long-term ownership and operation of existing affordable housing properties.

The Company conducts its development and property management business through Preservation of Affordable Housing, LLC ("POAH LLC") and its wholly owned subsidiary, POAH Communities, LLC ("POAHC LLC"). The Company is located in Boston, Massachusetts, Kansas City, Missouri, Chicago, Illinois and Washington, DC.

At December 31, 2017, POAH or affiliates of POAH hold General Partner, Managing Member or ownership interests in 101 entities that own, in the aggregate 9,307 units of affordable housing. POAH LLC is the managing member of POAH/Trinity Loan Holding Company, LLC (“PTLHC”). At December 31, 2016, POAH or affiliates of POAH hold General Partner, Managing Member or ownership interests in 94 entities that own, in the aggregate 8,959 units of affordable housing.

Note 2 - Summary of significant accounting policies

Consolidation

The accompanying consolidated financial statements include the assets, liabilities, net assets, and financial activities of the Company and its core operating subsidiaries, POAH LLC, POAHC LLC and PTLHC. The statements include those 34 entities in which the Company has a 100% ownership interest. Additionally, in accordance with ASC-810-20, "Control of Partnership and Similar Entities", as described below, the statements include the assets, liabilities, net assets and financial activities of 67 entities in which POAH or affiliates serve as General Partner or Managing Member.

The accompanying 2017 and 2016 consolidated financial statements include the assets, liabilities, equity and financial activities of those limited partnerships and limited liability companies where the Company generally owns a .01 - 1% general partner or managing member interest and represent all properties in which POAH or affiliates act as general partner or managing member and in which third party investors have substantial economic interests. All significant inter-company balances and transactions between the Company and the entities have been eliminated in consolidation. Unrestricted noncontrolling net assets on the accompanying consolidated financial statements reflects the proportional share of equity and operations that is not attributable to the Company's interest in these entities. The limited partnerships and limited liability companies are detailed in note 15.

Financial statement presentation

Under ASC-958-205, "Not-for-Profit Entities, Presentation of Financial Statements", the Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2017, $5,640,452 of the Company's net assets are classified as temporarily restricted. As of December 31, 2016, $1,246,899 of the Company's net assets are classified as temporarily restricted.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less at the date of acquisition to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates market value.

Depreciation
Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated asset lives. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the permanent mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense on the consolidated statement of activities and is computed using an imputed interest rate on the related loan.

Tax credit and in-place leases
Tax credit compliance monitoring fees are costs related to obtaining low-income housing tax credits, which are being amortized over the mandatory 15-year compliance period. In-place leases are amortized over one year. Unamortized tax credit fees and in-place leases are included in other assets on the consolidated statement of financial position. Amortization expense for the years ended December 31, 2017 and 2016 totaled $446,965 and $536,039, respectively, and accumulated amortization totaled $2,997,470 and $2,550,505, respectively.

Estimated amortization expense for each of the ensuing five years through December 31, 2022 is as follows:

Years	Wholly Owned (1)	LP (2)	Total
2018	$ 7,259	$ 237,661	$ 244,920
2019	7,259	207,863	215,122
2020	7,259	206,156	213,415
2021	7,259	204,523	211,782
2022	7,259	203,171	210,430

(1) Entities wholly-owned by POAH
(2) Entities controlled by POAH or subsidiaries

Accounts receivable
Accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

Grants receivable
Grants receivable represents costs incurred on cost reimbursable grants that will be billed after December 31, 2017. Grants receivable are stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2017, management has determined that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Contribution revenue
In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used.

Predevelopment costs

The Company carries all third party costs associated with the potential acquisition of investment properties as predevelopment costs reimbursable. Costs associated with potential acquisitions that are not deemed probable to be recovered are expensed.

Noncontrolling interests

The Company purchased Housing Investments, Inc's ("HII") noncontrolling 50% share of POAH LLC on January 12, 2012 (see Note 18). At both December 31, 2017 and 2016, eliminations related to the noncontrolling interests total ($13,048,858). Noncontrolling interest in POAH LLC represents the proportional share of equity and operations of PTHLC that is not attributable to POAH LLC’s interest in the entity. At December 31, 2017 and 2016, the noncontrolling member’s interest totals $1,921,670 and $2,057,098, respectively. Noncontrolling interest in the project limited partnerships and limited liability companies represents various investor limited partners and members proportionate share of equity in the project limited partnerships and limited liability companies. At December 31, 2017 and 2016, the noncontrolling partners'/members' interest in the project limited partnerships and limited liability companies were approximately 99.99% and total $211,492,553 and $204,475,359, respectively. Income is allocated to noncontrolling interest based on the noncontrolling partners'/members' ownership.

Investments in partnership

POAH LLC’s investments in limited partnerships are accounted for under the equity method of accounting as POAH LLC does not exercise control or meet the requirements for consolidation. Amounts contributed are carried at cost, adjusted for POAH LLC’s share of undistributed earnings or losses.

Tax status

The Company is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3) and did not have any unrelated business income for the years ended December 31, 2017 and 2016. No provision or benefit for income taxes has been included in these consolidated financial statements for POAH LLC, POAHC LLC, PTLHC LLC and the entities controlled by POAH or an affiliate since the limited liability companies are either disregarded entities of POAH and thus POAH is treated for tax purposes as having earned all of the income and incurred all of the losses directly of those limited liability companies, or the limited liabilities companies are treated as partnerships and thus all of their net taxable profit or loss is passed through to the partners, including POAH. The Company is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2014 remain open.

Use of estimates

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

Functional expenses
Expenses are charged directly to program, management and general or fundraising categories based on specific identification. Certain expenses have been allocated based on salary expenditures.

Accounting for the impairment of long-lived assets
The Company reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. During the year ended December 31, 2017, an impairment loss was recorded on one property in the amount of $10,521,964. No impairment loss has been recognized during the year ended December 31, 2016.

Developer fee revenue
Development fees are recognized as revenue when amounts are earned according to the development services agreements and in accordance with ASC-360-20, "Real Estate Sales." Amounts receivable from surplus cash of the properties are not recorded until such time as there is available surplus cash.

Other fee revenue from properties
Other fees from properties are earned in accordance with property partnership agreements. Fees payable from surplus cash of the properties are recorded at such time as there is available surplus cash. These fees earned from consolidated properties are eliminated in consolidation.

Property management fees
Property management fees are recognized as revenue when amounts are earned according to the management agreements. Fees earned from consolidated properties are eliminated in consolidation.

Rental income
Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the limited partnerships and the tenants of the properties are operating leases.

State credit proceeds
State credit proceeds are recognized as revenue over one to five years, the period that the state tax credit is recognized by the investor.

Derivatives
Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Effective January 1, 2010, this guidance was codified into ASC-815-10 "Derivatives and Hedging." The Company uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts designated and qualifying as cash flow hedges are reported at fair value.

Fair value measurement
The Financial Accounting Standards Board's ("FASB") guidance on fair value measurements requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an

asset or liability in an orderly transaction between market participants. FASB's guidance established a three-level valuation hierarchy based upon observable and non-observable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

Fair value is the price the Partnership would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Partnership's market assumptions. Preference is given to observable inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. FASB's guidance requires the use of observable data if such data is available without undue costs and effort.

The fair value hierarchy under the guidance is as follows:

- Level 1 - quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

- Level 2 - quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and

- Level 3 – prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Reclassifications

Certain items from the prior year financial statements have been reclassified to conform to the current year presentation.

Note 3 - Notes receivable

The Company, as the sponsor of the entities that own the affordable housing developments, holds various notes receivable from the entities. Certain notes were contributed to the Company by the Department of Housing and Urban Development ("HUD") in connection with Mark-to-Market restructuring. The notes bear interest at various rates, are generally secured but subordinate to the first mortgages on the properties and are payable from available cash flow. The notes, at the time of receipt by the Company, were recorded at a discount rate reflecting the present value of future projected cash flows. The discount rate was 17% for notes received prior to 2005 and 20% for notes received thereafter. The interest income that is received by the Company is recorded based on the amortization schedules at the discounted note values. Payments received in excess of the amortization schedules are recorded to income in the year of the excess payment.

Other loans have been originated by the Company and were funded by reserves or represent seller financing provided to the affordable housing development. Management has established an allowance for amounts deemed uncollectible in the amount of $3,174,052 as of December 31, 2017 and 2016.

A summary of the notes receivable and accrued interest at year end is as follows:

	Balance at December 31, 2017	Balance at December 31, 2016
Mark-to-market loans, bearing interest from 1% to 5.5%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2034.	$ 4,770,637	$ 4,770,637
Resale loans, bearing interest from 2.64% to 12%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2061.	52,908,670	53,081,582
Reserve loans, bearing interest from 0% to 5%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2058.	23,153,227	21,863,552
State tax credit loans, bearing interest from 0% to 4%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2057.	24,570,566	20,936,816
Grant fund loans, bearing interest from 1% to 8%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2061.	21,271,951	8,003,912
Deferred developer fee loans, bearing interest from 2.62% to 5.09%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2055.	555,000	555,000
Other loans, bearing interest from 1% to 8%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2057.	19,748,568	20,087,590
Seller loans, bearing interest from 1% to 8%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2057.	6,860,754	7,133,964
Accrued interest	3,377,881	3,035,604
	157,217,254	139,468,657
Eliminated in consolidation	(148,810,254)	(131,061,657)
	$ 8,407,000	$ 8,407,000

The Company only records accrued interest receivable to the extent that payment is expected from the properties from available surplus cash. Interest of $18,847,884 and $16,521,427 for 2017 and 2016, respectively, has not been recorded in these financial statements because no assurance can be made that it will be paid.

Gains from the excess payments over the loan principal and accretion of market discounts is $578,908 and $948,428, respectively, for the years ended December 31, 2017 and 2016. The effects of these transactions have been eliminated in consolidation each year.

In 2014 a change was implemented relating to properties purchased and controlled by entities wholly owned by the Company and subsequently sold to limited partnerships ("LP's") where the Company retains a general partner or controlling interest. Under common control accounting guidance, the acquired assets on the acquiring entity's books are recorded at the net book value as reflected on the selling entity's books at the date of the acquisition and not at the fair value as determined by an appraisal. The net book value is typically less than the fair value purchase price of the acquired assets.

In prior years the fair value gain on sale was recognized by the Company or POAH LLC as a seller note receivable and related deferred gain. The change in guidance, effective for the year ending December 31, 2014, precludes recording these notes and deferred gain on the Company's consolidated statement of financial position or POAH LLC's balance sheet.

During 2017 and 2016, notes receivable totaling $17,090,405 and $17,108,337, respectively, are assets of POAH LLC, however they are not reflected as a component of notes receivable on the consolidated statement of financial position because they represent notes receivable related to acquisitions under common control. POAH LLC records cash payments on such notes receivable and interest income as a component of equity. At December 31, 2017 and 2016, interest income in the amount of $92,838 and $0, respectively, is recorded as a component of equity. At December 31, 2017 and 2016, principal payments in the amount of $17,932 and $0, respectively, is recorded as a component of equity and is eliminated in consolidation.

A summary of these common control notes receivable and accrued interest at year end is as follows:

	Balance at December 31, 2017	Balance at December 31, 2016
Resale loans, bearing interest from 1.95% to 7%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2058.	$ 16,315,413	16,333,345
Reserve loans, bearing interest from 3.2% to 5%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2055.	774,992	774,992
Accrued interest	46,103	49,895
	17,136,508	17,158,232
Common control assets not recorded	(17,090,405)	(17,108,337)
Eliminated in consolidation	(46,103)	(49,895)
	$ -	$ -

Note 4 – Loans and notes payable

Calvert Social Investment Foundation
In December 2015, the Company entered into a loan commitment for $8,000,000 with Calvert Social Investment Foundation for the purpose of furthering its activities as a non-profit organization engaged in community economic development. Interest accrues at the rate of 4.5% per annum. Payments of interest are due quarterly in arrears with the first principal payment with any accrued and unpaid interest due July 31, 2018 and the second principal payment with any accrued and unpaid interest due December 31, 2022. In June 2018, the maturity of the first principal payment was extended to January 21, 2019. At December 31, 2017 and 2016 the outstanding principal balance is $8,000,000, respectively. Accrued and unpaid interest at December 31, 2017 and 2016 is $0.

Local Initiatives Support Corporation ("LISC")
In July 2012, the Company entered into a $5,000,000 line of credit (loan) with LISC for the purpose of funding predevelopment costs. The line is collateralized by the mortgage note receivable from Hawthorne. Interest accrues at the rate of 6% per annum and is due monthly. Disbursements are made on a Project basis and principal and any accrued and unpaid interest is due for each Project at the earliest to occur of closing of construction financing, refinancing, the eighteen month anniversary following disbursement of funds or the maturity date of October 2017. In May 2017, the line was increased to $6,500,000 and the maturity date was extended to October 2022. At December 31, 2017 and 2016 the outstanding principal balance is $2,247,506 and $1,376,885, respectively. Accrued and unpaid interest at December 31, 2017 and 2016 is $0.

Life Insurance Community Investment Initiative, LLC
In May 2014, the Company entered into a $1,500,000 revolving line of credit with Life Insurance Community Investment Initiative, LLC for the purpose of funding predevelopment costs for properties in Massachusetts. Interest accrues at 6.5% and is due quarterly. Payments of principal are due at the closing of the acquisition of the properties. All unpaid principal and accrued interest was due on the maturity date May 29, 2019. Disbursements that are repaid can be reborrowed, assuming loan criteria are met. The line is collateralized by the mortgage note receivable from Fairweather. At December 31, 2017 and 2016 the outstanding principal balance is $1,000,000 and $550,000, respectively. Accrued and unpaid interest at December 31, 2017 and 2016 is $0 and $8,937, respectively.

Low Income Investment Fund
In June 2015, the Company entered into a $5,000,000 loan commitment with Low Income Investment Fund ("LIIF") for the purpose of funding predevelopment costs. The loan is collateralized by the mortgage note receivable from Blackstone. Interest accrues at the rate equal to the greater of the 5-year United States Treasury Rate plus 500 basis points or 6.25% per annum. Payments of interest are due monthly and payments of principal and unpaid interest are due at the earlier of the closing and funding of any construction or permanent financing of the project loan or five year anniversary of the first day of the first full month following the closing date. At December 31, 2017 and 2016 the outstanding principal balance is $1,141,592 and $1,773,590, respectively. Accrued and unpaid interest at December 31, 2017 and 2016 is $0.

Boston Community Loan Fund, Inc.
In December 2014, POAH LLC entered into a $2,000,000 line of credit agreement with Boston Community Loan Fund, Inc. for the purpose of funding energy conservation improvements. Interest accrues at 5% and is payable monthly. Disbursements are made on a Project basis and principal and any accrued and unpaid interest is due for each Project five years after the issuance of a term

note. Funds can be drawn until February 28, 2017. At December 31, 2017 and 2016, the outstanding principal balance is $327,401 and $511,902, respectively.

Annual maturities of debt for the ensuing three years as of December 31, 2017 are summarized as follows:

2018	$	226,290
2019		83,517
2020		17,594

Life Initiative
In July 2015, POAH LLC entered into a $2,407,000 loan agreement with Life Insurance Community Investment Initiative, LLC for the purpose of funding development costs for Briston Arms, a property in Cambridge, MA, being developed by POAH LLC. Interest accrues at 7% compounded annually. Payments of principal and accrued interest are due annually in the amount of 80% of deferred development fee payments received from Briston Arms. All unpaid principal and accrued interest is due on the maturity date of July 6, 2023. The loan proceeds have been loaned to Briston Arms. At December 31, 2017 and 2016, the outstanding principal is $2,407,000 and accrued interest is $247,191 and $264,547, respectively.

Cambridge Affordable Housing Trust
In July 2015, POAH LLC entered into a $2,400,000 loan agreement with Cambridge Affordable Housing Trust for the purpose of funding development costs for Briston Arms, a property in Cambridge, MA, being developed by POAH LLC. Interest accrues at 4% per annum. Payments of principal and accrued interest are due annually in an amount equal to the EV Income Payments as defined in the agreement. After full repayment of the Life Initiatives note, all unpaid principal and accrued interest is due on the maturity date of June 30, 2035. The loan proceeds have been loaned to Briston Arms. At December 31, 2017 and 2016, the outstanding principal is $2,400,000 and accrued interest is $239,733 and $143,733, respectively.

Debt issuance costs
As of December 31, 2017, unamortized debt issuance costs related to the loans of $67,949 consist of financing costs of $240,660 less accumulated amortization of $172,711. As of December 31, 2016, unamortized debt issuance costs related to the loans of $52,199 consist of financing costs of $203,160 less accumulated amortization of $150,961. For the years ended December 31, 2017 and 2016, $21,750 and $47,100 of amortization was incurred and is included in interest expense on the consolidated statements of activities.

Loan balances

The balances as included in the accompanying consolidated statement of financial position as of December 31, 2017 and 2016 are summarized as follows:

Lender	Current Portion	Long-term Portion	Total Balance at December 31, 2017	Current Portion	Long-term Portion	Total Balance at December 31, 2016
LISC	$ 1,957,006	$ 290,500	$ 2,247,506	$ 1,376,885	$ -	$ 1,376,885
Life Initiative	700,000	300,000	1,000,000	-	550,000	550,000
Calvert	-	8,000,000	8,000,000	-	8,000,000	8,000,000
LIIF	-	1,141,592	1,141,592	1,773,590	-	1,773,590
BCLF - LLC	226,290	101,111	327,401	344,849	167,053	511,902
Life Initiative - LLC	-	2,407,000	2,407,000	-	2,407,000	2,407,000
CAHT - LLC	-	2,400,000	2,400,000	-	2,400,000	2,400,000
HII (1)	1,727,753	-	1,727,753	1,552,477	1,613,188	3,165,665
	$ 4,611,049	$ 14,640,203	$ 19,251,252	$ 5,047,801	$ 15,137,241	$ 20,185,042

(1) See Note 16

The Company entered into several note agreements in 2012 with HII as part of the purchase of POAH LLC (see Note 18).

Note 5 - Loan facility

In December 2005, the Company entered into a $10 million loan agreement with the Prudential Insurance Company of America. Under the Prudential loan facility, the Company had the right to draw advances for the direct ownership and long term warehousing of multifamily properties through December 2012.

At December 31, 2011, $3,000,000 was advanced from the loan facility to purchase POAH Brandy Hill LLC ("PBH LLC"), a 132-unit property in E. Wareham, MA. This loan beared interest at 3.43% per annum and was secured by an economic interest in the property. The Company had guaranteed 15% of the PBH LLC loan advance. Principal payments may be deferred until December 1, 2016. The loan was repaid in full on October 27, 2016.

Note 6 - Line of credit - Boston Private Bank

In January 2013, POAH LLC entered an agreement for a revolving demand line of credit note with Boston Private Bank & Trust Company. The line of credit is not to exceed $1,500,000 and matured on January 16, 2017. The line was increased to $3,500,000 in February 2016 and the maturity date was extended to January 16, 2019. In 2017 the maturity date was further extended to May 8, 2019. The note accrues interest equal to the Prime Rate with a floor of 3.25% (4.50% and 3.75% at December 31, 2017 and 2016, respectively) and is payable monthly. The line is collateralized by the mortgage notes receivable from Bridle Path, Chestnut Gardens, Dom Narodowy and Eastgate. During 2017 and 2016, interest expense of $29,269 and $55,507, respectively, was recorded on the consolidated statements of activities. At December 31, 2017 and 2016, $1,893,874 and $694,181, respectively, are outstanding on the line. Accrued and unpaid interest at December 31, 2017 and 2016 is $7,357 and $6,260, respectively.

Note 7 - Mortgages payable - properties

The Company receives financing for the affordable housing properties from various federal, state and local agencies and financial institutions. These loans are nonrecourse to the Company and are secured by mortgages on the properties. Some of the mortgages also require monthly remittances for escrows and reserves.

The entities in which the Company owns a general partner or managing member interest have outstanding mortgage loans and notes payable. Generally, the loans are secured by security interests and liens common to mortgage loans on the entities' real property and other assets and are nonrecourse to the Company. Such loans bear interest at rates ranging from approximately 0% to 13.125% per annum. The majority of the first mortgage loans require monthly payments of principal and interest, while some of the subordinate loans are only payable from available cash flow and/or deferred to maturity. The mortgages mature in years from 2031 to 2065. For those mortgages payable to POAH or an affiliate, the effect of the loan has been eliminated in the consolidation for each year.

A summary of the mortgages and notes payable at year-end is as follows:

	Balance at December 31, 2017	Balance at December 31, 2016
Permanent conventional loans, bearing compounded interest from 2.813% to 7.25%, generally with principal and interest due monthly, to be repaid in full on various maturity dates through 2049	$ 52,012,395	$ 65,630,927
Federal, state and local agency loans, bearing interest from 0% to 12.625%, generally with principal and interest due monthly or payable from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2049.	28,105,747	19,884,313
Other loans, bearing interest from 4.5% to 8%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2031.	6,726,107	3,275,640
Accrued interest	719,472	616,115
	87,563,721	89,406,995
Unamortized debt issuance costs	(596,380)	(802,585)
Wholly owned entities	86,967,341	88,604,410
Entities controlled by POAH or affiliates	734,281,036	696,968,442
	821,248,377	785,572,852
Mortgages and notes eliminated in consolidation	(186,702,505)	(150,167,500)
	$ 634,545,872	$ 635,405,352

During the years ended December 31, 2017 and 2016, amortization expense incurred on debt issuance costs was $1,532,922 and $2,025,189, respectively, and was included in property mortgage interest in the consolidated statements of activities. A summary of the mortgages payable and related deferring financing costs is as follows:

	Wholly Owned	LP	Total Balance at December 31, 2017	Wholly Owned	LP	Total Balance at December 31, 2016
Mortgages payable less unamortized debt issuance costs	$ 52,745,666	$ 405,526,659	$458,272,325	$ 60,483,545	$ 395,684,732	$456,168,277
Debt issuance costs	$ 1,333,335	$ 17,663,737	$ 18,997,072	$ 1,455,920	$ 16,919,406	$ 18,375,326
Less: accumulated amortization	(736,955)	(5,789,586)	(6,526,541)	(653,335)	(4,807,050)	(5,460,385)
Unamortized debt issuance costs	$ 596,380	$ 11,874,151	$ 12,470,531	$ 802,585	$ 12,112,356	$ 12,914,941

Annual maturities of debt for the ensuing five years are summarized as follows:

Years	Wholly Owned (1)	LP (2)	Total
2018	$ 1,359,718	$ 25,577,732	$26,937,450
2019	22,385,763	6,868,181	29,253,944
2020	229,323	7,181,460	7,410,783
2021	431,666	21,147,222	21,578,888
2022	2,858,019	6,897,927	9,755,946

(1) Entities wholly-owned by POAH
(2) Entities controlled by POAH or subsidiaries

To minimize the effect of changes in interest on a mortgage note, a limited partnership, Salem Heights Preservation Associates Limited Partnership ("SHPALP"), entered into interest rate swap agreements with two banks under which the partnership pays interest at a fixed rate of 4.24% and the banks pay the interest on the mortgage at a variable rate. The result is that the partnership pays interest at a fixed effective rate. Valued separately, the interest rate swap agreements represent a liability in the amount of $1,029,996 and $1,435,555 as of December 31, 2017 and 2016, respectively, and are categorized as Level 2. This value represents the fair value of the current difference in the interest paid and received under the swap agreement over the remaining term of the agreement. Changes in the swap agreement fair value are currently included in other changes in equity.

To minimize the effect of changes in interest on a mortgage note, POAH Support Corporation ("PSC"), entered into interest rate swap agreements with BMO Harris Bank under which PSC pays interest at a fixed rate of 1.31% and the banks pay the interest on the mortgage at a variable rate. The result is that the partnership pays interest at a fixed effective rate. Valued separately, the interest rate swap agreements represent a liability in the amount of $126,830 as of December 31, 2017 and 2016, respectively, and are categorized as Level 2. This value represents the fair value of the current difference in the interest paid and received under the swap agreement over the remaining term of the agreement. Changes in the swap agreement fair value are currently included in other changes in equity.

Note 8 - Fair value of rental property

Acquisition of real property is recorded at fair value at the time of purchase as determined by an appraisal and are categorized as Level 3. During the years ended December 31, 2017 and 2016, the Company recorded the acquisition of real property totaling $15,280,000 and $8,086,602, respectively.

At December 31, 2017, the Company's management determined that the value of one of its properties ("Property") was impaired. The Property was acquired and improvements were anticipated as part of a broader neighborhood redevelopment strategy. Based on an independent appraisal of the Property, management wrote down the net carrying amount of the buildings and improvements by $10,521,964 to their fair value of $11,750,000. The Property recorded an impairment loss of $10,521,964 in the accompanying consolidated statements of activities.

The impairment loss represents a noncash charge to operations and had no impact on the Company's 2017 cash flow or its ability to generate cash flow in the future. In addition, the impairment loss had no impact on the amounts reported on the Company's income tax returns.

In accordance with accounting standards for fair value measurement and disclosures, the fair value of the Property was measured using Level 3 inputs. Specifically, an independent property appraisal was obtained that applied the income approach in estimating the fair value. For purposes of the income approach, fair value was determined by the appraiser based on a direct capitalization analysis reflecting estimates of current and projected revenue and expense profiles, expected trends in rents and occupancy and operating expense, an annual set aside amount to fund a replacement reserve account, and available industry information about capitalization rates. Using available industry information, the appraiser applied a capitalization rate of 7.25%-9% in determining the fair value of the Property.

Note 9 - Related party transactions

Notes and other receivables from affiliates

For the years ended December 31, 2017 and 2016, POAH Inc.'s and POAH LLC's notes receivable and accounts receivable are amounts receivable from limited partnerships in which the Company is a general partner. The effect of these transactions has been eliminated in consolidation each year.

Administrative salaries

The Company provides various services related to the administration of POAH LLC. For the years ended December 31, 2017 and 2016, POAH LLC reimbursed the Company for compensation, overhead and rent of $7,474,752 and $5,962,572, respectively.

Property management and accounting service fees

Property management and accounting service fees were earned by POAHC LLC in 2017 and 2016 in the amounts of $6,290,951 and $6,008,538, respectively, from related properties. At December 31, 2017 and 2016, $745,054 and $1,132,918, respectively, is due from related properties for services and advances net of an allowance for doubtful accounts which is estimated to be $472,375 and $933,062, respectively, as of December 31, 2017 and 2016. The effect of these transactions has been eliminated in consolidation each year.

Reimbursable salaries and expenses

POAHC LLC incurs costs related to payroll, technical support and other reimbursable expenses on behalf of the properties that it manages. For the years ended December 31, 2017 and 2016, the costs incurred and the related reimbursement from related properties totaled $18,579,521 and $17,562,755, respectively. The effect of these transactions has been eliminated in consolidation each year.

Development fee and other revenue from properties

During the years ended December 31, 2017 and 2016, the Company and POAH LLC earned development fee revenue and fees from affiliated entities as follows:

	2017	2016
Development fee paid from development sources	$ 5,087,976	$ 5,966,810
Development fee paid from cash flow	1,656,641	1,169,616
Other fee revenue	584,600	-
	7,329,217	7,136,426
Cash flow fees from certain related properties	3,273,813	1,422,541
	10,603,030	8,558,967
Development and cash flow fees eliminated in consolidation	(8,504,156)	(7,803,914)
	$ 2,098,874	$ 755,053

At December 31, 2017 and 2016, $6,704,524 and $6,243,302, respectively, is due from related properties for development and cash flow fees. At December 31, 2017 and 2016, development fees received but not yet earned are $835,659 and $603,553, respectively.

Note 10 - Investments in partnerships

The Company, either as a sole member of the entity or the 100% owner of the general partner, has made capital contributions to some of the entities that own the affordable housing developments. At December 31, 2017 and 2016, investment in properties is $10,671,166 and $11,091,009, respectively, all of which has been eliminated in consolidation.

In 2016, POAH LLC purchased the 99% limited partner and .5% supervising general partner interest in PRC Associates Limited Partnership ("PRC") for $456,027. PRC owned a property known as Oxford Gardens in Providence, RI. The investment was recorded using the equity method. On December 27, 2017, PRC sold the property to Oxford Preservation Associates Limited Partnership, an affiliate of the Company. The balance of this investment at December 31, 2017 and 2016 is $0 and $405,778, respectively.

On December 31, 2017, POAH LLC purchased the 99.9% limited partner interest in Terri Manor Associates, Ltd. ("TM") for $5,000. TM owns a property known as Terri Manor in Cincinnati, OH. The investment is recorded using the equity method. The balance of this investment at December 31, 2017 is $5,000.

Certain financial information with respect to these investments at December 31, 2017 and 2016, and the years then ended, are as follows:

	2017	2016
Net investment in real estate	$ 1,403,919	$ 335,551
Total assets	2,139,654	546,670
Permanent financing (including accrued interest)	12,084,231	7,127,803
Total liabilities	12,652,639	8,277,702
Limited partner's equity (deficit)	(8,880,697)	(6,942,783)
General partners' equity (deficit)	(1,632,288)	(788,249)
Revenue	1,159,652	538,317
Expenses	1,348,259	826,160
Net income (loss)	(188,607)	(287,843)

Note 11 - Commitments and contingencies

Lease commitments

The Company leased office space under a non-cancelable operating lease in Boston, MA which expires June 30, 2020. The Company executed a lease for additional space on February 15, 2014. Rental expense, inclusive of operating costs, for the year ended December 31, 2017 and 2016 totaled $642,443 and $635,619, respectively.

POAH LLC leases office space under a non-cancelable operating lease in Chicago, Illinois which expires in April 2018. In September 2017, a lease extension was executed that commences in May 2018 and expires in April 2025. Rental expense, inclusive of operating costs and net of amounts eligible for grant reimbursement, for the years ended December 31, 2017 and 2016 totaled $47,590 and $26,519, respectively.

POAH LLC leases office space under a non-cancelable operating lease in Washington, DC which expires in July 2022. Rental expense, inclusive of operating costs, for the year ended December 31, 2017 totaled $50,938.

POAHC leases office space under a non-cancellable operating lease in Kansas City, Missouri, which expires in February 2018. POAHC entered into a new non-cancelable operating lease in November 2017 that commences in March 2018 and expires in March 2025. Rental expense, inclusive of real estate taxes and operating costs, for the years ended December 31, 2017 and 2016 totaled $127,065 and $125,525, respectively.

Future minimum lease payments under operating leases as of December 31, 2017 are as follows:

	INC	LLC	POAHC	Total
2018	$ 606,747	$ 211,885	$ 36,514	$ 855,146
2019	610,681	249,330	108,500	968,511
2020	307,062	254,432	139,226	700,720
2021	-	259,610	149,095	408,705
2022	-	264,869	153,266	418,135
	$ 1,524,490	$ 1,240,126	$ 586,601	$ 3,351,217

Other commitments and contingencies

The Company or its affiliates serve as the general partner or managing member for various entities that are the owners of the affordable housing properties. The investors and in some cases lenders in these entities usually require guarantees from POAH entities on behalf of the general partner or managing member as a condition to their investment. Generally, these guarantees are for obligations such as construction and rehabilitation completion, funding of operating deficits and tax credit recapture price adjusters.

A summary of the guarantees outstanding at December 31, 2017 is as follows. See Note 15 for a detail of these entities and properties.

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Entity	Acquisition year	Guaranty	Construction guaranty maximum amount	Loan guarantee	Operating deficit expiration	Operating deficit maximum amount	Advances at December 31, 2017	
Hawthorne	2002	(1), (2)	N/A	N/A	None	$ 500,000	-	
Jefferson	2003	(1), (2)	N/A	N/A	December 2026	970,894	-	
Oakland	2003	(2)	N/A	N/A	N/A	N/A	-	
Salem	2003	(1), (2)	N/A	N/A	N/A	N/A	625,596	(8)
Woodlen	2004	(2)	N/A	N/A	N/A	N/A	-	
Beachwood	2004	(2)	N/A	N/A	N/A	N/A	-	
Southwinds	2004	(2)	N/A	N/A	N/A	N/A	-	
Meadowbrook	2004	(2)	N/A	N/A	N/A	N/A	55,000	(8)
Driftwood	2005	(1), (2)	N/A	N/A	None	420,705	-	
Crestview	2005	(1), (2)	N/A	N/A	(8)	395,547	-	
Washington Gardens	2005	(1), (2)	N/A	N/A	N/A	N/A	-	
Garfield Hills	2006	(1), (2)	N/A	N/A	N/A	N/A	319,000	(8)
Hillside	2006	(2)	N/A	N/A	N/A	N/A	-	
Pocasset	2006	(2)	N/A	N/A	N/A	N/A	-	
Hillcrest	2007	(2)	N/A	N/A	N/A	N/A	-	
Bridle Path	2007	(2)	N/A	N/A	N/A	N/A	-	
Chestnut Gardens	2007	(2)	N/A	N/A	N/A	N/A	-	
Dom Narodowy	2007	(2)	N/A	N/A	N/A	N/A	-	
Eastgate	2007	(2)	N/A	N/A	N/A	N/A	-	
Fairweather	2007	(2)	N/A	N/A	N/A	N/A	-	
Fieldstone	2007	(2)	N/A	N/A	N/A	N/A	-	
Heritage	2008	(2)	N/A	N/A	N/A	N/A	-	
Cocheco	2008	(2), (3)	N/A	N/A	N/A	N/A	-	
Riverview	2008	(3)	N/A	1,600,000	N/A	N/A	-	
United Front	2008	(1), (2)	N/A	N/A	(7)	1,050,000	-	
WCS	2010	(1), (2), (6)	N/A	N/A	(7)	310,000	-	
Sugar River	2010	(1), (2)	N/A	N/A	(7)	815,000	-	
New Horizons	2010	(1), (2)	N/A	N/A	N/A	N/A	-	
Cromwell	2011	(1), (2)	N/A	N/A	(7)	715,815	-	
Renaissance	2011	(1), (2)	N/A	N/A	N/A	N/A	-	
Blackstone	2012	(1), (2)	N/A	N/A	June 2018	1,998,765	-	
Franklin	2012	(1), (2)	N/A	N/A	(7)	1,994,828	-	
Kenmore	2012	(1), (2)	N/A	N/A	(7)	2,396,000	-	
Peter's Grove	2012	(1), (2)	N/A	N/A	(7)	653,755	-	
Rock Harbor	2012	(1), (2)	N/A	N/A	June 2018	641,983	-	
WCN	2012	(1), (2), (6)	N/A	N/A	(7)	162,500	-	
Clay Pond Cove	2012	(1), (2)	N/A	N/A	(7)	393,543	-	
Kings Landing	2013	(1), (2)	N/A	N/A	(7)	593,473	-	
Central Annex	2013	(1), (2), (9)	N/A	N/A	(7)	554,259	-	
Torringford	2013	(1), (2)	N/A	N/A	(7)	413,050	-	
Grace	2013	(1), (2)	N/A	N/A	(7)	702,695	-	
Old Middletown	2014	(1), (2)	N/A	N/A	(7)	700,068	-	
WP Senior	2014	(1), (2), (6)	N/A	N/A	(7)	288,634	-	
Harbor City	2014	(1), (2)	N/A	N/A	(7)	840,000	-	
Dennis	2014	(1), (2)	N/A	N/A	(7)	161,956	-	
Lafayette	2014	(1), (2)	N/A	N/A	(7)	548,000	-	
Briston Arms	2015	(1), (2), (3), (4)	(4)	3,700,000	(7)	4,475,000	-	
Newberry	2015	(1), (2), (3)	N/A	144,241	(7)	524,914	-	
Billings Forge	2015	(1), (2), (9)	N/A	N/A	(7)	620,000	-	
Cherry Briggs	2016	(1), (2)	N/A	N/A	(7)	569,290	-	
Trianon	2016	(2), (3), (4), (10)	3,000,000	N/A	N/A	N/A	-	
Greenwood	2016	(3)	N/A	3,000,000	N/A	N/A	-	
NSP Chicago	2016	(3)	N/A	2,160,000	N/A	N/A	-	
Brandy Hill	2016	(1), (2), (4)	(4)	N/A	N/A	630,000	-	
Founders	2016	(1), (2), (4)	(4)	N/A	N/A	300,055	-	
Trinity Towers East	2016	(1), (2), (5)	(4)	8,006,000	N/A	660,404	112,000	(8)
Trinity Towers South	2016	(1), (2), (5)	(4)	9,450,000	N/A	881,300	-	
Tribune	2016	(1), (2), (4)	(4)	N/A	N/A	441,155	-	
Woodlawn Rollup	2017	(1), (2), (5)	7,115,430	N/A	N/A	1,232,956	-	
Woodlawn Station	2017	(1), (2), (3), (4)	(4)	5,000,000	(7)	369,000	-	
Oxford	2017	(1), (2), (4)	(4)	N/A	N/A	685,000	-	

Types of guarantees
(1) Operating deficits
(2) Tax credit recapture price adjusters
(3) Loan guarantee
(4) Construction rehabilitation completion, per agreement there is no limit on the amount of this guarantee
(5) Construction completion and construction loan guarantee
(6) Financing coverage guarantee
Other
(7) Two to five years from construction completion and/or breakeven
(8) Eliminated in consolidation
(9) Annual commercial income guarantee
(10) Basic rent guarantee per Net Lease

Note 12 - Financial instruments

The Company and its subsidiaries maintain its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. Management believes it is not exposed to any significant credit risk on its cash, cash equivalents and other deposits at December 31, 2017 and 2016.

Note 13 - Rent subsidies

For most of the properties, tenants' rents are being subsidized by various federal and state programs. Generally, these programs restrict assistance to those residents who qualify by meeting certain established criteria, including maximum income limitations. A majority of the properties have entered into contracts with HUD to provide the federal subsidies. These contracts expire in years 2019 to 2041. Rent subsidies totaled $81,506,594 and $77,034,852 for 2017 and 2016, respectively.

Note 14 - Temporarily restricted net assets

The Company received the following grants which are included in temporarily restricted net assets at December 31, 2017 and 2016 for either time restrictions or restrictions related to specific program services:

	Balance at December 31, 2017	Balance at December 31, 2016
Home ownership assistance	$ 346,198	$ 500,000
Community resource center	15,000	140,632
Installation of artwork	15,000	15,000
Real estate predevelopment	-	6,855
Resident and community engagement	-	7,000
Children savings accounts	26,250	1,000
Family Self Sufficiency	18,333	100,000
Community arts festival	9,945	20,000
Energy improvements	-	456,412
Choice endowment	909,726	-
Capital Magnet Fund	4,300,000	-
	$ 5,640,452	$ 1,246,899

Note 15 - Limited partnerships and limited liability companies

As of December 31, 2017, the Company owns a general partner or managing member interest in the following entities:

	Entity	Project Location	No. of Units
1)	Country Club Village II Associates - I, L.P.	Springfield, MO	28
2)	Highland Acres Associates - I, L.P.	Carthage, MO	35
3)	Houston Plaza Associates - I, L.P.	Adrian, MO	34
4)	Maplewood Manor Associates - I, L.P.	Web City, MO	60
5)	Monroe Estates Associates - I, L.P.	Lebanon, MO	74
6)	Prairie Plains Associates - I, L.P.	Lamar, MO	50
7)	Woodlen Place Associates, L.P.	Kansas City, MO	60
8)	Crestview Village Associates - I, L.P.	Liberty, MO	48
9)	Hawthorne Associates Limited Partnership	Independence, MO	745
10)	Beachwood Preservation Associates Limited Partnership	Narragansett, RI	56
11)	Southwinds Preservation Associates Limited Partnership	Narragansett, RI	48
12)	Driftwood Preservation Associates Limited Partnership	Narragansett, RI	32
13)	Hillside Preservation Associates Limited Partnership	Providence, RI	42
14)	Pocasset Preservation Associates Limited Partnership	Providence, RI	82
15)	Hillcrest Preservation Associates Limited Partnership	Providence, RI	130
16)	Fieldstone Preservation Associates Limited Partnership	Narragansett, RI	24
17)	Heritage Preservation Associates Limited Partnership	North Kingstown, RI	204
18)	Grace Preservation Associates Limited Partnership	Providence, RI	101
19)	Cherry Briggs Preservation Associates Limited Partnership	Johnston & Providence, RI	160
20)	Oxford Preservation Associates Limited Partnership	Providence, RI	128
21)	Jefferson Maison East Limited Dividend Housing Association LLC	Detroit, MI	280
22)	Oakland Grand Haven Limited Dividend Housing Association LLC	Troy, MI	297
23)	Meadowbrook Preservation Associates Limited Partnership	Northampton, MA	252
24)	Salem Heights Preservation Associates, Limited Partnership	Salem, MA	283
25)	Bridle Path Preservation Associates Limited Partnership	Randolph, MA	104
26)	Chestnut Gardens Preservation Associates Limited Partnership	Lynn, MA	65
27)	Dom Narodowy Polski Preservation Associates Limited Partnership	Chicopee, MA	50
28)	Eastgate Preservation Associates Limited Partnership	Springfield, MA	148
29)	Fairweather Preservation Associates Limited Partnership	Beverly, Danvers, Peabody and Salem, MA	321
30)	United Front Nine Preservation Associates Limited Partnership	New Bedford, MA	173
31)	Cromwell Preservation Associates Limited Partnership	Hyanis, MA	124
32)	CB Rental Limited Partnership	Bourne, MA	28
33)	Blackstone Preservation Associates Limited Partnership	Boston, MA	145
34)	Franklin Preservation Associates Limited Partnership	Boston, MA	193
35)	Kenmore Abbey Preservation Associates Limited Partnership	Boston, MA	199
36)	Peter's Grove Preservation Associates Limited Partnership	Hudson, MA	96
37)	Rock Harbor Preservation Associates Limited Partnership	Orleans, MA	100
38)	Clay Pond Preservation Associates Limited Partnership	Bourne, MA	45
39)	Kings Landing Preservation Associates Limited Partnership	Brewster, MA	108
40)	Central Annex Preservation Associates Limited Partnership	Pittsfield, MA	101
41)	Dennis Community Housing Preservation Associates Limited Partnership	Dennis, MA	27
42)	Briston Arms Preservation Associates Limited Partnership	Cambridge, MA	154
43)	Founders Court Preservation Associates Limited Partnership	Hyannis, MA	32
44)	Brandy Hill Preservation Associates Limited Partnership	E. Wareham, MA	132
45)	Tribune Preservation Associates Limited Partnership	Framingham, MA	53
46)	Canal Bluffs P3 Preservation Associates Limited Partnership	Bourne, MA	44
47)	Crestview Preservation Associates Limited Partnership	Kankakee, IL	132
48)	WCS Preservation Associates Limited Partnership	Chicago, IL	67
49)	Renaissance Preservation Associates Limited Partnership	Chicago, IL	117
50)	WCN Preservation Associates Limited Partnership	Chicago, IL	33
51)	WP Senior Preservation Associates Limited Partnership	Chicago, IL	65
52)	Lafayette Preservation Associates Limited Partnership	Chicago, IL	94
53)	Newberry Preservation Associates Limited Partnership	Chicago, IL	84
54)	Woodlawn Station Preservation Associates Limited Partnership	Chicago, IL	70

	Entity	Project Location	No. of Units
55)	Woodlawn Roll-up Preservation Associates Limited Partnership	Chicago, IL	196
56)	Washington Gardens Preservation Associates L.P.	Hagerstown, MD	100
57)	Garfield Hills Preservation Associates Limited Partnership	Washington, DC	94
58)	Cocheco Preservation Associates Limited Partnership	Dover, NH	78
59)	Sugar River Preservation Associates Limited Partnership	Claremont, NH	162
60)	New Horizons Preservation Associates LP	Miami, FL	100
61)	Harbor City Towers LLLP	Melbourne, FL	192
62)	Trinity Towers East Preservation Associates LLLP	Melbourne, FL	156
63)	New Trinity Towers South Preservation Associates LLLP	Melbourne, FL	162
64)	Torringford West Preservation Associates Limited Partnership	Torrington, CT	79
65)	Billings Forge LLC		
66)	Billings Forge Preservation Associates Limited Partnership	Hartford, CT	112
67)	Old Middletown Preservation Associates Limited Partnership	Middletown, CT	65
68)	POAH Cherry Hill LLC (100% owned by POAH, Inc)		
69)	POAH Aaron Briggs LLC (100% owned by POAH, Inc)		
70)	POAH Fieldstone Apartments LLC (100% owned by POAH, Inc)		
71)	POAH Torringford West LLC (100% owned by POAH, Inc)		
72)	POAH Old Middletown LLC (100% Owned by POAH, Inc)		
73)	POAH Central Annex LLC (100% owned by POAH, Inc)		
74)	SSAH LLC (100% owned by POAH, Inc)	Weymouth, MA	20
75)	POAH Brandy Hill LLC (100% owned by POAH, Inc)		
76)	POAH Ventures LLC (100% owned by POAH, Inc)		
77)	BR Sugar River Limited Partnership (100% owned by POAH, Inc)		
78)	POAH Kings Landing LLC (100% owned by POAH, Inc)		
79)	Riverview Residences Dover LLC (100% owned by POAH, Inc)	Dover, NH	24
80)	POAH Cutler Meadows LLC (100% owned by POAH, Inc)	Miami, FL	225
81)	POAH Cutler Manor LLC (100% owned by POAH, Inc)	Miami, FL	219
82)	POAH Middletowne Apartments LLC (100% owned by POAH, Inc)	Orange Park, FL	100
83)	POAH Campbell Arms, LLC (100% owned by POAH, Inc)	Homestead, FL	201
84)	POAH New Horizons, LLC (100% owned by POAH, Inc)		
85)	POAH Trinity Towers East, LLC (100% owned by POAH, Inc)		
86)	POAH Trinity Towers West, LLC (100% owned by POAH, Inc)		
87)	Trinity Towers South Preservation Associates LLLP (100% owned by POAH, Inc)		
88)	POAH NSP Chicago LLC (100% owned by POAH, Inc)	Chicago, IL	6
89)	POAH Grove Parc Apartments LLC (100% owned by POAH, Inc)	Chicago, IL	-
90)	POAH Holdings (100% owned by POAH, Inc)	Chicago, IL	
91)	POAH NMTC2 Title Holding Company LLC (100% owned by POAH, Inc)	Chicago, IL	27
92)	POAH Support Corporation (100% owned by POAH, Inc)		
93)	POAH Greenwood Park LLC (100% owned by POAH, Inc)	Chicago, IL	122
94)	POAH JBL LLC (100% owned by POAH, Inc)	Chicago, IL	106
95)	Colony Plaza Associates, L.P. (100% owned by POAH, Inc)	Excelsior Springs, MO	111
96)	Country Club Village Associates, L.P. (100% owned by POAH, Inc)	Springfield, MO	70
97)	Glenwood Manor Associates, L.P. (100% owned by POAH, Inc)	Springfield, MO	119
98)	Highland Meadows Associates, L.P. (100% owned by POAH, Inc)	Carthage, MO	44
99)	Deerfield Village Associates, L.P. (100% owned by POAH, Inc)	Carthage, MO	60
100)	Barry Farm Redevelopment Associates, LLC (100% owned by POAH, Inc)		
101)	POAH Landowner, LLC (100% owned by POAH, Inc)		
			9,307

The majority of these properties qualify for the low-income tax credit in accordance with Section 42 of the Internal Revenue Code. Provisions of Section 42 regulate the use of the Project as to occupancy eligibility and unit gross rent, among other requirements, for 15 years. Most of the properties are subject to these provisions for additional terms in accordance with agreements entered into with the state tax credit agencies. The properties are also controlled by regulatory agreements with lenders and other funding and subsidy sources.

The limited partners or investor members generally own between 99 to 99.99% interest in the properties. Capital contributions are due from these partners or members in installments upon each property's satisfaction of specified conditions, as defined, and are subject to adjustment based on the actual low income tax credits delivered. These contributions are recorded by the entities when received.

Note 16 - State credit proceeds

The Company sells State Low Income Housing Tax Credits ("SLIHTC") and State Historic Tax Credits ("SHTC") from limited partnership properties to unrelated parties. The Company recognizes these proceeds as income over the respective state credit period. The funds are then loaned to the properties to fund rehabilitation or construction.

A summary of the state credits is as follows:

Year of Sale	Credit Type	Credit Proceeds	Credit Period	Income 2016	Deferred Income at December 31, 2016	Income 2017	Deferred Income at December 31, 2017
2012	SLIHTC	$ 10,262,926	2013-2017	$ 2,052,587	$ 2,052,586	$ 2,052,586	$ -
2013	SLIHTC	3,288,680	2013-2017	657,736	657,736	657,736	-
2015	SHTC	695,000	2015-2019	139,000	417,000	139,000	278,000
2016	SHTC	1,359,859	2016	1,359,859	-	-	-
2017	SLIHTC	3,633,750	2017-2021	-	-	726,750	2,907,000
				$ 4,209,182	$ 3,127,322	$ 3,576,072	$ 3,185,000

Note 17 - Deferred gains

The Company has purchased various properties and then sold those properties to limited partnerships in which an affiliate of the Company serves as general partner. This related party sale results in a deferred gain.

As part of the purchase of certain of these properties, the Company acquired reserve funds. The Company then used those reserve funds to either fund general partner capital contributions or provide loans to related limited partnerships.

The following is a summary of the deferred gains and related notes receivable:

Property	Deferred Gain	Resale Note Receivable	General Partner Contribution	Reserve Note Receivable	
Pocasset Manor Apartments	$ 4,589,201	$ 2,340,000	$ 1,067,857	$ 1,181,344	(1)
Hillcrest Village Apartments	300,000	300,000	-	-	
Bridle Path Apartments	3,893,445	844,160	-	3,049,285	(2)
Chestnut Garden Apartments	1,727,285	1,727,285	-	-	
Dom Narodowy Polski Apartments	965,490	912,273	-	53,217	(2)
Eastgate Apartments	6,242,014	3,196,804	-	3,045,210	(2)
Heritage Village II Apartments	4,668,132	1,639,308	-	3,028,824	(3)
New Horizons	200,000	200,000	-	-	
Cromwell Court	872,000	872,000	-	-	
Blackstone	16,658,507	12,485,719	-	4,172,788	(4)
Franklin	16,676,301	16,676,301	-	-	
Kenmore Abbey	17,722,502	12,182,798	-	5,539,704	(5)
Peter's Grove	626,994	626,994	-	-	
Rock Harbor	355,416	355,416	-	-	
King's Landing	2,400,000	2,400,000	-	-	
Grace	157,646	-	-	157,646	
Chery Hill	444,276	-	-	444,276	(6)
Aaron Briggs	114,098	-	-	114,098	(6)

Property	Deferred Gain	Resale Note Receivable	General Partner Contribution	Reserve Note Receivable
Tribune	175,800	-	-	175,800
Brandy Hill	1,356,610	-	-	1,356,610
	80,145,717	$ 56,759,058	$ 1,067,857	22,318,802
Gain recognized from receipt of principal payment in prior years	(1,846,105)	(476,658)	-	(1,369,447)
Gain recognized from receipt of principal payment in current year	(1,642,866)	(925,641)	-	(717,225)
	$ 76,656,746	$ 55,356,759	$ 1,067,857	$ 20,232,130

(1) Funds loaned to Pocasset, Hillside and Hillcrest
(2) Funds loaned to Fairweather, Chestnut Gardens and Dom Narodowy
(3) Funds loaned to Heritage and Fieldstone
(4) Funds loaned to Franklin and Rock Harbor
(5) Funds loaned to Franklin and Peter's Grove
(6) Funds loaned to Cherry Briggs

The results of the above transactions are eliminated in consolidation.

Note 18 - Purchase of interest in POAH LLC

The Company (the "Buyer") purchased HII's (the "Seller") non-controlling interest in POAH, LLC on January 12, 2012. The purchase was financed with a series of seller notes as described below.

Two contingent notes to be delivered from the Buyer to the Seller on the third ("Third Year Note") and sixth ("Sixth Year Note") anniversaries of the closing, sized at 15% of the value of POAH LLC based on revaluations to be carried out at the dates of the note issuances. The Third Year Note was issued effective January 12, 2015. The present value of the Sixth Year Note, the contingent purchase obligation, is estimated to be $3,528,039 and $3,727,897, respectively, at December 31, 2017 and 2016.

The Company issued the Third Year Note in the amount of $4,168,759 effective January 12, 2015. The note bears interest at 6.5% and amortizes quarterly over seven years. The note is subject to mandatory prepayment requirements on sharing in annual cash flow (as defined in the Purchase Agreement). A prepayment in the amount of $1,000,000 was made in April 2017. During 2017 and 2016, interest of $150,087 and $228,206, respectively, was incurred and paid. At December 31, 2017 and 2016 the outstanding principal balance is $1,727,753 and $3,165,665, respectively.

The Company issued the Sixth Year Note in the amount of $3,528,039 effective January 12, 2018. The note bears interest at 7% and amortizes quarterly over four years. The note is subject to mandatory prepayment requirements on sharing in annual cash flow (as defined in the Purchase Agreement). The purchase notes and contingent notes are collateralized by the assets of POAH LLC.

Annual maturities of debt on the Third and Sixth Year Note for the ensuing four years as of December 31, 2017 are summarized as follows:

2018	$	1,822,165
2019		1,412,816
2020		910,559
2021		976,383

On June 26, 2018, the Company paid the Third and Sixth Year Notes in full from partial proceeds of a $5,000,000 loan from Boston Private Bank & Trust Company. The loan bears interest at 4.97%, requires principal and interest on a fifteen year amortization, and has a ten year term.

Under the accounting rules governing the purchase of a non-controlling interest (a/k/a minority partner), the Company recorded the difference between the purchase price and the book value of HII's capital account in POAH LLC in 2012 as a $9,104,606 reduction of net assets. In 2014, $2,535,442 was recorded as a reduction of net assets to reflect the estimated increase in the value of the contingent notes. In 2017, $199,858 was recorded as an increase of net assets to reflect the estimated decrease in value of the contingent note.

Note 19 - Subsequent events

Events that occur after the consolidated statement of financial position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes to the consolidated financial statements. Management evaluated the activity of the Company through June 29, 2018 and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements, except as noted below.

On November 30, 2017, POAHC entered into a Purchase Agreement to purchase Brickstone, a property management company located in Cincinnati, OH, for $2,350,000. The purchase occurred on May 31, 2018.

POAH LLC entered into two contracts totaling $3,011,838 for demolition and infrastructure work as an agent of the Boston Housing Authority (“BHA”) for the Whittier Street project. The costs of these contracts will not be reflected on POAH LLC’s financial statements.

On June 26, 2018, the Company closed on a $5,000,000 loan with Boston Private Bank & Trust Company. Partial proceeds from the loan were used to pay the two notes outstanding to HII in full.

Supplementary Information

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Financial Position
December 31, 2017

Assets	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Current assets						
Cash and cash equivalents	$ 8,935,823	$ 2,502,179	$ 18,158,058	$ 29,596,060	$ -	$ 29,596,060
Restricted cash	1,232,761	-	-	1,232,761	-	1,232,761
Restricted reserves	803,788	-	-	803,788	-	803,788
Accounts receivable						
Rental - tenants and subsidy	-	127,709	1,617,322	1,745,031	-	1,745,031
Grants receivable	219,231	-	-	219,231	-	219,231
Properties, net of allowance for doubtful accounts	2,294,054	-	-	2,294,054	(2,272,193)	21,861
Development fees	5,177,385	-	-	5,177,385	(5,177,385)	-
Other	1,759,351	206,585	456,705	2,422,641	(218,882)	2,203,759
Escrow deposits	-	8,496,630	67,672,828	76,169,458	-	76,169,458
Tenant security deposits	-	502,066	2,646,357	3,148,423	-	3,148,423
Due from affiliates	48,434	205,000	-	253,434	(253,434)	-
Prepaid expenses	344,797	265,397	1,030,073	1,640,267	-	1,640,267
Note receivable, current	4,147,628	-	-	4,147,628	(4,147,628)	-
Interest on notes receivable	3,423,985	-	-	3,423,985	(3,423,985)	-
Predevelopment costs reimbursable, current	5,260,155	3,054,483	-	8,565,638	(1,478,383)	6,836,255
Total current assets	33,647,392	15,360,049	91,581,343	140,839,784	(16,971,890)	123,616,894
Other assets						
Notes receivable, net of discount	136,481,087	13,210,657	-	149,691,744	(141,284,744)	8,407,000
Investment in partnerships	10,676,166	138,260	-	10,814,426	(10,809,426)	5,000
Predevelopment costs reimbursable, net of current	2,808,892	-	-	2,808,892	-	2,808,892
Other assets	1,280,093	123,181	2,879,176	4,282,450	-	4,282,450
Total other assets	151,246,238	13,472,098	2,879,176	167,597,512	(152,094,170)	15,503,342
Fixed assets						
Land and buildings	-	81,449,365	1,086,765,708	1,168,215,073	(238,296,960)	929,918,113
Rehabilitation in progress	1,196,751	-	21,898,910	23,095,661	-	23,095,661
Furniture, equipment and leasehold improvements	519,542	1,179,476	13,330,058	15,029,076	-	15,029,076
Less: Accumulated depreciation	(416,843)	(17,312,671)	(185,606,858)	(203,336,372)	39,509,434	(163,826,938)
Total fixed assets	1,299,450	65,316,170	936,387,818	1,003,003,438	(198,787,526)	804,215,912
Total assets	$ 186,193,080	$ 94,148,317	$ 1,030,848,337	$ 1,311,440,734	$ (367,853,586)	$ 943,336,148

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Financial Position
December 31, 2017

Liabilities and Net Assets	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Liabilities						
Current liabilities						
Accounts payable	$ 858,226	$ 918,380	$ 3,918,550	$ 5,695,156	$ (856,468)	$ 4,838,688
Accrued expenses	1,756,810	994,476	6,505,888	9,257,174	-	9,257,174
Accounts payable - development	467	4,257,905	58,858,796	63,117,168	(48,641,445)	14,475,723
Accrued interest	35,853	78,171	1,835,612	1,949,636	-	1,949,636
Mortgages payable - properties, current	-	1,359,718	6,641,340	8,001,058	-	8,001,058
Construction loans - properties, current	-	-	18,936,392	18,936,392	-	18,936,392
Loan payable, current	4,611,049	-	-	4,611,049	-	4,611,049
Line of credit, current	1,493,874	-	-	1,493,874	-	1,493,874
Deferred liabilities, current	6,865	-	-	6,865	-	6,865
Tenant security deposits	-	483,051	2,523,568	3,006,619	-	3,006,619
Prepaid revenue	-	28,096	1,188,105	1,216,201	-	1,216,201
Due to affiliates	236,968	1,339,335	3,713,344	5,289,647	(4,186,658)	1,102,989
Total current liabilities	9,000,112	9,459,132	104,121,595	122,580,839	(53,684,571)	68,896,268
Long-term liabilities						
Loans and notes payable, net of current	14,572,254	-	-	14,572,254	-	14,572,254
Line of credit, net of current	400,000	-	-	400,000	-	400,000
Accrued interest payable - notes payable	486,924	-	-	486,924	-	486,924
Notes payable and accrued interest - properties	-	34,163,348	309,817,985	344,232,333	(186,702,505)	157,278,828
Mortgages payable - properties, net of current	-	51,385,948	398,885,319	450,271,267	-	450,271,267
Contingent deferred purchase obligation	3,528,039	-	-	3,528,039	-	3,528,039
Interest rate swap	-	126,830	1,029,996	1,156,826	-	1,156,826
Deferred liabilities, net of current	39,222	-	-	39,222	-	39,222
Deferred income	80,677,405	11,160,804	6,008,819	97,847,028	(89,426,647)	8,420,381
Total long-term liabilities	99,703,844	96,836,930	715,742,119	912,533,893	(276,129,152)	636,153,741
Total liabilities	108,703,956	106,296,062	819,863,714	1,035,114,732	(329,813,723)	705,050,009
Net assets						
Unrestricted controlling	69,927,002	(12,147,745)	(507,930)	57,271,327	(24,991,005)	32,280,322
Unrestricted noncontrolling	1,921,670	-	211,492,553	213,414,223	(13,048,858)	200,365,365
Total unrestricted net assets	71,848,672	(12,147,745)	210,984,623	270,685,550	(38,039,863)	232,645,687
Temporarily restricted net assets	5,640,452	-	-	5,640,452	-	5,640,452
Total net assets	77,489,124	(12,147,745)	210,984,623	276,326,002	(38,039,863)	238,286,139
Total liabilities and net assets	$ 186,193,080	$ 94,148,317	$ 1,030,848,337	$ 1,311,440,734	$ (367,853,586)	$ 943,336,148

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Activities
Year Ended December 31, 2017

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Support and revenue						
Rental income	$ -	$ 13,858,262	$ 101,259,478	$ 115,117,740	$ -	$ 115,117,740
Grant income	4,146,114	69,417	408,290	4,623,821	-	4,623,821
Grant income, capital investments	12,956,892	-	-	12,956,892	-	12,956,892
Contribution income	25,250	-	-	25,250	-	25,250
Developer fee revenue	7,329,217	-	-	7,329,217	(5,230,343)	2,098,874
Cash flow from properties	3,273,513	-	-	3,273,513	(3,273,513)	-
State tax credit proceeds	3,576,072	-	-	3,576,072	-	3,576,072
Property management and accounting	6,335,654	-	-	6,335,654	(6,304,825)	30,829
Reimbursable salaries and expenses	18,579,521	-	-	18,579,521	(18,579,521)	-
Gain on receipt of mortgage note	2,137,691	-	-	2,137,691	(1,642,866)	494,825
Gain on prepayment of notes receivable	578,908	-	-	578,908	(578,908)	-
Loss on sale	-	(4,722)	-	(4,722)	4,722	-
Interest income	4,106,162	225,782	470,521	4,802,465	(4,131,326)	671,139
Loss on investment in partnership	44,222	(256,414)	-	(212,192)	-	(212,192)
Investment and other income	757,100	782,477	5,021,745	6,561,322	(303,795)	6,257,527
Total support and revenue	63,846,316	14,674,802	107,160,034	185,681,152	(40,040,375)	145,640,777
Expenses						
Personnel	12,795,410	-	-	12,795,410	-	12,795,410
Development expense	2,569,112	-	-	2,569,112	(1,322,723)	1,246,389
Professional services	1,054,254	-	-	1,054,254	-	1,054,254
Contributions and grants made	2,059,344	-	-	2,059,344	-	2,059,344
Rental	925,178	-	-	925,178	-	925,178
Taxes and insurance	364,399	-	-	364,399	-	364,399
Travel and lodging	836,469	-	-	836,469	-	836,469
Interest	1,090,527	-	-	1,090,527	-	1,090,527
Reimbursable salaries and expenses	18,579,521	-	-	18,579,521	(18,579,521)	-
Property operations	-	10,628,006	68,238,727	78,866,733	(6,362,232)	72,504,501
Property mortgage interest	-	3,184,073	29,902,116	33,086,189	(4,563,201)	28,522,988
Impairment loss	-	10,521,964	-	10,521,964	-	10,521,964
Office and administration	983,903	-	-	983,903	-	983,903
Depreciation and amortization	46,563	2,487,466	26,826,442	29,360,471	(7,667,937)	21,692,534
Community impact	2,900,737	-	-	2,900,737	-	2,900,737
Bad debt expense	36,904	-	-	36,904	-	36,904
Miscellaneous	155,325	-	-	155,325	-	155,325
Total expenses	44,397,646	26,821,509	124,967,285	196,186,440	(38,495,614)	157,690,826
Excess (deficiency) of revenue over expenses	19,448,670	(12,146,707)	(17,807,251)	(10,505,288)	(1,544,761)	(12,050,049)
Excess of expenses over revenue attributable to noncontrolling interests	-	-	(17,805,470)	(17,805,470)	-	(17,805,470)
Excess of revenue over expenses attributable to the Company	$ 19,448,670	$ (12,146,707)	$ (1,781)	$ 7,300,182	$ (1,544,761)	$ 5,755,421

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Changes in Net Assets
Year Ended December 31, 2017

	Unrestricted net assets - Controlling - Core Operating Companies	Controlling - Wholly Owned	Controlling - LP	Controlling - Eliminations	Controlling - Subtotal	Noncontrolling - Core Operating Companies	Noncontrolling - LP	Noncontrolling - Eliminations	Noncontrolling - Subtotal	Total	Temporarily restricted net assets - Controlling	Net assets - Total
Beginning balance, January 1, 2017	$ 54,561,257	$ 3,922,236	$ (5,906,708)	$ (23,243,702)	$ 29,333,083	$ 2,057,098	$ 204,475,359	$ (13,048,858)	$ 193,483,599	$ 222,816,682	$ 1,246,899	$ 224,063,581
Increase due to purchase of noncontrolling interest	199,858	-	-	-	199,858	-	-	-	-	199,858	-	199,858
Capital contributions from noncontrolling interests	-	-	-	-	-	-	26,333,518	-	26,333,518	26,333,518	-	26,333,518
Capital contributions from the Company	-	-	490,807	(490,807)	-	-	-	-	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-	-	(135,428)	(45,341)	-	(180,769)	(180,769)	-	(180,769)
Distributions to the Company	-	(3,573,274)	(59,995)	3,633,269	-	-	-	-	-	-	-	-
Noncontrolling interests' syndication costs	-	-	-	-	-	-	(80,000)	-	(80,000)	(80,000)	-	(80,000)
Other changes in equity	110,770	(350,000)	4,969,747	(3,345,004)	1,385,513	-	(1,385,513)	-	(1,385,513)	-	-	-
Excess of expenses over revenue attributable to noncontrolling interests	-	-	-	-	-	-	(17,805,470)	-	(17,805,470)	(17,805,470)	-	(17,805,470)
Excess of revenue (expenses) attributable to the Company	15,055,117	(12,146,707)	(1,781)	(1,544,761)	1,361,868	-	-	-	-	1,361,868	4,393,553	5,755,421
Ending balance, December 31, 2017	$ 69,927,002	$ (12,147,745)	$ (507,930)	$ (24,991,005)	$ 32,280,322	$ 1,921,670	$ 211,492,553	$ (13,048,858)	$ 200,365,365	$ 232,645,687	$ 5,640,452	$ 238,286,139

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Cash Flows
Year Ended December 31, 2017

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Cash flows from operating activities						
Excess of revenue over expenses (expenses over revenue)	$ 19,448,670	$ (12,146,707)	$ (17,807,251)	$ (10,505,288)	$ (1,544,761)	$ (12,050,049)
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities						
Loss on investment in partnership	(44,222)	-	-	(44,222)	-	(44,222)
Investment income	(283,795)	256,414	-	(27,381)	27,381	-
Depreciation and amortization	46,563	2,487,466	26,826,442	29,360,471	(6,250,411)	23,110,060
Amortization of debt issuance costs	21,750	250,244	1,282,679	1,554,673	-	1,554,673
Change in fair market value of interest rate swaps	-	-	(405,559)	(405,559)	-	(405,559)
Loss on sale of properties	-	(4,722)	-	(4,722)	-	(4,722)
Impairment loss	-	10,521,964	-	10,521,964	-	10,521,964
Forgiveness of debt	-	(574,311)	-	(574,311)	-	(574,311)
Deferred income	(3,576,072)	-	-	(3,576,072)	-	(3,576,072)
Changes in						
Accounts receivable	986,326	76,634	(243,358)	819,602	577,035	1,396,637
Prepaid expenses and other assets	(435,287)	65,235	(126,306)	(496,358)	-	(496,358)
Predevelopment costs reimbursable	(1,051,504)	(3,305,483)	-	(4,356,987)	(278,078)	(4,635,065)
Accounts payable and accrued expenses	274,750	(404,505)	1,071,608	941,853	(17,730)	924,123
Prepaid and deferred revenues	21,332	260,233	710,826	992,391	(1,331,661)	(339,270)
Tenant security deposits, net	-	16,544	14,249	30,793	-	30,793
Due to affiliates, net	(893,829)	(551,373)	1,148,415	(296,787)	(292,165)	(588,952)
Net cash provided by (used in) operating activities	14,514,682	(3,052,367)	12,471,745	23,934,060	(9,110,390)	14,823,670
Cash flows from investing activities						
Escrow deposits and restricted reserves, net	(46,772)	8,555,877	2,292,731	10,801,836	-	10,801,836
Advances on notes receivable and accrued interest	(21,955,854)	-	-	(21,955,854)	21,955,854	-
Repayments of notes receivable and accrued interest	9,997,746	273,209	-	10,270,955	(10,270,955)	-
Investment in partnership	(5,000)	-	-	(5,000)	-	(5,000)
Contributions to partnerships	(456,412)	-	-	(456,412)	456,412	-
Distributions from partnerships	1,539,088	-	-	1,539,088	(1,539,088)	-
Cash paid for fixed assets	(87,296)	(3,370,378)	(75,397,174)	(78,854,848)	31,917,720	(46,937,128)
Net cash (used in) provided by investing activities	(11,014,500)	5,458,708	(73,104,443)	(78,660,235)	42,519,943	(36,140,292)
Cash flows from financing activities						
Proceeds from line of credit	1,493,874	-	-	1,493,874	-	1,493,874
Payments on line of credit	(294,181)	-	-	(294,181)	-	(294,181)
Proceeds from notes and mortgages payable	6,629,330	7,384,175	67,196,190	81,209,695	(36,535,005)	44,674,690
Payment on notes and mortgages payable	(7,563,120)	(8,460,465)	(30,111,801)	(46,135,386)	-	(46,135,386)
Deferred income	(1,410,760)	-	-	(1,410,760)	(232,106)	(1,642,866)
Debt issuance costs paid	(37,500)	-	(754,331)	(791,831)	-	(791,831)
Syndication and tax credit costs paid	-	-	(609,544)	(609,544)	-	(609,544)
Acquisition costs and fees paid as a component of general partner equity	-	-	(215,096)	(215,096)	215,096	-
Distributions paid to partners	(135,428)	(3,573,274)	(105,336)	(3,814,038)	3,633,269	(180,769)
Partners capital contributions received	-	-	26,824,325	26,824,325	(490,807)	26,333,518
Net cash (used in) provided by financing activities	$ (1,317,785)	$ (4,649,564)	$ 62,224,407	$ 56,257,058	$ (33,409,553)	$ 22,847,505

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Cash Flows
Year Ended December 31, 2017

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Net increase (decrease) in cash and cash equivalents	$ 2,182,397	$ (2,243,223)	$ 1,591,709	$ 1,530,883	$ -	$ 1,530,883
Cash and cash equivalents, beginning of year	7,986,187	4,745,402	16,566,349	29,297,938	-	29,297,938
Cash and cash equivalents, end of year	$ 10,168,584	$ 2,502,179	$ 18,158,058	$ 30,828,821	$ -	$ 30,828,821
Supplemental disclosure of cash flow activities						
Cash paid for interest	$ 945,568	$ 2,862,881	$ 23,415,852	$ 27,224,301	$ -	$ 27,224,301
Schedule of noncash investing activities						
Fixed asset costs incurred	$ 87,296	$ 16,760,108	$ 82,295,620	$ 99,143,024	$ 36,963,163	$ 136,106,187
Fixed assets assets sold in connection with common control transaction	-	(12,670,474)	-	(12,670,474)	-	(12,670,474)
Accounts payable - development, beginning of year	-	3,538,649	51,960,348	55,498,997	43,596,002	99,094,999
Accounts payable - development, end of year	-	(4,257,905)	(58,858,795)	(63,116,700)	(48,641,445)	(111,758,145)
Cash paid for fixed assets	$ 87,296	$ 3,370,378	$ 75,397,174	$ 78,854,848	$ 31,917,720	$ 110,772,568
Transfer of fixed assets	$ -	$ (350,000)	$ 350,000	$ -	$ -	$ -
Sale of properties	$ -	$ (12,670,474)	$ -	$ (12,670,474)	$ -	$ (12,670,474)
Deferred liability included in residual receipts escrow	$ -	$ -	$ 204	$ 204	$ -	$ 204
Contribution of notes receivable	$ 4,990,360	$ -	$ -	$ 4,990,360	$ -	$ 4,990,360
Increase in interest on notes receivable for acquistions under common control	$ 92,838	$ -	$ (92,838)	$ -	$ -	$ -
Increase from purchase in non-controlling interest	$ 199,585	$ -	$ -	$ 199,585	$ -	$ 199,585
Schedule of noncash financing activities						
Decrease in liabilities due to interest rate swap	$ -	$ -	$ 405,559	$ 405,559	$ -	$ 405,559

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Financial Position - Core Operating Companies
December 31, 2017

	POAH INC	POAH LLC	POAHC LLC	Subtotal	Elimination	Total
Assets						
Current assets						
Cash and cash equivalents	$ 3,224,721	$ 4,296,275	$ 1,414,827	$ 8,935,823	$ -	$ 8,935,823
Restricted cash	1,232,761	-	-	1,232,761	-	1,232,761
Restricted reserves	758,702	45,086	-	803,788	-	803,788
Accounts receivable						
Grants receivable	219,231	-	-	219,231	-	219,231
Properties, net of allowance for doubtful accounts	427,063	1,100,076	766,915	2,294,054	-	2,294,054
Development fees	-	5,177,385	-	5,177,385	-	5,177,385
Other	5,760	1,614,545	139,046	1,759,351	-	1,759,351
Due from affiliates	891,231	1,417,314	766,061	3,074,606	(3,026,172)	48,434
Prepaid expenses	109,039	153	235,605	344,797	-	344,797
Note receivable, current	4,147,628	-	-	4,147,628	-	4,147,628
Interest on notes receivable	93,870	3,330,115	-	3,423,985	-	3,423,985
Predevelopment costs reimbursable, current	5,260,155	-	-	5,260,155	-	5,260,155
Total current assets	16,370,161	16,980,949	3,322,454	36,673,564	(3,026,172)	33,647,392
Other assets						
Notes receivable, net of discount	20,066,092	116,414,995	-	136,481,087	-	136,481,087
Investment in companies	46,141,563	2,331,650	-	48,473,213	(48,473,213)	-
Investment in partnerships	10,671,166	5,000	-	10,676,166	-	10,676,166
Predevelopment costs reimbursable, net of current	2,808,892	-	-	2,808,892	-	2,808,892
Other assets	742,089	24,230	513,774	1,280,093	-	1,280,093
Total other assets	80,429,802	118,775,875	513,774	199,719,451	(48,473,213)	151,246,238
Fixed assets						
Rehabilitation in progress	1,196,751	-	-	1,196,751	-	1,196,751
Furniture, equipment and leasehold improvements	124,553	155,683	239,306	519,542	-	519,542
Less: Accumulated depreciation	(105,296)	(77,533)	(234,014)	(416,843)	-	(416,843)
Total fixed assets	1,216,008	78,150	5,292	1,299,450	-	1,299,450
Total assets	$ 98,015,971	$ 135,834,974	$ 3,841,520	$ 237,692,465	$ (51,499,385)	$ 186,193,080

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Financial Position - Core Operating Companies
December 31, 2017

Liabilities and Net Assets	POAH INC	POAH LLC	POAHC LLC	Subtotal	Elimination	Total
Liabilities						
Current liabilities						
Accounts payable	$ 468,853	$ 247,975	$ 141,398	$ 858,226	$ -	$ 858,226
Accrued expenses	654,375	414,876	687,559	1,756,810	-	1,756,810
Accounts payable - development	467	-	-	467	-	467
Accrued interest	28,496	7,357	-	35,853	-	35,853
Loan payable, current	4,384,759	226,290	-	4,611,049	-	4,611,049
Line of credit, current	-	1,493,874	-	1,493,874	-	1,493,874
Deferred liabilities, current	-	6,865	-	6,865	-	6,865
Due to affiliates	2,318,082	264,145	680,913	3,263,140	(3,026,172)	236,968
Total current liabilities	7,855,032	2,661,382	1,509,870	12,026,284	(3,026,172)	9,000,112
Long-term liabilities						
Loans and notes payable, net of current	9,664,143	4,908,111	-	14,572,254	-	14,572,254
Line of credit, net of current	-	400,000	-	400,000	-	400,000
Accrued interest payable - notes payable	-	486,924	-	486,924	-	486,924
Contingent deferred purchase obligation	3,528,039	-	-	3,528,039	-	3,528,039
Deferred liabilities, net of current	-	39,222	-	39,222	-	39,222
Deferred income	1,401,303	79,276,102	-	80,677,405	-	80,677,405
Total long-term liabilities	14,593,485	85,110,359	-	99,703,844	-	99,703,844
Total liabilities	22,448,517	87,771,741	1,509,870	111,730,128	(3,026,172)	108,703,956
Net assets						
Unrestricted controlling	69,927,002	46,141,563	2,331,650	118,400,215	(48,473,213)	69,927,002
Unrestricted noncontrolling	-	1,921,670	-	1,921,670	-	1,921,670
Total unrestricted net assets	69,927,002	48,063,233	2,331,650	120,321,885	(48,473,213)	71,848,672
Temporarily restricted net assets	5,640,452	-	-	5,640,452	-	5,640,452
Total net assets	75,567,454	48,063,233	2,331,650	125,962,337	(48,473,213)	77,489,124
Total liabilities and net assets	$ 98,015,971	$ 135,834,974	$ 3,841,520	$ 237,692,465	$ (51,499,385)	$ 186,193,080

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Activities - Core Operating Companies
Year Ended December 31, 2017

	POAH INC	POAH INC Temporarily Restricted	POAH LLC	POAHC LLC	Subtotal	Elimination	Total
Support and revenue							
Grant income	$ 2,708,152	$ 1,437,962	$ -	$ -	$ 4,146,114	$ -	$ 4,146,114
Grant income, capital investments	8,656,892	4,300,000	-	-	12,956,892	-	12,956,892
Contribution income	-	25,250	-	-	25,250	-	25,250
Developer fee revenue	-	-	7,329,217	-	7,329,217	-	7,329,217
Cash flow from properties	1,568,676	-	1,704,837	-	3,273,513	-	3,273,513
State tax credit proceeds	-	-	3,576,072	-	3,576,072	-	3,576,072
Property management and accounting	-	-	-	6,335,654	6,335,654	-	6,335,654
Reimbursable salaries and expenses	-	-	-	18,579,521	18,579,521	-	18,579,521
Gain on receipt of mortgage note	-	-	2,137,691	-	2,137,691	-	2,137,691
Gain on prepayment of notes receivable	-	-	578,908	-	578,908	-	578,908
Interest income	42,208	-	4,063,781	173	4,106,162	-	4,106,162
Loss on investment in partnership	-	-	44,222	-	44,222	-	44,222
Investment and other income	9,383,558	-	996,747	465,517	10,845,822	(10,088,722)	757,100
	22,359,486	5,763,212	20,431,475	25,380,865	73,935,038	(10,088,722)	63,846,316
Net assets released from restrictions	1,369,659	(1,369,659)	-	-	-	-	-
Total support and revenue	23,729,145	4,393,553	20,431,475	25,380,865	73,935,038	(10,088,722)	63,846,316
Expenses							
Personnel	1,620,589	-	6,532,449	4,642,372	12,795,410	-	12,795,410
Development expense	26,803	-	2,542,309	-	2,569,112	-	2,569,112
Professional services	543,879	-	394,502	115,873	1,054,254	-	1,054,254
Contributions and grants made	2,055,682	-	3,662	-	2,059,344	-	2,059,344
Rental	184,505	-	585,594	155,079	925,178	-	925,178
Taxes and insurance	280,927	-	2,128	81,344	364,399	-	364,399
Travel and lodging	170,200	-	268,601	397,668	836,469	-	836,469
Interest	754,008	-	336,519	-	1,090,527	-	1,090,527
Reimbursable salaries and expenses	-	-	-	18,579,521	18,579,521	-	18,579,521
Office and administration	32,190	-	597,806	353,907	983,903	-	983,903
Depreciation and amortization	20,787	-	19,482	6,294	46,563	-	46,563
Community impact	2,899,042	-	-	1,695	2,900,737	-	2,900,737
Bad debt expense	-	-	-	36,904	36,904	-	36,904
Miscellaneous	85,416	-	56,448	13,461	155,325	-	155,325
Total expenses	8,674,028	-	11,339,500	24,384,118	44,397,646	-	44,397,646
Excess of revenue over expenses	$ 15,055,117	$ 4,393,553	$ 9,091,975	$ 996,747	$ 29,537,392	$ (10,088,722)	$ 19,448,670

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Changes in Net Assets - Core Operating Companies
Year Ended December 31, 2017

	Unrestricted net assets							Temporarily restricted net assets	
	Controlling					Noncontrolling		Controlling	
	POAH, Inc	POAH, LLC	POAHC, LLC	Eliminations	Subtotal	POAH, LLC	Total	POAH, Inc	Total
Beginning balance, January 1, 2017	$ 54,561,257	$ 38,688,818	$ 1,686,775	$ (40,375,593)	$ 54,561,257	$ 2,057,098	$ 56,618,355	$ 1,246,899	$ 57,865,254
Increase due to purchase of noncontrolling interest	199,858	-	-	-	199,858	-	-	-	199,858
Capital contributions from the Company	-	-	500,000	(500,000)	-	-	-	-	-
Distributions to the Company	-	(1,750,000)	(851,872)	2,601,872	-	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-	-	(135,428)	(135,428)	-	(135,428)
Other changes in equity	110,770	110,770	-	(110,770)	110,770	-	110,770	-	110,770
Excess of revenue (expenses)	15,055,117	9,091,975	996,747	(10,088,722)	15,055,117	-	15,055,117	4,393,553	19,448,670
Ending balance, December 31, 2017	$ 69,927,002	$ 46,141,563	$ 2,331,650	$ (48,473,213)	$ 69,927,002	$ 1,921,670	$ 71,648,814	$ 5,640,452	$ 77,489,124

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Cash Flows - Core Operating Companies
Year Ended December 31, 2017

	POAH, Inc	POAH, LLC	POAHC, LLC	Subtotal	Elimination	Total
Cash flows from operating activities						
Excess of revenue over expenses (expenses over revenue)	$ 19,448,670	$ 9,091,975	$ 996,747	$ 29,537,392	$ (10,088,722)	$ 19,448,670
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities						
Gain on investment in partnership	-	(44,222)	-	(44,222)	-	(44,222)
Investment income	(9,375,770)	(996,747)	-	(10,372,517)	10,088,722	(283,795)
Depreciation expense	20,787	19,482	6,294	46,563	-	46,563
Amortization of debt issuance costs	20,358	1,392	-	21,750	-	21,750
Deferred income	-	(3,576,072)	-	(3,576,072)	-	(3,576,072)
Changes in						
Accounts receivable	1,290,126	(338,947)	35,147	986,326	-	986,326
Prepaid expenses and other assets	98,927	747	(534,961)	(435,287)	-	(435,287)
Predevelopment costs reimbursable	(1,051,504)	-	-	(1,051,504)	-	(1,051,504)
Accounts payable and accrued expenses	(222,323)	441,667	55,406	274,750	-	274,750
Prepaid and deferred revenues	-	46,087	(24,755)	21,332	-	21,332
Due to affiliates, net	2,467,481	(3,147,039)	(214,271)	(893,829)	-	(893,829)
Net cash provided by operating activities	12,696,752	1,498,323	319,607	14,514,682	-	14,514,682
Cash flows from investing activities						
Escrow deposits and restricted reserves, net	(1,686)	(45,086)	-	(46,772)	-	(46,772)
Advances on notes receivable and accrued interest	(17,171,424)	(4,784,430)	-	(21,955,854)	-	(21,955,854)
Repayments of notes receivable and accrued interest	4,576,260	5,421,486	-	9,997,746	-	9,997,746
Contribution to subsidiary	-	(500,000)	-	(500,000)	500,000	-
Distributions received from subsidiary	1,750,000	851,872	-	2,601,872	(2,601,872)	-
Investment in partnership	-	(5,000)	-	(5,000)	-	(5,000)
Contributions to partnerships	(456,412)	-	-	(456,412)	-	(456,412)
Distributions from partnerships	1,089,088	450,000	-	1,539,088	-	1,539,088
Cash paid for fixed assets	-	(87,296)	-	(87,296)	-	(87,296)
Net cash (used in) provided by investing activities	(10,214,174)	1,301,546	-	(8,912,628)	(2,101,872)	(11,014,500)
Cash flows from financing activities						
Proceeds from line of credit	-	1,493,874	-	1,493,874	-	1,493,874
Payments on line of credit	-	(294,181)	-	(294,181)	-	(294,181)
Proceeds from notes payable	6,629,330	-	-	6,629,330	-	6,629,330
Payment on notes payable	(7,378,619)	(184,501)	-	(7,563,120)	-	(7,563,120)
Deferred income	-	(1,410,760)	-	(1,410,760)	-	(1,410,760)
Contingent deferred purchase obligation	-	-	-	-	-	-
Finance fees paid	(37,500)	-	-	(37,500)	-	(37,500)
Contributions from member	-	-	500,000	500,000	(500,000)	-
Distributions paid to members	-	(1,885,428)	(851,872)	(2,737,300)	2,601,872	(135,428)
Net cash used in financing activities	$ (786,789)	$ (2,280,996)	$ (351,872)	$ (3,419,657)	$ 2,101,872	$ (1,317,785)

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Cash Flows - Core Operating Companies
Year Ended December 31, 2017

	POAH, Inc	POAH, LLC	POAHC, LLC	Subtotal	Elimination	Total
Net increase (decrease) in cash and cash equivalents	$ 1,695,789	$ 518,873	$ (32,265)	$ 2,182,397	$ -	$ 2,182,397
Cash and cash equivalents, beginning of year	2,761,693	3,777,402	1,447,092	7,986,187	-	7,986,187
Cash and cash equivalents, end of year	$ 4,457,482	$ 4,296,275	$ 1,414,827	$ 10,168,584	$ -	$ 10,168,584
Supplemental disclosure of cash flow activities						
Cash paid for interest	$ 698,932	$ 246,636	$ -	$ 945,568	-	$ 945,568
Schedule of noncash investing activities						
Contributions of notes receivable	$ -	$ 4,990,360	$ -	$ 4,990,360	$ -	$ 4,990,360
Increase in interest on notes receivable for acquistions under common control	$ -	$ 92,838	$ -	$ 92,838	$ -	$ 92,838
Increase from purchase in non-controlling interest	$ 199,585	$ -	$ -	$ 199,585	$ -	$ 199,585

See Independent Auditor's Report.

CohnReznick

Accounting • Tax • Advisory

Independent Member of Nexia International

cohnreznick.com