

**Preservation of Affordable  
Housing, Inc. and Subsidiaries**

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

**December 31, 2018 and 2017**

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# Preservation of Affordable Housing, Inc. and Subsidiaries

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## 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, 2018 and 2017, 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 \$203,927,094 and \$169,603,088 as of December 31, 2018 and 2017, respectively, and total revenues of \$30,921,620 and \$29,587,057, 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, 2018 and 2017, 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 2018 supplementary information on pages 37 to 54 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.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Boston, Massachusetts  
June 30, 2019

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidated Statements of Financial Position  
December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Current assets		
Cash and cash equivalents	\$ 34,748,645	\$ 29,596,060
Restricted cash	3,913,764	1,232,761
Restricted reserves	1,263,400	803,788
Accounts receivable		
Rental - tenants and subsidy	1,049,755	1,745,031
Grants receivable	207,548	219,231
Properties, net of allowance for doubtful accounts	813,274	21,861
Other	1,598,273	2,203,759
Escrow deposits	79,651,708	76,169,458
Tenant security deposits	3,513,110	3,148,423
Prepaid expenses	1,564,069	1,640,267
Predevelopment costs reimbursable, current	9,042,051	6,836,255
Total current assets	<u>137,365,597</u>	<u>123,616,894</u>
Other assets		
Notes receivable, net of discount	8,256,438	8,407,000
Investment in partnerships	1,366,175	5,000
Predevelopment costs reimbursable, net of current	2,708,599	2,808,892
Other assets	5,743,135	4,282,450
Total other assets	<u>18,074,347</u>	<u>15,503,342</u>
Fixed assets		
Land and buildings	1,026,337,977	929,918,113
Rehabilitation in progress	23,812,001	23,095,661
Furniture, equipment and leasehold improvements	16,454,215	15,029,076
Less: Accumulated depreciation	<u>(188,378,156)</u>	<u>(163,826,938)</u>
Total fixed assets	878,226,037	804,215,912
Total assets	<u><u>\$ 1,033,665,981</u></u>	<u><u>\$ 943,336,148</u></u>

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidated Statements of Financial Position  
December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 6,224,240	\$ 4,838,688
Accrued expenses	10,048,282	9,257,174
Accounts payable - development	9,026,597	14,475,723
Accrued interest	1,927,656	1,949,636
Mortgages payable - properties, current	29,860,274	8,001,058
Construction loans - properties, current	10,972,702	18,936,392
Loan payable, current	3,566,797	4,611,049
Line of credit, current	1,000,659	1,493,874
Deferred liabilities, current	13,294	6,865
Tenant security deposits	3,305,268	3,006,619
Prepaid revenue	1,181,585	1,216,201
Due to affiliates	321,952	1,102,989
<b>Total current liabilities</b>	<u>77,449,306</u>	<u>68,896,268</u>
<b>Long-term liabilities</b>		
Loans and notes payable, net of current	24,945,757	14,572,254
Line of credit, net of current	838,678	400,000
Accrued interest payable - notes payable	642,295	486,924
Notes payable and accrued interest - properties	218,304,683	157,278,828
Mortgages payable - properties, net of current	436,550,334	450,271,267
Contingent deferred purchase obligation	-	3,528,039
Interest rate swap	845,707	1,156,826
Deferred liabilities, net of current	659,060	39,222
Deferred income	8,679,541	8,420,381
<b>Total long-term liabilities</b>	<u>691,466,055</u>	<u>636,153,741</u>
<b>Total liabilities</b>	<u>768,915,361</u>	<u>705,050,009</u>
<b>Net assets</b>		
Net assets without donor restrictions controlling	53,222,916	32,280,322
Net assets without donor restrictions noncontrolling	205,917,397	200,365,365
<b>Total net assets without donor restrictions</b>	<u>259,140,313</u>	<u>232,645,687</u>
Net assets with donor restrictions	5,610,307	5,640,452
<b>Total net assets</b>	<u>264,750,620</u>	<u>238,286,139</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,033,665,981</u>	<u>\$ 943,336,148</u>

See Notes to Consolidated Financial Statements.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidated Statements of Activities**  
**Years ended December 31, 2018 and 2017**

	Net assets without donor restrictions	Net assets with donor restrictions	Total 2018	Total 2017
<b>Support and revenue</b>				
Rental income	\$ 125,859,929	\$ -	\$ 125,859,929	\$ 115,117,740
Grant income	964,919	441,064	1,405,983	4,623,821
Grant income, capital investments	3,069,394	30,000	3,099,394	12,956,892
Contribution income	4,000	2,250	6,250	25,250
Developer fee revenue	2,398,316	-	2,398,316	2,098,874
State tax credit proceeds	1,012,950	-	1,012,950	3,576,072
Property management and related fees	893,557	-	893,557	30,829
Reimbursable salaries and expenses	625,829	-	625,829	-
Gain on receipt of mortgage note	-	-	-	494,825
Gain on sale	1,539,305	-	1,539,305	-
Interest income	756,831	-	756,831	671,139
Loss on investment in partnership	(112,894)	-	(112,894)	(212,192)
Investment and other income	5,085,116	197,281	5,282,397	6,257,527
	<u>142,097,252</u>	<u>670,595</u>	<u>142,767,847</u>	<u>145,640,777</u>
Net assets released from restrictions	700,740	(700,740)	-	-
<b>Total support and revenue</b>	<u>142,797,992</u>	<u>(30,145)</u>	<u>142,767,847</u>	<u>145,640,777</u>
<b>Expenses</b>				
Personnel	14,365,517	-	14,365,517	12,795,410
Development expense	1,346,330	-	1,346,330	1,246,389
Professional services	1,081,364	-	1,081,364	1,054,254
Contributions and grants made	1,607,261	-	1,607,261	2,059,344
Rental	1,058,967	-	1,058,967	925,178
Taxes and insurance	404,021	-	404,021	364,399
Travel and lodging	893,494	-	893,494	836,469
Interest	1,463,056	-	1,463,056	1,090,527
Reimbursable salaries and expenses	625,829	-	625,829	-
Property operations	78,905,468	-	78,905,468	72,504,501
Property mortgage interest	32,249,737	-	32,249,737	28,522,988
Impairment loss	-	-	-	10,521,964
Office and administration	1,274,768	-	1,274,768	983,903
Depreciation and amortization	23,722,435	-	23,722,435	21,692,534
Community impact	2,590,103	-	2,590,103	2,900,737
Bad debt expense	162,281	-	162,281	36,904
Miscellaneous	136,041	-	136,041	155,325
<b>Total expenses</b>	<u>161,886,672</u>	<u>-</u>	<u>161,886,672</u>	<u>157,690,826</u>
<b>Excess of expenses over revenue</b>	<u>(19,088,680)</u>	<u>(30,145)</u>	<u>(19,118,825)</u>	<u>(12,050,049)</u>
<b>Excess of expenses over revenue attributable to noncontrolling interests</b>	<u>(20,227,002)</u>	<u>-</u>	<u>(20,227,002)</u>	<u>(17,805,470)</u>
<b>Excess of revenue over expenses attributable to the Company</b>	<u>\$ 1,138,322</u>	<u>\$ (30,145)</u>	<u>\$ 1,108,177</u>	<u>\$ 5,755,421</u>

See Notes to Consolidated Financial Statements.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidated Statements of Functional Expenses**  
**Year ended December 31, 2018 (with comparative totals for 2017)**

	2018			2017	
	Real estate ownership	Management and general	Fundraising	Total	Total
Personnel	\$ 13,248,748	\$ 1,047,640	\$ 69,129	\$ 14,365,517	\$ 12,795,410
Development expense	1,346,330	-	-	1,346,330	1,246,389
Professional services	1,081,364	-	-	1,081,364	1,054,254
Contributions and grants made	1,607,261	-	-	1,607,261	2,059,344
Rental	972,463	76,897	9,607	1,058,967	925,178
Taxes and insurance	371,018	29,338	3,665	404,021	364,399
Travel and lodging	828,613	64,881	-	893,494	836,469
Interest	1,463,056	-	-	1,463,056	1,090,527
Reimbursable salaries and expenses	625,829	-	-	625,829	-
Property operations	78,905,468	-	-	78,905,468	72,504,501
Property mortgage interest	32,249,737	-	-	32,249,737	28,522,988
Impairment loss	-	-	-	-	10,521,964
Office and administration	1,173,659	89,880	11,229	1,274,768	983,903
Depreciation and amortization	23,722,435	-	-	23,722,435	21,692,534
Community impact	2,528,350	-	61,753	2,590,103	2,900,737
Bad debt expense	162,281	-	-	162,281	36,904
Miscellaneous	124,929	9,879	1,233	136,041	155,325
	<u>\$ 160,411,541</u>	<u>\$ 1,318,515</u>	<u>\$ 156,616</u>	<u>\$ 161,886,672</u>	<u>\$ 157,690,826</u>

See Notes to Consolidated Financial Statements.



**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidated Statements of Changes in Net Assets  
Years ended December 31, 2018 and 2017**

	Net assets without donor restrictions			Net assets with donor restrictions	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Beginning balance, January 1, 2017	\$ 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	<u>1,361,868</u>	<u>-</u>	<u>1,361,868</u>	<u>4,393,553</u>	<u>5,755,421</u>
Ending balance, December 31, 2017	32,280,322	200,365,365	232,645,687	5,640,452	238,286,139
Acquisition of ownership interest	7,439,625	-	7,439,625	-	7,439,625
Transfer of limited partnership interest to noncontrolling	12,364,647	(12,364,647)	-	-	-
Capital contributions from noncontrolling interests	-	38,532,514	38,532,514	-	38,532,514
Distributions to noncontrolling interests	-	(388,833)	(388,833)	-	(388,833)
Excess of expenses over revenue attributable to noncontrolling interests	-	(20,227,002)	(20,227,002)	-	(20,227,002)
Excess of revenue over expenses attributable to the Company	<u>1,138,322</u>	<u>-</u>	<u>1,138,322</u>	<u>(30,145)</u>	<u>1,108,177</u>
Ending balance, December 31, 2018	<u>\$ 53,222,916</u>	<u>\$ 205,917,397</u>	<u>\$ 259,140,313</u>	<u>\$ 5,610,307</u>	<u>\$ 264,750,620</u>

See Notes to Consolidated Financial Statements.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Excess of expenses over revenue	\$ (19,118,825)	\$ (12,050,049)
Adjustments to reconcile excess of expenses over revenue to net cash provided by operating activities		
Loss on investment in partnership	(1,555,718)	(44,222)
Depreciation and amortization	25,235,671	23,110,060
Effective interest adjustment	1,020,665	1,554,673
Change in fair market value of interest rate swaps	(311,119)	(405,559)
Loss on sale of properties	(342,554)	(4,722)
Impairment loss	-	10,521,964
Forgiveness of debt	(574,311)	(574,311)
Deferred income	(1,207,950)	(3,576,072)
Changes in		
Accounts receivable	92,158	1,396,637
Prepaid expenses and other assets	437,224	(496,358)
Predevelopment costs reimbursable	(2,105,503)	(4,635,065)
Accounts payable and accrued expenses	2,981,100	924,123
Prepaid and deferred revenues	2,053,949	(339,270)
Tenant security deposits, net	(66,038)	30,793
Due to affiliates, net	(97,305)	(588,952)
	<u>6,441,444</u>	<u>14,823,670</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Escrow deposits and restricted reserves, net	8,242,534	10,801,836
Investment in partnership	-	(5,000)
Purchase of management contracts	(213,014)	-
Cash paid for fixed assets	(108,615,241)	(46,937,128)
	<u>(100,585,721)</u>	<u>(36,140,292)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from line of credit	7,352,798	1,493,874
Payments on line of credit	(5,855,208)	(294,181)
Proceeds from notes and mortgages payable	83,396,046	44,674,690
Payment on notes and mortgages payable	(15,893,783)	(46,135,386)
Deferred income	(546,170)	(1,642,866)
Proceeds from contingent deferred purchase obligation	(3,528,039)	-
Debt issuance costs paid	(744,963)	(791,831)
Syndication costs and tax credit fees paid	(346,497)	(609,544)
Distributions paid to minority partners	(388,833)	(180,769)
Minority partners' capital contributions received	38,532,514	26,333,518
	<u>101,977,865</u>	<u>22,847,505</u>
Net cash provided by financing activities		

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Net increase in cash and cash equivalents	\$ 7,833,588	\$ 1,530,883
Cash and cash equivalents, beginning of year	<u>30,828,821</u>	<u>29,297,938</u>
Cash and cash equivalents, end of year	<u>\$ 38,662,409</u>	<u>\$ 30,828,821</u>
Supplemental disclosure of cash flow activities		
Cash paid for interest	<u>\$ 27,625,575</u>	<u>\$ 27,224,301</u>
Schedule of noncash investing activities		
Fixed asset costs incurred	\$ 105,525,110	\$ 62,179,862
Fixed assets assets sold in connection with common control transaction	(2,389,588)	(12,670,474)
Accounts payable - development, beginning of year	14,475,256	11,902,995
Accounts payable - development, end of year	<u>(8,995,537)</u>	<u>(14,475,256)</u>
Cash paid for fixed assets	<u>\$ 108,615,241</u>	<u>\$ 46,937,128</u>
Deferred liability included in residual receipts escrow	<u>\$ 3,178</u>	<u>\$ 204</u>
Contribution of notes receivable	<u>\$ -</u>	<u>\$ 4,990,360</u>
Increase from purchase in non-controlling interest	<u>\$ -</u>	<u>\$ 199,858</u>
Schedule of noncash financing activities		
(Decrease) increase in liabilities due to interest rate swap	<u>\$ (311,119)</u>	<u>\$ 405,559</u>
Assignment of notes payable and related accrued interest	<u>\$ 2,138,106</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### 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 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, 2018, POAH or affiliates of POAH hold General Partner, Managing Member or ownership interests in 118 entities that own, in the aggregate 10,451 units of affordable housing. POAH LLC is the managing member of POAH/Trinity Loan Holding Company, LLC ("PTLHC") and the sole member of POAH Woodlawn Station Master Tenant, LLC ("PWSMT"). 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.

#### 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, PTLHC, and PWSML. The statements include those 37 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 2018 and 2017 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. Net assets without donor restricted noncontrolling 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.

##### Net asset classification

The Company reports information regarding its financial position and activities according to two classes of net assets: Without donor restrictions and with donor restrictions. They are described as follows:

Net assets without donor restrictions - net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions.

Net Assets with donor restrictions - net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose, or other events specified by the donor. Other donor imposed

## **Preservation of Affordable Housing, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements December 31, 2018 and 2017**

restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **Adoption of new accounting pronouncements**

During the year ended December 31, 2018, the Company has adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net assets used in these consolidated financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions, and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. The adoption of this ASU did not impact the Company's net assets balance or changes in net assets for the years ended December 31, 2018 and 2017.

#### **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, 2018 and 2017 totaled \$468,939 and \$446,965, respectively, and accumulated amortization totaled \$3,214,143 and \$2,997,470, respectively.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

Estimated amortization expense for each of the ensuing five years through December 31, 2023 is as follows:

Years	Wholly Owned (1)	LP (2)	Total
2019	\$ 7,259	\$ 289,365	\$ 296,624
2020	7,259	284,141	291,400
2021	7,259	281,603	288,862
2022	7,259	281,313	288,572
2023	7,259	273,554	280,813

- (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, 2018. Grants receivable are stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2018, 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, 2018 and 2017, 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, 2018 and 2017, the noncontrolling member's interest totals \$1,717,530 and \$1,921,670, 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, 2018 and 2017, the noncontrolling partners'/members' interest in the project limited partnerships and limited liability companies were approximately 99.99% and total \$217,248,725 and \$211,492,553, respectively. Income is allocated to noncontrolling interest based on the noncontrolling partners'/members' ownership.

## **Preservation of Affordable Housing, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements December 31, 2018 and 2017**

#### **Investments in partnership**

POAH and 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, 2018 and 2017. No provision or benefit for income taxes has been included in these consolidated financial statements for POAH LLC, POAHC LLC, PTLHC LLC, PWSML, 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 2015 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**

The costs of program and supporting service activities have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are tracked using direct identification methodology of charging specific expenses as either program, management and general, or fundraising. The financial statement reports certain categories of expense that are attributable to one or more programs or supporting functions. Those expenses have been allocated based on estimates of time and effort.

#### **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. No impairment loss has been recognized during the year ended December 31, 2018. During the year ended December 31, 2017, an impairment loss was recorded on one property in the amount of \$10,521,964.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### **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



## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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 - Liquidity and availability

Financial assets available for general expenditure within one year consist of the following:

	Consolidated	Core Operating Companies
Cash and cash equivalents	\$ 38,662,409	\$ 11,770,327
Grants and pledges receivable	207,548	207,548
Accounts receivable	3,461,302	4,097,442
Development fee receivable - affiliates	-	10,520,310
Undrawn lines of credit	4,861,030	4,861,030
 Total financial assets	 42,331,259	 31,456,657
 Less amounts not available to be used within one year		
Amounts restricted by donor with time or purpose restrictions	 (4,121,312)	 (4,121,312)
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 38,209,947</u>	 <u>\$ 27,335,345</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Organization has various sources of liquidity at its disposal including cash, a steady revenue stream from its developer fees, notes receivable, rental income, and various annual service fees.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
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**Note 4 - 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.

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

	<u>Balance at December 31, 2018</u>	<u>Balance at December 31, 2017</u>
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, net of discount of \$21,471,914, respectively.	\$ 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, net of allowance of \$2,067,168, respectively.	51,496,862	52,908,670
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, net of allowance of \$1,106,884, respectively.	22,999,301	23,153,227
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.	25,306,566	24,570,566
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.	21,545,686	21,271,951
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, net of allowance of \$270,000 and \$0, respectively.	555,000	555,000

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

	Balance at December 31, 2018	Balance at December 31, 2017
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, net of allowance of \$149,334 and \$0, respectively.	21,546,136	19,748,568
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.	6,560,028	6,860,754
Accrued interest	2,043,160	3,377,881
	156,823,376	157,217,254
Eliminated in consolidation	(148,566,938)	(148,810,254)
	\$ 8,256,438	\$ 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 \$24,613,765 and \$18,847,884 for 2018 and 2017, 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 \$578,976 and \$578,908, respectively, for the years ended December 31, 2018 and 2017. 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 2018 and 2017, notes receivable totaling \$17,005,280 and \$17,090,405, respectively, are assets of POAH LLC and PTLHC, 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 and PTLHC records cash payments on such notes receivable and interest income as a component of equity. At December 31, 2018 and 2017, interest income in the amount of \$486,548 and \$92,838, respectively, is recorded as a component of equity. At December 31, 2018 and 2017, principal payments in the amount of \$85,125 and \$17,932, respectively, is recorded as a component of equity and is eliminated in consolidation.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
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A summary of these common control notes receivable and accrued interest at year end is as follows:

	Balance at December 31, 2018	Balance at December 31, 2017
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.	\$ 16,230,288	16,315,413
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	177,977	46,103
	<u>17,183,257</u>	<u>17,136,508</u>
Common control assets not recorded	(17,005,280)	(17,090,405)
Eliminated in consolidation	<u>(177,977)</u>	<u>(46,103)</u>
	<u>\$ -</u>	<u>\$ -</u>

**Note 5 - 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 July 31, 2019. At December 31, 2018 and 2017 the outstanding principal balance is \$8,000,000, respectively. Accrued and unpaid interest at December 31, 2018 and 2017 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, 2018 and 2017 the outstanding principal balance is \$4,499,633 and \$2,247,506, respectively. Accrued and unpaid interest at December 31, 2018 and 2017 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

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

criteria are met. The line is collateralized by the mortgage note receivable from Fairweather. In June 2019, the line was reduced to \$1,000,000 and the maturity date was extended to May 29, 2024 and the interest rate was reduced to 5.5%. At December 31, 2018 and 2017 the outstanding principal balance is \$300,000 and \$1,000,000, respectively. Accrued and unpaid interest at December 31, 2018 and 2017 is \$4,875 and \$0, 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, 2018 and 2017 the outstanding principal balance is \$3,736,675 and \$1,141,592, respectively. Accrued and unpaid interest at December 31, 2018 and 2017 is \$0.

#### Boston Private Bank & Trust Company

In June 2018, the Company entered into a \$5,000,000 loan commitment with Boston Private Bank & Trust Company. The loan is collateralized by the mortgage note receivable from Kenmore. The loan bears interest at 4.97%, requires monthly principal and interest payments on a fifteen year amortization, has a ten year term and matures on June 1, 2028. At December 31, 2018 the outstanding principal balance is \$4,916,378 and accrued interest is \$0.

#### The Model Group

On May 31, 2018, POAH INC entered into a \$1,050,000 loan agreement with The Model Group for the purpose of funding the purchase of general partner interests in 18 properties and management contracts (see note 19). Interest accrues at 2.18%. Annual payments of \$350,000 of principal and accrued interest shall be made each May 31<sup>st</sup> through maturity, May 31, 2021. At December 31, 2018 the outstanding principal balance is \$1,050,000 and accrued interest is \$13,353.

#### 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, 2018 and 2017, the outstanding principal balance is \$106,967 and \$327,401, respectively. Accrued interest at December 31, 2018 and 2017 is \$0.

Annual maturities of debt for the ensuing five years as of December 31, 2018 are summarized as follows:

	INC	LLC	Total
2019	\$ 584,451	\$ 83,213	\$ 667,664
2020	595,876	23,754	619,630
2021	609,221	-	609,221
2022	272,589	-	272,589
2023	286,647	-	286,647

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### 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, 2018 and 2017, the outstanding principal is \$1,454,980 and \$2,407,000 and accrued interest is \$0 and \$247,191, 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, 2018 and 2017, the outstanding principal is \$2,400,000 and accrued interest is \$335,733 and \$239,733, respectively.

#### Ohio Housing Finance Agency

In May 2018, various notes payable were assigned to POAH LLC as part of a portfolio acquisition. The six notes, totaling \$1,857,996, with the Ohio Housing Finance Agency ("OHFA") were funded from Housing Development Assistance Program ("HDAP") funds for the purpose of funding development costs for various properties in Cincinnati, OH. Interest accrues ranging from 4.52% to 7.75% per annum. Payments of principal and accrued interest are due annually in an amount equal to payments of 50% of the cash flow, as defined in the agreement, from the respective properties. At December 31, 2018, the outstanding principal is \$1,831,544 and accrued interest is \$306,562.

#### Chicago Community Loan Fund

In December 2017, PWSMT entered into a \$350,000 loan agreement with Chicago Community Loan Fund for the purpose of funding retail development costs at Woodlawn Station, a property in Chicago, IL, being developed by POAH LLC. Interest accrues at 5% per annum. Payments of interest only are due monthly. All unpaid principal and accrued interest is due on the maturity date of December 1, 2025. In September 2018, the loan was increased to \$700,000. During 2018 and 2017, interest expense of \$1,135 and \$0, respectively, was included in interest expense on the consolidated income statements. At December 31, 2018 and 2017, the outstanding principal is \$298,264 and \$0, respectively, and accrued interest is \$896 and \$0, respectively.

#### Debt issuance costs

As of December 31, 2018, unamortized debt issuance costs related to the loans of \$81,887 consist of financing costs of \$116,666 less accumulated amortization of \$34,779. 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. For the years ended December 31, 2018 and 2017, \$15,228 and \$21,750 of amortization was incurred and is included in interest expense on the consolidated statements of activities.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### Loan balances

The balances as included in the accompanying consolidated statement of financial position as of December 31, 2018 and 2017 are summarized as follows:

Lender	Current Portion	Long-term Portion	Total Balance at December 31, 2018	Current Portion	Long-term Portion	Total Balance at December 31, 2017
LISC	\$ 2,899,133	\$ 1,600,500	\$ 4,499,633	\$ 1,957,006	\$ 290,500	\$ 2,247,506
Life Initiative	-	300,000	300,000	700,000	300,000	1,000,000
Calvert	-	8,000,000	8,000,000	-	8,000,000	8,000,000
LIIF	-	3,736,675	3,736,675	-	1,141,592	1,141,592
Boston Private	234,451	4,681,927	4,916,378	-	-	-
The Model Group	350,000	700,000	1,050,000	-	-	-
BCLF - LLC	83,213	23,754	106,967	226,290	101,111	327,401
Life Initiative - LLC	-	1,454,980	1,454,980	-	2,407,000	2,407,000
CAHT - LLC	-	2,400,000	2,400,000	-	2,400,000	2,400,000
OHFA - LLC	-	1,831,544	1,831,544	-	-	-
CCLF - PWSMT	-	298,264	298,264	-	-	-
HII (1)	-	-	-	1,727,753	-	1,727,753
Unamortized	-	(81,887)	(81,887)	-	(67,949)	(67,949)
	<u>\$ 3,566,797</u>	<u>\$ 24,945,757</u>	<u>\$ 28,512,554</u>	<u>\$ 4,611,049</u>	<u>\$ 14,572,254</u>	<u>\$ 19,183,303</u>

(1) See Note 18

#### 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. In April 2019, the line was increased to \$6,500,000, the maturity date was extended to March 29, 2022 and Eastern Bank was added as a participant in the line. The note accrues interest equal to the Prime Rate with a floor of 3.25% (5.50% and 4.50% at December 31, 2018 and 2017, respectively) and is payable monthly. The line is collateralized by the mortgage notes receivable from Bridle Path, Chestnut Gardens, Dom Narodowy and Eastgate. During 2018 and 2017, interest expense of \$79,010 and \$29,269, respectively, was recorded on the consolidated statements of activities. At December 31, 2018 and 2017, \$1,839,337 and \$1,893,874, respectively, are outstanding on the line. Accrued and unpaid interest at December 31, 2018 and 2017 is \$10,268 and \$7,357, 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

**Preservation of Affordable Housing, Inc. and Subsidiaries**

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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, 2018	Balance at December 31, 2017
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.	\$ 70,277,422	\$ 52,012,395
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.	23,403,953	28,105,747
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.	29,378,843	6,726,107
Accrued interest	2,224,579	719,472
Wholly owned entities	125,284,797	87,563,721
Entities controlled by POAH or affiliates	772,504,179	734,281,036
Unamortized debt issuance costs	(12,618,956)	(596,380)
	885,170,020	821,248,377
Mortgages and notes eliminated in consolidation	(189,482,027)	(186,702,505)
	<u>\$ 695,687,993</u>	<u>\$ 634,545,872</u>

During the years ended December 31, 2018 and 2017, amortization expense incurred on debt issuance costs was \$1,005,437 and \$1,532,922, 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, 2018	Wholly Owned	LP	Total Balance at December 31, 2017
Mortgages payable less unamortized debt issuance costs	\$ 71,802,427	\$ 394,608,181	\$ 466,410,608	\$ 52,745,666	\$ 405,526,659	\$ 458,272,325
Debt issuance costs	\$ 3,288,799	\$ 16,458,377	\$ 19,747,176	\$ 1,333,335	\$ 17,663,737	\$ 18,997,072
Less: accumulated amortization	(2,117,685)	(5,010,535)	(7,128,220)	(736,955)	(5,789,586)	(6,526,541)
Unamortized debt issuance costs	<u>\$ 1,171,114</u>	<u>\$ 11,447,842</u>	<u>\$ 12,618,956</u>	<u>\$ 596,380</u>	<u>\$ 11,874,151</u>	<u>\$ 12,470,531</u>



## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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

<u>Years</u>	<u>Wholly Owned (1)</u>	<u>LP (2)</u>	<u>Total</u>
2019	\$ 23,749,384	\$ 17,083,592	\$ 40,832,976
2020	1,628,646	39,984,827	41,613,473
2021	15,343,171	8,334,070	23,677,241
2022	3,372,449	7,078,760	10,451,209
2023	990,045	7,131,689	8,121,734

- (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 \$695,369 and \$1,029,996 as of December 31, 2018 and 2017, 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 \$150,338 and \$126,830 as of December 31, 2018 and 2017, 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, 2018 and 2017, the Company recorded the acquisition of real property totaling \$17,020,000 and \$15,280,000, 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.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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, 2018 and 2017, 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 and costs

The Company provides various services related to the administration of POAH LLC. For the years ended December 31, 2018 and 2017, POAH LLC reimbursed the Company for compensation, overhead and rent of \$7,693,537 and \$7,474,752, respectively.

##### Property management and related fees

Property management and related fees were earned by POAHC LLC in 2018 in the amount of \$7,666,929, of which \$7,208,263 has been eliminated in consolidation and in 2017 in the amount of \$6,290,951, all of which has been eliminated in consolidation. At December 31, 2018 and 2017, \$1,348,089 and \$745,054, respectively, is due from related properties for services and advances net of an allowance for doubtful accounts which is estimated to be \$600,778 and \$472,375, respectively, as of December 31, 2018 and 2017.

##### 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. In 2018 the costs incurred and the related reimbursement from related properties totaled \$19,979,353, of which \$19,742,541 has been eliminated in consolidation and in 2017 \$18,579,521, all of which has been eliminated in consolidation. 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, 2018 and 2017, the Company and POAH LLC earned development fee revenue and fees from affiliated entities as follows:

	2018	2017
Development fee paid from development sources	\$ 7,929,697	\$ 5,087,976
Development fee paid from cash flow	7,596,838	1,656,641
Other fee revenue	460,553	584,600
	<u>15,987,088</u>	<u>7,329,217</u>
Cash flow fees from certain related properties	1,303,067	3,273,813
	<u>17,290,155</u>	<u>10,603,030</u>
Development and cash flow fees eliminated in consolidation	<u>(14,891,839)</u>	<u>(8,504,156)</u>
	<u>\$ 2,398,316</u>	<u>\$ 2,098,874</u>

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

At December 31, 2018 and 2017, \$11,972,044 and \$6,704,524, respectively, is due from related properties for development and cash flow fees. At December 31, 2018 and 2017, development fees received but not yet earned are \$691,359 and \$835,659, 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, 2018 and 2017, investment in properties is \$17,019,076 and \$10,671,166, respectively, of which \$16,843,924 and \$10,671,166, respectively 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, 2018 and 2017 is \$0.

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. On May 31, 2018, an affiliate of POAH LLC purchased the .075% managing general partner interest. The balance of this investment at December 31, 2018 and 2017 is \$0 and \$5,000, respectively.

In May 2018, the Company purchased a non-controlling general partner interest in seven properties located in Cincinnati, OH (see Note 19). The investments are recorded using the equity method. The balance of this investment at December 31, 2018 is \$175,152.

In May 2018, the Company purchased the managing member general partner interest in Losantiville Apartments Limited Partnership ("LALP"). LALP is the limited partner in Elm St. Senior Housing, Ltd, an unrelated entity. The investment is recorded using the equity method. The balance of this investment at December 31, 2018 is \$1,191,023.

Certain financial information with respect to these investments at December 31, 2018 and 2017, and the years then ended, are as follows:

	2018	2017
Net investment in real estate	\$ 55,243,228	\$ 1,403,919
Total assets	59,702,631	2,139,654
Permanent financing (including accrued interest)	27,234,190	12,084,231
Total liabilities	29,414,007	12,652,639
Limited partner's equity (deficit)	25,170,508	(8,880,697)
General partners' equity (deficit)	2,540,156	(1,632,288)
Revenue	3,751,917	1,159,652
Expenses	7,138,693	1,348,259
Net income (loss)	(3,386,776)	(188,607)

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### 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. Rental expense, inclusive of operating costs, for the year ended December 31, 2018 and 2017 totaled \$669,016 and \$642,443, 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, 2018 and 2017 totaled \$159,993 and \$53,590, respectively.

POAH LLC leases office space under a non-cancelable operating lease in Washington, D.C. which expires in July 2022. Rental expense, inclusive of operating costs, for the years ended December 31, 2018 and 2017 totaled \$76,265 and \$50,938, respectively.

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, 2018 and 2017 totaled \$129,170 and \$127,065, respectively.

Future minimum lease payments under operating leases as of December 31, 2018 are as follows:

	<u>INC</u>	<u>LLC</u>	<u>POAHC</u>	<u>Total</u>
2019	\$ 610,681	\$ 249,100	\$ 108,500	\$ 968,281
2020	307,062	254,203	139,226	700,491
2021	-	259,381	149,095	408,476
2022	-	264,640	153,266	417,906
2023	-	173,493	157,436	330,929
	<u>\$ 917,743</u>	<u>\$ 1,200,817</u>	<u>\$ 707,523</u>	<u>\$ 2,826,083</u>

##### 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.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

A summary of the guarantees outstanding At December 31, 2018 is as follows. See Note 15 for a detail of these entities and properties.

Entity	Acquisition year	Guaranty	Construction guaranty maximum amount	Loan guarantee	Operating deficit expiration	Operating deficit maximum amount	Advances at December 31, 2018
Jefferson	2003	(1), (2)	N/A	N/A	December 2026	\$ 970,894	\$ 451,872
Oakland	2003	(2)	N/A	N/A	N/A	N/A	-
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	56,913 (8)
Driftwood	2005	(1), (2)	N/A	N/A	None	420,705	-
Crestview	2005	(1), (2)	N/A	N/A	(8)	395,547	86,217
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	588,391 (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	-
Cochecho	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	27,299
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	-
Torrington	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), (10)	N/A	5,500,000	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)	(4)	N/A	N/A	660,404	112,000 (8)
Trinity Towers South	2016	(1), (2)	(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	282,074
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	-
Whittier 1A-4	2018	(1), (2), (5)	(4)	N/A	(7)	532,000	-
Whittier 1A-9	2018	(1), (2), (5)	(4)	N/A	(7)	335,000	-
Bedford	2018	(1), (2), (4)	(4)	N/A	(7)	755,140	-
Greenwood	2018	(1), (2), (5)	(4)	12,300,000	(7)	928,300	-

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### 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, 2018 and 2017.

#### **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 \$89,498,187 and \$81,506,594 for 2018 and 2017, respectively.

#### **Note 14 - Net assets with donor restrictions**

The Company received the following grants which are included in net assets with donor restrictions at December 31, 2018 and 2017 for either time restrictions or restrictions related to specific program services:

	Balance at December 31, 2018	Balance at December 31, 2017
Home ownership assistance	\$ 143,389	\$ 346,198
Community resource center	115,000	15,000
Installation of artwork	15,000	15,000
Real estate predevelopment	30,000	-
Resident and community engagement	96,685	-
Children savings accounts	28,500	26,250
Family Self Sufficiency	165,000	18,333
Community arts festival	9,945	9,945
Choice endowment	706,788	909,726
Capital Magnet Fund	4,300,000	4,300,000
	\$ 5,610,307	\$ 5,640,452

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

#### Note 15 - Limited partnerships and limited liability companies

As of December 31, 2018, 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) Beachwood Preservation Associates Limited Partnership	Narragansett, RI	56
10) Southwinds Preservation Associates Limited Partnership	Narragansett, RI	48
11) Driftwood Preservation Associates Limited Partnership	Narragansett, RI	32
12) Hillside Preservation Associates Limited Partnership	Providence, RI	42
13) Pocasset Preservation Associates Limited Partnership	Providence, RI	82
14) Hillcrest Preservation Associates Limited Partnership	Providence, RI	130
15) Fieldstone Preservation Associates Limited Partnership	Narragansett, RI	24
16) Heritage Preservation Associates Limited Partnership	North Kingstown, RI	204
17) Grace Preservation Associates Limited Partnership	Providence, RI	101
18) Cherry Briggs Preservation Associates Limited Partnership	Johnston & Providence, RI	160
19) Oxford Preservation Associates Limited Partnership	Providence, RI	128
20) Jefferson Maison East Limited Dividend Housing Association LLC	Detroit, MI	280
21) Oakland Grand Haven Limited Dividend Housing Association LLC	Troy, MI	297
22) Meadowbrook Preservation Associates Limited Partnership	Northampton, MA	252
23) Bridle Path Preservation Associates Limited Partnership	Randolph, MA	104
24) Chestnut Gardens Preservation Associates Limited Partnership	Lynn, MA	65
25) Dom Narodowy Polski Preservation Associates Limited Partnership	Chicopee, MA	50
26) Eastgate Preservation Associates Limited Partnership	Springfield, MA	148
27) Fairweather Preservation Associates Limited Partnership	Beverly, Danvers,	321
28) United Front Nine Preservation Associates Limited Partnership	New Bedford, MA	173
29) Cromwell Preservation Associates Limited Partnership	Hyannis, MA	124
30) CB Rental Limited Partnership	Bourne, MA	28
31) Blackstone Preservation Associates Limited Partnership	Boston, MA	145
32) Franklin Preservation Associates Limited Partnership	Boston, MA	193
33) Kenmore Abbey Preservation Associates Limited Partnership	Boston, MA	199
34) Peter's Grove Preservation Associates Limited Partnership	Hudson, MA	96
35) Rock Harbor Preservation Associates Limited Partnership	Orleans, MA	100
36) Clay Pond Preservation Associates Limited Partnership	Bourne, MA	45
37) Kings Landing Preservation Associates Limited Partnership	Brewster, MA	108
38) Central Annex Preservation Associates Limited Partnership	Pittsfield, MA	101
39) Dennis Community Housing Preservation Associates Limited Partnership	Dennis, MA	27
40) Briston Arms Preservation Associates Limited Partnership	Cambridge, MA	154
41) Founders Court Preservation Associates Limited Partnership	Hyannis, MA	32
42) Brandy Hill Preservation Associates Limited Partnership	E. Wareham, MA	132
43) Tribune Preservation Associates Limited Partnership	Framingham, MA	53
44) Canal Bluffs P3 Preservation Associates Limited Partnership	Bourne, MA	44
45) Whittier 1A-4 Preservation Associates Limited Partnership	Boston, MA	58
46) Whittier 1A-9 Preservation Associates Limited Partnership	Boston, MA	34
47) Bedford Village Preservation Associates Limited Partnership	Bedford, MA	110
48) Crestview Preservation Associates Limited Partnership	Kankakee, IL	132
49) WCS Preservation Associates Limited Partnership	Chicago, IL	67
50) Renaissance Preservation Associates Limited Partnership	Chicago, IL	117
51) WCN Preservation Associates Limited Partnership	Chicago, IL	33
52) WP Senior Preservation Associates Limited Partnership	Chicago, IL	65
53) Lafayette Preservation Associates Limited Partnership	Chicago, IL	94

## Preservation of Affordable Housing, Inc. and Subsidiaries

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Entity	Project Location	No. of Units
54) Newberry Preservation Associates Limited Partnership	Chicago, IL	84
55) Woodlawn Station Preservation Associates Limited Partnership	Chicago, IL	70
56) Woodlawn Roll-up Preservation Associates Limited Partnership	Chicago, IL	196
57) Greenwood Preservation Associates Limited Partnership	Chicago, IL	122
58) Washington Gardens Preservation Associates L.P.	Hagerstown, MD	100
59) Garfield Hills Preservation Associates Limited Partnership	Washington, DC	94
60) Cocheco Preservation Associates Limited Partnership	Dover, NH	78
61) Sugar River Preservation Associates Limited Partnership	Claremont, NH	162
62) New Horizons Preservation Associates LP	Miami, FL	100
63) Harbor City Towers LLLP	Melbourne, FL	192
64) Trinity Towers East Preservation Associates LLLP	Melbourne, FL	156
65) New Trinity Towers South Preservation Associates LLLP	Melbourne, FL	162
66) Torrington West Preservation Associates Limited Partnership	Torrington, CT	79
67) Billings Forge LLC		
68) Billings Forge Preservation Associates Limited Partnership	Hartford, CT	112
69) Old Middletown Preservation Associates Limited Partnership	Middletown, CT	65
70) Abigail Apartments Limited Partnership	Cincinnati, OH	71
71) Abington Race and Pleasant, LLC	Cincinnati, OH	50
72) Baymiller Manor Limited Partnership	Cincinnati, OH	31
73) Burnet Place Limited Partnership	Cincinnati, OH	62
74) Community Manor Limited Partnership	Cincinnati, OH	24
75) Fairview Estates Limited Partnership	Cincinnati, OH	28
76) Losantiville Apartments Limited Partnership	Cincinnati, OH	87
77) Magnolia Heights Limited Partnership	Cincinnati, OH	98
78) Navarre Garrone Limited Partnership	Cincinnati, OH	62
79) North Rhine Heights Limited Partnership	Cincinnati, OH	65
80) OTR Revitalization Limited Partnership	Cincinnati, OH	94
81) Pendleton Estates Limited Partnership	Cincinnati, OH	42
82) Villas of the Valley Limited Partnership	Lincoln Heights, OH	42
83) Villas of the Valley II Limited Partnership	Lincoln Heights, OH	35
84) Wesley Estates Limited Partnership	Cincinnati, OH	29
85) WH Mainstrasse I, LLLP	Convington, KY	41
86) POAH Cherry Hill LLC (100% owned by POAH, Inc)		
87) POAH Aaron Briggs LLC (100% owned by POAH, Inc)		
88) POAH Fieldstone Apartments LLC (100% owned by POAH, Inc)		
89) POAH Torrington West LLC (100% owned by POAH, Inc)		
90) POAH Old Middletown LLC (100% Owned by POAH, Inc)		
91) POAH Central Annex LLC (100% owned by POAH, Inc)		
92) SSAH LLC (100% owned by POAH, Inc)	Weymouth, MA	20
93) POAH Brandy Hill LLC (100% owned by POAH, Inc)		
94) POAH Ventures LLC (100% owned by POAH, Inc)		
95) BR Sugar River Limited Partnership (100% owned by POAH, Inc)		
96) POAH Kings Landing LLC (100% owned by POAH, Inc)		
97) Riverview Residences Dover LLC (100% owned by POAH, Inc)	Dover, NH	24
98) POAH Cutler Meadows LLC (100% owned by POAH, Inc)	Miami, FL	225
99) POAH Cutler Manor LLC (100% owned by POAH, Inc)	Miami, FL	219
100) POAH Middletowne Apartments LLC (100% owned by POAH, Inc)	Orange Park, FL	100
101) POAH Campbell Arms, LLC (100% owned by POAH, Inc)	Homestead, FL	201
102) POAH New Horizons, LLC (100% owned by POAH, Inc)		
103) POAH Trinity Towers East, LLC (100% owned by POAH, Inc)		
104) POAH Trinity Towers West, LLC (100% owned by POAH, Inc)		
105) Trinity Towers South Preservation Associates LLLP (100% owned by POAH, Inc)		
106) POAH NSP Chicago LLC (100% owned by POAH, Inc)	Chicago, IL	6
107) POAH Grove Parc Apartments LLC (100% owned by POAH, Inc)	Chicago, IL	-
108) POAH Holdings (100% owned by POAH, Inc)	Chicago, IL	
109) POAH NMTC2 Title Holding Company LLC (100% owned by POAH, Inc)	Chicago, IL	27
110) POAH Support Corporation (100% owned by POAH, Inc)		
111) POAH Greenwood Park LLC (100% owned by POAH, Inc)	Chicago, IL	
112) POAH JBL LLC (100% owned by POAH, Inc)	Chicago, IL	106



## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

Entity	Project Location	No. of Units
113) Colony Plaza Associates, L.P. (100% owned by POAH, Inc)	Excelsior Springs, MO	111
114) Country Club Village Associates, L.P. (100% owned by POAH, Inc)	Springfield, MO	70
115) Glenwood Manor Associates, L.P. (100% owned by POAH, Inc)	Springfield, MO	119
116) Highland Meadows Associates, L.P. (100% owned by POAH, Inc)	Carthage, MO	44
117) Deerfield Village Associates, L.P. (100% owned by POAH, Inc)	Carthage, MO	60
118) Salem Heights Preservation Associates, Limited Partnership (100% owned by POAH, Inc.)	Salem, MA	283
119) Hawthorne Associates Limited Partnership (100% owned by POAH, Inc)	Independence, MO	745
120) Terri Manor Associates LTD.	Cincinnati, OH	81
121) Barry Farm Redevelopment Associates, LLC (100% owned by POAH, Inc)		
122) POAH Landowner, LLC (100% owned by POAH, Inc)		
		10,451

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 2017	Deferred Income at December 31, 2017	Income 2018	Deferred Income at December 31, 2018
2012	SLIHTC	\$ 10,262,926	2013-2017	\$ 2,052,586	-	-	-
2013	SLIHTC	3,288,680	2013-2017	657,736	-	-	-
2015	SHTC	695,000	2015-2019	139,000	278,000	139,000	139,000
2017	SLIHTC	3,633,750	2017-2021	726,750	2,907,000	726,750	2,180,250
2018	SHTC	736,000	2018-2022	-	-	147,200	588,800
				\$ 3,576,072	\$ 3,185,000	\$ 1,012,950	\$ 2,908,050

#### 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.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

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	\$ 3,521,344	\$ 2,340,000	\$ 1,067,857	\$ 1,181,344 (1)
Hillcrest Village Apartments	300,000	300,000	-	-
Bridle Path Apartments	2,613,236	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	-	-
Chery Hill	444,276	-	-	444,276 (6)
Aaron Briggs	114,098	-	-	114,098 (6)
Brandy Hill	1,356,610	-	-	1,356,610
	<u>77,464,205</u>	<u>56,759,058</u>	<u>1,067,857</u>	<u>21,985,356</u>
Gain recognized from receipt of principal payment in prior years	(565,897)	(428,886)	-	(137,011)
Gain recognized from receipt of principal payment in 2017	(1,642,865)	(925,640)	-	(717,225)
Gain recognized from receipt of principal payment in 2018	(2,293,458)	(1,411,804)	-	(881,654)
	<u>\$ 72,961,985</u>	<u>\$ 53,992,728</u>	<u>\$ 1,067,857</u>	<u>\$ 20,249,466</u>

(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 Hill'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 that were 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 that were carried out at the dates of the note issuances. The notes amortized with fixed payments on a seven year and four year term, respectively. The Third Year Note was

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements  
December 31, 2018 and 2017**

issued effective January 12, 2015 in the amount of \$4,168,759 with interest at 6.5%. The Sixth Year Note was issued effective January 12, 2018 in the amount of \$3,528,039 with interest at 7%. During 2018 and 2017, interest on both notes of \$161,530 and \$90,555, respectively was incurred. Accrued and unpaid interest at December 31, 2018 and 2017 is \$0 and 28,496, respectively. The two notes were repaid in full in June 2018.

The contingent purchase obligation, which represented the present value of the Sixth Year Note prior to issuance, was \$0 and \$3,528,039 at December 31, 2018 and 2017, respectively.

The purchase notes and contingent notes were collateralized by the assets of POAH LLC.

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 Hill'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 - Model Group acquisition**

On May 31, 2018, POAH completed the acquisition of a group of entities representing 1,556 rental units from The Model Group, Inc. and TMG Investment Group, LLC, together referred to as Model. As a result of the acquisition, POAH obtained a controlling interest in twelve properties representing 540 rental units, a non-controlling interest in seven properties representing 446 rental units, and management contracts related to thirteen other properties representing another 570 rental units. The acquisition expands POAH's property activities in Ohio. The acquisition qualifies as an acquisition of assets. The following table summarizes the acquisition cost and the cost of assets acquired and liabilities assumed recognized at the acquisition date.

	Controlling Interest in Properties	Non- Controlling Interest in Properties	Management Contracts	Total
Model payments and notes	\$ 2,094,286	\$ 177,175	\$ 213,014	\$ 2,484,475
Assumed liabilities				
POAH	\$ 2,160,834	\$ -	\$ -	\$ 2,160,834
Properties	14,758,318	-	-	14,758,318
	<u>\$ 19,013,438</u>	<u>\$ 177,175</u>	<u>\$ 213,014</u>	<u>\$ 19,403,627</u>
Financial assets	\$ 4,389,776	\$ 177,175	\$ 213,014	\$ 4,779,965
Property and fixed assets	14,582,248	-	-	14,582,248
Intangible assets	1,588,071	-	-	1,588,071
Financial liabilities	(1,546,654)	-	-	(1,546,654)
	<u>\$ 19,013,441</u>	<u>\$ 177,175</u>	<u>\$ 213,014</u>	<u>\$ 19,403,630</u>
Properties	12	7	13	32
Units	540	446	570	1,556

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2018 and 2017

Acquisition related costs of \$134,375 incurred by POAH are included in the acquisition cost. Additional liabilities of \$16,919,152 were incurred to acquire those property entities where POAH acquired a controlling interest and are included in total acquisition cost. Of this amount, \$2,160,834 is for liabilities assumed directly by POAH and \$14,758,318 is for liabilities assumed through the underlying property entities.

#### **Note 20 - 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 30, 2019 and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements. The following subsequent events are required to be disclosed in the notes to the financial statements.

In May and June 2019, affiliates of the Company purchased two portfolios totaling ten properties in Chicago, IL for a combined acquisition price of \$42,475,390. The acquisition was funded from third party debt and debt from the Company.

## **Supplementary Information**

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidating Schedule of Financial Position  
December 31, 2018**

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
<b>Current assets</b>						
Cash and cash equivalents	\$ 7,856,563	\$ 5,638,583	\$ 21,253,499	\$ 34,748,645	\$ -	\$ 34,748,645
Restricted cash	3,913,764	-	-	3,913,764	-	3,913,764
Restricted reserves	1,263,400	-	-	1,263,400	-	1,263,400
Accounts receivable						
Rental - tenants and subsidy	-	299,961	749,794	1,049,755	-	1,049,755
Grants receivable	207,548	-	-	207,548	-	207,548
Properties, net of allowance for doubtful accounts	2,809,425	-	-	2,809,425	(1,996,151)	813,274
Development fees	10,520,310	-	-	10,520,310	(10,520,310)	-
Other	1,288,017	36,382	381,213	1,705,612	(107,339)	1,598,273
Escrow deposits	-	11,153,003	68,498,705	79,651,708	-	79,651,708
Tenant security deposits	-	885,583	2,627,527	3,513,110	-	3,513,110
Due from affiliates	150,307	380,878	-	531,185	(531,185)	-
Prepaid expenses	358,263	420,735	785,071	1,564,069	-	1,564,069
Note receivable, current	2,031,857	-	-	2,031,857	(2,031,857)	-
Interest on notes receivable	2,221,137	-	-	2,221,137	(2,221,137)	-
Predevelopment costs reimbursable, current	7,000,023	3,751,254	-	10,751,277	(1,709,226)	9,042,051
<b>Total current assets</b>	<b>39,620,614</b>	<b>22,566,379</b>	<b>94,295,809</b>	<b>156,482,802</b>	<b>(19,117,205)</b>	<b>137,365,597</b>
<b>Other assets</b>						
Notes receivable, net of discount	139,200,670	13,547,689	-	152,748,359	(144,491,921)	8,256,438
Investment in partnerships	16,880,816	138,260	1,191,023	18,210,099	(16,843,924)	1,366,175
Predevelopment costs reimbursable, net of current	2,708,599	-	-	2,708,599	-	2,708,599
Other assets	960,642	300,444	4,482,049	5,743,135	-	5,743,135
<b>Total other assets</b>	<b>159,750,727</b>	<b>13,986,393</b>	<b>5,673,072</b>	<b>179,410,192</b>	<b>(161,335,845)</b>	<b>18,074,347</b>
<b>Fixed assets</b>						
Land and buildings	-	157,219,896	1,110,689,746	1,267,909,642	(241,571,665)	1,026,337,977
Rehabilitation in progress	298,264	408,796	23,104,941	23,812,001	-	23,812,001
Furniture, equipment and leasehold improvements	466,678	1,609,508	14,378,029	16,454,215	-	16,454,215
Less: Accumulated depreciation	(310,486)	(47,799,522)	(186,157,040)	(234,267,048)	45,888,892	(188,378,156)
<b>Total fixed assets</b>	<b>454,456</b>	<b>111,438,678</b>	<b>962,015,676</b>	<b>1,073,908,810</b>	<b>(195,682,773)</b>	<b>878,226,037</b>
<b>Total assets</b>	<b>\$ 199,825,797</b>	<b>\$ 147,991,450</b>	<b>\$ 1,061,984,557</b>	<b>\$ 1,409,801,804</b>	<b>\$ (376,135,823)</b>	<b>\$ 1,033,665,981</b>

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidating Schedule of Financial Position  
December 31, 2018**

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 807,548	\$ 1,742,142	\$ 4,408,565	\$ 6,958,255	\$ (734,015)	\$ 6,224,240
Accrued expenses	1,539,656	1,659,650	6,861,476	10,060,782	(12,500)	10,048,282
Accounts payable - development	31,060	3,952,153	54,111,709	58,094,922	(49,068,325)	9,026,597
Accrued interest	29,392	144,849	1,753,415	1,927,656	-	1,927,656
Mortgages payable - properties, current	-	23,749,384	6,110,890	29,860,274	-	29,860,274
Construction loans - properties, current	-	-	10,972,702	10,972,702	-	10,972,702
Loan payable, current	3,566,797	-	-	3,566,797	-	3,566,797
Line of credit, current	1,000,659	-	-	1,000,659	-	1,000,659
Deferred liabilities, current	13,294	-	-	13,294	-	13,294
Tenant security deposits	-	843,079	2,462,189	3,305,268	-	3,305,268
Prepaid revenue	17,280	374,397	789,908	1,181,585	-	1,181,585
Due to affiliates	170,813	2,372,336	1,341,607	3,884,756	(3,562,804)	321,952
<b>Total current liabilities</b>	<b>7,176,499</b>	<b>34,837,990</b>	<b>88,812,461</b>	<b>130,826,950</b>	<b>(53,377,644)</b>	<b>77,449,306</b>
<b>Long-term liabilities</b>						
Loans and notes payable, net of current	24,945,757	-	-	24,945,757	-	24,945,757
Line of credit, net of current	838,678	-	-	838,678	-	838,678
Accrued interest payable - notes payable	642,295	-	-	642,295	-	642,295
Notes payable and accrued interest - properties	-	52,311,256	355,475,454	407,786,710	(189,482,027)	218,304,683
Mortgages payable - properties, net of current	-	48,053,043	388,497,291	436,550,334	-	436,550,334
Interest rate swap	-	845,707	-	845,707	-	845,707
Other long-term liabilities	-	-	380,878	380,878	(380,878)	-
Deferred liabilities, net of current	659,060	-	-	659,060	-	659,060
Deferred income	77,962,697	12,674,734	6,457,469	97,094,900	(88,415,359)	8,679,541
<b>Total long-term liabilities</b>	<b>105,048,487</b>	<b>113,884,740</b>	<b>750,811,092</b>	<b>969,744,319</b>	<b>(278,278,264)</b>	<b>691,466,055</b>
<b>Total liabilities</b>	<b>112,224,986</b>	<b>148,722,730</b>	<b>839,623,553</b>	<b>1,100,571,269</b>	<b>(331,655,908)</b>	<b>768,915,361</b>
<b>Net assets</b>						
Net assets without donor restrictions controlling	80,272,974	(731,280)	5,112,279	84,653,973	(31,431,057)	53,222,916
Net assets without donor restrictions noncontrolling	1,717,530	-	217,248,725	218,966,255	(13,048,858)	205,917,397
<b>Total net assets without donor restrictions</b>	<b>81,990,504</b>	<b>(731,280)</b>	<b>222,361,004</b>	<b>303,620,228</b>	<b>(44,479,915)</b>	<b>259,140,313</b>
Net assets with donor restrictions	5,610,307	-	-	5,610,307	-	5,610,307
<b>Total net assets</b>	<b>87,600,811</b>	<b>(731,280)</b>	<b>222,361,004</b>	<b>309,230,535</b>	<b>(44,479,915)</b>	<b>264,750,620</b>
<b>Total liabilities and net assets</b>	<b>\$ 199,825,797</b>	<b>\$ 147,991,450</b>	<b>\$ 1,061,984,557</b>	<b>\$ 1,409,801,804</b>	<b>\$ (376,135,823)</b>	<b>\$ 1,033,665,981</b>

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Activities  
Year ended December 31, 2018

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Support and revenue						
Rental income	\$ -	\$ 21,857,941	\$ 104,001,988	\$ 125,859,929	\$ -	\$ 125,859,929
Grant income	742,468	166,920	496,595	1,405,983	-	1,405,983
Grant income, capital investments	3,099,394	-	-	3,099,394	-	3,099,394
Contribution income	6,250	-	-	6,250	-	6,250
Developer fee revenue	15,987,088	-	-	15,987,088	(13,588,772)	2,398,316
Cash flow from properties	1,170,317	-	-	1,170,317	(1,170,317)	-
State tax credit proceeds	1,012,950	-	-	1,012,950	-	1,012,950
Property management and related fees	8,101,820	-	-	8,101,820	(7,208,263)	893,557
Reimbursable salaries and expenses	20,368,370	-	-	20,368,370	(19,742,541)	625,829
Gain on receipt of mortgage note	2,293,458	-	-	2,293,458	(2,293,458)	-
Gain on prepayment of notes receivable	578,976	-	-	578,976	(578,976)	-
Gain on sale	-	1,539,305	-	1,539,305	-	1,539,305
Interest income	1,690,789	130,921	697,745	2,519,455	(1,762,624)	756,831
Loss on investment in partnership	-	-	(112,894)	(112,894)	-	(112,894)
Investment and other income	1,977,954	2,563,704	2,688,895	7,230,553	(1,948,156)	5,282,397
	57,029,834	26,258,791	107,772,329	191,060,954	(48,293,107)	142,767,847
Net assets released from restrictions	-	-	-	-	-	-
Total support and revenue	57,029,834	26,258,791	107,772,329	191,060,954	(48,293,107)	142,767,847
Expenses						
Personnel	14,365,517	-	-	14,365,517	-	14,365,517
Development expense	1,770,075	-	-	1,770,075	(423,745)	1,346,330
Professional services	1,081,364	-	-	1,081,364	-	1,081,364
Contributions and grants made	1,607,261	-	-	1,607,261	-	1,607,261
Rental	1,058,967	-	-	1,058,967	-	1,058,967
Taxes and insurance	404,021	-	-	404,021	-	404,021
Travel and lodging	893,494	-	-	893,494	-	893,494
Interest	1,463,056	-	-	1,463,056	-	1,463,056
Reimbursable salaries and expenses	20,368,370	-	-	20,368,370	(19,742,541)	625,829
Property operations	-	16,851,424	69,438,185	86,289,609	(7,384,141)	78,905,468
Property mortgage interest	-	3,962,849	30,588,455	34,551,304	(2,301,567)	32,249,737
Office and administration	1,274,768	-	-	1,274,768	-	1,274,768
Depreciation and amortization	84,968	3,530,051	28,000,110	31,615,129	(7,892,694)	23,722,435
Community impact	2,590,103	-	-	2,590,103	-	2,590,103
Bad debt expense	162,281	-	-	162,281	-	162,281
Miscellaneous	136,041	-	-	136,041	-	136,041
Total expenses	47,260,286	24,344,324	128,026,750	199,631,360	(37,744,688)	161,886,672
Excess of expenses over revenue	9,769,548	1,914,467	(20,254,421)	(8,570,406)	(10,548,419)	(19,118,825)
Excess of expenses over revenue attributable to noncontrolling interests	25,394	-	(20,252,396)	(20,227,002)	-	(20,227,002)
Excess of revenue over expenses attributable to the Company	\$ 9,744,154	\$ 1,914,467	\$ (2,025)	\$ 11,656,596	\$ (10,548,419)	\$ 1,108,177

See Independent Auditor's Report.



Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Changes in Net Assets  
Year ended December 31, 2018

	Net assets without donor restrictions									Net assets	Net assets	
	Controlling				Noncontrolling				Total	Controlling	Total	
	Core Operating Companies	Wholly Owned	LP	Eliminations	Subtotal	Core Operating Companies	LP	Eliminations	Subtotal			
Beginning balance, January 1, 2018	\$ 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
Acquisition of ownership interest	-	(475,658)	7,915,283	-	7,439,625	-	-	-	-	7,439,625	-	7,439,625
Transfer of limited partnership interest to controlling	-	12,364,647	-	-	12,364,647	-	(12,364,647)	-	(12,364,647)	-	-	-
Capital contributions from noncontrolling interests	-	-	-	-	-	-	38,532,514	-	38,532,514	38,532,514	-	38,532,514
Capital contributions from the Company	-	-	19,352	(19,352)	-	-	-	-	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-	-	(229,534)	(159,299)	-	(388,833)	(388,833)	-	(388,833)
Distributions to the Company	-	(2,565,172)	(61,131)	2,626,303	-	-	-	-	-	-	-	-
Other changes in equity	571,673	178,181	(2,251,270)	1,501,416	-	-	-	-	-	-	-	-
Excess of expenses over revenue attributable to noncontrolling interests	-	-	-	-	-	25,394	(20,252,396)	-	(20,227,002)	(20,227,002)	-	(20,227,002)
Excess of revenue (expenses) attributable to the Company	9,774,299	1,914,467	(2,025)	(10,548,419)	1,138,322	-	-	-	-	1,138,322	(30,145)	1,108,177
Ending balance, December 31, 2018	<u>\$ 80,272,974</u>	<u>\$ (731,280)</u>	<u>\$ 5,112,279</u>	<u>\$ (31,431,057)</u>	<u>\$ 53,222,916</u>	<u>\$ 1,717,530</u>	<u>\$ 217,248,725</u>	<u>\$ (13,048,858)</u>	<u>\$ 205,917,397</u>	<u>\$ 259,140,313</u>	<u>\$ 5,610,307</u>	<u>\$ 264,750,620</u>

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidating Schedule of Cash Flows  
Year ended December 31, 2018**

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
<b>Cash flows from operating activities</b>						
Excess of revenue over expenses (expenses over revenue)	\$ 9,769,548	\$ 1,914,467	\$ (20,254,421)	\$ (8,570,406)	\$ (10,548,419)	\$ (19,118,825)
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities						
Gain (loss) on investment in partnership	2,977	(1,445,801)	(112,894)	(1,555,718)	-	(1,555,718)
Investment income	(1,708,232)	-	-	(1,708,232)	1,708,232	-
Depreciation and amortization	84,968	3,530,051	28,000,110	31,615,129	(6,379,458)	25,235,671
Amortization of debt issuance costs	15,228	145,240	860,197	1,020,665	-	1,020,665
Change in fair market value of interest rate swaps	-	(311,119)	-	(311,119)	-	(311,119)
Gain (loss) on sale of properties	1,196,751	(1,539,305)	-	(342,554)	-	(342,554)
Forgiveness of debt	-	(574,311)	-	(574,311)	-	(574,311)
Deferred income	(1,207,950)	-	-	(1,207,950)	-	(1,207,950)
Changes in						
Accounts receivable	(5,804,153)	252,300	688,671	(4,863,182)	4,955,340	92,158
Prepaid expenses and other assets	477,579	(22,201)	(18,154)	437,224	-	437,224
Predevelopment costs reimbursable	(1,639,575)	(696,771)	-	(2,336,346)	230,843	(2,105,503)
Accounts payable and accrued expenses	(394,890)	804,949	2,461,088	2,871,147	109,953	2,981,100
Prepaid and deferred revenues	694,247	1,156,731	202,971	2,053,949	-	2,053,949
Tenant security deposits, net	-	(9,108)	(56,930)	(66,038)	-	(66,038)
Due to affiliates, net	(35,278)	255,954	(1,219,586)	(998,910)	901,605	(97,305)
<b>Net cash provided by operating activities</b>	<b>1,451,220</b>	<b>3,461,076</b>	<b>10,551,052</b>	<b>15,463,348</b>	<b>(9,021,904)</b>	<b>6,441,444</b>
<b>Cash flows from investing activities</b>						
Escrow deposits and restricted reserves, net	(459,612)	2,609,948	6,092,198	8,242,534	-	8,242,534
Advances on notes receivable and accrued interest	(6,313,285)	(337,032)	-	(6,650,317)	6,650,317	-
Repayments of notes receivable and accrued interest	9,918,224	-	-	9,918,224	(9,918,224)	-
Purchase of management contracts	(213,014)	-	-	(213,014)	-	(213,014)
Contributions to partnerships	(311,293)	-	-	(311,293)	311,293	-
Distributions from partnerships	283,360	-	-	283,360	(283,360)	-
Acquisition of assets	(4,471,462)	-	-	(4,471,462)	4,471,462	-
Cash paid for fixed assets	(395,306)	218,229	(115,526,547)	(115,703,624)	7,088,383	(108,615,241)
<b>Net cash (used in) provided by investing activities</b>	<b>(1,962,388)</b>	<b>2,491,145</b>	<b>(109,434,349)</b>	<b>(108,905,592)</b>	<b>8,319,871</b>	<b>(100,585,721)</b>
<b>Cash flows from financing activities</b>						
Proceeds from line of credit	7,352,798	-	-	7,352,798	-	7,352,798
Payments on line of credit	(5,855,208)	-	-	(5,855,208)	-	(5,855,208)
Proceeds from notes and mortgages payable	8,943,347	5,152,798	72,460,301	86,556,446	(3,160,400)	83,396,046
Payment on notes and mortgages payable	(2,983,829)	(6,563,543)	(6,346,411)	(15,893,783)	-	(15,893,783)
Deferred income	(1,557,458)	-	-	(1,557,458)	1,011,288	(546,170)
Proceeds from contingent deferred purchase obligation	(3,528,039)	-	-	(3,528,039)	-	(3,528,039)
Debt issuance costs paid	(29,166)	(196,626)	(519,171)	(744,963)	-	(744,963)
Syndication and tax credit costs paid	-	-	(346,497)	(346,497)	-	(346,497)
Acquisition costs and fees paid as a component of general partner equity	-	-	(244,194)	(244,194)	244,194	-
Distributions paid to partners	(229,534)	(2,565,172)	(220,430)	(3,015,136)	2,626,303	(388,833)
Partners capital contributions received	-	-	38,551,866	38,551,866	(19,352)	38,532,514
<b>Net cash provided by (used in) financing activities</b>	<b>\$ 2,112,911</b>	<b>\$ (4,172,543)</b>	<b>\$ 103,335,464</b>	<b>\$ 101,275,832</b>	<b>\$ 702,033</b>	<b>\$ 101,977,865</b>

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidating Schedule of Cash Flows  
Year ended December 31, 2018**

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Net increase in cash and cash equivalents	\$ 1,601,743	\$ 1,779,678	\$ 4,452,167	\$ 7,833,588	\$ -	\$ 7,833,588
Cash and cash equivalents, beginning of year	10,168,584	3,858,905	16,801,332	30,828,821	-	30,828,821
Cash and cash equivalents, end of year	<u>\$ 11,770,327</u>	<u>\$ 5,638,583</u>	<u>\$ 21,253,499</u>	<u>\$ 38,662,409</u>	<u>\$ -</u>	<u>\$ 38,662,409</u>
Supplemental disclosure of cash flow activities						
Cash paid for interest	<u>\$ 1,572,846</u>	<u>\$ 2,024,843</u>	<u>\$ 24,027,886</u>	<u>\$ 27,625,575</u>	<u>\$ -</u>	<u>\$ 27,625,575</u>
Schedule of noncash investing activities						
Fixed asset costs incurred	\$ 395,306	\$ 1,097,807	\$ 111,547,260	\$ 113,040,373	\$ (7,515,263)	\$ 105,525,110
Fixed assets assets sold in connection with common control transaction	-	(2,389,588)	-	(2,389,588)	-	(2,389,588)
Accounts payable - development, beginning of year	-	5,025,705	58,090,996	63,116,701	(48,641,445)	14,475,256
Accounts payable - development, end of year	-	(3,952,153)	(54,111,709)	(58,063,862)	49,068,325	(8,995,537)
Cash paid for fixed assets	<u>\$ 395,306</u>	<u>\$ (218,229)</u>	<u>\$ 115,526,547</u>	<u>\$ 115,703,624</u>	<u>\$ (7,088,383)</u>	<u>\$ 108,615,241</u>
Transfer of fixed assets	<u>\$ -</u>	<u>\$ 12,364,647</u>	<u>\$ (12,364,647)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Purchase of GP Interest	<u>\$ -</u>	<u>\$ (475,658)</u>	<u>\$ 7,915,283</u>	<u>\$ 7,439,625</u>	<u>\$ -</u>	<u>\$ 7,439,625</u>
Deferred liability included in residual receipts escrow	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,178</u>	<u>\$ 3,178</u>	<u>\$ -</u>	<u>\$ 3,178</u>
Increase in interest on notes receivable for acquisitions under common control	<u>\$ 486,548</u>	<u>\$ -</u>	<u>\$ (486,548)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Schedule of noncash financing activities						
Decrease in liabilities due to interest rate swap	<u>\$ -</u>	<u>\$ (311,119)</u>	<u>\$ -</u>	<u>\$ (311,119)</u>	<u>\$ -</u>	<u>\$ (311,119)</u>
Assignment of notes payable and related accrued interest	<u>\$ 2,138,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,138,106</u>	<u>\$ -</u>	<u>\$ 2,138,106</u>

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidating Schedule of Financial Position - Core Operating Companies  
December 31, 2018**

	POAH INC	POAH LLC	Subtotal	Elimination	Total
<b>Current assets</b>					
Cash and cash equivalents	3,203,780	4,652,783	7,856,563	-	7,856,563
Restricted cash	3,913,764	-	3,913,764	-	3,913,764
Restricted reserves	761,995	501,405	1,263,400	-	1,263,400
Accounts receivable					
Grants receivable	207,548	-	207,548	-	207,548
Properties, net of allowance for doubtful accounts	682,473	2,126,952	2,809,425	-	2,809,425
Development fees	-	10,520,310	10,520,310	-	10,520,310
Other	50,298	1,237,719	1,288,017	-	1,288,017
Due from affiliates	402,268	3,823,712	4,225,980	(4,075,673)	150,307
Prepaid expenses	246,185	112,078	358,263	-	358,263
Note receivable, current	2,031,857	-	2,031,857	-	2,031,857
Interest on notes receivable	93,870	2,127,267	2,221,137	-	2,221,137
Predevelopment costs reimbursable, current	7,000,023	-	7,000,023	-	7,000,023
<b>Total current assets</b>	<b>18,594,061</b>	<b>25,102,226</b>	<b>43,696,287</b>	<b>(4,075,673)</b>	<b>39,620,614</b>
<b>Other assets</b>					
Notes receivable, net of discount	20,437,546	118,763,124	139,200,670	-	139,200,670
Investment in companies	55,534,506	-	55,534,506	(55,534,506)	-
Investment in partnerships	16,880,816	-	16,880,816	-	16,880,816
Predevelopment costs reimbursable, net of current	2,708,599	-	2,708,599	-	2,708,599
Other assets	747,792	212,850	960,642	-	960,642
<b>Total other assets</b>	<b>96,309,259</b>	<b>118,975,974</b>	<b>215,285,233</b>	<b>(55,534,506)</b>	<b>159,750,727</b>
<b>Fixed assets</b>					
Rehabilitation in progress	-	298,264	298,264	-	298,264
Furniture, equipment and leasehold improvements	124,553	342,125	466,678	-	466,678
Less: Accumulated depreciation	(120,252)	(190,234)	(310,486)	-	(310,486)
<b>Total fixed assets</b>	<b>4,301</b>	<b>450,155</b>	<b>454,456</b>	<b>-</b>	<b>454,456</b>
<b>Total assets</b>	<b>\$ 114,907,621</b>	<b>\$ 144,528,355</b>	<b>\$ 259,435,976</b>	<b>\$ (59,610,179)</b>	<b>\$ 199,825,797</b>

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidating Schedule of Financial Position - Core Operating Companies  
December 31, 2018**

	POAH INC	POAH LLC	Subtotal	Elimination	Total
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 383,411	\$ 424,137	\$ 807,548	\$ -	\$ 807,548
Accrued expenses	438,004	1,101,652	1,539,656	-	1,539,656
Accounts payable - development	5,260	25,800	31,060	-	31,060
Accrued interest	18,228	11,164	29,392	-	29,392
Loan payable, current	3,483,584	83,213	3,566,797	-	3,566,797
Line of credit, current	-	1,000,659	1,000,659	-	1,000,659
Deferred liabilities, current	-	13,294	13,294	-	13,294
Prepaid revenue	-	17,280	17,280	-	17,280
Due to affiliates	3,869,906	376,580	4,246,486	(4,075,673)	170,813
<b>Total current liabilities</b>	<b>8,198,393</b>	<b>3,053,779</b>	<b>11,252,172</b>	<b>(4,075,673)</b>	<b>7,176,499</b>
<b>Long-term liabilities</b>					
Loans and notes payable, net of current	18,937,215	6,008,542	24,945,757	-	24,945,757
Line of credit, net of current	-	838,678	838,678	-	838,678
Accrued interest payable - notes payable	-	642,295	642,295	-	642,295
Deferred liabilities, net of current	487,429	171,631	659,060	-	659,060
Deferred income	1,401,303	76,561,394	77,962,697	-	77,962,697
<b>Total long-term liabilities</b>	<b>20,825,947</b>	<b>84,222,540</b>	<b>105,048,487</b>	<b>-</b>	<b>105,048,487</b>
<b>Total liabilities</b>	<b>29,024,340</b>	<b>87,276,319</b>	<b>116,300,659</b>	<b>(4,075,673)</b>	<b>112,224,986</b>
<b>Net assets</b>					
Net assets without donor restrictions controlling	80,272,974	55,534,506	135,807,480	(55,534,506)	80,272,974
Net assets without donor restrictions noncontrolling	-	1,717,530	1,717,530	-	1,717,530
<b>Total net assets without donor restrictions</b>	<b>80,272,974</b>	<b>57,252,036</b>	<b>137,525,010</b>	<b>(55,534,506)</b>	<b>81,990,504</b>
Net assets with donor restrictions	5,610,307	-	5,610,307	-	5,610,307
<b>Total net assets</b>	<b>85,883,281</b>	<b>57,252,036</b>	<b>143,135,317</b>	<b>(55,534,506)</b>	<b>87,600,811</b>
<b>Total liabilities and net assets</b>	<b>\$ 114,907,621</b>	<b>\$ 144,528,355</b>	<b>\$ 259,435,976</b>	<b>\$ (59,610,179)</b>	<b>\$ 199,825,797</b>

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidating Schedule of Activities - Core Operating Companies**  
**Year ended December 31, 2018**

	POAH INC without donor restrictions	POAH INC with donor restrictions	POAH LLC	Subtotal	Elimination	Total
<b>Support and revenue</b>						
Grant income	\$ 301,404	\$ 441,064	\$ -	\$ 742,468	\$ -	\$ 742,468
Grant income, capital investments	3,069,394	30,000	-	3,099,394	-	3,099,394
Contribution income	4,000	2,250	-	6,250	-	6,250
Developer fee revenue	-	-	15,987,088	15,987,088	-	15,987,088
Cash flow from properties	701,476	-	468,841	1,170,317	-	1,170,317
State tax credit proceeds	-	-	1,012,950	1,012,950	-	1,012,950
Property management and related fees	-	-	8,101,820	8,101,820	-	8,101,820
Reimbursable salaries and expenses	-	-	20,368,370	20,368,370	-	20,368,370
Gain on receipt of mortgage note	-	-	2,293,458	2,293,458	-	2,293,458
Gain on prepayment of notes receivable	-	-	578,976	578,976	-	578,976
Interest income	7,447	-	1,683,342	1,690,789	-	1,690,789
Investment and other income	13,007,800	197,281	(4,852)	13,200,229	(11,222,275)	1,977,954
	17,091,521	670,595	50,489,993	68,252,109	(11,222,275)	57,029,834
Net assets released from restrictions	700,740	(700,740)	-	-	-	-
<b>Total support and revenue</b>	<b>17,792,261</b>	<b>(30,145)</b>	<b>50,489,993</b>	<b>68,252,109</b>	<b>(11,222,275)</b>	<b>57,029,834</b>
<b>Expenses</b>						
Personnel	1,382,585	-	12,982,932	14,365,517	-	14,365,517
Development expense	-	-	1,770,075	1,770,075	-	1,770,075
Professional services	499,473	-	581,891	1,081,364	-	1,081,364
Contributions and grants made	1,597,878	-	9,383	1,607,261	-	1,607,261
Rental	122,367	-	936,600	1,058,967	-	1,058,967
Taxes and insurance	285,865	-	118,156	404,021	-	404,021
Travel and lodging	177,315	-	716,179	893,494	-	893,494
Interest	1,101,248	-	361,808	1,463,056	-	1,463,056
Reimbursable salaries and expenses	-	-	20,368,370	20,368,370	-	20,368,370
Office and administration	147,322	-	1,127,446	1,274,768	-	1,274,768
Depreciation and amortization	14,956	-	70,012	84,968	-	84,968
Community impact	2,590,103	-	-	2,590,103	-	2,590,103
Bad debt expense	-	-	162,281	162,281	-	162,281
Miscellaneous	98,850	-	37,191	136,041	-	136,041
<b>Total expenses</b>	<b>8,017,962</b>	<b>-</b>	<b>39,242,324</b>	<b>47,260,286</b>	<b>-</b>	<b>47,260,286</b>
<b>Excess of expenses over revenue</b>	<b>9,774,299</b>	<b>(30,145)</b>	<b>11,247,669</b>	<b>20,991,823</b>	<b>(11,222,275)</b>	<b>9,769,548</b>
Excess of expenses over revenue attributable to noncontrolling interests	-	-	25,394	25,394	-	25,394
<b>Excess of revenue over expenses attributable to the Company</b>	<b>\$ 9,774,299</b>	<b>\$ (30,145)</b>	<b>\$ 11,222,275</b>	<b>\$ 20,966,429</b>	<b>\$ (11,222,275)</b>	<b>\$ 9,744,154</b>

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, 2018**

	Net assets without donor restrictions						Net assets with donor restrictions	
	Controlling				Noncontrolling		Controlling	
	POAH INC	POAH LLC	Eliminations	Subtotal	POAH LLC	Total	POAH INC	Total
Beginning balance, January 1, 2018	\$ 69,927,002	\$ 46,141,563	\$ (46,141,563)	\$ 69,927,002	\$ 1,921,670	\$ 71,848,672	\$ 5,640,452	\$ 77,489,124
Capital contributions from the Company	-	1,798,995	(1,798,995)	-	-	-	-	-
Distributions to the Company	-	(4,200,000)	4,200,000	-	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-	(229,534)	(229,534)	-	(229,534)
Other changes in equity	571,673	571,673	(571,673)	571,673	-	571,673	-	571,673
Excess of revenue (expenses)	9,774,299	11,222,275	(11,222,275)	9,774,299	25,394	9,799,693	(30,145)	9,769,548
Ending balance, December 31, 2018	<u>\$ 80,272,974</u>	<u>\$ 55,534,506</u>	<u>\$ (55,534,506)</u>	<u>\$ 80,272,974</u>	<u>\$ 1,717,530</u>	<u>\$ 81,990,504</u>	<u>\$ 5,610,307</u>	<u>\$ 87,600,811</u>

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidating Schedule of Cash Flows - Core Operating Companies  
Year ended December 31, 2018**

	POAH, Inc	POAH, LLC	Subtotal	Elimination	Total
Cash flows from operating activities					
Excess of revenue over expenses (expenses over revenue)	\$ 9,744,154	\$ 11,247,669	\$ 20,991,823	\$ (11,222,275)	\$ 9,769,548
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities					
(Loss) Gain on investment in partnership	(2,023)	5,000	2,977	-	2,977
Investment income	(12,930,507)	-	(12,930,507)	11,222,275	(1,708,232)
Depreciation expense	14,956	70,012	84,968	-	84,968
Amortization of debt issuance costs	15,228	-	15,228	-	15,228
Loss on disposal of fixed assets	1,196,751	-	1,196,751	-	1,196,751
Deferred income	-	(1,207,950)	(1,207,950)	-	(1,207,950)
Changes in					
Accounts receivable	(288,265)	(5,515,888)	(5,804,153)	-	(5,804,153)
Prepaid expenses and other assets	(142,849)	620,428	477,579	-	477,579
Predevelopment costs reimbursable	(1,639,575)	-	(1,639,575)	-	(1,639,575)
Accounts payable and accrued expenses	(307,288)	(87,602)	(394,890)	-	(394,890)
Prepaid and deferred revenues	487,429	206,818	694,247	-	694,247
Due to affiliates, net	2,040,787	(2,076,065)	(35,278)	-	(35,278)
Net cash (used in) provided by operating activities	<u>(1,811,202)</u>	<u>3,262,422</u>	<u>1,451,220</u>	<u>-</u>	<u>1,451,220</u>
Cash flows from investing activities					
Escrow deposits and restricted reserves, net	(3,293)	(456,319)	(459,612)	-	(459,612)
Advances on notes receivable and accrued interest	(1,374,743)	(4,938,542)	(6,313,285)	-	(6,313,285)
Repayments of notes receivable and accrued interest	3,119,060	6,799,164	9,918,224	-	9,918,224
Purchase of management contracts	-	(213,014)	(213,014)	-	(213,014)
Contribution to subsidiary	(1,798,995)	-	(1,798,995)	1,798,995	-
Distributions received from subsidiary	4,200,000	-	4,200,000	(4,200,000)	-
Contributions to partnerships	(311,293)	-	(311,293)	-	(311,293)
Distributions from partnerships	283,360	-	283,360	-	283,360
Acquisition of assets	(4,471,462)	-	(4,471,462)	-	(4,471,462)
Cash paid for fixed assets	-	(395,306)	(395,306)	-	(395,306)
Net cash (used in) provided by investing activities	<u>(357,366)</u>	<u>795,983</u>	<u>438,617</u>	<u>(2,401,005)</u>	<u>(1,962,388)</u>
Cash flows from financing activities					
Proceeds from line of credit	3,290,940	4,061,858	7,352,798	-	7,352,798
Payments on line of credit	(1,738,813)	(4,116,395)	(5,855,208)	-	(5,855,208)
Proceeds from notes payable	8,645,083	298,264	8,943,347	-	8,943,347
Payment on notes payable	(1,811,375)	(1,172,454)	(2,983,829)	-	(2,983,829)
Deferred income	-	(1,557,458)	(1,557,458)	-	(1,557,458)
Contingent deferred purchase obligation	(3,528,039)	-	(3,528,039)	-	(3,528,039)
Debt issuance costs paid	(29,166)	-	(29,166)	-	(29,166)
Contributions from member	-	1,798,995	1,798,995	(1,798,995)	-
Distributions paid to members	-	(4,429,534)	(4,429,534)	4,200,000	(229,534)
Net cash provided by (used in) financing activities	<u>\$ 4,828,630</u>	<u>\$ (5,116,724)</u>	<u>\$ (288,094)</u>	<u>\$ 2,401,005</u>	<u>\$ 2,112,911</u>



**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidating Schedule of Cash Flows - Core Operating Companies  
Year ended December 31, 2018**

	POAH, Inc	POAH, LLC	Subtotal	Elimination	Total
Net increase (decrease) in cash and cash equivalents	\$ 2,660,062	\$ (1,058,319)	\$ 1,601,743	\$ -	\$ 1,601,743
Cash and cash equivalents, beginning of year	4,457,482	5,711,102	10,168,584	-	10,168,584
Cash and cash equivalents, end of year	<u>\$ 7,117,544</u>	<u>\$ 4,652,783</u>	<u>\$ 11,770,327</u>	<u>\$ -</u>	<u>\$ 11,770,327</u>
Supplemental disclosure of cash flow activities					
Cash paid for interest	<u>\$ 1,071,340</u>	<u>\$ 501,506</u>	<u>\$ 1,572,846</u>	<u>-</u>	<u>\$ 1,572,846</u>
Schedule of noncash investing activities					
Increase in interest on notes receivable for acquisitions under common control	<u>\$ -</u>	<u>\$ 486,548</u>	<u>\$ 486,548</u>	<u>\$ -</u>	<u>\$ 486,548</u>
Schedule of noncash financing activities					
Assignment of notes payable and related accrued interest	<u>\$ -</u>	<u>\$ 2,138,106</u>	<u>\$ 2,138,106</u>	<u>\$ -</u>	<u>\$ 2,138,106</u>

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc and Subsidiaries**

**Consolidating Schedule of Financial Position - POAH LLC**

**December 31, 2018**

	<u>POAH LLC</u>	<u>POAHC</u>	<u>PTLHC</u>	<u>PWSMT</u>	<u>Eliminations</u>	<u>Total</u>
<b>Current assets</b>						
Cash & cash equivalents	\$ 3,648,900	\$ 1,003,883	\$ -	\$ -	\$ -	\$ 4,652,783
Restricted reserve	475,605	-	-	25,800	-	501,405
Accounts receivable						
Properties, net of allowance for doubtful accounts	769,261	1,490,441	-	-	(132,750)	2,126,952
Development fees	10,520,310	-	-	-	-	10,520,310
Other	1,142,741	94,978	-	-	-	1,237,719
Due from related parties	3,590,990	257,128	-	-	(24,406)	3,823,712
Prepaid expenses	153	111,925	-	-	-	112,078
Interest on notes receivable	1,831,143	-	296,124	-	-	2,127,267
<b>Total current assets</b>	<u>21,979,103</u>	<u>2,958,355</u>	<u>296,124</u>	<u>25,800</u>	<u>(157,156)</u>	<u>25,102,226</u>
<b>Other assets</b>						
Notes receivable, net of discount	113,898,344	-	4,864,780	-	-	118,763,124
Investment in companies	5,251,074	-	-	-	(5,251,074)	-
Investment in properties	(8,821)	-	-	-	8,821	-
Other assets	31,631	181,219	-	-	-	212,850
<b>Total other assets</b>	<u>119,172,228</u>	<u>181,219</u>	<u>4,864,780</u>	<u>-</u>	<u>(5,242,253)</u>	<u>118,975,974</u>
<b>Fixed assets</b>						
Construction in progress	-	-	-	298,264	-	298,264
Furniture, equipment and leasehold improvements	173,150	168,975	-	-	-	342,125
Less: Accumulated depreciation	(96,085)	(94,149)	-	-	-	(190,234)
<b>Total fixed assets</b>	<u>77,065</u>	<u>74,826</u>	<u>-</u>	<u>298,264</u>	<u>-</u>	<u>450,155</u>
<b>Total assets</b>	<u><u>\$ 141,228,396</u></u>	<u><u>\$ 3,214,400</u></u>	<u><u>\$ 5,160,904</u></u>	<u><u>\$ 324,064</u></u>	<u><u>\$ (5,399,409)</u></u>	<u><u>\$ 144,528,355</u></u>

**Preservation of Affordable Housing, Inc and Subsidiaries**

**Consolidating Schedule of Financial Position - POAH LLC**

**December 31, 2018**

	<u>POAH LLC</u>	<u>POAHC</u>	<u>PTLHC</u>	<u>PWSMT</u>	<u>Eliminations</u>	<u>Total</u>
Current liabilities						
Accounts payable	\$ 167,575	\$ 256,562	\$ -	\$ -	\$ -	\$ 424,137
Development costs payable	-	-	-	25,800	-	25,800
Accrued expenses	253,982	847,670	-	-	-	1,101,652
Accrued interest	10,268	-	-	896	-	11,164
Loan payable, current	83,213	-	-	-	-	83,213
Line of credit, current	1,000,659	-	-	-	-	1,000,659
Prepaid revenue	-	17,280	-	-	-	17,280
Deferred liability, current	6,865	6,429	-	-	-	13,294
Due to related parties	<u>368,655</u>	<u>24,406</u>	<u>132,750</u>	<u>7,925</u>	<u>(157,156)</u>	<u>376,580</u>
Total current liabilities	<u>1,891,217</u>	<u>1,152,347</u>	<u>132,750</u>	<u>34,621</u>	<u>(157,156)</u>	<u>3,053,779</u>
Long-term liabilities						
Loans payable, net of current portion	5,710,278	-	-	298,264	-	6,008,542
Line of credit, net of current portion	838,678	-	-	-	-	838,678
Accrued interest payable - loans payable	642,295	-	-	-	-	642,295
Deferred liability, net of current	50,028	121,603	-	-	-	171,631
Deferred income	<u>76,561,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,561,394</u>
Total long-term liabilities	<u>83,802,673</u>	<u>121,603</u>	<u>-</u>	<u>298,264</u>	<u>-</u>	<u>84,222,540</u>
Total liabilities	<u>85,693,890</u>	<u>1,273,950</u>	<u>132,750</u>	<u>332,885</u>	<u>(157,156)</u>	<u>87,276,319</u>
Net assets						
Net assets without donor restrictions controlling	55,534,506	1,940,450	3,310,624	(8,821)	(5,242,253)	55,534,506
Net assets without donor restrictions noncontrolling	<u>-</u>	<u>-</u>	<u>1,717,530</u>	<u>-</u>	<u>-</u>	<u>1,717,530</u>
Total net assets without donor restrictions	<u>55,534,506</u>	<u>1,940,450</u>	<u>5,028,154</u>	<u>(8,821)</u>	<u>(5,242,253)</u>	<u>57,252,036</u>
Total liabilities and net assets	<u>\$ 141,228,396</u>	<u>\$ 3,214,400</u>	<u>\$ 5,160,904</u>	<u>\$ 324,064</u>	<u>\$ (5,399,409)</u>	<u>\$ 144,528,355</u>

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidating Schedule of Activities - POAH LLC**

**Year ended December 31, 2018**

	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations	Total
<b>Revenue</b>						
Development and other fee revenue from properties	\$ 15,987,088	\$ -	\$ -	\$ -	\$ -	\$ 15,987,088
Cash flow from properties	601,591	-	-	-	(132,750)	468,841
State tax credit proceeds	1,012,950	-	-	-	-	1,012,950
Property management and related fees	-	8,101,820	-	-	-	8,101,820
Reimbursable salaries and expenses	-	20,368,370	-	-	-	20,368,370
Gain on receipt of mortgage note	2,293,458	-	-	-	-	2,293,458
Gain on prepayment of notes receivable	578,976	-	-	-	-	578,976
Interest income	1,491,044	203	192,095	-	-	1,683,342
Investment and other income	215,916	148	-	-	(220,916)	(4,852)
<b>Total revenue</b>	<b>22,181,023</b>	<b>28,470,541</b>	<b>192,095</b>	<b>-</b>	<b>(353,666)</b>	<b>50,489,993</b>
<b>Expenses</b>						
Personnel	6,906,894	6,076,038	-	-	-	12,982,932
Development expense	1,770,075	-	132,750	-	(132,750)	1,770,075
Professional services	441,564	140,327	-	-	-	581,891
Contributions and grants made	9,383	-	-	-	-	9,383
Rental and utilities	651,640	284,960	-	-	-	936,600
Taxes and insurance	9,121	109,035	-	-	-	118,156
Travel and lodging	230,292	485,887	-	-	-	716,179
Interest expense	352,987	-	-	8,821	-	361,808
Reimbursable salaries and expenses	-	20,368,370	-	-	-	20,368,370
Office and administration	541,452	585,994	-	-	-	1,127,446
Depreciation and amortization	18,552	51,460	-	-	-	70,012
Bad debts	-	162,281	-	-	-	162,281
Miscellaneous	26,788	10,403	-	-	-	37,191
<b>Total expenses</b>	<b>10,958,748</b>	<b>28,274,755</b>	<b>132,750</b>	<b>8,821</b>	<b>(132,750)</b>	<b>39,242,324</b>
Excess of revenue over expenses	11,222,275	195,786	59,345	(8,821)	(220,916)	11,247,669
Excess of revenue over expenses attributable to noncontrolling interests	-	-	(25,394)	-	-	(25,394)
Excess of revenue over expenses attributable to the Company	\$ 11,222,275	\$ 195,786	\$ 33,951	\$ (8,821)	\$ (220,916)	\$ 11,222,275

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidating Schedule of Changes in Net Assets - POAH LLC  
Year ended December 31, 2018**

	Controlling					Subtotal	Noncontrolling	Total
	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations		PTLHC	
Beginning balance, January 1, 2018	\$ 46,141,563	\$ 2,331,650	\$ 1,144,115	\$ -	\$ (3,475,765)	\$ 46,141,563	\$ 1,921,670	\$ 48,063,233
Contributions	1,798,995	213,014	1,972,776	-	(2,185,790)	1,798,995	-	1,798,995
Distributions	(4,200,000)	(800,000)	-	-	800,000	(4,200,000)	(229,534)	(4,429,534)
Other changes in net assets	571,673	-	159,782	-	(159,782)	571,673	-	571,673
Excess of revenue (expenses)	11,222,275	195,786	33,951	(8,821)	(220,916)	11,222,275	25,394	11,247,669
Ending balance, December 31, 2018	<u>\$ 55,534,506</u>	<u>\$ 1,940,450</u>	<u>\$ 3,310,624</u>	<u>\$ (8,821)</u>	<u>\$ (5,242,253)</u>	<u>\$ 55,534,506</u>	<u>\$ 1,717,530</u>	<u>\$ 57,252,036</u>

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidating Schedule of Cash Flows - POAH LLC**

**Year ended December 31, 2018**

	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations	Total
Cash flows from operating activities						
Excess of revenue (expenses)	\$ 11,222,275	\$ 195,786	\$ 59,345	\$ (8,821)	\$ (220,916)	\$ 11,247,669
Adjustments to reconcile excess of revenue (expenses) to net cash provided by operating activities						
Loss on investment in partnership	5,000	-	-	-	-	5,000
Investment income	(220,916)	-	-	-	220,916	-
Depreciation and amortization expense	18,552	51,460	-	-	-	70,012
Deferred income	(1,207,950)	-	-	-	-	(1,207,950)
Changes in						
Accounts receivable	(4,540,306)	(679,458)	(296,124)	-	-	(5,515,888)
Prepaid expenses and other assets	(7,401)	627,829	-	-	-	620,428
Accounts payable and accrued expenses	(389,574)	275,276	-	26,696	-	(87,602)
Prepaid revenue and deferred liabilities	61,506	145,312	-	-	-	206,818
Due to affiliates, net	(2,069,166)	(147,574)	132,750	7,925	-	(2,076,065)
Net cash provided by (used in) operating activities	<u>2,872,020</u>	<u>468,631</u>	<u>(104,029)</u>	<u>25,800</u>	<u>-</u>	<u>3,262,422</u>
Cash flows from investing activities						
Restricted reserves, net	(430,519)	-	-	(25,800)	-	(456,319)
Advances on notes receivable and accrued interest	(3,299,329)	-	(1,639,213)	-	-	(4,938,542)
Repayment of notes receivable and accrued interest	6,799,164	-	-	-	-	6,799,164
Purchase of management contracts	-	(213,014)	-	-	-	(213,014)
Contributions to subsidiary	(2,185,790)	-	-	-	2,185,790	-
Distribution from subsidiary	800,000	-	-	-	(800,000)	-
Cash paid for fixed assets	(17,467)	(79,575)	-	(298,264)	-	(395,306)
Net cash provided by (used in) investing activities	<u>1,666,059</u>	<u>(292,589)</u>	<u>(1,639,213)</u>	<u>(324,064)</u>	<u>1,385,790</u>	<u>795,983</u>
Cash flows from financing activities						
Proceeds from line of credit	4,061,858	-	-	-	-	4,061,858
Payments on line of credit	(4,116,395)	-	-	-	-	(4,116,395)
Proceeds from notes payable	-	-	-	298,264	-	298,264
Payment on note payable	(1,172,454)	-	-	-	-	(1,172,454)
Deferred income	(1,557,458)	-	-	-	-	(1,557,458)
Contributions from member	1,798,995	213,014	1,972,776	-	(2,185,790)	1,798,995
Distributions to member	(4,200,000)	(800,000)	(229,534)	-	800,000	(4,429,534)
Net cash (used in) provided by financing activities	<u>(5,185,454)</u>	<u>(586,986)</u>	<u>1,743,242</u>	<u>298,264</u>	<u>(1,385,790)</u>	<u>(5,116,724)</u>

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidating Schedule of Cash Flows - POAH LLC  
Year ended December 31, 2018**

	<u>POAH LLC</u>	<u>POAHC</u>	<u>PTLHC</u>	<u>PWSMT</u>	<u>Eliminations</u>	<u>Total</u>
Net decrease in cash and cash equivalents	(647,375)	(410,944)	-	-	-	(1,058,319)
Cash and cash equivalents, beginning	<u>4,296,275</u>	<u>1,414,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,711,102</u>
Cash and cash equivalents, end	<u>\$ 3,648,900</u>	<u>\$ 1,003,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,652,783</u>
Supplemental disclosure of cash flow activities						
Cash paid for interest	<u>\$ 501,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239</u>	<u>\$ -</u>	<u>\$ 501,506</u>
Schedule of noncash investing activities						
Assignment of notes receivable and related accrued interest	<u>\$ 2,138,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,138,106</u>
Increase in interest on notes receivable for acquisitions under common control	<u>\$ 486,548</u>	<u>\$ -</u>	<u>\$ 159,782</u>	<u>\$ -</u>	<u>\$ (159,782)</u>	<u>\$ 486,548</u>
Schedule of noncash financing activities						
Assignment of notes payable and related accrued interest	<u>\$ 2,138,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,138,106</u>

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