

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

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

December 31, 2019 and 2018

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

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, 2019 and 2018, 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 \$288,638,594 and \$203,927,094 as of December 31, 2019 and 2018, respectively, and total revenues of \$40,406,813 and \$30,921,620, 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, 2019 and 2018, 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 2019 supplementary information on pages 40 to 57 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CohnReznick LLP

Boston, Massachusetts
June 30, 2020

Preservation of Affordable Housing, Inc. and Subsidiaries

**Consolidated Statements of Financial Position
December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 38,724,829	\$ 34,748,645
Restricted cash	1,999,611	3,913,764
Reserves	5,516,493	-
Restricted reserves	773,259	1,263,400
Accounts receivable		
Rental - tenants and subsidy	2,223,576	1,049,755
Grants receivable	262,300	207,548
Properties, net of allowance for doubtful accounts	977,440	813,274
Other	1,732,702	1,598,273
Escrow deposits	93,240,035	79,651,708
Tenant security deposits	3,868,614	3,513,110
Prepaid expenses	1,717,905	1,564,069
Predevelopment costs reimbursable, current	<u>11,164,652</u>	<u>9,042,051</u>
Total current assets	162,201,416	137,365,597
Other assets		
Notes receivable, net of discount	8,407,000	8,256,438
Investment in partnerships	1,327,160	1,366,175
Predevelopment costs reimbursable, net of current	3,593,298	2,708,599
Other assets	<u>5,943,592</u>	<u>5,743,135</u>
Total other assets	19,271,050	18,074,347
Fixed assets		
Land and buildings	1,142,339,771	1,026,337,977
Rehabilitation in progress	60,844,444	23,812,001
Furniture, equipment and leasehold improvements	19,564,539	16,454,215
Less: Accumulated depreciation	<u>(216,752,897)</u>	<u>(188,378,156)</u>
Total fixed assets	1,005,995,857	878,226,037
Total assets	<u><u>\$ 1,187,468,323</u></u>	<u><u>\$ 1,033,665,981</u></u>

Preservation of Affordable Housing, Inc. and Subsidiaries

**Consolidated Statements of Financial Position
December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 6,387,474	\$ 6,224,240
Accrued expenses	12,670,101	10,048,282
Accounts payable - development	14,945,791	9,026,597
Accrued interest	2,300,625	1,927,656
Mortgages payable - properties, current	8,682,497	29,860,274
Construction loans - properties, current	48,162,954	10,972,702
Loan payable, current	7,804,138	3,566,797
Line of credit, current	2,932,975	1,000,659
Deferred liabilities, current	13,294	13,294
Tenant security deposits	3,607,116	3,305,268
Prepaid revenue	1,432,141	1,181,585
Due to affiliates	1,170,712	321,952
Total current liabilities	<u>110,109,818</u>	<u>77,449,306</u>
Long-term liabilities		
Loans and notes payable, net of current	21,380,712	24,945,757
Line of credit, net of current	898,686	838,678
Accrued interest payable - notes payable	890,157	642,295
Notes payable and accrued interest - properties	255,699,728	218,304,683
Mortgages payable - properties, net of current	516,777,375	436,550,334
Interest rate swap	1,020,721	845,707
Deferred liabilities, net of current	256,425	659,060
Deferred income	12,792,770	8,679,541
Total long-term liabilities	<u>809,716,574</u>	<u>691,466,055</u>
Total liabilities	<u>919,826,392</u>	<u>768,915,361</u>
Net assets		
Net assets without donor restrictions controlling	50,353,846	53,222,916
Net assets without donor restrictions noncontrolling	211,655,485	205,917,397
Total net assets without donor restrictions	<u>262,009,331</u>	<u>259,140,313</u>
Net assets with donor restrictions	5,632,600	5,610,307
Total net assets	<u>267,641,931</u>	<u>264,750,620</u>
Total liabilities and net assets	<u>\$ 1,187,468,323</u>	<u>\$ 1,033,665,981</u>

See Notes to Consolidated Financial Statements.

Preservation of Affordable Housing, Inc. and Subsidiaries

**Consolidated Statements of Activities
Years ended December 31, 2019 and 2018**

	Net assets without donor restrictions	Net assets with donor restrictions	Total 2019	Total 2018
Support and revenue				
Rental income	\$ 142,183,620	\$ -	\$ 142,183,620	\$ 125,859,929
Grant income	629,487	604,600	1,234,087	1,405,983
Grant income, capital investments	553,592	50,000	603,592	3,099,394
Contribution income	-	14,055	14,055	6,250
Developer fee revenue	2,505,946	-	2,505,946	2,398,316
State tax credit proceeds	736,000	-	736,000	1,012,950
Property management and related fees	1,549,306	-	1,549,306	893,557
Reimbursable salaries and expenses	953,877	-	953,877	625,829
Gain on sale	(125,216)	-	(125,216)	1,539,305
Interest income	1,408,320	-	1,408,320	756,831
Loss on investment in partnership	(131,075)	-	(131,075)	(112,894)
Investment and other income	3,265,803	343,349	3,609,152	5,282,397
	<u>153,529,660</u>	<u>1,012,004</u>	<u>154,541,664</u>	<u>142,767,847</u>
Net assets released from restrictions	989,711	(989,711)	-	-
Total support and revenue	154,519,371	22,293	154,541,664	142,767,847
Expenses				
Personnel	16,417,943	-	16,417,943	14,365,517
Development expense	1,933,100	-	1,933,100	1,346,330
Professional services	1,356,788	-	1,356,788	1,081,364
Contributions and grants made	66,077	-	66,077	1,607,261
Rental	1,109,885	-	1,109,885	1,058,967
Taxes and insurance	463,117	-	463,117	404,021
Travel and lodging	919,619	-	919,619	893,494
Interest	1,503,758	-	1,503,758	1,463,056
Reimbursable salaries and expenses	953,877	-	953,877	625,829
Property operations	87,186,822	-	87,186,822	78,905,468
Property mortgage interest	36,527,913	-	36,527,913	32,249,737
Office and administration	1,482,168	-	1,482,168	1,274,768
Depreciation and amortization	27,774,925	-	27,774,925	23,722,435
Community impact	2,468,211	-	2,468,211	2,590,103
Bad debt expense	304,623	-	304,623	162,281
Miscellaneous	109,790	-	109,790	136,041
Total expenses	<u>180,578,616</u>	<u>-</u>	<u>180,578,616</u>	<u>161,886,672</u>
Excess of (expenses over revenue) revenue over expense	<u>(26,059,245)</u>	<u>22,293</u>	<u>(26,036,952)</u>	<u>(19,118,825)</u>
Excess of expenses over revenue attributable to noncontrolling interests	<u>(20,305,039)</u>	<u>-</u>	<u>(20,305,039)</u>	<u>(20,227,002)</u>
Excess of (expenses over revenue) revenue over expenses attributable to the Company	<u>\$ (5,754,206)</u>	<u>\$ 22,293</u>	<u>\$ (5,731,913)</u>	<u>\$ 1,108,177</u>

See Notes to Consolidated Financial Statements.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses
Year ended December 31, 2019 (with comparative totals for 2018)

	2019			2018	
	Real estate ownership	Management and general	Fundraising	Total	Total
Personnel	\$ 15,178,627	\$ 1,168,716	\$ 70,600	\$ 16,417,943	\$ 14,365,517
Development expense	1,933,100	-	-	1,933,100	1,346,330
Professional services	1,356,788	-	-	1,356,788	1,081,364
Contributions and grants made	66,077	-	-	66,077	1,607,261
Rental	1,026,105	79,007	4,773	1,109,885	1,058,967
Taxes and insurance	428,159	32,967	1,991	463,117	404,021
Travel and lodging	854,156	65,463	-	919,619	893,494
Interest	1,503,758	-	-	1,503,758	1,463,056
Reimbursable salaries and expenses	953,877	-	-	953,877	625,829
Property operations	87,186,822	-	-	87,186,822	78,905,468
Property mortgage interest	36,527,913	-	-	36,527,913	32,249,737
Office and administration	1,370,285	105,509	6,374	1,482,168	1,274,768
Depreciation and amortization	27,774,925	-	-	27,774,925	23,722,435
Community impact	2,402,841	-	65,370	2,468,211	2,590,103
Bad debt expense	304,623	-	-	304,623	162,281
Miscellaneous	101,503	7,815	472	109,790	136,041
	<u>\$ 178,969,559</u>	<u>\$ 1,459,477</u>	<u>\$ 149,580</u>	<u>\$ 180,578,616</u>	<u>\$ 161,886,672</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, 2019 and 2018**

	Net assets without donor restrictions			Net assets with donor restrictions	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Beginning balance, January 1, 2018	\$ 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	1,138,322	-	1,138,322	(30,145)	1,108,177
Ending balance, December 31, 2018	53,222,916	205,917,397	259,140,313	5,610,307	264,750,620
Acquisition of ownership interest	12,390	-	12,390	-	12,390
Transfer of limited partnership interest to noncontrolling	531,258	(531,258)	-	-	-
Capital contributions from noncontrolling interests	-	27,031,545	27,031,545	-	27,031,545
Distributions to noncontrolling interests	-	(457,160)	(457,160)	-	(457,160)
Adjustment for change in accounting principle	2,341,488	-	2,341,488	-	2,341,488
Excess of expenses over revenue attributable to noncontrolling interests	-	(20,305,039)	(20,305,039)	-	(20,305,039)
Excess of revenue over expenses attributable to the Company	(5,754,206)	-	(5,754,206)	22,293	(5,731,913)
Ending balance, December 31, 2019	<u>\$ 50,353,846</u>	<u>\$ 211,655,485</u>	<u>\$ 262,009,331</u>	<u>\$ 5,632,600</u>	<u>\$ 267,641,931</u>

See Notes to Consolidated Financial Statements.

Preservation of Affordable Housing, Inc. and Subsidiaries

**Consolidated Statements of Cash Flows
Years ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Excess of expenses over revenue	\$ (26,036,952)	\$ (19,118,825)
Adjustments to reconcile excess of expenses over revenue to net cash provided by operating activities		
Loss on investment in partnership	(131,075)	(1,555,718)
Investment income	1,851	-
Depreciation and amortization	27,774,925	25,235,671
Effective interest adjustment	1,624,422	1,020,665
Change in fair market value of interest rate swaps	175,014	(311,119)
Loss on sale of properties	248,522	(342,554)
Forgiveness of debt	(574,311)	(574,311)
Deferred income	(872,359)	(1,207,950)
Changes in		
Accounts receivable	(1,367,515)	92,158
Prepaid expenses and other assets	(380,865)	437,224
Predevelopment costs reimbursable	(3,007,300)	(2,105,503)
Accounts payable and accrued expenses	3,728,925	2,981,100
Prepaid and deferred revenues	8,298,524	2,053,949
Tenant security deposits	301,848	288,166
Due to affiliates, net	858,545	(97,305)
	<u>10,642,199</u>	<u>6,795,648</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Escrow deposits and restricted reserves, net	(12,812,873)	8,416,939
Purchase of management contracts	-	(213,014)
Cash paid for fixed assets	(150,001,943)	(108,615,241)
	<u>(162,814,816)</u>	<u>(100,411,316)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from line of credit	6,357,426	7,352,798
Payments on line of credit	(4,365,102)	(5,855,208)
Proceeds from notes and mortgages payable	197,421,815	83,396,046
Payment on notes and mortgages payable	(62,184,147)	(15,893,783)
Deferred income	(1,717,365)	(546,170)
Repayment of contingent deferred purchase obligation	-	(3,528,039)
Debt issuance costs paid	(1,550,151)	(744,963)
Syndication costs and tax credit fees paid	(144,903)	(346,497)
Distributions paid to minority partners	(457,160)	(388,833)
Minority partners' capital contributions received	27,031,545	38,532,514
	<u>160,391,958</u>	<u>101,977,865</u>
Net cash provided by financing activities		

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net increase in cash, cash equivalents and restricted cash	\$ 8,219,341	\$ 8,362,197
Cash, cash equivalents and restricted cash, beginning of year	<u>43,306,467</u>	<u>34,944,270</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 51,525,808</u>	<u>\$ 43,306,467</u>
Supplemental disclosure of cash flow activities		
Cash paid for interest	<u>\$ 28,411,783</u>	<u>\$ 27,625,575</u>
Schedule of noncash investing activities		
Fixed asset costs incurred	\$ 157,703,947	\$ 105,525,110
Fixed assets assets sold in connection with common control transaction	(2,105,853)	(2,389,588)
Accounts payable - development, beginning of year	8,995,537	14,475,256
Accounts payable - development, end of year	<u>(14,591,688)</u>	<u>(8,995,537)</u>
Cash paid for fixed assets	<u>\$ 150,001,943</u>	<u>\$ 108,615,241</u>
Deferred liability included in residual receipts escrow	<u>\$ 5,311</u>	<u>\$ 3,178</u>
Schedule of noncash financing activities		
Increase (decrease) in liabilities due to interest rate swap	<u>\$ 175,014</u>	<u>\$ (311,119)</u>
Assignment of notes payable and related accrued interest	<u>\$ -</u>	<u>\$ 2,138,106</u>

See Notes to Consolidated Financial Statements.

Preservation of Affordable Housing, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2019 and 2018

Note 1 - Organization

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

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

At December 31, 2019, POAH or affiliates of POAH hold General Partner, Managing Member or ownership interests in 135 entities that own, in the aggregate 11,420 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, 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.

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 58 entities in which the Company has a 100% ownership interest ("Wholly Owned"). 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 70 entities in which POAH or affiliates serve as General Partner or Managing Member.

The accompanying 2019 and 2018 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 ("LP"). 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 16.

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

Preservation of Affordable Housing, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2019 and 2018

met by the passage of time, purpose, or other events specified by the donor. Other donor imposed 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.

Cash and Cash equivalents

The company considers all highly 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 direct deduction from the face amount of the permanent mortgage loan payable to which such costs relate. Amortization of the debt issuance costs is reported as a component of interest expense on the consolidated statements 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, 2019 and 2018 totaled \$627,143 and \$468,939, respectively, and accumulated amortization totaled \$3,708,586 and \$3,214,143, respectively.

Estimated amortization expense for each of the ensuing five years through December 31, 2024 is as follows:

Years	Wholly Owned	LP	Total
2020	\$ 7,259	\$ 302,385	\$ 309,644
2021	7,259	294,749	302,008
2022	7,259	290,823	298,082
2023	7,259	280,898	288,157
2024	7,259	264,504	271,763

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, 2019. Grant receivable are stated at the amount management expects to be collected

Preservation of Affordable Housing, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2019 and 2018

from the outstanding balance. As of December 31, 2019, management has determined that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Predevelopment costs reimbursable

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. At both December 31, 2019 and 2018, eliminations related to the noncontrolling interests total (\$13,048,858). Noncontrolling interest in POAH LLC represents the proportional share of equity and operations of PTLHC that is not attributable to POAH LLC's interest in the entity. At December 31, 2019 and 2018, the noncontrolling member's interest totals \$1,522,299 and \$1,717,530, 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, 2019 and 2018, the noncontrolling partners'/members' interest in the project limited partnerships and limited liability companies were approximately 99.99% and total \$223,182,044 and \$217,248,725, respectively. Income is allocated to noncontrolling interest based on the noncontrolling partners'/members' ownership.

Investment in partnerships

POAH and POAH LLC's investment 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 the 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, 2019 and 2018. 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 2016 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.

Preservation of Affordable Housing, Inc. and Subsidiaries

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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 years ended December 31, 2019 and 2018.

Revenue recognition

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.

Rental income from leases on commercial space is recognized on a straight-line basis over the period of the commercial lease.

Revenue from development fees, property management and related fees, and other contractual services is recognized when control of the promised service is transferred to the Company's customers, in an amount that depicts the consideration the Company expects to be entitled to in exchange for those service. Revenue is not recognized unless collectability under the contract is considered probable, the contract has commercial substance and the contract has been approved. Additionally, the contract must contain payment terms, as well as the rights and commitments of both parties.

Contribution revenue is recognized when an unconditional promise to give a financial asset is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

See Note 9 for a further discussion of the Company's revenues.

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

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

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

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

The fair value hierarchy under the guidance is as follows:

- Level 1 - quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3 – prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Change in accounting principles

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606) in May 2014, providing new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers reflect the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Company early adopted the new revenue recognition guidance as of January 1, 2019 using the modified retrospective method of transition for all contracts that were not completed as of that date. The Company's revenue for reporting periods ending after December 31, 2018 are presented under the new guidance, while financial results for prior periods will continue to be reported in accordance with the prior guidance and the Company's historical accounting policy. The Company has not experienced significant changes to the pattern of revenue recognition for its contracts, the identification of contracts and performance obligations or the measurement of variable consideration. The net cumulative adjustment of adopting the new revenue recognition guidance was a \$2,341,488 increase to member's equity as of January 1, 2019, of which \$1,182,388 related to the year ended December 31, 2018. This adjustment related to state tax credit proceeds totaling \$2,172,050 and development fee totaling \$169,438.

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In November 2016, FASB issued Accounting Standards Update 2016-8 *Statement of Cash Flows (Topic 230) – Restricted Cash* (“ASU 2016-18”) to address diversity in practice with respect to the cash flows presentation of changes in amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as “restricted cash” herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents, and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended December 31, 2019. Consequently, ending cash, cash equivalents, and restricted cash as of December 31, 2018 and 2017 was increased from \$38,662,409 to \$43,306,467 and \$30,828,821 to \$34,944,270.

During the year ended December 31, 2019, the Company adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transaction and determining whether a contribution is conditional. The Company adopted the provisions of ASU 2018-08 on January 1, 2019 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. There is no effect on consolidated net assets in connection with the implementation of ASU 2018-08.

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	\$ 38,724,829	\$ 4,871,492
Grants and pledges receivable	262,300	262,300
Accounts receivable	4,933,718	5,246,109
Development fee receivable - affiliates	-	10,687,710
Undrawn lines of credit	5,998,256	5,998,256
 Total financial assets	 49,919,103	 27,065,867
 Less amounts not available to be used within one year		
Amounts restricted by donor with time or purpose restrictions	(1,979,601)	(1,979,601)
 Financial assets available to meet general expenditures over the next twelve months	 \$ 47,939,502	 \$ 25,086,266

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

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Notes to the Consolidated Financial Statements December 31, 2019 and 2018

its disposal including cash, a steady revenue stream from its developer fees, notes receivable, rental income, and various annual service fees.

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 the 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. These notes have been recorded simultaneously with a deferred gain (See Note 17).

Management has established an allowance for amounts deemed uncollectible in the amount of \$4,693,386 and \$3,593,386 as of December 31, 2019 and 2018.

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

	Balance at December 31, 2019	Balance at December 31, 2018
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.	50,856,409	51,496,862
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.	22,202,184	22,999,301
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	25,306,566
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.	24,502,297	21,545,686

Preservation of Affordable Housing, Inc. and Subsidiaries

**Notes to the Consolidated Financial Statements
December 31, 2019 and 2018**

	Balance at December 31, 2019	Balance at December 31, 2018
	<u> </u>	<u> </u>
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
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.	29,495,905	21,546,136
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.	6,002,578	6,560,028
Accrued interest	3,501,994	2,043,160
	<u>167,193,570</u>	<u>156,823,376</u>
Eliminated in consolidation	<u>(158,786,570)</u>	<u>(148,566,938)</u>
	<u>\$ 8,407,000</u>	<u>\$ 8,256,438</u>

The Company only records accrued interest receivable to the extent that payment is expected from the properties from available surplus cash. Interest of \$29,865,519 and \$24,613,765 for 2019 and 2018, 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 \$0 and \$578,976, respectively, for the years ended December 31, 2019 and 2018. 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 ended 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.

At December 31, 2019 and 2018, notes receivable totaling \$16,783,678 and \$17,005,280, 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,

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2019 and 2018, interest income in the amount of \$483,621 and \$486,548, respectively is recorded as a component of equity. At December 31, 2019 and 2018, principal payments in the amount of \$221,602 and \$85,125, respectively, is recorded as a component of equity, and is eliminated in consolidation.

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

	Balance at December 31, 2019	Balance at December 31, 2018
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.	\$ 16,008,686	16,230,288
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	321,800	177,977
	17,105,478	17,183,257
Common control assets not recorded	(16,783,678)	(17,005,280)
Eliminated in consolidation	(321,800)	(177,977)
	\$ -	\$ -

Note 5 - Loans and notes payable

Calvert Social Investment Foundation

In December 2015, the Company entered into an \$8,000,000 loan commitment with Calvert Social Investment Foundation ("Calvert") 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. In September 2019, the maturity of the first principal payment was extended to November 30, 2019. On November 30, 2019, the first principal amount was repaid in full as part of the POAH LLC credit facility with Calvert. During the years ended December 31, 2019 and 2018, interest expense of \$352,000 and \$365,000, respectively, was recorded on the consolidated statement of activities. At December 31, 2019 and 2018, the outstanding principal balance is \$4,000,000 and \$8,000,000, respectively, and accrued interest is \$0.

Local Initiative Support Corporation

In July 2012, the Company entered into a \$5,000,000 line of credit loan with Local Initiative Support Corporation ("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 maturity date was extended to October 2022. During the years ended December 31, 2019 and 2018, interest expense of \$155,576 and \$235,597, respectively, was recorded on the consolidated statement of activities. At December 31, 2019 and

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Notes to the Consolidated Financial Statements December 31, 2019 and 2018

2018, the outstanding principal balance is \$3,195,083 and \$4,499,633, respectively, and accrued interest is \$15,975 and \$0, respectively.

Life Insurance Community Investment Initiative

In May 2014, the Company entered into a \$1,500,000 revolving line of credit with Life Insurance Community Investment Initiative, LLC (“Life Initiative”) 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 of May 29, 2019. Disbursements that are repaid can be reborrowed, assuming loan criteria are met. The line was collateralized by the mortgage note receivable from Fairweather. In June 2019, the Company transferred the line of credit to POAH LLC. During the years ended December 31, 2019 and 2018, interest expense of \$19,307 and \$31,381, respectively, was recorded on the consolidated statement of activities. At December 31, 2019 and 2018, the outstanding principal balance is \$0 and \$300,000, respectively. Accrued interest at December 31, 2019 and 2018 is \$0 and \$4,875, 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 (6.69% and 7.51% at December 31, 2019 and 2018, respectively) 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. In April 2020, the maturity date was extended to October 1, 2020 and the interest rate was set at 6.6%. During the years ended December 31, 2019 and 2018, interest expense of \$200,769 and \$145,757, respectively, was recorded on the consolidated statement of activities. At December 31, 2019 and 2018, the outstanding principal balance is \$2,249,246 and \$3,736,675, respectively, and accrued interest 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. During the years ended December 31, 2019 and 2018, interest expense of \$242,358 and \$108,456, respectively, was recorded on the consolidated statement of activities. At December 31, 2019 and 2018, the outstanding principal balance is \$4,681,927 and \$4,916,378, respectively, and accrued interest is \$0.

The Model Group

On May 31, 2018, the Company 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 31st through maturity, May 31, 2021. During the years ended December 31, 2019 and 2018, interest expense of \$19,075 and \$13,353, respectively, was recorded on the consolidated statement of activities. At December 31, 2019 and 2018, the outstanding principal balance is \$700,000 and \$1,050,000, respectively, and accrued interest is \$9,538 and \$13,353, respectively.

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Notes to the Consolidated Financial Statements December 31, 2019 and 2018

MHIC CMF - Whittier

In January 2019, the Company entered into a \$2,000,000 loan agreement with MHIC CMF Affordable Housing Fund I LLC for the purpose of funding predevelopment costs related to the Whittier Phase 2 project. Interest accrues at 4% and requires monthly interest payments. The outstanding principal and accrued interest are due at maturity, July 31, 2020. The loan is collateralized by the mortgage note receivable from Peters Grove. During the year ended December 31, 2019, interest expense of \$40,104 was recorded on the consolidated statement of activities. At December 31, 2019, the outstanding principal balance is \$1,054,256 and accrued interest is \$3,631.

BlueHub Loan Fund - energy conservation

In December 2014, POAH LLC entered into a \$2,000,000 line of credit agreement with BlueHub Loan Fund (formerly known as 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. During the years ended December 31, 2019 and 2018, interest expense of \$3,497 and \$11,892, respectively, was recorded on the consolidated statement of activities. At December 31, 2019 and 2018, the outstanding principal balance is \$23,754 and \$106,967, respectively, and accrued interest is \$0.

BlueHub Loan Fund - property acquisition

In June 2019, POAH LLC entered into a \$880,000 loan agreement with BlueHub Loan Fund for the purpose of funding the acquisition of a property in Chicago, IL. Interest accrues at 3.50% per annum. Payments of interest are due monthly and are funded by loan proceeds through maturity, the earlier of (i) the date of closing of any construction loan or any other financing or equity source which is used to finance the project's development and/or operation of the project, and (ii) June 18, 2022. The loan proceeds have been loaned to POAH Roseland East 110th Place Hold Limited Partnership. For the year ended December 31, 2019, interest expense of \$15,376 was recorded on the consolidated income statement. At December 31, 2019, the outstanding principal is \$817,430, and accrued interest is \$2,464.

Life Insurance Community Investment Initiative - Briston Arms

In July 2015, POAH LLC entered into a \$2,407,000 loan agreement with Life Initiative 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 are due on the maturity date of July 6, 2023. The loan proceeds have been loaned to Briston Arms. During the years ended December 31, 2019 and 2018, interest expense of \$103,263 and \$166,085, respectively, was recorded on the consolidated statement of activities. At December 31, 2019 and 2018, the outstanding principal balance is \$1,454,980, and accrued interest is \$103,263 and \$0, respectively.

Cambridge Affordable Housing Trust - Briston Arms

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%. 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. During the years ended December 31, 2019 and 2018, interest expense of \$96,000 was recorded on the consolidated income statement. At December 31, 2019 and 2018, the outstanding principal balance is \$2,400,000, and accrued interest is \$431,733 and \$335,733, respectively.

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Life Insurance Community Investment Initiative - revolving line of credit

In June 2019, POAH LLC entered into a \$1,000,000 revolving line of credit with Life Initiative for the purpose of funding predevelopment costs for properties in Massachusetts. Interest accrues at 5.5% and is due quarterly. Payments of principal are due at the closing of the acquisition of the properties. All unpaid principal and accrued interest are due on the maturity date of May 29, 2024. Disbursements that are repaid can be reborrowed, assuming loan criteria are met. The line is collateralized by the mortgage note receivable from Eastgate. In April 2020, the line of credit was increased to \$2,000,000. During the year ended December 31, 2019, interest expense of \$19,938 was recorded on the consolidated statement of activities. At December 31, 2019 the outstanding principal balance is \$725,000 and accrued interest is \$9,969.

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. During the years ended December 31, 2019 and 2018, interest expense of \$36,631 and \$0, respectively, was recorded on the consolidated statement of activities. At December 31, 2019 and 2018, the outstanding is \$1,831,544, respectively, and accrued interest is \$343,193 and \$306,562, respectively.

MHIC CMF - Bedford Village

In June 2018, POAH LLC entered into a \$528,000 loan agreement with MHIC CMF Affordable Housing Fund LLC for the purpose of funding development costs at Bedford Village in Bedford, MA. Interest accrues at 4% per annum. Payments are due annually subject to the property's cash flow, and any unpaid principal and accrued interest are due at maturity, June 1, 2027. During July 2019, loan proceeds of \$475,200 were received. The loan proceeds have been loaned to Bedford Village Preservation Associates Limited Partnership. As of December 31, 2019, interest expense of \$9,504 is included in interest expense on the consolidated statement of activities. At December 31, 2019, the outstanding principal is \$475,200, and accrued interest is \$9,504.

Calvert Social Investment Foundation

In December 2019, POAH LLC entered into a \$15,000,000 senior revolving credit facility with Calvert for the purpose of funding its development and acquisition activities. Interest accrues at the rate of the Five-Year Constant Maturity US Treasury Rate plus 2.5% (4.12% at December 31, 2019). Payments of interest are due quarterly in arrears with all unpaid principal with any accrued and unpaid interest due on the maturity date of December 31, 2024. For the year ended December 31, 2019, interest expense of \$13,161 was recorded on the consolidated statement of activities. At December 31, 2019, the outstanding principal balance is \$5,000,000 and accrued interest is \$13,161.

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 accrued 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 the years ended December 31, 2019 and 2018, interest expense of \$26,713 and \$1,135, respectively, was recorded on the consolidated statement of activities. At December 31, 2019 and 2018, the outstanding principal is \$692,314 and \$298,264, respectively, and accrued interest is \$0 and \$896, respectively.

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Housing Investments, Inc.

The Company purchased Hill's 50% non-controlling interest in POAH LLC on January 12, 2012. The purchase was financed with a series of seller notes totaling \$7,697,068. The notes amortized with fixed payments on a four to seven year term with interest at 6.5% to 7%. The purchase notes were collateralized by the assets of POAH LLC. The notes were repaid in full in June 2018 and all collateral was released.

Debt issuance costs

As of December 31, 2019, unamortized debt issuance costs related to these loans total \$115,884 consist of financing costs of \$173,330 less accumulated amortization of \$57,446. As of December 31, 2018, unamortized debt issuance costs related to these loans total \$81,887, consist of financing costs of \$116,666 less accumulated amortization of \$34,779. For the years ended December 31, 2019, and 2018, \$22,666 and \$15,228 of amortization was incurred and is included in interest expense on the consolidated statements of activities.

Loan balances

The balances as included in the accompanying consolidated statement of financial position as of December 31, 2019 and 2018 are summarized as follows:

Lender	Current Portion	Long-term Portion	Total Balance at December 31, 2019	Current Portion	Long-term Portion	Total Balance at December 31, 2018
LISC	\$ 2,764,583	\$ 430,500	\$ 3,195,083	\$ 2,899,133	\$ 1,600,500	\$ 4,499,633
Life Initiative	-	-	-	-	300,000	300,000
Calvert	-	4,000,000	4,000,000	-	8,000,000	8,000,000
LIIF	2,249,246	-	2,249,246	-	3,736,675	3,736,675
Boston Private	245,876	4,436,051	4,681,927	234,451	4,681,927	4,916,378
The Model Group	350,000	350,000	700,000	350,000	700,000	1,050,000
MHIC	1,054,256	-	1,054,256	-	-	-
BCLF - LLC	23,754	-	23,754	83,213	23,754	106,967
Life Initiative - LLC	391,423	1,063,557	1,454,980	-	1,454,980	1,454,980
CAHT - LLC	-	2,400,000	2,400,000	-	2,400,000	2,400,000
OHFA - LLC	-	1,831,544	1,831,544	-	1,831,544	1,831,544
BlueHub - LLC	-	817,430	817,430	-	-	-
Life Initiative - LLC	725,000	-	725,000	-	-	-
Calvert - LLC	-	5,000,000	5,000,000	-	-	-
MHIC - LLC	-	475,200	475,200	-	-	-
CCLF - PWSMT	-	692,314	692,314	-	298,264	298,264
Unamortized	-	(115,884)	(115,884)	-	(81,887)	(81,887)
	<u>\$ 7,804,138</u>	<u>\$ 21,380,712</u>	<u>\$ 29,184,850</u>	<u>\$ 3,566,797</u>	<u>\$ 24,945,757</u>	<u>\$ 28,512,554</u>

Annual maturities of debt, including voluntary prepayments, for the ensuing five years as of December 31, 2019 are as follows:

Preservation of Affordable Housing, Inc. and Subsidiaries

**Notes to the Consolidated Financial Statements
December 31, 2019 and 2018**

	<u>INC</u>	<u>LLC</u>	<u>Total</u>
2020	\$ 6,663,961	\$ 1,140,177	\$ 7,804,138
2021	1,039,721	1,292,630	2,332,351
2022	4,272,589	-	4,272,589
2023	286,647	1,063,557	1,350,204
2024	300,918	5,000,000	5,300,918
Thereafter	3,316,676	4,923,858	8,240,534

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 \$6,000,000 and 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% (4.75% and 5.50% at December 31, 2019 and 2018, respectively) and is payable monthly. The line is collateralized by the mortgage note receivable from Franklin. During the years ended December 31, 2019 and 2018, interest expense of \$129,787 and \$79,010, respectively, was recorded on the consolidated income statement. At December 31, 2019 and 2018, \$3,831,661 and \$1,839,337, respectively, is outstanding on the line and accrued interest is \$11,675 and \$10,268, respectively.

Annual maturities of debt, including voluntary prepayments, for the ensuing two years as of December 31, 2019 are as follows:

2020	\$ 2,932,975
2021	898,686

Note 7 - Mortgages payable - properties

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

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

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

Preservation of Affordable Housing, Inc. and Subsidiaries

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	Balance at December 31, 2019	Balance at December 31, 2018
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.	\$ 126,912,896	\$ 70,277,422
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.	24,886,933	23,403,953
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.	85,336,900	29,378,843
Accrued interest	7,768,571	2,224,579
Wholly owned entities	244,905,300	125,284,797
Entities controlled by POAH or affiliates	799,344,435	772,504,179
Unamortized debt issuance costs	<u>(12,941,458)</u>	<u>(12,618,956)</u>
	1,031,308,277	885,170,020
Mortgages and notes eliminated in consolidation	<u>(202,033,513)</u>	<u>(189,482,027)</u>
	<u>\$ 829,274,764</u>	<u>\$ 695,687,993</u>

During the years ended December 31, 2019 and 2018, amortization expense incurred on debt issuance costs was \$1,601,755 and \$1,005,437, 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, 2019	Wholly Owned	LP	Total Balance at December 31, 2018
Mortgages payable less unamortized debt issuance costs	\$ 134,664,608	\$ 390,795,254	\$ 525,459,862	\$ 71,802,427	\$ 394,608,181	\$ 466,410,608
Debt issuance costs	\$ 5,108,199	\$ 16,098,864	\$ 21,207,063	\$ 3,288,799	\$ 16,458,377	\$ 19,747,176
Less: accumulated amortization	<u>(2,648,392)</u>	<u>(5,617,213)</u>	<u>(8,265,605)</u>	<u>(2,117,685)</u>	<u>(5,010,535)</u>	<u>(7,128,220)</u>
Unamortized debt issuance costs	<u>\$ 2,459,807</u>	<u>\$ 10,481,651</u>	<u>\$ 12,941,458</u>	<u>\$ 1,171,114</u>	<u>\$ 11,447,842</u>	<u>\$ 12,618,956</u>

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

Years	Wholly Owned	LP	Total
2020	\$ 2,319,962	\$ 54,525,489	\$ 56,845,451
2021	58,697,640	7,470,776	66,168,416
2022	4,692,885	6,837,813	11,530,698
2023	2,682,309	7,069,007	9,751,316
2024	15,036,451	7,732,863	22,769,314

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

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Notes to the Consolidated Financial Statements December 31, 2019 and 2018

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 \$481,610 and \$695,369 as of December 31, 2019 and 2018, 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 \$27,038 and \$150,338 as of December 31, 2019 and 2018, 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, 2019 and 2018, the Company recorded the acquisition of real property totaling \$56,509,046 and \$17,020,000, respectively.

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 - Revenue

Revenue is recognized when control of the promised service is transferred to the Company's customers, in an amount that depicts the consideration the Company expects to be entitled to in exchange for those services.

Development fee

Most development fees earned are paid from the Project's equity and debt proceeds at the completion of the construction of the Project. These fees are recognized over the development period beginning when the Project is assured of being constructed, as evidenced by the admission of an equity partner, and concluding with the approval of the cost certification of the respective housing credit agency.

The Company estimates whether it will be entitled to variable consideration under the terms of the development agreement and includes its estimate of variable consideration in the total development fee amount when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur in accordance with the accounting guidance in *ASC Topic 606, Revenue*

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from *Contracts with Customers*, on constraining estimates of variable consideration, which typically includes the following factors:

- The susceptibility of the consideration amount to factors outside the Project's influence, including insufficient equity and debt proceeds at the completion of the construction of the Project.
- Whether the uncertainty about the consideration amount is not expected to be resolved for a long period of time.
- The Company's experience with similar types of agreements.
- Whether the Company expects to offer changes to payment terms.
- The range of possible consideration amounts.

The cumulative amount of development fees earned over the development agreement is updated at each reporting period based on the Company's estimate of the variable consideration using available information at the reporting date. Deferred development fees payable from property surplus cash are recognized at such time as there is available surplus cash.

Management service revenue

POAHC provides property management services on a contractual basis for owners of and investors in affordable housing properties. These services include management, marketing, building engineering, accounting, compliance, and financial services. POAHC is compensated for its services through a monthly management fee earned based on either a specified percentage of the monthly rental income, rental receipts generated from the property under management or a fixed fee. POAHC is also often reimbursed for its administrative and payroll costs directly attributable to the properties under management. Property management services represent a series of distinct daily services rendered over time. Consistent with the transfer of control for distinct, daily services to the customer, revenue is recognized at the end of each period for the fees associated with the services performed.

State tax credit proceeds

POAH INC sells State Low Income Housing Tax Credits and State Historic Tax Credits generated from limited partnership properties to unrelated parties. POAH INC has provided loans to fund rehabilitation or construction at the respective properties, which are then assigned to POAH LLC. Income is recognized upon satisfaction of the primary performance obligation which occurs at a point in time upon delivery of the respective state credit certification. Prior to the adoption of ASC 606 on January 1, 2019, income was recognized over the respective state credit period.

The adoption of ASC 606 affected the following line items in the financial statements:

	As Reported - ASC 606 December 31, 2019	Impact of Adopting ASC 606	As Reported - Prior to ASC 606 December 31, 2019
Deferred income	\$ -	\$ (1,453,500)	\$ 1,453,500
State tax credit proceeds income	736,000	(718,550)	1,454,550

State tax credit proceeds income for the years ended December 31, 2019 and 2018 is \$736,000 and \$1,012,950, respectively. At December 31, 2019 and 2018 deferred income is \$0 and \$2,908,050.

Preservation of Affordable Housing, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2019 and 2018

Note 10 - Related party transactions

Notes and other receivables from affiliates

For the years ended December 31, 2019 and 2018, 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, 2019 and 2018, POAH LLC reimbursed the Company for compensation, overhead and rent of \$8,382,908 and \$7,693,537, respectively.

Property management and related fees

Property management and related fees were earned by POAHC in 2019 in the amount of \$9,177,328, of which \$8,372,123 has been eliminated in consolidation and in 2018 in the amount of \$7,666,929, of which \$7,208,263 has been eliminated in consolidation. At December 31, 2019 and 2018, \$2,896,894 and \$1,348,389, respectively, is due from related parties for services and advances net of an allowance for doubtful accounts which is estimated to be \$852,983 and \$600,778, respectively.

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 2019 the costs incurred and the related reimbursement from related properties totaled \$21,748,594, of which \$21,337,787 has been eliminated in consolidation and in 2018 \$19,979,353, of which \$19,742,541 has been eliminated in consolidation. The effect of these transactions has been eliminated in consolidation each year.

Development fee and other revenue from properties

For the years ended December 31, 2019 and 2018, the Company and POAH LLC earned development fee revenue and fees from properties as follows:

	2019	2018
Development fee paid from development sources	\$ 3,729,162	\$ 7,929,697
Development fee paid from cash flow	6,463,010	7,596,838
Development fee paid from GP capital contributions	3,282,927	
Other fee revenue	794,027	460,553
	<u>14,269,126</u>	<u>15,987,088</u>
Cash flow fees from certain related properties	1,905,547	1,303,067
	<u>16,174,673</u>	<u>17,290,155</u>
Development and cash flow fees eliminated in consolidation	<u>(13,668,727)</u>	<u>(14,891,839)</u>
	<u>\$ 2,505,946</u>	<u>\$ 2,398,316</u>

At December 31, 2019 and 2018, \$12,762,350 and \$11,972,044, respectively, is due from related properties for development and cash flow fees. At December 31, 2019 and 2018, development fees received but not yet earned are \$579,318 and \$691,359, and is shown as a component of deferred income on the consolidated statements of financial position.

Note 11 - Investment in partnerships

The Company, either as the sole member of the entity or the 100% owner of the general partner, has made capital contributions to some of the entities that own affordable housing developments. At

Preservation of Affordable Housing, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2019 and 2018

December 31, 2019 and 2018, investment in properties is \$18,990,774 and \$17,019,076, respectively, of which \$18,817,272 and \$16,843,924, respectively has been eliminated in consolidation.

In May 2018, the Company purchased a non-controlling general partner interest in seven properties located in Cincinnati, OH. The investments are recorded using the equity method. The balance of this investment at December 31, 2019 and 2018 is \$173,502 and \$175,152, respectively. The investment balances of these properties are included in the investment in properties balances noted above.

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, 2019 and 2018 is \$1,153,658 and \$1,191,023, respectively.

Certain financial information with respect to these investments at December 31, 2019 and 2018, and the years then ended, are as follows:

	2019	2018
Net investment in real estate	52,422,836	\$ 55,243,228
Total assets	57,176,954	59,702,631
Permanent financing (including accrued interest)	25,120,474	27,234,190
Total liabilities	68,561,349	29,414,007
Limited partner's equity (deficit)	27,317,348	27,749,885
General partners' equity (deficit)	2,535,386	2,538,739
Revenue	4,053,953	3,751,917
Expenses	7,538,076	7,138,693
Net income (loss)	(3,484,123)	(3,386,776)

Note 12 - Commitments and contingencies

Lease commitments

The Company leases office space under a non-cancelable operating lease in Boston, MA, which expires June 30, 2020. The Company entered into a new non-cancelable operating lease in December 2019 that will commence in August 2020 and expires in October 2030. Rental expense, inclusive of operating costs, for the years ended December 31, 2019 and 2018 totaled \$680,659 and \$669,016, respectively.

POAH LLC leases office space under a non-cancelable operating lease in Chicago, Illinois. In September 2017, a lease extension was executed that commenced in May 2018 and expires in April 2025. Rental expense, inclusive of operating costs, for the years ended December 31, 2019 and 2018 totaled \$184,753 and \$159,993, 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, 2019 and 2018 totaled \$83,130 and \$76,265, respectively.

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POAHC leased office space under a non-cancelable operating lease in Kansas City, Missouri, which expired in February 2018. POAHC entered into a new non-cancelable operating lease in November 2017 that commenced in March 2018 and expires in March 2025. Rental expense, inclusive of real estate taxes and operating costs, the years ended December 31, 2019 and 2018 totaled \$142,372 and \$129,170, respectively.

Future minimum lease payments under operating leases as of December 31, 2019 are as follows:

	INC	LLC	POAHC	Total
2020	\$ 613,139	\$ 254,203	\$ 139,226	\$ 1,006,568
2021	930,965	259,381	149,095	1,339,441
2022	951,904	264,640	153,266	1,369,810
2023	969,621	173,493	157,436	1,300,550
2024	988,949	176,020	161,607	1,326,576
	\$ 4,454,579	\$ 1,127,737	\$ 760,630	\$ 6,342,946

Other commitments or 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 the lenders in these entities usually require guarantees from POAH entities on behalf of the general partner or managing member as a condition to their investment. Generally, these guarantees are for obligations such as construction and rehabilitation completion, funding of operating deficits and tax credit recapture price adjusters.

A summary of the guarantees outstanding at December 31, 2019 is as follows. See Note 16 for a detail of these entities.

Entity	Acquisition year	Guaranty	Construction guaranty maximum amount	Loan guarantee	Operating deficit expiration	Operating deficit maximum amount	Advances at December 31, 2019
Jefferson	2003	(1), (2)	N/A	N/A	December 2026	\$ 970,894	\$ 451,872 (8)
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	162,748 (8)
Driftwood	2005	(1), (2)	N/A	N/A	None	420,705	-
Crestview	2005	(1), (2)	N/A	N/A	(8)	395,547	232,290 (8)
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	892,734 (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 (8)
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	-

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Entity	Acquisition year	Guaranty	Construction guaranty maximum amount	Loan guarantee	Operating deficit expiration	Operating deficit maximum amount	Advances at December 31, 2019
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	55,203 (8)
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)	N/A	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	73,210 (8)
Brandy Hill	2016	(1), (2)	N/A	N/A	N/A	630,000	-
Founders	2016	(1), (2)	N/A	N/A	N/A	300,055	-
Trinity Towers East	2016	(1), (2)	N/A	N/A	N/A	660,404	-
Trinity Towers South	2016	(1), (2)	N/A	9,450,000	N/A	881,300	-
Tribune	2016	(1), (2)	N/A	N/A	N/A	441,155	-
Woodlawn Rollup	2017	(1), (2), (5)	7,115,430	N/A	N/A	1,232,956	293,092 (8)
Woodlawn Station	2017	(1), (2), (3)	N/A	5,000,000	(7)	369,000	-
Oxford	2017	(1), (2)	N/A	N/A	N/A	685,000	-
Whittier 1A-4	2018	(1), (2), (5)	(4)	21,500,000	(7)	532,000	-
Whittier 1A-9	2018	(1), (2), (5)	(4)	7,000,000	(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	-
Abigail Apartments	2018	(1), (2)	N/A	N/A	(7)	247,500	-
Abington Race & Pleasant	2018	(1), (2)	N/A	N/A	(7)	286,030	154,000
Burnet Place	2018	(1), (2)	N/A	N/A	(7)	410,000	70,670 (8)
Magnolia Heights	2018	(1), (2)	N/A	N/A	(7)	328,584	176,539
Navarre Garrone	2018	(1), (2)	N/A	N/A	(7)	398,328	-
North Rhine Heights	2018	(1), (2)	N/A	N/A	(7)	264,352	62,012
OTR Revitalization	2018	(1), (2)	N/A	N/A	(7)	858,068	-
Pendleton Estates	2018	(1), (2)	N/A	N/A	(7)	147,045	60,213 (8)
Villas of the Valley	2018	(1), (2)	N/A	N/A	(7)	109,352	-
Villas of the Valley II	2018	(1), (2)	N/A	N/A	(7)	101,632	-
Wesley Estates	2018	(1), (2)	N/A	N/A	(7)	86,020	22,395 (8)
WH Mainstrasse	2018	(1), (2)	N/A	N/A	(7)	156,531	-
Helton Pointe		(1)	N/A	N/A	(7)	65,000	-
JBL	2019	(1), (2), (4)	(4)	N/A	(7)	400,000	-
South Chicago	2019	(3)	N/A	1,884,791	N/A	N/A	-
South Suburban	2019	(3)	N/A	2,254,586	N/A	N/A	-
Austin	2019	(3)	N/A	4,500,000	N/A	N/A	-
Burnham Schoolhouse	2019	(3)	N/A	8,500,000	N/A	N/A	-
Burnham Manor	2019	(3)	N/A	1,650,000	N/A	N/A	-
Kerper Apartments	2019	(3)	N/A	790,500	N/A	N/A	-

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

Preservation of Affordable Housing, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2019 and 2018

Note 13 - 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, 2019 and 2018.

Note 14 - 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 2020 to 2041. Rent subsidies totaled \$101,442,050 and \$89,498,187 for 2019 and 2018, respectively.

Note 15 - Net assets with donor restrictions

The Company received the following grants which re included in net assets with donor restrictions at December 31, 2019 and 2018 for either time restrictions or restrictions related to specific program services:

	Balance at December 31, 2019	Balance at December 31, 2018
Home ownership assistance	\$ 143,389	\$ 143,389
Community resource center	512,300	115,000
Installation of artwork	15,000	15,000
Real estate predevelopment	-	30,000
Resident and community engagement	-	96,685
Children savings accounts	42,555	28,500
Family Self Sufficiency	135,000	165,000
Community arts festival	9,945	9,945
Choice endowment	474,411	706,788
Capital Magnet Fund	4,300,000	4,300,000
	\$ 5,632,600	\$ 5,610,307

Note 16 - Limited partnerships and limited liability companies

As of December 31, 2019, the Company owns a general partner or managing member interest in the following entities:

Entity	Project Location	No. of Units
1) Beachwood Preservation Associates Limited Partnership	Narragansett, RI	56
2) Driftwood Preservation Associates Limited Partnership	Narragansett, RI	32
3) Hillside Preservation Associates Limited Partnership	Providence, RI	42
4) Pocasset Preservation Associates Limited Partnership	Providence, RI	82

Preservation of Affordable Housing, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2019 and 2018

Entity	Project Location	No. of Units
5) Hillcrest Preservation Associates Limited Partnership	Providence, RI	130
6) Fieldstone Preservation Associates Limited Partnership	Narragansett, RI	24
7) Heritage Preservation Associates Limited Partnership	North Kingstown, RI	204
8) Grace Preservation Associates Limited Partnership	Providence, RI	101
9) Cherry Briggs Preservation Associates Limited Partnership	Johnston & Providence, R	160
10) Oxford Preservation Associates Limited Partnership	Providence, RI	128
11) Jefferson Maison East Limited Dividend Housing Association LLC	Detroit, MI	280
12) Oakland Grand Haven Limited Dividend Housing Association LLC	Troy, MI	297
13) Meadowbrook Preservation Associates Limited Partnership	Northampton, MA	252
14) Bridle Path Preservation Associates Limited Partnership	Randolph, MA	104
15) Chestnut Gardens Preservation Associates Limited Partnership	Lynn, MA	65
16) Dom Narodowy Polski Preservation Associates Limited Partnership	Chicopee, MA	50
17) Eastgate Preservation Associates Limited Partnership	Springfield, MA	148
18) Fairweather Preservation Associates Limited Partnership	Beverly, Danvers,	321
19) United Front Nine Preservation Associates Limited Partnership	New Bedford, MA	173
20) Cromwell Preservation Associates Limited Partnership	Hyanis, MA	124
21) CB Rental Limited Partnership	Bourne, MA	28
22) Blackstone Preservation Associates Limited Partnership	Boston, MA	145
23) Franklin Preservation Associates Limited Partnership	Boston, MA	193
24) Kenmore Abbey Preservation Associates Limited Partnership	Boston, MA	199
25) Peter's Grove Preservation Associates Limited Partnership	Hudson, MA	96
26) Rock Harbor Preservation Associates Limited Partnership	Orleans, MA	100
27) Clay Pond Preservation Associates Limited Partnership	Bourne, MA	45
28) Kings Landing Preservation Associates Limited Partnership	Brewster, MA	108
29) Central Annex Preservation Associates Limited Partnership	Pittsfield, MA	101
30) Dennis Community Housing Preservation Associates Limited Partnership	Dennis, MA	27
31) Briston Arms Preservation Associates Limited Partnership	Cambridge, MA	154
32) Founders Court Preservation Associates Limited Partnership	Hyannis, MA	32
33) Brandy Hill Preservation Associates Limited Partnership	E. Wareham, MA	132
34) Tribune Preservation Associates Limited Partnership	Framingham, MA	53
35) Canal Bluffs P3 Preservation Associates Limited Partnership	Bourne, MA	44
36) Whittier 1A-4 Preservation Associates Limited Partnership	Boston, MA	58
37) Whittier 1A-9 Preservation Associates Limited Partnership	Boston, MA	34
38) Bedford Village Preservation Associates Limited Partnership	Bedford, MA	124
39) Crestview Preservation Associates Limited Partnership	Kankakee, IL	132
40) WCS Preservation Associates Limited Partnership	Chicago, IL	67
41) Renaissance Preservation Associates Limited Partnership	Chicago, IL	117
42) WCN Preservation Associates Limited Partnership	Chicago, IL	33
43) WP Senior Preservation Associates Limited Partnership	Chicago, IL	65
44) Lafayette Preservation Associates Limited Partnership	Chicago, IL	94
45) Newberry Preservation Associates Limited Partnership	Chicago, IL	84
46) Woodlawn Station Preservation Associates Limited Partnership	Chicago, IL	70
47) Woodlawn Roll-up Preservation Associates Limited Partnership	Chicago, IL	196
48) Greenwood Preservation Associates Limited Partnership	Chicago, IL	122
49) JBL Preservation Associates Limited Partnership	Chicago, IL	106
50) Washington Gardens Preservation Associates L.P.	Hagerstown, MD	100
51) Garfield Hills Preservation Associates Limited Partnership	Washington, DC	94
52) Cochecho Preservation Associates Limited Partnership	Dover, NH	78
53) Sugar River Preservation Associates Limited Partnership	Claremont, NH	162
54) New Horizons Preservation Associates LP	Miami, FL	100
55) Harbor City Towers LLLP	Melbourne, FL	192
56) Trinity Towers East Preservation Associates LLLP	Melbourne, FL	156
57) New Trinity Towers South Preservation Associates LLLP	Melbourne, FL	162
58) Torrington West Preservation Associates Limited Partnership	Torrington, CT	79
59) Billings Forge LLC		
60) Billings Forge Preservation Associates Limited Partnership	Hartford, CT	112
61) Old Middletown Preservation Associates Limited Partnership	Middletown, CT	65
62) Abigail Apartments Limited Partnership	Cincinnati, OH	71
63) Abington Race and Pleasant, LLC (not consolidated)	Cincinnati, OH	50
64) Baymiller Manor Limited Partnership	Cincinnati, OH	31

Preservation of Affordable Housing, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2019 and 2018

Entity	Project Location	No. of Units
65) Burnet Place Limited Partnership (not consolidated)	Cincinnati, OH	62
66) Fairview Estates Limited Partnership	Cincinnati, OH	28
67) Losantiville Apartments Limited Partnership	Cincinnati, OH	87
68) Magnolia Heights Limited Partnership (not consolidated)	Cincinnati, OH	98
69) Navarre Garrone Limited Partnership	Cincinnati, OH	62
70) North Rhine Heights Limited Partnership (not consolidated)	Cincinnati, OH	65
71) OTR Revitalization Limited Partnership (not consolidated)	Cincinnati, OH	94
72) Pendleton Estates Limited Partnership	Cincinnati, OH	42
73) Villas of the Valley Limited Partnership (not consolidated)	Lincoln Heights, OH	42
74) Villas of the Valley II Limited Partnership (not consolidated)	Lincoln Heights, OH	35
75) Wesley Estates Limited Partnership	Cincinnati, OH	29
76) Kerper Development Limited Partnership	Cincinnati, OH	38
77) WH Mainstrasse I, LLLP	Convington, KY	41
78) POAH Aaron Briggs LLC (100% owned by POAH, Inc)		
79) POAH Fieldstone Apartments LLC (100% owned by POAH, Inc)		
80) POAH Old Middletown LLC (100% Owned by POAH, Inc)		
81) POAH Central Annex LLC (100% owned by POAH, Inc)		
82) SSAH LLC (100% owned by POAH, Inc)	Weymouth, MA	20
83) Salem Heights Preservation Associates, Limited Partnership (100% owned by POAH, Inc.)	Salem, MA	283
84) Mattapan Station Preservation Associates LLC (100% owned by POAH, Inc)		
85) POAH Brandy Hill LLC (100% owned by POAH, Inc)		
86) POAH Ventures LLC (100% owned by POAH, Inc)		
87) BR Sugar River Limited Partnership (100% owned by POAH, Inc)		
88) POAH Kings Landing LLC (100% owned by POAH, Inc)		
89) Riverview Residences Dover LLC (100% owned by POAH, Inc)	Dover, NH	24
90) POAH Cutler Meadows LLC (100% owned by POAH, Inc)	Miami, FL	225
91) POAH Cutler Manor LLC (100% owned by POAH, Inc)	Miami, FL	219
92) POAH Middletowne Apartments LLC (100% owned by POAH, Inc)	Orange Park, FL	100
93) POAH Campbell Arms, LLC (100% owned by POAH, Inc)	Homestead, FL	201
94) POAH Cutler Manor II, LLC (100% owned by POAH, Inc)		
95) POAH New Horizons, LLC (100% owned by POAH, Inc)		
96) POAH Trinity Towers East, LLC (100% owned by POAH, Inc)		
97) POAH Trinity Towers West, LLC (100% owned by POAH, Inc)		
98) Trinity Towers South Preservation Associates LLLP (100% owned by POAH, Inc)		
99) POAH NSP Chicago LLC (100% owned by POAH, Inc)	Chicago, IL	6
100) POAH Grove Parc Apartments LLC (100% owned by POAH, Inc)	Chicago, IL	
101) POAH Holdings (100% owned by POAH, Inc)	Chicago, IL	
102) POAH NMTC2 Title Holding Company LLC (100% owned by POAH, Inc)	Chicago, IL	27
103) POAH Support Corporation (100% owned by POAH, Inc)		
104) POAH Greenwood Park LLC (100% owned by POAH, Inc)	Chicago, IL	
105) POAH JBL LLC (100% owned by POAH, Inc)		
106) POAH South Chicago Y Hold, LLC (100% owned by POAH, Inc)	Chicago, IL	101
107) Corcoran Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Chicago, IL	94
108) POAH Roseland East 110th Place Hold Limited Partnership (100% owned by POAH, Inc)	Chicago, IL	60
109) POAH Washington Park Indiana Avenue Hold Limited Partnership (100% owned by POAH, Inc)	Chicago, IL	60
110) Elgin Schoolhouse Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Elgin, IL	27
111) Elgin Manor Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Elgin, IL	100
112) POAH South Suburban Y Hold, LLC (100% owned by POAH, Inc)	Harvey, IL	120
113) POAH Harvey East 151st Street Hold Limited Partnership (100% owned by POAH, Inc)	Harvey, IL	60
114) POAH Harvey West 151st Street Hold Limited Partnership (100% owned by POAH, Inc)	Harvey, IL	60
115) Farrell House Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Chicago, IL	59
116) Colony Plaza Associates, L.P. (100% owned by POAH, Inc)	Excelsior Springs, MO	111
117) Country Club Village Associates, L.P. (100% owned by POAH, Inc)	Springfield, MO	70
118) Glenwood Manor Associates, L.P. (100% owned by POAH, Inc)	Springfield, MO	119
119) Highland Meadows Associates, L.P. (100% owned by POAH, Inc)	Carthage, MO	44
120) Deerfield Village Associates, L.P. (100% owned by POAH, Inc)	Carthage, MO	60
121) Hawthorne Associates Limited Partnership (100% owned by POAH, Inc)	Independence, MO	745
122) Country Club Village II Associates - I, L.P. (100% owned by POAH, Inc)	Springfield, MO	28
123) Highland Acres Associates - I, L.P. (100% owned by POAH, Inc)	Carthage, MO	35
124) Houston Plaza Associates - I, L.P. (100% owned by POAH, Inc)	Adrian, MO	34
125) Maplewood Manor Associates - I, L.P. (100% owned by POAH, Inc)	Web City, MO	60

Preservation of Affordable Housing, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2019 and 2018

Entity	Project Location	No. of Units
126) Monroe Estates Associates - I, L.P. (100% owned by POAH, Inc)	Lebanon, MO	74
127) Prairie Plains Associates - I, L.P. (100% owned by POAH, Inc)	Lamar, MO	50
128) Crestview Village Associates - I, L.P. (100% owned by POAH, Inc)	Liberty, MO	48
129) Woodlen Place Associates, L.P. (100% owned by POAH, Inc)	Kansas City, MO	60
130) Terri Manor Associates LTD. (100% owned by POAH, Inc)	Cincinnati, OH	81
131) Community Manor Limited Partnership (100% owned by POAH, Inc)	Cincinnati, OH	24
132) Blacklick Apartments, LLC (100% owned by POAH, Inc)	Blacklick, OH	176
133) Southwinds Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Narragansett, RI	48
134) Barry Farm Redevelopment Associates, LLC (100% owned by POAH, Inc)		
135) POAH Landowner, LLC (100% owned by POAH, Inc)		
		11,420

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 17 - Deferred gain

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

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

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

Property	Deferred Gain	Resale Note Receivable	General Partner Contribution	Reserve Note Receivable
Pocasset Manor Apartments	\$ 4,589,201	\$ 2,340,000	\$ 1,067,857	\$ 1,181,344 (1)
Hillcrest Village Apartments	300,000	300,000	-	-
Bridle Path Apartments	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)

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**Notes to the Consolidated Financial Statements
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Property	Deferred Gain	Resale Note Receivable	General Partner Contribution	Reserve Note Receivable
Peter's Grove	626,994	626,994	-	-
Rock Harbor	355,416	355,416	-	-
King's Landing	2,400,000	2,400,000	-	-
Grace	157,646	-	-	-
Chery Hill	444,276	-	-	444,276 (6)
Aaron Briggs	114,098	-	-	114,098 (6)
Tribune	175,800	-	-	175,800
Brandy Hill	1,356,610	-	-	1,356,610
	<u>78,865,508</u>	<u>56,759,058</u>	<u>1,067,857</u>	<u>22,161,156</u>
Gain recognized from receipt of principal payment in prior years	(2,208,762)	(1,354,526)	-	(854,236)
Gain recognized from receipt of principal payment in 2018	(2,293,458)	(1,411,804)	-	(881,654)
Gain recognized from receipt of principal payment in 2019	(1,385,117)	(640,454)	-	(744,663)
	<u>\$ 72,978,171</u>	<u>\$ 53,352,274</u>	<u>\$ 1,067,857</u>	<u>\$ 19,680,603</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 - Statement of cash flows

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets as of December 31, 2019 and 2018 that sum to the total of the same amounts in the statements of cash flows:

	2019	2018
Cash and cash equivalents	\$ 38,735,341	\$ 34,748,645
Restricted cash	1,999,611	3,913,764
Reserves	6,932,754	1,130,948
Tenant security deposits	3,858,102	3,513,110
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 51,525,808</u>	<u>\$ 43,306,467</u>

The amount included in restricted cash consists of security deposits and family self-sufficiency escrows held in trust for the future benefit of tenants, grant funds received but not yet expended, and Company reserves for operations and capital investments.

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.

Preservation of Affordable Housing, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2019 and 2018

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

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, 2020 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 December 2019 and early 2020, the coronavirus that causes COVID-19 was reported to have surfaced in China. The spread of the virus globally in early 2020 has caused business disruption domestically in the United States, the area where the Company operates. While disruption is currently

Preservation of Affordable Housing, Inc. and Subsidiaries

**Notes to the Consolidated Financial Statements
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expected to be temporary, there is considerable uncertainty around the duration of this disruption. Therefore, while the Company expects this matter could negatively impact the Company's financial condition, results of operations, and cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

In April 2020, POAHC received a Payroll Protection Program loan in the amount of \$5,491,324.

Supplementary Information

Preservation of Affordable Housing, Inc. and Subsidiaries

**Consolidating Schedule of Financial Position
December 31, 2019**

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Current assets						
Cash and cash equivalents	\$ 4,871,492	\$ 8,469,946	\$ 25,383,391	\$ 38,724,829	\$ -	\$ 38,724,829
Restricted cash	1,999,611	-	-	1,999,611	-	1,999,611
Reserves	5,516,493	-	-	5,516,493	-	5,516,493
Restricted reserves	773,259	-	-	773,259	-	773,259
Accounts receivable						
Rental - tenants and subsidy	-	1,219,517	1,004,059	2,223,576	-	2,223,576
Grants receivable	262,300	-	-	262,300	-	262,300
Properties, net of allowance for doubtful accounts	4,087,902	-	-	4,087,902	(3,110,462)	977,440
Development fees	10,687,710	-	-	10,687,710	(10,687,710)	-
Other	1,158,207	254,476	338,723	1,751,406	(18,704)	1,732,702
Escrow deposits	-	24,205,236	69,034,799	93,240,035	-	93,240,035
Tenant security deposits	10,512	1,262,284	2,595,818	3,868,614	-	3,868,614
Due from affiliates	239,836	556,756	-	796,592	(796,592)	-
Prepaid expenses	515,697	334,652	867,556	1,717,905	-	1,717,905
Note receivable, current	5,567,828	-	-	5,567,828	(5,567,828)	-
Interest on notes receivable	3,823,793	-	-	3,823,793	(3,823,793)	-
Predevelopment costs reimbursable, current	6,477,628	6,409,967	-	12,887,595	(1,722,943)	11,164,652
Total current assets	45,992,268	42,712,834	99,224,346	187,929,448	(25,728,032)	162,201,416
Other assets						
Notes receivable, net of discount	144,982,947	13,140,802	-	158,123,749	(149,716,749)	8,407,000
Investment in partnerships	18,852,514	138,260	1,153,658	20,144,432	(18,817,272)	1,327,160
Predevelopment costs reimbursable, net of current	3,593,298	-	-	3,593,298	-	3,593,298
Other assets	1,030,396	739,889	4,173,307	5,943,592	-	5,943,592
Total other assets	168,459,155	14,018,951	5,326,965	187,805,071	(168,534,021)	19,271,050
Fixed assets						
Land and buildings	887,843	262,488,372	1,128,099,991	1,391,476,206	(249,136,435)	1,142,339,771
Rehabilitation in progress	8,893	586,979	60,248,572	60,844,444	-	60,844,444
Furniture, equipment and leasehold improvements	475,235	3,053,233	16,036,071	19,564,539	-	19,564,539
Less: Accumulated depreciation	(379,666)	(60,106,758)	(208,364,644)	(268,851,068)	52,098,171	(216,752,897)
Total fixed assets	992,305	206,021,826	996,019,990	1,203,034,121	(197,038,264)	1,005,995,857
Total assets	\$ 215,443,728	\$ 262,753,611	\$ 1,100,571,301	\$ 1,578,768,640	\$ (391,300,317)	\$ 1,187,468,323

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**Consolidating Schedule of Financial Position
December 31, 2019**

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Liabilities						
Current liabilities						
Accounts payable	\$ 818,070	\$ 2,201,798	\$ 4,584,095	\$ 7,603,963	\$ (1,216,489)	\$ 6,387,474
Accrued expenses	2,335,563	3,255,792	7,091,246	12,682,601	(12,500)	12,670,101
Accounts payable - development	7,713	4,255,505	55,737,850	60,001,068	(45,055,277)	14,945,791
Accrued interest	66,930	471,103	1,762,592	2,300,625	-	2,300,625
Mortgages payable - properties, current	-	2,319,962	6,362,535	8,682,497	-	8,682,497
Construction loans - properties, current	-	-	48,162,954	48,162,954	-	48,162,954
Loan payable, current	7,804,138	-	-	7,804,138	-	7,804,138
Line of credit, current	2,932,975	-	-	2,932,975	-	2,932,975
Deferred liabilities, current	13,294	-	-	13,294	-	13,294
Tenant security deposits	10,500	1,174,252	2,422,364	3,607,116	-	3,607,116
Prepaid revenue	-	434,659	997,482	1,432,141	-	1,432,141
Due to affiliates	469,012	3,048,475	2,460,736	5,978,223	(4,807,511)	1,170,712
Total current liabilities	14,458,195	17,161,546	129,581,854	161,201,595	(51,091,777)	110,109,818
Long-term liabilities						
Loans and notes payable, net of current	21,380,712	-	-	21,380,712	-	21,380,712
Line of credit, net of current	898,686	-	-	898,686	-	898,686
Accrued interest payable - notes payable	890,157	-	-	890,157	-	890,157
Notes payable and accrued interest - properties	-	107,780,885	349,904,566	457,685,451	(201,985,723)	255,699,728
Mortgages payable - properties, net of current	-	132,344,646	384,432,729	516,777,375	-	516,777,375
Interest rate swap	-	508,648	512,073	1,020,721	-	1,020,721
Other long-term liabilities	-	-	556,756	556,756	(556,756)	-
Deferred liabilities, net of current	256,425	-	-	256,425	-	256,425
Deferred income	77,557,489	16,944,156	6,862,854	101,364,499	(88,571,729)	12,792,770
Total long-term liabilities	100,983,469	257,578,335	742,268,978	1,100,830,782	(291,114,208)	809,716,574
Total liabilities	115,441,664	274,739,881	871,850,832	1,262,032,377	(342,205,985)	919,826,392
Net assets						
Net assets without donor restrictions controlling	92,847,165	(11,986,270)	5,538,425	86,399,320	(36,045,474)	50,353,846
Net assets without donor restrictions noncontrolling	1,522,299	-	223,182,044	224,704,343	(13,048,858)	211,655,485
Total net assets without donor restrictions	94,369,464	(11,986,270)	228,720,469	311,103,663	(49,094,332)	262,009,331
Net assets with donor restrictions	5,632,600	-	-	5,632,600	-	5,632,600
Total net assets	100,002,064	(11,986,270)	228,720,469	316,736,263	(49,094,332)	267,641,931
Total liabilities and net assets	\$ 215,443,728	\$ 262,753,611	\$ 1,100,571,301	\$ 1,578,768,640	\$ (391,300,317)	\$ 1,187,468,323

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

**Consolidating Schedule of Activities
Year ended December 31, 2019**

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Support and revenue						
Rental income	\$ 86,318	\$ 34,918,859	\$ 107,178,443	\$ 142,183,620	\$ -	\$ 142,183,620
Grant income	649,517	166,289	418,281	1,234,087	-	1,234,087
Grant income, capital investments	603,592	-	-	603,592	-	603,592
Contribution income	14,055	-	-	14,055	-	14,055
Developer fee revenue	14,269,126	-	-	14,269,126	(11,763,180)	2,505,946
Cash flow from properties	1,905,547	-	-	1,905,547	(1,905,547)	-
State tax credit proceeds	736,000	-	-	736,000	-	736,000
Property management and related fees	9,921,429	-	-	9,921,429	(8,372,123)	1,549,306
Reimbursable salaries and expenses	22,291,664	-	-	22,291,664	(21,337,787)	953,877
Gain on receipt of mortgage note	1,385,117	-	-	1,385,117	(1,385,117)	-
Loss on sale	-	(248,522)	-	(248,522)	123,306	(125,216)
Proceeds from property refinancing	6,655,252	-	-	6,655,252	(6,655,252)	-
Interest income	3,202,644	475,527	950,888	4,629,059	(3,220,739)	1,408,320
Loss on investment in partnership	-	-	(131,075)	(131,075)	-	(131,075)
Investment and other income	(346,865)	1,106,061	2,336,888	3,096,084	513,068	3,609,152
	<u>61,373,396</u>	<u>36,418,214</u>	<u>110,753,425</u>	<u>208,545,035</u>	<u>(54,003,371)</u>	<u>154,541,664</u>
Net assets released from restrictions	-	-	-	-	-	-
Total support and revenue	<u>61,373,396</u>	<u>36,418,214</u>	<u>110,753,425</u>	<u>208,545,035</u>	<u>(54,003,371)</u>	<u>154,541,664</u>
Expenses						
Personnel	16,417,943	-	-	16,417,943	-	16,417,943
Development expense	2,794,532	-	-	2,794,532	(861,432)	1,933,100
Professional services	1,356,788	-	-	1,356,788	-	1,356,788
Contributions and grants made	66,077	-	-	66,077	-	66,077
Rental	1,109,885	-	-	1,109,885	-	1,109,885
Taxes and insurance	463,117	-	-	463,117	-	463,117
Travel and lodging	919,619	-	-	919,619	-	919,619
Interest	1,503,758	-	-	1,503,758	-	1,503,758
Reimbursable salaries and expenses	22,291,664	-	-	22,291,664	(21,337,787)	953,877
Property operations	181,897	26,977,428	68,575,498	95,734,823	(8,548,001)	87,186,822
Property mortgage interest	29,694	7,133,758	32,617,559	39,781,011	(3,253,098)	36,527,913
Office and administration	1,482,168	-	-	1,482,168	-	1,482,168
Depreciation and amortization	140,186	5,604,387	30,051,127	35,795,700	(8,020,775)	27,774,925
Community impact	2,468,211	-	-	2,468,211	-	2,468,211
Bad debt expense	304,623	-	-	304,623	-	304,623
Miscellaneous	109,790	-	-	109,790	-	109,790
Total expenses	<u>51,639,952</u>	<u>39,715,573</u>	<u>131,244,184</u>	<u>222,599,709</u>	<u>(42,021,093)</u>	<u>180,578,616</u>
Excess of expenses over revenue	<u>9,733,444</u>	<u>(3,297,359)</u>	<u>(20,490,759)</u>	<u>(14,054,674)</u>	<u>(11,982,278)</u>	<u>(26,036,952)</u>
Excess of expenses over revenue attributable to noncontrolling interests	<u>183,671</u>	<u>-</u>	<u>(20,488,710)</u>	<u>(20,305,039)</u>	<u>-</u>	<u>(20,305,039)</u>
Excess of revenue over expenses attributable to the Company	<u>\$ 9,549,773</u>	<u>\$ (3,297,359)</u>	<u>\$ (2,049)</u>	<u>\$ 6,250,365</u>	<u>\$ (11,982,278)</u>	<u>\$ (5,731,913)</u>

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Changes in Net Assets
Year ended December 31, 2019

	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, 2019	\$ 80,272,974	\$ (731,280)	\$ 5,112,279	\$ (31,431,057)	\$ 53,222,916	\$ 1,717,530	\$ 217,248,725	\$ (13,048,858)	\$ 205,917,397	\$ 259,140,313	\$ 5,610,307	\$ 264,750,620
Acquisition of ownership interest	-	12,390	-	-	12,390	-	-	-	-	12,390	-	12,390
Transfer of limited partnership interest to controlling	-	531,258	-	-	531,258	-	(531,258)	-	(531,258)	-	-	-
Capital contributions from noncontrolling interests	-	-	-	-	-	-	27,031,545	-	27,031,545	27,031,545	-	27,031,545
Capital contributions from the Company	-	101,216	3,320,830	(3,422,046)	-	-	-	-	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-	-	(378,902)	(78,258)	-	(457,160)	(457,160)	-	(457,160)
Distributions to the Company	-	(8,602,495)	(125,530)	8,728,025	-	-	-	-	-	-	-	-
Other changes in equity	705,223	-	(2,767,105)	2,061,882	-	-	-	-	-	-	-	-
Adjustment for change in accounting principle	2,341,488	-	-	-	2,341,488	-	-	-	-	2,341,488	-	2,341,488
Excess of expenses over revenue attributable to noncontrolling interests	-	-	-	-	-	183,671	(20,488,710)	-	(20,305,039)	(20,305,039)	-	(20,305,039)
Excess of revenue (expenses) attributable to the Company	9,527,480	(3,297,359)	(2,049)	(11,982,278)	(5,754,206)	-	-	-	-	(5,754,206)	22,293	(5,731,913)
Ending balance, December 31, 2019	<u>\$ 92,847,165</u>	<u>\$ (11,986,270)</u>	<u>\$ 5,538,425</u>	<u>\$ (36,045,474)</u>	<u>\$ 50,353,846</u>	<u>\$ 1,522,299</u>	<u>\$ 223,182,044</u>	<u>\$ (13,048,858)</u>	<u>\$ 211,655,485</u>	<u>\$ 262,009,331</u>	<u>\$ 5,632,600</u>	<u>\$ 267,641,931</u>

Preservation of Affordable Housing, Inc. and Subsidiaries

**Consolidating Schedule of Cash Flows
Year ended December 31, 2019**

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Cash flows from operating activities						
Excess of revenue over expenses (expenses over revenue)	\$ 9,733,444	\$ (3,297,359)	\$ (20,490,759)	\$ (14,054,674)	\$ (11,982,278)	\$ (26,036,952)
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities						
Gain (loss) on investment in partnership	-	-	(131,075)	(131,075)	-	(131,075)
Investment income	690,797	-	-	690,797	(688,946)	1,851
Depreciation and amortization	140,186	5,604,387	30,051,127	35,795,700	(8,020,775)	27,774,925
Amortization of debt issuance costs	22,666	544,593	1,057,163	1,624,422	-	1,624,422
Change in fair market value of interest rate swaps	-	(337,059)	512,073	175,014	-	175,014
Gain (loss) on sale of properties	-	248,522	-	248,522	-	248,522
Forgiveness of debt	-	(574,311)	-	(574,311)	-	(574,311)
Deferred income	(872,359)	-	-	(872,359)	-	(872,359)
Changes in						
Accounts receivable	(1,211,166)	(1,100,528)	(248,897)	(2,560,591)	1,193,076	(1,367,515)
Prepaid expenses and other assets	(298,192)	120,161	(202,834)	(380,865)	-	(380,865)
Predevelopment costs reimbursable	(362,304)	(2,658,713)	-	(3,021,017)	13,717	(3,007,300)
Accounts payable and accrued expenses	1,068,479	1,892,328	1,250,592	4,211,399	(482,474)	3,728,925
Prepaid and deferred revenues	3,604,403	4,073,218	620,903	8,298,524	-	8,298,524
Tenant security deposits	10,500	227,529	63,819	301,848	-	301,848
Due to affiliates, net	218,455	398,224	1,221,166	1,837,845	(979,300)	858,545
Net cash provided by (used in) operating activities	12,744,909	5,140,992	13,703,278	31,589,179	(20,946,980)	10,642,199
Cash flows from investing activities						
Escrow deposits and restricted reserves, net	494,505	(11,393,837)	(1,913,541)	(12,812,873)	-	(12,812,873)
Advances on notes receivable and accrued interest	(16,559,235)	-	-	(16,559,235)	16,559,235	-
Repayments of notes receivable and accrued interest	6,343,553	406,887	-	6,750,440	(6,750,440)	-
Contributions to partnerships	(3,581,736)	-	(93,710)	(3,675,446)	3,675,446	-
Distributions from partnerships	919,242	-	-	919,242	(919,242)	-
Cash paid for fixed assets	(607,029)	(87,971,772)	(77,285,275)	(165,864,076)	15,862,133	(150,001,943)
Net cash (used in) provided by investing activities	(12,990,700)	(98,958,722)	(79,292,526)	(191,241,948)	28,427,132	(162,814,816)
Cash flows from financing activities						
Proceeds from line of credit	6,357,426	-	-	6,357,426	-	6,357,426
Payments on line of credit	(4,365,102)	-	-	(4,365,102)	-	(4,365,102)
Proceeds from notes and mortgages payable	10,485,520	135,313,083	64,126,908	209,925,511	(12,503,696)	197,421,815
Payment on notes and mortgages payable	(9,779,225)	(29,353,967)	(23,050,955)	(62,184,147)	-	(62,184,147)
Deferred income	(1,385,117)	-	-	(1,385,117)	(332,248)	(1,717,365)
Debt issuance costs paid	(56,664)	(1,151,329)	(342,158)	(1,550,151)	-	(1,550,151)
Syndication and tax credit costs paid	-	-	(144,903)	(144,903)	-	(144,903)
Acquisition costs and fees paid as a component of general partner equity	-	-	(49,813)	(49,813)	49,813	-
Distributions paid to partners	(378,902)	(8,602,495)	(203,788)	(9,185,185)	8,728,025	(457,160)
Partners capital contributions received	-	101,216	30,352,375	30,453,591	(3,422,046)	27,031,545
Net cash provided by (used in) financing activities	\$ 877,936	\$ 96,306,508	\$ 70,687,666	\$ 167,872,110	\$ (7,480,152)	\$ 160,391,958

Preservation of Affordable Housing, Inc. and Subsidiaries

**Consolidating Schedule of Cash Flows
Year ended December 31, 2019**

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Net increase in cash, cash equivalents, and restricted cash	\$ 632,145	\$ 2,488,778	\$ 5,098,418	\$ 8,219,341	\$ -	\$ 8,219,341
Cash, cash equivalents and restricted cash, beginning of year	12,532,322	7,378,734	23,395,411	43,306,467	-	43,306,467
Cash, cash equivalents and restricted cash, end of year	<u>\$ 13,164,467</u>	<u>\$ 9,867,512</u>	<u>\$ 28,493,829</u>	<u>\$ 51,525,808</u>	<u>\$ -</u>	<u>\$ 51,525,808</u>
Supplemental disclosure of cash flow activities						
Cash paid for interest	<u>\$ 1,214,563</u>	<u>\$ 4,873,740</u>	<u>\$ 22,323,480</u>	<u>\$ 28,411,783</u>	<u>\$ -</u>	<u>\$ 28,411,783</u>
Schedule of noncash investing activities						
Fixed asset costs incurred	\$ 607,029	\$ 90,311,463	\$ 78,634,540	\$ 169,553,032	\$ (11,849,085)	\$ 157,703,947
Fixed assets sold in connection with common control transaction	-	(2,105,853)	-	(2,105,853)	-	(2,105,853)
Accounts payable - development, beginning of year	-	4,021,667	54,042,195	58,063,862	(49,068,325)	8,995,537
Accounts payable - development, end of year	-	(4,255,505)	(55,391,460)	(59,646,965)	45,055,277	(14,591,688)
Cash paid for fixed assets	<u>\$ 607,029</u>	<u>\$ 87,971,772</u>	<u>\$ 77,285,275</u>	<u>\$ 165,864,076</u>	<u>\$ (15,862,133)</u>	<u>\$ 150,001,943</u>
Transfer of fixed assets	<u>\$ -</u>	<u>\$ 5,828,376</u>	<u>\$ (5,828,376)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred liability included in residual receipts escrow	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,311</u>	<u>\$ 5,311</u>	<u>\$ -</u>	<u>\$ 5,311</u>
Increase in interest on notes receivable for acquisitions under common control	<u>\$ 483,621</u>	<u>\$ -</u>	<u>\$ (483,621)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Schedule of noncash financing activities						
(Decrease) increase in liabilities due to interest rate swap	<u>\$ -</u>	<u>\$ (337,059)</u>	<u>\$ 512,073</u>	<u>\$ 175,014</u>	<u>\$ -</u>	<u>\$ 175,014</u>

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position - Core Operating Companies
December 31, 2019**

	POAH INC	POAH LLC	Subtotal	Elimination	Total
Current assets					
Cash and cash equivalents	\$ 807,605	\$ 4,063,887	\$ 4,871,492	\$ -	\$ 4,871,492
Restricted cash	1,999,611	-	1,999,611	-	1,999,611
Reserves	5,516,493	-	5,516,493	-	5,516,493
Restricted reserves	766,359	6,900	773,259	-	773,259
Accounts receivable					
Grants receivable	262,300	-	262,300	-	262,300
Properties, net of allowance for doubtful accounts	535,151	3,552,751	4,087,902	-	4,087,902
Development fees	-	10,687,710	10,687,710	-	10,687,710
Other	175,856	982,351	1,158,207	-	1,158,207
Due from affiliates	1,612,815	9,383,988	10,996,803	(10,756,967)	239,836
Prepaid expenses	274,807	240,890	515,697	-	515,697
Note receivable, current	4,453,673	1,114,155	5,567,828	-	5,567,828
Interest on notes receivable	93,869	3,729,924	3,823,793	-	3,823,793
Predevelopment costs reimbursable, current	1,344,228	5,133,400	6,477,628	-	6,477,628
Tenant security deposits	-	10,512	10,512	-	10,512
Total current assets	17,842,767	38,906,468	56,749,235	(10,756,967)	45,992,268
Other assets					
Notes receivable, net of discount	27,155,642	117,827,305	144,982,947	-	144,982,947
Investment in companies	61,498,810	-	61,498,810	(61,498,810)	-
Investment in partnerships	18,852,514	-	18,852,514	-	18,852,514
Predevelopment costs reimbursable, net of current	3,593,298	-	3,593,298	-	3,593,298
Other assets	874,020	156,376	1,030,396	-	1,030,396
Total other assets	111,974,284	117,983,681	229,957,965	(61,498,810)	168,459,155
Fixed assets					
Land and buildings	-	887,843	887,843	-	887,843
Rehabilitation in progress	-	8,893	8,893	-	8,893
Furniture, equipment and leasehold improvements	124,553	350,682	475,235	-	475,235
Less: Accumulated depreciation	(124,553)	(255,113)	(379,666)	-	(379,666)
Total fixed assets	-	992,305	992,305	-	992,305
Total assets	\$ 129,817,051	\$ 157,882,454	\$ 287,699,505	\$ (72,255,777)	\$ 215,443,728

Preservation of Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position - Core Operating Companies
December 31, 2019**

	<u>POAH INC</u>	<u>POAH LLC</u>	<u>Subtotal</u>	<u>Elimination</u>	<u>Total</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 314,141	\$ 503,929	\$ 818,070	\$ -	\$ 818,070
Accrued expenses	335,813	1,999,750	2,335,563	-	2,335,563
Accounts payable - development	813	6,900	7,713	-	7,713
Accrued interest	29,144	37,786	66,930	-	66,930
Loan payable, current	6,663,961	1,140,177	7,804,138	-	7,804,138
Line of credit, current	-	2,932,975	2,932,975	-	2,932,975
Deferred liabilities, current	-	13,294	13,294	-	13,294
Tenant security deposit	-	10,500	10,500	-	10,500
Due to affiliates	9,413,187	1,812,792	11,225,979	(10,756,967)	469,012
Total current liabilities	<u>16,757,059</u>	<u>8,458,103</u>	<u>25,215,162</u>	<u>(10,756,967)</u>	<u>14,458,195</u>
Long-term liabilities					
Loans and notes payable, net of current	9,151,351	12,229,361	21,380,712	-	21,380,712
Line of credit, net of current	-	898,686	898,686	-	898,686
Accrued interest payable - notes payable	-	890,157	890,157	-	890,157
Deferred liabilities, net of current	82,573	173,852	256,425	-	256,425
Deferred income	5,401,303	72,156,186	77,557,489	-	77,557,489
Total long-term liabilities	<u>14,635,227</u>	<u>86,348,242</u>	<u>100,983,469</u>	<u>-</u>	<u>100,983,469</u>
Total liabilities	<u>31,392,286</u>	<u>94,806,345</u>	<u>126,198,631</u>	<u>(10,756,967)</u>	<u>115,441,664</u>
Net assets					
Net assets without donor restrictions controlling	92,792,165	61,553,810	154,345,975	(61,498,810)	92,847,165
Net assets without donor restrictions noncontrolling	-	1,522,299	1,522,299	-	1,522,299
Total net assets without donor restrictions	<u>92,792,165</u>	<u>63,076,109</u>	<u>155,868,274</u>	<u>(61,498,810)</u>	<u>94,369,464</u>
Net assets with donor restrictions	5,632,600	-	5,632,600	-	5,632,600
Total net assets	<u>98,424,765</u>	<u>63,076,109</u>	<u>161,500,874</u>	<u>(61,498,810)</u>	<u>100,002,064</u>
Total liabilities and net assets	<u>\$ 129,817,051</u>	<u>\$ 157,882,454</u>	<u>\$ 287,699,505</u>	<u>\$ (72,255,777)</u>	<u>\$ 215,443,728</u>

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Activities - Core Operating Companies
Year ended December 31, 2019**

	POAH INC without donor restrictions	POAH INC with donor restriction	POAH LLC	Subtotal	Elimination	Total
Support and revenue						
Rental income	\$ -	\$ -	\$ 86,318	\$ 86,318	\$ -	\$ 86,318
Grant income	44,917	604,600	-	649,517	-	649,517
Grant income, capital investments	553,592	50,000	-	603,592	-	603,592
Contribution income	-	14,055	-	14,055	-	14,055
Developer fee revenue	-	-	14,269,126	14,269,126	-	14,269,126
Cash flow from properties	537,411	-	1,368,136	1,905,547	-	1,905,547
State tax credit proceeds	736,000	-	-	736,000	-	736,000
Property management and accounting service fees	-	-	9,921,429	9,921,429	-	9,921,429
Reimbursable salaries and expenses	-	-	22,291,664	22,291,664	-	22,291,664
Gain on receipt of mortgage note	-	-	1,385,117	1,385,117	-	1,385,117
Proceeds from property refinancing	6,655,252	-	-	6,655,252	-	6,655,252
Interest income	178,673	-	3,023,971	3,202,644	-	3,202,644
Investment and other (loss) income	6,087,080	343,349	(5,701)	6,424,728	(6,771,593)	(346,865)
	<u>14,792,925</u>	<u>1,012,004</u>	<u>52,340,060</u>	<u>68,144,989</u>	<u>(6,771,593)</u>	<u>61,373,396</u>
Net assets released from restrictions	989,711	(989,711)	-	-	-	-
Total support and revenue	15,782,636	22,293	52,340,060	68,144,989	(6,771,593)	61,373,396
Expenses						
Personnel	1,412,008	-	15,005,935	16,417,943	-	16,417,943
Development expense	21,852	-	2,772,680	2,794,532	-	2,794,532
Professional services	530,958	-	825,830	1,356,788	-	1,356,788
Contributions and grants made	57,077	-	9,000	66,077	-	66,077
Rental	117,051	-	992,834	1,109,885	-	1,109,885
Taxes and insurance	370,834	-	92,283	463,117	-	463,117
Travel and lodging	137,942	-	781,677	919,619	-	919,619
Interest	1,065,621	-	467,831	1,533,452	-	1,533,452
Reimbursable salaries and expenses	-	-	22,291,664	22,291,664	-	22,291,664
Property operations	-	-	181,897	181,897	-	181,897
Office and administration	51,181	-	1,430,987	1,482,168	-	1,482,168
Depreciation and amortization	4,301	-	135,885	140,186	-	140,186
Community impact	2,468,211	-	-	2,468,211	-	2,468,211
Bad debt expense	-	-	304,623	304,623	-	304,623
Miscellaneous	73,120	-	36,670	109,790	-	109,790
Total expenses	<u>6,310,156</u>	<u>-</u>	<u>45,329,796</u>	<u>51,639,952</u>	<u>-</u>	<u>51,639,952</u>
Excess of revenue over expenses	9,472,480	22,293	7,010,264	16,505,037	(6,771,593)	9,733,444
Excess of revenue over expenses attributable to noncontrolling interests	-	-	(183,671)	(183,671)	-	(183,671)
Excess of revenue over expenses attributable to the Company	<u>\$ 9,472,480</u>	<u>\$ 22,293</u>	<u>\$ 6,826,593</u>	<u>\$ 16,321,366</u>	<u>\$ (6,771,593)</u>	<u>\$ 9,549,773</u>

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, 2019**

	Net assets without donor restrictions						Net assets with donor restrictions	
	Controlling			Subtotal	Noncontrolling		Controlling	
	POAH INC	POAH LLC	Eliminations		POAH LLC	Total	POAH INC	Total
Beginning balance, January 1, 2019	\$ 80,272,974	\$ 55,534,506	\$ (55,534,506)	\$ 80,272,974	\$ 1,717,530	\$ 81,990,504	\$ 5,610,307	\$ 87,600,811
Distribution to member	-	(3,854,000)	3,854,000	-	-	-	-	-
Distribution to noncontrolling member	-	-	-	-	(378,902)	(378,902)	-	(378,902)
Other changes in equity	705,223	705,223	(705,223)	705,223	-	705,223	-	705,223
Adjustment for change in accounting principle	2,341,488	2,341,488	(2,341,488)	2,341,488	-	2,341,488	-	2,341,488
Excess of revenue over expenses to noncontrolling interest	-	-	-	-	183,671	183,671	-	183,671
Excess of revenue over expenses to Company	9,472,480	6,826,593	(6,771,593)	9,527,480	-	9,527,480	22,293	9,549,773
Ending balance, December 31, 2019	<u>\$ 92,792,165</u>	<u>\$ 61,553,810</u>	<u>\$ (61,498,810)</u>	<u>\$ 92,847,165</u>	<u>\$ 1,522,299</u>	<u>\$ 94,369,464</u>	<u>\$ 5,632,600</u>	<u>\$ 100,002,064</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, 2019**

	POAH, Inc	POAH, LLC	Subtotal	Elimination	Total
Cash flows from operating activities					
Excess of revenue over expenses	\$ 9,494,773	\$ 7,010,264	\$ 16,505,037	\$ (6,771,593)	\$ 9,733,444
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities					
(Loss) Gain on investment in partnership	-	-	-	-	-
Investment income	(6,080,796)	-	(6,080,796)	6,771,593	690,797
Depreciation expense	4,301	135,885	140,186	-	140,186
Amortization of debt issuance costs	16,686	5,980	22,666	-	22,666
Loss on disposal of fixed assets	-	-	-	-	-
Deferred income	-	(872,359)	(872,359)	-	(872,359)
Changes in					
Accounts receivable	(32,988)	(1,178,178)	(1,211,166)	-	(1,211,166)
Prepaid expenses and other assets	(154,850)	(143,342)	(298,192)	-	(298,192)
Predevelopment costs reimbursable	4,771,096	(5,133,400)	(362,304)	-	(362,304)
Accounts payable and accrued expenses	(164,993)	1,233,472	1,068,479	-	1,068,479
Prepaid and deferred revenues	3,595,144	9,259	3,604,403	-	3,604,403
Tenant security deposits	-	10,500	10,500	-	10,500
Due to affiliates, net	4,332,734	(4,114,279)	218,455	-	218,455
Net cash provided by (used in) operating activities	<u>15,781,107</u>	<u>(3,036,198)</u>	<u>12,744,909</u>	<u>-</u>	<u>12,744,909</u>
Cash flows from investing activities					
Escrow deposits and restricted reserves, net	-	494,505	494,505	-	494,505
Advances on notes receivable and accrued interest	(11,887,430)	(4,671,805)	(16,559,235)	-	(16,559,235)
Repayments of notes receivable and accrued interest	2,747,518	3,596,035	6,343,553	-	6,343,553
Distributions received from subsidiary	3,854,000	-	3,854,000	(3,854,000)	-
Contributions to partnerships	(3,581,736)	-	(3,581,736)	-	(3,581,736)
Distributions from partnerships	919,242	-	919,242	-	919,242
Cash paid for fixed assets	-	(607,029)	(607,029)	-	(607,029)
Net cash used in investing activities	<u>(7,948,406)</u>	<u>(1,188,294)</u>	<u>(9,136,700)</u>	<u>(3,854,000)</u>	<u>(12,990,700)</u>
Cash flows from financing activities					
Proceeds from line of credit	-	6,357,426	6,357,426	-	6,357,426
Payments on line of credit	-	(4,365,102)	(4,365,102)	-	(4,365,102)
Proceeds from notes payable	3,073,840	7,411,680	10,485,520	-	10,485,520
Payment on notes payable	(9,696,012)	(83,213)	(9,779,225)	-	(9,779,225)
Deferred income	-	(1,385,117)	(1,385,117)	-	(1,385,117)
Debt issuance costs	-	(56,664)	(56,664)	-	(56,664)
Distributions paid to members	-	(4,232,902)	(4,232,902)	3,854,000	(378,902)
Net cash (used in) provided by financing activities	<u>\$ (6,622,172)</u>	<u>\$ 3,646,108</u>	<u>\$ (2,976,064)</u>	<u>\$ 3,854,000</u>	<u>\$ 877,936</u>

Preservation of Affordable Housing, Inc. and Subsidiaries

**Consolidating Schedule of Cash Flows - Core Operating Companies
Year ended December 31, 2019**

	<u>POAH, Inc</u>	<u>POAH, LLC</u>	<u>Subtotal</u>	<u>Elimination</u>	<u>Total</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ 1,210,529	\$ (578,384)	\$ 632,145	\$ -	\$ 632,145
Cash, cash equivalents, and restricted cash, beginning of year	<u>7,879,539</u>	<u>4,652,783</u>	<u>12,532,322</u>	<u>-</u>	<u>12,532,322</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 9,090,068</u>	<u>\$ 4,074,399</u>	<u>\$ 13,164,467</u>	<u>\$ -</u>	<u>\$ 13,164,467</u>
Supplemental disclosure of cash flow activities					
Cash paid for interest	<u>\$ 1,038,019</u>	<u>\$ 176,544</u>	<u>\$ 1,214,563</u>	<u>-</u>	<u>\$ 1,214,563</u>
Schedule of noncash investing activities					
Increase in interest on notes receivable for acquisitions under common control	<u>\$ -</u>	<u>\$ 483,621</u>	<u>\$ 483,621</u>	<u>\$ -</u>	<u>\$ 483,621</u>

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Financial Position - POAH LLC
December 31, 2019

	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations	Total
Current assets						
Cash and cash equivalents	\$ 3,249,840	\$ 808,261	\$ -	\$ 5,786	\$ -	\$ 4,063,887
Restricted reserves	-	-	-	6,900	-	6,900
Accounts receivable						
Properties, net of allowance for doubtful accounts	1,539,489	2,154,270	-	1,527	(142,535)	3,552,751
Development fees	10,436,222	-	251,488	-	-	10,687,710
Other	872,662	109,689	-	-	-	982,351
Due from related parties	9,836,328	546,528	-	-	(998,868)	9,383,988
Prepaid expenses	1,528	239,362	-	-	-	240,890
Note receivable, current	1,114,155	-	-	-	-	1,114,155
Interest on notes receivable	3,539,889	-	190,035	-	-	3,729,924
Predevelopment costs reimbursable	5,133,400	-	-	-	-	5,133,400
Tenant security deposits	-	-	-	10,512	-	10,512
Total current assets	35,723,513	3,858,110	441,523	24,725	(1,141,403)	38,906,468
Other assets						
Notes receivable, net of discount	112,962,525	-	4,864,780	-	-	117,827,305
Investment in companies	5,192,045	-	-	-	(5,192,045)	-
Investment in partnerships	(138,916)	-	-	-	138,916	-
Other assets	46,161	110,215	-	-	-	156,376
Total other assets	118,061,815	110,215	4,864,780	-	(5,053,129)	117,983,681
Fixed assets						
Land and buildings	-	-	-	887,843	-	887,843
Rehabilitation in progress	-	-	-	8,893	-	8,893
Furniture, equipment and leasehold improvements	173,150	177,532	-	-	-	350,682
Less: Accumulated depreciation	(117,041)	(108,238)	-	(29,834)	-	(255,113)
Total fixed assets	56,109	69,294	-	866,902	-	992,305
Total assets	\$ 153,841,437	\$ 4,037,619	\$ 5,306,303	\$ 891,627	\$ (6,194,532)	\$ 157,882,454

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Financial Position - POAH LLC
December 31, 2019

	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations	Total
Liabilities						
Current liabilities						
Accounts payable	\$ 269,843	\$ 181,891	\$ -	\$ 52,195	\$ -	\$ 503,929
Accrued expenses	1,040,840	958,910	-	-	-	1,999,750
Accounts payable - development	-	-	-	6,900	-	6,900
Accrued interest	34,805	-	-	2,981	-	37,786
Loan payable, current	1,140,177	-	-	-	-	1,140,177
Line of credit, current	2,932,975	-	-	-	-	2,932,975
Deferred liabilities, current	6,865	6,429	-	-	-	13,294
Tenant security deposits	-	-	-	10,500	-	10,500
Due to related parties	1,397,547	1,203,460	142,535	265,653	(1,196,403)	1,812,792
Total current liabilities	6,823,052	2,350,690	142,535	338,229	(1,196,403)	8,458,103
Long-term liabilities						
Loans and notes payable, net of current	11,537,047	-	-	692,314	-	12,229,361
Line of credit, net of current	898,686	-	-	-	-	898,686
Accrued interest payable - notes payable	890,157	-	-	-	-	890,157
Deferred liabilities, net of current	37,499	136,353	-	-	-	173,852
Deferred income	72,156,186	-	-	-	-	72,156,186
Total long-term liabilities	85,519,575	136,353	-	692,314	-	86,348,242
Total liabilities	92,342,627	2,487,043	142,535	1,030,543	(1,196,403)	94,806,345
Net assets						
Net assets without donor restrictions controlling	61,498,810	1,550,576	3,641,469	(138,916)	(4,998,129)	61,553,810
Net assets without donor restrictions noncontrolling	-	-	1,522,299	-	-	1,522,299
Total net assets without donor restrictions	61,498,810	1,550,576	5,163,768	(138,916)	(4,998,129)	63,076,109
Total liabilities and net assets	\$ 153,841,437	\$ 4,037,619	\$ 5,306,303	\$ 891,627	\$ (6,194,532)	\$ 157,882,454

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Activities - POAH LLC
Year ended December 31, 2019

	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations	Total
Revenue						
Rental income	\$ -	\$ -	\$ -	\$ 86,318	\$ -	\$ 86,318
Development and other fee revenue from properties	13,866,738	-	402,388	-	-	14,269,126
Cash flow from properties	1,510,671	-	-	-	(142,535)	1,368,136
Property management and related fees	-	9,921,429	-	-	-	9,921,429
Reimbursable salaries and expenses	-	22,291,664	-	-	-	22,291,664
Gain on receipt of mortgage note	1,385,117	-	-	-	-	1,385,117
Interest income	2,853,753	820	169,386	12	-	3,023,971
Investment and other income	93,197	1,701	-	-	(100,599)	(5,701)
Total revenue	19,709,476	32,215,614	571,774	86,330	(243,134)	52,340,060
Expenses						
Personnel	7,439,884	7,566,051	-	-	-	15,005,935
Development expense	2,827,680	-	142,535	-	(197,535)	2,772,680
Professional services	614,164	211,666	-	-	-	825,830
Contributions and grants made	9,000	-	-	-	-	9,000
Rental	650,122	342,712	-	-	-	992,834
Taxes and insurance	1,244	91,039	-	-	-	92,283
Travel and lodging	232,290	549,387	-	-	-	781,677
Interest expense	438,137	-	-	29,694	-	467,831
Reimbursable salaries and expenses	-	22,291,664	-	-	-	22,291,664
Property operations	-	-	-	181,897	-	181,897
Office and administration	676,155	754,832	-	-	-	1,430,987
Depreciation and amortization	20,956	85,095	-	29,834	-	135,885
Bad debt expense	-	304,623	-	-	-	304,623
Miscellaneous	28,251	8,419	-	-	-	36,670
Total expenses	12,937,883	32,205,488	142,535	241,425	(197,535)	45,329,796
Excess of revenue over expenses (expenses over revenue)	6,771,593	10,126	429,239	(155,095)	(45,599)	7,010,264
Excess of revenue over expenses attributable to noncontrolling interests	-	-	(183,671)	-	-	(183,671)
Excess of revenue over expenses (expenses over revenue) attributable to the Company	\$ 6,771,593	\$ 10,126	\$ 245,568	\$ (155,095)	\$ (45,599)	\$ 6,826,593

See Independent Auditor's Report.

Preservation of Affordable Housing LLC and Subsidiaries

**Consolidating Schedule of Changes in Net Assets - POAH LLC
Year ended December 31, 2019**

	Controlling					Subtotal	Noncontrolling	Total
	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations		PTLHC	
Balance at January 1, 2019	\$ 55,534,506	\$ 1,940,450	\$ 3,310,624	\$ (8,821)	\$ (5,242,253)	\$ 55,534,506	\$ 1,717,530	\$ 57,252,036
Contribution from the member	-	-	-	25,000	(25,000)	-	-	-
Distributions to the member	(3,854,000)	(400,000)	-	-	400,000	(3,854,000)	-	(3,854,000)
Distributions to noncontrolling member	-	-	-	-	-	-	(378,902)	(378,902)
Other changes in equity								
Common control - interest	483,621	-	78,865	-	(78,865)	483,621	-	483,621
Common control - principal	221,602	-	6,412	-	(6,412)	221,602	-	221,602
Adjustment for change in accounting principle	2,341,488	-	-	-	-	2,341,488	-	2,341,488
Excess of revenue over expenses attributable to noncontrolling interest	-	-	-	-	-	-	183,671	183,671
Excess of revenue over expenses (expenses over revenue) attributable to Company	6,771,593	10,126	245,568	(155,095)	(45,599)	6,826,593	-	6,826,593
Balance at December 31, 2019	<u>\$ 61,498,810</u>	<u>\$ 1,550,576</u>	<u>\$ 3,641,469</u>	<u>\$ (138,916)</u>	<u>\$ (4,998,129)</u>	<u>\$ 61,553,810</u>	<u>\$ 1,522,299</u>	<u>\$ 63,076,109</u>

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Cash Flows - POAH LLC
Year ended December 31, 2019

	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations	Total
Cash flows from operating activities						
Excess of revenue over expenses (expenses over revenue)	\$ 6,771,593	\$ 10,126	\$ 429,239	\$ (155,095)	\$ (45,599)	\$ 7,010,264
Investment income	(100,599)	-	-	-	100,599	-
Depreciation and amortization expense	20,956	85,095	-	29,834	-	135,885
Amortization of debt issuance costs	5,980	-	-	-	-	5,980
Deferred income	(872,359)	-	-	-	-	(872,359)
Changes in						
Accounts receivable	(246,623)	(678,540)	(251,488)	(1,527)	-	(1,178,178)
Predevelopment costs reimbursable	(5,133,400)	-	-	-	-	(5,133,400)
Prepaid expenses and other assets	(15,905)	(127,437)	-	-	-	(143,342)
Accounts payable and accrued expenses	1,161,525	36,567	-	35,380	-	1,233,472
Prepaid revenue and deferred liabilities	11,789	(2,530)	-	-	-	9,259
Tenant security deposits	-	-	-	10,500	-	10,500
Due to affiliates, net	(5,216,446)	889,654	9,785	257,728	(55,000)	(4,114,279)
Net cash (used in) provided by operating activities	(3,613,489)	212,935	187,536	176,820	-	(3,036,198)
Cash flows from investing activities						
Escrow deposit and restricted reserves, net	475,605	-	-	18,900	-	494,505
Cash paid for fixed assets	-	(8,557)	-	(598,472)	-	(607,029)
Advances on notes receivable and accrued interest	(4,502,419)	-	(169,386)	-	-	(4,671,805)
Repayment of notes receivable and accrued interest	3,235,283	-	360,752	-	-	3,596,035
Contribution to subsidiary	(25,000)	-	-	-	25,000	-
Distribution from subsidiary	400,000	-	-	-	(400,000)	-
Net cash (used in) provided by investing activities	(416,531)	(8,557)	191,366	(579,572)	(375,000)	(1,188,294)
Cash flows from financing activities						
Proceeds from line of credit	6,357,426	-	-	-	-	6,357,426
Payments on line of credit	(4,365,102)	-	-	-	-	(4,365,102)
Proceeds from notes payable	7,017,630	-	-	394,050	-	7,411,680
Payments on note payable	(83,213)	-	-	-	-	(83,213)
Deferred income	(1,385,117)	-	-	-	-	(1,385,117)
Debt issuance costs	(56,664)	-	-	-	-	(56,664)
Contribution from member	-	-	-	25,000	(25,000)	-
Distributions to member	(3,854,000)	(400,000)	(378,902)	-	400,000	(4,232,902)
Net cash provided by (used in) financing activities	3,630,960	(400,000)	(378,902)	419,050	375,000	3,646,108

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidating Schedule of Cash Flows - POAH LLC
Year ended December 31, 2019

	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations	Total
Net (decrease) increase in cash, cash equivalents, and restricted cash	(399,060)	(195,622)	-	16,298	-	(578,384)
Cash, cash equivalents, and restricted cash, beginning of year	3,648,900	1,003,883	-	-	-	4,652,783
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 3,249,840</u>	<u>\$ 808,261</u>	<u>\$ -</u>	<u>\$ 16,298</u>	<u>\$ -</u>	<u>\$ 4,074,399</u>
Supplemental disclosure of cash flow activities						
Cash paid for interest	<u>\$ 154,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,786</u>	<u>\$ -</u>	<u>\$ 176,544</u>
Schedule of noncash investing activities						
Increase in interest on notes receivable for acquisitions under common control	<u>\$ 483,621</u>	<u>\$ -</u>	<u>\$ 78,865</u>	<u>\$ -</u>	<u>\$ (78,865)</u>	<u>\$ 483,621</u>

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