

**RTH Restoration Housing Limited Partnership  
HUD Project No.: MA06-0003-074**

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

**December 31, 2017**

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**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

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**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**December 31, 2017**

Mortgagor's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of RTH Restoration Housing Limited Partnership and, to the best of my knowledge and belief, the same are complete and accurate.

General Partner

\_\_\_\_\_  
Karen T. Gately  
RTH Restoration Housing GP, Inc.

\_\_\_\_\_  
Date

Telephone Number: (617) 232-4306

**RTH Restoration Housing Limited Partnership  
HUD Project No.: MA06-0003-074**

**December 31, 2017**

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of RTH Restoration Housing Limited Partnership and, to the best of my knowledge and belief, the same are complete and accurate.

MANAGING AGENT

Wingate Management Company, LLC

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Peter Nowak

Jesene Godfrey  
Property Manager

Managing Agent Taxpayer  
Identification Number:  
20-2388094

Independent Auditor's Report

To the Partners  
RTH Restoration Housing Limited Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of RTH Restoration Housing Limited Partnership, which comprise the balance sheet as of December 31, 2017, and the related statements of operations, partners' equity (deficit) and cash flows for the year then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, the financial statements referred to above present fairly, in all material respects, the financial position of RTH Restoration Housing Limited Partnership as of December 31, 2017, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

## *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 26 to 41 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information on pages 26 to 41 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information on pages 26 to 41 is fairly stated, in all material respects, in relation to the financial statements as a whole.

## *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018, on our consideration of RTH Restoration Housing Limited Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RTH Restoration Housing Limited Partnership's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RTH Restoration Housing Limited Partnership's internal control over financial reporting and compliance.



Boston, Massachusetts  
March 23, 2018

Taxpayer Identification Number:  
22-1478099

Lead Auditor: Ronald J. Walker

**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**Balance Sheet**  
**December 31, 2017**

Assets

Current assets	
Cash - operations	\$ 1,311,183
Construction cash	258,775
Tenant accounts receivable	12,838
Accounts receivable - HUD	12,772
Prepaid expenses	<u>47,622</u>
Total current assets	<u>1,643,190</u>
Deposits held in trust - funded	
Tenant deposits	<u>25,575</u>
Restricted deposits and funded reserves	
Escrow deposits	215,564
Reserve for replacements	1,703,674
Other reserves	1,476,879
Bond reserves	<u>12,563</u>
Total restricted deposits and funded reserves	<u>3,408,680</u>
Rental property	
Land and land improvement	1,586,380
Buildings and improvements	18,174,937
Furnishings and equipment	<u>100,339</u>
	19,861,656
Less accumulated depreciation	<u>(820,295)</u>
Total rental property	<u>19,041,361</u>
Other assets	
Miscellaneous other assets	<u>33,445</u>
Total other assets	<u>33,445</u>
Total assets	<u><u>\$ 24,152,251</u></u>

**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**Balance Sheet**  
**December 31, 2017**

Liabilities and Partners' Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 42
Accounts payable - construction/development	13,500
Accounts payable - entity	75,022
Accrued management fee payable	3,236
Accrued interest payable - first mortgage	32,505
Accrued property taxes payable	222,166
Mortgage payable - first mortgage, current maturities	114,104
Development fee payable	2,022,576
Miscellaneous current liabilities	45,212
Prepaid revenue	15,278
	<hr/>
Total current liabilities	2,543,641
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	25,495
	<hr/>
Long-term liabilities	
Notes payable (long-term)	3,253,793
Mortgage payable - first mortgage, net of current maturities	7,434,261
Accrued interest payable - notes payable (long-term)	945
	<hr/>
Total long-term liabilities	10,688,999
	<hr/>
Total liabilities	13,258,135
	<hr/>
Contingency	-
	<hr/>
Partners' equity (deficit)	10,894,116
	<hr/>
Total liabilities and partners' equity (deficit)	\$ 24,152,251
	<hr/> <hr/>

See Notes to Financial Statements.



**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**Statement of Operations**  
**Year Ended December 31, 2017**

Rental revenue	
Rent revenue - gross potential	\$ 499,708
Tenant assistance payments	<u>1,722,451</u>
Total rental revenue	<u>2,222,159</u>
Vacancies	
Apartments	<u>(3,399)</u>
Total vacancies	<u>(3,399)</u>
Net rental revenue	<u>2,218,760</u>
Financial revenue	
Revenue from investments - replacement reserve	1,881
Revenue from investments - miscellaneous	<u>2,501</u>
Total financial revenue	<u>4,382</u>
Other revenue	
Tenant charges	<u>186</u>
Total other revenue	<u>186</u>
Total revenue	<u>2,223,328</u>

**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**Statement of Operations**  
**Year Ended December 31, 2017**

Administrative expenses	
Management consultants	2,898
Advertising and marketing	80
Other renting expenses	624
Office salaries	93,862
Office expenses	18,407
Office or model apartment rent	24,780
Management fee	80,580
Manager or superintendent salaries	38,042
Legal expense - project	3,766
Auditing expense	19,700
Bookkeeping fees/accounting services	14,472
Bad debts	587
Miscellaneous administrative expenses	<u>26,946</u>
Total administrative expenses	<u>324,744</u>
Utilities expense	
Electricity	24,508
Water	69,278
Gas	<u>73,016</u>
Total utilities expense	<u>166,802</u>
Operating and maintenance expenses	
Payroll	100,713
Supplies	51,296
Contracts	89,267
Heating/cooling repairs and maintenance	6,101
Snow removal	1,361
Miscellaneous operating and maintenance expenses	<u>3,975</u>
Total operating and maintenance expenses	<u>252,713</u>

**RTH Restoration Housing Limited Partnership**  
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**Statement of Operations**  
**Year Ended December 31, 2017**

Taxes and insurance	
Real estate taxes	211,019
Payroll taxes	18,550
Property and liability insurance	57,761
Fidelity bond insurance	194
Workmen's compensation	3,995
Health insurance and other employee benefits	12,582
Miscellaneous taxes, licenses, permits and insurance	762
	<hr/>
Total taxes and insurance	304,863
	<hr/>
Financial expenses	
Interest on first mortgage payable	232,029
Interest on construction loan	408,419
Interest on notes payable - long-term	945
	<hr/>
Total financial expenses	641,393
	<hr/>
Total cost of operations before depreciation and amortization	1,690,515
	<hr/>
Income (loss) before depreciation and amortization	532,813
	<hr/>
Depreciation and amortization	
Depreciation expense	513,761
Amortization expense	2,574
	<hr/>
Total depreciation and amortization	516,335
	<hr/>
Operating income (loss)	16,478
	<hr/>
Corporate or mortgagor entity revenue and expenses	
Other expenses	10,225
	<hr/>
Net entity expenses	10,225
	<hr/>
Total expenses	2,217,075
	<hr/>
Net income (loss)	\$ 6,253
	<hr/>

See Notes to Financial Statements.

**RTH Restoration Housing Limited Partnership**  
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**Statement of Partners' Equity (Deficit)**  
**Year Ended December 31, 2017**

	<u>General partner</u>	<u>Investor limited partner</u>	<u>Total</u>
Partners' equity (deficit) December 31, 2016	\$ (932,153)	\$ 1,912,673	\$ 980,520
Contributions	-	9,907,343	9,907,343
Other changes in equity (deficit)			
Seller financing - interest incurred	413,554	-	413,554
Seller financing - interest accrued	(413,554)	-	(413,554)
Net income (loss)	<u>1</u>	<u>6,252</u>	<u>6,253</u>
Partners' equity (deficit) December 31, 2017	<u>\$ (932,152)</u>	<u>\$ 11,826,268</u>	<u>\$ 10,894,116</u>
Partners' percentage of income (losses)	<u>0.01%</u>	<u>99.99%</u>	<u>100.00%</u>

See Notes to Financial Statements.

**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**Statement of Cash Flows**  
**Year Ended December 31, 2017**

Cash flows from operating activities	
Rental receipts	\$ 2,188,365
Interest receipts	4,382
Other operating receipts	<u>186</u>
Total receipts	<u>2,192,933</u>
Administrative expenses paid	(85,333)
Management fees paid	(87,748)
Utilities paid	(154,178)
Salaries and wages paid	(232,617)
Operating and maintenance paid	(151,958)
Real estate taxes paid	(211,905)
Property insurance paid	(61,708)
Miscellaneous taxes and insurance paid	(935)
Net tenant security deposits received (paid)	243
Other operating expenses paid	(35,321)
Interest paid on first mortgage	(194,639)
Interest paid on construction loan	<u>(203,004)</u>
Total disbursements	<u>(1,419,103)</u>
Net cash provided by operating activities	<u>773,830</u>
Cash flows from investing activities	
Net deposits to mortgage escrows	(215,564)
Net deposits to reserve for replacements	(69,381)
Net deposits to other reserves	
Operating and and capital contributions reserves	(1,177,103)
Net purchases of rental property	(2,411,306)
Other investing activities (include detail)	
Bond reserves	<u>1,013,056</u>
Net cash used in investing activities	<u>(2,860,298)</u>
Cash flows from financing activities	
Proceeds from notes payable	1,619,500
Contributions by partners	9,907,343
Other financing activities (include detail)	
Payment of debt issuance costs	(49,856)
Mortgage principal payments - first mortgage	(36,767)
Repayment of construction loan payable	(16,800,000)
Proceeds from first mortgage payable	<u>7,715,000</u>
Net cash provided by financing activities	<u>2,355,220</u>
Net increase in cash	268,752
Cash, beginning	<u>1,301,206</u>
Cash, end	<u><u>\$ 1,569,958</u></u>

**RTH Restoration Housing Limited Partnership**  
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**Statement of Cash Flows**  
**Year Ended December 31, 2017**

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	\$ 6,253
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	513,761
Amortization	2,574
Amortization of debt issuance costs	239,700
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(6,763)
Accounts receivable - other	22,999
Prepaid expenses	(4,120)
Tenant security deposits funded	(624)
Increase (decrease) in liabilities	
Accounts payable	(3,883)
Accrued liabilities	4,570
Accrued interest payable	4,050
Tenant security deposits held in trust	867
Prepaid revenue	(15,779)
Entity/construction liability accounts (include detail)	
Accrued partnership and asset management fees	10,225
Total adjustments	767,577
Net cash provided by operating activities	\$ 773,830
Supplemental schedule of noncash investing and financing activities	
Rental property costs incurred	\$ 177,629
Accounts payable - construction/development, beginning of year	2,247,177
Accounts payable - construction/development, end of year	(13,500)
Cash paid for rental property costs	\$ 2,411,306

See Notes to Financial Statements.

**RTH Restoration Housing Limited Partnership**  
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**Notes to Financial Statements**  
**December 31, 2017**

**Note 1 - Organization**

RTH Restoration Housing Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of the Commonwealth of Massachusetts on March 5, 2015 for the purpose of acquiring, rehabilitating and operating 81 rental housing units located in Boston, Massachusetts (the "Project"). The Project is currently operating under the name of Restoration Housing. The Company acquired the Project on December 9, 2015 and rehabilitation was completed throughout 2016.

Net profits, net losses and tax credits are allocated 99.99% to the investor limited partner, Bank of America, N.A., 0.01% to the general partner, RTH Restoration Housing GP, Inc., and 0% to the special limited partner, Banc of America CDC Special Holding Company, Inc.

The term of the Partnership shall continue until December 1, 2065, unless dissolved prior to such date in accordance with the provisions of the Amended and Restated Agreement of Limited Partnership ("Partnership Agreement").

Cash distributions are limited to the extent of surplus cash as defined by the U.S. Department of Housing and Urban Development ("HUD"), with additional restrictions limiting the cash distributions to 8% of equity as defined in the Chapter 121A Regulatory Agreement with the Boston Redevelopment Authority.

Each building of the Project has qualified for and been allocated low-income housing credits pursuant to Internal Revenue Code Section 42 ("Section 42"), which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. Each building of the Project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. In addition, the Partnership executed an Extended Use Agreement which requires the utilization of the Project pursuant to Section 42 for a minimum of 30 years, even if the Partnership disposes of the Project.

The Company received an allocation of federal low-income housing tax credits from the Department of Housing and Community Development ("DHCD") based on qualified acquisition and rehabilitation costs. Federal tax credits are in an annual amount of \$811,829. The federal tax credits began in 2016 and continue through 2026, and were prorated in the first year based on qualified occupancy.

The Project qualified for federal and state historic tax credits in 2016, upon completion of the rehabilitation of the Project. The federal credit was calculated at 20% of qualified rehabilitation costs and was \$2,836,851. The state credit was calculated at 20% of qualified rehabilitation costs up to an allocated amount of \$2,150,000. The historic tax credits are subject to recapture during the five-year period following the completion of the rehabilitation in 2016.

**Note 2 - Summary of significant accounting policies**

**Use of estimates**

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

**RTH Restoration Housing Limited Partnership**  
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**Notes to Financial Statements**  
**December 31, 2017**

**Accounts receivable and bad debts**

Tenant receivables 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 tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. There was no allowance for doubtful accounts at December 31, 2017.

**Rental property**

Rental property is carried at cost, except for the initial acquisition of the land and buildings which were recorded at the seller's carrying amount. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method for financial reporting purposes. For income tax purposes, accelerated lives and methods are used.

Buildings and improvements are being depreciated on a straight line basis over 40 years. Land improvements are being depreciated over 20 years. Furnishings and equipment are being depreciated over 10 years.

**Impairment of long-lived assets**

The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2017.

**Debt issuance costs**

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

**Deferred costs and amortization**

Costs of \$38,590 relating to obtaining low-income housing tax credits are amortized over the 15-year compliance period. Amortization expense was \$2,574 for the year ended December 31, 2017. As of December 31, 2017, accumulated amortization was \$5,145. Such unamortized tax credit costs are reflected as a component of miscellaneous other assets on the accompanying balance sheet.

Estimated amortization expense for the ensuing years through December 31, 2022 is \$2,573 each year.

**Income taxes**

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a limited partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do



**RTH Restoration Housing Limited Partnership**  
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**Notes to Financial Statements**  
**December 31, 2017**

not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2015 remain open.

**Rental income**

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

**Advertising costs**

The Partnership's policy is to expense advertising costs when incurred.

**Note 3 - Escrow deposits and restricted reserves**

In accordance with the Partnership Agreement and permanent mortgage lender requirements, the Partnership is required to establish and maintain the following reserves:

**Replacement reserve**

Upon acquisition of the Project, the Partnership received the Sponsor Reserve Loan and used the proceeds of such loan to fund the replacement reserve in the amount of \$1,634,293. From and after the Permanent Mortgage Commencement, as defined, the Project shall fund the replacement reserve with monthly deposits of \$13,500. The following is a schedule of activity within the replacement reserve for the year ended December 31, 2017:

Balance, January 1	\$ 1,634,293
Deposits	67,500
Interest	<u>1,881</u>
Balance, December 31	<u><u>\$ 1,703,674</u></u>

**Operating reserve**

The Partnership funded an operating reserve from the proceeds of the investor limited partner's third installment in the amount of \$1,197,027 in 2017. Funds held in the operating reserve may be released to pay operating expenses and require consent of the investor limited partner. The operating reserve shall be maintained throughout the Compliance Period, as defined. The following is a schedule of activity within the operating reserve for the year ended December 31, 2017:

Initial deposit in June 2017	\$ 1,197,027
Interest	<u>1,358</u>
Balance, December 31	<u><u>\$ 1,198,385</u></u>

**RTH Restoration Housing Limited Partnership**  
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**Notes to Financial Statements**  
**December 31, 2017**

**Other reserve**

At Project acquisition, a capital contributions escrow in the amount of \$300,000 was funded from investor limited partner capital contributions. Such escrow is available to fund certain expenses of the Partnership. The following is a schedule of activity within the capital contributions escrow for the year ended December 31, 2017:

Balance, January 1	\$ 299,776
Withdrawals	<u>(21,282)</u>
Balance, December 31	<u><u>\$ 278,494</u></u>

**Bond reserves**

At Project acquisition, proceeds of the bonds were deposited into various reserves held by the trustee, U.S. Bank. Such funds held in trust are disbursed on a regular basis upon the submission of the requisitions for payments of approved development/construction costs. The following is a schedule of activity within the bond reserves for the year ended December 31, 2017:

Balance, January 1	\$ 1,025,619
Deposits	88,200
Interest	418
Withdrawals	<u>(1,101,674)</u>
Balance, December 31	<u><u>\$ 12,563</u></u>

**Real estate tax, insurance and water and sewer escrows**

The following is a schedule of activity within the real estate tax, insurance and water and sewer escrows for the year ended December 31, 2017:

Initial deposit in June 2017	\$ 160,468
Deposits - monthly	143,045
Interest	205
Withdrawals	<u>(88,154)</u>
Balance, December 31	<u><u>\$ 215,564</u></u>

**Note 4 - Construction and permanent financing**

**Construction loan**

The Partnership obtained construction financing in the amount of \$16,800,000 through the issuance of tax exempt bonds by the Massachusetts Development Finance Agency. The Multifamily Housing Revenue Bonds Series 2015 bore interest at 1.05% per annum with a maturity date on November 1, 2017. Semi-annual payments of interest-only were due through maturity, at which time the outstanding principal and any accrued interest were due and payable.

The bonds were secured by a first priority mortgage lien on the property and a guaranty from an affiliate of the general partner. Additionally, Bank of America, N.A. issued an irrevocable direct pay letter of credit for the benefit of the bond trustee ("U.S. Bank") to secure the Partnership's obligation to make the payment on the bonds. The direct pay letter of credit was in the amount of \$16,898,000, which was equal to the outstanding balance of the bonds plus 200 days of interest.

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**Notes to Financial Statements**  
**December 31, 2017**

Interest and letter of credit fees incurred for the year ended December 31, 2017 was \$173,604. In June 2017, the outstanding principal balance on the bonds and accrued interest were repaid in full upon receipt of the permanent loan, capital contributions, and State HTC loan.

Amortization of debt issuance costs of \$234,815 on the construction loan was incurred and is included as a component of interest expense on construction loan on the accompanying statement of operations. Debt issuance costs on the construction loan were amortized using an imputed interest rate of 1.27%.

**First mortgage loan**

Permanent first mortgage financing is being provided by the Massachusetts Housing Partnership Fund Board ("MHP") in the amount of \$7,715,000. The loan bears interest at 5.08% per annum, requires monthly payments of \$41,794 based on a 30-year amortization period, and matures 16 years from the date of receipt (July 8, 2033), with a balloon payment due of approximately \$5,058,157. The loan is secured by the property. As specified in the loan agreement, the Project is required to maintain minimum debt service ratios throughout the loan term. Principal and accrued interest as of December 31, 2017 is \$7,678,233 and \$32,505, respectively. Interest expense incurred during the year ended December 31, 2017 was \$232,029, including amortization of debt issuance costs of \$4,885.

Debt issuance costs, net of accumulated amortization, totaled \$129,868 as of December 31, 2017. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest rate of 5.2783%.

The annual maturities of the first mortgage payable over each of the next five years and thereafter are as follows:

December 31, 2018	\$	114,104
2019		120,037
2020		126,279
2021		132,846
2022		139,754
Thereafter		<u>7,045,213</u>
Total		7,678,233
Less: Unamortized debt issuance costs		<u>(129,868)</u>
	\$	<u><u>7,548,365</u></u>

**Note 5 - Mortgages and notes payable**

**State HTC loan**

The Partnership entered into a financing agreement with Madison Park Development Corporation ("MPDC") in the original amount of \$2,082,500. Funding of this loan is being provided by MPDCs sale of the Project's state historic tax credits which were donated to MPDC by the general partner pursuant to a State Historic Tax Credit Charitable Donation and Transfer Agreement. The amount of the loan is subject to adjustment depending on the final amount of the state historic tax credits allocated to the Project and is expected to be in a revised amount of \$1,763,000. The loan is secured by the property and bears interest at .10% per annum. Annual payments are due on the

**RTH Restoration Housing Limited Partnership**  
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**Notes to Financial Statements**  
**December 31, 2017**

loan from available cash flows as prioritized in the Partnership Agreement. The principal balance and accrued interest shall be due and payable at maturity on December 31, 2057. Principal and accrued interest as of December 31, 2017 is \$1,619,500 and \$945, respectively. Interest expense incurred during the year ended December 31, 2017 was \$945. The remaining loan proceeds of \$143,500 are expected to be received in 2018.

**Seller loan**

The Partnership entered into a financing agreement with Restoration Housing Corporation (the property seller and affiliate of the general partner) in the original amount of \$9,980,879. The loan is secured by the property and is divided into two tranches. Tranche A is in the amount of \$5,000,000 and bears interest at 4.15%, compounded annually. Tranche B is in the amount of \$4,980,879 and bears interest at 3.80%, compounded annually. Payments on the seller loan shall be made as follows:

- A) a partial payment shall be due in an amount equal to all loan proceeds in excess of \$1,827,500 if any, advanced under the State HTC loan;
- B) monthly payments of \$15,000 commencing after all obligations due under the Reimbursement Agreement between the Partnership and Bank of America, N.A. have been satisfied.
- C) on or before June 30 of each year, a payment from the Project's cash flow as prioritized in the Partnership Agreement; and
- D) all outstanding principal and accrued interest are due on the maturity date of December 31, 2057.

The promissory note details the application of payments between Tranches A and B for the clauses listed above, as they differ for each clause.

As of December 31, 2017, the outstanding principal balance and accrued interest was \$9,980,879 and \$834,840, respectively. Interest incurred for the year ended December 31, 2017 was \$413,554. For financial reporting purposes, this loan and related accrued interest and interest expense are reflected as components of general partner equity on the accompanying statement of partners' equity (deficit).

**Reserve loan**

Roxbury Tenants of Harvard Association, Inc. ("RTH," an affiliate of the general partner) provided a loan in the amount of \$1,634,293 to the Project, which was used to fund the replacement reserve. The loan is noninterest-bearing, secured by the property and matures on December 31, 2057. Annual payments are due from available cash flow as prioritized in the Partnership Agreement. As of December 31, 2017, the outstanding principal balance on the reserve loan was \$1,634,293.

**Note 6 - Related party transactions**

**Development fee**

The Partnership has entered into a development agreement with RTH. The agreement provides for a development fee in the amount of \$2,022,576 for services performed during rehabilitation of the Project. The fee will be paid from capital contributions and net cash flow. It is expected that \$372,500 will be deferred, bear interest at the long-term applicable federal rate for the month in

**RTH Restoration Housing Limited Partnership**  
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**Notes to Financial Statements**  
**December 31, 2017**

which project completion occurs and be payable from net cash flow as prioritized in the Partnership Agreement. All amounts will be due and payable by the 13th anniversary of project completion. No payments have been made on the fee and no interest has been charged. As of December 31, 2017, fees of \$2,022,576 remain payable. Payments on the fee are expected to be made in 2018.

**Asset management fee**

The Partnership is required to pay an asset management fee to the special limited partner for the annual review of the operations of the Partnership and the Project beginning on the first day of the first month following Permanent Mortgage Commencement. Such fee is \$5,000 annually and is increased each year by 3% of the fee for the preceding year. The fee shall be payable solely from available cash flow and shall accrue without interest. For the year ended December 31, 2017, a fee of \$2,500 was incurred, which remains payable and is included as a component of accounts payable - entity on the accompanying balance sheet.

**Partnership management fee**

For providing management services in accordance with the Partnership Management Agreement, the Partnership shall pay the general partner an annual partnership management fee in the amount of \$7,500, increasing at 3% per year. Such fee is payable from available cash flow as prioritized in the Partnership Agreement and unpaid fees shall accrue and be payable in future years. For the year ended December 31, 2017, a fee of \$7,725 was incurred and fees of \$15,538 remain payable and are included as a component of accounts payable - entity on the accompanying balance sheet.

**Supervisory management fee**

Commencing on January 1, 2021, for providing supplemental management and oversight services to the Project, the Partnership shall pay the general partner a supervisory management fee equal to 6% of gross revenues. Such fee is payable from available cash flow as prioritized in the Partnership Agreement. The fee is noncumulative and will not accrue and cannot be paid until the development fee is paid in full. The supervisory management fee, the partnership management fee and the property management fee in total shall not exceed 12% of the Project's cash receipts for the year.

**Due to affiliates**

Certain affiliates of the general partner have advanced funds for development costs. The advances bear no interest and are payable on demand. The balance outstanding at December 31, 2017 is \$56,984 and is included as a component of accounts payable - entity on the accompanying balance sheet. These advances are expected to be repaid in 2018.

**Note 7 - Capital contributions**

Capital contributions totaling \$12,030,308 are due from the investor limited partner as certain milestones are achieved as disclosed in the Partnership Agreement. As of December 31, 2017, the investor limited partner funded capital contributions totaling \$11,314,115, including \$9,907,343 during 2017. The remaining balance will be paid in accordance with the terms of the Partnership Agreement and is expected to be received in 2018.

The investor limited partner contributions may be reduced by any tax credit shortfall, as calculated in accordance with the Partnership Agreement.

The general partner and the special limited partner are required to make capital contributions totaling \$100 and \$0, respectively.

**RTH Restoration Housing Limited Partnership**  
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**Notes to Financial Statements**  
**December 31, 2017**

**Note 8 - Distributions**

Subject to any requisite approvals, (i) net rental income generated through the Completion Date, as defined, shall be includable in Designated Proceeds, as defined and shall be available to the developer and the general partner for the purposes and subject to the conditions set forth in the Development Agreement and Partnership Agreement, and (ii) subject to the terms of the Mortgage Loan Documents, Cash Flow for each fiscal year (or fractional portion thereof) from and after the Completion Date and any Designated Proceeds remaining after payment of all Development Costs (including the Development Fee) shall be distributed within 90 days after the end of each fiscal year, in the following order of priority:

First, to the special limited partner as payment of the asset management fee;

Second, to the investor limited partner an amount equal to any amounts contributed by the investor limited partner as additional capital contributions;

Third, to the payment of any deferred development fee and any accrued interest thereon;

Fourth, to the payment to the investor limited partner an amount equal to any theretofore unpaid tax credit shortfall payments;

Fifth, to the payment of the partnership management fee;

Sixth, to the repayment of any operating expense loans and development deficit loans then outstanding;

Seventh, to replenish the operating reserve to \$1,197,027;

Eighth, to make payments on Tranche B of the seller loan in accordance with the terms of the seller loan note, until such loan is paid in full;

Ninth, to make payments on the sponsor reserve loan in accordance with the terms of the sponsor reserve loan note, until such loan is paid in full;

Tenth, to make payments on the state historic tax credit loan in accordance with the terms of the state historic tax credit loan note, until such loan is paid in full; and

Eleventh, 99.99% of the balance remaining shall be distributed to the investor limited partner and 0.01% to the general partner. From and after January 1, 2021, 90% of the balance remaining shall be distributed to the general partner, first as payment of the supervisory management fee and then as a distribution and 10% shall be distributed to the investor limited partner.

Distributions of cash flow from a capital transaction shall be in accordance with the Partnership Agreement.

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**Notes to Financial Statements**  
**December 31, 2017**

**Note 9 - Housing assistance payments contract agreement**

HUD has contracted with the Partnership pursuant to Section 8 of the Housing Act of 1937 to make housing assistance payments to the Partnership on behalf of qualified tenants who meet certain income limitations. The agreement is for 20 years, expires on December 10, 2035 and covers all 81 units in the Project. Housing assistance payment subsidies earned for the year ended December 31, 2017 were \$1,722,451.

**Note 10 - Concentration of credit risk**

The Partnership maintains its cash balances in certain accounts in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank. At times, these balances may exceed the federal insurance limits; however, the Partnership has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2017.

**Note 11 - Guarantees and obligations**

**Construction completion guaranty and development advances**

Pursuant to the Partnership Agreement, the general partner and RTH have guaranteed completion of construction and have agreed to fund all development costs. If the Designated Proceeds, as defined, are insufficient to pay development costs, then the general partner shall advance or cause to be advanced, the funds needed to pay such costs. Up to \$850,000 of the development advances will be deemed development deficit loans. Such loans will not bear interest and are payable from cash flow as prioritized in the Partnership Agreement. Any amounts advanced in excess of \$850,000 are not reimbursable or chargeable to the capital account and are the sole expense of the general partner. As of December 31, 2017, no amounts were required to be funded under this guaranty.

**Obligation to provide for operating expenses and guaranty**

During the period commencing on the Admission Date and ending on the fifth anniversary of the later to occur of (A) the Development Obligation Date or (B) achievement of a 115% Debt Service Coverage Ratio for a period of 12 consecutive calendar months, and on the condition that the Operating Reserve has been replenished to \$1,197,027, the general partner agrees that if the Partnership requires funds to discharge operating expenses (other than to make payments to partners, payments of any outstanding operating expense loans or other obligations provided to be payable solely out of cash flow or distributions of proceeds from a capital transaction), the general partner shall furnish to the Partnership the funds required. Amounts furnished to fund operating expenses incurred prior to the Development Obligation Date in excess of the development deficit loans shall be deemed special capital contributions. Amounts furnished to fund operating expenses incurred on or after the Development Obligation Date shall constitute operating expense loans. Operating expense loans shall not bear interest and shall be repayable only as provided in the Partnership Agreement. The general partner shall not be obligated to make operating expense loans to the extent that the outstanding aggregate principal amount of such operating expense loans would exceed \$973,000. Operating expense loans may be funded and subsequently repaid in whole or in part by the Partnership, and the general partner's obligation to make additional operating expense loans will be reinstated to the extent that any operating expense loans have been repaid. The general partner's obligations to provide for operating expenses are guaranteed by

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**Notes to Financial Statements**  
**December 31, 2017**

RTH in accordance with the Guaranty Agreement. As of December 31, 2017, there have been no operating expense loans.

**Tax credit guarantees**

The general partner and RTH have agreed to fund amounts payable to the investor limited partner for any low income housing tax credit or historic rehabilitation tax credit shortfalls or recapture events as more fully described in the Partnership Agreement.

**Note 12 - Contingencies**

**Tax credit compliance**

The Project's federal low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken federal tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.

**Note 13 - Current vulnerability due to certain concentrations**

The Partnership's principal asset is an 81-unit apartment project. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**Note 14 - Real estate taxes**

The Partnership has entered into Chapter 121A and 6A agreements with the Commonwealth of Massachusetts and the City of Boston, which exempts all real and personal properties from local taxation. The agreements expire in 2020 and restrict distributions of net income, as defined, to specific amounts as detailed in the agreements. An alternative tax, which approximates 10% of the Project's gross residential income, as defined in the agreement, resulted in a liability of \$222,166 for the year ended December 31, 2017, payment of which is due by March 15 to the Commonwealth of Massachusetts and by April 1 to the City of Boston.

**Note 15 - Management fee**

The property is managed by an unrelated third party management agent, pursuant to a management agreement which provides for a management fee equal to 3.64% of monthly gross revenues collected by the Project. For the year ended December 31, 2017, fees of \$80,580 were incurred, of which \$3,236 remains payable at December 31, 2017.



**RTH Restoration Housing Limited Partnership**  
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**Notes to Financial Statements**  
**December 31, 2017**

**Note 16 - Subsequent events**

Events that occur after the balance sheet date but before the 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 balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Partnership through March 23, 2018 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**Supplementary Information**  
**Supporting Data Required by HUD**

**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**Supplementary Information**

**Balance Sheet Data**  
**December 31, 2017**

Assets

Account No.

Current assets

1120	Cash - operations	\$ 1,311,183
1121	Construction cash	258,775
1130	Tenant accounts receivable	12,838
1135	Accounts receivable - HUD	12,772
1200	Prepaid expenses	<u>47,622</u>

1100T	Total current assets	1,643,190
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Deposits held in trust - funded

1191	Tenant deposits	25,575
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Restricted deposits and funded reserves

1310	Escrow deposits	\$ 215,564
1320	Reserve for replacements	1,703,674
1330	Other reserves	1,476,879
1355	Bond reserves	<u>12,563</u>

1300T	Total deposits	3,408,680
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Rental property

1410	Land	1,586,380
1420	Buildings	18,174,937
1460	Furnishings	<u>100,339</u>

1400T	Total fixed assets	19,861,656
1495	Less accumulated depreciation	<u>(820,295)</u>

1400N	Net fixed assets	19,041,361
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Other assets

1590	Miscellaneous other assets	<u>33,445</u>
1500T	Total other assets	<u>33,445</u>

1000T	Total assets	<u><u>\$ 24,152,251</u></u>
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**RTH Restoration Housing Limited Partnership**  
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**Supplementary Information**

**Balance Sheet Data**  
**December 31, 2017**

Liabilities and Partners' Equity (Deficit)

Account No.

Current liabilities

2110	Accounts payable - operations	\$ 42
2111	Accounts payable - construction/development	13,500
2113	Accounts payable - entity	75,022
2123	Accrued management fee payable	3,236
2131	Accrued interest payable - first mortgage	32,505
2150	Accrued property taxes payable	222,166
2170	Mortgage payable - first mortgage (short-term)	114,104
2174	Other loans and notes (short-term)	2,022,576
2190	Miscellaneous current liabilities	45,212
2210	Prepaid revenue	<u>15,278</u>
2122T	Total current liabilities	2,543,641

Deposits liability

2191	Tenant deposits held in trust (contra)	25,495
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Long-term liabilities

2310	Notes payable (long-term)	\$ 3,253,793
2320	Mortgage payable - first mortgage	7,434,261
2331	Accrued interest payable - other mortgages payable (long-term)	<u>945</u>
2300T	Total long-term liabilities	<u>10,688,999</u>
2000T	Total liabilities	13,258,135
3130	Partners' equity (deficit)	<u>10,894,116</u>
2033T	Total liabilities and partners' equity (deficit)	<u><u>\$ 24,152,251</u></u>

**RTH Restoration Housing Limited Partnership**  
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**Supplementary Information**

**Statement of Operations Data**  
**Year Ended December 31, 2017**

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 499,708	
5121	Tenant assistance payments	<u>1,722,451</u>	
5100T	Total rental revenue		\$ 2,222,159
Vacancies			
5220	Apartments	<u>(3,399)</u>	
5200T	Total vacancies		<u>(3,399)</u>
5152N	Net rental revenue		2,218,760
Financial revenue			
5440	Revenue from investments - replacement reserve	1,881	
5490	Revenue from investments - miscellaneous	<u>2,501</u>	
5400T	Total financial revenue		4,382
Other revenue			
5920	Tenant charges	<u>186</u>	
5900T	Total other revenue		<u>186</u>
5000T	Total revenue		<u>2,223,328</u>

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**Supplementary Information**

**Statement of Operations Data**  
**Year Ended December 31, 2017**

<u>Account No.</u>			
Administrative expenses			
6204	Management consultants	2,898	
6210	Advertising and marketing	80	
6250	Other renting expenses	624	
6310	Office salaries	93,862	
6311	Office expenses	18,407	
6312	Office or model apartment rent	24,780	
6320	Management fee	80,580	
6330	Manager or superintendent salaries	38,042	
6340	Legal expense - project	3,766	
6350	Auditing expense	19,700	
6351	Bookkeeping fees/accounting services	14,472	
6370	Bad debts	587	
6390	Miscellaneous administrative expenses	<u>26,946</u>	
6263T	Total administrative expenses		324,744
Utilities expense			
6450	Electricity	24,508	
6451	Water	69,278	
6452	Gas	<u>73,016</u>	
6400T	Total utilities expense		166,802
Operating and maintenance expenses			
6510	Payroll	100,713	
6515	Supplies	51,296	
6520	Contracts	89,267	
6546	Heating/cooling repairs and maintenance	6,101	
6548	Snow removal	1,361	
6590	Miscellaneous operating and maintenance expenses	<u>3,975</u>	
6500T	Total operating and maintenance expenses		252,713

**RTH Restoration Housing Limited Partnership**  
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**Supplementary Information**

**Statement of Operations Data**  
**Year Ended December 31, 2017**

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	211,019	
6711	Payroll taxes	18,550	
6720	Property and liability insurance	57,761	
6721	Fidelity bond insurance	194	
6722	Workmen's compensation	3,995	
6723	Health insurance and other employee benefits	12,582	
6790	Miscellaneous taxes, licenses, permits and insurance	<u>762</u>	
6700T	Total taxes and insurance		304,863
Financial expenses			
6820	Interest on first mortgage payable	232,029	
6825	Interest on other mortgages	408,419	
6830	Interest on notes payable - long-term	<u>945</u>	
6800T	Total financial expenses		<u>641,393</u>
6000T	Total cost of operations before depreciation and amortization		<u>1,690,515</u>
5060T	Income (loss) before depreciation		<u>532,813</u>
Depreciation and amortization			
6600	Depreciation expense	513,761	
6610	Amortization expense	<u>2,574</u>	
	Total depreciation and amortization		<u>516,335</u>
5060N	Operating income (loss)		<u>16,478</u>
Corporate or mortgagor entity revenue and expenses			
7190	Other expenses	<u>10,225</u>	
7100T	Net entity expenses		<u>10,225</u>
	Total expenses		<u>2,217,075</u>
3250	Net income (loss)		<u><u>\$ 6,253</u></u>

**RTH Restoration Housing Limited Partnership**  
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**Supplementary Information**

**Statement of Operations Data**  
**Year Ended December 31, 2017**

Account No.

S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	\$ -
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	\$ -
S1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations.	\$ -
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations.	\$ -
S3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy.	\$ -



**RTH Restoration Housing Limited Partnership**  
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**Supplementary Information**

**Statement of Partners' Equity (Deficit) Data**  
**Year Ended December 31, 2017**

<u>Account No.</u>				
		<u>General partner</u>	<u>Investor limited partner</u>	<u>Total</u>
S1100-010	Partners' equity (deficit) December 31, 2016	\$ (932,153)	\$ 1,912,673	\$ 980,520
S1200-430	Contributions	-	9,907,343	9,907,343
S1100-020	Other changes in equity (deficit)			
S1100-030/040	Seller financing - interest incurred	413,554	-	413,554
S1100-030/040	Seller financing - interest accrued	(413,554)	-	(413,554)
3250	Net income (loss)	<u>1</u>	<u>6,252</u>	<u>6,253</u>
3130	Partners' equity (deficit) December 31, 2017	<u>\$ (932,152)</u>	<u>\$ 11,826,268</u>	<u>\$ 10,894,116</u>
	Partners' percentage of income (losses)	<u>0.01%</u>	<u>99.99%</u>	<u>100.00%</u>

**RTH Restoration Housing Limited Partnership**  
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**Supplementary Information**

**Statement of Cash Flows Data**  
**Year Ended December 31, 2017**

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 2,188,365
S1200-020	Interest receipts	4,382
S1200-030	Other operating receipts	<u>186</u>
S1200-040	Total receipts	<u>2,192,933</u>
S1200-050	Administrative expenses paid	(85,333)
S1200-070	Management fees paid	(87,748)
S1200-090	Utilities paid	(154,178)
S1200-100	Salaries and wages paid	(232,617)
S1200-110	Operating and maintenance paid	(151,958)
S1200-120	Real estate taxes paid	(211,905)
S1200-140	Property insurance paid	(61,708)
S1200-150	Miscellaneous taxes and insurance paid	(935)
S1200-160	Net tenant security deposits received (paid)	243
S1200-170	Other operating expenses paid	(35,321)
S1200-180	Interest paid on first mortgage	(194,639)
S1200-181	Interest paid on second mortgage	<u>(203,004)</u>
S1200-230	Total disbursements	<u>(1,419,103)</u>
S1200-240	Net cash provided by operating activities	<u>773,830</u>
	Cash flows from investing activities	
S1200-245	Net deposits to mortgage escrows	(215,564)
S1200-250	Net deposits to reserve for replacements	(69,381)
S1200-255	Net deposits to other reserves	
S1200-256	Operating and and capital contributions reserves	<u>\$ (1,177,103)</u>
		(1,177,103)
S1200-330	Net purchases of fixed assets	(2,411,306)
S1200-340	Other investing activities (include detail)	
S1200-341	Bond reserves	<u>1,013,056</u>
		<u>1,013,056</u>
S1200-350	Net cash used in investing activities	<u>(2,860,298)</u>

**RTH Restoration Housing Limited Partnership**  
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**Supplementary Information**

**Statement of Cash Flows Data**  
**Year Ended December 31, 2017**

<u>Account No.</u>		
	Cash flows from financing activities	
S1200-365	Proceeds from mortgages, notes and loans payable	1,619,500
S1200-430	Contributions by partners	9,907,343
S1200-450	Other financing activities (include detail)	
S1200-451	Payment of debt issuance costs	(49,856)
S1200-451	Mortgage principal payments - first mortgage	(36,767)
S1200-451	Repayment of construction loan payable	(16,800,000)
S1200-451	Proceeds from first mortgage payable	7,715,000
		<u>(9,171,623)</u>
S1200-460	Net cash provided by financing activities	<u>2,355,220</u>
S1200-470	Net increase in cash	268,752
S1200-480	Cash, beginning	<u>1,301,206</u>
S1200T	Cash, end	<u><u>\$ 1,569,958</u></u>

**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**Supplementary Information**

**Statement of Cash Flows Data**  
**Year Ended December 31, 2017**

<u>Account No.</u>		
	Reconciliation of net income (loss) to net cash provided by operating activities	
3250	Net income (loss)	<u>\$ 6,253</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities	
6600	Depreciation	513,761
6610	Amortization	2,574
S1200-486	Amortization of debt issuance costs	239,700
	Changes in asset and liability accounts	
	(Increase) decrease in assets	
S1200-490	Tenant accounts receivable	(6,763)
S1200-500	Accounts receivable - other	22,999
S1200-520	Prepaid expenses	(4,120)
S1200-530	Tenant security deposits funded	(624)
	Increase (decrease) in liabilities	
S1200-540	Accounts payable	(3,883)
S1200-560	Accrued liabilities	4,570
S1200-570	Accrued interest payable	4,050
S1200-580	Tenant security deposits held in trust	867
S1200-590	Prepaid revenue	(15,779)
S1200-605	Entity/construction liability accounts	
	(include detail)	
S1200-606	Accrued partnership and asset management fees	<u>\$ 10,225</u>
		<u>10,225</u>
	Total adjustments	<u>767,577</u>
S1200-610	Net cash provided by operating activities	<u><u>\$ 773,830</u></u>
S1200-620	Supplemental schedule of non-cash investing and financing activities	
	Rental property costs incurred	\$ 177,629
	Accounts payable - construction/development, beginning of year	2,247,177
	Accounts payable - construction/development, end of year	<u>(13,500)</u>
	Cash paid for rental property costs	<u><u>\$ 2,411,306</u></u>

**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**Supplementary Information**  
**Year Ended December 31, 2017**

**Reserve for Replacements**

<u>Account No.</u>		
1320P	Balance at December 31, 2016	\$ 1,634,293
1320DT	Total monthly deposits	67,500
1320INT	Interest income	<u>1,881</u>
1320	Balance at December 31, 2017	<u><u>\$ 1,703,674</u></u>

**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**Supplementary Information**  
**Year Ended December 31, 2017**

**Computation of Surplus Cash, Distributions and Residual Receipts**

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 1,336,758
1135	Accounts receivable - HUD	<u>12,772</u>
S1300-040	Total cash	<u>1,349,530</u>
S1300-050	Accrued mortgage interest payable	32,505
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	42
S1300-080	Loans and notes payable (due within 30 days)	-
S1300-090	Deficient tax, insurance or MIP escrow deposits	-
S1300-100	Accrued expenses (not escrowed)	32,625
2210	Prepaid revenue (Account 2210)	15,278
2191	Tenant security deposits liability (Account 2191)	<u>25,495</u>
S1300-140	Less total current obligations	<u>105,945</u>
S1300-150	Surplus cash (deficiency)	<u><u>\$ 1,243,585</u></u>
<u>Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts</u>		
<u>Limited Dividend Projects</u>		
S1300-160	Annual distribution earned during fiscal period covered by the statements	\$ -
S1300-170	Distribution accrued and unpaid as of the end of the prior fiscal period	-
S1300-180	Distributions and entity expenses paid during fiscal period covered by the statements	<u>-</u>
S1300-190	Amount remaining as distribution earned but unpaid	<u>-</u>
S1300-200	Amount available for distribution during next fiscal period	<u><u>\$ 1,243,585</u></u>
S1300-210	Deposit due residual receipts reserve	<u><u>\$ -</u></u>

**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**Supplementary Information**  
**Year Ended December 31, 2017**

**Changes in Fixed Asset Accounts**

	Assets			
	Balance 12/31/16	Additions	Deletions	Balance 12/31/17
Land	\$ 1,586,380	\$ -	\$ -	\$ 1,586,380
Buildings	17,997,308	177,629	-	18,174,937
Furnishings	100,339	-	-	100,339
	<u>\$ 19,684,027</u>	<u>\$ 177,629</u>	<u>\$ -</u>	<u>\$ 19,861,656</u>
Accumulated depreciation	<u>\$ 306,534</u>	<u>\$ 513,761</u>	<u>\$ -</u>	<u>\$ 820,295</u>
Total net book value				<u>\$ 19,041,361</u>

**Fixed Asset Detail**

Additions to Buildings Account

<u>Item and quantity</u>	<u>Amount</u>
Building improvements	<u>\$ 177,629</u>

**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**Supplementary Information**  
**Year Ended December 31, 2017**

**Detail of Accounts - Balance Sheet**

Other Reserves (Account No. 1330)

Operating reserve	\$ 1,198,385
Capital contributions escrow	278,494
	<hr/>
	<u>\$ 1,476,879</u>

Miscellaneous Other Assets (Account No. 1590)

Other	
Tax credit fees, net of accumulated amortization of \$5,145	\$ 33,445
	<hr/>

Accounts Payable - Entity (Account No. 2113)

Accrued asset management fee	\$ 2,500
Accrued partnership management fee	15,538
Due to affiliates	56,984
	<hr/>
	<u>\$ 75,022</u>

Miscellaneous Current Liabilities (Account No. 2190)

Accrued administrative expenses	\$ 17,350
Accrued utility - electric	3,518
Accrued utility - water and sewer (escrow held with MHP)	15,823
Accrued utility - gas	7,333
Accrued operating and maintenance expenses	1,188
	<hr/>
	<u>\$ 45,212</u>



**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**Supplementary Information**  
**Year Ended December 31, 2017**

**Detail of Accounts - Statement of Operations**

Revenue from Investments - Miscellaneous (Account No. 5490)

Interest income - miscellaneous	\$ 2,083
Interest income - bond reserves	<u>418</u>
	<u><u>\$ 2,501</u></u>

Other Entity Expenses (Account No. 7190)

Partnership management fee	\$ 7,725
Asset management fee	<u>2,500</u>
	<u><u>\$ 10,225</u></u>

**RTH Restoration Housing Limited Partnership**  
**HUD Project No.: MA06-0003-074**

**Supplementary Information**  
**Year Ended December 31, 2017**

**Other Information**

Schedule of notes payable:

<u>Account No.</u>	<u>Creditor</u>	<u>Lien placed on project assets? (Yes/No)</u>	<u>Amount due</u>
S3100-140	Replacement reserve loan	No	\$ 1,634,293
S3100-140	State HTC loan	Yes	<u>1,619,500</u>
S3100-190			<u><u>\$ 3,253,793</u></u>

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Partners  
RTH Restoration Housing Limited Partnership

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of RTH Restoration Housing Limited Partnership, which comprise the balance sheet as of December 31, 2017, and the related statements of operations, partners' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RTH Restoration Housing Limited Partnership's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RTH Restoration Housing Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of RTH Restoration Housing Limited Partnership's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RTH Restoration Housing Limited Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Boston, Massachusetts  
March 23, 2018

Independent Auditor's Report on Compliance for the Major HUD  
Program and on Internal Control over Compliance Required by the  
Consolidated Audit Guide for Audits of HUD Programs

To the Partners  
RTH Restoration Housing Limited Partnership

Report on Compliance for the Major HUD Program

We have audited RTH Restoration Housing Limited Partnership's compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the "Guide") that could have a direct and material effect on RTH Restoration Housing Limited Partnership's major U.S. Department of Housing and Urban Development ("HUD") program for the year ended December 31, 2017. RTH Restoration Housing Limited Partnership's major HUD program is as follows:

- Section 8 Rent Subsidy Program

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD program.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for RTH Restoration Housing Limited Partnership's major HUD program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about RTH Restoration Housing Limited Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the major program. However, our audit does not provide a legal determination of RTH Restoration Housing Limited Partnership's compliance.

*Basis for Qualified Opinion on Section 8 Rent Subsidy Program*

As described in the accompanying schedule of findings, questioned costs, and recommendations, RTH Restoration Housing Limited Partnership did not comply with requirements regarding the Section 8 Rent Subsidy Program as further described in Finding No. 2017-01. Compliance with such requirements is necessary, in our opinion, for RTH Restoration Housing Limited Partnership to comply with the requirements applicable to that program.

### *Qualified Opinion on Section 8 Rent Subsidy Program*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, RTH Restoration Housing Limited Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Section 8 Rent Subsidy Program for the year ended December 31, 2017.

### *Other Matters*

RTH Restoration Housing Limited Partnership's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. RTH Restoration Housing Limited Partnership's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted a certain matter that we are required to report to management of RTH Restoration Housing Limited Partnership in a separate written communication. This matter is described in our management letter dated March 23, 2018.

### *Report on Internal Control over Compliance*

Management of RTH Restoration Housing Limited Partnership is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered RTH Restoration Housing Limited Partnership's internal control over compliance with the requirements that could have a direct and material effect on the major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RTH Restoration Housing Limited Partnership's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance.

We consider the deficiency in internal control over compliance described in the accompanying schedule of findings, questioned costs, and recommendations as item 2017-01 to be a material weakness.

RTH Restoration Housing Limited Partnership's response to the concompliance findings identified in our audit are described in the accompanying schedule of findings, questioned costs, and recommendations. RTH Restoration Housing Limited Partnership's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Boston, Massachusetts  
March 23, 2018

**RTH Restoration Housing Limited Partnership  
HUD Project No.: MA06-0003-074**

**Schedule of Findings, Questioned Costs and Recommendations  
December 31, 2017**

Finding No. 2017-01

Statement of Condition

The audited financial statements for the Partnership were not filed electronically with HUD within 90 days of the fiscal year end of the Project for the year ended December 31, 2016.

Criteria

The regulatory contract requires that the annual financial statements be submitted within 90 days of year end.

Cause

Controls were not in place to timely file the financial statements.

Effect

The Project is not in compliance with the requirement to timely submit the annual financial statements to HUD.

Recommendation

Procedures should be instituted to ensure that the financial statements are electronically filed with HUD within 90 days of the year end of the Project.

Auditor Noncompliance Code

Z - Other

Reporting view of Responsible Officials

The Project owner agrees with the finding and will undertake a review of internal controls to ensure that annual financial statements are submitted to HUD within 90 days of the year end of the Project.



**RTH Restoration Housing Limited Partnership  
HUD Project No.: MA06-0003-074**

**Schedule of the Status of Prior Audit Findings,  
Questioned Costs and Recommendations  
December 31, 2017**

1. Audit Report, dated May 22, 2017, for the year ended December 31, 2016, issued by CohnReznick LLP.

There were no open findings from the prior audit report.

2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.
3. There were no letters or reports issued by HUD management during the period covered by this audit.



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