

STRENGTHMATTERS®



STRENGTH MATTERS Boot Camp on Financial Reporting for Rental Housing Nonprofit Enterprises

Module 9: Financial Statement Presentation & Intro to Surplus Cash

Materials:

- Sample Nonprofit Financial Statements - Habitat House (pages 1-6)
- Limited Partnership's 2017 & 2018 Financial Statements (pages 7-70)
- Section 10 of Restoration Housing's Limited Partnership Agreement - Surplus Cash

(ACCOUNTANT’S LETTERHEAD)

INDEPENDENT ACCOUNTANT’S REPORT (REVIEW)

To the Board of Directors
Habitat House, Inc.
City, State

We have reviewed the accompanying statements of financial position of Habitat House, Inc. (a nonprofit corporation) as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Habitat House, Inc.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying schedules of unrestricted contributions is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat House, Inc.
City, State

We have audited the accompanying statement of financial position of Habitat House, a not-for-profit organization, as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Habitat House’s 2005 financial statements and, in our report dated September 6, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Habitat House as of June 30, 2006, and the results of its operations and its cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.

(Firm’s Signature)

September 15, 2016 (date audit fieldwork substantially completed)

Sample Financial Statements from PPC –Preparing Nonprofit Financial Statements

HABITAT HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 29,907	\$ 15,655
Short-term investments	62,378	24,833
Accounts receivable	—	1,355
Prepaid expenses	6,402	8,845
Unconditional promises to give	198,188	190,304
Cash restricted to purchase of equipment	30,000	—
Long-term investments	64,875	13,282
Contribution receivable—charitable lead trust	206,800	230,000
Deposits on leased and other property	1,000	1,500
Property and equipment	<u>648,410</u>	<u>664,342</u>
TOTAL ASSETS	<u>\$ 1,247,960</u>	<u>\$ 1,150,116</u>
LIABILITIES		
Accounts payable	\$ —	\$ 3,445
Compensation	4,284	8,145
Refundable advances	2,132	—
Long-term debt	<u>79,991</u>	<u>85,930</u>
TOTAL LIABILITIES	86,407	97,520
NET ASSETS		
Unrestricted		
Designated for new program development	50,000	—
Undesignated	612,559	612,499
Temporarily restricted	492,125	435,932
Permanently restricted	<u>6,869</u>	<u>4,165</u>
TOTAL NET ASSETS	<u>1,161,553</u>	<u>1,052,596</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,247,960</u>	<u>\$ 1,150,116</u>

See accompanying notes and accountant's report.

Sample Financial Statements from PPC –Preparing Nonprofit Financial Statements

HABITAT HOUSE, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions				
United Way Services	\$ —	\$ 156,275	\$ —	\$ 156,275
New men’s shelter	—	46,193	—	46,193
Capital campaign	—	4,771	—	4,771
Equipment acquisition	—	30,000	—	30,000
Endowment	—	—	2,704	2,704
Other	89,736	—	—	89,736
Federal financial assistance	43,473	—	—	43,473
Program service fees	22,417	—	—	22,417
Investment return	5,766	497	—	6,263
Change in value of split-interest agreement	—	1,800	—	1,800
Other	2,777	—	—	2,777
Net assets released from restrictions				
Expiration of time restriction—United Way				
Services	146,465	(146,465)	—	—
Restrictions satisfied by charitable lead trust	25,000	(25,000)	—	—
reimbursements	<u>11,878</u>	<u>(11,878)</u>	=	=
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	347,512	56,193	2,704	406,409
EXPENSES				
Program services				
Women and children	134,051	—	—	134,051
Men	94,231	—	—	94,231
Supporting services				
Management and general	55,629	—	—	55,629
Fund-raising	<u>13,541</u>	<u>—</u>	<u>—</u>	<u>13,541</u>
TOTAL EXPENSES	<u>297,452</u>	<u>—</u>	<u>—</u>	<u>297,452</u>
CHANGE IN NET ASSETS	50,060	56,193	2,704	108,957
NET ASSETS AT BEGINNING OF YEAR	<u>612,499</u>	<u>435,932</u>	<u>4,165</u>	<u>1,052,596</u>
NET ASSETS AT END OF YEAR	<u>\$ 662,559</u> =	<u>\$ 492,125</u> =	<u>\$ 6,869</u> =	<u>\$ 1,161,553</u>

See accompanying notes and accountant’s report.

Sample Financial Statements from PPC –Preparing Nonprofit Financial Statements

HABITAT HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	Program Services		Supporting Services		Total
	Women and Children	Men	Management and General	Fund-raising	
Compensation and related expenses					
Compensation					
Full-time	\$ 27,530	\$ 26,049	\$ 31,579	\$ 7,894	\$ 93,052
Part-time	42,531	41,316	7,141	—	90,988
Employee benefits					
Medical	2,020	1,010	861	189	4,080
Other	94	108	254	43	499
Payroll taxes	<u>5,354</u>	<u>5,200</u>	<u>2,926</u>	<u>731</u>	<u>14,211</u>
	77,529	73,683	42,761	8,857	202,830
Conferences and training	215	144	502	—	861
Depreciation	20,644	—	2,534	634	23,812
Food	3,039	76	—	—	3,115
Insurance					
Property and casualty	1,295	515	—	—	1,810
Vehicles	3,785	—	—	—	3,785
Worker's compensation	—	—	1,548	387	1,935
Interest	—	—	248	—	248
Maintenance of equipment	324	—	733	—	1,057
Occupancy					
Electricity	10,964	1,715	975	243	13,897
Gas	1,081	601	105	15	1,802
Heating oil	—	2,054	—	—	2,054
Maintenance	3,449	938	371	24	4,782
Rent	—	8,388	—	—	8,388
Water and sewer	1,502	1,282	135	32	2,951
Postage	68	39	997	996	2,100
Printing	434	138	968	1,450	2,990
Specific assistance	1,012	274	—	—	1,286
Supplies					
Cleaning	3,271	2,243	—	—	5,514
Office	357	365	1,779	432	2,933
Other	971	14	303	27	1,315
Telephone	2,293	874	581	387	4,135
Transportation					
Fuel	409	208	—	—	617
Repairs and other	1,385	680	869	—	2,934
Other	<u>24</u>	<u>—</u>	<u>220</u>	<u>57</u>	<u>301</u>
	<u>\$ 134,051</u>	<u>\$ 94,231</u>	<u>\$ 55,629</u>	<u>\$ 13,541</u>	<u>\$ 297,452</u>

See accompanying notes and accountant's report.

Sample Financial Statements from PPC –Preparing Nonprofit Financial Statements

HABITAT HOUSE, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 108,957	\$ 461,356
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	23,812	14,787
Amortization of discount on split-interest agreement	(1,800)	—
Donated vehicle included in contributions	—	(837)
Unrealized gains on investments	(3,256)	(192)
(Increase) decrease in operating assets:		
Accounts receivable	1,355	(677)
Prepaid expenses	2,443	(1,169)
Unrestricted unconditional promises to give	5,748	(2,874)
United Way Services funding for the next fiscal year	(19,682)	(5,563)
Contributions receivable—charitable lead trust	25,000	(230,000)
Increase (decrease) in operating liabilities:		
Accounts payable	(3,445)	300
Compensation	(3,861)	354
Refundable advances	2,132	—
Contributions restricted for long-term purposes:		
Contributions	(79,897)	(195,082)
Amortization of discount on unconditional promises to give	<u>(3,771)</u>	<u>(4,827)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	53,735	35,576
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term investments, net	(37,545)	(13,982)
Purchases of long-term investments	(60,837)	(22,749)
Proceeds from maturity of long-term investments	12,500	11,000
Payments for property and equipment	(2,129)	(501,365)
Purchase of assets restricted to investment in property and equipment	(30,000)	—
Other	—	<u>(500)</u>
NET CASH USED BY INVESTING ACTIVITIES	(118,011)	(527,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes:		
Capital Campaign	17,771	362,946
New men’s shelter	39,243	—
Purchase of equipment	30,000	—
Endowment	2,704	4,165
Payments on Lane Bank note	(876)	—
Payments on SHDA note	<u>(10,314)</u>	<u>(10,314)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>78,528</u>	<u>356,797</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,252	(135,223)
BEGINNING CASH AND CASH EQUIVALENTS	<u>15,655</u>	<u>150,878</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 29,907</u>	<u>\$ 15,655</u>

Noncash investing and financing activities in 2016 consist of financing the cost of acquiring a copier through a long-term note of \$5,251, payable to Lane Bank. There were no such activities in 2015.

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
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Total current liabilities	2,543,641
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Deposits liability	
Tenant deposits held in trust (contra)	25,495
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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
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Total long-term liabilities	10,688,999
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Total liabilities	13,258,135
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Contingency	-
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Partners' equity (deficit)	10,894,116
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Total liabilities and partners' equity (deficit)	\$ 24,152,251
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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	26,946
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Total administrative expenses	324,744
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Utilities expense	
Electricity	24,508
Water	69,278
Gas	73,016
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Total utilities expense	166,802
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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	3,975
	<hr/>
Total operating and maintenance expenses	252,713
	<hr/>

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

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	<u>762</u>
Total taxes and insurance	<u>304,863</u>
Financial expenses	
Interest on first mortgage payable	232,029
Interest on construction loan	408,419
Interest on notes payable - long-term	<u>945</u>
Total financial expenses	<u>641,393</u>
Total cost of operations before depreciation and amortization	<u>1,690,515</u>
Income (loss) before depreciation and amortization	<u>532,813</u>
Depreciation and amortization	
Depreciation expense	513,761
Amortization expense	<u>2,574</u>
Total depreciation and amortization	<u>516,335</u>
Operating income (loss)	<u>16,478</u>
Corporate or mortgagor entity revenue and expenses	
Other expenses	<u>10,225</u>
Net entity expenses	<u>10,225</u>
Total expenses	<u>2,217,075</u>
Net income (loss)	<u><u>\$ 6,253</u></u>

See Notes to Financial Statements.

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

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>\$ 1,569,958</u>

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

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
	<u>767,577</u>
Total adjustments	
Net cash provided by operating activities	<u>\$ 773,830</u>
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	<u>(13,500)</u>
Cash paid for rental property costs	<u>\$ 2,411,306</u>

See Notes to Financial Statements.

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

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
HUD Project No.: MA06-0003-074

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
HUD Project No.: MA06-0003-074

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	1,881
	<hr/>
Balance, December 31	<u>\$ 1,703,674</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	1,358
	<hr/>
Balance, December 31	<u>\$ 1,198,385</u>

RTH Restoration Housing Limited Partnership
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Notes to Financial Statements
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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
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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 MPDC's 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

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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

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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.

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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

RTH Restoration Housing Limited Partnership
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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
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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
Deposits held in trust - funded			
1191	Tenant deposits		25,575
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
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
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>

**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		15,278
			15,278
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)		945
			945
2300T	Total long-term liabilities		10,688,999
2000T	Total liabilities		13,258,135
3130	Partners' equity (deficit)		10,894,116
2033T	Total liabilities and partners' equity (deficit)		\$ 24,152,251

**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>

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

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
HUD Project No.: MA06-0003-074

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		186
			<hr/>
S1200-040	Total receipts		2,192,933
			<hr/>
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		(203,004)
			<hr/>
S1200-230	Total disbursements		(1,419,103)
			<hr/>
S1200-240	Net cash provided by operating activities		773,830
			<hr/>
	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	\$	(1,177,103)
			<hr/>
			(1,177,103)
S1200-330	Net purchases of fixed assets		(2,411,306)
S1200-340	Other investing activities (include detail)		
S1200-341	Bond reserves		1,013,056
			<hr/>
			1,013,056
			<hr/>
S1200-350	Net cash used in investing activities		(2,860,298)
			<hr/>

**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>			
	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> </u>	<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

Balance Sheet
December 31, 2018

Assets

Current assets	
Cash - operations	\$ 371,963
Tenant accounts receivable	39,759
Accounts receivable - HUD	14,080
Prepaid expenses	749
	<hr/>
Total current assets	426,551
	<hr/>
Deposits held in trust - funded	
Tenant deposits	25,821
	<hr/>
Restricted deposits and funded reserves	
Escrow deposits	301,932
Reserve for replacements	1,864,188
Other reserves	1,200,823
	<hr/>
Total restricted deposits and funded reserves	3,366,943
	<hr/>
Rental property	
Land and land improvements	1,589,376
Buildings and improvements	18,260,141
Furnishings and equipment	100,339
	<hr/>
	19,949,856
Less accumulated depreciation	<u>(1,342,173)</u>
	<hr/>
Total rental property	18,607,683
	<hr/>
Other assets	
Miscellaneous other assets	30,872
	<hr/>
Total other assets	30,872
	<hr/>
Total assets	<u><u>\$ 22,457,870</u></u>

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

Balance Sheet
December 31, 2018

Liabilities and Partners' Equity (Deficit)

Current liabilities	
Accounts payable - operations	\$ 1,159
Accounts payable - entity	13,107
Accrued interest payable - first mortgage	32,505
Accrued property taxes payable	218,592
Mortgage payable - first mortgage, current maturities	120,037
Miscellaneous current liabilities	68,684
Prepaid revenue	43,616
	<hr/>
Total current liabilities	497,700
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	25,562
	<hr/>
Long-term liabilities	
Notes payable (long-term)	3,397,293
Mortgage payable - first mortgage, net of current maturities	7,323,947
Accrued interest payable - note payable (long-term)	2,708
	<hr/>
Total long-term liabilities	10,723,948
	<hr/>
Total liabilities	11,247,210
	<hr/>
Contingency	-
	<hr/>
Partners' equity (deficit)	11,210,660
	<hr/>
Total liabilities and partners' equity (deficit)	<u>\$ 22,457,870</u>

See Notes to Financial Statements.

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

Statement of Operations
Year Ended December 31, 2018

Rental revenue	
Rent revenue - gross potential	\$ 524,267
Tenant assistance payments	<u>1,709,888</u>
Total rental revenue	<u>2,234,155</u>
Vacancies	
Apartments	(28,784)
Rental concessions	<u>(25)</u>
Total vacancies	<u>(28,809)</u>
Net rental revenue	<u>2,205,346</u>
Financial revenue	
Revenue from investments - miscellaneous	3,609
Revenue from investments - replacement reserve	<u>3,639</u>
Total financial revenue	<u>7,248</u>
Other revenue	
Laundry and vending	8,042
Tenant charges	255
Miscellaneous revenue	<u>3,367</u>
Total other revenue	<u>11,664</u>
Total revenue	<u>2,224,258</u>

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

Statement of Operations
Year Ended December 31, 2018

Administrative expenses	
Management consultants	949
Other renting expenses	560
Office salaries	84,832
Office expenses	33,237
Office or model apartment rent	18,480
Management fee	55,792
Legal expense - project	981
Auditing expense	23,780
Bookkeeping fees/accounting services	14,472
Bad debts	9,665
Miscellaneous administrative expenses	9,548
	<hr/>
Total administrative expenses	252,296
	<hr/>
Utilities expense	
Electricity	27,839
Water	76,636
Gas	95,327
	<hr/>
Total utilities expense	199,802
	<hr/>
Operating and maintenance expenses	
Payroll	111,706
Supplies	11,461
Contracts	106,557
Garbage and trash removal	258
Security payroll/contract	15,119
Snow removal	4,168
Miscellaneous operating and maintenance expenses	62,163
	<hr/>
Total operating and maintenance expenses	311,432
	<hr/>

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

Statement of Operations
Year Ended December 31, 2018

Taxes and insurance	
Real estate taxes	228,582
Payroll taxes	15,218
Property and liability insurance	60,870
Workmen's compensation	1,610
Health insurance and other employee benefits	24,337
Miscellaneous taxes, licenses, permits and insurance	35
	330,652
Total taxes and insurance	330,652
Financial expenses	
Interest on first mortgage payable	397,145
Interest on notes payable - long-term	1,763
Miscellaneous financial expenses	6,848
	405,756
Total financial expenses	405,756
Total cost of operations before depreciation and amortization	1,499,938
Income (loss) before depreciation and amortization	724,320
Depreciation and amortization	
Depreciation expense	521,878
Amortization expense	2,573
	524,451
Total depreciation and amortization	524,451
Operating income (loss)	199,869
Corporate or mortgagor entity revenue and expenses	
Other expenses	13,107
	13,107
Net entity expenses	13,107
Total expenses	2,037,496
Net income (loss)	\$ 186,762

See Notes to Financial Statements.

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

Statement of Partners' Equity (Deficit)
Year Ended December 31, 2018

	<u>General partner</u>	<u>Limited partner</u>	<u>Total</u>
Partners' equity (deficit) December 31, 2017	\$ (932,152)	\$ 11,826,268	\$ 10,894,116
Contributions	-	716,193	716,193
Other changes in equity (deficit)			
Seller financing - payment of accrued interest	(586,411)	-	(586,411)
Seller financing - interest incurred	429,961	-	429,961
Seller financing - interest accrued	(429,961)	-	(429,961)
Net income (loss)	<u>19</u>	<u>186,743</u>	<u>186,762</u>
Partners' equity (deficit) December 31, 2018	<u>\$ (1,518,544)</u>	<u>\$ 12,729,204</u>	<u>\$ 11,210,660</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, 2018

Cash flows from operating activities	
Rental receipts	\$ 2,177,310
Interest receipts	7,248
Other operating receipts	11,664
	<u>2,196,222</u>
Administrative expenses paid	(83,527)
Management fees paid	(59,028)
Utilities paid	(176,330)
Salaries and wages paid	(211,657)
Operating and maintenance paid	(183,490)
Real estate taxes paid	(232,156)
Property insurance paid	(13,943)
Miscellaneous taxes and insurance paid	(89)
Net tenant security deposits received (paid)	(179)
Other operating expenses paid	(41,165)
Interest paid on first mortgage	(387,422)
Miscellaneous financial expenses paid	(6,848)
Entity/construction expenses paid (include detail)	
Asset management fee	(2,500)
Partnership management fee	(15,538)
	<u>(1,413,872)</u>
Net cash provided by operating activities	<u>782,350</u>
Cash flows from investing activities	
Net deposits to mortgage escrows	(86,368)
Net deposits to reserve for replacements	(160,514)
Net deposits to other reserves	
Operating reserve	(3,000)
Net purchases of rental property	(101,700)
Other investing activities (include detail)	
Bond reserves	12,563
Captial contributions escrow	279,056
Entity/construction investing activities (include detail)	
Payment of development fee	(2,022,576)
	<u>(2,022,576)</u>
Net cash used in investing activities	<u>(2,082,539)</u>

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

Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from financing activities	
Mortgage principal payments - first mortgage	(114,104)
Proceeds from note payable	143,500
Contributions by partners	716,193
Other financing activities (include detail)	
Payment of seller financing accrued interest	(586,411)
Due to affiliates	(56,984)
	<hr/>
Net cash provided by financing activities	102,194
	<hr/>
Net (decrease) increase in cash	(1,197,995)
Cash, beginning	<hr/> 1,569,958
Cash, end	<hr/> <hr/> \$ 371,963

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

Statement of Cash Flows
Year Ended December 31, 2018

Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	\$ 186,762
Adjustments to reconcile net income (loss) to net cash provided by operating activities	
Depreciation	521,878
Amortization	2,573
Amortization of debt issuance costs	9,723
Bad debts	9,665
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	(36,586)
Accounts receivable - other	(1,308)
Prepaid expenses	46,873
Tenant security deposits funded	(246)
Increase (decrease) in liabilities	
Accounts payable	1,117
Accrued liabilities	16,662
Accrued interest payable	1,763
Tenant security deposits held in trust	67
Prepaid revenue	28,338
Entity/construction liability accounts (include detail)	
Accrued partnership and asset management fees	(4,931)
	<u>595,588</u>
Total adjustments	<u>595,588</u>
Net cash provided by operating activities	<u>\$ 782,350</u>
Significant noncash investing and financing activities	
Rental property costs incurred	\$ 88,200
Accounts payable - construction/development, beginning of year	13,500
	<u>101,700</u>
Total	<u>\$ 101,700</u>

See Notes to Financial Statements.

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

Notes to Financial Statements
December 31, 2018

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
HUD Project No.: MA06-0003-074

Notes to Financial Statements
December 31, 2018

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, 2018.

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, 2018.

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 \$2,573 for the year ended December 31, 2018. As of December 31, 2018, accumulated amortization was \$7,718. 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, 2023 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
HUD Project No.: MA06-0003-074

Notes to Financial Statements
December 31, 2018

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 \$14,175. The following is a schedule of activity within the replacement reserve for the year ended December 31, 2018:

Balance, January 1	\$ 1,703,674
Deposits	170,100
Interest	3,639
Withdrawals	<u>(13,225)</u>
Balance, December 31	<u>\$ 1,864,188</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, 2018:

Balance, January 1	\$ 1,198,385
Interest	<u>2,438</u>
Balance, December 31	<u>\$ 1,200,823</u>

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

Notes to Financial Statements
December 31, 2018

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, 2018:

Balance, January 1	\$	215,564
Deposits		353,230
Interest		540
Withdrawals		<u>(267,402)</u>
Balance, December 31	\$	<u>301,932</u>

Note 4 - Permanent financing

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, 2018 is \$7,564,129 and \$32,505, respectively. Interest expense incurred during the year ended December 31, 2018 was \$397,145, including amortization of debt issuance costs of \$9,723.

Debt issuance costs, net of accumulated amortization, totaled \$120,145 as of December 31, 2018. Amortization of debt issuance costs on the above loan is being amortized using an imputed interest rate of 5.28%.

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

December 31, 2019	\$	120,037
2020		126,279
2021		132,846
2022		139,754
2023		147,021
Thereafter		<u>6,898,192</u>
Total		7,564,129
Less: Unamortized debt issuance costs		<u>(120,145)</u>
	\$	<u>7,443,984</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 MPDC's 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

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

Notes to Financial Statements
December 31, 2018

of the loan was adjusted based on the final amount of the state historic tax credits allocated to the Project to 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 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. The remaining loan proceeds of \$143,500 were received in 2018. Principal and accrued interest as of December 31, 2018 is \$1,763,000 and \$2,708, respectively. Interest expense incurred during the year ended December 31, 2018 was \$1,763.

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. The note was assigned to Roxbury Tenants of Harvard Association, Inc. ("RTH", an affiliate of the general partner). 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. These payments are not currently being made and are restricted by HUD.
- 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.

During 2018, a payment in the amount of \$586,411 was made from prior year cash flow and applied to accrued interest and is reflected as a reduction of general partner equity on the accompanying statement of partners' equity (deficit). As of December 31, 2018, the outstanding principal balance and accrued interest was \$9,980,879 and \$676,734, respectively. Interest incurred for the year ended December 31, 2018 was \$429,961. For financial reporting purposes, this loan, related accrued interest, interest expense, and payments are reflected as components of general partner equity on the accompanying statement of partners' equity (deficit).

Reserve loan

RTH 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, 2018, the outstanding principal balance on the reserve loan was \$1,634,293.

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

Notes to Financial Statements
December 31, 2018

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. All amounts will be due and payable by the 13th anniversary of project completion. During the year ended December 31, 2018, the unpaid development fee in the amount of \$2,022,576, was paid in full.

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, 2018, a fee of \$5,150 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, 2018, a fee of \$7,957 was incurred, which remains payable and is 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 bore no interest and were payable on demand. During 2018, advances in the amount of \$56,984 were repaid and no amounts were outstanding at December 31, 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, 2018, the investor limited partner funded capital contributions totaling \$12,030,308, including \$716,193 during 2018.

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

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

Notes to Financial Statements
December 31, 2018

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

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.

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

Notes to Financial Statements
December 31, 2018

During the year ended December 31, 2018, prior year cash flow, subject to the HUD surplus cash restrictions, was distributed as follows:

Asset management fee	\$ 2,500
Development fee	639,136
Partnership management fee	15,538
Seller loan	586,411
	<hr/>
	\$ 1,243,585
	<hr/> <hr/>

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, 2018 were \$1,709,888.

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, 2018.

Note 11 - Guarantees and obligations

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 RTH in accordance with the Guaranty Agreement. As of December 31, 2018, there have been no operating expense loans.

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

Notes to Financial Statements
December 31, 2018

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 \$218,592 for the year ended December 31, 2018, 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 2.5% of monthly gross revenues collected by the Project. For the year ended December 31, 2018, fees of \$55,792 were charged.

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

**Notes to Financial Statements
December 31, 2018**

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 April 1, 2019 (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, 2018

<u>Account No.</u>	<u>Assets</u>	
Current assets		
1120	Cash - operations	\$ 371,963
1130	Tenant accounts receivable	39,759
1135	Accounts receivable - HUD	14,080
1200	Prepaid expenses	<u>749</u>
1100T	Total current assets	426,551
Deposits held in trust - funded		
1191	Tenant deposits	25,821
Restricted deposits and funded reserves		
1310	Escrow deposits	\$ 301,932
1320	Reserve for replacements	1,864,188
1330	Other reserves	<u>1,200,823</u>
1300T	Total deposits	3,366,943
Rental property		
1410	Land	1,589,376
1420	Buildings	18,260,141
1460	Furnishings	<u>100,339</u>
1400T	Total fixed assets	19,949,856
1495	Less accumulated depreciation	<u>(1,342,173)</u>
1400N	Net fixed assets	18,607,683
Other assets		
1590	Miscellaneous other assets	<u>30,872</u>
1500T	Total other assets	<u>30,872</u>
1000T	Total assets	<u><u>\$ 22,457,870</u></u>

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

Supplementary Information

Balance Sheet Data
December 31, 2018

Liabilities and Partners' Equity (Deficit)

<u>Account No.</u>			
<u>Current liabilities</u>			
2110	Accounts payable - operations		\$ 1,159
2113	Accounts payable - entity		13,107
2131	Accrued interest payable - first mortgage		32,505
2150	Accrued property taxes payable		218,592
2170	Mortgage payable - first mortgage (short-term)		120,037
2190	Miscellaneous current liabilities		68,684
2210	Prepaid revenue		<u>43,616</u>
2122T	Total current liabilities		497,700
<u>Deposits liability</u>			
2191	Tenant deposits held in trust (contra)		25,562
<u>Long-term liabilities</u>			
2310	Notes payable (long-term)	\$ 3,397,293	
2320	Mortgage payable - first mortgage	7,323,947	
2331	Accrued interest payable - other mortgages payable (long-term)	<u>2,708</u>	
2300T	Total long-term liabilities		<u>10,723,948</u>
2000T	Total liabilities		11,247,210
3130	Partners' equity (deficit)		<u>11,210,660</u>
2033T	Total liabilities and partners' equity (deficit)		<u><u>\$ 22,457,870</u></u>

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

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2018

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 524,267	
5121	Tenant assistance payments	<u>1,709,888</u>	
5100T	Total rental revenue		\$ 2,234,155
Vacancies			
5220	Apartments	(28,784)	
5250	Rental concessions	<u>(25)</u>	
5200T	Total vacancies		<u>(28,809)</u>
5152N	Net rental revenue		2,205,346
Financial revenue			
5410	Financial revenue - project operations	3,609	
5440	Revenue from investments - replacement reserve	<u>3,639</u>	
5400T	Total financial revenue		7,248
Other revenue			
5910	Laundry and vending	8,042	
5920	Tenant charges	255	
5990	Miscellaneous revenue	<u>3,367</u>	
5900T	Total other revenue		<u>11,664</u>
5000T	Total revenue		<u>2,224,258</u>

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

Supplementary Information

**Statement of Operations Data
Year Ended December 31, 2018**

<u>Account No.</u>			
Administrative expenses			
6204	Management consultants	949	
6250	Other renting expenses	560	
6310	Office salaries	84,832	
6311	Office expenses	33,237	
6312	Office or model apartment rent	18,480	
6320	Management fee	55,792	
6340	Legal expense - project	981	
6350	Auditing expense	23,780	
6351	Bookkeeping fees/accounting services	14,472	
6370	Bad debts	9,665	
6390	Miscellaneous administrative expenses	<u>9,548</u>	
6263T	Total administrative expenses		252,296
Utilities expense			
6450	Electricity	27,839	
6451	Water	76,636	
6452	Gas	<u>95,327</u>	
6400T	Total utilities expense		199,802
Operating and maintenance expenses			
6510	Payroll	111,706	
6515	Supplies	11,461	
6520	Contracts	106,557	
6525	Garbage and trash removal	258	
6530	Security payroll/contract	15,119	
6548	Snow removal	4,168	
6590	Miscellaneous operating and maintenance expenses	<u>62,163</u>	
6500T	Total operating and maintenance expenses		311,432

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

Supplementary Information

**Statement of Operations Data
Year Ended December 31, 2018**

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	228,582	
6711	Payroll taxes	15,218	
6720	Property and liability insurance	60,870	
6722	Workmen's compensation	1,610	
6723	Health insurance and other employee benefits	24,337	
6790	Miscellaneous taxes, licenses, permits and insurance	35	
6700T	Total taxes and insurance		330,652
Financial expenses			
6820	Interest on first mortgage payable	397,145	
6830	Interest on notes payable - long-term	1,763	
6890	Miscellaneous financial expenses	6,848	
6800T	Total financial expenses		405,756
6000T	Total cost of operations before depreciation and amortization		1,499,938
5060T	Income (loss) before depreciation and amortization		724,320
Depreciation and amortization			
6600	Depreciation expense	521,878	
6610	Amortization expense	2,573	
	Total depreciation and amortization		524,451
5060N	Operating income (loss)		199,869
Corporate or mortgagor entity revenue and expenses			
7190	Other expenses	13,107	
7100T	Net entity expenses		13,107
	Total expenses		2,037,496
3250	Net income (loss)		\$ 186,762

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

Supplementary Information

Statement of Operations Data
Year Ended December 31, 2018

Account No.

S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loan 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	Mortgages payable note detail (Section 236 only) Interest reduction payments from subsidy.	\$ -

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

Supplementary Information

Statement of Partners' Equity (Deficit) Data
Year Ended December 31, 2018

<u>Account No.</u>		<u>General partner</u>	<u>Limited partner</u>	<u>Total</u>
S1100-010	Partners' equity (deficit) December 31, 2017	\$ (932,152)	\$ 11,826,268	\$ 10,894,116
S1200-430	Contributions	-	716,193	716,193
S1100-020	Other changes in equity			
S1100-030/040	Seller financing - payment of accrued interest	(586,411)	-	(586,411)
S1100-030/040	Seller financing - interest incurred	429,961	-	429,961
S1100-030/040	Seller financing - interest accrued	(429,961)	-	(429,961)
3250	Net income (loss)	<u>19</u>	<u>186,743</u>	<u>186,762</u>
3130	Partners' equity (deficit) December 31, 2018	<u>\$ (1,518,544)</u>	<u>\$ 12,729,204</u>	<u>\$ 11,210,660</u>
	Partners' percentage of income (losses)	<u>0.01%</u>	<u>99.99%</u>	<u>100.00%</u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended December 31, 2018

<u>Account No.</u>			
	Cash flows from operating activities		
S1200-010	Rental receipts		\$ 2,177,310
S1200-020	Interest receipts		7,248
S1200-030	Other operating receipts		<u>11,664</u>
S1200-040	Total receipts		<u>2,196,222</u>
S1200-050	Administrative expenses paid		(83,527)
S1200-070	Management fees paid		(59,028)
S1200-090	Utilities paid		(176,330)
S1200-100	Salaries and wages paid		(211,657)
S1200-110	Operating and maintenance paid		(183,490)
S1200-120	Real estate taxes paid		(232,156)
S1200-140	Property insurance paid		(13,943)
S1200-150	Miscellaneous taxes and insurance paid		(89)
S1200-160	Net tenant security deposits received (paid)		(179)
S1200-170	Other operating expenses paid		(41,165)
S1200-180	Interest paid on first mortgage		(387,422)
S1200-220	Miscellaneous financial expenses paid		(6,848)
S1200-225	Entity/construction expenses paid (include detail)		
S1200-226	Asset management fee	\$ (2,500)	
S1200-226	Partnership management fee	<u>(15,538)</u>	
			<u>(18,038)</u>
S1200-230	Total disbursements		<u>(1,413,872)</u>
S1200-240	Net cash provided by operating activities		<u>782,350</u>
	Cash flows from investing activities		
S1200-245	Net deposits to mortgage escrows		(86,368)
S1200-250	Net deposits to reserve for replacements		(160,514)
S1200-255	Net deposits to other reserves		
S1200-256	Operating reserve	<u>(3,000)</u>	
			(3,000)
S1200-330	Net purchases of fixed assets		(101,700)
S1200-340	Other investing activities (include detail)		
S1200-341	Bond reserves	12,563	
S1200-341	Capital contributions escrow	<u>279,056</u>	
			291,619
S1200-345	Entity/construction investing activities (include detail)		
S1200-346	Payment of development fee	<u>(2,022,576)</u>	
			<u>(2,022,576)</u>
S1200-350	Net cash used in investing activities		<u>(2,082,539)</u>

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

Supplementary Information

**Statement of Cash Flows Data
Year Ended December 31, 2018**

<u>Account No.</u>			
	Cash flows from financing activities		
S1200-360	Mortgage principal payments - first mortgage		(114,104)
S1200-365	Proceeds from mortgages, notes and loans payable		143,500
S1200-430	Contributions by partners		716,193
S1200-450	Other financing activities (include detail)		
S1200-451	Payment of seller financing accrued interest	(586,411)	
S1200-451	Due to affiliates	(56,984)	
		<u> </u>	<u>(643,395)</u>
S1200-460	Net cash provided by financing activities		<u>102,194</u>
S1200-470	Net decrease in cash		(1,197,995)
S1200-480	Cash, beginning		<u>1,569,958</u>
S1200T	Cash, end		<u><u>\$ 371,963</u></u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended December 31, 2018

<u>Account No.</u>		
	Reconciliation of net income (loss) to net cash provided by operating activities	
3250	Net income (loss)	<u>\$ 186,762</u>
	Adjustments to reconcile net income (loss) to net cash provided by operating activities	
6600	Depreciation	521,878
6610	Amortization	2,573
S1200-486	Amortization of debt issuance costs	9,723
	Changes in asset and liability accounts	
	(Increase) decrease in assets	
S1200-490	Tenant accounts receivable	(36,586)
S1200-500	Accounts receivable - other	(1,308)
S1200-520	Prepaid expenses	46,873
S1200-530	Tenant security deposits funded	(246)
	Increase (decrease) in liabilities	
S1200-540	Accounts payable	1,117
S1200-560	Accrued liabilities	16,662
S1200-570	Accrued interest payable	1,763
S1200-580	Tenant security deposits held in trust	67
S1200-590	Prepaid revenue	28,338
S1200-605	Entity/construction liability accounts (include detail)	
S1200-606	Accrued partnership and asset management fees	<u>\$ (4,931)</u>
		(4,931)
S1200-600	Other adjustments (include detail)	
S1200-601	Bad debts	<u>9,665</u>
		<u>9,665</u>
	Total adjustments	<u>595,588</u>
S1200-610	Net cash provided by operating activities	<u>\$ 782,350</u>
S1200-620	Supplemental schedule of noncash investing and financing activities	
	Rental property costs incurred	\$ 88,200
	Accounts payable - construction/development, beginning of year	13,500
	Accounts payable - construction/development, end of year	<u>-</u>
	Cash paid for rental property costs	<u>\$ 101,700</u>

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

Supplementary Information
Year Ended December 31, 2018

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at December 31, 2017	\$ 1,703,674
1320DT	Total monthly deposits	170,100
1320INT	Interest income	3,639
1320WT	Approved withdrawals	<u>(13,225)</u>
1320	Balance at December 31, 2018	<u><u>\$ 1,864,188</u></u>

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

**Supplementary Information
Year Ended December 31, 2018**

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)	\$ 397,784
1135	Accounts receivable - HUD	14,080
		<hr/>
S1300-040	Total cash	411,864
		<hr/>
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)	1,159
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)	68,684
2210	Prepaid revenue (Account 2210)	43,616
2191	Tenant security deposits liability (Account 2191)	25,562
		<hr/>
S1300-140	Less total current obligations	171,526
		<hr/>
S1300-150	Surplus cash (deficiency)	<u>\$ 240,338</u>

ARTICLE X

PROFITS, LOSSES AND DISTRIBUTIONS

Section 10.1 Distributions Prior to Dissolution

A. Distribution of Cash Flow.

Subject to any Requisite Approvals, (i) net rental income generated through the Completion Date shall be includable in Designated Proceeds and shall be available to the Developer and the General Partners for the purposes and subject to the conditions set forth in the Development Agreement and Section 6.8 hereof, 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 Amount) shall be distributed within ninety (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 pursuant to Section 6.4O(iii)(if any);

Third, to the payment of any Deferred Development Fee and any accrued interest thereon;

Fourth, to the payment of 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 Loan in accordance with the terms of the Sponsor 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