

**BEACON INTERFAITH
HOUSING COLLABORATIVE**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-30
Consolidating Financial Statements and Supplementary Information:	
Consolidating Statement of Financial Position	31
Consolidating Statement of Activities and Changes in Net Assets	32
Consolidating Statement of Cash Flows	33
Consolidating Statements of Financial Position, Activities and Changes in Net Assets, and Cash Flows – Wholly Owned Entities	34-36
Consolidating Statements of Financial Position, Activities and Changes in Net Assets, and Cash Flows – Affiliated Housing Entities	37-39
Computation of Surplus Cash, Distributions and Residual Receipts – Abbott View and Oakhaven	40-41
Management Certification	42



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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Beacon Interfaith Housing Collaborative
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Beacon Interfaith Housing Collaborative (a nonprofit organization) and its affiliates, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Beacon Interfaith Housing Collaborative and its affiliates as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Beacon Interfaith Housing Collaborative's 2015 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Consolidating and Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information shown on pages 31 to 39 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities. The accompanying supplementary information on pages 40 and 41 is presented for purposes of additional analysis as required by the *Audit Guide of the Minnesota Housing Finance Agency*. The information on pages 31 to 41 is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating and supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating and supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016 on our consideration of Beacon Interfaith Housing Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beacon Interfaith Housing Collaborative's internal control over financial reporting and compliance.

*Mahoney Ulbrich
Christiansen Russ P.A.*

Saint Paul, Minnesota
October 13, 2016

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash - undesignated	\$ 790,725	\$ 703,293
Cash - board designated for predevelopment	471,022	34,984
Cash - board designated for operating reserve	831,000	806,000
Cash - operating funds for properties	434,599	386,724
Cash - restricted for short-term purposes	<u>885,277</u>	<u>530,762</u>
Total cash	3,412,623	2,461,763
Accounts receivable	197,831	190,720
Government grants receivable	119,783	152,865
Contributions receivable, current portion	879,864	763,980
Prepaid expenses	<u>61,704</u>	<u>73,280</u>
Total current assets	4,671,805	3,642,608
Predevelopment costs	19,106	240,711
Escrows and reserves	2,934,485	3,187,044
Contributions receivable, less current portion	1,101,394	1,038,482
Cash restricted for long-term purposes	140,938	172,718
Property and equipment, net	53,702,505	45,821,253
Finance and tax credit fees, net	<u>397,668</u>	<u>423,129</u>
Total assets	<u>\$ 62,967,901</u>	<u>\$ 54,525,945</u>

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
Accounts payable - operations	\$ 206,639	\$ 253,955
Current maturities of long-term debt	399,053	575,991
Accrued expenses	415,717	441,033
Accrued interest	5,546	5,389
Tenant security deposits	143,706	131,570
Deferred revenue	28,063	5,627
Total current liabilities	<u>1,198,724</u>	<u>1,413,565</u>
Construction payables	1,065,381	261,036
Long-term debt, less current maturities	31,423,822	24,467,252
Accrued interest, long-term	755,355	642,871
Refundable advances	6,313,747	6,501,996
Total liabilities	<u>40,757,029</u>	<u>33,286,720</u>
Net assets:		
Unrestricted:		
Undesignated	3,595,986	4,498,667
Board designated - predevelopment housing fund	1,281,481	1,375,014
Board designated - operating reserve	831,000	806,000
Board designated - other board designated	239,500	239,500
Non-controlling interests	7,198,532	5,751,064
Total unrestricted	<u>13,146,499</u>	<u>12,670,245</u>
Temporarily restricted	9,064,373	8,568,980
Total net assets	<u>22,210,872</u>	<u>21,239,225</u>
Total liabilities and net assets	<u>\$ 62,967,901</u>	<u>\$ 54,525,945</u>

See accompanying notes to consolidated financial statements

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	
Operating revenues and support:				
Contributions	\$ 1,132,667	\$ 1,184,847	\$ 2,317,514	\$ 2,295,974
Contributions in-kind	406,000	-	406,000	465,000
Government grants	1,150,357	-	1,150,357	1,142,178
Rent and housing assistance payments	2,904,706	-	2,904,706	2,839,785
Fee income	439,120	-	439,120	219,087
Interest income	13,482	-	13,482	13,613
Miscellaneous	100,933	-	100,933	224,632
Net assets released from restrictions	1,017,461	(1,017,461)	-	-
Total operating revenues and support	<u>7,164,726</u>	<u>167,386</u>	<u>7,332,112</u>	<u>7,200,269</u>
Operating expenses:				
Program services:				
Housing operations	3,261,370	-	3,261,370	3,179,680
Supportive services	840,687	-	840,687	802,831
Housing development	655,687	-	655,687	880,685
Shelter programs (Families Moving Forward)	1,076,711	-	1,076,711	1,042,543
Total program services	<u>5,834,455</u>	<u>-</u>	<u>5,834,455</u>	<u>5,905,739</u>
Support services:				
Management and general	519,170	-	519,170	450,197
Fundraising	539,558	-	539,558	495,710
Total operating expenses	<u>6,893,183</u>	<u>-</u>	<u>6,893,183</u>	<u>6,851,646</u>
Operating income (loss)	271,543	167,386	438,929	348,623
Other revenues (expenses):				
Conversion of grant to loan	(617,044)	-	(617,044)	-
Contributions and grants for property acquisition	161,700	126,750	288,450	250,000
Net assets released from restrictions for property acquisition	44,030	(44,030)	-	-
Amortization of refundable advances (Note 10)	446,249	-	446,249	446,249
Loss on disposal of property and equipment	(17,246)	-	(17,246)	-
Deferred interest - rental properties	(112,484)	-	(112,484)	(126,467)
Depreciation and amortization - rental properties	(1,456,113)	-	(1,456,113)	(1,424,553)
Change in net assets	(1,279,365)	250,106	(1,029,259)	(506,148)
Net assets, beginning of year	12,670,245	8,568,980	21,239,225	21,416,728
Recovery of development costs financed with contributions	(245,287)	245,287	-	-
Capital contributions - noncontrolling interests (Note 14)	2,098,066	-	2,098,066	382,803
Distributions - noncontrolling interests (Note 14)	(33,304)	-	(33,304)	(38,158)
Syndication costs - noncontrolling interests (Note 14)	(63,856)	-	(63,856)	(16,000)
Net assets, end of year	<u>\$ 13,146,499</u>	<u>\$ 9,064,373</u>	<u>\$ 22,210,872</u>	<u>\$ 21,239,225</u>

See accompanying notes to consolidated financial statements

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	2016							2015
	Program Services				Support Services		Total	
	Housing Operations	Supportive Services	Housing Development	Shelter Programs	Management and general	Fundraising		
Salaries	\$ 151,189	\$ 159,586	\$ 472,786	\$ 318,270	\$ 342,112	\$ 323,520	\$ 1,767,463	\$ 1,673,086
Payroll taxes	11,986	12,652	36,987	25,232	27,122	25,649	139,628	140,987
Benefits	10,863	11,466	33,520	22,867	24,580	23,246	126,542	120,083
Total salaries and taxes	174,038	183,704	543,293	366,369	393,814	372,415	2,033,633	1,934,156
Occupancy	9,284	9,800	28,649	69,046	21,008	19,865	157,652	149,811
Office expense	1,177	1,243	3,633	3,472	2,664	2,519	14,708	12,544
Postage	1,051	1,109	3,242	97	2,378	2,248	10,125	9,705
Copying and printing	1,049	1,107	3,237	2,748	2,373	2,244	12,758	13,175
Telephone	687	725	2,120	4,448	1,554	1,471	11,005	9,179
Computer software	411	434	1,268	1,517	929	878	5,437	5,289
Equipment and maintenance	600	634	1,852	3,657	1,358	1,284	9,385	5,938
Insurance	1,532	1,617	4,728	14,698	3,648	6,051	32,274	31,894
Marketing, advertising and promotional	2,456	2,592	7,578	10,074	5,557	5,253	33,510	29,862
Dues and subscriptions	347	366	1,071	730	785	743	4,042	3,353
Miscellaneous	605	639	1,868	852	1,749	13,367	19,080	12,001
Staff training and travel	1,596	3,474	8,274	20,113	9,233	3,966	46,656	47,591
Professional fees	5,201	5,490	16,050	7,946	61,495	11,131	107,313	52,197
Interest	-	-	6,000	-	-	-	6,000	13,987
Fundraising and special events	-	-	-	-	-	92,139	92,139	112,626
Development costs	-	-	8,342	-	-	-	8,342	138,971
Contributed goods and services (Note 14)	-	-	-	406,000	-	-	406,000	465,000
Shelter program services	-	-	-	118,089	1,775	-	119,864	117,936
Rental assistance	200	-	-	30,192	-	-	30,392	36,731
Nicollet Square resident services	-	256,805	-	-	-	-	256,805	271,806
Lydia Apartments resident services	-	320,187	-	-	-	-	320,187	279,150
Cedar View resident services	-	48,652	-	-	-	-	48,652	39,979
Other program support	2,375	479	9,715	2,978	5,355	679	21,581	16,104
Depreciation and amortization	1,545	1,630	4,767	13,685	3,495	3,305	28,427	27,261
	<u>204,154</u>	<u>840,687</u>	<u>655,687</u>	<u>1,076,711</u>	<u>519,170</u>	<u>539,558</u>	<u>3,835,967</u>	<u>3,836,246</u>
Residential rental property expenses:								
Staffing	487,984	-	-	-	-	-	487,984	474,665
Management fees	295,682	-	-	-	-	-	295,682	305,034
Administrative	196,841	-	-	-	-	-	196,841	183,929
Professional fees	63,598	-	-	-	-	-	63,598	61,672
Utilities	415,751	-	-	-	-	-	415,751	472,106
Operating and maintenance	1,041,494	-	-	-	-	-	1,041,494	935,516
Insurance	167,294	-	-	-	-	-	167,294	160,380
Taxes	318,429	-	-	-	-	-	318,429	362,288
Interest	70,143	-	-	-	-	-	70,143	59,810
	<u>3,261,370</u>	<u>840,687</u>	<u>655,687</u>	<u>1,076,711</u>	<u>519,170</u>	<u>539,558</u>	<u>6,893,183</u>	<u>6,851,646</u>
Deferred interest - rental properties	112,484	-	-	-	-	-	112,484	126,467
Depreciation and amortization - rental properties	1,456,113	-	-	-	-	-	1,456,113	1,424,553
	<u>\$ 4,829,967</u>	<u>\$ 840,687</u>	<u>\$ 655,687</u>	<u>\$ 1,076,711</u>	<u>\$ 519,170</u>	<u>\$ 539,558</u>	<u>\$ 8,461,780</u>	<u>\$ 8,402,666</u>

See accompanying notes to consolidated financial statements

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

Increase (Decrease) in Cash

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (1,029,259)	\$ (506,148)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	1,484,540	1,451,814
Contributions and grants for property acquisition	(288,450)	(250,000)
Loss on disposal of property and equipment	17,246	-
Conversion of grant to loan	617,044	-
Amortization of refundable advances (Note 10)	(446,249)	(446,249)
Change in operating assets and liabilities:		
Accounts receivable	(7,111)	(35,428)
Government grants receivable	33,082	33,400
Contributions receivable	(258,796)	49,762
Prepaid expenses	10,301	(20,073)
Accounts payable and accrued expenses	(121,167)	63,536
Accrued interest	112,641	65,331
Tenant security deposits	4,218	(3,370)
Deferred revenue	22,436	5,627
Net cash from operating activities	150,476	408,202
Cash flows from investing activities:		
Payments for property and equipment	(8,449,756)	(3,310,291)
Change in predevelopment costs, net	221,605	1,959
Change in escrows and reserves, net	261,477	(297,945)
Change in cash restricted for long-term purposes	31,780	254,228
Net cash from investing activities	(7,934,894)	(3,352,049)
Cash flows from financing activities:		
Payment of finance and tax credit fees	(54,666)	(98,349)
Proceeds from issuance of debt	7,751,081	3,165,350
Payments of principal on long-term debt	(1,588,493)	(930,198)
Refundable advances received	308,000	75,000
Repayment of refundable advances	(50,000)	-
Capital contributions - noncontrolling interests	2,098,066	382,803
Syndication costs	(63,856)	(16,000)
Distributions - noncontrolling interests	(33,304)	(38,158)
Contributions and grants for property acquisition	368,450	250,000
Net cash from financing activities	8,735,278	2,790,448
Increase (decrease) in cash	950,860	(153,399)
Cash, beginning of year	2,461,763	2,615,162
Cash, end of year	\$ 3,412,623	\$ 2,461,763
Supplemental cash flow information:		
Cash paid for interest, net capitalized interest	\$ 75,986	\$ 134,933
Non-cash investing and financing activities:		
Property and equipment included in construction payables	1,065,381	261,036

See accompanying notes to consolidated financial statements

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

1. ORGANIZATION

Beacon Interfaith Housing Collaborative is a 501(c)(3) non-profit organization working to end homelessness by creating and operating affordable and supportive housing, providing emergency shelter, and advocating for increased resources and systems change. More than 80 congregations of many faiths and denominations are part of the collaborative. Beacon has developed over 550 units of high-quality affordable and supportive housing and provides emergency shelter, transitional support, and services for 85 families annually through the Families Moving Forward program.

Beacon's collaborative model differentiates it from other non-profit housing developers and has contributed to its emergence as one of the most productive supportive housing developers in the Twin Cities. Collaborating congregations bring a faith-driven commitment to justice, equity and ending poverty while contributing important resources, including human, financial, and social capital.

Beacon's primary sources of revenue and support are contributions, government grants, developer fees, and rents.

A summary of the properties owned, managed or developed by Beacon follows:

Beacon wholly owns the following entities and properties:

- North Haven LLC Was formed to own and operate North Haven I apartments (4 units) acquired in July 2000 and North Haven II apartments (5 units) acquired in March 2014.
- Anpa Hawthorne LLC Was formed to acquire properties to further Beacon's mission.

Anpa Hawthorne LLC owned the following LLCs and projects at June 30, 2016:

- Anpa Waste LLC Was formed to own and operate Cedar View fka Anpa Waste Numpa (10 units) acquired in February 2005.
- Hawthorne Avenue LLC Was formed to own and operate Hawthorne Avenue Apartments (35 units) acquired in August 2005.
- 545 Snelling LLC Was formed to own and operate Kimball Court (76 units) acquired in May 2010.
- 352 Wacouta LLC Was formed to own and operate American House (70 units) acquired in May 2010.
- Housing 150 LLC Was formed to own and operate Abbott View (21 units) acquired in October 2006.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

1. ORGANIZATION (Continued)

- Oakhaven Housing LLC Was formed to own and operate Oakhaven Townhomes (10 units) acquired in December 2006.
- Clinton Avenue Townhomes LLC Was formed to own and operated Clinton Avenue Townhomes acquired in December 2011.
- Housing 150-Nicollet LLC Formed to be the general partner in PCNF Nicollet Housing LP, and to own and operate 5,765 square feet of commercial rental space.
- Nicollet Housing LLC Formed to be the limited partner in PCNF Nicollet Housing LP. The only activity relates to the operations of Nicollet Square apartments.
- Creekside Commons LLC Formed to be the general partner in PCNF Creekside Commons LP.
- Plymouth Housing LLC Formed to be the general partner in Lydia House LP. The only activity relates to the operations of Lydia House.
- Prior Crossing LLC The LLC is the general partner in Prior Crossing Housing Limited Partnership.
- PCNF Nicollet Housing LP General and limited partner interests in partnership formed to own and operate Nicollet Square apartments (42 units).
- Development Properties
 - 66 West LLC The LLC owns property in Edina, MN acquired in 2014 that is expected to be developed into affordable housing.
- Great River Landing LLC The LLC owns property in Minneapolis, MN acquired in 2015 that is expected to be developed into affordable housing.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

1. ORGANIZATION (Continued)

Beacon has the following interests in partnerships:

- PCNF Creekside Commons LP General partner interest (.01%) in partnership formed to own and operate Creekside Commons (30 units).
- Lydia House LP General partner interest (.01%) in partnership formed to own and operate Lydia Apartments (40 units).
- Lonoke LP General partner interest (.01%) in partnership formed to own and operate Franklin Garden Apartments (19 units).
- Prior Crossing Housing LP General partner interest (.01%) in partnership formed to own and operate Prior Crossing Apartments (44 units).

Riverview Apartments Senior Housing (Riverview) is a nonprofit organization formed to own and operate a 42 unit senior apartment complex. Beacon can appoint four members of the eight member board of directors. Upon dissolution of Riverview, all assets and property will be distributed to Beacon.

FMF Housing is a nonprofit organization of which Beacon is the sole member.

FMF Housing has interests in the following partnerships and companies which are consolidated:

- FMF 38th Street Development, LLLP General partner interest (.01%) in partnership formed to own and operate Third Avenue Townhomes (12 units).
- FMF Audubon, LLC Wholly owned LLC formed to represent Beacon's 50% interest in Lowry Apartments GP, LLC. The only activity relates to the operations of Audubon Crossing Apartments (Note 8).
- FMF Properties, LLC Wholly owned LLC formed to provide affordable housing and long-term transitional housing services. The LLC is currently inactive.
- FMF Development, Inc. FMF Housing is the sole shareholder of FMF Development, which was formed to facilitate future development of affordable rental housing. FMF Development is currently inactive.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

1. ORGANIZATION (Continued)

FMF Housing has interests in the following partnerships and companies which are not consolidated because Beacon is not the controlling partner (Note 8):

- Lowry Apartments, LP Limited partnership formed to own and operate Audubon Crossing Apartments (30 units).
- Lowry Apartments GP, LLC LLC formed to be the general partner (.01%) in Lowry Apartments, LP. FMF Audubon is the co-member of the LLC with MetroPlains Partners LLC (an unrelated entity).
- Lowry Apartment Developer, LLC FMF Housing has a 50% membership interest along with Metroplains, LLC (unrelated entity) in Lowry Apartment Developer, LLC, which was formed to facilitate the development of Audubon Crossing Apartments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation Policy – The consolidated financial statements include the accounts of Beacon, nonprofit entities in which Beacon has both an economic interest and control, the wholly owned subsidiaries, and the limited partnerships in which Beacon is a general partner and exercises control. All material intra-entity transactions have been eliminated with the exception of developer fees and predevelopment interest that are paid from debt or capital contributions.

The developer fees and predevelopment interest are recorded as revenue by Beacon and capitalized as fixed assets by the property as they are considered a reimbursement of Beacon expenses.

The limited partners' equity in FMF 38th Street; PCNF Creekside Commons Limited Partnership; Lydia House Limited Partnership; Lonoke Limited Partnership; and Prior Crossing Housing Limited Partnership is reported as a component of unrestricted net assets as non-controlling interests.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation – Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that the donor has stipulated must be maintained in perpetuity. Beacon does not have any permanently restricted net assets.

Beacon has presented non-cash expenses including deferred interest expense, depreciation and amortization, as well as capital acquisition grants and contributions in the other revenues (expenses) section on the Statement of Activities. Beacon believes the presentation will assist users in analyzing operating results.

Cash – For purposes of the Statement of Cash Flows, Beacon considers all highly liquid instruments purchased with an original maturity of three months or less to be cash. Restricted escrows and reserves and cash restricted for long-term purposes are excluded from cash.

Cash Restricted for Long-Term Purposes – Consists of cash restricted by donors for certain development projects of Beacon.

Credit Risk – Beacon maintains cash in banks, with lenders or trustees. At times the amount on deposit may exceed federally insured limits, and may expose Beacon to credit risk.

Accounts Receivable – Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances and are noninterest bearing. Accounts receivable are charged to expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Predevelopment Costs – Predevelopment costs represent costs incurred on projects under development. The costs are expected to be recovered when financing for the project is secured; the project is sold to an unrelated entity; or the project is transferred to an entity formed by Beacon. Costs include acquisition, legal, architectural, and construction costs incurred to date.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable – Unconditional promises to give are recognized in the period the promises are made. Conditional promises to give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Contributions receivable expected to be collected during the next year are recorded at net realizable value. Contributions expected to be collected in greater than one year are recorded at the present value of the amount expected to be collected, using risk free rates applicable to the years in which the promises are to be received.

Property and Equipment – Property and equipment are carried at cost, with the exception of donated items which are recorded at fair market value at date of gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized. Asset impairment is evaluated whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

Absent explicit donor restrictions regarding how long donated assets must be maintained, Beacon reports expiration of donor restrictions when the donated or acquired assets are placed in service.

Finance and Tax Credit Fees – Finance fees are amortized on the straight-line basis over the term of the related debt. Tax credit fees are amortized over 10 - 15 years using the straight-line method.

Construction Payables – Construction payables consist of costs incurred on development projects which have not been paid. Construction payables will be paid with proceeds of debt and capital contributions.

Refundable Advances – Refundable advances consist of funds received which may be repaid to the grantor if certain conditions are not met. Advances are recognized as revenue when conditions for repayment expire.

Contributions – Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Beacon receives contributions restricted for specific housing developments. These contributions help finance project development costs until the permanent financing is in place. At times, Beacon's final share of the development costs is less than the contributions received. When this happens, the excess contributions are recovered and restored to temporarily restricted net assets to be used for housing services at the project. In 2016, \$245,287 was recovered.

Contributed Goods and Services – Donated materials are recorded as contributions at their estimated fair market value in the period received. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No contributed services were recognized in either year.

Beacon regularly receives donated services from many volunteers. However no amounts have been recognized for these services because they do not meet the criteria described above.

Special Events – Revenues from special events consist of donations and are included in contributions.

Government Grants and Contracts – Government grants and contract funds are generally recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are recorded as deferred revenue.

Capital advances received from the Department of Housing and Urban Development (HUD) under the Section 202 program are recorded as temporarily restricted revenue when received. These grants are subject to a number of requirements, including that the property be used as affordable housing for 40 years. Based on the history of Beacon, management believes violation of the agreements and repayment of these grants are not likely. These grants are reported as temporarily restricted net assets and released to unrestricted net assets upon expiration of the grant requirements.

Rents – Revenue from commercial and residential leases, including housing assistance payments, is recorded when due in accordance with the lease or subsidy agreement. Residential leases are for periods of up to one year. Commercial leases are for periods up to ten years. Other rents result from fees charged to tenants, including late fees, forfeited security deposits, laundry facilities, cleaning, and damage charges and are recorded when earned.

Functional Expenses – Expenses have been allocated among program and support services classifications based upon direct expenditures and estimates made by Beacon's management.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes – Beacon, FMF Housing and Riverview are exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent they have taxable income from activities that are not related to their exempt purpose. Activities generating unrelated business income consist of income from commercial leasing. The wholly owned LLCs and the limited partnerships are not taxable entities. Income or losses are passed through to the partners or members. Management believes Beacon and related entities do not have any uncertain income tax positions.

Comparative Total Column – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2015, from which the summarized information was derived.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due in the following years ending June 30:

2017	\$	879,864
2018		517,405
2019		397,316
2020		236,494
2021		83,263
		<hr/>
		2,114,342
Less discounts to net present value		(59,762)
Less allowance (4%)		(73,322)
		<hr/>
		1,981,258
Less current portion		(879,864)
		<hr/>
Contributions receivable, long-term portion	\$	<u>1,101,394</u>

The discount rate used on contributions receivable was 1%.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

4. ESCROWS AND RESERVES

Certain partnership and debt agreements place restrictions on and require that cash be escrowed for payment of real estate taxes, insurance, replacement reserves, operating reserves, development cost escrows and other reserves. Escrows and reserves consist of the following:

	<u>2016</u>	<u>2015</u>
Security deposits	\$ 158,969	\$ 150,051
Tax and insurance escrows	212,528	210,327
Replacement reserves	739,947	746,495
Operating reserves	719,617	819,726
Asset management fee escrows	55,585	77,478
Development cost escrows	32,720	32,693
Holding cost reserves	153,186	286,399
Revenue deficit reserves	806,234	803,410
Other reserves	55,699	60,465
	<u>\$ 2,934,485</u>	<u>\$ 3,187,044</u>

5. PREDEVELOPMENT COSTS

Predevelopment costs relate to the following projects:

	<u>2016</u>	<u>2015</u>
Great River Landing	\$ -	\$ 221,782
Emerson North	6,500	6,500
Other	12,606	12,429
	<u>\$ 19,106</u>	<u>\$ 240,711</u>

Once Beacon obtains site control of a project, the costs are transferred to property and equipment. During 2016 site control was obtained for the Great River Landing project and the related costs were transferred to property and equipment.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>	Estimated useful lives (in years)
Land	\$ 8,917,217	\$ 7,695,830	-
Buildings	44,685,032	42,929,841	20-40
Land improvements	668,715	601,254	5-20
Leasehold improvements	308,582	250,866	6-10
Equipment	1,214,457	1,146,519	3-9
Construction in progress	7,920,344	1,779,330	-
	<u>63,714,347</u>	<u>54,403,640</u>	
Less accumulated depreciation	<u>(10,011,842)</u>	<u>(8,582,387)</u>	
	<u>\$ 53,702,505</u>	<u>\$ 45,821,253</u>	

Depreciation expense charged to operations was \$1,433,021 in 2016 and \$1,430,569 in 2015.

Construction in progress consists of projects in the development phase as follows:

	<u>2016</u>	<u>2015</u>
66 West LLC	\$ 663,388	\$ 269,577
Great River Landing	241,476	-
Lonoke LP	-	381,825
Prior Crossing LLC	7,015,480	1,122,896
Other	-	5,032
	<u>\$ 7,920,344</u>	<u>\$ 1,779,330</u>

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

7. FINANCE AND TAX CREDIT FEES, NET

Finance and tax credit fees, net consist of the following:

	<u>2016</u>	<u>2015</u>	<u>Amortization period - years</u>
Finance fees	\$ 439,092	\$ 443,964	1-30
Tax credit fees	<u>161,899</u>	<u>126,545</u>	10-15
	600,991	570,509	
Accumulated amortization	<u>(203,323)</u>	<u>(147,380)</u>	
	<u>\$ 397,668</u>	<u>\$ 423,129</u>	

Amortization of \$28,609 and \$20,494 was capitalized to property and equipment during 2016 and 2015, respectively.

8. INVESTMENT IN UNCONSOLIDATED LIMITED PARTNERSHIP

FMF Housing is the sole member of FMF Audubon, LLC which has a 50% membership interest along with MetroPlains Partners LLC in Lowry Apartments GP, LLC. Lowry Apartments GP, LLC, is the General Partner in Lowry Apartments LP which owns Audubon Crossing, a 30 unit low income housing tax credit apartment building.

FMF Housing has no responsibility for tax credit guarantees or operating deficits. FMF Housing has a right of first refusal to purchase Audubon Crossing from the partnership at the completion of the tax credit compliance period.

FMF Audubon, LLC has the overall responsibility to provide and supervise the provision of the supportive services. FMF Housing is responsible for marketing the four "long term homeless" units to eligible families and has an agreement to provide the supportive services to those families. Funding is being established in a Social Service Reserve to ensure available funding for services during the tax credit compliance period.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

8. INVESTMENT IN UNCONSOLIDATED LIMITED PARTNERSHIP (Continued)

A summary of the financial position and results of operations for Lowry Apartments LP as of and for the year ended December 31, 2015 follows:

BALANCE SHEET

Property and equipment, net	\$ 6,070,514
Cash	49,515
Reserves and escrow	259,135
Receivables and prepaid expenses	22,297
Other assets, net	<u>55,098</u>
	<u>\$ 6,456,559</u>
Debt	\$ 2,765,663
Deferred developer fees	89,821
Accounts and other payables	98,503
Other liabilities	<u>25,212</u>
Total liabilities	<u>2,979,199</u>
Partners' equity	<u>3,477,360</u>
	<u>\$ 6,456,559</u>

STATEMENT OF OPERATIONS

Operating revenue	\$ 301,398
Operating expenses	(266,571)
Depreciation and amortization	<u>(245,959)</u>
Net loss	<u>\$ (211,132)</u>

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

9. **DEBT**

Debt consists of the following:

	<u>2016</u>	<u>2015</u>
Beacon		
Wells Fargo Bank* - unsecured note payable with 2% interest, and quarterly installments of interest through October 2017 when due.	\$ 300,000	\$ 300,000
GMHC* - Note payable with 6% interest. Principal and interest are due on demand. Secured by the property at 66 West.	300,000	300,000
North Haven, LLC		
MHFA – Mortgage without interest, due in August 2038.	161,700	161,700
City of Minneapolis – Mortgage with 1% interest, due in August 2038.	171,814	171,814
MHFA – Mortgage without interest due in March 2044.	238,396	238,396
City of Minneapolis – Mortgage with 1% interest, due in March 2044.	212,184	212,184
Anpa Waste, LLC		
MHFA – Two mortgages without interest, due in November 2035.	518,000	518,000
City of Minneapolis – Mortgage with 1% interest, due in November 2035.	433,746	433,746
Hawthorne Avenue, LLC		
Hennepin County – Mortgage with 1% interest, due in August 2035.	115,000	115,000
MHFA – Two mortgages without interest, due in August 2035.	883,610	883,610
City of Minneapolis – Two mortgages with 1% interest, due in August 2025 and August 2035.	525,000	525,000
Western Bank – Mortgage with 4.88% interest, due in monthly installments of \$1,542 through September 2017.	229,527	236,451

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

9. **DEBT (Continued)**

	<u>2016</u>	<u>2015</u>
545 Snelling, LLC		
MHFA – Mortgage without interest due in October 2019. If no event of default occurs, the note will be deemed paid in full.	\$ 100,000	\$ 100,000
MHFA – Four mortgages without interest, due in May 2040.	2,150,818	2,150,818
Saint Paul HRA – Mortgage without interest, due in May 2040.	501,130	501,130
352 Wacouta, LLC		
St. Paul HRA – Three mortgages without interest, due in December 2017 and November 2032.	462,500	462,500
Ramsey County HRA – Mortgage without interest, due in November 2032.	250,000	250,000
Family Housing Fund – Mortgage without interest, due in November 2032.	200,000	200,000
MHFA – Three mortgages without interest due between June 2023 and May 2040.	2,018,046	2,018,046
Housing 150, LLC		
MHFA – Mortgage with .5% interest, due in monthly installments of \$4,384 through November 2039.	1,162,223	1,208,890
City of Minneapolis – Mortgage with 1% interest, due in March 2039.	530,000	530,000
Oakhaven, LLC		
MHFA – Mortgage with 3% interest, due in monthly installments of \$2,909 through February 2043.	640,253	655,702
Clinton Avenue Townhomes, LLC		
MHFA – Mortgage without interest, due in monthly installments of \$1,566 through September 2052.	681,288	700,082

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

9. **DEBT (Continued)**

	2016	2015
	<hr/>	<hr/>
PCNF Nicollet Housing Limited Partnership		
City of Minneapolis – Mortgage with 1% interest, due in December 2039.	\$ 977,584	\$ 977,584
MHFA – Mortgage without interest, due in February 2040.	882,774	882,774
Hennepin County HRA – Mortgage with 1% interest, due in February 2040.	200,000	200,000
Family Housing Fund – Mortgage with 1% interest, due in February 2040.	100,000	100,000
Development Properties:		
LISC* – Mortgage with 5.33% interest, due in monthly installments of interest through the earlier of closing or September 1, 2015 (Prior Crossing LLC).	-	178,000
Twin Cities Land Bank* – Mortgage with 8% interest, due in monthly installments of interest only through November 2016 (66 West LLC).	286,500	286,500
Western Bank* – Mortgage with 4.5% interest, due in monthly installments of interest only through November 2016 (66 West LLC).	1,623,500	1,623,500
LISC* – Mortgage with 5.25% interest, due in monthly installments of interest through the earlier of closing or July 2018 (Great River Landing LLC).	336,000	-
Drake Bank* – Mortgage with 4.95% interest, due in monthly installments of interest only through July 2017 (Great River Landing LLC).	735,000	-
FMF 38th Street Development, LLLP		
MHFA - Mortgage with 6.5% interest due in varying monthly installments through January 2034.	335,690	345,600
MHFA - Mortgage with 1% interest, due in July 2033.	525,000	525,000
Hennepin County HRA – Mortgage with 1% interest, due in July 2033.	118,500	118,500
PCNF Creekside Commons, LP		
City of Minneapolis – Three mortgages with 1% interest, due in November 2039.	2,149,104	2,149,104
MHFA – Mortgage with 1% interest, due in November 2039.	247,260	247,260

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

9. **DEBT (Continued)**

	<u>2016</u>	<u>2015</u>
Lydia House Limited Partnership		
City of Minneapolis – Two mortgages without interest, due in February 2033.	500,000	500,000
MHFA – Two mortgages with interest at 0% and 5.01%, due in January 2034.	529,584	529,584
Family Housing Fund – Mortgage without interest, due in February 2033.	328,000	328,000
Hennepin County HRA – Mortgage without interest, due in February 2033.	400,000	400,000
Lonoke Limited Partnership		
City of Minneapolis – Mortgage with 1% interest, due in April 2045.	432,523	432,523
MHFA – Mortgage in the amount of \$645,454 with 1% interest, due in April 2045.	645,454	286,643
Hennepin County HRA – Mortgage without interest, due in February 2033.	225,000	225,000
Prior Crossing Housing Limited Partnership		
MHFA – Mortgage in the amount up to \$5,625,954 without interest, due in August 2045.	3,908,521	-
St. Paul HRA – Two mortgages without interest, due in August 2045.	1,100,000	-
City of St. Paul – Mortgage in the amount up to \$927,015, due in August 2045.	617,044	-
Riverview Apartments Senior Housing		
City of Minneapolis – Mortgage with 1% interest, due in December 2051.	1,634,602	1,634,602
MHFA – Mortgage without interest, due in December 2051.	200,000	200,000
	<u>31,822,875</u>	<u>25,043,243</u>
Less current maturities of debt	<u>(399,053)</u>	<u>(575,991)</u>
	<u>\$ 31,423,822</u>	<u>\$ 24,467,252</u>

*Loans with recourse

Interest of \$169,365 and \$67,938 was capitalized in 2016 and 2015, respectively.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

9. DEBT (Continued)

Maturities of debt for the years ending June 30 are as follows:

2017	\$ 399,053
2018	1,562,751
2019	530,720
2020	96,252
2021	97,853
Thereafter	<u>29,136,246</u>
	<u><u>\$ 31,822,875</u></u>

Beacon received permanent loan and syndication proceeds to repay the acquisition financing on the 66 West Development Property in July 2016. The terms of the permanent loans are reflected in the maturity schedule above.

10. REFUNDABLE ADVANCES

Refundable advances consist of the following:

	<u>2016</u>	<u>2015</u>
PCNF Nicollet Housing Limited Partnership was awarded a government grant under the Section 1602 Grants to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credits for 2009 Program in the amount of \$6,093,729. This grant program is administered by the Minnesota Housing Finance Agency (MHFA) and requires that the project be used as low-income housing for a 15 year compliance period plus the extended use period. The grant will not be required to be repaid unless there is a recapture event during the 15 year compliance period. A recapture event takes place any time the project does not comply with applicable occupancy requirements. If a recapture event takes place, the full amount of the grant is repayable, less 6.67% (1/15th) for each full year the project has complied with the prescribed occupancy requirements. The grant is secured by a mortgage on the property.	\$ 4,062,484	\$ 4,468,733

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

10. **REFUNDABLE ADVANCES (Continued)**

	<u>2016</u>	<u>2015</u>
Grant from United States Department of Housing and Urban Development under the McKinney-Vento Homeless Assistance Act for the Lydia House property. If the project ceases to be used as supportive housing within 10 years after the placed in service date of October 2003, the entire amount is to be repaid. After 10 years, HUD will reduce the percentage of the amount required to be repaid by 10% for each year in excess of 10 that the project is used as supportive housing.	\$ 320,000	\$ 360,000
Grants from Local Initiative Support Corporation to help pay for predevelopment activities related to the Prior Crossing and 66 West Housing Developments.	75,000	125,000
Five grants from Federal Home Loan Bank for the rehabilitation of the Lydia; Abbott View; Riverview; Nokoma; and Prior Crossing properties. Recoveries from excess cash generated by property operations must be repaid to the Federal Home Loan Bank. The grants will be forgiven on dates between 2018 and 2031 provided the properties maintain compliance with the low-income housing requirements of the grant agreements.	1,041,878	733,878
Three grants from Hennepin County Housing and Redevelopment Authority for the renovation of the North Haven and Abbott View properties. The grants will be forgiven on dates between 2033 and 2039 provided the properties maintain compliance with the low-income housing requirements of the grant agreements. The entire grants are due in full on demand in the event of a default with the grant agreements.	745,000	745,000
Grant from the Minnesota Housing Finance Agency that was used to make improvements on the Clinton Avenue Townhomes. The grant was assumed at the purchase of the Clinton Avenue Townhomes. The grant will be forgiven on August 28, 2021 provided no event of default with the grant agreement occurs. The entire grant is due in full on demand in the event of default with the grant agreement.	69,385	69,385
	<u>\$ 6,313,747</u>	<u>\$ 6,501,996</u>

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

11. LINE OF CREDIT

Beacon has a line of credit with the Local Initiative Support Corporation (LISC) in the amount of \$1,000,000 to provide acquisition and predevelopment financing. The line of credit bears interest at 5.25% and expires July 2, 2018. Borrowings on the line of credit will be secured by mortgage and security agreements on the acquisition/development properties. As of June 30, 2016, \$336,000 for the acquisition of the Great River Landing property has been drawn on the line and is included in debt.

12. BOARD DESIGNATED UNRESTRICTED NET ASSETS

Beacon's Board of Directors has designated portions of the unrestricted net assets as an operating reserve for Beacon, to provide funds for purchasing property and predevelopment costs, and other designations the board decides on in the future to further its mission.

13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following:

	<u>2016</u>	<u>2015</u>
HUD capital advance - Riverview	\$ 6,056,900	\$ 6,056,900
Housing services	1,058,054	353,129
Housing development	160,938	378,218
Emergency shelter	5,434	52,278
Other	38,790	41,743
General operations - future years	<u>1,744,257</u>	<u>1,686,712</u>
	<u>\$ 9,064,373</u>	<u>\$ 8,568,980</u>

Temporarily restricted net assets consist of cash of \$1,026,215, contributions receivable of \$1,981,258, and property and equipment of \$6,056,900.

Net assets of \$300,000 restricted for housing development in 2015 were reclassified to housing services in 2016.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

14. NONCONTROLLING INTERESTS

The change in net assets attributed to controlling and noncontrolling interests for the years ended June 30, 2016 and 2015 is as follows:

	<u>Total</u>	<u>Controlling</u>	<u>Noncontrolling</u>
Net assets, June 30, 2014	\$ 21,416,728	\$ 15,500,344	\$ 5,916,384
Capital contributions	382,803	-	382,803
Distributions	(38,158)	-	(38,158)
Syndication costs	(16,000)	-	(16,000)
Change in net assets	<u>(506,148)</u>	<u>(12,183)</u>	<u>(493,965)</u>
Net assets, June 30, 2015	21,239,225	15,488,161	5,751,064
Capital contributions	2,098,066	-	2,098,066
Distributions	(33,304)	-	(33,304)
Syndication costs	(63,856)	-	(63,856)
Change in net assets	<u>(1,029,259)</u>	<u>(475,821)</u>	<u>(553,438)</u>
Net assets, June 30, 2016	<u>\$ 22,210,872</u>	<u>\$ 15,012,340</u>	<u>\$ 7,198,532</u>

15. CONTRIBUTED GOODS AND SERVICES

Emergency shelter guests receive meals and a place to sleep at various Minneapolis/St. Paul metropolitan churches. These services are essential to the continuation of Beacon's shelter programs. If these services were not provided to emergency shelter guests at no cost, Beacon would be required to purchase the services at a much greater cost. Revenue and expenses have been recorded at an estimated fair market value of \$386,000 for 2016 and \$435,000 for 2015, as determined using an estimated value of \$30 per night per guest. Beacon also received rent, and other goods and services of \$20,000 in 2016 and \$30,000 in 2015.

16. GRANT CONVERTED TO LOAN

A grant of \$617,044 was received in previous years to assist in the acquisition and predevelopment financing of the Prior Crossing property. During 2016, the grant was converted to a loan to aid the financing of the Project by enabling Prior Crossing Housing Limited Partnership to more effectively use the low-income housing tax credit program under Section 42 of the Internal Revenue Code.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

17. MINIMUM FUTURE RENTAL PAYMENTS

Beacon leases 4,450 square feet of office space under an operating lease agreement. The office space is rented under a seven year lease agreement ending November 30, 2018 with monthly payments equal to \$8.50/sq. ft., increasing \$0.25/sq. ft. annually, plus a pro-rata share of operating expenses. In September 2016, the lease was extended three years and amended to include an additional 1,689 square feet with monthly payments increasing \$0.50/sq. ft. annually.

Beacon leases space from a congregation for its shelter programs under a lease agreement with an initial five year term ending February 28, 2021. Monthly payments of \$3,000 are required during the lease. Beacon has the option to extend the lease for up to five years beyond the original term.

Rent expense was \$102,367 for 2016 and \$87,216 for 2015.

The following is a schedule of minimum future rental payments for the years ending June 30. The schedule includes the terms of the September 2016 office lease amendment.

2017	\$	89,762
2018		99,108
2019		101,714
2020		104,784
2021		108,213
Thereafter		<u>184,503</u>
	\$	<u>688,084</u>

18. MINIMUM FUTURE RENTAL RECEIPTS

Housing 150-Nicollet LLC leases commercial space in Nicollet Square apartments to three tenants under long-term lease agreements with initial terms of six to ten years. The leases are classified as operating leases. In addition to minimum rental payments, the tenants pay certain operating costs.

The following is a schedule of future minimum rental receipts for the years ending June 30:

2017	\$	67,421
2018		62,643
2019		43,483
2020		39,460
2021		39,608
Thereafter		<u>42,533</u>
	\$	<u>295,148</u>

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

19. RETIREMENT PLAN

Beacon has a simple IRA plan. Beacon contributes 2% of the employee's salary for all eligible employees. Retirement expense was \$35,075 and \$32,627 for 2016 and 2015.

20. CONTINGENCIES AND COMMITMENTS

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed grant costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor agencies will be recognized in the year determined.

As a general partner in limited partnerships, Beacon is contingently responsible for the obligations of the limited partnerships.

The housing tax credits of Lydia House, Creekside Commons, FMF 38th Street, and Lonoke Limited Partnership and the Section 1602 refundable advance of Nicollet Square are contingent on each property's ability to maintain compliance with applicable sections of Internal Revenue Code 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 tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital of a Limited Partner.

Lydia House, Creekside Commons, Nicollet Square, FMF 38th Street, and Lonoke properties are subject to extended use agreements between the Partnerships and the Minneapolis Saint Paul Housing Finance Board. The agreements were made in accordance with Section 42(h)(6) of the Internal Revenue Code and require the projects to maintain low income occupancy (income and rent limits) for 15 years beyond the tax credit compliance periods (for a total of 30 years). The extended use periods end on the dates shown below, unless terminated earlier by foreclosure or by offering the projects to the housing credit agency, after the first 15 years, to be sold for a qualified contract price (the opt-out option).

	<u>Extended use period ends</u>
Lydia House	December 31, 2033
Creekside Commons	December 31, 2040
Nicollet Square	December 31, 2041
FMF 38th Street	December 31, 2032
Lonoke	December 31, 2044

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

20. CONTINGENCIES AND COMMITMENTS (Continued)

Prior Crossing and 66 West properties will be subject to extended use agreements between the Partnerships and the Minneapolis Saint Paul Housing Finance Board or Minnesota Housing Finance Agency for a period of 30 years.

The rental units of the following properties are all eligible to receive housing assistance payments (HAP) under the Section 8 Program of the National Housing Act or a Project Rental Assistance Contract with HUD. The expiration dates of the HAP contracts and the rental revenues provided under the HAP contracts are shown below. No assurance can be provided that these contracts will be renewed upon their expiration or if renewed, at what terms.

	2016 rental revenues	Expiration date
Lydia House	\$ 197,304	October 2018
Creekside Commons	131,752	October 2025
FMF 38th Street	135,232	July 2018
Housing 150 LLC	149,591	June 2027
Oakhaven Housing LLC	111,290	January 2033
Clinton Avenue Townhomes LLC	71,497	August 2016
Riverview Apartments Senior Housing	104,363	September 2016

Prior Crossing entered into a Section 8 HAP contract for 32 of the 44 units with a term of 15 years. In order to induce the Limited Partner to enter into the Partnership, Beacon guaranteed rental assistance up to \$500,000 for the remaining 12 units.

Riverview is subject to restrictive covenants imposed by HUD and MHFA. Among other requirements, the agreements require that all units be rented to qualified tenants. The HUD Capital Advance Agreement terminates in 2051.

FMF Housing has entered into an agreement with Lowry Apartments LP to provide social services to residents of Audubon Crossing. Under the terms, Lowry Apartments LP will establish a Social Services Reserve of \$100,000. From the reserve, Lowry Apartments LP will pay an annual social services fee of \$10,000 increasing 3% each year to FMF Housing for providing the social services. Beginning October 1, 2012, FMF Housing transferred this agreement to Beacon. The agreement expires in 2025. The reserve balance was \$47,428 at June 30, 2016 and \$58,664 at June 30, 2015.

(Continued)

BEACON INTERFAITH HOUSING COLLABORATIVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

20. CONTINGENCIES AND COMMITMENTS (Continued)

The Prior Crossing development has been awarded various grants and obtained loan and syndication commitments for the development of the property totaling approximately \$11.2 million. The development was completed in August 2016.

The 66 West development has been awarded various grants and obtained loan and syndication commitments for the development of the property totaling approximately \$11.5 million. The development is expected to be completed in March 2017.

The Great River Landing development has been awarded various grants and obtained loan commitments for the future development of the property totaling approximately \$2.5 million. Total development costs are estimated to be \$18.7 million provided financing can be obtained.

21. RELATED PARTY TRANSACTIONS

Beacon leases its office space from a company in which one of Beacon's former board members is an owner. Total rent paid to the company was \$88,136 in 2016 (Note 17).

A board member of Beacon also serves as a board member of the Family Housing Fund through which Beacon obtains financing for its developments.

22. SUBSEQUENT EVENTS

The 66 West development closed on financing and began construction of the housing development on July 29, 2016.

Management has evaluated subsequent events through October 13, 2016, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

**CONSOLIDATING FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2016

	Beacon	Wholly owned Entities	Eliminations	Subtotal	Affiliates		Eliminations	Total
					FMF Housing	Housing Entities		
ASSETS								
Cash	\$ 2,978,024	\$ 262,950	\$ -	\$ 3,240,974	\$ 40,505	\$ 131,144	\$ -	\$ 3,412,623
Accounts receivable	223,716	27,178	(45,033)	205,861	26,890	34,856	(69,776)	197,831
Government grants receivable	119,783	1,605	(1,605)	119,783	-	-	-	119,783
Contributions receivable, current portion	879,864	-	-	879,864	-	-	-	879,864
Prepaid expenses	46,990	2,567	-	49,557	-	12,147	-	61,704
Total current assets	<u>4,248,377</u>	<u>294,300</u>	<u>(46,638)</u>	<u>4,496,039</u>	<u>67,395</u>	<u>178,147</u>	<u>(69,776)</u>	<u>4,671,805</u>
Investment in subsidiaries	33,000	-	(33,000)	-	33,551	-	(33,551)	-
Notes receivable	1,548,882	15,000	(286,897)	1,276,985	456,000	-	(1,732,985)	-
Predevelopment costs	1,629,493	-	(1,517,486)	112,007	-	-	(92,901)	19,106
Interest receivable	362,706	-	(8,790)	353,916	121,673	-	(475,589)	-
Escrows and reserves	-	1,088,024	-	1,088,024	100,232	1,746,229	-	2,934,485
Contributions receivable, less current portion	1,101,394	-	-	1,101,394	-	-	-	1,101,394
Cash restricted for long-term purposes	140,938	-	-	140,938	-	-	-	140,938
Property and equipment, net	124,633	23,196,902	(1,000)	23,320,535	595,276	30,012,099	(225,405)	53,702,505
Finance and tax credit fees, net	-	152,470	-	152,470	-	245,198	-	397,668
Total assets	<u>\$ 9,189,423</u>	<u>\$ 24,746,696</u>	<u>\$ (1,893,811)</u>	<u>\$ 32,042,308</u>	<u>\$ 1,374,127</u>	<u>\$ 32,181,673</u>	<u>\$ (2,630,207)</u>	<u>\$ 62,967,901</u>
LIABILITIES AND NET ASSETS								
Accounts payable - operations	\$ 86,371	\$ 39,141	\$ (8,969)	\$ 116,543	\$ -	\$ 95,999	\$ (5,903)	\$ 206,639
Current maturities of long-term debt	300,000	89,143	-	389,143	-	9,910	-	399,053
Accrued expenses	136,018	113,699	-	249,717	-	166,000	-	415,717
Accrued interest	-	3,728	-	3,728	-	1,818	-	5,546
Tenant security deposits	-	105,313	-	105,313	-	38,393	-	143,706
Deferred revenue	28,063	-	-	28,063	-	-	-	28,063
Total current liabilities	<u>550,452</u>	<u>351,024</u>	<u>(8,969)</u>	<u>892,507</u>	<u>-</u>	<u>312,120</u>	<u>(5,903)</u>	<u>1,198,724</u>
Deferred developer fee	-	33,000	(33,000)	-	-	80,000	(80,000)	-
Construction payables	-	-	-	-	-	1,065,381	-	1,065,381
Due to Beacon	-	1,843,052	(1,843,052)	-	230,963	1,107,796	(1,338,759)	-
Long-term debt, less current maturities	300,000	17,237,450	-	17,537,450	-	14,357,372	(471,000)	31,423,822
Accrued interest, long-term	5,537	260,528	(8,790)	257,275	-	973,669	(475,589)	755,355
Refundable advances	1,226,878	4,876,869	-	6,103,747	-	-	210,000	6,313,747
Total liabilities	<u>2,082,867</u>	<u>24,601,923</u>	<u>(1,893,811)</u>	<u>24,790,979</u>	<u>230,963</u>	<u>17,896,338</u>	<u>(2,161,251)</u>	<u>40,757,029</u>
Net assets:								
Unrestricted:								
Undesignated	1,747,102	144,773	-	1,891,875	1,143,164	819,903	(258,956)	3,595,986
Designated	2,351,981	-	-	2,351,981	-	-	-	2,351,981
Non-controlling interests	-	-	-	-	-	7,198,532	-	7,198,532
Total unrestricted	<u>4,099,083</u>	<u>144,773</u>	<u>-</u>	<u>4,243,856</u>	<u>1,143,164</u>	<u>8,018,435</u>	<u>(258,956)</u>	<u>13,146,499</u>
Temporarily restricted	3,007,473	-	-	3,007,473	-	6,266,900	(210,000)	9,064,373
Total net assets	<u>7,106,556</u>	<u>144,773</u>	<u>-</u>	<u>7,251,329</u>	<u>1,143,164</u>	<u>14,285,335</u>	<u>(468,956)</u>	<u>22,210,872</u>
Total liabilities and net assets	<u>\$ 9,189,423</u>	<u>\$ 24,746,696</u>	<u>\$ (1,893,811)</u>	<u>\$ 32,042,308</u>	<u>\$ 1,374,127</u>	<u>\$ 32,181,673</u>	<u>\$ (2,630,207)</u>	<u>\$ 62,967,901</u>

See independent auditor's report

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2016

	Beacon	Wholly owned Entities	Eliminations	Beacon Subtotal	Affiliates		Eliminations	Total
					FMF Housing	Housing Entities		
Operating revenues and support:								
Contributions	\$ 2,317,514	\$ -	\$ -	\$ 2,317,514	\$ -	\$ -	\$ -	\$ 2,317,514
Contributions in-kind	406,000	-	-	406,000	-	-	-	406,000
Government grants	669,715	480,642	-	1,150,357	-	-	-	1,150,357
Rents	-	1,738,293	-	1,738,293	44,708	1,154,413	(32,708)	2,904,706
Fee income	412,230	-	-	412,230	44,925	-	(18,035)	439,120
Management fees	158,722	-	-	158,722	-	-	(158,722)	-
Interest income	54,978	4,963	(1,173)	58,768	27,506	4,218	(77,010)	13,482
Miscellaneous	17,922	35,709	-	53,631	13,914	33,388	-	100,933
Total operating revenues and support	<u>4,037,081</u>	<u>2,259,607</u>	<u>(1,173)</u>	<u>6,295,515</u>	<u>131,053</u>	<u>1,192,019</u>	<u>(286,475)</u>	<u>7,332,112</u>
Operating expenses	<u>3,848,286</u>	<u>2,058,456</u>	<u>-</u>	<u>5,906,742</u>	<u>91,268</u>	<u>1,146,249</u>	<u>(251,076)</u>	<u>6,893,183</u>
Operating income (loss)	188,795	201,151	(1,173)	388,773	39,785	45,770	(35,399)	438,929
Conversion of grant to loan	-	(617,044)	-	(617,044)	-	-	-	(617,044)
Contributions and grants for property acquisition	288,450	-	-	288,450	-	-	-	288,450
Amortization of refundable advances (Note 10)	40,000	406,249	-	446,249	-	-	-	446,249
Loss on disposal of property and equipment	-	-	-	-	(17,246)	-	-	(17,246)
Deferred interest - rental properties	-	(35,311)	1,173	(34,138)	-	(113,745)	35,399	(112,484)
Depreciation and amortization - rental properties	-	(724,091)	-	(724,091)	-	(739,931)	7,909	(1,456,113)
Change in net assets	517,245	(769,046)	-	(251,801)	22,539	(807,906)	7,909	(1,029,259)
Net assets, beginning of year	6,547,045	1,017,104	-	7,564,149	1,120,625	13,031,316	(476,865)	21,239,225
Contributions - noncontrolling interests	-	-	-	-	-	2,098,066	-	2,098,066
Distributions	-	-	-	-	-	(33,304)	-	(33,304)
Syndication costs	-	-	-	-	-	(63,856)	-	(63,856)
Interfund transfers	42,266	(103,285)	-	(61,019)	-	61,019	-	-
Net assets, end of year	<u>\$ 7,106,556</u>	<u>\$ 144,773</u>	<u>\$ -</u>	<u>\$ 7,251,329</u>	<u>\$ 1,143,164</u>	<u>\$ 14,285,335</u>	<u>\$ (468,956)</u>	<u>\$ 22,210,872</u>

See independent auditor's report

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

Increase (Decrease) in Cash

	Beacon	Wholly Owned Entities	Affiliates		Eliminations	Total
			FMF Housing	Housing Entities		
Cash flows from operating activities:						
Change in net assets	\$ 517,245	\$ (769,046)	\$ 22,539	\$ (807,906)	\$ 7,909	\$ (1,029,259)
Adjustments to reconcile the change in net assets to net cash from operating activities:						
Depreciation and amortization	17,994	724,091	10,433	739,931	(7,909)	1,484,540
Contributions and grants for property acquisition	(288,450)	-	-	-	-	(288,450)
Loss on disposal of property and equipment	-	-	17,246	-	-	17,246
Conversion of grant to loan	-	617,044	-	-	-	617,044
Amortization of refundable advances (Note 10)	(40,000)	(406,249)	-	-	-	(446,249)
Changes in operating assets and liabilities:						
Accounts receivable	(84,691)	15,389	(26,890)	(6,978)	96,059	(7,111)
Government grants receivable	33,082	20,780	-	-	(20,780)	33,082
Contributions receivable	(258,796)	-	-	-	-	(258,796)
Prepaid expenses	9,301	(199)	-	1,199	-	10,301
Interest receivable	(38,050)	-	(13,680)	-	51,730	-
Accounts payable and accrued expenses	(7,031)	(34,177)	(1,000)	(23,855)	(55,104)	(121,167)
Accrued interest	537	36,695	-	127,140	(51,731)	112,641
Tenant security deposits	1,000	2,786	-	432	-	4,218
Deferred revenue	22,436	-	-	-	-	22,436
Net cash from operating activities	<u>(115,423)</u>	<u>207,114</u>	<u>8,648</u>	<u>29,963</u>	<u>20,174</u>	<u>150,476</u>
Cash flows from investing activities:						
Payments for property and equipment	(70,887)	(1,780,201)	(19,768)	(6,494,175)	(84,725)	(8,449,756)
Change in predevelopment costs, net	618,873	-	-	-	(397,268)	221,605
Notes receivable	(230,074)	-	-	-	230,074	-
Changes in escrows and reserves, net	-	262,168	(132)	(559)	-	261,477
Change in cash restricted for long-term purposes	31,780	-	-	-	-	31,780
Net cash from investing activities	<u>349,692</u>	<u>(1,518,033)</u>	<u>(19,900)</u>	<u>(6,494,734)</u>	<u>(251,919)</u>	<u>(7,934,894)</u>
Cash flows from financing activities:						
Payment of finance and tax credit fees	-	(2,000)	-	(52,666)	-	(54,666)
Proceeds from issuance of debt	-	1,071,000	-	6,680,081	-	7,751,081
Payments of principal on long-term debt	-	(87,834)	-	(1,500,659)	-	(1,588,493)
Refundable advances received	308,000	-	-	-	-	308,000
Repayment of refundable advances	(50,000)	-	-	-	-	(50,000)
Due to Beacon	-	397,332	42,154	(671,231)	231,745	-
Capital contributions - noncontrolling interests	-	-	-	2,098,066	-	2,098,066
Syndication costs	-	-	-	(63,856)	-	(63,856)
Distributions - noncontrolling interests	-	-	-	(33,304)	-	(33,304)
Interfund transfers	42,266	(103,285)	-	61,019	-	-
Contributions and grants for property acquisition	368,450	-	-	-	-	368,450
Net cash from financing activities	<u>668,716</u>	<u>1,275,213</u>	<u>42,154</u>	<u>6,517,450</u>	<u>231,745</u>	<u>8,735,278</u>
Increase (decrease) in cash	902,985	(35,706)	30,902	52,679	-	950,860
Cash, beginning of year	2,075,039	298,656	9,603	78,465	-	2,461,763
Cash, end of year	<u>\$ 2,978,024</u>	<u>\$ 262,950</u>	<u>\$ 40,505</u>	<u>\$ 131,144</u>	<u>\$ -</u>	<u>\$ 3,412,623</u>

See independent auditor's report

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - WHOLLY OWNED ENTITIES

June 30, 2016

	Anpa Hawthorne LLC											Total
	North Haven LLC	Anpa Waste LLC	Hawthorne Avenue LLC	545 Snelling LLC	352 Wacouta LLC	Housing 150 LLC	Oakhaven LLC	Clinton Avenue Townhomes LLC	Housing 150-Nicollet LLC	PCNF Nicollet LP	Development Projects	Total
ASSETS												
Cash	\$ 19,376	\$ 16,922	\$ 24,342	\$ 22,919	\$ 26,258	\$ 49,920	\$ 37,886	\$ 15,035	\$ 11,813	\$ 38,479	\$ -	\$ 262,950
Accounts receivable	71	2,674	1,031	3,437	2,781	607	1,240	989	11,094	3,254	-	27,178
Government grant receivable	-	-	-	-	-	-	-	-	-	1,605	-	1,605
Prepaid expenses	-	80	-	-	-	-	-	-	-	2,487	-	2,567
Total current assets	19,447	19,676	25,373	26,356	29,039	50,527	39,126	16,024	22,907	45,825	-	294,300
Notes receivable	-	-	-	-	-	-	-	-	-	-	15,000	15,000
Escrows and reserves	38,644	28,531	70,003	124,225	129,598	69,015	72,257	84,997	-	317,568	153,186	1,088,024
Property and equipment, net	807,780	823,836	1,469,649	2,242,162	2,359,502	2,180,162	571,989	672,480	1,126,550	6,769,220	4,173,572	23,196,902
Finance and tax credit fees, net	4,298	11,962	8,158	8,891	11,624	-	-	19,396	-	88,141	-	152,470
Total assets	\$ 870,169	\$ 884,005	\$ 1,573,183	\$ 2,401,634	\$ 2,529,763	\$ 2,299,704	\$ 683,372	\$ 792,897	\$ 1,149,457	\$ 7,220,754	\$ 4,341,758	\$ 24,746,696
LIABILITIES AND NET ASSETS												
Accounts payable - operations	\$ 624	\$ 2,278	\$ 4,505	\$ 3,425	\$ 2,940	\$ 2,939	\$ 309	\$ 872	\$ 287	\$ 20,962	\$ -	\$ 39,141
Current maturities of long-term debt	-	-	7,530	-	-	46,901	15,918	18,794	-	-	-	89,143
Accrued expenses	-	4,220	105	7,809	9,471	1,275	2,129	-	8,826	79,864	-	113,699
Accrued interest	-	-	1,642	-	-	485	1,601	-	-	-	-	3,728
Tenant security deposits	7,548	7,046	12,921	20,762	20,898	4,588	4,478	3,057	6,743	17,272	-	105,313
Total current liabilities	8,172	13,544	26,703	31,996	33,309	56,188	24,435	22,723	15,856	118,098	-	351,024
Deferred developer fee	-	-	33,000	-	-	-	-	-	-	-	-	33,000
Due to Beacon	6,800	-	-	-	44,999	117,331	-	-	299,558	28,606	1,345,758	1,843,052
Long-term debt, less current maturities	784,094	951,746	1,745,607	2,751,948	2,930,546	1,645,322	624,335	662,494	-	2,160,358	2,981,000	17,237,450
Accrued interest, long-term	18,238	45,953	69,347	-	-	45,890	-	-	-	81,100	-	260,528
Refundable advances	225,000	-	-	-	-	520,000	-	69,385	-	4,062,484	-	4,876,869
Total liabilities	1,042,304	1,011,243	1,874,657	2,783,944	3,008,854	2,384,731	648,770	754,602	315,414	6,450,646	4,326,758	24,601,923
Net assets:												
Unrestricted and undesignated	(172,135)	(127,238)	(301,474)	(382,310)	(479,091)	(85,027)	34,602	38,295	834,043	770,108	15,000	144,773
Total net assets	(172,135)	(127,238)	(301,474)	(382,310)	(479,091)	(85,027)	34,602	38,295	834,043	770,108	15,000	144,773
Total liabilities and net assets	\$ 870,169	\$ 884,005	\$ 1,573,183	\$ 2,401,634	\$ 2,529,763	\$ 2,299,704	\$ 683,372	\$ 792,897	\$ 1,149,457	\$ 7,220,754	\$ 4,341,758	\$ 24,746,696

See independent auditor's report

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - WHOLLY OWNED ENTITIES

For the Year Ended June 30, 2016

	Anpa Hawthorne LLC		545 Snelling LLC	352 Wacouta LLC	Housing 150 LLC	Oakhaven LLC	Clinton Avenue Townhomes LLC	Housing 150- Nicollet LLC	PCNF Nicollet LP	Development Projects	Total	
	North Haven LLC	Anpa Waste LLC										Hawthorne Avenue LLC
Operating revenues and support:												
Government grants	\$ -	\$ 77,098	\$ -	\$ 62,159	\$ 82,500	\$ -	\$ -	\$ -	\$ -	\$ 258,885	\$ -	\$ 480,642
Rents	85,600	23,084	191,195	387,709	389,294	211,960	141,438	95,392	99,119	113,502	-	1,738,293
Interest income	45	68	145	193	203	479	519	735	45	2,531	-	4,963
Miscellaneous	759	631	9,325	8,232	12,121	960	1,085	1,811	-	785	-	35,709
Total operating revenues and support	<u>86,404</u>	<u>100,881</u>	<u>200,665</u>	<u>458,293</u>	<u>484,118</u>	<u>213,399</u>	<u>143,042</u>	<u>97,938</u>	<u>99,164</u>	<u>375,703</u>	<u>-</u>	<u>2,259,607</u>
Operating expenses	69,967	106,241	175,420	478,655	487,682	137,307	105,105	64,033	38,544	395,338	164	2,058,456
Operating income (loss)	16,437	(5,360)	25,245	(20,362)	(3,564)	76,092	37,937	33,905	60,620	(19,635)	(164)	201,151
Conversion of grant to loan	-	-	-	-	-	-	-	-	-	-	(617,044)	(617,044)
Amortization of refundable advances (Note 10)	-	-	-	-	-	-	-	-	-	406,249	-	406,249
Deferred interest - rental properties	(6,498)	(4,337)	(6,400)	-	-	(5,300)	-	-	-	(12,776)	-	(35,311)
Depreciation and amortization - rental properties	<u>(34,443)</u>	<u>(45,322)</u>	<u>(66,278)</u>	<u>(90,900)</u>	<u>(95,974)</u>	<u>(98,074)</u>	<u>(22,488)</u>	<u>(25,071)</u>	<u>(57,439)</u>	<u>(188,102)</u>	<u>-</u>	<u>(724,091)</u>
Change in net assets	(24,504)	(55,019)	(47,433)	(111,262)	(99,538)	(27,282)	15,449	8,834	3,181	185,736	(617,208)	(769,046)
Net assets, beginning of year	(147,631)	(72,219)	(222,452)	(271,048)	(379,553)	(5,608)	37,218	33,933	830,862	584,372	629,230	1,017,104
Interfund transfers	-	-	(31,589)	-	-	(52,137)	(18,065)	(4,472)	-	-	2,978	(103,285)
Net assets, end of year	<u>\$ (172,135)</u>	<u>\$ (127,238)</u>	<u>\$ (301,474)</u>	<u>\$ (382,310)</u>	<u>\$ (479,091)</u>	<u>\$ (85,027)</u>	<u>\$ 34,602</u>	<u>\$ 38,295</u>	<u>\$ 834,043</u>	<u>\$ 770,108</u>	<u>\$ 15,000</u>	<u>\$ 144,773</u>

See independent auditor's report

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF CASH FLOWS - WHOLLY OWNED LLCs

For the Year Ended June 30, 2016

Increase (Decrease) in Cash

	North Haven LLC	Anpa Hawthorne LLC		545 Snelling LLC	352 Wacouta LLC	Housing 150 LLC	Oakhaven LLC	Clinton Avenue Townhomes LLC	Housing 150-Nicollet LLC	PCNF Nicollet LP	Development Projects	Total
Cash flows from operating activities:												
Change in net assets	\$ (24,504)	\$ (55,019)	\$ (47,433)	\$ (111,262)	\$ (99,538)	\$ (27,282)	\$ 15,449	\$ 8,834	\$ 3,181	\$ 185,736	\$ (617,208)	\$ (769,046)
Adjustments to reconcile the change in net assets to net cash from operating activities:												
Depreciation and amortization	34,443	45,322	66,278	90,900	95,974	98,074	22,488	25,071	57,439	188,102	-	724,091
Amortization of refundable advances (Note 10)	-	-	-	-	-	-	-	-	-	(406,249)	-	(406,249)
Conversion of grant to loan	-	-	-	-	-	-	-	-	-	-	617,044	617,044
Changes in operating assets and liabilities:												
Accounts receivable	334	8,078	(688)	(1,601)	841	122	1,269	2,125	4,487	422	-	15,389
Government grant receivable	-	-	-	-	-	-	-	-	-	20,780	-	20,780
Prepaid expenses	-	(19)	-	-	-	-	-	-	-	(180)	-	(199)
Accounts payable and accrued expenses	588	(1,077)	3,596	(12,355)	(13,312)	2,286	(1,334)	864	14	(13,236)	(211)	(34,177)
Accrued interest	6,498	4,338	6,666	-	-	6,454	(38)	-	-	12,777	-	36,695
Tenant security deposits	787	99	630	343	557	(7)	34	(278)	-	621	-	2,786
Net cash from operating activities	<u>18,146</u>	<u>1,722</u>	<u>29,049</u>	<u>(33,975)</u>	<u>(15,478)</u>	<u>79,647</u>	<u>37,868</u>	<u>36,616</u>	<u>65,121</u>	<u>(11,227)</u>	<u>(375)</u>	<u>207,114</u>
Cash flows from investing activities:												
Payments for property and equipment	-	-	(109,141)	-	-	-	-	-	-	(8,364)	(1,662,696)	(1,780,201)
Changes in escrows and reserves, net	(5,157)	5,350	101,828	15,955	12,257	14,508	(7,015)	(2,354)	-	(6,417)	133,213	262,168
Net cash from investing activities	<u>(5,157)</u>	<u>5,350</u>	<u>(7,313)</u>	<u>15,955</u>	<u>12,257</u>	<u>14,508</u>	<u>(7,015)</u>	<u>(2,354)</u>	<u>-</u>	<u>(14,781)</u>	<u>(1,529,483)</u>	<u>(1,518,033)</u>
Cash flows from financing activities:												
Payments of finance and tax credit fees	-	-	-	-	-	-	-	-	-	-	(2,000)	(2,000)
Proceeds from issuance of debt	-	-	-	-	-	-	-	-	-	-	1,071,000	1,071,000
Payments of principal on long-term debt	-	-	(6,924)	-	-	(46,667)	(15,449)	(18,794)	-	-	-	(87,834)
Due to Beacon	-	-	-	-	-	-	-	-	(64,921)	4,748	457,505	397,332
Interfund transfers	-	-	(31,589)	-	-	(52,137)	(18,065)	(4,472)	-	-	2,978	(103,285)
Net cash from financing activities	<u>-</u>	<u>-</u>	<u>(38,513)</u>	<u>-</u>	<u>-</u>	<u>(98,804)</u>	<u>(33,514)</u>	<u>(23,266)</u>	<u>(64,921)</u>	<u>4,748</u>	<u>1,529,483</u>	<u>1,275,213</u>
Increase (decrease) in cash	12,989	7,072	(16,777)	(18,020)	(3,221)	(4,649)	(2,661)	10,996	200	(21,260)	(375)	(35,706)
Cash, beginning of year	6,387	9,850	41,119	40,939	29,479	54,569	40,547	4,039	11,613	59,739	375	298,656
Cash, end of year	<u>\$ 19,376</u>	<u>\$ 16,922</u>	<u>\$ 24,342</u>	<u>\$ 22,919</u>	<u>\$ 26,258</u>	<u>\$ 49,920</u>	<u>\$ 37,886</u>	<u>\$ 15,035</u>	<u>\$ 11,813</u>	<u>\$ 38,479</u>	<u>\$ -</u>	<u>\$ 262,950</u>

See independent auditor's report

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - AFFILIATED HOUSING ENTITIES

June 30, 2016

	FMF 38th Street	PCNF Creekside Commons LP	Lydia House LP	Lonoke LP	Prior Crossing Housing LP	Riverview Apartments Senior Housing	Total
ASSETS							
Cash	\$ 18,358	\$ 31,521	\$ 20,342	\$ 59,323	\$ -	\$ 1,600	\$ 131,144
Accounts receivable	2,044	2,712	3,742	25,990	-	368	34,856
Prepaid expenses	571	(276)	1,950	108	-	9,794	12,147
Total current assets	<u>20,973</u>	<u>33,957</u>	<u>26,034</u>	<u>85,421</u>	<u>-</u>	<u>11,762</u>	<u>178,147</u>
Escrows and reserves	88,674	886,528	589,977	79,985	-	101,065	1,746,229
Property and equipment, net	1,841,324	6,467,054	3,504,232	2,953,685	7,651,874	7,593,930	30,012,099
Finance and tax credit fees, net	46,236	84,262	31,339	47,787	35,574	-	245,198
Total assets	<u>\$ 1,997,207</u>	<u>\$ 7,471,801</u>	<u>\$ 4,151,582</u>	<u>\$ 3,166,878</u>	<u>\$ 7,687,448</u>	<u>\$ 7,706,757</u>	<u>\$ 32,181,673</u>
LIABILITIES AND NET ASSETS							
Accounts payable - operations	\$ 3,342	\$ 4,433	\$ 6,126	\$ 4,685	\$ -	\$ 77,413	\$ 95,999
Current maturities of long-term debt	9,910	-	-	-	-	-	9,910
Accrued expenses	19,242	42,068	54,898	42,735	-	7,057	166,000
Accrued interest	1,818	-	-	-	-	-	1,818
Tenant security deposits	4,369	16,671	11,628	5,725	-	-	38,393
Total current liabilities	<u>38,681</u>	<u>63,172</u>	<u>72,652</u>	<u>53,145</u>	<u>-</u>	<u>84,470</u>	<u>312,120</u>
Deferred developer fee	-	-	-	80,000	-	-	80,000
Construction payables	-	-	-	8,832	1,056,549	-	1,065,381
Due to Beacon	-	-	700,000	70,083	337,713	-	1,107,796
Long-term debt, less current maturities	1,425,280	2,411,364	1,757,584	1,302,977	5,625,565	1,834,602	14,357,372
Accrued interest, long-term	207,748	157,289	520,638	16,897	-	71,097	973,669
Total liabilities	<u>1,671,709</u>	<u>2,631,825</u>	<u>3,050,874</u>	<u>1,531,934</u>	<u>7,019,827</u>	<u>1,990,169</u>	<u>17,896,338</u>
Net assets:							
Unrestricted:							
Undesignated	33,509	729,977	544,723	64,984	(2,978)	(550,312)	819,903
Non-controlling interests	291,989	4,109,999	555,985	1,569,960	670,599	-	7,198,532
Total unrestricted	<u>325,498</u>	<u>4,839,976</u>	<u>1,100,708</u>	<u>1,634,944</u>	<u>667,621</u>	<u>(550,312)</u>	<u>8,018,435</u>
Temporarily restricted	-	-	-	-	-	6,266,900	6,266,900
Total net assets	<u>325,498</u>	<u>4,839,976</u>	<u>1,100,708</u>	<u>1,634,944</u>	<u>667,621</u>	<u>5,716,588</u>	<u>14,285,335</u>
Total liabilities and net assets	<u>\$ 1,997,207</u>	<u>\$ 7,471,801</u>	<u>\$ 4,151,582</u>	<u>\$ 3,166,878</u>	<u>\$ 7,687,448</u>	<u>\$ 7,706,757</u>	<u>\$ 32,181,673</u>

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - AFFILIATED HOUSING ENTITIES

For the Year Ended June 30, 2016

	FMF 38th Street	PCNF Creekside Commons, LP	Lydia House, LP	Lonoke LP	Prior Crossing Housing LP	Riverview Apartments Senior Housing	Total
Operating revenues and support:							
Rents	\$ 164,483	\$ 303,381	\$ 297,164	\$ 117,889	\$ -	\$ 271,496	\$ 1,154,413
Interest income - operations	393	435	3,110	106	-	174	4,218
Miscellaneous	9,388	9,971	4,254	6,304	-	3,471	33,388
Total operating revenues and support	<u>174,264</u>	<u>313,787</u>	<u>304,528</u>	<u>124,299</u>	<u>-</u>	<u>275,141</u>	<u>1,192,019</u>
Operating expenses	<u>170,252</u>	<u>280,444</u>	<u>281,578</u>	<u>128,730</u>	<u>-</u>	<u>285,245</u>	<u>1,146,249</u>
Operating income (loss)	4,012	33,343	22,950	(4,431)	-	(10,104)	45,770
Deferred interest - rental properties	(6,435)	(23,965)	(52,371)	(14,628)	-	(16,346)	(113,745)
Depreciation and amortization - rental properties	<u>(54,742)</u>	<u>(188,025)</u>	<u>(160,369)</u>	<u>(108,834)</u>	<u>-</u>	<u>(227,961)</u>	<u>(739,931)</u>
Change in net assets	(57,165)	(178,647)	(189,790)	(127,893)	-	(254,411)	(807,906)
Net assets, beginning of year	382,663	5,051,930	1,290,498	335,226	-	5,970,999	13,031,316
Contributions - noncontrolling interests	-	-	-	1,375,467	722,599	-	2,098,066
Distributions	-	(33,304)	-	-	-	-	(33,304)
Syndication costs	-	-	-	(11,856)	(52,000)	-	(63,856)
Interfund transfers	-	(3)	-	64,000	(2,978)	-	61,019
Net assets, end of year	<u>\$ 325,498</u>	<u>\$ 4,839,976</u>	<u>\$ 1,100,708</u>	<u>\$ 1,634,944</u>	<u>\$ 667,621</u>	<u>\$ 5,716,588</u>	<u>\$ 14,285,335</u>

See independent auditor's report

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF CASH FLOWS - AFFILIATED HOUSING ENTITIES

For the Year Ended June 30, 2016

Increase (Decrease) in Cash

	FMF 38th Street	PCNF Creekside Commons, LP	Lydia House, LP	Lonoke LP	Prior Crossing Housing LP	Riverview Apartment Senior Housing	Total
Cash flows from operating activities:							
Change in net assets	\$ (57,165)	\$ (178,647)	\$ (189,790)	\$ (127,893)	\$ -	\$ (254,411)	\$ (807,906)
Adjustments to reconcile the change in net assets to net cash from operating activities:							
Depreciation and amortization	54,742	188,025	160,369	108,834	-	227,961	739,931
Changes in operating assets and liabilities:							
Accounts receivable	1,715	(1,219)	3,276	(21,939)	-	11,189	(6,978)
Prepaid expenses	(4)	-	(64)	(25)	-	1,292	1,199
Accounts payable and accrued expenses	988	1,323	(26,734)	8,758	-	(8,190)	(23,855)
Accrued interest	20,062	23,965	52,372	16,897	-	13,844	127,140
Tenant security deposits	(334)	119	(796)	1,269	-	174	432
Net cash from operating activities	<u>20,004</u>	<u>33,566</u>	<u>(1,367)</u>	<u>(14,099)</u>	<u>-</u>	<u>(8,141)</u>	<u>29,963</u>
Cash flows from investing activities:							
Payments for property and equipment	(1,076)	-	-	(1,638,851)	(4,854,248)	-	(6,494,175)
Changes in escrows and reserves, net	(4,596)	(10,320)	15,337	(7,243)	-	6,263	(559)
Net cash from investing activities	<u>(5,672)</u>	<u>(10,320)</u>	<u>15,337</u>	<u>(1,646,094)</u>	<u>(4,854,248)</u>	<u>6,263</u>	<u>(6,494,734)</u>
Cash flows from financing activities:							
Payments of finance and tax credit fees	-	-	-	(21,482)	(31,184)	-	(52,666)
Proceeds from issuance of debt	-	-	-	1,671,560	5,008,521	-	6,680,081
Payments of principal on long-term debt	(9,910)	-	-	(1,312,749)	(178,000)	-	(1,500,659)
Due to Beacon	-	-	-	(58,521)	(612,710)	-	(671,231)
Capital contributions - noncontrolling interests	-	-	-	1,375,467	722,599	-	2,098,066
Syndication costs	-	-	-	(11,856)	(52,000)	-	(63,856)
Distributions - noncontrolling interests	-	(33,304)	-	-	-	-	(33,304)
Interfund transfers	-	(3)	-	64,000	(2,978)	-	61,019
Net cash from financing activities	<u>(9,910)</u>	<u>(33,307)</u>	<u>-</u>	<u>1,706,419</u>	<u>4,854,248</u>	<u>-</u>	<u>6,517,450</u>
Increase (decrease) in cash	4,422	(10,061)	13,970	46,226	-	(1,878)	52,679
Cash, beginning of year	<u>13,936</u>	<u>41,582</u>	<u>6,372</u>	<u>13,097</u>	<u>-</u>	<u>3,478</u>	<u>78,465</u>
Cash, end of year	<u>\$ 18,358</u>	<u>\$ 31,521</u>	<u>\$ 20,342</u>	<u>\$ 59,323</u>	<u>\$ -</u>	<u>\$ 1,600</u>	<u>\$ 131,144</u>

See independent auditor's report

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

**Minnesota Housing
Multifamily Department
Asset Management**

Project Name: <u>Abbott View (aka Stevens Court)</u>	Fiscal Period Ended: <u>June 30, 2016</u>	Loan # <u>1264408</u>
Location: <u>Minneapolis</u>		

A. ALLOWABLE DISTRIBUTION

1 Partnership Initial Equity	_____
2 Rate of return on Equity	_____
3 Maximum Distribution (per legal agreement)	<u>\$ 67,731</u>
4 Allowable Distribution from Operations	<u>45,221</u>
5 Interest Earned on Development Cost Escrow	<u>-</u>
6 Allowable Distribution for Fiscal Year	<u>45,221</u>

B. COMPUTATION OF SURPLUS CASH

Cash	
7 Operating Cash Balance	<u>\$ 49,920</u>
8 Tenant Subsidy Receivable (Payable)	_____
9 Interest Earned on Development Cost Escrow	_____
10 Deposits to Residual Receipts	_____
11 Deposits to FAF/DS savings	_____
12 Other (describe): _____	_____
(a) Cash Available to Meet Obligations (add lines 7 thru 12)	<u>49,920</u>
Current Obligations	
13 Accounts Payable Balance, trade	<u>2,939</u>
14 Accrued Interest on Amort. Mortgages	<u>485</u>
15 Accrued MHFA Annual Fee	_____
16 Accrued FAF/FA Monthly Escrow	_____
17 Prepaid rents	_____
18 Other (describe): <u>Accrued expenses</u>	<u>1,275</u>
(b) Surplus Cash/(Deficiency) (line (a) minus Lines 13 thru 18)	<u>\$ 45,221</u>
19 Amount Available for Distribution	<u>\$ 45,221</u>
20 Net Amount to be Deposited to Residual Receipts	<u>\$ -</u>

C. COMPUTATION OF RESIDUAL RECEIPTS TRANSFER

21 Required Deposit (From Sec. B) (line 20)	<u>\$ -</u>
22 Less: Interest Earned on Development Cost Escrow	_____
23 Deposits to Residual Receipts	_____
24 Deposits to FAF/DS savings	_____
	<u>-</u>
25 Deposit required to Residual Receipts	<u>\$ -</u>
26 Transfer from Res. Receipts or FAF/DS to operations	<u>\$ -</u>

Was the Partnership in full compliance with all provisions of the "Distribution of Income and Assets" section of the first mortgage Regulatory Agreement with Minnesota Housing?

YES	NO
X	

If NO, please list below the noncompliance findings:

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

**Minnesota Housing
Multifamily Department
Asset Management**

Project Name: <u>Oakhaven</u>	Fiscal Period Ended: <u>June 30, 2016</u>	Loan #
Location: <u>Minneapolis</u>		

A. ALLOWABLE DISTRIBUTION

1 Partnership Initial Equity	120,433
2 Rate of return on Equity	15%
3 Maximum Distribution (<i>per legal agreement</i>)	<u>\$ 18,065</u>
4 Allowable Distribution from Operations	<u>18,065</u>
5 Interest Earned on Development Cost Escrow	<u>-</u>
6 Allowable Distribution for Fiscal Year	<u>18,065</u>

B. COMPUTATION OF SURPLUS CASH

Cash	
7 Operating Cash Balance	\$ 37,886
8 Tenant Subsidy Receivable (Payable)	
9 Interest Earned on Development Cost Escrow	
10 Deposits to Residual Receipts	
11 Deposits to FAF/DS savings	
12 Other (describe): _____	
(a) Cash Available to Meet Obligations (add lines 7 thru 12)	<u>37,886</u>
Current Obligations	
13 Accounts Payable Balance, trade	309
14 Accrued Interest on Amort. Mortgages	1,601
15 Accrued MHFA Annual Fee	
16 Accrued FAF/FA Monthly Escrow	
17 Prepaid rents	
18 Other (describe): <u>Accrued expenses</u>	<u>2,129</u>
(b) Surplus Cash/(Deficiency) (line (a) minus Lines 13 thru 18)	<u>\$ 33,847</u>
19 Amount Available for Distribution	<u>\$ 18,065</u>
20 Net Amount to be Deposited to Residual Receipts	<u>\$ 15,782</u>

C. COMPUTATION OF RESIDUAL RECEIPTS TRANSFER

21 Required Deposit (From Sec. B) (line 20)	\$ 15,782
22 Less: Interest Earned on Development Cost Escrow	
23 Deposits to Residual Receipts	
24 Deposits to FAF/DS savings	
	15,782
25 Deposit required to Residual Receipts	<u>\$ 15,782</u>
26 Transfer from Res. Receipts or FAF/DS to operations	<u>\$ -</u>

Was the Partnership in full compliance with all provisions of the "Distribution of Income and Assets" section of the first mortgage Regulatory Agreement with Minnesota Housing?

YES	NO
X	

If NO, please list below the noncompliance findings:

MANAGEMENT CERTIFICATION

For the Year Ended June 30, 2016

We hereby certify that we have examined the accompanying financial statements, notes and supplementary information of Beacon Interfaith Housing Collaborative and, to the best of our knowledge and belief, the same is complete and accurate.

By: 

Date: 10/20/16

Title: Director of Finance + Administration