

**BEACON INTERFAITH  
HOUSING COLLABORATIVE**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

# BEACON INTERFAITH HOUSING COLLABORATIVE

## CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

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# Mahoney Ulbrich Christiansen Russ P.A.

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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, 2018, and the related consolidated statements of activities, 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, 2018, 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 2017 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 42 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 42 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 15, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Beacon Interfaith Housing Collaborative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beacon Interfaith Housing Collaborative's internal control over financial reporting and compliance.

October 15, 2018

*Mahoney Ulbrich  
Christiansen Russ P.A.*

**BEACON INTERFAITH HOUSING COLLABORATIVE**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2018  
(With Comparative Totals for 2017)

|   | <u>2018</u>          | <u>2017</u>          |
|---|----------------------|----------------------|
| ASSETS  |                      |                      |
| Cash - undesignated   | \$ 1,416,378         | \$ 1,190,754         |
| Cash - board designated for operating reserve               | 1,170,000            | 1,170,000            |
| Cash - other board designated funds                         | 431,000              | 239,500              |
| Cash - operating funds for properties                       | 344,537              | 354,156              |
| Cash - restricted for short-term purposes                   | <u>1,423,116</u>     | <u>1,385,815</u>     |
| Total cash  | 4,785,031            | 4,340,225            |
| <br>  |                      |                      |
| Accounts receivable, net                                    | 204,015              | 257,071              |
| Government grants receivable                                | 247,484              | 120,516              |
| Contributions receivable, current portion                   | 970,168              | 664,028              |
| Prepaid expenses  | <u>91,344</u>        | <u>85,952</u>        |
| Total current assets  | 6,298,042            | 5,467,792            |
| <br>  |                      |                      |
| Predevelopment costs  | 34,758               | 62,829               |
| Escrows and reserves  | 3,195,786            | 2,783,531            |
| Contributions receivable, less current portion              | 1,239,021            | 1,228,384            |
| Cash - board designated for predevelopment                  | 910,736              | 1,317,993            |
| Cash restricted for long-term purposes                      | 127,821              | 145,826              |
| Contributions receivable restricted for housing development | 376,667              | 610,000              |
| Property and equipment, net                                 | 62,184,308           | 62,089,288           |
| Tax credit fees, net  | <u>137,100</u>       | <u>134,766</u>       |
| <br>  |                      |                      |
| Total assets  | <u>\$ 74,504,239</u> | <u>\$ 73,840,409</u> |

**BEACON INTERFAITH HOUSING COLLABORATIVE**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2018  
(With Comparative Totals for 2017)

|  | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|
| <b>LIABILITIES AND NET ASSETS</b>              |                      |                      |
| Accounts payable - operations                  | \$ 471,828           | \$ 432,993           |
| Current maturities of long-term debt           | 203,294              | 1,398,993            |
| Accrued expenses                               | 640,633              | 527,547              |
| Accrued interest                               | 4,532                | 4,690                |
| Tenant security deposits                       | 201,203              | 200,484              |
| Deferred revenue                               | 73,649               | 61,530               |
| Total current liabilities                      | <u>1,595,139</u>     | <u>2,626,237</u>     |
| Construction payables                          | 209,401              | 802,798              |
| Long-term debt, net                            | 37,251,870           | 36,601,306           |
| Accrued interest, long-term                    | 988,683              | 864,066              |
| Refundable advances                            | 6,194,249            | 6,140,498            |
| Total liabilities                              | <u>46,239,342</u>    | <u>47,034,905</u>    |
| Net assets:                                    |                      |                      |
| Unrestricted:                                  |                      |                      |
| Undesignated                                   | 3,952,127            | 3,835,232            |
| Board designated - predevelopment housing fund | 1,595,069            | 1,773,083            |
| Board designated - operating reserve           | 1,170,000            | 1,170,000            |
| Board designated - other board designated      | 431,000              | 239,500              |
| Noncontrolling interests                       | 10,923,007           | 9,696,736            |
| Total unrestricted                             | <u>18,071,203</u>    | <u>16,714,551</u>    |
| Temporarily restricted                         | 10,193,694           | 10,090,953           |
| Total net assets                               | <u>28,264,897</u>    | <u>26,805,504</u>    |
| Total liabilities and net assets               | <u>\$ 74,504,239</u> | <u>\$ 73,840,409</u> |

See accompanying notes to consolidated financial statements.

**BEACON INTERFAITH HOUSING COLLABORATIVE**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

|  | 2018                 |                        |                      | 2017                 |
|--|----------------------|------------------------|----------------------|----------------------|
|  | Unrestricted         | Temporarily Restricted | Total                |                      |
| Operating revenues and support:                                |                      |                        |                      |                      |
| Contributions  | \$ 1,703,269         | \$ 1,170,233           | \$ 2,873,502         | \$ 2,994,470         |
| Contributions in-kind  | 420,000              | -                      | 420,000              | 442,893              |
| Government grants  | 1,660,882            | -                      | 1,660,882            | 1,498,200            |
| Rent and housing assistance payments                           | 3,716,771            | -                      | 3,716,771            | 3,247,465            |
| Fee income   | 474,727              | -                      | 474,727              | 1,441,284            |
| Interest income  | 37,683               | -                      | 37,683               | 20,641               |
| Miscellaneous  | 65,577               | -                      | 65,577               | 102,253              |
| Net assets released from restrictions                          | 1,335,289            | (1,335,289)            | -                    | -                    |
| Total operating revenues and support                           | <u>9,414,198</u>     | <u>(165,056)</u>       | <u>9,249,142</u>     | <u>9,747,206</u>     |
| Operating expenses:  |                      |                        |                      |                      |
| Program services:  |                      |                        |                      |                      |
| Housing operations   | 4,486,276            | -                      | 4,486,276            | 3,732,880            |
| Supportive services  | 1,383,420            | -                      | 1,383,420            | 1,086,189            |
| Housing development  | 680,795              | -                      | 680,795              | 774,712              |
| Shelter programs (Families Moving Forward)                     | 1,218,942            | -                      | 1,218,942            | 1,152,164            |
| Total program services   | <u>7,769,433</u>     | <u>-</u>               | <u>7,769,433</u>     | <u>6,745,945</u>     |
| Support services:  |                      |                        |                      |                      |
| Management and general   | 724,186              | -                      | 724,186              | 574,961              |
| Fundraising  | 742,092              | -                      | 742,092              | 660,295              |
| Total operating expenses                                       | <u>9,235,711</u>     | <u>-</u>               | <u>9,235,711</u>     | <u>7,981,201</u>     |
| Operating income   | 178,487              | (165,056)              | 13,431               | 1,766,005            |
| Other revenues (expenses):                                     |                      |                        |                      |                      |
| Contributions and grants for property acquisition              | -                    | 372,599                | 372,599              | 828,997              |
| Net assets released from restrictions for property acquisition | 104,802              | (104,802)              | -                    | -                    |
| Amortization of refundable advances (Note 9)                   | 446,249              | -                      | 446,249              | 446,249              |
| Deferred interest - rental properties                          | (120,530)            | -                      | (120,530)            | (110,222)            |
| Interest expense - finance fee amortization                    | (24,416)             | -                      | (24,416)             | (20,440)             |
| Depreciation and amortization - rental properties              | (1,991,203)          | -                      | (1,991,203)          | (1,728,018)          |
| Change in net assets before investment activity                | (1,406,611)          | 102,741                | (1,303,870)          | 1,182,571            |
| Capital contributions - noncontrolling interests (Note 13)     | 2,776,256            | -                      | 2,776,256            | 3,428,611            |
| Distributions - noncontrolling interests (Note 13)             | -                    | -                      | -                    | (16,550)             |
| Syndication costs - noncontrolling interests (Note 13)         | (12,993)             | -                      | (12,993)             | -                    |
| Change in net assets   | 1,356,652            | 102,741                | 1,459,393            | 4,594,632            |
| Net assets, beginning of year                                  | <u>16,714,551</u>    | <u>10,090,953</u>      | <u>26,805,504</u>    | <u>22,210,872</u>    |
| Net assets, end of year  | <u>\$ 18,071,203</u> | <u>\$ 10,193,694</u>   | <u>\$ 28,264,897</u> | <u>\$ 26,805,504</u> |

See accompanying notes to consolidated financial statements.

**BEACON INTERFAITH HOUSING COLLABORATIVE**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

|   | 2018                |                     |                     |                     |                        |                   | Total                | 2017                |
|---|---------------------|---------------------|---------------------|---------------------|------------------------|-------------------|----------------------|---------------------|
|   | Program Services    |                     |                     | Support Services    |                        |                   |                      |                     |
|   | Housing Operations  | Supportive Services | Housing Development | Shelter Programs    | Management and general | Fundraising       |                      |                     |
| Salaries  | \$ 110,272          | \$ 171,936          | \$ 432,444          | \$ 350,106          | \$ 462,350             | \$ 436,574        | \$ 1,963,682         | \$ 1,824,272        |
| Payroll taxes                                     | 8,208               | 12,797              | 32,187              | 25,058              | 34,412                 | 32,750            | 145,412              | 131,692             |
| Benefits  | 12,177              | 18,987              | 47,755              | 38,663              | 51,058                 | 47,107            | 215,747              | 166,645             |
| <b>Total salaries and related</b>                 | <b>130,657</b>      | <b>203,720</b>      | <b>512,386</b>      | <b>413,827</b>      | <b>547,820</b>         | <b>516,431</b>    | <b>2,324,841</b>     | <b>2,122,609</b>    |
| Occupancy   | 8,963               | 13,974              | 35,148              | 109,678             | 37,612                 | 34,670            | 240,045              | 237,205             |
| Office expense                                    | 3,005               | 4,685               | 11,784              | 16,951              | 13,954                 | 25,259            | 75,638               | 57,207              |
| Equipment and maintenance                         | 693                 | 1,080               | 2,717               | 8,163               | 2,905                  | 2,679             | 18,237               | 16,224              |
| Insurance   | 1,472               | 2,296               | 5,774               | 12,257              | 6,173                  | 8,467             | 36,439               | 41,153              |
| Marketing, advertising and promotional            | 522                 | 813                 | 2,046               | 1,657               | 2,188                  | 2,018             | 9,244                | 8,201               |
| Miscellaneous                                     | 4,299               | 6,703               | 16,859              | 13,659              | 18,025                 | 16,629            | 76,174               | 70,909              |
| Staff training and travel                         | 2,320               | 2,408               | 10,593              | 11,508              | 7,893                  | 5,721             | 40,443               | 47,119              |
| Professional fees                                 | 3,254               | 5,074               | 37,889              | 13,208              | 82,500                 | 21,297            | 163,222              | 168,635             |
| Interest  | -                   | -                   | 1,650               | -                   | -                      | -                 | 1,650                | 6,000               |
| Fundraising and special events                    | -                   | -                   | -                   | -                   | -                      | 101,987           | 101,987              | 90,801              |
| Development costs                                 | 8,504               | -                   | 12,525              | -                   | -                      | -                 | 21,029               | -                   |
| Contributed goods and services (Note 14)          | -                   | -                   | -                   | 420,000             | -                      | -                 | 420,000              | 442,893             |
| Shelter program services                          | -                   | 2,236               | -                   | 148,546             | -                      | -                 | 150,782              | 126,191             |
| Rental assistance                                 | -                   | -                   | -                   | 32,977              | -                      | -                 | 32,977               | 32,902              |
| Resident services                                 | -                   | 1,138,158           | -                   | -                   | -                      | -                 | 1,138,158            | 873,279             |
| Other program supplies                            | 2,822               | 370                 | 26,639              | 2,151               | -                      | 2,213             | 34,195               | 27,488              |
| Depreciation and amortization                     | 1,220               | 1,903               | 4,785               | 14,360              | 5,116                  | 4,721             | 32,105               | 33,169              |
|   | <u>167,731</u>      | <u>1,383,420</u>    | <u>680,795</u>      | <u>1,218,942</u>    | <u>724,186</u>         | <u>742,092</u>    | <u>4,917,166</u>     | <u>4,401,985</u>    |
| Residential rental property expenses:             |                     |                     |                     |                     |                        |                   |                      |                     |
| Staffing  | 720,887             | -                   | -                   | -                   | -                      | -                 | 720,887              | 580,300             |
| Management fees                                   | 417,371             | -                   | -                   | -                   | -                      | -                 | 417,371              | 368,902             |
| Administrative                                    | 266,704             | -                   | -                   | -                   | -                      | -                 | 266,704              | 177,045             |
| Professional fees                                 | 132,446             | -                   | -                   | -                   | -                      | -                 | 132,446              | 103,506             |
| Utilities   | 622,985             | -                   | -                   | -                   | -                      | -                 | 622,985              | 498,729             |
| Operating and maintenance                         | 1,347,599           | -                   | -                   | -                   | -                      | -                 | 1,347,599            | 1,199,119           |
| Insurance   | 283,470             | -                   | -                   | -                   | -                      | -                 | 283,470              | 211,418             |
| Taxes   | 470,662             | -                   | -                   | -                   | -                      | -                 | 470,662              | 382,362             |
| Interest  | 56,421              | -                   | -                   | -                   | -                      | -                 | 56,421               | 57,835              |
|   | <u>4,486,276</u>    | <u>1,383,420</u>    | <u>680,795</u>      | <u>1,218,942</u>    | <u>724,186</u>         | <u>742,092</u>    | <u>9,235,711</u>     | <u>7,981,201</u>    |
| Deferred interest - rental properties             | 120,530             | -                   | -                   | -                   | -                      | -                 | 120,530              | 110,222             |
| Interest expense - finance fee amortization       | 24,416              | -                   | -                   | -                   | -                      | -                 | 24,416               | 20,440              |
| Depreciation and amortization - rental properties | <u>1,991,203</u>    | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>               | <u>-</u>          | <u>1,991,203</u>     | <u>1,728,018</u>    |
|   | <u>\$ 6,622,425</u> | <u>\$ 1,383,420</u> | <u>\$ 680,795</u>   | <u>\$ 1,218,942</u> | <u>\$ 724,186</u>      | <u>\$ 742,092</u> | <u>\$ 11,371,860</u> | <u>\$ 9,839,881</u> |

See accompanying notes to consolidated financial statements.



**BEACON INTERFAITH HOUSING COLLABORATIVE**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

Increase (Decrease) in Cash

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| Cash flows from operating activities:  |                     |                     |
| Change in net assets   | \$ (1,303,870)      | \$ 1,182,571        |
| Adjustments to reconcile the change in net assets to net cash from operating activities: |                     |                     |
| Depreciation and amortization  | 2,047,724           | 1,781,627           |
| Contributions and grants for property acquisition  | (372,599)           | (828,997)           |
| Loss on disposal of property and equipment   | 1,695               | -                   |
| Amortization of refundable advances (Note 9)   | (446,249)           | (446,249)           |
| Change in operating assets and liabilities:  |                     |                     |
| Accounts receivable  | (113,125)           | 154,248             |
| Government grants receivable   | (126,968)           | (733)               |
| Contributions receivable   | (219,178)           | 8,846               |
| Prepaid expenses   | (5,392)             | (24,865)            |
| Accounts payable and accrued expenses  | 179,261             | 385,596             |
| Accrued interest   | 124,459             | 107,855             |
| Tenant security deposits   | 9,564               | (5,894)             |
| Deferred revenue   | 12,119              | 33,467              |
| Net cash from operating activities   | <u>(212,559)</u>    | <u>2,347,472</u>    |
| Cash flows from investing activities:  |                     |                     |
| Payments for property and equipment  | (2,721,139)         | (10,601,587)        |
| Refundable sales tax paid  | 163,693             | -                   |
| Change in predevelopment costs, net  | 22,005              | (40,266)            |
| Change in escrows and reserves, net  | (407,135)           | 177,378             |
| Change in cash restricted for long-term purposes   | 18,005              | (4,888)             |
| Net cash from investing activities   | <u>(2,924,571)</u>  | <u>(10,469,363)</u> |
| Cash flows from financing activities:  |                     |                     |
| Payment of finance and tax credit fees   | (214,983)           | (143,654)           |
| Proceeds from issuance of long-term debt   | 1,092,113           | 8,836,593           |
| Payments of principal on long-term debt  | (1,474,047)         | (2,309,511)         |
| Refundable advances received   | 500,000             | 273,000             |
| Capital contributions - noncontrolling interests   | 2,776,256           | 3,428,611           |
| Syndication costs  | (12,993)            | -                   |
| Distributions - noncontrolling interests   | -                   | (16,550)            |
| Contributions and grants for property acquisition  | 508,333             | 298,997             |
| Net cash from financing activities   | <u>3,174,679</u>    | <u>10,367,486</u>   |
| Increase in cash   | 37,549              | 2,245,595           |
| Cash, beginning of year  | <u>5,658,218</u>    | <u>3,412,623</u>    |
| Cash, end of year  | <u>\$ 5,695,767</u> | <u>\$ 5,658,218</u> |
| Reconciliation of cash to the statement of financial position:                           |                     |                     |
| Cash - current   | \$ 4,785,031        | \$ 4,340,225        |
| Cash - board designated for predevelopment   | 910,736             | 1,317,993           |
|  | <u>\$ 5,695,767</u> | <u>\$ 5,658,218</u> |
| Supplemental cash flow information:  |                     |                     |
| Cash paid for interest, net capitalized interest   | \$ 111,017          | \$ 66,202           |
| Noncash investing and financing activities:  |                     |                     |
| Property and equipment included in construction payables                                 | 209,401             | 802,798             |
| Loan proceed used to purchase property and finance fees                                  | 837,187             | -                   |
| Predevelopment costs transferred to property and equipment                               | 42,155              | -                   |

See accompanying notes to consolidated financial statements.

## BEACON INTERFAITH HOUSING COLLABORATIVE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

#### 1. ORGANIZATION

Beacon Interfaith Housing Collaborative is a 501(c)(3) nonprofit organization. Beacon is a collaborative of more than 80 congregations committed to making sure all people have a home. Beacon congregations create homes, shelter families, and work for policy change, with a focus on people who are experiencing homelessness and who have the lowest incomes. Beacon has created nearly 600 homes, more than half of which have on-site support services. Collaborating congregations also provide more than 15,000 nights of shelter annually.

Beacon's primary sources of revenue and support are contributions, government grants, fee income, 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 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.
- Cedar View LLC Formed to own and operate Cedar View fka Anpa Waste Numpa (10 units) acquired in February 2005.
- Hawthorne Avenue LLC Formed to own and operate Hawthorne Avenue Apartments (35 units) acquired in August 2005.
- 545 Snelling LLC Formed to own and operate Kimball Court (76 units) acquired in May 2010.
- 352 Wacouta LLC Formed to own and operate American House (70 units) acquired in May 2010.
- Housing 150 LLC Formed to own and operate Abbott View (21 units) acquired in October 2006.
- Oakhaven Housing LLC Formed to own and operate Oakhaven Townhomes (10 units) acquired in December 2006.
- Clinton Avenue Townhomes LLC Formed to own and operated Clinton Avenue Townhomes acquired in December 2011.

(Continued)

## BEACON INTERFAITH HOUSING COLLABORATIVE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

#### 1. ORGANIZATION (Continued)

- 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.
- PCNF Nicollet Housing LP General and limited partner interests in partnership formed to own and operate Nicollet Square apartments (42 units).
- 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 LP.
- Prior Crossing LLC The LLC is the general partner in Prior Crossing Housing Limited Partnership.
- Housing 150-Lonoke LLC Formed to be the general partner in Lonoke LP.
- 66 West LLC The LLC is the general partner in 66 West Housing LP.
- Great River Landing LLC The LLC is the general partner in Great River Landing Housing LP.
- Development Projects:
  - Beacon Acquisition LLC Functions to acquire and hold property pending development. At June 30, 2018, held the property to be used for the planned Cranberry Ridge project.

(Continued)

## BEACON INTERFAITH HOUSING COLLABORATIVE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

#### 1. ORGANIZATION (Continued)

Beacon has the following interests in consolidated 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).
- 66 West Housing LP General partner interest (.01%) in partnership formed to own and operate 66 West Apartments (39 units).
- FMF 38th Street Development, LLLP Limited partner interest (.99%) in partnership formed to own and operate Third Avenue Townhomes (12 units). Acquired interest January 1, 2018.
- Great River Landing Housing LP General partner interest (.01%) in partnership formed to develop, own and operate Great River Landing (72 units). The project is still in development at June 30, 2018.

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 7).
- 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, 2018  
(With Comparative Totals for 2017)

#### 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 7):

- 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 Apartments Developer, LLC FMF Housing has a 50% membership interest along with Metroplains, LLC (unrelated entity) in Lowry Apartments Developer, LLC, which was formed to facilitate the development of Audubon Crossing Apartments.

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. Accordingly, Riverview is consolidated.

#### 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.

The limited partners' equity in FMF 38<sup>th</sup> Street; PCNF Creekside Commons Limited Partnership; Lydia House Limited Partnership; Lonoke Limited Partnership; Prior Crossing Housing Limited Partnership; and 66 West Housing LP is reported as a component of unrestricted net assets as noncontrolling 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, 2018  
(With Comparative Totals for 2017)

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

**Comparative Total Column** – The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense. 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, 2017, from which the summarized information was derived.

**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 noncash revenues and expenses including amortization of refundable advances, deferred interest expense, depreciation and amortization for rental properties, 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 accounts at several financial institutions which are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. Although at times the amount on deposit in these accounts may exceed the federally insured limit, the Organization has never experienced any losses. At June 30, 2018, deposits exceeded the insured limit by \$1,562,524.

(Continued)

## BEACON INTERFAITH HOUSING COLLABORATIVE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

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

**Accounts and Grants Receivable** – Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances and are noninterest bearing. Operating 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. For development receivables, management reviews receivable balances at year end and establishes an allowance for doubtful accounts based on expected collections. Receivables are written off as a charge to the allowance when, in management’s estimation, it is probable that the receivable is worthless.

**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.

**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.

**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.

**Tax Credit Fees** – Tax credit fees are amortized over 10 - 15 years using the straight-line method.

(Continued)

## BEACON INTERFAITH HOUSING COLLABORATIVE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

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

**Finance Fees** – Finance fees are deferred and amortized over the term of the related debt using the straight-line method. Unamortized finance fees related to funded debt are reported on the balance sheet as a deduction from the face amount of the related debt. Finance fees related to debt which has not yet been funded are reported as other assets.

**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.

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 2018, \$136,229 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.

(Continued)



## BEACON INTERFAITH HOUSING COLLABORATIVE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

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

**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.

**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. No unrelated business income taxes were paid in 2018 or 2017. 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.

**Reclassifications** – Certain reclassifications have been made to the June 30, 2017 financial statements in order for them to conform to the June 30, 2018 presentation. These reclassifications had no effect on the change in net assets or net assets.

(Continued)

**BEACON INTERFAITH HOUSING COLLABORATIVE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

**3. CONTRIBUTIONS RECEIVABLE**

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

|   |                            |
|---|----------------------------|
| 2019  | \$ 1,346,835               |
| 2020  | 650,104                    |
| 2021  | 429,827                    |
| 2022  | 252,733                    |
| 2023  | <u>60,119</u>              |
|   | 2,739,618                  |
| Less discounts to net present value (1%)        | (66,921)                   |
| Less allowance (4%)                             | <u>(86,841)</u>            |
|   | 2,585,856                  |
| Less portion restricted for housing development | (376,667)                  |
| Less current portion                            | <u>(970,168)</u>           |
| Contributions receivable, long-term portion     | <u><u>\$ 1,239,021</u></u> |

**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>2018</u>                | <u>2017</u>                |
|------------------------------|----------------------------|----------------------------|
| Security deposits            | \$ 190,511                 | \$ 185,392                 |
| Tax and insurance escrows    | 283,829                    | 239,995                    |
| Replacement reserves         | 827,884                    | 682,269                    |
| Operating reserves           | 975,154                    | 676,739                    |
| Asset management fee escrows | 24,669                     | 39,542                     |
| Development cost escrows     | -                          | 32,265                     |
| Holding cost reserves        | -                          | 43,742                     |
| Revenue deficit reserves     | 812,739                    | 809,053                    |
| Other reserves               | <u>81,000</u>              | <u>74,534</u>              |
|                              | <u><u>\$ 3,195,786</u></u> | <u><u>\$ 2,783,531</u></u> |

(Continued)

**BEACON INTERFAITH HOUSING COLLABORATIVE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

**5. PREDEVELOPMENT COSTS**

Predevelopment costs relate to the following projects:

|                           | 2018              | 2017              |
|---------------------------|-------------------|-------------------|
|                           | <u>          </u> | <u>          </u> |
| Cranberry Ridge           | \$ -              | \$ 42,155         |
| Lydia House resyndication | 28,258            | -                 |
| Emerson North             | 6,500             | 6,500             |
| Other                     | -                 | 14,174            |
|                           | <u>          </u> | <u>          </u> |
|                           | <u>\$ 34,758</u>  | <u>\$ 62,829</u>  |

**6. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

|                               | 2018                 | 2017                 | Estimated<br>useful lives<br>(in years) |
|-------------------------------|----------------------|----------------------|---|
|                               | <u>          </u>    | <u>          </u>    |   |
| Land                          | \$ 10,631,455        | \$ 9,615,329         | -                                       |
| Buildings and improvements    | 60,001,963           | 60,664,328           | 20-40                                   |
| Land improvements             | 1,376,980            | 1,000,374            | 5-20                                    |
| Leasehold improvements        | 311,056              | 311,056              | 6-10                                    |
| Equipment                     | 1,881,198            | 1,833,600            | 3-9                                     |
| Construction in progress      | 1,736,900            | 421,756              | -                                       |
|                               | <u>75,939,552</u>    | <u>73,846,443</u>    |   |
| Less accumulated depreciation | <u>(13,755,244)</u>  | <u>(11,757,155)</u>  |   |
|                               | <u>\$ 62,184,308</u> | <u>\$ 62,089,288</u> |   |

Depreciation expense charged to operations was \$2,004,456 in 2018 and \$1,745,314 in 2017.

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

|                     | 2018                | 2017              |
|---------------------|---------------------|-------------------|
|                     | <u>          </u>   | <u>          </u> |
| Great River Landing | \$ 1,395,851        | \$ 421,756        |
| Cranberry Ridge     | 129,826             | -                 |
|                     | <u>          </u>   | <u>          </u> |
|                     | <u>\$ 1,525,677</u> | <u>\$ 421,756</u> |

(Continued)

## BEACON INTERFAITH HOUSING COLLABORATIVE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

#### 7. 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's investment in FMF Audubon, LLC is recorded using the cost method (\$0).

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 in 2025.

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 has been established in a Social Service Reserve to ensure available funding for services during the tax credit compliance period.

A summary of the financial position and results of operations for Lowry Apartments LP as of and for the year ended December 31, 2017 follows:

| <b>BALANCE SHEET</b>             |              |
|----------------------------------|--------------|
| Property and equipment, net      | \$ 5,620,434 |
| Cash                             | 44,034       |
| Reserves and escrows             | 224,150      |
| Receivables and prepaid expenses | 13,917       |
| Other assets, net                | 13,958       |
|                                  | <hr/>        |
|                                  | \$ 5,916,493 |
|                                  | <hr/> <hr/>  |
| Debt, net                        | \$ 2,722,949 |
| Deferred developer fees          | 6,725        |
| Accounts and other payables      | 5,158        |
| Other liabilities                | 133,322      |
|                                  | <hr/>        |
|                                  | 2,868,154    |
|                                  | <hr/> <hr/>  |
| Partners' equity                 | 3,048,339    |
|                                  | <hr/> <hr/>  |
|                                  | \$ 5,916,493 |

(Continued)

**BEACON INTERFAITH HOUSING COLLABORATIVE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

7. **INVESTMENT IN UNCONSOLIDATED LIMITED PARTNERSHIP (Continued)**

**STATEMENT OF OPERATIONS**

|                               |                     |
|-------------------------------|---------------------|
| Operating revenue             | \$ 315,047          |
| Operating expenses            | (288,254)           |
| Depreciation and amortization | <u>(227,629)</u>    |
| Net loss                      | <u>\$ (200,836)</u> |

8. **DEBT**

Debt consists of the following:

|  | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| <b>Beacon</b>  |             |             |
| Wells Fargo Bank* - unsecured note payable with 2% interest due in quarterly installments through October 2017 when due in full. | \$ -        | \$ 300,000  |
| <b>North Haven LLC</b>   |             |             |
| 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     |
| <b>Cedar View LLC</b>  |             |             |
| 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     |

(Continued)

**BEACON INTERFAITH HOUSING COLLABORATIVE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

**8. DEBT (Continued)**

|  | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| <b>Hawthorne Avenue LLC</b>  |             |             |
| 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. The loan was extended in September 2017 to September 2022. No prepayment is allowed without penalty. | 212,769     | 222,202     |
| <b>545 Snelling LLC</b>  |             |             |
| 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     |
| <b>352 Wacouta LLC</b>   |             |             |
| St. Paul HRA – Three mortgages without interest, due in November 2032 and May 2040.  | 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 in May 2040.   | 2,018,046   | 2,018,046   |
| <b>Housing 150 LLC</b>   |             |             |
| MHFA – Mortgage with .5% interest, due in monthly installments of \$4,384 through November 2039.   | 1,068,186   | 1,115,322   |
| City of Minneapolis – Mortgage with 1% interest, due in March 2039.  | 530,000     | 530,000     |
| <b>Oakhaven, LLC</b>   |             |             |
| MHFA – Mortgage with 3% interest, due in monthly installments of \$2,909 through February 2043.  | 607,931     | 624,334     |

(Continued)

**BEACON INTERFAITH HOUSING COLLABORATIVE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

**8. DEBT (Continued)**

|   | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| <b>Clinton Avenue Townhomes LLC</b>   |             |             |
| MHFA – Mortgage without interest, due in monthly installments of \$1,566 through September 2052.  | \$ 643,700  | \$ 662,494  |
| <b>PCNF Nicollet Housing Limited Partnership</b>  |             |             |
| 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     |
| <b>Development Properties:</b>  |             |             |
| 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 2018 (Great River Landing LLC).                 | -           | 735,000     |
| Bremer Bank* - Mortgage with variance interest, due in monthly installments of interest through the earlier of closing or May 2021 (Cranberry Ridge). | 622,500     | -           |
| <b>FMF 38th Street Development, LLLP</b>  |             |             |
| MHFA - Mortgage with 6.5% interest due in varying monthly installments through January 2034.  | 313,836     | 325,117     |
| 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     |
| <b>PCNF Creekside Commons LP</b>  |             |             |
| 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, 2018  
(With Comparative Totals for 2017)

**8. DEBT (Continued)**

|   | <u>2018</u>  | <u>2017</u>  |
|---|--------------|--------------|
| <b>Lydia House Limited Partnership</b>  |              |              |
| 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      |
| <b>Lonoke Limited Partnership</b>   |              |              |
| City of Minneapolis – Mortgage with 1% interest, due in April 2045.                   | 432,523      | 432,523      |
| MHFA – Mortgage with 1% interest, due in April 2045.                                  | 645,454      | 645,454      |
| Hennepin County HRA – Mortgage without interest, due in February 2033.                | 225,000      | 225,000      |
| <b>Prior Crossing Housing Limited Partnership</b>                                     |              |              |
| MHFA – Mortgage in the amount up to \$5,625,954 without interest, due in August 2045. | 5,225,954    | 5,225,954    |
| St. Paul HRA – Two mortgages without interest, due in August 2045.                    | 1,101,000    | 1,101,000    |
| City of St. Paul – Mortgage without interest, due in August 2045.                     | 927,015      | 927,015      |
| <b>Riverview Apartments Senior Housing</b>  |              |              |
| 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      |

(Continued)



**BEACON INTERFAITH HOUSING COLLABORATIVE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

**8. DEBT (Continued)**

|  | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|
| <b>66 West Housing LP</b>  |                      |                      |
| MHFA – Housing Infrastructure Bonds in the amount up to \$6,008,303 without interest. \$1,000,000 is due in April 2018, the remaining balance is due in July 2046. | 5,008,303            | 5,581,190            |
| City of Edina – 2 mortgages without interest, due in June 2046.  | 1,300,000            | 900,000              |
| Hennepin County – 2 mortgages with 1% interest, due in July 2046.  | 800,000              | 500,000              |
| Family Housing Fund – Mortgage without interest, due in July 2046.   | 227,000              | 227,000              |
| <b>Great River Landing</b>   |                      |                      |
| Hennepin County – Mortgage without interest, due in June 2063.   | 342,500              | -                    |
|  | <u>37,968,023</u>    | <u>38,349,957</u>    |
| Less current maturities of debt  | (203,294)            | (1,398,993)          |
| Less unamortized finance fees  | <u>(512,859)</u>     | <u>(349,658)</u>     |
|  | <u>\$ 37,251,870</u> | <u>\$ 36,601,306</u> |

\*Loans with recourse

Interest of \$56,875 and \$51,228 was capitalized in 2018 and 2017, respectively.

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

|            |                      |
|------------|----------------------|
| 2019       | \$ 203,294           |
| 2020       | 104,071              |
| 2021       | 728,548              |
| 2022       | 108,118              |
| 2023       | 277,804              |
| Thereafter | <u>36,546,188</u>    |
|            | <u>\$ 37,968,023</u> |

(Continued)

**BEACON INTERFAITH HOUSING COLLABORATIVE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

**9. REFUNDABLE ADVANCES**

Refundable advances consist of the following:

|   | <u>2018</u>  | <u>2017</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. | \$ 3,249,986 | \$ 3,656,235 |
| 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.   | 240,000      | 280,000      |
| Grants from Local Initiative Support Corporation to help pay for predevelopment activities related to the Great River Landing and Cranberry Ridge housing developments. If the projects are not completed, no repayments will be due.   | 75,000       | 75,000       |

(Continued)

**BEACON INTERFAITH HOUSING COLLABORATIVE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

**9. REFUNDABLE ADVANCES (Continued)**

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| Seven grants from Federal Home Loan Bank for the rehabilitation of the Lydia; Abbott View; Riverview; Nokoma; Prior Crossing 66 West and Great River Landing 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 2024 and 2033 provided the properties maintain compliance with the low-income housing requirements of the grant agreements. | \$ 1,814,878        | \$ 1,314,878        |
| Three grants from Hennepin County 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.   | <u>69,385</u>       | <u>69,385</u>       |
|  | <u>\$ 6,194,249</u> | <u>\$ 6,140,498</u> |

**10. 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, 2017, \$336,000 for the acquisition of the Great River Landing property had been drawn on the line and was included in debt. The balance was repaid in May 2018 during the Great River Landing final closing.

(Continued)

**BEACON INTERFAITH HOUSING COLLABORATIVE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

**11. 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. The board has the objective of setting funds aside at a level that would cover at least 3 months of general operating expenses. In addition, the board considers the supportive services costs paid for by partners and reserves for these costs to the level anticipated that would be continued in the event of the partners’ inability or unwillingness to deliver or fund the services.

**12. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following:

|                                   | <u>2018</u>          | <u>2017</u>          |
|-----------------------------------|----------------------|----------------------|
| HUD capital advance - Riverview   | \$ 6,056,900         | \$ 6,056,900         |
| Housing supportive services       | 1,501,759            | 2,005,493            |
| Housing development               | 1,461,672            | 755,827              |
| Other                             | 94,265               | 47,489               |
| General operations - future years | <u>1,079,098</u>     | <u>1,225,244</u>     |
|                                   | <u>\$ 10,193,694</u> | <u>\$ 10,090,953</u> |

Temporarily restricted net assets consist of cash of \$1,550,938, contributions receivable of \$2,585,856, and property and equipment of \$6,056,900 as of June 30, 2018.

Temporarily restricted net assets consist of cash of \$1,531,641, contributions receivable of \$2,502,412, and property and equipment of \$6,056,900 as of June 30, 2017.

(Continued)

**BEACON INTERFAITH HOUSING COLLABORATIVE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

**13. NONCONTROLLING INTERESTS**

The change in net assets attributed to controlling and noncontrolling interests for the years ended June 30, 2018 and 2017 follows:

|  | <u>Total</u>         | <u>Controlling</u>   | <u>Noncontrolling</u> |
|--|----------------------|----------------------|-----------------------|
| Net assets, June 30, 2016  | \$ 22,210,872        | \$ 15,012,340        | \$ 7,198,532          |
| Capital contributions  | 3,428,611            | -                    | 3,428,611             |
| Distributions  | (16,550)             | -                    | (16,550)              |
| Change in net assets   | <u>1,182,571</u>     | <u>2,096,428</u>     | <u>(913,857)</u>      |
| <br>   |                      |                      |                       |
| Net assets, June 30, 2017  | 26,805,504           | 17,108,768           | 9,696,736             |
| Capital contributions  | 2,776,256            | -                    | 2,776,256             |
| Acquisition of FMF 38 <sup>th</sup> Street<br>limited partner interest | -                    | 192,342              | (192,342)             |
| Syndication costs  | (12,993)             | -                    | (12,993)              |
| Change in net assets   | <u>(1,515,093)</u>   | <u>(170,443)</u>     | <u>(1,344,650)</u>    |
| <br>   |                      |                      |                       |
| Net assets, June 30, 2018  | <u>\$ 28,053,674</u> | <u>\$ 17,130,667</u> | <u>\$ 10,923,007</u>  |

**14. 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 \$403,920 for 2018 and \$442,893 for 2017, as determined using an estimated value of \$33 in 2018 and 2017 per night per guest. Beacon also received donated other goods and services of \$16,080 in 2018 for the shelter. One of the nonprofit tenants at the shelter rents space by providing in-kind cleaning and maintenance services of \$8,820 in 2018 (Note 16).

**15. MINIMUM FUTURE RENTAL PAYMENTS**

Beacon leases 4,450 square feet of office space under an operating lease agreement. The office space was originally 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.

(Continued)

**BEACON INTERFAITH HOUSING COLLABORATIVE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

**15. MINIMUM FUTURE RENTAL PAYMENTS (Continued)**

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 \$163,015 for 2018 and \$146,343 for 2017.

The following is a schedule of minimum future rental payments for the years ending June 30. The schedule assumes all extension options are exercised.

|            |    |                |
|------------|----|----------------|
| 2019       | \$ | 101,714        |
| 2020       |    | 104,784        |
| 2021       |    | 108,213        |
| 2022       |    | 101,714        |
| 2023       |    | 38,574         |
| Thereafter |    | <u>108,478</u> |
|            | \$ | <u>563,477</u> |

**16. 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.

FMF Housing leases space to three other nonprofit tenants. Most leases are month-to-month, but one nonprofit leases space under a long-term lease agreement with initial term of two years. This nonprofit terminated their lease in fiscal year 2019. The leases are classified as operating leases.

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

|            |    |                |
|------------|----|----------------|
| 2019       | \$ | 92,983         |
| 2020       |    | 77,560         |
| 2021       |    | 69,608         |
| 2022       |    | 68,435         |
| 2023       |    | 34,098         |
| Thereafter |    | <u>7,500</u>   |
|            | \$ | <u>350,184</u> |

(Continued)

**BEACON INTERFAITH HOUSING COLLABORATIVE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

**17. RETIREMENT PLAN**

Beacon had a Simple IRA plan. On January 1, 2018, Beacon began offering a 403(b) retirement plan to all permanent staff and terminated the Simple IRA plan. Beacon contributes 2% of the employee's salary for all eligible employees. Beacon will also match 2% up to 4% of staff contributions. All Beacon contributions are subject to a 2 year vesting period. Retirement expense was \$64,092 and \$35,916 for 2018 and 2017.

**18. 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 38<sup>th</sup> Street, Lonoke, Prior Crossing, and 66 West 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 38<sup>th</sup> Street, Lonoke, Prior Crossing, and 66 West properties are subject to extended use agreements between the Partnerships and the Minneapolis Saint Paul Housing Finance Board and the Minnesota Housing Finance Agency. 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 38 <sup>th</sup> Street | December 31 ,2032               |
| Lonoke                      | December 31 ,2044               |
| Prior Crossing              | December 31, 2045               |
| 66 West                     | December 31, 2046               |

(Continued)

## BEACON INTERFAITH HOUSING COLLABORATIVE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

#### 18. CONTINGENCIES AND COMMITMENTS (Continued)

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. Beacon is in the process of extending the FMF 38<sup>th</sup> Street contract.

|                                     | 2018<br>rental revenues | Expiration date |
|-------------------------------------|-------------------------|-----------------|
| Lydia House                         | \$ 221,515              | October 2018    |
| Creekside Commons                   | 144,035                 | October 2025    |
| FMF 38 <sup>th</sup> Street         | 133,201                 | July 2018       |
| Housing 150 LLC                     | 154,988                 | June 2027       |
| Oakhaven Housing LLC                | 85,039                  | January 2033    |
| Clinton Avenue Townhomes LLC        | 67,515                  | August 2021     |
| Riverview Apartments Senior Housing | 115,103                 | November 2018   |
| Prior Crossing                      | 245,605                 | September 2031  |

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 \$23,859 at June 30, 2018 and \$47,443 at June 30, 2017.

The Great River Landing development has been awarded various grants and obtained loan and syndication commitments for the development of the property totaling approximately \$17.2 million. The development began construction in May 2018. Approximately \$14.6 million of the commitments remain outstanding at June 30, 2018.

Beacon has signed a service agreement for the Great River Landing development committing \$200,000 annually for 15 years commencing on the date the Great River Landing is issued a certificate of occupancy.

(Continued)



**BEACON INTERFAITH HOUSING COLLABORATIVE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018  
(With Comparative Totals for 2017)

**19. RELATED PARTY TRANSACTIONS**

Fee income includes development fees of \$211,223 from Great River Landing Housing in 2018 and \$503,000 from Prior Crossing LP and \$699,930 from 66 West LP in 2017. These fees reimburse staffing and overhead costs incurred on the projects. Approximately \$922,000 of the 2017 development fees revenue relates to costs incurred in previous years.

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

**20. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 15, 2018, 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, 2018

|   | Beacon               | Wholly owned         |                       | Subtotal             | Affiliates          |                      | Eliminations          | Total                |
|---|----------------------|----------------------|-----------------------|----------------------|---------------------|----------------------|-----------------------|----------------------|
|   |                      | Entities             | Eliminations          |                      | FMF Housing         | Housing Entities     |                       |                      |
| <b>ASSETS</b>   |                      |                      |                       |                      |                     |                      |                       |                      |
| Cash  | \$ 4,440,494         | \$ 175,208           | \$ -                  | \$ 4,615,702         | \$ 30,512           | \$ 138,817           | \$ -                  | \$ 4,785,031         |
| Accounts receivable   | 344,665              | 152,613              | (329,664)             | 167,614              | -                   | 120,670              | (84,269)              | 204,015              |
| Government grants receivable                                | 247,484              | 30,000               | (30,000)              | 247,484              | -                   | -                    | -                     | 247,484              |
| Contributions receivable, current portion                   | 970,168              | -                    | -                     | 970,168              | -                   | -                    | -                     | 970,168              |
| Prepaid expenses  | 51,618               | 14,297               | 8,070                 | 73,985               | -                   | 17,359               | -                     | 91,344               |
| Total current assets  | 6,054,429            | 372,118              | (351,594)             | 6,074,953            | 30,512              | 276,846              | (84,269)              | 6,298,042            |
| Investment in subsidiaries                                  | 33,000               | -                    | (33,000)              | -                    | 33,551              | -                    | (33,551)              | -                    |
| Notes receivable  | 2,864,737            | -                    | (171,897)             | 2,692,840            | 456,000             | -                    | (3,148,840)           | -                    |
| Predevelopment costs  | 1,758,697            | -                    | (551,620)             | 1,207,077            | -                   | -                    | (1,172,319)           | 34,758               |
| Interest receivable   | 439,299              | -                    | (11,136)              | 428,163              | 152,643             | -                    | (580,806)             | -                    |
| Escrows and reserves  | -                    | 781,588              | -                     | 781,588              | 100,744             | 2,313,454            | -                     | 3,195,786            |
| Contributions receivable, less current portion              | 1,239,021            | -                    | -                     | 1,239,021            | -                   | -                    | -                     | 1,239,021            |
| Cash - board designated for predevelopment                  | 910,736              | -                    | -                     | 910,736              | -                   | -                    | -                     | 910,736              |
| Cash restricted for long-term purposes                      | 127,821              | -                    | -                     | 127,821              | -                   | -                    | -                     | 127,821              |
| Contributions receivable restricted for housing development | 376,667              | -                    | -                     | 376,667              | -                   | -                    | -                     | 376,667              |
| Property and equipment, net                                 | 82,747               | 18,708,385           | (1,000)               | 18,790,132           | 576,862             | 43,993,101           | (1,175,787)           | 62,184,308           |
| Tax credit fees, net  | -                    | 28,162               | -                     | 28,162               | -                   | 108,938              | -                     | 137,100              |
| Total assets  | <u>\$ 13,887,154</u> | <u>\$ 19,890,253</u> | <u>\$ (1,120,247)</u> | <u>\$ 32,657,160</u> | <u>\$ 1,350,312</u> | <u>\$ 46,692,339</u> | <u>\$ (6,195,572)</u> | <u>\$ 74,504,239</u> |
| <b>LIABILITIES AND NET ASSETS</b>                           |                      |                      |                       |                      |                     |                      |                       |                      |
| Accounts payable - operations                               | \$ 159,662           | \$ 219,114           | \$ (34,290)           | \$ 344,486           | \$ -                | \$ 162,981           | \$ (35,639)           | \$ 471,828           |
| Current maturities of long-term debt                        | -                    | 191,257              | -                     | 191,257              | -                   | 12,037               | -                     | 203,294              |
| Accrued expenses  | 174,673              | 156,227              | -                     | 330,900              | -                   | 331,091              | (21,358)              | 640,633              |
| Accrued interest  | -                    | 2,832                | -                     | 2,832                | -                   | 154,343              | (152,643)             | 4,532                |
| Tenant security deposits                                    | -                    | 102,072              | -                     | 102,072              | -                   | 99,131               | -                     | 201,203              |
| Deferred revenue  | 73,649               | -                    | -                     | 73,649               | -                   | -                    | -                     | 73,649               |
| Total current liabilities                                   | 407,984              | 671,502              | (34,290)              | 1,045,196            | -                   | 759,583              | (209,640)             | 1,595,139            |
| Deferred developer fee                                      | -                    | 33,000               | (33,000)              | -                    | -                   | 722,930              | (722,930)             | -                    |
| Construction payables                                       | -                    | -                    | -                     | -                    | -                   | 209,401              | -                     | 209,401              |
| Due to Beacon   | -                    | 1,041,821            | (1,041,821)           | -                    | 169,880             | 3,005,979            | (3,175,859)           | -                    |
| Long-term debt, net   | -                    | 14,484,344           | -                     | 14,484,344           | -                   | 23,238,526           | (471,000)             | 37,251,870           |
| Accrued interest, long-term                                 | -                    | 328,220              | (11,136)              | 317,084              | -                   | 1,099,762            | (428,163)             | 988,683              |
| Refundable advances   | 1,919,878            | 4,064,371            | -                     | 5,984,249            | -                   | -                    | 210,000               | 6,194,249            |
| Total liabilities   | 2,327,862            | 20,623,258           | (1,120,247)           | 21,830,873           | 169,880             | 29,036,181           | (4,797,592)           | 46,239,342           |
| <b>Net assets:</b>  |                      |                      |                       |                      |                     |                      |                       |                      |
| <b>Unrestricted:</b>  |                      |                      |                       |                      |                     |                      |                       |                      |
| Undesignated  | 4,226,429            | (733,005)            | -                     | 3,493,424            | 1,180,432           | 466,251              | (1,187,980)           | 3,952,127            |
| Designated  | 3,196,069            | -                    | -                     | 3,196,069            | -                   | -                    | -                     | 3,196,069            |
| Non-controlling interests                                   | -                    | -                    | -                     | -                    | -                   | 10,923,007           | -                     | 10,923,007           |
| Total unrestricted  | 7,422,498            | (733,005)            | -                     | 6,689,493            | 1,180,432           | 11,389,258           | (1,187,980)           | 18,071,203           |
| Temporarily restricted                                      | 4,136,794            | -                    | -                     | 4,136,794            | -                   | 6,266,900            | (210,000)             | 10,193,694           |
| Total net assets  | 11,559,292           | (733,005)            | -                     | 10,826,287           | 1,180,432           | 17,656,158           | (1,397,980)           | 28,264,897           |
| Total liabilities and net assets                            | <u>\$ 13,887,154</u> | <u>\$ 19,890,253</u> | <u>\$ (1,120,247)</u> | <u>\$ 32,657,160</u> | <u>\$ 1,350,312</u> | <u>\$ 46,692,339</u> | <u>\$ (6,195,572)</u> | <u>\$ 74,504,239</u> |

See independent auditors' report.

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

|   | Beacon               | Wholly owned<br>Entities | Eliminations    | Beacon<br>Subtotal   | Affiliates          |                      | Eliminations          | Total                |
|---|----------------------|--------------------------|-----------------|----------------------|---------------------|----------------------|-----------------------|----------------------|
|   |                      |                          |                 |                      | FMF Housing         | Housing Entities     |                       |                      |
| Operating revenues and support:                   |                      |                          |                 |                      |                     |                      |                       |                      |
| Contributions                                     | \$ 2,873,502         | \$ -                     | \$ -            | \$ 2,873,502         | \$ -                | \$ -                 | \$ -                  | \$ 2,873,502         |
| Contributions in-kind                             | 420,000              | -                        | -               | 420,000              | -                   | -                    | -                     | 420,000              |
| Government grants                                 | 1,154,529            | 506,353                  | -               | 1,660,882            | -                   | -                    | -                     | 1,660,882            |
| Rent and housing assistance payments              | -                    | 1,803,215                | -               | 1,803,215            | 46,127              | 1,880,629            | (13,200)              | 3,716,771            |
| Fee income  | 555,611              | -                        | -               | 555,611              | 16,061              | -                    | (94,897)              | 476,775              |
| Management fees                                   | 141,098              | -                        | (27,737)        | 113,361              | -                   | -                    | (115,409)             | (2,048)              |
| Interest income                                   | 72,305               | 8,148                    | (1,173)         | 79,280               | 27,696              | 7,917                | (77,210)              | 37,683               |
| Miscellaneous                                     | -                    | 27,780                   | -               | 27,780               | -                   | 37,797               | -                     | 65,577               |
| Total operating revenues and support              | <u>5,217,045</u>     | <u>2,345,496</u>         | <u>(28,910)</u> | <u>7,533,631</u>     | <u>89,884</u>       | <u>1,926,343</u>     | <u>(300,716)</u>      | <u>9,249,142</u>     |
| Operating expenses                                | <u>4,901,185</u>     | <u>2,387,336</u>         | <u>(27,784)</u> | <u>7,260,737</u>     | <u>68,895</u>       | <u>2,055,838</u>     | <u>(149,759)</u>      | <u>9,235,711</u>     |
| Operating income (loss)                           | 315,860              | (41,840)                 | (1,126)         | 272,894              | 20,989              | (129,495)            | (150,957)             | 13,431               |
| Contributions and grants for property acquisition | 372,599              | -                        | -               | 372,599              | -                   | -                    | -                     | 372,599              |
| Amortization of refundable advances (Note 9)      | 40,000               | 406,249                  | -               | 446,249              | -                   | -                    | -                     | 446,249              |
| Deferred interest - rental properties             | -                    | (33,899)                 | 1,173           | (32,726)             | -                   | (154,541)            | 66,737                | (120,530)            |
| Interest expense - finance fee amortization       | -                    | (3,950)                  | -               | (3,950)              | -                   | (20,466)             | -                     | (24,416)             |
| Depreciation and amortization - rental properties | -                    | (703,189)                | -               | (703,189)            | -                   | (1,323,815)          | 35,801                | (1,991,203)          |
| Change in net assets before investment activity   | 728,459              | (376,629)                | 47              | 351,877              | 20,989              | (1,628,317)          | (48,419)              | (1,303,870)          |
| Contributions - noncontrolling interests          | -                    | -                        | -               | -                    | -                   | 2,776,256            | -                     | 2,776,256            |
| Syndication costs                                 | -                    | -                        | -               | -                    | -                   | (12,993)             | -                     | (12,993)             |
| Interfund transfers                               | 75,392               | (96,952)                 | -               | (21,560)             | -                   | (124,394)            | 145,954               | -                    |
| Change in net assets                              | 803,851              | (473,581)                | 47              | 330,317              | 20,989              | 1,010,552            | 97,535                | 1,459,393            |
| Net assets, beginning of year                     | <u>10,755,441</u>    | <u>(259,424)</u>         | <u>(47)</u>     | <u>10,495,970</u>    | <u>1,159,443</u>    | <u>16,645,606</u>    | <u>(1,495,515)</u>    | <u>26,805,504</u>    |
| Net assets, end of year                           | <u>\$ 11,559,292</u> | <u>\$ (733,005)</u>      | <u>\$ -</u>     | <u>\$ 10,826,287</u> | <u>\$ 1,180,432</u> | <u>\$ 17,656,158</u> | <u>\$ (1,397,980)</u> | <u>\$ 28,264,897</u> |

See independent auditors' report.

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

Increase (Decrease) in Cash

|  | Beacon              | Wholly Owned<br>Entities | Affiliates       |                    | Eliminations     | Total               |
|--|---------------------|--------------------------|------------------|--------------------|------------------|---------------------|
|  |                     |                          | FMF Housing      | Housing Entities   |                  |                     |
| Cash flows from operating activities:  |                     |                          |                  |                    |                  |                     |
| Change in net assets   | \$ 728,459          | \$ (376,629)             | \$ 20,989        | \$ (1,628,317)     | \$ (48,372)      | \$ (1,303,870)      |
| Adjustments to reconcile the change in net assets to net cash from operating activities: |                     |                          |                  |                    |                  |                     |
| Depreciation and amortization  | 21,619              | 707,139                  | 10,486           | 1,344,281          | (35,801)         | 2,047,724           |
| Contributions and grants for property acquisition  | (372,599)           | -                        | -                | -                  | -                | (372,599)           |
| Loss on disposal of property and equipment   | -                   | -                        | -                | 1,695              | -                | 1,695               |
| Amortization of refundable advances (Note 9)   | (40,000)            | (406,249)                | -                | -                  | -                | (446,249)           |
| Changes in operating assets and liabilities:   |                     |                          |                  |                    |                  |                     |
| Accounts receivable  | (38,398)            | (52,613)                 | -                | 9,755              | (31,869)         | (113,125)           |
| Government grants receivable   | (126,968)           | (3,302)                  | -                | -                  | 3,302            | (126,968)           |
| Contributions receivable   | (219,178)           | -                        | -                | -                  | -                | (219,178)           |
| Prepaid expenses   | 16,353              | (11,838)                 | -                | (1,837)            | (8,070)          | (5,392)             |
| Interest receivable  | (43,551)            | -                        | (13,680)         | -                  | 57,231           | -                   |
| Accounts payable and accrued expenses  | (25,823)            | 98,062                   | (904)            | 168,663            | (60,737)         | 179,261             |
| Accrued interest   | (767)               | 33,766                   | -                | 148,691            | (57,231)         | 124,459             |
| Tenant security deposits   | -                   | 3,236                    | -                | 6,328              | -                | 9,564               |
| Deferred revenue   | 12,119              | -                        | -                | -                  | -                | 12,119              |
| Net cash from operating activities   | <u>(88,734)</u>     | <u>(8,428)</u>           | <u>16,891</u>    | <u>49,259</u>      | <u>(181,547)</u> | <u>(212,559)</u>    |
| Cash flows from investing activities:  |                     |                          |                  |                    |                  |                     |
| Payments for property and equipment  | -                   | (1,072,805)              | -                | (1,946,684)        | 298,350          | (2,721,139)         |
| Refundable sales tax paid  | -                   | -                        | -                | 163,693            | -                | 163,693             |
| Change in predevelopment costs, net  | 56,567              | -                        | -                | -                  | (34,562)         | 22,005              |
| Notes receivable   | (722,395)           | -                        | -                | -                  | 722,395          | -                   |
| Changes in escrows and reserves, net   | -                   | 92,311                   | (317)            | (499,129)          | -                | (407,135)           |
| Change in cash restricted for long-term purposes   | 18,005              | -                        | -                | -                  | -                | 18,005              |
| Net cash from investing activities   | <u>(647,823)</u>    | <u>(980,494)</u>         | <u>(317)</u>     | <u>(2,282,120)</u> | <u>986,183</u>   | <u>(2,924,571)</u>  |
| Cash flows from financing activities:  |                     |                          |                  |                    |                  |                     |
| Payment of finance and tax credit fees   | -                   | (4,758)                  | -                | (210,225)          | -                | (214,983)           |
| Proceeds from issuance of debt   | -                   | 622,500                  | -                | 469,613            | -                | 1,092,113           |
| Payments of principal on long-term debt  | (300,000)           | (91,766)                 | -                | (1,082,281)        | -                | (1,474,047)         |
| Refundable advances received   | 500,000             | -                        | -                | -                  | -                | 500,000             |
| Due to Beacon  | -                   | 527,394                  | 489              | 422,707            | (950,590)        | -                   |
| Capital contributions - noncontrolling interests   | -                   | -                        | -                | 2,776,256          | -                | 2,776,256           |
| Syndication costs  | -                   | -                        | -                | (12,993)           | -                | (12,993)            |
| Interfund transfers  | 75,392              | (96,952)                 | -                | (124,394)          | 145,954          | -                   |
| Contributions and grants for property acquisition  | 508,333             | -                        | -                | -                  | -                | 508,333             |
| Net cash from financing activities   | <u>783,725</u>      | <u>956,418</u>           | <u>489</u>       | <u>2,238,683</u>   | <u>(804,636)</u> | <u>3,174,679</u>    |
| Increase (decrease) in cash  | 47,168              | (32,504)                 | 17,063           | 5,822              | -                | 37,549              |
| Cash, beginning of year  | 5,304,062           | 207,712                  | 13,449           | 132,995            | -                | 5,658,218           |
| Cash, end of year  | <u>\$ 5,351,230</u> | <u>\$ 175,208</u>        | <u>\$ 30,512</u> | <u>\$ 138,817</u>  | <u>\$ -</u>      | <u>\$ 5,695,767</u> |

See independent auditors' report.

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - WHOLLY OWNED ENTITIES

June 30, 2018

|                                      | North<br>Haven LLC | Cedar<br>View LLC | Hawthorne<br>Avenue LLC | 545<br>Snelling LLC | 352<br>Wacouta LLC | Housing<br>150 LLC | Oakhaven LLC | Clinton Avenue<br>Townhomes LLC | Housing 150-<br>Nicollet LLC | PCNF<br>Nicollet LP | Development<br>Projects | Total         |
|--------------------------------------|--------------------|-------------------|-------------------------|---------------------|--------------------|--------------------|--------------|---------------------------------|------------------------------|---------------------|-------------------------|---------------|
| <b>ASSETS</b>                        |                    |                   |                         |                     |                    |                    |              |                                 |                              |                     |                         |               |
| Cash                                 | \$ 7,687           | \$ 16,968         | \$ 25,601               | \$ 9,903            | \$ 13,332          | \$ 31,539          | \$ 32,648    | \$ 7,163                        | \$ 2,399                     | \$ 27,968           | \$ -                    | \$ 175,208    |
| Accounts receivable                  | 1,141              | 18,524            | 2,914                   | 52,446              | 55,365             | 735                | 1,246        | 181                             | 14,795                       | 5,266               | -                       | 152,613       |
| Government grant receivable          | -                  | -                 | -                       | -                   | -                  | -                  | -            | -                               | -                            | 30,000              | -                       | 30,000        |
| Prepaid expenses                     | -                  | 21                | -                       | -                   | 140                | -                  | -            | -                               | 8,072                        | 6,064               | -                       | 14,297        |
| Total current assets                 | 8,828              | 35,513            | 28,515                  | 62,349              | 68,837             | 32,274             | 33,894       | 7,344                           | 25,266                       | 69,298              | -                       | 372,118       |
| Escrows and reserves                 | 41,939             | 24,371            | 71,454                  | 63,244              | 43,410             | 84,547             | 108,373      | 87,063                          | -                            | 257,187             | -                       | 781,588       |
| Property and equipment, net          | 740,201            | 734,409           | 1,336,029               | 2,080,671           | 2,185,931          | 1,984,013          | 527,012      | 623,409                         | 1,013,783                    | 6,452,193           | 1,030,734               | 18,708,385    |
| Tax credit fees, net                 | -                  | -                 | -                       | -                   | -                  | -                  | -            | -                               | -                            | 28,162              | -                       | 28,162        |
| Total assets                         | \$ 790,968         | \$ 794,293        | \$ 1,435,998            | \$ 2,206,264        | \$ 2,298,178       | \$ 2,100,834       | \$ 669,279   | \$ 717,816                      | \$ 1,039,049                 | \$ 6,806,840        | \$ 1,030,734            | \$ 19,890,253 |
| <b>LIABILITIES AND NET ASSETS</b>    |                    |                   |                         |                     |                    |                    |              |                                 |                              |                     |                         |               |
| Accounts payable - operations        | \$ 4,843           | \$ 6,587          | \$ 3,577                | \$ 72,437           | \$ 108,128         | \$ 2,659           | \$ 3,785     | \$ 2,326                        | \$ -                         | \$ 14,772           | \$ -                    | \$ 219,114    |
| Current maturities of long-term debt | -                  | -                 | 8,190                   | 100,000             | -                  | 47,372             | 16,901       | 18,794                          | -                            | -                   | -                       | 191,257       |
| Accrued expenses                     | 80                 | 2,005             | 645                     | 20,616              | 18,785             | 123                | 135          | 24                              | 1,000                        | 112,814             | -                       | 156,227       |
| Accrued interest                     | -                  | -                 | 865                     | -                   | -                  | 447                | 1,520        | -                               | -                            | -                   | -                       | 2,832         |
| Tenant security deposits             | 7,679              | 6,352             | 13,067                  | 18,277              | 20,484             | 4,583              | 4,916        | 3,106                           | 6,743                        | 16,865              | -                       | 102,072       |
| Total current liabilities            | 12,602             | 14,944            | 26,344                  | 211,330             | 147,397            | 55,184             | 27,257       | 24,250                          | 7,743                        | 144,451             | -                       | 671,502       |
| Deferred developer fee               | -                  | -                 | 33,000                  | -                   | -                  | -                  | -            | -                               | -                            | -                   | -                       | 33,000        |
| Due to Beacon                        | 6,800              | 18,344            | -                       | 85,524              | 134,840            | 117,331            | -            | -                               | 194,194                      | 71,796              | 412,992                 | 1,041,821     |
| Long-term debt, net                  | 780,106            | 941,001           | 1,720,868               | 2,643,804           | 2,919,954          | 1,550,814          | 591,030      | 606,580                         | -                            | 2,112,445           | 617,742                 | 14,484,344    |
| Accrued interest, long-term          | 25,918             | 54,627            | 82,187                  | -                   | -                  | 58,836             | -            | -                               | -                            | 106,652             | -                       | 328,220       |
| Refundable advances                  | 225,000            | -                 | -                       | -                   | -                  | 520,000            | -            | 69,385                          | -                            | 3,249,986           | -                       | 4,064,371     |
| Total liabilities                    | 1,050,426          | 1,028,916         | 1,862,399               | 2,940,658           | 3,202,191          | 2,302,165          | 618,287      | 700,215                         | 201,937                      | 5,685,330           | 1,030,734               | 20,623,258    |
| Net assets:                          |                    |                   |                         |                     |                    |                    |              |                                 |                              |                     |                         |               |
| Unrestricted and undesignated        | (259,458)          | (234,623)         | (426,401)               | (734,394)           | (904,013)          | (201,331)          | 50,992       | 17,601                          | 837,112                      | 1,121,510           | -                       | (733,005)     |
| Total liabilities and net assets     | \$ 790,968         | \$ 794,293        | \$ 1,435,998            | \$ 2,206,264        | \$ 2,298,178       | \$ 2,100,834       | \$ 669,279   | \$ 717,816                      | \$ 1,039,049                 | \$ 6,806,840        | \$ 1,030,734            | \$ 19,890,253 |

See independent auditors' report.

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF ACTIVITIES - WHOLLY OWNED ENTITIES

For the Year Ended June 30, 2018

|  | North<br>Haven LLC  | Cedar<br>View LLC   | Hawthorne<br>Avenue LLC | 545<br>Snelling LLC | 352<br>Wacouta LLC  | Housing<br>150 LLC  | Oakhaven LLC     | Clinton Avenue<br>Townhomes LLC | Housing 150-<br>Nicollet LLC | PCNF<br>Nicollet LP | Development<br>Projects | Total               |
|--|---------------------|---------------------|-------------------------|---------------------|---------------------|---------------------|------------------|---------------------------------|------------------------------|---------------------|-------------------------|---------------------|
| Operating revenues and support:                      |                     |                     |                         |                     |                     |                     |                  |                                 |                              |                     |                         |                     |
| Government grants                                    | \$ -                | \$ 71,436           | \$ -                    | \$ 62,159           | \$ 82,500           | \$ -                | \$ -             | \$ -                            | \$ -                         | \$ 290,258          | \$ -                    | \$ 506,353          |
| Rent and housing assistance payments                 | 89,196              | 24,622              | 213,944                 | 383,113             | 404,041             | 218,558             | 144,963          | 96,715                          | 105,885                      | 122,178             | -                       | 1,803,215           |
| Interest income                                      | 42                  | 115                 | 102                     | 338                 | 289                 | 902                 | 1,431            | 1,240                           | 26                           | 3,663               | -                       | 8,148               |
| Miscellaneous  | 1,799               | 401                 | 5,861                   | 7,980               | 6,839               | 3,421               | 821              | (772)                           | -                            | 1,430               | -                       | 27,780              |
| Total operating revenues and support                 | <u>91,037</u>       | <u>96,574</u>       | <u>219,907</u>          | <u>453,590</u>      | <u>493,669</u>      | <u>222,881</u>      | <u>147,215</u>   | <u>97,183</u>                   | <u>105,911</u>               | <u>417,529</u>      | <u>-</u>                | <u>2,345,496</u>    |
| Operating expenses                                   | <u>96,143</u>       | <u>92,192</u>       | <u>197,463</u>          | <u>529,664</u>      | <u>668,866</u>      | <u>141,431</u>      | <u>97,514</u>    | <u>75,154</u>                   | <u>47,488</u>                | <u>441,421</u>      | <u>-</u>                | <u>2,387,336</u>    |
| Operating income (loss)                              | (5,106)             | 4,382               | 22,444                  | (76,074)            | (175,197)           | 81,450              | 49,701           | 22,029                          | 58,423                       | (23,892)            | -                       | (41,840)            |
| Amortization of refundable advances (Note 9)         | -                   | -                   | -                       | -                   | -                   | -                   | -                | -                               | -                            | 406,249             | -                       | 406,249             |
| Deferred interest - rental properties                | (3,913)             | (4,337)             | (6,400)                 | -                   | -                   | (6,473)             | -                | -                               | -                            | (12,776)            | -                       | (33,899)            |
| Interest expense - finance fee amortization          | (155)               | (608)               | (418)                   | -                   | -                   | -                   | -                | (535)                           | -                            | (2,234)             | -                       | (3,950)             |
| Depreciation and amortization -<br>rental properties | <u>(33,790)</u>     | <u>(44,713)</u>     | <u>(66,810)</u>         | <u>(91,958)</u>     | <u>(96,003)</u>     | <u>(98,075)</u>     | <u>(22,489)</u>  | <u>(24,536)</u>                 | <u>(55,329)</u>              | <u>(169,486)</u>    | <u>-</u>                | <u>(703,189)</u>    |
| Change in net assets before investment activity      | (42,964)            | (45,276)            | (51,184)                | (168,032)           | (271,200)           | (23,098)            | 27,212           | (3,042)                         | 3,094                        | 197,861             | -                       | (376,629)           |
| Interfund transfers                                  | <u>(10,000)</u>     | <u>-</u>            | <u>(13,499)</u>         | <u>-</u>            | <u>-</u>            | <u>(47,388)</u>     | <u>(18,065)</u>  | <u>(8,000)</u>                  | <u>-</u>                     | <u>-</u>            | <u>-</u>                | <u>(96,952)</u>     |
| Change in net assets                                 | (52,964)            | (45,276)            | (64,683)                | (168,032)           | (271,200)           | (70,486)            | 9,147            | (11,042)                        | 3,094                        | 197,861             | -                       | (473,581)           |
| Net assets, beginning of year                        | <u>(206,494)</u>    | <u>(189,347)</u>    | <u>(361,718)</u>        | <u>(566,362)</u>    | <u>(632,813)</u>    | <u>(130,845)</u>    | <u>41,845</u>    | <u>28,643</u>                   | <u>834,018</u>               | <u>923,649</u>      | <u>-</u>                | <u>(259,424)</u>    |
| Net assets, end of year                              | <u>\$ (259,458)</u> | <u>\$ (234,623)</u> | <u>\$ (426,401)</u>     | <u>\$ (734,394)</u> | <u>\$ (904,013)</u> | <u>\$ (201,331)</u> | <u>\$ 50,992</u> | <u>\$ 17,601</u>                | <u>\$ 837,112</u>            | <u>\$ 1,121,510</u> | <u>\$ -</u>             | <u>\$ (733,005)</u> |

See independent auditors' report.

BEACON INTERFAITH HOUSING COLLABORATIVE

CONSOLIDATING STATEMENT OF CASH FLOWS - WHOLLY OWNED ENTITIES

For the Year Ended June 30, 2018

Increase (Decrease) in Cash

|  | North<br>Haven LLC | Cedar<br>View LLC | Hawthorne<br>Avenue LLC | 545<br>Snelling LLC | 352<br>Wacouta LLC | Housing<br>150 LLC | Oakhaven LLC | Clinton Avenue<br>Townhomes LLC | Housing 150-<br>Nicollet LLC | PCNF<br>Nicollet LP | Development<br>Projects | Total        |
|--|--------------------|-------------------|-------------------------|---------------------|--------------------|--------------------|--------------|---------------------------------|------------------------------|---------------------|-------------------------|--------------|
| Cash flows from operating activities:  |                    |                   |                         |                     |                    |                    |              |                                 |                              |                     |                         |              |
| Change in net assets   | \$ (42,964)        | \$ (45,276)       | \$ (51,184)             | \$ (168,032)        | \$ (271,200)       | \$ (23,098)        | \$ 27,212    | \$ (3,042)                      | \$ 3,094                     | \$ 197,861          | \$ -                    | \$ (376,629) |
| Adjustments to reconcile the change in net assets to net cash from operating activities: |                    |                   |                         |                     |                    |                    |              |                                 |                              |                     |                         |              |
| Depreciation and amortization  | 33,945             | 45,321            | 67,228                  | 91,958              | 96,003             | 98,075             | 22,489       | 25,071                          | 55,329                       | 171,720             | -                       | 707,139      |
| Amortization of refundable advances (Note 9)   | -                  | -                 | -                       | -                   | -                  | -                  | -            | -                               | -                            | (406,249)           | -                       | (406,249)    |
| Changes in operating assets and liabilities:   |                    |                   |                         |                     |                    |                    |              |                                 |                              |                     |                         |              |
| Accounts receivable  | (1,096)            | (16,998)          | (2,479)                 | (42,492)            | 23,439             | 115                | 1,336        | 2,841                           | (16,923)                     | (356)               | -                       | (52,613)     |
| Government grant receivable  | -                  | -                 | -                       | -                   | -                  | -                  | -            | -                               | -                            | (3,302)             | -                       | (3,302)      |
| Prepaid expenses   | -                  | 227               | -                       | -                   | (140)              | -                  | -            | -                               | (8,072)                      | (3,853)             | -                       | (11,838)     |
| Accounts payable and accrued expenses  | 4,275              | (5,712)           | 1,223                   | 38,794              | 93,637             | (237)              | (1,671)      | 2,099                           | (6,709)                      | (27,637)            | -                       | 98,062       |
| Accrued interest   | 3,840              | 4,337             | 6,400                   | -                   | -                  | 6,454              | (41)         | -                               | -                            | 12,776              | -                       | 33,766       |
| Tenant security deposits   | (50)               | 941               | 87                      | 331                 | 969                | 134                | (115)        | 221                             | -                            | 718                 | -                       | 3,236        |
| Net cash from operating activities   | (2,050)            | (17,160)          | 21,275                  | (79,441)            | (57,292)           | 81,443             | 49,210       | 27,190                          | 26,719                       | (58,322)            | -                       | (8,428)      |
| Cash flows from investing activities:  |                    |                   |                         |                     |                    |                    |              |                                 |                              |                     |                         |              |
| Payments for property and equipment  | -                  | -                 | -                       | (20,197)            | (16,064)           | -                  | -            | -                               | -                            | (5,810)             | (1,030,734)             | (1,072,805)  |
| Changes in escrows and reserves, net   | (560)              | 1,181             | 1,954                   | 35,810              | 54,500             | (6,251)            | (13,730)     | (4,362)                         | -                            | 23,769              | -                       | 92,311       |
| Net cash from investing activities   | (560)              | 1,181             | 1,954                   | 15,613              | 38,436             | (6,251)            | (13,730)     | (4,362)                         | -                            | 17,959              | (1,030,734)             | (980,494)    |
| Cash flows from financing activities:  |                    |                   |                         |                     |                    |                    |              |                                 |                              |                     |                         |              |
| Payments of finance and tax credit fees  | -                  | -                 | -                       | -                   | -                  | -                  | -            | -                               | -                            | -                   | (4,758)                 | (4,758)      |
| Proceeds from issuance of debt   | -                  | -                 | -                       | -                   | -                  | -                  | -            | -                               | -                            | -                   | 622,500                 | 622,500      |
| Payments of principal on long-term debt Due to Beacon                                    | -                  | -                 | (9,433)                 | -                   | -                  | (47,136)           | (16,403)     | (18,794)                        | -                            | -                   | -                       | (91,766)     |
| Interfund transfers  | (10,000)           | 18,344            | (13,499)                | 55,550              | 25,798             | -                  | -            | -                               | (45,156)                     | 59,866              | 412,992                 | 527,394      |
| Net cash from financing activities   | (10,000)           | 18,344            | (22,932)                | 55,550              | 25,798             | (94,524)           | (34,468)     | (26,794)                        | (45,156)                     | 59,866              | 1,030,734               | 956,418      |
| Increase (decrease) in cash  | (12,610)           | 2,365             | 297                     | (8,278)             | 6,942              | (19,332)           | 1,012        | (3,966)                         | (18,437)                     | 19,503              | -                       | (32,504)     |
| Cash, beginning of year  | 20,297             | 14,603            | 25,304                  | 18,181              | 6,390              | 50,871             | 31,636       | 11,129                          | 20,836                       | 8,465               | -                       | 207,712      |
| Cash, end of year  | \$ 7,687           | \$ 16,968         | \$ 25,601               | \$ 9,903            | \$ 13,332          | \$ 31,539          | \$ 32,648    | \$ 7,163                        | \$ 2,399                     | \$ 27,968           | \$ -                    | \$ 175,208   |

See independent auditors' report.



**BEACON INTERFAITH HOUSING COLLABORATIVE**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - AFFILIATED HOUSING ENTITIES

|                                      | June 30, 2018       |                           |                     |                     |                           |                                     |                      |                                |                      |
|--------------------------------------|---------------------|---------------------------|---------------------|---------------------|---------------------------|-------------------------------------|----------------------|--------------------------------|----------------------|
|                                      | FMF 38th Street     | PCNF Creekside Commons LP | Lydia House LP      | Lonoke LP           | Prior Crossing Housing LP | Riverview Apartments Senior Housing | 66 West Housing LP   | Great River Landing Housing LP | Total                |
| <b>ASSETS</b>                        |                     |                           |                     |                     |                           |                                     |                      |                                |                      |
| Cash                                 | \$ 40,643           | \$ 41,500                 | \$ 10,231           | \$ 2,651            | \$ 3,916                  | \$ 505                              | \$ 39,371            | \$ -                           | \$ 138,817           |
| Accounts receivable                  | 7,547               | 1,006                     | 14,421              | 15,903              | 76,328                    | 906                                 | 4,559                | -                              | 120,670              |
| Prepaid expenses                     | 714                 | -                         | 1,986               | 25                  | 464                       | 10,792                              | 3,378                | -                              | 17,359               |
| Total current assets                 | <u>48,904</u>       | <u>42,506</u>             | <u>26,638</u>       | <u>18,579</u>       | <u>80,708</u>             | <u>12,203</u>                       | <u>47,308</u>        | <u>-</u>                       | <u>276,846</u>       |
| Escrows and reserves                 | 77,941              | 865,449                   | 517,050             | 173,414             | 354,440                   | 119,826                             | 205,334              | -                              | 2,313,454            |
| Property and equipment, net          | 1,740,461           | 6,111,417                 | 3,208,828           | 2,751,831           | 9,941,900                 | 7,139,264                           | 10,344,390           | 2,755,010                      | 43,993,101           |
| Tax credit fees, net                 | -                   | 9,157                     | -                   | 41,568              | 28,882                    | -                                   | 29,331               | -                              | 108,938              |
| Total assets                         | <u>\$ 1,867,306</u> | <u>\$ 7,028,529</u>       | <u>\$ 3,752,516</u> | <u>\$ 2,985,392</u> | <u>\$ 10,405,930</u>      | <u>\$ 7,271,293</u>                 | <u>\$ 10,626,363</u> | <u>2,755,010</u>               | <u>\$ 46,692,339</u> |
| <b>LIABILITIES AND NET ASSETS</b>    |                     |                           |                     |                     |                           |                                     |                      |                                |                      |
| Accounts payable - operations        | \$ 13,209           | \$ 21,516                 | \$ 7,956            | \$ 6,315            | \$ 33,716                 | \$ 58,561                           | \$ 21,708            | \$ -                           | \$ 162,981           |
| Current maturities of long-term debt | 12,037              | -                         | -                   | -                   | -                         | -                                   | -                    | -                              | 12,037               |
| Accrued expenses                     | 22,320              | 48,715                    | 57,882              | 44,245              | 60,735                    | 9,023                               | 88,171               | -                              | 331,091              |
| Accrued interest                     | 154,343             | -                         | -                   | -                   | -                         | -                                   | -                    | -                              | 154,343              |
| Tenant security deposits             | 5,061               | 16,953                    | 11,439              | 5,494               | 22,159                    | 18,623                              | 19,402               | -                              | 99,131               |
| Total current liabilities            | <u>206,970</u>      | <u>87,184</u>             | <u>77,277</u>       | <u>56,054</u>       | <u>116,610</u>            | <u>86,207</u>                       | <u>129,281</u>       | <u>-</u>                       | <u>759,583</u>       |
| Deferred developer fee               | -                   | -                         | -                   | -                   | -                         | -                                   | 722,930              | -                              | 722,930              |
| Construction payables                | -                   | -                         | -                   | -                   | -                         | -                                   | -                    | 209,401                        | 209,401              |
| Due to Beacon                        | -                   | -                         | 700,000             | 69,843              | 327,521                   | -                                   | 982,454              | 926,161                        | 3,005,979            |
| Long-term debt, net                  | 1,360,524           | 2,350,517                 | 1,729,869           | 1,296,022           | 7,223,867                 | 1,834,602                           | 7,223,680            | 219,445                        | 23,238,526           |
| Accrued interest, long-term          | 98,944              | 205,219                   | 633,211             | 43,368              | -                         | 103,795                             | 15,225               | -                              | 1,099,762            |
| Total liabilities                    | <u>1,666,438</u>    | <u>2,642,920</u>          | <u>3,140,357</u>    | <u>1,465,287</u>    | <u>7,667,998</u>          | <u>2,024,604</u>                    | <u>9,073,570</u>     | <u>1,355,007</u>               | <u>29,036,181</u>    |
| Net assets:                          |                     |                           |                     |                     |                           |                                     |                      |                                |                      |
| Unrestricted:                        |                     |                           |                     |                     |                           |                                     |                      |                                |                      |
| Undesignated                         | 200,868             | 729,930                   | 467,682             | 64,957              | 16,522                    | (1,020,211)                         | 6,503                | -                              | 466,251              |
| Noncontrolling interests             | -                   | 3,655,679                 | 144,477             | 1,455,148           | 2,721,410                 | -                                   | 1,546,290            | 1,400,003                      | 10,923,007           |
| Total unrestricted                   | <u>200,868</u>      | <u>4,385,609</u>          | <u>612,159</u>      | <u>1,520,105</u>    | <u>2,737,932</u>          | <u>(1,020,211)</u>                  | <u>1,552,793</u>     | <u>1,400,003</u>               | <u>11,389,258</u>    |
| Temporarily restricted               | -                   | -                         | -                   | -                   | -                         | 6,266,900                           | -                    | -                              | 6,266,900            |
| Total net assets                     | <u>200,868</u>      | <u>4,385,609</u>          | <u>612,159</u>      | <u>1,520,105</u>    | <u>2,737,932</u>          | <u>5,246,689</u>                    | <u>1,552,793</u>     | <u>1,400,003</u>               | <u>17,656,158</u>    |
| Total liabilities and net assets     | <u>\$ 1,867,306</u> | <u>\$ 7,028,529</u>       | <u>\$ 3,752,516</u> | <u>\$ 2,985,392</u> | <u>\$ 10,405,930</u>      | <u>\$ 7,271,293</u>                 | <u>\$ 10,626,363</u> | <u>\$ 2,755,010</u>            | <u>\$ 46,692,339</u> |

See independent auditors' report.

**BEACON INTERFAITH HOUSING COLLABORATIVE**

CONSOLIDATING STATEMENT OF ACTIVITIES - AFFILIATED HOUSING ENTITIES

For the Year Ended June 30, 2018

|   | FMF 38th Street   | PCNF Creekside<br>Commons, LP | Lydia<br>House, LP | Lonoke<br>LP        | Prior Crossing<br>Housing LP | Riverview<br>Apartments<br>Senior Housing | 66 West<br>Housing LP | Great River<br>Landing<br>Housing LP | Total                |
|---|-------------------|-------------------------------|--------------------|---------------------|------------------------------|---|-----------------------|--------------------------------------|----------------------|
| Operating revenues and support:                   |                   |                               |                    |                     |                              |   |                       |                                      |                      |
| Rent and housing assistance payments              | \$ 164,305        | \$ 311,213                    | \$ 326,136         | \$ 149,444          | \$ 314,374                   | \$ 283,790                                | \$ 331,367            | \$ -                                 | \$ 1,880,629         |
| Interest income - operations                      | 761               | 644                           | 4,136              | 575                 | 590                          | 404                                       | 807                   | -                                    | 7,917                |
| Miscellaneous                                     | 10,298            | 3,426                         | 3,297              | 545                 | 6,830                        | 3,072                                     | 10,329                | -                                    | 37,797               |
| Total operating revenues and support              | <u>175,364</u>    | <u>315,283</u>                | <u>333,569</u>     | <u>150,564</u>      | <u>321,794</u>               | <u>287,266</u>                            | <u>342,503</u>        | <u>-</u>                             | <u>1,926,343</u>     |
| Operating expenses                                | <u>167,054</u>    | <u>340,933</u>                | <u>315,055</u>     | <u>165,726</u>      | <u>397,792</u>               | <u>301,522</u>                            | <u>367,756</u>        | <u>-</u>                             | <u>2,055,838</u>     |
| Operating income (loss)                           | 8,310             | (25,650)                      | 18,514             | (15,162)            | (75,998)                     | (14,256)                                  | (25,253)              | -                                    | (129,495)            |
| Deferred interest - rental properties             | (33,795)          | (23,965)                      | (58,291)           | (14,772)            | -                            | (16,385)                                  | (7,333)               | -                                    | (154,541)            |
| Interest expense - finance fee amortization       | (2,728)           | (2,840)                       | (1,811)            | (260)               | (2,261)                      | -   | (10,566)              | -                                    | (20,466)             |
| Depreciation and amortization - rental properties | <u>(50,519)</u>   | <u>(181,899)</u>              | <u>(158,384)</u>   | <u>(105,611)</u>    | <u>(287,969)</u>             | <u>(227,920)</u>                          | <u>(311,513)</u>      | <u>-</u>                             | <u>(1,323,815)</u>   |
| Change in net assets before investment activity   | (78,732)          | (234,354)                     | (199,972)          | (135,805)           | (366,228)                    | (258,561)                                 | (354,665)             | -                                    | (1,628,317)          |
| Contributions - noncontrolling interests          | -                 | -                             | -                  | 56,136              | 524,727                      | -   | 795,390               | 1,400,003                            | 2,776,256            |
| Syndication costs                                 | -                 | -                             | -                  | -                   | -                            | -   | (12,993)              | -                                    | (12,993)             |
| Interfund transfers                               | -                 | (1)                           | -                  | -                   | 19,561                       | -   | (143,954)             | -                                    | (124,394)            |
| Change in net assets                              | (78,732)          | (234,355)                     | (199,972)          | (79,669)            | 178,060                      | (258,561)                                 | 283,778               | 1,400,003                            | 1,010,552            |
| Net assets, beginning of year                     | <u>279,600</u>    | <u>4,619,964</u>              | <u>812,131</u>     | <u>1,599,774</u>    | <u>2,559,872</u>             | <u>5,505,250</u>                          | <u>1,269,015</u>      | <u>-</u>                             | <u>16,645,606</u>    |
| Net assets, end of year                           | <u>\$ 200,868</u> | <u>\$ 4,385,609</u>           | <u>\$ 612,159</u>  | <u>\$ 1,520,105</u> | <u>\$ 2,737,932</u>          | <u>\$ 5,246,689</u>                       | <u>\$ 1,552,793</u>   | <u>\$ 1,400,003</u>                  | <u>\$ 17,656,158</u> |

See independent auditors' report.

**BEACON INTERFAITH HOUSING COLLABORATIVE**

CONSOLIDATING STATEMENT OF CASH FLOWS - AFFILIATED HOUSING ENTITIES

For the Year Ended June 30, 2018

Increase (Decrease) in Cash

|  | FMF 38th Street  | PCNF Creekside<br>Commons, LP | Lydia<br>House, LP | Lonoke<br>LP    | Prior Crossing<br>Housing LP | Riverview<br>Apartment<br>Senior Housing | 66 West<br>Housing LP | Great River<br>Landing<br>Housing LP | Total              |
|--|------------------|-------------------------------|--------------------|-----------------|------------------------------|--|-----------------------|--------------------------------------|--------------------|
| <b>Cash flows from operating activities:</b>   |                  |                               |                    |                 |                              |  |                       |                                      |                    |
| Change in net assets   | \$ (78,732)      | \$ (234,354)                  | \$ (199,972)       | \$ (135,805)    | \$ (366,228)                 | \$ (258,561)                             | \$ (354,665)          | \$ -                                 | \$ (1,628,317)     |
| Adjustments to reconcile the change in net assets to net cash from operating activities: |                  |                               |                    |                 |                              |  |                       |                                      |                    |
| Depreciation and amortization  | 53,247           | 184,739                       | 160,195            | 105,871         | 290,230                      | 227,920                                  | 322,079               | -                                    | 1,344,281          |
| Loss on disposal of property and equipment   | -                | -                             | -                  | -               | -                            | 1,695                                    | -                     | -                                    | 1,695              |
| Changes in operating assets and liabilities:   |                  |                               |                    |                 |                              |  |                       |                                      |                    |
| Accounts receivable  | (4,143)          | (226)                         | (6,988)            | 18,702          | 4,806                        | 67                                       | (2,463)               | -                                    | 9,755              |
| Prepaid expenses   | 32               | 345                           | 771                | 370             | 276                          | (644)                                    | (2,987)               | -                                    | (1,837)            |
| Accounts payable and accrued expenses  | 11,390           | 26,136                        | 11,153             | (19,207)        | 15,416                       | 32,484                                   | 91,291                | -                                    | 168,663            |
| Accrued interest   | 20,054           | 23,965                        | 58,291             | 14,771          | -                            | 16,385                                   | 15,225                | -                                    | 148,691            |
| Tenant security deposits   | (382)            | 114                           | (58)               | 83              | 6,723                        | 183                                      | (335)                 | -                                    | 6,328              |
| Net cash from operating activities   | <u>1,466</u>     | <u>719</u>                    | <u>23,392</u>      | <u>(15,215)</u> | <u>(48,777)</u>              | <u>19,529</u>                            | <u>68,145</u>         | <u>-</u>                             | <u>49,259</u>      |
| <b>Cash flows from investing activities:</b>   |                  |                               |                    |                 |                              |  |                       |                                      |                    |
| Payments for property and equipment  | -                | -                             | (7,400)            | -               | -                            | (1,243)                                  | (832,855)             | (1,105,186)                          | (1,946,684)        |
| Refundable sales tax paid  | -                | -                             | -                  | -               | 163,693                      | -  | -                     | -                                    | 163,693            |
| Changes in escrows and reserves, net   | 13,571           | 35,076                        | (11,894)           | (65,708)        | (271,293)                    | (18,917)                                 | (185,432)             | 5,468                                | (499,129)          |
| Net cash from investing activities   | <u>13,571</u>    | <u>35,076</u>                 | <u>(19,294)</u>    | <u>(65,708)</u> | <u>(107,600)</u>             | <u>(20,160)</u>                          | <u>(1,018,287)</u>    | <u>(1,099,718)</u>                   | <u>(2,282,120)</u> |
| <b>Cash flows from financing activities:</b>   |                  |                               |                    |                 |                              |  |                       |                                      |                    |
| Payments of finance and tax credit fees  | -                | -                             | -                  | -               | -                            | -  | (87,170)              | (123,055)                            | (210,225)          |
| Proceeds from issuance of debt   | -                | -                             | -                  | -               | -                            | -  | 127,113               | 342,500                              | 469,613            |
| Payments of principal on long-term debt  | (11,281)         | -                             | -                  | -               | -                            | -  | -                     | (1,071,000)                          | (1,082,281)        |
| Due to Beacon  | -                | -                             | -                  | -               | (403,578)                    | -  | 275,015               | 551,270                              | 422,707            |
| Capital contributions - noncontrolling interests   | -                | -                             | -                  | 56,136          | 524,727                      | -  | 795,390               | 1,400,003                            | 2,776,256          |
| Syndication costs  | -                | -                             | -                  | -               | -                            | -  | (12,993)              | -                                    | (12,993)           |
| Interfund transfers  | -                | (1)                           | -                  | -               | 19,561                       | -  | (143,954)             | -                                    | (124,394)          |
| Net cash from financing activities   | <u>(11,281)</u>  | <u>(1)</u>                    | <u>-</u>           | <u>56,136</u>   | <u>140,710</u>               | <u>-</u>                                 | <u>953,401</u>        | <u>1,099,718</u>                     | <u>2,238,683</u>   |
| Increase (decrease) in cash  | 3,756            | 35,794                        | 4,098              | (24,787)        | (15,667)                     | (631)                                    | 3,259                 | -                                    | 5,822              |
| Cash, beginning of year  | 36,887           | 5,706                         | 6,133              | 27,438          | 19,583                       | 1,136                                    | 36,112                | -                                    | 132,995            |
| Cash, end of year  | <u>\$ 40,643</u> | <u>\$ 41,500</u>              | <u>\$ 10,231</u>   | <u>\$ 2,651</u> | <u>\$ 3,916</u>              | <u>\$ 505</u>                            | <u>\$ 39,371</u>      | <u>\$ -</u>                          | <u>\$ 138,817</u>  |

See independent auditors' 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, 2018</u> | Loan # <u>1264408</u> |
| Location: <u>Minneapolis</u>                         |   |                       |

**A. ALLOWABLE DISTRIBUTION**

|   |                  |
|---|------------------|
| 1 Partnership Initial Equity                        | _____            |
| 2 Rate of return on Equity                          | _____            |
| 3 <b>Maximum Distribution</b> (per legal agreement) | <u>\$ 67,731</u> |
| 4 Allowable Distribution from Operations            | <u>28,310</u>    |
| 5 Interest Earned on Development Cost Escrow        | <u>-</u>         |
| 6 <b>Allowable Distribution for Fiscal Year</b>     | <u>28,310</u>    |

**B. COMPUTATION OF SURPLUS CASH**

|   |                  |
|---|------------------|
| <b>Cash</b>   |                  |
| 7 Operating Cash Balance  | <u>\$ 31,539</u> |
| 8 Tenant Subsidy Receivable (Payable)                               | <u>-</u>         |
| 9 Interest Earned on Development Cost Escrow                        | <u>-</u>         |
| 10 Deposits to Residual Receipts                                    | <u>-</u>         |
| 11 Deposits to FAF/DS savings                                       | <u>-</u>         |
| 12 Other (describe): _____  | <u>-</u>         |
|   | <u>-</u>         |
| <b>(a) Cash Available to Meet Obligations (add lines 7 thru 12)</b> | <u>31,539</u>    |

|  |                  |
|--|------------------|
| <b>Current Obligations</b>   |                  |
| 13 Accounts Payable Balance, trade                                     | <u>2,659</u>     |
| 14 Accrued Interest on Amort. Mortgages                                | <u>447</u>       |
| 15 Accrued MHFA Annual Fee   | <u>-</u>         |
| 16 Accrued FAF/FA Monthly Escrow                                       | <u>-</u>         |
| 17 Prepaid rents   | <u>-</u>         |
| 18 Other (describe): <u>Accrued expenses</u>                           | <u>123</u>       |
|  | <u>-</u>         |
| <b>(b) Surplus Cash/(Deficiency) (line (a) minus Lines 13 thru 18)</b> | <u>\$ 28,310</u> |

|  |                  |
|--|------------------|
| 19 <b>Amount Available for Distribution</b>        | <u>\$ 28,310</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 <b>Less:</b> Interest Earned on Development Cost Escrow    | <u>-</u>    |
| 23 Deposits to Residual Receipts                              | <u>-</u>    |
| 24 Deposits to FAF/DS savings                                 | <u>-</u>    |
| 25 <b>Deposit required to Residual Receipts</b>               | <u>\$ -</u> |
| 26 <b>Transfer from Res. Receipts or FAF/DS to operations</b> | <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:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

See independent auditors' report.

**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, 2018</u> | Loan # <u>1266209</u> |
| Location: <u>Minneapolis</u>  |   |                       |

**A. ALLOWABLE DISTRIBUTION**

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

**B. COMPUTATION OF SURPLUS CASH**

|   |               |
|---|---------------|
| <b>Cash</b>   |               |
| 7 Operating Cash Balance  | \$ 32,648     |
| 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): _____  | -             |
|   | -             |
| <b>(a) Cash Available to Meet Obligations (add lines 7 thru 12)</b> | <u>32,648</u> |

|  |                  |
|--|------------------|
| <b>Current Obligations</b>   |                  |
| 13 Accounts Payable Balance, trade                                     | 3,785            |
| 14 Accrued Interest on Amort. Mortgages                                | 1,520            |
| 15 Accrued MHFA Annual Fee   | -                |
| 16 Accrued FAF/FA Monthly Escrow                                       | -                |
| 17 Prepaid rents   | -                |
| 18 Other (describe): <u>Accrued expenses</u>                           | 135              |
|  | -                |
| <b>(b) Surplus Cash/(Deficiency) (line (a) minus Lines 13 thru 18)</b> | <u>\$ 27,208</u> |

|  |                  |
|--|------------------|
| 19 <b>Amount Available for Distribution</b>        | <u>\$ 18,065</u> |
| 20 Net Amount to be Deposited to Residual Receipts | <u>\$ 9,143</u>  |

**C. COMPUTATION OF RESIDUAL RECEIPTS TRANSFER**

|   |                 |
|---|-----------------|
| 21 Required Deposit (From Sec. B) (line 20)                   | \$ 9,143        |
| 22 <b>Less:</b> Interest Earned on Development Cost Escrow    | -               |
| 23 Deposits to Residual Receipts                              | -               |
| 24 Deposits to FAF/DS savings                                 | -               |
| 25 <b>Deposit required to Residual Receipts</b>               | <u>\$ 9,143</u> |
| 26 <b>Transfer from Res. Receipts or FAF/DS to operations</b> | <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:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

See independent auditors' report.

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

**Minnesota Housing  
Multifamily Department  
Asset Management**

|               |                        |                      |         |
|---------------|------------------------|----------------------|---------|
| Project Name: | Third Avenue Townhomes | Fiscal Period Ended: | Loan #  |
| Location:     | Minneapolis            | June 30, 2018        | 1227665 |

**A. ALLOWABLE DISTRIBUTION**

|   |            |
|---|------------|
| 1 Partnership Initial Equity                        |            |
| 2 Rate of return on Equity                          |            |
| 3 <b>Maximum Distribution</b> (per legal agreement) | \$ 128,442 |
| 4 Allowable Distribution from Operations            | 22,467     |
| 5 Interest Earned on Development Cost Escrow        | -          |
| 6 <b>Allowable Distribution for Fiscal Year</b>     | 22,467     |

**B. COMPUTATION OF SURPLUS CASH**

|   |               |
|---|---------------|
| <b>Cash</b>   |               |
| 7 Operating Cash Balance  | \$ 40,643     |
| 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): _____  | -             |
|   | -             |
| <b>(a) Cash Available to Meet Obligations (add lines 7 thru 12)</b> | <b>40,643</b> |

|  |                  |
|--|------------------|
| <b>Current Obligations</b>   |                  |
| 13 Accounts Payable Balance, trade                                     | 13,209           |
| 14 Accrued Interest on Amort. Mortgages                                | 1,700            |
| 15 Accrued MHFA Annual Fee   | -                |
| 16 Accrued FAF/FA Monthly Escrow                                       | -                |
| 17 Prepaid rents   | 3,267            |
| 18 Other (describe): _____   | -                |
|  | -                |
| <b>(b) Surplus Cash/(Deficiency) (line (a) minus Lines 13 thru 18)</b> | <b>\$ 22,467</b> |

|  |           |
|--|-----------|
| 19 <b>Amount Available for Distribution</b>        | \$ 22,467 |
| 20 Net Amount to be Deposited to Residual Receipts | \$ -      |

**C. COMPUTATION OF RESIDUAL RECEIPTS TRANSFER**

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

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:

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See independent auditors' report.

**BEACON INTERFAITH HOUSING COLLABORATIVE**

**MANAGEMENT CERTIFICATION**

For the Year Ended June 30, 2018

We hereby certify that we have examined the accompanying consolidated 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: 10/20/18

Title: Director of Finance + Administration