

**The NHP Foundation and its
Affiliated Entities**

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

December 31, 2016 and 2015

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The NHP Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The NHP Foundation and its Affiliated Entities (the Organization), which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain affiliated entities, which statements reflect total assets of \$129,187,868 and \$109,935,117 of the related consolidated total assets as of December 31, 2016 and 2015, respectively, and total public support and operating revenue of \$16,831,154 and \$16,534,479, respectively, of the related consolidated total for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts of those affiliated entities, is based solely on the reports of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our report and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The NHP Foundation and its Affiliated Entities as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Guidance

As discussed in Note 2 to the consolidated financial statements, in 2016, the Organization adopted new accounting guidance related to the presentation of debt issuance costs. Our report is not modified with respect to this matter.

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

Bethesda, Maryland
June 30, 2017

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
Assets:		
Cash and cash equivalents	\$ 13,229,779	\$ 15,462,294
Investments - restricted	463,770	462,200
Investments - unrestricted	371,467	373,587
Restricted cash	11,299	725
Notes receivable and accrued interest	1,670,244	219,488
Grants receivable	46,122	234,471
Investment in housing funds	933,839	614,562
Land, buildings, improvements and equipment, net	341,952,473	273,111,007
Mortgage escrow and utility deposits	17,226,035	13,296,567
Prepaid expenses and other assets	2,766,630	2,429,438
Working capital advances	37,695	-
Replacement reserves	5,647,350	4,791,601
Tenants' security deposits	1,368,169	1,288,695
Deferred development costs	1,284,400	2,988,658
Other assets	876,044	790,649
Due from affiliates	263,445	-
	\$ 388,148,761	\$ 316,063,942
Liabilities:		
Accounts payable and accrued expenses	\$ 7,091,609	\$ 3,700,736
Other liabilities	5,910,084	3,913,689
Tenants' security deposits	1,529,171	1,351,160
Mortgage notes payable and accrued interest, net	221,579,028	199,890,005
Notes and construction loans payable and accrued interest, net	70,713,799	22,532,393
Asset management fees payable	3,333	-
Accounts payable - affiliates	1,897,903	1,891,194
	308,724,927	233,279,177
Net assets:		
Unrestricted controlling	38,374,259	42,411,308
Unrestricted noncontrolling	40,913,075	40,073,694
	79,287,334	82,485,002
Temporarily restricted net assets	136,500	299,763
	79,423,834	82,784,765
	\$ 388,148,761	\$ 316,063,942

See notes to consolidated financial statements

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended December 31, 2016

	Unrestricted	Temporarily restricted	Total
Public support and operating revenue:			
Rent revenue	\$ 49,839,562	\$ -	\$ 49,839,562
Management fees	(2,418)	-	(2,418)
Contributions and grants	1,435,867	120,750	1,556,617
	51,273,011	120,750	51,393,761
Net assets released from restrictions	284,013	(284,013)	-
Total public support and operating revenue	51,557,024	(163,263)	51,393,761
Expenses:			
Program services:			
Rental operations	52,280,418	-	52,280,418
Acquisition and development	3,410,347	-	3,410,347
Asset management	637,457	-	637,457
Operation Pathways	1,580,154	-	1,580,154
Supporting services:			
Management and general	7,987,686	-	7,987,686
Fundraising services	109,221	-	109,221
Total expenses	66,005,283	-	66,005,283
Excess of expenses over revenue before other revenue (expense)	(14,448,259)	(163,263)	(14,611,522)
Other revenue (expense):			
Developer fee revenue	2,186,395	-	2,186,395
Interest revenue	88,642	-	88,642
Other revenue	2,654,658	-	2,654,658
Gain on sale of fixed assets	348	-	348
Other income (losses) in housing funds	(71,659)	-	(71,659)
Total other revenue (expense)	4,858,384	-	4,858,384
Excess of expenses over revenue - continued operations	(9,589,875)	(163,263)	(9,753,138)
Excess of revenue over expense - discontinued operations	729	-	729
Excess of expense over revenue	(9,589,146)	(163,263)	(9,752,409)
Excess of expenses over revenue attributable to noncontrolling interests	5,552,097	-	5,552,097
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	\$ (4,037,049)	\$ (163,263)	\$ (4,200,312)

(continued)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended December 31, 2015

	Unrestricted	Temporarily restricted	Total
Public support and operating revenue:			
Rent revenue	\$ 43,531,112	\$ -	\$ 43,531,112
Contributions and grants	628,225	650,602	1,278,827
	44,159,337	650,602	44,809,939
Net assets released from restrictions	1,254,190	(1,254,190)	-
Total public support and operating revenue	45,413,527	(603,588)	44,809,939
Expenses:			
Program services:			
Rental operations	44,348,883	-	44,348,883
Acquisition and development	2,523,921	-	2,523,921
Asset management	524,318	-	524,318
Operation Pathways	1,490,692	-	1,490,692
Supporting services:			
Management and general	7,437,383	-	7,437,383
Fundraising services	89,401	-	89,401
Total expenses	56,414,598	-	56,414,598
Excess of (expenses over revenue) revenue over expenses before other revenue (expense)	(11,001,071)	(603,588)	(11,604,659)
Other revenue (expense):			
Developer fee revenue	4,130,370	-	4,130,370
Interest revenue	19,701	-	19,701
Other revenue	1,960,514	-	1,960,514
Other income (losses) in housing funds	(46,754)	-	(46,754)
Other expense	14,568	-	14,568
Total other revenue (expense)	6,078,399	-	6,078,399
Excess of (expenses over revenue) revenue over expenses - continued operations	(4,922,672)	(603,588)	(5,526,260)
Excess of expense over revenue-discontinued operations	(31,215)	-	(31,215)
Excess of (expense over revenue) revenue over expenses	(4,953,887)	(603,588)	(5,557,475)
Excess of expenses over revenue attributable to noncontrolling interests	4,831,340	-	4,831,340
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	\$ (122,547)	\$ (603,588)	\$ (726,135)

See notes to consolidated financial statements

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2016 and 2015

	Unrestricted net assets			Temporarily restricted net assets	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Beginning balance, January 1, 2015	\$ 42,533,855	\$ 35,519,304	\$ 78,053,159	\$ 903,351	\$ 78,956,510
Capital contributions from noncontrolling interests, net of syndication costs	-	9,385,730	9,385,730	-	9,385,730
Excess of expenses over revenue attributable to noncontrolling interests	-	(4,831,340)	(4,831,340)	-	(4,831,340)
Excess of expenses over revenue attributable to the Organization	<u>(122,547)</u>	<u>-</u>	<u>(122,547)</u>	<u>(603,588)</u>	<u>(726,135)</u>
Ending balance, December 31, 2015	42,411,308	40,073,694	82,485,002	299,763	82,784,765
Capital contributions from noncontrolling interests, net of syndication costs	-	6,391,478	6,391,478	-	6,391,478
Excess of expenses over revenue attributable to noncontrolling interests	-	(5,552,097)	(5,552,097)	-	(5,552,097)
Excess of expenses over revenue attributable to the Organization	<u>(4,037,049)</u>	<u>-</u>	<u>(4,037,049)</u>	<u>(163,263)</u>	<u>(4,200,312)</u>
Ending balance, December 31, 2016	<u>\$ 38,374,259</u>	<u>\$ 40,913,075</u>	<u>\$ 79,287,334</u>	<u>\$ 136,500</u>	<u>\$ 79,423,834</u>

See notes to consolidated financial statements

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2016

Nature of expenses:	Program services				Supporting services		Total
	Rental operations	Acquisition and Development	Asset Management	Operation Pathways	Management and general	Fundraising	
Salaries and benefits	\$ 7,307,369	\$ 3,231,388	\$ 547,502	\$ 1,033,568	\$ 2,001,670	\$ 79,946	\$ 14,201,443
Facilities and maintenance	8,601,927	-	-	68	-	-	8,601,995
Interest	8,868,588	-	-	-	126,333	-	8,994,921
Utilities	4,920,197	-	-	-	-	-	4,920,197
Insurance	2,675,411	-	-	-	82,704	-	2,758,115
Real estate taxes	3,455,147	-	-	-	-	-	3,455,147
Management fees	431,227	-	-	-	1,692,138	-	2,123,365
Accounting and legal fees	57,046	-	-	12,900	1,038,448	-	1,108,394
Management and administration	-	-	-	446,774	707,942	-	1,154,716
Consulting	77,090	-	-	12,000	796,964	-	886,054
Marketing	26,614	-	-	13,836	326,263	-	366,713
Travel	12,949	178,959	89,955	61,008	194,471	29,275	566,617
Rent	-	-	-	-	536,067	-	536,067
Directors' fees	-	-	-	-	10,000	-	10,000
Other	4,934,931	-	-	-	-	-	4,934,931
Bad debt expense	125,238	-	-	-	441,484	-	566,722
Depreciation and amortization	10,786,684	-	-	-	33,202	-	10,819,886
	<u>\$ 52,280,418</u>	<u>\$ 3,410,347</u>	<u>\$ 637,457</u>	<u>\$ 1,580,154</u>	<u>\$ 7,987,686</u>	<u>\$ 109,221</u>	<u>\$ 66,005,283</u>

(continued)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED

Year ended December 31, 2015

Nature of expenses:	Program services			Supporting services		Total	
	Rental operations	Acquisition and Development	Asset Management	Operation Pathways	Management and general		Fundraising
Salaries and benefits	\$ 7,316,811	\$ 2,337,262	\$ 456,668	\$ 1,147,565	\$ 1,890,398	\$ 69,341	\$ 13,218,045
Facilities and maintenance	7,195,812	-	-	300	-	-	7,196,112
Interest	7,078,871	-	-	-	133,254	-	7,212,125
Utilities	4,318,905	-	-	-	-	-	4,318,905
Insurance	2,486,605	-	-	-	54,603	-	2,541,208
Real estate taxes	2,379,413	-	-	-	-	-	2,379,413
Management fees	22,500	-	-	-	1,812,274	-	1,834,774
Accounting and legal fees	-	-	-	-	946,022	-	946,022
Management and administration	-	-	-	314,659	756,228	-	1,070,887
Consulting	25,998	25,700	-	2,800	679,451	-	733,949
Marketing	-	-	-	13,279	435,392	-	448,671
Travel	20,506	160,959	67,650	12,089	241,540	20,060	522,804
Rent	-	-	-	-	452,076	-	452,076
Directors' fees	-	-	-	-	10,000	-	10,000
Other	3,762,027	-	-	-	-	-	3,762,027
Bad debt expense	500,698	-	-	-	-	-	500,698
Depreciation and amortization	9,240,737	-	-	-	26,145	-	9,266,882
	<u>\$ 44,348,883</u>	<u>\$ 2,523,921</u>	<u>\$ 524,318</u>	<u>\$ 1,490,692</u>	<u>\$ 7,437,383</u>	<u>\$ 89,401</u>	<u>\$ 56,414,598</u>

See notes to consolidated financial statements

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Excess of expenses over revenue	\$ (9,752,409)	\$ (5,557,475)
Adjustments to reconcile excess of expenses over revenue to cash provided by operating activities:		
Depreciation and amortization	10,819,886	9,266,882
Bad debt expense	566,722	500,698
Amortization of debt issuance costs	846,999	674,774
(Gain) Loss on sale of properties	(348)	46,754
Other (income) losses in housing funds	71,659	(14,568)
Increase (decrease) in operating assets:		
Accrued interest on notes receivable	(38,384)	(3,339)
Prepaid expenses and other assets	(962,158)	(771,388)
Tenants' security deposits	(79,474)	(55,864)
Due from affiliates	(263,445)	13,681
Grant receivable	188,349	(234,471)
(Increase) decrease in operating liabilities:		
Accounts payable and accrued expenses	(1,196,136)	(2,726,671)
Other liabilities	1,996,395	(181,334)
Tenants' security deposits	178,011	134,553
Accrued interest on notes and construction loan payable	391,127	42,097
Accounts payable - affiliates	10,041	81,243
Net cash provided by operating activities	<u>2,776,835</u>	<u>1,215,572</u>
Cash flows from investing activities:		
Proceeds from repayment of notes receivable	587,628	32,590
Issuance of notes receivable	(2,000,000)	-
Purchase of land, buildings, improvements and equipment	(72,545,173)	(39,991,320)
Purchase of other assets	(25,256)	-
Net payment of working capital advances	(37,695)	-
Net deferred development costs (additions)/ reimbursements	1,704,258	(1,244,112)
Proceeds from sale of rental property	460,931	-
Net purchase of investment in housing funds	(390,936)	(167,057)
Net deposits to mortgage escrow and utility deposits	(3,929,468)	(1,263,238)
Net (deposits to) withdrawals from replacement reserves	(855,749)	(671,531)
Net sales (purchases) of investments	550	(14,362)
Net cash used in investing activities	<u>(77,030,910)</u>	<u>(43,319,030)</u>
Cash flows from financing activities:		
Capital contributions received from noncontrolling interests	6,391,478	9,450,730
Proceeds from mortgage notes payable	86,197,319	46,961,162
Principal payments on mortgage notes payable	(39,177,500)	(17,834,853)
Proceeds from notes and construction loans payable	18,879,839	2,500,000
Principal payments on notes and construction loans payable	2,411,202	(1,561,959)
Payments for syndication costs	-	(65,000)
Payments for financing costs	(2,670,204)	(1,007,008)
Net cash provided by financing activities	<u>72,032,134</u>	<u>38,443,072</u>
Net (decrease) increase in cash and cash equivalents	(2,221,941)	(3,660,386)
Cash and cash equivalents, beginning	<u>15,463,019</u>	<u>19,123,405</u>
Cash and cash equivalents, ending	<u>\$ 13,241,078</u>	<u>\$ 15,463,019</u>

(continued)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS - CONTINUED

Years ended December 31, 2016 and 2015

	2016	2015
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest, net of amount capitalized	\$ 8,634,965	\$ 6,802,939
SIGNIFICANT NONCASH INVESTING AND FINANCING ACTIVITIES:		
Accounts payable and accrued expenses, relating to construction costs included in land buildings, improvements and equipment	\$ 4,593,865	\$ 15,864
Mortgage proceeds included in land, buildings, improvements and equipment	\$ 2,899,397	\$ -
Write-off of fixed assets, net	\$ -	\$ 136,882
Cash and cash equivalents	\$ 13,229,779	\$ 15,462,294
Restricted cash	11,299	725
	\$ 13,241,078	\$ 15,463,019

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

NOTE 1 - ORGANIZATION

The NHP Foundation (NHPF) was incorporated in the District of Columbia on January 30, 1989 as a nonprofit charitable organization. The purpose of NHPF is to provide quality affordable multifamily housing and resident services for very low-, low- and moderate-income families. NHPF and its Affiliated Entities (collectively the Organization), provides housing at 45 properties, impacting over 7,200 apartments, serving residents and community members in 15 states and the District of Columbia.

Operation Pathways, Inc. (Pathways) was incorporated in the District of Columbia on January 9, 2015 as a nonstock, nonprofit charitable organization. Prior to becoming a separate 501(c)(3), Operation Pathways operated as a division of The NHP Foundation (“NHPF” or “Sponsor”), with whom it is still affiliated. The purpose of the Organization is to provide resident services to properties owned by NHPF through a wide variety of educational, health, and enrichment programming. The Organization currently provides services to 24 properties in 10 states plus the District of Columbia impacting over 4,800 units of affordable housing.

Interstate I Affordable Housing, Inc. (Interstate) was incorporated in the District of Columbia on August 7, 1997 as a nonprofit charitable organization and was organized exclusively to foster low-income affordable housing as a supporting organization to NHPF.

Principal support of the Organization consists of rental revenue and contributions and grants from foundations and corporations.

The following list of real estate entities is comprised of nonprofits, a limited partnership and limited liability companies, which are wholly owned by NHPF or Interstate, that provide either financing to affiliated tax credit entities or operate affordable multifamily housing communities.

- A.C.T. Affordable Housing, Inc. (ACT)
- Anacostia Gardens Investor, LLC (Anacostia Garden)
- Asmara Affordable Housing, Inc. (Asmara)
- Alexander House Owner, LLC (Alexander House)
- Benning Heights Affordable, LLC (Benning)
- Cherry Affordable Housing, Inc. (Cherry) **
- C/HP Cove, Inc. (Clipper)
- Cornerstone/Bayview, Inc. (Bayview)
- Cornerstone/St. Luke’s Inc. (St. Luke’s)
- FCHC Virginia Community Development Corporation (Falls Church) *
- Falls Church Winter Hill, LLC (Winter Hill) *
- Foxwood Affordable Housing, Inc. (Foxwood)
- Hollybush Affordable Housing, Inc. (Hollybush)
- Hotel New Covent, LLC (New Covent)
- Milliken Affordable Housing, Inc. (Milliken)
- New Mark Twain, LLC (Mark Twain)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

- Orange Affordable Housing, Inc. (Orange)
- Plaza Borinquen 88 Owner L.P. (Plaza B)
- Preserving Louisiana's Affordable Housing I, LLC (Copper)
- Preserving Louisiana's Affordable Housing II, LLC (Magnolia)
- The Pines Owner, LLC (Pines at Carolina)
- Wade Road Investor LLC (Parkchester)

* The accounts and balances of Falls Church are consolidated with Winter Hill , which is a wholly-owned subsidiary, and Virginia Village Apartments, which has separate books and records but is not a separate legal entity from Falls Church. These consolidated entities are collectively referred to as Falls Church in the consolidated financial statements.

** On July 14, 2011, the property and the related assets and liabilities of Cherry were sold to an unrelated third party. Cherry retained a .01% special limited partner interest in the new entity in conjunction with its receipt of a \$253,788 residual receipt note as part of the sales proceeds.

The following list of tax credit entities is comprised of limited partnerships and limited liability companies that rehabilitate and operate affordable multifamily housing communities. NHPF and certain affiliated entities act in the capacity of general partner/managing member or developer for these tax credit entities.

- Alabama Ave. Affordable Housing, L.P. (Roundtree)
- Bayview Preservation Partners, Limited Partnership (Bayview Preservation)
- Cleme Manor Holdings , LLC (Cleme)
- Foxwood Preservation Partners, L.P. (Foxwood Preservation)
- Harvest Homes Apartments LP (Harvest Homes)
- Hollybush Preservation Partners, L.P. (Hollybush Preservation)
- Orange Preservation Partners, L.P. (Orange Preservation)
- 250 LP Pepper Tree Manor L.P. (Pepper Tree)
- Plaza Borinquen 88 Owner II L.P. (Plaza B II)***
- Plaza Borinquen 88 Housing Development Fund Company, Inc. (Plaza B Housing Fund)****
- Preservation Housing II, LLC (Forest Park)
- Preservation Housing IV, LLC (Walnut Square)
- Ships Cove Preservation Limited Partnership (Ships Cove Preservation)
- St. Luke's Master Tenant, LLC (St. Luke's Master Tenant)
- St. Luke's Preservation Partners, L.P. (St. Luke's Preservation)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

*** The accounts and balances of Plaza B II are consolidated with Plaza B Housing Fund, the real estate title holder. These consolidated entities are collectively referred to as Plaza B II in the consolidated financial statements

The following list of for-profit entities, which are wholly or majority owned by NHPF, act in the capacity of general partner, managing member or developer for affiliated tax credit entities.

- Anacostia GP, LLC (Anacostia GP)
- Bayview GP, Inc. (Bayview GP)
- Benning Heights GP, LLC (Benning GP)
- Cleme 284, LLC (Cleme 284)
- New Covent Managing Member, LLC (Covent GP)
- Forest Park Affordable Housing, Inc. (Forest)
- Foxwood GP, Inc. (Foxwood GP)
- Harvest Homes GP, LLC (Harvest Homes GP)
- Hollybush GP, Inc. (Hollybush GP)
- Jamestown Affordable Housing, Inc. (Jamestown)
- NDFD LLC (NDFD)
- NHPF/WFH, LLC (NHPF/WFH)
- NHPF Eagles Landing GP, LLC
- Orange GP, Inc. (Orange GP)
- Pepper Tree Manor 250 GP, LLC (Pepper Tree GP)
- Plaza Borinquen 88 GP Corporation (Plaza B GP)
- Preservation Housing Partners, LLC (Preservation Partners)
- Ships Cove GP, LLC (Ships Cove GP)
- St. Luke's GP, Inc. (St. Luke's GP)
- VOV-NHPF I, LLC (VOV-NHPF I)
- Wade Road GP LLC (Wade Road GP)
- Walnut 209, LLC (Walnut 209)
- Walnut Affordable Housing, Inc. (Walnut)
- Workforce Housing I, LLC (Workforce I Housing, LLC)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

NHPF has significant control over the major decisions affecting the affiliated entities. Accordingly, the affiliated entities have been consolidated in accordance with accounting guidance for consolidation. The Organization has determined that the presumption of control for the entities in which NHPF and/or its affiliated entities are the general partner or managing member had not been overcome and as a result NHPF and/or its affiliated entities are required to consolidate the financial statements of those entities. All significant intercompany accounts and transactions have been eliminated in the consolidation process.

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

Distributable cash flows from certain affiliated entities to NHPF and Interstate are restricted by covenants in the underlying mortgages or grants received by the affiliated entities. Contributions paid by the affiliated entities and received by NHPF and Interstate are eliminated in consolidation.

In accordance with accounting guidance for nonprofit organizations, NHPF and its nonprofit affiliated entities are required to report information regarding its financial position and activities according to three net asset categories - unrestricted, temporarily restricted and permanently restricted - according to externally (donor) imposed restrictions. A description of these net asset categories follows:

- Unrestricted net assets -
 - Unrestricted net assets - controlling - represent expendable resources that are used to carry out the operations of the Organization and are not subject to donor-imposed stipulations.
 - Unrestricted net assets - non-controlling - represent the aggregate balance as of December 31, 2016 and 2015 of limited partner/member equity interest in the non-wholly-owned affordable housing entities that are included in the consolidated financial statements.
- Temporarily restricted net assets - resources which contain donor-imposed restrictions that are satisfied either by the passage of time or by actions of the Organization. Contributions received and expended within the same year are recorded as temporarily restricted net assets and reclassified to unrestricted net assets when the restriction expires.
- Permanently restricted net assets - resources which contain donor-imposed stipulations requiring that the corpus be maintained permanently, but permit the Organization to expend all of the income from the corpus for general or specific purposes. The Organization had no permanently restricted net assets as of December 31, 2016 and 2015.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all investments with original maturities of three months or less to be cash equivalents.

Restricted Cash

Restricted cash consists of cash required to be segregated as specified in certain grant documents.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of prepaid costs, tenant account receivables and subsidy receivables.

Tenant accounts receivables are reported net of an allowance for doubtful accounts or are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Management's estimate of the allowance is based on historical collection

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

experience and a review of the current status of tenant accounts receivables. It is reasonably possible that management's estimate of the allowance will change. Accounting principles generally accepted in the United States of America 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.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan. Total amortization of debt issuance costs for the years ended December 31, 2016 and 2015, was \$846,999 and \$674,774, respectively.

Deferred Development Costs

Costs incurred in the identification of potential developments are deferred. Deferred development costs are reimbursed upon the receipt of project financing for the related entity. Costs incurred on unlikely or abandoned developments are expensed when these determinations are made.

Land, Buildings, Improvements and Equipment

Land, buildings, improvements and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of straight-line and accelerated methods. Buildings, improvements, and equipment are depreciated over lives ranging from 5 to 40 years. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statement of activities.

Impairment of Long-Lived Assets

The Organization reviews its buildings, improvements, and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Organization are less than its carrying amount, management compares the carrying amount of the asset to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss was recognized for either of the years ended December 31, 2016 and 2015.

Investment in Housing Funds

Investment in NHPF/UA, LLC

Investment in NHPF/UA, LLC (NHPF/UA), over which NDFD exercises significant influence but not control, is accounted for under the equity method. NDFD recorded its initial investment at cost,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

recognizes its share NHPF/UA's income or loss, increases its investment for capital contributions, and reduces its investment balance by any distributions received.

Cash distributions that NDFD receives in excess of the carrying amount of its investment are recorded as other revenue (if certain criteria are met), and the equity method of accounting is suspended. NDFD would record future equity method earnings only after its share of cumulative earnings during the suspended period exceeds the income recognized for the excess cash distributions.

NDFD's investment in NHPF/UA is periodically reviewed for impairment. NDFD records an impairment charge when events or circumstances change indicating that a decline in fair value below carrying value has occurred and such decline is other than temporary.

In accordance with the accounting guidance for the consolidation of variable interest entities, NDFD determines when it should include the assets, liabilities, and activities of a variable interest entities ("VIE") in its financial statements, and when it should disclose information about its relationship with a VIE. The analysis that must be performed to determine which entity should consolidate a VIE focuses on control and economic factors. A VIE is a legal structure used to conduct activities or hold assets, which must be consolidated by a company if it is the primary beneficiary because it has: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and (2) the obligation to absorb losses or received benefits that could potentially be significant to the VIE. If multiple unrelated parties share such power, as defined, no party will be required to consolidate the VIE. Further, the guidance requires continual reconsideration of the primary beneficiary of a VIE.

Based on this guidance, NHPF/UA in which NDFD invests meets the definition of a VIE. However, management does not consolidate NDFD's interests in this VIE, as it is not considered to be the primary beneficiary since multiple unrelated parties share the power to direct the activities that are considered most significant to the economic performance of these entities. NDFD currently records the amount of its investment in NHPF/UA as an asset on its statement of financial position, recognizes its share of NHPF/UA income or losses in the statement of activities, and discloses how it accounts for this investment in its financial statements. NDFD's balance in investment in NHPF/UA represents its maximum exposure to loss. NHPF/UA's exposure to loss on NHPF/UA is assessed by the condition and financial performance of the underlying projects as well as the strength of the general partners and their guarantees.

Investment in Housing Partnership Equity Trust, LLC

NHPF is a member of Housing Partnership Network (HPN). HPN is a collaborative membership organization composed of significant housing and community development not-for-profit organizations that support its members through policy initiatives, capital initiatives and other programs to promote the long term development, preservation and operation of affordable and workforce housing throughout the United States. Twelve HPN members, including NHPF, are investing members in Housing Partnership Equity Trust, LLC (HPET) and collectively hold a 13.48% investment in HPET. NHPF accounts for its 1.123% investment in HPET under the cost

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

method. As such, the initial investment is recorded at cost and cash distributions are reported as income.

NHPF's maximum exposure to loss is estimated to be the entire balance of its investment in HPET, which includes its estimated future funding commitments. NHPF has no obligation to fund liabilities of HPET beyond its investment, including loans and advances. NHPF may be subject to additional losses to the extent it provides any voluntary subordinated financial support to HPET in the future.

NHPF regularly assesses its investment in HPET for impairment if NHPF believes that it may not recover the carrying amount of the investment or if the investee is unable to sustain an earnings capacity that would justify the carrying amount of the investment. Impairment is based on the amount that NHPF expects to recover from the investment should it be sold or should the investee liquidate, taking into account NHPF's claim on the investee's book value. A recordation of an impairment loss has no effect on the actual fair market value of the underlying property or performance of the overall investment. If the investment in HPET is considered to be permanently impaired, NHPF would reduce its investment balance in HPET and include such reduction in other income (losses) in housing projects on the consolidated statement of activities.

Investment in Workforce Housing I LLC

During 2015, NHPF entered into a joint venture with Urban Atlantic: WorkForce Housing I LLC. NHPF formed NHPF/WFH, LLC to be its participant in the joint venture. NHPF/WFH, LLC exercises significant influence, but not control, so is accounted for under the equity method.

NHPF/WFH recorded its initial investment at cost, recognizes its share WorkForce Housing's income or loss, increases its investment for capital contributions, and reduces its investment balance by any distributions received.

Cash distributions that NHPF/WFH receives in excess of the carrying amount of its investment are recorded as other revenue (if certain criteria are met), and the equity method of accounting is suspended. NHPF/WFH would record future equity method earnings only after its share of cumulative earnings during the suspended period exceeds the income recognized for the excess cash distributions.

NHPF/WFHs investment in WorkForce Housing is periodically reviewed for impairment. NHPF/WFH records an impairment charge when events or circumstances change indicating that a decline in fair value below carrying value has occurred and such decline is other than temporary.

In accordance with the accounting guidance for the consolidation of variable interest entities, NNHP/WFH determines when it should include the assets, liabilities, and activities of a variable interest entities ("VIE") in its financial statements, and when it should disclose information about its relationship with a VIE. The analysis that must be performed to determine which entity should consolidate a VIE focuses on control and economic factors. A VIE is a legal structure used to conduct activities or hold assets, which must be consolidated by a company if it is the primary beneficiary because it has: (1) the power to direct the activities of the VIE that most significantly

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

impact the VIE's economic performance; and (2) the obligation to absorb losses or received benefits that could potentially be significant to the VIE. If multiple unrelated parties share such power, as defined, no party will be required to consolidate the VIE. Further, the guidance requires continual reconsideration of the primary beneficiary of a VIE.

Based on this guidance, Workforce Housing in which NHPF/WFH invests meets the definition of a VIE. However, management does not consolidate NHPF/WFH's interests in this VIE, as it is not considered to be the primary beneficiary since multiple unrelated parties share the power to direct the activities that are considered most significant to the economic performance of these entities. NHPF/WFH currently records the amount of its investment in Workforce Housing as an asset on its statement of financial position, recognizes its share of Workforce Housing's income or losses in the statement of activities, and discloses how it accounts for this investment in its financial statements. NHPF/WFH's balance in investment in Workforce Housing represents its maximum exposure to loss. Workforce Housing's exposure to loss on Workforce Housing is assessed by the condition and financial performance of the underlying projects as well as the strength of the general partners and their guarantees.

During 2016, the joint venture was modified, with Urban Atlantic withdrawing. NHPF is now the sole member of NHPF/WFH.

Deferred Rent and Rent Holidays

NHPF recognizes escalating rent provisions on a straight-line basis over the lease term. Certain of NHPF's operating leases contain rent holidays. For these leases, NHPF recognizes the related rent expense on a straight-line basis at the earlier of the first rent payment or the date of possession of the leased property. The difference between the amounts charged to expense and the rent paid is recorded as deferred lease incentives and amortized over the lease term.

Derivatives

Three of NHPF's affiliated entities, Asmara, Foxwood Preservation, and St. Luke's Preservation, use derivatives to manage risk and the economic impact related to interest rate movements. While the derivatives are mitigating the potential interest rate risk, as a nonprofit entity, the Organization is not permitted to use hedge accounting for its interest rate swap contracts (swaps). As of December 31, 2016 and 2015, the three swap contracts were reported at fair value and were included in other liabilities on the consolidated statement of financial position. The gains or losses resulting from the change in fair value of the swaps are shown as decreases or increases, respectively, to interest expense on the related mortgage notes.

Rent Revenue

Rent revenue is recorded as rents become due. Rent payments received in advance are deferred until earned. All leases between the rental housing communities and its tenants are operating leases.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

Contributions and Grants

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets, including if the restriction expires in the fiscal year in which the contributions are recognized.

Revenue from certain grants is recognized by the NHPF and Pathways in full, upon written notification of the award. Grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with grantor-imposed restrictions. Grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying consolidated statement of activities.

Unconditional promises to give that are expected to be received within one year are recorded at net realizable value. Unconditional promises to give that are expected to be received in future years are recorded at the present value of their estimated future cash flows using discount rates approximating the rate of return on U.S. government securities with similar maturities.

In-kind Contributions/Expense

Donated property and equipment are recorded at fair market value at the date of the donation.

NHPF and Pathways utilizes the services of outside volunteers. However, the fair value of these services is not recognized in the accompanying consolidated financial statements, since they do not meet the criteria of being a specialized service that would typically need to be purchased and do not enhance or create an asset.

Developer Fee Revenue

Developer fee receivable and deferred developer fee earned from affiliates that is payable to the Organization from operational cash flow of the respective projects is eliminated in consolidation. Developer fee revenue is recognized when cash is received by the Organization from the projects' operating cash flow or equity contributions.

Construction in Progress

Costs associated with the acquisition, development and construction of housing projects are carried at cost. Construction in progress is capitalized and is included in land, buildings, improvements and equipment on the consolidated statements of financial position.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and detailed in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Program services are allocated between two expense categories: rental operations and resident services. Costs allocated to rental operations relate to personnel and other expenses involved in the management, disposition and acquisition of properties, asset

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

management supervision, construction supervision, accounting and administration of the properties. Costs allocated to resident services relate to personnel and other related expenses for the resident services programs offered at several of the Organization's rental housing communities.

Income Taxes

NHPF and its nonprofit affiliated entities have applied for and received determination letters from the Internal Revenue Service (IRS) to be treated as tax-exempt entities pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2016 and 2015. Due to their tax-exempt status, NHPF and its nonprofit affiliated entities are not subject to income taxes. NHPF and its nonprofit affiliated entities are required to file and do file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and NHPF and its nonprofit affiliated entities have no other tax positions which must be considered for disclosure. Tax returns filed by NHPF and its nonprofit affiliated entities are subject to examination by the Internal Revenue Service for a period of three years. While no tax returns are currently being examined by the Internal Revenue Service, tax years since 2013 remain open.

Copper, Magnolia, Alexander House, Benning Heights Affordable LLC, Benning Heights GP, Pines at Carolina and Wade Road Investor LLC are single member limited liability companies. Therefore, these entities are treated as disregarded entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income and deductions are passed through to and are reported by NHPF or its nonprofit affiliated entities on their income tax return. Accordingly, these consolidated financial statements do not reflect a provision or benefit for income taxes for these entities. Since the entities are not required to file income tax returns, they have no filings which are open to examination by the Internal Revenue Service.

All other affiliated entities have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by the owners on their respective income tax returns. The affiliated entities' federal tax status as pass-through entities are based on their legal status as partnerships or limited liability companies. Accordingly, these affiliated entities are not required to take any tax positions in order to qualify as pass-through entities. These affiliated entities are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for federal income taxes for these affiliated entities. However, Roundtree, Parkchester and Benning Heights are located in the District of Columbia and the District of Columbia does not recognize flow through entities, and therefore, income in the District of Columbia is subject to tax. Accordingly, these statements include a provision for District of Columbia income taxes in the amount of \$3,000 for both the years ended December 31, 2016 and 2015. These affiliated entities have no other tax positions which must be considered for disclosure. Income tax returns filed by these affiliated entities are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2013 remain open.

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

Use of Estimates

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

Change in Accounting Principle

During 2016, the Organization adopted the provisions of Accounting Standards Update No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires entities to present debt issuance costs in the statement of financial position as a direct deduction from the related debt liability rather than as an asset. The Organization retrospectively applied the standard to the 2015 consolidated statement of financial position by reclassifying \$6,397,694 of debt issuance costs (net of accumulated amortization) from Deferred Financing Costs to Mortgage Notes Payable.

Reclassifications

Certain amounts for the prior year have been reclassified to conform to the current year presentation.

NOTE 3 - HOUSING ASSISTANCE AGREEMENTS

The Federal Housing Administration (FHA) has contracted with certain affiliated entities, as detailed below, under Section 8 of the Housing Act of 1937, to make housing assistance payments to the following entities on behalf of qualified tenants. The terms of the agreements are as follows:

<u>Affiliated Entity</u>	<u>Contract</u>	<u>Assisted Units</u>	<u>Start Date</u>
Alexander House	MD06H020040	95	05/01/14
Bayview Preservation	CT26-M000-093	75	07/01/11
Benning	DC39H001003	148	05/24/15
Cleme Manor Holdings	TX24M000012	284	1/1/2002
Hollybush Preservation	NJ16-L000-006	159	10/01/13
Parkchester	DC390032002	93	11/30/15
Plaza B	NYPF0029-504	66	10/31/12
Forest Park	N/A	71	04/05/09
Walnut Square	N/A	48	07/13/09
St. Luke's Preservation	MO36-M000-928	21	08/01/04
Ships Cove	MA06-L000-037	162	09/30/16

The affiliated entities receive a substantial amount of revenue from these contracts, and therefore, if the contracts are not extended or replaced, operating results will be adversely affected. Management plans to renew the contracts prior to the expiration of their terms, for the maximum renewal term available.

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

NOTE 4 - INVESTMENTS

At December 31, 2016 and 2015, investments held in brokerage investment accounts consists of certificates of deposits in the amount of \$835,237 and \$835,787, respectively.

It is management's opinion that the fair value of these investments approximates their carrying amount on the books of NHPF. As of December 31, 2016 and 2015, \$463,770 and \$462,200, respectively, is restricted pursuant to various agreements.

NOTE 5 - INVESTMENTS IN OPERATING ENTITIES

As of December 31, 2016 and 2015, NHPF and its affiliates have investments in Operating entities that it accounts for under various methods. These investments are summarized below:

HPET

The NHPF acquired its interest in HPET for an investment of \$210,000. As of December 31, 2016 and 2015, the investment balance in HPET was \$196,559 and \$211,500, respectively.

Cherry Estates

In 2011, the property and the related assets and liabilities of Cherry were sold to an unrelated third party. Cherry retained a .01% special limited partner interest in the new entity. As of December 31, 2016 and 2015, the investment balance was \$1,500 and \$930, respectively.

Eagles Landing

During 2015, NHPF acquired its interest in Eagles Landing. As of December 31, 2016 and 2015, the investment balance was \$0.

CHA

During 2016, NHPF acquired its interest in CHA, LLC. As of December 31, 2016, the investment balance was \$0.

Workforce Housing

During 2015, NHPF acquired its interest in NHPF/WFH, LLC.

NHPF/UA

NDFD acquired its interest in the NHPF/UA for an initial investment of \$309,165. As of December 31, 2016 and 2015, the investment in NHPF/UA was \$735,780 and \$402,132, respectively.

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

The combined equity investments as of and for the years ended December 31, 2016 and 2015 are summarized below:

Investment in Operating Entities at January 1, 2015	\$	221,962
Capital contributions paid		165,523
Distributions received		-
Equity in Income of Operating Entities		<u>14,647</u>
Investment in Operating Entities at December 31, 2015	\$	402,132
Capital contributions paid		528,401
Distributions received		(122,523)
Equity in losses of Operating Entities		<u>(72,230)</u>
Investment in Operating Entities at December 31, 2016	\$	<u><u>735,780</u></u>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

The combined summary financial information of the equity investments as of December 31, 2016 and 2015 and for the years then ended, are as follows:

BALANCE SHEET

	2016	2015
Cash	\$ 27,291	\$ 18,816
Investment in properties	122,430	499,281
Construction in progress	1,314,543	276,064
Due from affiliate	-	60,764
	<hr/>	<hr/>
Total assets	\$ 1,464,264	\$ 854,925
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND MEMBERS' EQUITY		
Accounts payable	\$ -	\$ 70,307
	<hr/>	<hr/>
Total liabilities	-	70,307
	<hr/>	<hr/>
Members' equity		
NHPF's member equity	735,780	402,132
Other members' equity	728,484	382,486
	<hr/>	<hr/>
Total members' equity	1,464,264	784,618
	<hr/>	<hr/>
Total liabilities and members' equity	\$ 1,464,264	\$ 854,925
	<hr/> <hr/>	<hr/> <hr/>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

STATEMENT OF OPERATIONS

	<u>2016</u>	<u>2015</u>
Revenue		
Acquisition fees	\$ -	\$ 26,396
Asset management fees	238,455	234,720
	<u>238,455</u>	<u>234,720</u>
Total revenue	238,455	261,116
Operating expenses		
Legal expense	(23,925)	(15,000)
Other professional fees	150,375	157,227
Travel	25,157	33,916
Office expenses	492	1,709
Application fees	-	-
Miscellaneous operating expenses	13,807	68,197
	<u>165,906</u>	<u>246,049</u>
Total operating expenses	165,906	246,049
Net income before equity in losses	72,549	15,067
Equity in losses	-	7,114
	<u>-</u>	<u>7,114</u>
Net income (loss)	<u>\$ 72,549</u>	<u>\$ 22,181</u>
Investor's share of net income (loss)	<u>\$ (72,230)</u>	<u>\$ 14,647</u>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

NOTE 6 - NOTES RECEIVABLE AND ACCRUED INTEREST

Notes receivable and accrued interest consist of the following:

Affiliated Entity	Description	2016 Note Balance	2015 Note Balance	2016 Accrued Interest	2015 Accrued Interest	Maturity Date	Interest Rate	Borrowers
Bayview	HTCC Loan	\$ 500,000	\$ 500,000	\$ 52,020	\$ 37,507	12/1/2054	2.700%	Bayview Preservation
Bayview	Seller Loan	10,531,817	10,810,463	257,161	266,593	12/1/2054	2.400%	Bayview Preservation
Milliken	Seller Loan	5,185,000	-	100,158	-	12/31/2056	7.000%	Ships Cove Preservation
Milliken	Reserve Note	1,252,000	-	24,185	-	12/31/2056	7.000%	Ships Cove Preservation
Cherry	Seller Loan	127,660	154,116	5,314	6,457	7/14/2046	3.860%	Cherry Estates L.P
Falls Church	Loan	335,000	-	10,528	-	11/4/2015	5.000%	Alexander House
Falls Church	Seller Loan	36,000	36,000	26,646	22,915	12/1/2016	6.000%	420 S. Virginia Ave.
Falls Church	Loan	1,216,328	-	32,809	-	[1]	5.000%	Cambridge
Forest	Seller Loan	2,141,838	2,150,123	12,194	188,912	3/19/2037	1.000%	Forest Park
Foxwood	Seller Loan	12,800,000	12,800,000	5,128,695	4,399,439	6/30/2046	4.240%	Foxwood Preservation
Hollybush	Seller Loan	6,353,857	6,800,585	135,583	4,889	12/31/2055	3.280%	Hollybush Preservation
Jamestown	Acquisition Loan	3,000,000	3,000,000	218,103	125,403	8/25/2024	3.090%	Cleme
NHPF	Sponsor Loan	175,000	-	2,188	-	11/30/2016	3.750%	Abysinnian
NHPF	Sponsor Loan	184,250	184,250	15,133	363	11/30/2049	8.000%	Harvest Home
NHPF	Sponsor Loan	47,500	-	257	-	10/26/2021	3.000%	Harvest Home
NHPF	Sponsor Loan	150,000	149,828	542	-	1/15/2015	6.000%	Clipper
NHPF	Sponsor Loan	1,450,000	1,450,000	135,188	120,688	3/19/2037	1.000%	Forest Park
NHPF	Sponsor Loan	1,045,000	1,045,000	98,404	87,954	3/1/2044	1.000%	Walnut Square
NHPF	Sponsor Loan	600,000	600,000	56,515	50,515	3/1/2044	1.000%	Walnut Square
NHPF	Sponsor Loan	250,000	250,000	121,272	108,397	3/1/2027	5.150%	Walnut Square
NHPF	Sponsor Loan	295,814	319,454	3,195	13,364	12/31/2051	1.000%	Roundtree
Orange	Seller Loan	17,800,000	17,800,000	3,032,628	2,413,540	12/31/2052	3.530%	Orange Preservation
Plaza B	Seller Loan	4,250,669	4,250,669	352,046	211,920	6/1/2046	3.140%	Plaza B II
Plaza B	Reserve Note	336,256	336,256	27,062	16,002	6/1/2046	3.140%	Plaza B II
St. Luke's	Seller Loan	4,815,000	4,815,000	1,603,721	1,346,775	12/18/2044	4.170%	St Luke's Preservation
Sub-total		\$ 74,878,989	\$ 67,451,744	\$ 11,451,547	\$ 9,421,633			
Eliminations		(73,276,501)	(67,261,628)	(11,383,791)	(9,392,261)			
Total		\$ 1,602,488	\$ 190,116	\$ 67,756	\$ 29,372			

[1] - Loan is due by the third equity installment received at rental acievement.

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

NOTE 7 - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT, NET

As of December 31, 2016 and 2015, land, buildings, improvements and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 45,397,212	\$ 29,265,220
Buildings, improvements and	<u>363,845,986</u>	<u>309,145,877</u>
	409,243,198	338,411,097
Less: Accumulated depreciation	<u>(67,290,725)</u>	<u>(65,300,090)</u>
	<u>\$ 341,952,473</u>	<u>\$ 273,111,007</u>

Depreciation expense for 2016 and 2015 amounted to \$10,736,386 and \$9,266,882. Construction in progress of \$22,017,843 and \$14,789,006 at December 31, 2016 and 2015 is included in buildings, improvements and equipment. Refer to Note 12 for the acquisition and disposition of properties during 2016 and 2015.

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

NOTE 8 - NOTES AND CONSTRUCTION LOANS PAYABLE

Affiliated Entity	2016 Note Balance	2015 Note Balance	2016 Accrued Interest	2015 Accrued Interest	Maturity Date	Interest Rate	Lenders
NHPF	\$ 2,500,000	\$ 2,500,000	\$ 30,125	\$ 28,125	3/6/2017	4.500%	[10] Prudential Insurance Company of America
NHPF	1,000,000	2,000,000	-	-	3/6/2017	1.000%	[7] The Ford Foundation
Alexander House	335,000	-	10,528	-	8/10/2018	5.000%	Falls Church
Alexander House	4,800,000	4,800,000	-	20,000	11/30/2017	variable	[16] Enterprise Community Loan Fund Inc
Alexander House	900,000	900,000	-	4,500	11/30/2017	6.000%	Enterprise Community Loan Fund Inc
Anacostia Gardens	2,400,000	-	12,800	-	varies	6.000%	[15] Local Initiatives Support Corporation
Bayview Preservation - Seller Loan	10,531,817	10,810,463	257,161	266,593	12/1/2054	2.400%	[1] Bayview
Bayview Preservation - HTCC Loan	500,000	500,000	52,020	37,507	12/1/2054	2.700%	[1] Bayview
Benning	290,580	290,580	-	-	N/A	0.000%	Department of Housing and Community Development
Benning	3,128,829	3,128,829	66,177	-	6/30/2030	2.000%	U.S. Department of Housing and Urban Development
Cleme	11,611,610	-	31,964	-	N/A	3.250%	PNC Bank
Cleme- Seller Loan	3,000,000	3,000,000	218,103	125,403	8/25/2024	3.090%	Jamestown
Clipper - NHPF/TPI Loan	300,000	299,655	-	-	N/A	6.000%	[8] NHPF/TPI
Covent	2,220,000	-	-	-	10/1/2018	6.000%	Chicago Community Loan Fund
Covent	5,000,000	-	9,087	-	10/1/2018	5.250%	Community Investment Corporation
Forest Park - Seller Loan	2,141,838	2,150,123	12,194	188,915	3/19/2037	1.000%	[1] Forest
Forest Park - NHPF Loan	1,450,000	1,450,000	135,189	120,689	3/19/2037	1.000%	[1] NHPF
Foxwood Preservation	12,800,000	12,800,000	5,128,695	4,399,439	6/30/2046	4.240%	[1] Foxwood
Harvest Home	184,250	184,250	15,133	363	11/30/2049	8.000%	NHPF
Harvest Home	5,281,073	-	13,570	-	12/21/2017	varies	JP Morgan Chase
Hollybush Preservation - Seller Loan	6,353,857	6,800,585	135,583	4,889	12/31/2055	3.280%	[1], [3] Hollybush
Jamestown	3,000,000	3,000,000	-	-	8/25/2024	0.000%	Dept. of Housing and Community Development
Mark Twain	16,600,000	-	93,872	-	12/1/2017	LIBOR+5.95%	PCI Investor Lender Fund III LLC
Mark Twain	5,250,000	-	23,853	-	12/1/2017	6.000%	Chicago Community Loan Fund
Oarange Preservation - Seller Loan	17,800,000	17,800,000	3,032,629	2,413,540	12/31/2052	3.530%	[1], [4] Orange
Plaza B - HDC Loan	1,919,800	1,919,800	-	-	6/1/2046	1.250%	New York City Housing Development Corporation
Plaza B - Seller Note Loan	4,250,669	4,250,669	356,845	213,520	6/1/2046	1.250%	[1] Plaza B I
Plaza B - Reserve Note	336,256	336,256	27,063	16,002	6/1/2046	3.140%	[1] Plaza B I
Roundtree - Sponsor Loan	603,701	651,946	6,242	27,273	12/31/2051	1.000%	[5] NHPF and VOV Community Development Corp.
St. Luke's Preservation - Seller Loan	4,815,000	4,815,000	1,603,721	1,346,775	12/18/2044	4.170%	[2] St. Luke's, Inc.
The Pines Owner	3,700,000	-	1,393	-	10/1/2023	6.750%	Low Income Investment Fund
Ships Cove Preservation (Loan B)	190,857	-	1,256	-	3/22/2018	Varies	[17] Citizen Bank
Ships Cove Preservation (Loan c)	642,372	-	5,599	-	3/22/2018	Varies	[18] Citizen Bank
Parkchester	-	2,500,000	-	-	2/11/2018	6.000%	[19] Local Initiatives Support Corporation
Walnut Square - NHPF Loan	1,045,001	1,045,001	98,404	87,954	3/1/2044	1.000%	[2] NHPF
Walnut Square - NHPF Loan	600,000	600,000	56,515	50,515	3/1/2044	1.000%	[2] NHPF
Walnut Square - NHPF Loan	250,000	250,000	121,272	108,397	3/1/2027	5.150%	[2] NHPF
Walnut Square - TCAP Loan	1,000,000	1,000,000	58,775	48,712	1/1/2051	1.000%	TCAP - Louisiana Housing and Finance Agency
Sub-total	\$ 138,732,510	\$ 89,783,157	\$ 11,615,768	\$ 9,509,111			
Eliminations	(66,839,502)	(67,261,627)	(11,259,447)	(9,392,261)			
Total	\$ 71,893,008	\$ 22,521,530	\$ 356,321	\$ 116,850			
Unamortized debt issuance costs	\$ (1,535,530)	\$ (105,987)					
Balance, Net of Unamortized Debt Issuance Costs	\$ 70,357,478	\$ 22,415,543					

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

- [1] - For consolidation purposes, the activity is eliminated.
 [2] - Interest rate is based on the daily ICE Benchmark Administration Limited's one month LIBOR Rate (0.17125% at December 31, 2015) plus two hundred fifty basis points.
 [3] - Matures on the earlier of i) December 31, 2055 or ii) the sale, refinancing or other disposition of the project.
 [4] - Matures on the earlier of i) December 31, 2052 or ii) the sale, refinancing or other disposition of the project.
 [5] - For consolidation purposes, the NHPF portion (49%) of activity is eliminated.
 [6] - Note was repaid in February 2015.
 [7] - NHPF repaid \$1,000,000 of this note in March 2016 in accordance with the note provisions.
 [8] - For consolidation purposes, 50% of the activity is eliminated.
 [9] - Construction loan was converted to a permanent mortgage note during 2014.
 [10] - Prudential has verbally agreed to change the repayment term of the loan from a 3 year to a 7 year term commencing in 2017. Management is working with Prudential to obtain a finalized agreement of the repayment term change.
 [11] - Interest rate is based on the daily ICE Benchmark Administration Limited's one month LIBOR Rate plus two hundred twenty five basis points.
 [12] - Interest rate commence on the first day of the 25th month at 1% simple interest per annum
 [13] - Interest rate accrues at 2.25% in excess of the rate of interest per annum of one month LIBOR which was 0.43% at December 31, 2016
 [14] - Interest rate accrues at greater of 4.25% per annum or the adjusted LIBOR rate plus 3.5% .
 [15] - Interest rate accrues at 6% and matures on the earlier of (i) the date of closing of any construction financing for the Project or (ii) the three year anniversary of the first day of the first month following the closing date, which was March 29, 2016
 [16] - Interest rate accrues at floating rate per annum equal to the greater of 5% or 4.75% in excess of the rate of interest per annum of one month LIBOR.
 [17] - Interest rate accrues at LIBOR plus 175 basis points
 [18] - Interest rate accrues at LIBOR plus 250 basis points
 [19] - Note was repaid in September 2016.

For the year ended December 31, 2016 and 2015, total interest costs of \$1,122,130 and \$1,468,313, respectively, respectively, were incurred, of which \$0 and \$12,133, respectively, was capitalized and \$1,122,130 and \$1,456,180, respectively, was expensed.

Debt issuance costs, net of accumulated amortization, as of December 31, 2016 and 2015, totaled \$1,535,530 and \$105,987, respectively, and are related to the notes and construction loans payable. Amortization of the debt issuance costs is based on imputed rates ranging from 2.67% to 8.42%.

Total minimum principal payments, including accrued interest, for the next five years and thereafter on notes payable are due as follows:

	NHPF	Real Estate	Tax Credit	Eliminations	Total
December 31,					
2017	\$ 3,530,125	\$ 21,967,725	\$ -	\$ -	\$ 25,497,850
2018	-	16,414,673	-	-	16,414,673
2019	-	2,758,328	840,094	(345,528)	3,252,894
2020	-	-	-	-	-
2021	-	-	-	-	-
Thereafter	-	21,863,070	82,974,263	(77,753,421)	27,083,912
	<u>\$ 3,530,125</u>	<u>\$ 63,003,796</u>	<u>\$ 83,814,357</u>	<u>(78,098,949)</u>	<u>\$ 72,249,329</u>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

NOTE 9 - MORTGAGE NOTES PAYABLE

Affiliated Entity	2016 Mortgage Amount	2015 Mortgage Amount	2016 Accrued Interest	2015 Accrued Interest	Maturity Date	Interest Rate	Description or Mortgagee
Asmara	\$ 17,140,000	\$ 17,710,000	\$ -	\$ 23,774	2033	variable	Texas Dept. of Housing and Community Affairs tax-exempt bond
Anacostia Gardens	6,400,000	-	24,933	-	2019	variable	Eagle Bank
Bayview Preservation	15,364,049	15,459,922	80,989	80,989	2054	6.250%	Connecticut Housing Finance Authority
Benning	9,600,000	9,600,000	23,401	-	2018	2.250%	Citibank, N.A.
Clipper	16,661,542	17,020,652	53,372	54,523	2023	3.720%	PNC Bank
Copper	7,363,822	7,577,988	26,376	27,093	2038	4.250%	Louisiana Local Government Environmental Facilities and Community Authority
Cleme	-	9,485,177	-	27,275	2015	3.170%	Bank of America
Falls Church - Virginia Village	86,987	95,728	362	398	2024	5.000%	Virginia Housing Development Authority (VHDA)
Forest Park	4,936,909	5,024,306	27,977	28,471	2027	6.800%	Pacific Life Insurance Company
Foxwood Preservation	11,266,194	11,409,304	-	-	2046	variable	Pennsylvania Housing Finance Agency
Hollybush Preservation	14,370,000	14,500,000	124,406	107,889	2031	2.25%/3.55%	New Jersey Housing and Mortgage Finance Agency
Magnolia	7,328,901	7,538,901	26,235	26,952	2038	4.250%	Louisiana Local Government Environmental Facilities and Community Authority
Orange Preservation	17,710,000	17,960,000	258,912	258,912	2028	4.839%	New Jersey Housing and Mortgage Finance Agency
Pepper Tree - first mortgage	3,720,367	3,783,952	-	-	2022	5.000%	PNC Bank
Pepper Tree - second mortgage	3,488,200	3,616,600	-	-	2044	0.000%	Texas Dept. of Housing and Community Authority
Plaza B II	12,599,600	12,126,332	133,795	42,278	2046	2.25%/5.25%	New York City Housing Development Corporation
The Pines Owner	14,900,000	-	-	-	2023	3.350%	Jones Lang LaSalle Multifamily, LLC
Roundtree - senior loan	4,910,000	5,050,000	61,123	58,580	2044	2.320%	District of Columbia Housing Finance Agency
Roundtree - district loan	5,000,000	5,000,000	211,171	197,702	2051	1.000%	District of Columbia Department of Housing and Community Development
Ships' Cove Preservation	10,949,400	-	35,951	-	2034	4.090%	Massachusetts Development Finance Agency
Ships' Cove	-	2,575,000	-	-	2016	3.244%	Wells Fargo Bank National Association
St Luke Preservation	4,000,000	4,000,000	8,411	10,818	2042	variable	Industrial Development Authority of the City of St. Louis, Missouri
Parkchester	10,425,715	6,625,737	9,796	-	2018	variable	Citibank, N.A.
Walnut Square - first mortgage	2,419,555	2,457,428	14,779	15,011	2028	7.330%	Pacific Life Insurance Company
Walnut Square - second mortgage	19,913,127	19,971,052	110,761	115,260	2044	1.000%	Louisiana Housing Finance Authority
Winter Hill	6,363,809	6,498,440	20,954	19,268	2020	3.368%	Oak Grove Commercial Mortgage, LLC
Mortgage notes payable	\$ 226,918,177	\$ 205,086,519	\$ 1,253,704	\$ 1,095,193			
Unamortized Debt Issuance Costs	(6,592,853)	(6,291,707)					
Accrued interest	1,253,704	1,095,193					
	<u>\$ 221,579,028</u>	<u>\$ 199,890,005</u>					

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

As of December 31, 2016 and 2015, all other mortgage notes payable are solely collateralized by the respective rental properties owned by the affiliated entities responsible for each mortgage. NHPF has provided no underlying guarantees on other mortgage notes, other than standard guarantees for fraud and other “bad boy” acts. Principal and interest are payable monthly on all mortgage notes except those financed with tax-exempt bonds. On tax-exempt bond financing, the bond payments are made in accordance with the various bond agreements. All loan agreements require various periodic escrow deposits for taxes, insurance and replacement of property assets.

Total principal payments on mortgage notes are due as follows:

<u>Year ending December 31,</u>	<u>Total</u>
2017	\$ 3,035,841
2018	23,396,306
2019	9,942,248
2020	9,437,508
2021	3,703,103
Thereafter	<u>177,403,171</u>
	<u><u>\$ 226,918,177</u></u>

For the year ended December 31, 2016 and 2015, total interest costs of \$7,872,791 and \$5,886,224, respectively, was incurred, of which \$0 and \$130,279, respectively, was capitalized and \$7,872,791 and \$5,755,945, respectively, was expensed.

Debt issuance costs, net of accumulated amortization, as of December 31, 2016 and 2015, totaled \$6,592,853 and \$6,291,707, respectively, and are related to the mortgage notes payable. Amortization of the debt issuance costs on the above notes results in an effective yield between 3.12% and 6.88%.

Interest Rate Swap Contracts

To manage risk and the economic impact related to interest rate movements on loans funded with variable rate tax-exempt bonds, three affiliated entities, Asmara, Foxwood Preservation and St. Luke's Preservation, have entered into swap contracts. Under the Asmara contract, Asmara pays a fixed interest rate of 1.6495% per annum and receives a floating interest rate based on the USD-SIFMA Municipal Swap Index (0.72% and 0.01% as of December 31, 2016 and 2015, respectively). This swap matures on June 1, 2017. Under Foxwood Preservation contract, Foxwood Preservation pays a fixed interest rate of 3.81% per annum and receives a floating rate based on the USD-SIFMA Municipal Swap Index (0.64% and 0.01% at December 31, 2016 and 2015, respectively). This swap matures on December 1, 2025. Under the St. Luke's Preservation contract, St. Luke's Preservation pays a fixed interest rate of 3.68% per annum and receives a floating interest rate based on the USD-SIFMA Municipal Swap Index (0.64% and 0.03% at December 31, 2016 and 2015, respectively). This swap contract matures on December 1, 2026.

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

The fair value of the interest rate swap liability represents an estimate of the amount that the affiliated entities would have to pay the other party to the swap contracts to cancel the swaps as of December 31, 2016 and 2015 and is based on current interest rates for similar contracts. The recorded amount of the liability or asset representing the fair value of the swap contracts will vary from year to year with fluctuations in the interest rates and the swaps move closer to their maturity dates. The change in the fair value of the interest rate swaps is recorded in interest expense on the consolidated statement of activities and statement of functional expenses for the years ended December 31, 2016 and 2015. At December 31, 2016 and 2015, the interest rate swap contracts represent a liability of \$2,426,437 and \$3,304,607, which is included in other liabilities on the consolidated statements of financial position.

NOTE 10 - LEASES

NHPF leases office space under standard commercial operating leases extending through September 30, 2018 for its main office in New York, NY and through December 31, 2026 for its Washington, DC office. Rent expense for the years ended December 31, 2016 and 2015 totaled \$536,067 and \$452,076, respectively, which is net of all sublease payments and rent concessions. .

Future minimum lease commitments at December 31, 2016, are as follows:

2017	\$	423,016
2018		391,390
2019		185,669
2020		190,311
2021		195,069
Thereafter		<u>1,050,979</u>
	\$	<u><u>2,436,434</u></u>

NOTE 11 - FAIR VALUE

Accounting standards require disclosure of fair value information about financial instruments when it is practicable to estimate that value. Mortgage and other notes payable that were issued in conjunction with a regulatory agreement with various mortgage lenders, whereby the project receives U.S. Department of Housing and Urban Development (HUD) financial assistance in return for providing housing for low- and moderate-income tenants, or are with various state and local housing authorities, were not subject to market conditions at the time of original issuance. Current financing rates are not determinable since the projects are dependent on HUD financial assistance for operation. These circumstances make it impracticable to estimate the fair value of the mortgage and other notes. The carrying amount approximates fair value for other assets and liabilities reported on the consolidated statement of financial position that require disclosure under these standards.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

The accounting standard for fair value measurement and disclosures defines fair value, establishes a framework for measuring fair value, and provides for expanded disclosure about fair value measurements. The accounting standard was applied to the Organization's financial assets and liabilities, and to certain non-financial assets and liabilities. Fair value is defined by the accounting standard for fair value measurement and disclosures as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. The following summarizes the three levels of inputs and hierarchy of fair value the Organization uses when measuring fair value:

- a. Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access;
- b. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as interest rates and yield curves that are observable at commonly quoted intervals; and
- c. Level 3 inputs are unobservable inputs for the asset or liability that are typically based on an entity's own assumptions as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety.

The gain on the interest rate swap contracts of \$878,170 for 2016 and the loss on the interest rate swap contracts of \$35,669 for 2015, are classified within level 2 of the fair value hierarchy, and are included as an increase in interest expense on the consolidated statement of functional expenses. No other assets or liabilities are measured at fair value as of December 31, 2016 or 2015. The following tables present the fair value of liabilities measured on a recurring basis as of December 31, 2016 and 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>December 31, 2016 Net balance</u>
Interest rate swap contracts	<u>\$ -</u>	<u>\$ 2,426,437</u>	<u>\$ -</u>	<u>\$ 2,426,437</u>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>December 31, 2015</u>
Interest rate swap contracts	<u>\$ -</u>	<u>\$ 3,304,607</u>	<u>\$ -</u>	<u>\$ 3,304,607</u>

On a recurring basis, the Organization measures its interest rate swap contracts at their estimated fair value. In determining the fair value of the interest rate swap derivatives, management uses the present value of expected cash flows based on market observable interest rate yield curve commensurate with the term of the instrument. The Organization incorporates credit valuation adjustments to appropriately reflect both the Organization's nonperformance risk and that of the respective counterparty in the fair value measurement. The credit valuation adjustments utilize level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by either the respective counterparty or the Organization. However, management determined that as of December 31, 2016 and 2015, the impact of the credit valuation adjustments were not significant to the overall valuation of the swaps. As a result, the fair value of the swaps is considered to be based primarily on level 2 inputs.

NOTE 12 - ACQUISITION AND DISPOSITION OF PROPERTIES

On December 28, 2015, Harvest Homes, which NHPF has 40% general partner interest, purchased several parcels of land to construct a new 36-unit multifamily affordable housing property. The purchase price of the Chicago, IL site was \$220,000. The acquisition price was funded with the proceeds low income housing tax credit equity and donation tax credits. NHPF will serve as a co-developer of the project with The People's Community Development Association of Chicago, an Illinois not-for-profit corporation.

On December 10, 2015, NHPF acquired Benning, a 148-unit multifamily affordable housing property located in Washington, DC for a purchase price of \$11,072,091. The acquisition price was funded with the proceeds of a loan from Citibank in the amount of \$9,600,000 and a loan from the U.S. Department of Housing and Urban Development in the amount of \$3,128,829.

On November 2, 2015, NHPF acquired Alexander House, a 95-unit multifamily affordable housing property located in Hagerstown, Maryland for a purchase price of \$5,700,000. The acquisition price was funded with the proceeds of loans from Enterprise Community Loan Fund in the amounts of \$4,800,000 and \$900,000.

On February 11, 2015, NHPF acquired Parkchester, a 94-unit multifamily affordable housing property located in Washington, DC for a purchase price of \$8,425,000. The acquisition price was funded with the proceeds of a loan from Citibank in the amount of \$6,740,000 and a loan from the Local Initiative Support Corporation in the amount of \$2,500,000.

On February 11, 2016, NHPF acquired New Covent, a 64-unit single-room occupancy and 7 commercial spaces property located in Chicago, Illinois for a purchase price of \$7,000,000. The

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

acquisition price was funded with proceeds of a loan from Community Investment Corporation in the amount of \$5,000,000 and a loan from Chicago Community Loan Fund in the amount of \$2,220,000.

On February 9, 2016, NHPF acquired Mark Twain, a 152-unit single-room occupancy and 8 commercial spaces property located in Chicago, Illinois for a purchase price of \$21,000,000. The acquisition price was funded with proceeds of a loan from PCI Investors Fund III, LLC in the amount of \$16,600,000 and a loan from Chicago Community Loan Fund in the amount of \$5,250,000.

On June 22, 2016, NHPF acquired Pines at Carolina, a 200-unit property located in Pineville, North Carolina for a purchase price of \$18,050,000. The acquisition price was funded with proceeds of a multifamily mortgage from Jones Lang LaSalle in the amount of \$14,900,000 and a loan from Low Income Investment Fund in the amount of \$3,700,000.

On September 22, 2016, Ships Cove purchased the property and related assets and liabilities from Milliken for \$13,100,000. Both Milliken and Ships Cove are controlled and consolidated by NHPF, the majority shareholder in the General Partner. Since the parties involved in the sale transaction are affiliates under common control, generally accepted accounting principles requires that as of the date of acquisition the assets acquired and liabilities assumed are recorded at their respective carrying amount as reflected on Milliken's books at the date of transaction.

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

On December 23, 2014, the property and the related assets and liabilities of ACT were sold to an unrelated third party for a sale price of \$12,500,000. The sale resulted in a net gain of \$7,146,483 in 2014 included in discontinued operations. The following schedule shows activity included in discontinued operations for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Other revenue	\$ 729	
Total revenue	<u>729</u>	<u>-</u>
Salaries and benefits	-	-
Facilities and maintenance	-	-
Interest	-	2,070
Utilities	-	-
Insurance	-	-
Real estate taxes	-	-
Property management fees	-	-
Accounting expense	-	9,900
Management and administration	-	19,245
Total expense	<u>-</u>	<u>31,215</u>
Excess of (expenses over revenue) revenue over expenses attributable to the Organization - discontinued operations	<u>\$ 729</u>	<u>\$ (31,215)</u>

On August 1, 2012, NDFD, a wholly-owned subsidiary of NHPF, entered into a limited liability company agreement with UA-NHPF Fund Member LLC to form NHPF/UA. On August 8, 2012, NHPF/UA entered into an agreement with PNC Bank National Association (PNC) to form NHP Foundation – Urban Atlantic Fund I LLC (the Fund). The purpose of the Fund is to develop a pipeline of low income tax credit transactions. The Fund will acquire, hold, sell, dispose of and otherwise deal with interests in multi-family projects that qualify both as affordable housing and public welfare investments.

Properties included in the Fund as of December 31, 2016 are as follow:

- Bolton North LLC (Bolton North)
- SP Holly, L.P. (Holly Spring Meadows)
- SP Woods, L.P. (Woods at Addison)
- Lancaster Owner, LLC (Lancaster)
- Alpha Tower LLC (Alpha Tower)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

On February 10, 2015, the Fund purchased partnership interests of Lancaster. The property contains 92 units. The purchase price for the partnership interests was \$4,050,000, funded with the proceeds of a loan from PNC Bank in the amount of \$2,658,500.

On August 26, 2015, SP Courts, L.P. (Capital Courts) was sold to an unrelated third party for the gross sales price of \$19,500,000. As of December 31, 2016, the Fund completely dissolved the investment in Capital Courts.

NOTE 13 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS

During the year ended December 31, 2016 and 2015, net assets released from temporary donor restrictions and the events and transactions which caused the restrictions to expire are \$284,013 and \$1,254,190, respectively, for expenses incurred for donor specified purposes.

As of December 31, 2016 and 2015, the balance of temporarily restricted net assets was \$136,500 and \$299,763, respectively, which is comprised of gifts and other unexpended revenue restricted to specific programs.

NOTE 14 – PROPERTY MANAGEMENT

Asmara Affordable Housing, Inc. engaged The Lynd Company into a property management agreement through September 1, 2016 to provide property management and accounting services for the community and On September 1, 2016, Asmara entered into a management agreement with Alpha-Barnes Real Estate Services, LLC. The other property management agreements were entered into during 2016 as follows: Anacostia Gardens with Winn Management Company; Pines at Carolina and Ships Cove with Hallkeen Management, Inc; and New Covent and Mark Twain with Heartland Property Management, LLC.; All other management agreements remained the same as 2015 and were entered into as follows: Pepper Tree with Hetting Management Corp; Bayview Preservation and Ships' Cove with HallKeen Management, Inc.; Copper, Magnolia, Forest Park and Walnut Square with Latter & Blum Property Management, Inc.; Roundtree with CIH Properties Inc.; Falls Church with NDC Real Estate Management Inc.; ACT, Foxwood Preservation, Hollybush, and Orange Preservation with the Winn Companies; Plaza B II with Shinda Management; Clipper with The Partnership Inc.; Cleme with The Lynd Company; St. Luke's Preservation with McCormack Baron Management, Inc; Benning with the Winn Companies; Harvest homes with Realty & Mortgage, Co.; and Parkchester with Edgewood Management Corp.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Guarantees

Forest Park's acquisition and renovation work was financed with a mortgage note, federal low-income housing tax credits (LIHTC) issued by the State of Louisiana, and an acquisition loan from Forest, the seller of the property. NHPF and/or Preservation Partners provided certain guarantees to facilitate this transaction. The most significant guarantees are:

- (1) Operating deficit guarantee - NHPF has guaranteed that the property will operate at a sustainable level during the 15-year tax credit compliance period.

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

- (2) Tax credit adjuster guarantee - Under certain circumstances, Preservation Partners may be required to repurchase the equity investor's interest if the property does not generate the promised amount of housing tax credits on schedule.

Walnut Square's reconstruction work was financed with a mortgage note and federal LIHTC issued by the State of Louisiana. NHPF and/or Walnut 209 provided certain guarantees to facilitate this transaction. The most significant guarantees are:

- (1) Tax credit adjuster guarantee - Under certain circumstances, Walnut 209 may be required to repurchase the equity investor's interest if the property does not generate the promised amount of housing tax credits on schedule.

Foxwood Preservation's acquisition and renovation work was financed with a mortgage note financed by tax-exempt bonds, federal LIHTC issued by the Pennsylvania Housing Finance Agency, and an acquisition loan from Foxwood, the seller of the property. NHPF and/or Foxwood GP provided certain guarantees to facilitate this transaction. The most significant guarantees are:

- (1) Tax credit adjuster guarantee - Under certain circumstances, Foxwood GP may be required to repurchase the equity investor's interest if the property does not generate the promised amount of housing tax credits on schedule.

St. Luke's Preservation's acquisition and renovation work was financed with a mortgage note financed by tax-exempt bonds, federal and state LIHTC issued by the Missouri Housing Finance Agency, federal and state historic tax credits, and a purchase money loan from St. Luke's, the seller of the property. NHPF and/or St. Luke's GP provided certain guarantees to facilitate this transaction. The most significant guarantees are:

- (1) Operating deficit guarantee - St. Luke's GP has guaranteed to pay all operating deficits, not to exceed a specified amount and time period, after the property achieves a debt service ratio as defined in St. Luke's Preservation's partnership agreement.
- (2) Tax credit adjuster guarantee - Under certain circumstances, St. Luke's GP may be required to repurchase the equity investor's interest if the property does not generate the promised amount of housing tax credits on schedule.

Orange Preservation's acquisition and renovation work was financed with a note financed by tax-exempt bonds, federal LIHTC issued by the New Jersey Housing Finance Agency, federal investment tax credits, and a purchase money loan from Orange, the seller of the property. NHPF and/or Orange GP provided certain guarantees to facilitate this transaction. The most significant guarantees are:

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

- (1) Operating deficit guarantee - Orange GP has guaranteed to pay all operating deficits, not to exceed a specified amount and time period, after the property achieves a debt service ratio as defined in Orange Preservation's partnership agreement.
- (2) Tax credit adjuster guarantee - Under certain circumstances, Orange GP may be required to repurchase the equity investor's interest if the property does not generate the promised amount of housing tax credits on schedule.

Roundtree's land acquisition and construction was financed with tax-exempt bonds, federal LIHTC issued by the District of Columbia Housing Finance Agency, along with federal and state investment tax credits and a seller loan from Allen Chapel African Methodist Episcopal Church. VOV-NHPF I provided certain guarantees to facilitate this transaction. The most significant guarantees are:

- (1) Operating deficit guarantee - VOV-NHPF I has guaranteed to pay all operating deficits, not to exceed a specified amount and time period, after the property achieves a debt service ratio as defined in Roundtree's partnership agreement.
- (2) Tax credit adjuster guarantee - Under certain circumstances, VOV-NHPF I may be required to repurchase the equity investor's interest if the property does not generate the promised amount of housing tax credits on schedule.

Bayview Preservation's acquisition and renovation work is being financed with a note financed by bonds issued by the Connecticut Housing Finance Authority, federal and state tax credits, and a purchase money loan from Bayview, the seller of the property. NHPF and/or Bayview GP provided certain guarantees to facilitate this transaction. The most significant guarantees are:

- (1) Operating deficit guarantee - Bayview GP guaranteed to pay all operating deficits, not to exceed a specified amount and time period, after the property achieves stabilization as defined in Bayview Preservation's partnership agreement.
- (2) Tax credit adjuster guarantee - Under certain circumstances, Bayview GP may be required to repurchase the equity investor's interest if the property does not generate the promised amount of housing tax credits on schedule.

Hollybush Preservation's acquisition and renovation work will be financed with a note financed by tax-exempt bonds, which are intended to be the source for permanent financing, federal tax LIHTC issued by the New Jersey Housing Finance Agency, federal and state investment tax credits, and a purchase money loan from Hollybush, the seller of the property. NHPF and/or Hollybush GP provided certain guarantees to facilitate this transaction. The most significant guarantees are:

- (1) Completion guarantee - Hollybush GP is responsible for any cost overruns relating to development cost, bills, expenses, charges, cost and fees relating to the rehabilitation. Construction was completed in May 2015, so this guarantee is no longer in effect.

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

- (2) Operating deficit guarantee - Hollybush GP guaranteed to pay all operating deficits, not to exceed a specified amount and time period, after the property achieves a debt service ratio as defined in Hollybush Preservation's partnership agreement.
- (3) Tax credit adjuster guarantee - Under certain circumstances, Hollybush GP may be required to repurchase the equity investor's interest if the property does not generate the promised amount of housing tax credits on schedule.

Plaza B II's acquisition and renovation work will be financed with a note financed by tax-exempt bonds, which are intended to be the source for permanent financing, federal tax LIHTC issued by the New York City Housing Development Corporation, federal and state investment tax credits, and a purchase money loan from Plaza B, the seller of the property. NHPF and/or Plaza B GP provided certain guarantees to facilitate this transaction. The most significant guarantees are:

- (1) Completion guarantee – Plaza B GP is responsible for any cost overruns relating to development cost, bills, expenses, charges, cost and fees relating to the rehabilitation. Construction was completed during 2016, so this guarantee is no longer in effect.
- (2) Operating deficit guarantee – Plaza B GP guaranteed to pay all operating deficits, not to exceed a specified amount and time period, after the property achieves a debt service ratio, as defined in Plaza B II 's partnership agreement.

Tax credit adjuster guarantee - Under certain circumstances, Plaza B GP may be required to repurchase the equity investor's interest if the property does not generate the promised amount of housing tax credits on schedule.

Harvest Homes acquisition and construction will be financed with a loan provided by J.P. Morgan Chase, proceeds from the sale of federal tax credits, loans funded from the proceeds of Illinois donation tax credits and tax increment financing, and deferred developer fee.

Harvest Homes GP LLC has certain obligations under the limited partnership agreement. The NHP Foundation agreed to guarantee certain obligations of Harvest Homes GP LLC to facilitate the transaction. The most significant obligations guaranteed by The NHP Foundation are:

- (1) Completion guarantee – Harvest Homes GP is responsible for any cost overruns relating to development cost, bills, expenses, charges, cost and fees relating to the construction of Harvest Homes.
- (2) Operating deficit guarantee – Harvest Homes GP guaranteed to pay all operating deficits, not to exceed a specified amount and time period, after the later of the Stabilization Date or Loan Conversion, as defined in partnership agreement
- (3) Tax credit adjuster guarantee - If the property does not generate the promised amount of housing tax credits or does not generate them in the timeframe agreed to, then then the

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

amount then the final pay-in by the equity investor will be adjusted per the terms of the partnership agreement

Cleme's acquisition and renovation work was financed with a construction loan, federal low-income housing tax credits, and a loan from Jamestown, the sole member of the managing member of the property. NHPF and/or Cleme 284 provided certain guarantees to facilitate this transaction. The most significant guarantee is:

- (1) Operating deficit guarantee – Cleme 284 guaranteed to pay all operating deficits, not to exceed a specified amount and time period, after the property achieves a debt service ratio, as defined in Cleme 's partnership agreement.

Ships Cove's acquisition and renovation work was financed with a mortgage note, construction loan, federal low-income housing tax credits, and an acquisition loan from Milliken, the seller of the property. NHPF and/or Ships Cove GP provided certain guarantees to facilitate this transaction. The most significant guarantee is:

- (1) Completion guarantee – NHPF is responsible for any cost overruns relating to development cost, bills, expenses, charges, cost and fees relating to the construction of Ships Cove.
- (2) Operating deficit guarantee – Ships Cove GP guaranteed to pay all operating deficits, not to exceed a specified amount and time period, after the property achieves a debt service ratio, as defined in Ships Cove's partnership agreement.

Parkchester's acquisition and renovation work was financed with mortgage loans and federal low-income housing tax credits. The most significant guarantee is:

- (1) Completion guarantee – NHPF is responsible for any cost overruns relating to development cost, bills, expenses, charges, cost and fees relating to the construction of Parkchester.
- (2) Operating deficit guarantee – Wade Road GP guaranteed to pay all operating deficits, not to exceed a specified amount and time period, after the property achieves stabilized occupancy, as defined in Parkchester's operating agreement.

Litigation

In the ordinary course of business, NHPF and its affiliated entities are involved in a number of lawsuits, claims and assessments. During 2016, a fatal accident at the pool at Asmara occurred. Management is working with its insurance company related to the incident. In the opinion of management, no loss contingencies are required to be recorded in the accompanying financial statements.

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

NOTE 16 – JOINT AND SEVERAL LIABILITY

On March 12, 2015 NHPF through a joint venture with Urban Atlantic, an unrelated party, closed a revolving line of credit for \$10,000,000 with the Low Income Investment Fund. This facility will be used to purchase multi-family properties where the tenants earn between 80% and 120% of the Area Median Income. The line of credit will be secured by the underlying properties. NHPF and Urban Atlantic have jointly and severally guaranteed the line of credit. As of December 31, 2016, no funds have been drawn on this line of credit.

During 2016, the joint venture was modified with Urban Atlantic withdrawing from the joint venture leaving NHPF as the sole guarantor. Also, during 2016, \$3,700,000 was drawn against this line and used in the purchase of Pines.

NOTE 17 - CONCENTRATION OF CREDIT RISK

The Organization and its affiliated entities maintain its cash balances at various financial institutions. The institutions are members of the Federal Deposit Insurance Corporation (FDIC). Money market fund balances, classified as cash and cash equivalents or restricted cash on the consolidated statements of financial position, are protected by the Securities Investor Protection Corporation (SIPC). During 2016 and 2015, the balance in these accounts may have, from time-to-time, exceeded the FDIC and SIPC insurance limits; however, the Organization and its affiliated entities have not experienced any losses with respect to these balances in excess of the government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash and cash equivalent balances at December 31, 2016 and 2015.

NOTE 18 - SUBSEQUENT EVENTS

Events that occur after the consolidated statement of financial position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of the subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through June 30, 2017 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that could require recognition in the consolidated financial statements. However, certain subsequent events have occurred that require disclosure as discussed in the following paragraphs:

On January 11, 2017, Benning was converted into an LIHTC deal. The property, owned by Benning Heights Affordable LLC, an entity controlled by The NHP Foundation, was sold to Benning Heights Investor LLC, a partnership whose general partner is Benning Heights GP, LLC and whose limited partner is R4 BH Acquisition LLC, for \$12,656,778.

On March 13, 2017, The NHP Foundation purchased Takoma Place, a 105 unit multifamily affordable housing property located in northwest Washington, D.C., adjacent to the former Walter

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2016 and 2015

Reed Army Medical Center for \$14,000,000. The acquisition was financed through a combination of loans from Citibank, LISC and the seller. There is an existing commitment from DHCD to provide an acquisition loan that would be used to pay off the LISC loan and seller note and partially pay down the Citibank loan.

On May 24, 2017, The NHP Foundation sold two properties located in Baton Rouge Louisiana, Copper and Magnolia to an unrelated third party buyer for a sales price of \$18,000,000.

On May 30, 2017, Asmara Affordable Housing, Inc. entered into an Interest Rate Cap agreement with SMBC Capital markets (SMBC), for the notional amount of \$16,985,000, effective June 1, 2017, and terminating on June 1, 2022. Under the terms of the agreement, Asmara will pay \$31,600 on June 1, 2017 and SMBC will pay a floating amount starting July 1, 2017 and each month thereafter until the termination date based on the USD-SIFMA Municipal Swap Index.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees
The NHP Foundation

Report on Supplementary Information

We have audited the consolidated financial statements of The NHP Foundation and its Affiliated Entities as of and for the year ended December 31, 2016, and our report thereon dated June 30, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 3 and 4. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 47 through 72, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information, except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating 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, based on our audit and the reports of other auditors, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The information on pages 52 through 72, marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Bethesda, Maryland
June 30, 2017

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2016

	The NHP Foundation	Operation Pathways	Interstate	Real Estate Entities	Tax Credit Entities	Other Entities	Consolidated Eliminations	Total
Assets:								
Cash and cash equivalents	\$ 4,493,986	\$ 66,158	\$ 34,395	\$ 3,028,865	\$ 5,606,375	\$ -	\$ -	\$ 13,229,779
Investments - restricted	463,770	-	-	-	-	-	-	463,770
Investments - unrestricted	336,378	-	-	35,089	-	-	-	371,467
Restricted cash	11,299	-	-	-	-	-	-	11,299
Notes receivable and accrued interest	4,630,258	-	-	76,328,143	-	5,372,135	(84,660,292)	1,670,244
Grant receivable	-	46,122	-	-	-	-	-	46,122
Investments in housing funds	67,798,376	-	524,013	1,500	-	(539,894)	(66,850,156)	933,839
Land, buildings, improvements and equipment, net	337,620	-	-	104,625,866	270,415,705	1,000,000	(34,426,718)	341,952,473
Mortgage escrow and utility deposits	-	-	-	5,165,880	12,060,155	-	-	17,226,035
Prepaid expenses and other assets	282,112	-	-	1,199,072	1,285,427	210,966	(210,947)	2,766,630
Replacement reserves	-	-	-	2,288,350	3,359,000	-	-	5,647,350
Tenants' security deposits	-	-	-	515,147	853,022	-	-	1,368,169
Deferred development costs	2,530,700	-	-	-	-	-	(1,246,300)	1,284,400
Deferred financing costs, net	-	-	-	25,741	850,303	-	-	876,044
Asset management and resident service fees receivable	59,584	-	-	-	-	-	(59,584)	-
Advances receivable	7,590,517	53	1,023,073	-	-	378,890	(8,954,838)	37,695
Due from affiliates	6,985,546	59,450	-	290,986	153,513	170,799	(7,396,849)	263,445
Total assets	\$ 95,520,146	\$ 171,783	\$ 1,581,481	\$ 193,504,639	\$ 294,583,500	\$ 6,592,896	\$ (203,805,684)	\$ 388,148,761

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES
SUPPLEMENTARY INFORMATION - CONTINUED
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2016

	The NHP Foundation	Operation Pathways	Interstate	Real Estate Entities	Tax Credit Entities	Other Entities	Consolidated Eliminations	Total
Liabilities:								
Accounts payable and accrued expenses	\$ 640,831	\$ 144,463	\$ -	\$ 1,853,843	\$ 4,444,772	\$ 7,700	\$ -	\$ 7,091,609
Other liabilities	567,565	3,079	-	319,909	5,019,531	-	-	5,910,084
Tenants' security deposits	-	-	-	691,749	837,422	-	-	1,529,171
Mortgage notes payable and accrued interest	-	-	-	84,361,190	137,217,838	-	-	221,579,028
Notes and construction loans payable and accrued interest	3,529,380	-	-	44,869,800	97,413,568	3,000,000	(78,098,949)	70,713,799
Accounts payable - affiliates	99,915	-	3,748	7,334,275	11,222,293	931,801	(17,694,129)	1,897,903
Asset management fees payable	-	-	-	44,582	133,333	-	(174,582)	3,333
Total liabilities	4,837,691	147,542	3,748	139,475,348	256,288,757	3,939,501	(95,967,660)	308,724,927
Net assets:								
Unrestricted controlling	90,682,455	(112,259)	1,577,733	54,969,811	(3,558,852)	2,653,395	(107,838,024)	38,374,259
Unrestricted noncontrolling	-	-	-	(940,520)	41,853,595	-	-	40,913,075
Total unrestricted net assets	90,682,455	(112,259)	1,577,733	54,029,291	38,294,743	2,653,395	(107,838,024)	79,287,334
Temporarily restricted net assets	-	136,500	-	-	-	-	-	136,500
Total net assets	90,682,455	24,241	1,577,733	54,029,291	38,294,743	2,653,395	(107,838,024)	79,423,834
Total liabilities and net assets	\$ 95,520,146	\$ 171,783	\$ 1,581,481	\$ 193,504,639	\$ 294,583,500	\$ 6,592,896	\$ (203,805,684)	\$ 388,148,761

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES
SUPPLEMENTARY INFORMATION - CONTINUED
CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED

Year ended December 31, 2016

	Unrestricted						Temporarily Restricted				
	The NHP Foundation	Operation Pathways	Interstate	Real Estate Entities	Tax Credit Entities	Other Entities	Total Unrestricted	Operation Pathways	Total Temporarily Restricted	Consolidation Eliminations	Total
Public support and operating revenue:											
Rent revenue	\$ -	\$ -	\$ -	\$ 22,825,425	\$ 27,014,137	\$ -	\$ 49,839,562	\$ -	\$ -	\$ -	\$ 49,839,562
Management fees	241,008	888,960	54,679	-	-	84,003	1,268,650	-	-	(1,271,068)	(2,418)
Contributions and grants	4,508,227	397,690	-	119,874	-	-	5,025,791	120,750	120,750	(3,589,924)	1,556,617
	4,749,235	1,286,650	54,679	22,945,299	27,014,137	84,003	56,134,003	120,750	120,750	(4,860,992)	51,393,761
Net assets released from restrictions	-	284,013	-	-	-	-	284,013.00	(284,013)	(284,013)	-	-
Total public support and operating revenue	4,749,235	1,570,663	54,679	22,945,299	27,014,137	84,003	56,418,016	(163,263)	(163,263)	(4,860,992)	51,393,761
Expenses:											
Program services:											
Rental operations	-	-	-	30,048,052	31,890,250	-	61,938,302	-	-	(9,657,884)	52,280,418
Acquisition and development	3,410,347	-	-	-	-	-	3,410,347	-	-	-	3,410,347
Asset management	637,457	-	-	-	-	-	637,457	-	-	-	637,457
Operation Pathways	-	1,580,154	-	-	-	-	1,580,154	-	-	-	1,580,154
Supporting services:											
Management and general	5,509,399	-	29,432	2,744,883	1,836,471	960,139	11,080,324	-	-	(3,092,638)	7,987,686
Fundraising services	29,275	79,946	-	-	-	-	109,221	-	-	-	109,221
Total expenses	9,586,478	1,660,100	29,432	32,792,935	33,726,721	960,139	78,755,805	-	-	(12,750,522)	66,005,283
Excess of revenue over expenses (expenses over revenue) before other revenue (expense)	(4,837,243)	(89,437)	25,247	(9,847,636)	(6,712,584)	(876,136)	(22,337,789)	(163,263)	(163,263)	7,889,530	(14,611,522)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES
SUPPLEMENTARY INFORMATION - CONTINUED
CONSOLIDATING STATEMENT OF ACTIVITIES - CONTINUED

Year ended December 31, 2016

	Unrestricted						Temporarily Restricted		Consolidation Eliminations	Total	
	The NHP Foundation	Operation Pathways	Interstate	Real Estate Entities	Tax Credit Entities	Other Entities	Total Unrestricted	Operation Pathways			Total Temporarily Restricted
Other revenue (expense):											
Developer fee revenue	3,568,235	-	-	-	-	-	3,568,235	-	-	(1,381,840)	2,186,395
Interest revenue	91,484	-	1	2,511,298	5,271	114,046	2,722,100	-	-	(2,633,458)	88,642
Other revenue	567,590	11,986	-	1,227,001	848,081	66,668	2,721,326	-	-	(66,668)	2,654,658
Gain (loss) on sale of properties	5,224,586	-	(211,096)	9,611,382	-	-	14,624,872	-	-	(14,624,524)	348
Other income (losses) in housing funds	(970,727)	-	-	571	-	(668,606)	(1,638,762)	-	-	1,567,103	(71,659)
Total other revenue (expense)	8,481,168	11,986	(211,095)	13,350,252	853,352	(487,892)	21,997,771	-	-	(17,139,387)	4,858,384
Excess of revenue over expenses (expenses over revenue) - continued operations	3,643,925	(77,451)	(185,848)	3,502,616	(5,859,232)	(1,364,028)	(340,018)	(163,263)	(163,263)	(9,249,857)	(9,753,138)
Excess of expenses over revenue - discontinued operations	-	-	-	729	-	-	729	-	-	-	729
Excess of revenue over expenses (expenses over revenue)	3,643,925	(77,451)	(185,848)	3,503,345	(5,859,232)	(1,364,028)	(339,289)	(163,263)	(163,263)	(9,249,857)	(9,752,409)
Excess of expenses over revenue attributable to noncontrolling interests	-	-	-	-	5,552,097	-	5,552,097	-	-	-	5,552,097
Excess of revenue over expenses (expenses over revenue attributable to the Organization)	<u>\$ 3,643,925</u>	<u>\$ (77,451)</u>	<u>\$ (185,848)</u>	<u>\$ 3,503,345</u>	<u>\$ (307,135)</u>	<u>\$ (1,364,028)</u>	<u>\$ 5,212,808</u>	<u>\$ (163,263)</u>	<u>\$ (163,263)</u>	<u>\$ (9,249,857)</u>	<u>\$ (4,200,312)</u>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES
SUPPLEMENTARY INFORMATION - CONTINUED
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31, 2016

	Unrestricted Net Assets											Temporarily Restricted Net Assets	Net Assets
	Controlling								Real estate Entities Noncontrolling	Tax Credit Entities Noncontrolling	Total	Controlling	
	The NHP Foundation	Operation Pathways	Interstate	Real Estate Entities	Tax Credit Entities	Other Entities	Consolidated eliminations	Subtotal				Operation Pathways	
Beginning balance, January 1, 2015	\$ 87,038,530	\$ (34,808)	\$ 1,763,581	\$ 49,413,661	\$ (182,334)	\$ 5,177,225	\$ (100,764,547)	\$ 42,411,308	\$ (940,520)	\$ 41,014,214	\$ 82,485,002	\$ 299,763	\$ 82,784,765
Capital contributions from noncontrolling interests, net of syndication costs	-	-	-	-	-	-	-	-	-	6,391,478	6,391,478	-	6,391,478
Contributions from / (distributions to) controlling interests	-	-	-	2,052,805	(169,986)	(1,159,802)	(723,017)	-	-	-	-	-	-
Other changes in equity	-	-	-	-	(2,899,397)	-	2,899,397	-	-	-	-	-	-
Excess of expenses over revenue attributable to noncontrolling interests	-	-	-	-	-	-	-	-	-	(5,552,097)	(5,552,097)	-	(5,552,097)
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	3,643,925	(77,451)	(185,848)	3,503,345	(307,135)	(1,364,028)	(9,249,857)	(4,037,049)	-	-	(4,037,049)	(163,263)	(4,200,312)
Ending balance, December 31, 2016	<u>\$ 90,682,455</u>	<u>\$ (112,259)</u>	<u>\$ 1,577,733</u>	<u>\$ 54,969,811</u>	<u>\$ (3,558,852)</u>	<u>\$ 2,653,395</u>	<u>\$ (107,838,024)</u>	<u>\$ 38,374,259</u>	<u>\$ (940,520)</u>	<u>\$ 41,853,595</u>	<u>\$ 79,287,334</u>	<u>\$ 136,500</u>	<u>\$ 79,423,834</u>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUMMARY

December 31, 2016

	NHPF	Operation Pathways	Interstate	Real Estates Entities	Tax Credits Entities	Other Entities	Elimination Entries	Total
Assets:								
Cash and cash equivalents	\$ 4,493,986	\$ 66,158	\$ 34,395	\$ 3,028,865	\$ 5,606,375	\$ -	\$ -	\$ 13,229,779
Investments - restricted	463,770	-	-	-	-	-	-	463,770
Investments - unrestricted	336,378	-	-	35,089	-	-	-	371,467
Restricted cash	11,299	-	-	-	-	-	-	11,299
Notes receivable and accrued interest	4,630,258	-	-	76,328,143	-	5,372,135	(84,660,292)	1,670,244
Grants receivable	-	46,122	-	-	-	-	-	46,122
Investments in housing funds	67,798,376	-	524,013	1,500	-	(539,894)	(66,850,156)	933,839
Land, buildings, improvements and equipment, net	337,620	-	-	104,625,866	270,415,705	1,000,000	(34,426,718)	341,952,473
Mortgage escrow and utility deposits	-	-	-	5,165,880	12,060,155	-	-	17,226,035
Prepaid expenses and other assets	282,112	-	-	1,199,072	1,285,427	210,966	(210,947)	2,766,630
Replacement reserves	-	-	-	2,288,350	3,359,000	-	-	5,647,350
Tenants' security deposits	-	-	-	515,147	853,022	-	-	1,368,169
Deferred development costs	2,530,700	-	-	-	-	-	(1,246,300)	1,284,400
Deferred financing costs, net	-	-	-	25,741	850,303	-	-	876,044
Management fees receivable	59,584	-	-	-	-	-	(59,584)	-
Advances - current	6,760,183	53	1,023,073	-	-	378,890	(8,162,161)	38
Advances - future developments	830,334	-	-	-	-	-	(792,677)	37,657
Due from affiliates	6,985,546	59,450	-	290,986	153,513	170,799	(7,396,849)	263,445
Total assets	\$ 95,520,146	\$ 171,783	\$ 1,581,481	\$ 193,504,639	\$ 294,583,500	\$ 6,592,896	\$ (203,805,684)	\$ 388,148,761

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUMMARY - CONTINUED

December 31, 2016

	NHPF	Operation Pathways	Interstate	Real Estates Entities	Tax Credits Entities	Other Entities	Elimination Entries	Total
Liabilities:								
Accounts payable and accrued expenses	\$ 640,831	\$ 144,463	\$ -	\$ 1,853,843	\$ 4,444,772	\$ 7,700	\$ -	\$ 7,091,609
Other liabilities	567,565	3,079	-	319,909	5,019,531	-	-	5,910,084
Tenants' security deposits	-	-	-	691,749	837,422	-	-	1,529,171
Mortgage notes payable and accrued interest	-	-	-	84,361,190	137,217,838	-	-	221,579,028
Notes and construction loans payable and accrued interest	3,529,380	-	-	44,869,800	97,413,568	3,000,000	(78,098,949)	70,713,799
Accounts payable - affiliates	99,915	-	3,748	7,334,275	11,222,293	931,801	(17,694,129)	1,897,903
Asset management fees payable	-	-	-	44,582	133,333	-	(174,582)	3,333
Total liabilities	4,837,691	147,542	3,748	139,475,348	256,288,757	3,939,501	(95,967,660)	308,724,927
Net assets:								
Beginning net assets	87,038,530	264,955	1,763,581	48,473,141	40,831,880	5,177,225	(100,764,547)	82,784,765
Contributions (distributions), net of syndication costs	-	-	-	2,052,805	6,221,492	(1,159,802)	(723,017)	6,391,478
Change in equity	-	-	-	-	(2,899,397)	-	2,899,397	-
Excess of revenue over expenses (expenses over revenue)	3,643,925	(240,714)	(185,848)	3,503,345	(5,859,232)	(1,364,028)	(9,249,857)	(9,752,409)
Total net assets	90,682,455	24,241	1,577,733	54,029,291	38,294,743	2,653,395	(107,838,024)	79,423,834
Total liabilities and net assets	\$ 95,520,146	\$ 171,783	\$ 1,581,481	\$ 193,504,639	\$ 294,583,500	\$ 6,592,896	\$ (203,805,684)	\$ 388,148,761

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUMMARY - CONTINUED

December 31, 2016

	NHPF	Operation Pathways	Interstate	Real Estates Entities	Tax Credits Entities	Other Entities	Elimination Entries	Total
Rent revenue	\$ -	\$ -	\$ -	\$ 22,825,425	\$ 27,014,137	\$ -	\$ -	\$ 49,839,562
Contribution income - affiliates	3,589,924	-	-	-	-	-	(3,589,924)	-
Contribution income - non-affiliates	918,303	518,440	-	119,874	-	-	-	1,556,617
Asset management fees	215,008	-	54,679	-	-	84,003	(356,108)	(2,418)
Resident service fees	26,000	888,960	-	-	-	-	(914,960)	-
Developer fee income	3,568,235	-	-	-	-	-	(1,381,840)	2,186,395
Interest income	91,484	-	1	2,511,298	5,271	114,046	(2,633,458)	88,642
Other revenue	567,590	11,986	-	1,227,001	848,081	66,668	(66,668)	2,654,658
Gain (loss) on sale of properties	5,224,586	-	(211,096)	9,611,382	-	-	(14,624,524)	348
Total revenue	14,201,130	1,419,386	(156,416)	36,294,980	27,867,489	264,717	(23,567,482)	56,323,804

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUMMARY - CONTINUED

December 31, 2016

	NHPF	Operation Pathways	Interstate	Real Estates Entities	Tax Credits Entities	Other Entities	Elimination Entries	Total
Salaries and benefits	5,536,652	1,113,514	-	3,672,816	3,878,461	-	-	14,201,443
Facilities and maintenance	-	68	-	5,392,441	3,209,486	-	-	8,601,995
Interest	126,333	-	-	4,221,411	7,156,293	-	(2,509,116)	8,994,921
Utilities	-	-	-	2,204,731	2,715,466	-	-	4,920,197
Insurance	82,704	-	-	1,239,892	1,435,519	-	-	2,758,115
Real estate taxes	-	-	-	722,244	2,732,903	-	-	3,455,147
Property management fees	-	-	-	971,026	1,152,339	-	-	2,123,365
Asset management fees	-	-	-	287,777	109,837	30,000	(382,108)	45,506
Accounting expense	141,857	12,900	-	150,148	197,289	2,500	-	504,694
Legal	240,950	-	-	155,012	207,738	-	-	603,700
Management and administration	1,295,220	446,774	432	1,682,126	2,786,381	25	(66,668)	6,144,290
Consulting expense	651,703	12,000	-	67,867	154,484	-	-	886,054
Marketing	86,237	13,836	-	153,293	113,347	-	-	366,713
Travel	492,660	61,008	-	4,736	8,213	-	-	566,617
Bad debt expense	-	-	-	377,744	188,978	-	-	566,722
Directors fee expense	10,000	-	-	-	-	-	-	10,000
Resident service fees	888,960	-	-	-	-	-	(888,960)	-
Contributions expense	-	-	29,000	7,947,056	-	927,614	(8,903,670)	-
Other financial expense	-	-	-	151,795	284,123	-	-	435,918
Depreciation	30,220	-	-	3,390,820	7,315,346	-	-	10,736,386
Amortization	2,982	-	-	-	80,518	-	-	83,500
Other losses (income) in investment in housing funds	970,727	-	-	(571)	-	668,606	(1,567,103)	71,659
Total expense	10,557,205	1,660,100	29,432	32,792,364	33,726,721	1,628,745	(14,317,625)	66,076,942
Excess of revenue over expenses (expenses over revenue) - continued operations	3,643,925	(240,714)	(185,848)	3,502,616	(5,859,232)	(1,364,028)	(9,249,857)	(9,753,138)
Excess of revenue over expense - discontinued operations	-	-	-	729	-	-	-	729
Excess of expense over revenue (expenses over revenue)	3,643,925	(240,714)	(185,848)	3,503,345	(5,859,232)	(1,364,028)	(9,249,857)	(9,752,409)
Excess of expenses over revenue attributable to noncontrolling interests	-	-	-	-	5,552,097	-	-	5,552,097
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	\$ 3,643,925	\$ (240,714)	\$ (185,848)	\$ 3,503,345	\$ (307,135)	\$ (1,364,028)	\$ (9,249,857)	\$ (4,200,312)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - REAL ESTATE ENTITIES

December 31, 2016

	Bayview	Clipper	St Luke's	ACT	Cherry	Plaza B
Assets:						
Cash and cash equivalents	\$ -	\$ 155,057	\$ -	\$ -	\$ -	\$ 22,620
Investments - unrestricted	-	-	-	-	-	-
Notes receivable and accrued interest	11,340,998	-	6,418,721.00	-	132,974	4,966,033
Investments in housing funds	-	-	-	-	1,500	-
Land, buildings, improvements and equipment, net	-	6,490,492	-	-	-	-
Mortgage escrow and utility deposits	-	810,900	-	-	-	-
Prepaid expenses and other assets	-	208,028	-	-	-	9,725
Replacement reserves	-	-	-	-	-	-
Tenants' security deposits	-	53,139	-	-	-	-
Deferred financing costs, net	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	222,758
Total assets	\$ 11,340,998	\$ 7,717,616	\$ 6,418,721	\$ -	\$ 134,474	\$ 5,221,136
Liabilities:						
Accounts payable and accrued expenses	\$ -	\$ 130,602	\$ -	\$ -	\$ 2,246	\$ 16,087
Other liabilities	-	8,679	-	-	-	-
Tenants' security deposits	-	97,950	-	-	-	-
Mortgage notes payable and accrued interest	-	16,518,937	-	-	-	-
Notes and construction loans payable and accrued interest	-	300,000	-	-	-	-
Accounts payable - affiliates	-	547	-	-	-	141,257
Asset management fees payable	-	-	-	-	-	-
Total liabilities	-	17,056,715	-	-	2,246	157,344
Net assets:						
Beginning net assets	11,614,563	(9,800,787)	6,161,775	(729)	159,257	4,912,606
Contributions (distributions)	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue)	(273,565)	461,688	256,946	729	(27,029)	151,186
Total net assets	11,340,998	(9,339,099)	6,418,721	-	132,228	5,063,792
Total liabilities and net assets	\$ 11,340,998	\$ 7,717,616	\$ 6,418,721	\$ -	\$ 134,474	\$ 5,221,136

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - REAL ESTATE ENTITIES - CONTINUED

December 31, 2016

	Asmara						
	Copper	Creek Hollow	Heritage	Highland	The Grove at Trinity	Stone Ridge	Foxwood
Assets:							
Cash and cash equivalents	\$ 64,549	\$ 11,387	\$ 31,952	\$ 27,340	\$ 102,570	\$ 21,066	\$ -
Investments - unrestricted	-	-	-	-	-	-	-
Notes receivable and accrued interest	-	-	-	-	-	-	17,928,695
Investments in housing funds	-	-	-	-	-	-	-
Land, buildings, improvements and equipment, net	4,963,190	1,386,364	1,658,891	1,344,731	3,835,814	2,865,007	-
Mortgage escrow and utility deposits	321,872	279,176	112,289	110,588	475,350	430,954	-
Prepaid expenses and other assets	69,586	33,542	38,094	25,858	103,275	33,818	-
Replacement reserves	145,457	(29,926)	289,980	161,823	750,633	(317,555)	-
Tenants' security deposits	83,775	31,556	29,469	23,357	80,474	23,902	-
Deferred financing costs, net	-	(22,408)	645,805	322,988	833,633	(1,779,533)	-
Due from affiliates	-	-	-	-	-	-	-
Total assets	\$ 5,648,429	\$ 1,689,691	\$ 2,806,480	\$ 2,016,685	\$ 6,181,749	\$ 1,277,659	\$ 17,928,695
Liabilities:							
Accounts payable and accrued expenses	\$ 149,963	\$ 149,111	\$ 83,936	\$ 69,933	\$ 121,450	\$ 187,208	\$ -
Other liabilities	13,134	(9,699)	46,270	36,592	136,292	(27,292)	-
Tenants' security deposits	85,000	31,881	29,123	21,114	79,447	22,820	-
Mortgage notes payable and accrued interest	7,112,929	1,407,351	2,453,855	2,062,277	8,483,175	2,232,883	-
Notes and construction loans payable and accrued interest	-	-	-	-	-	-	-
Accounts payable - affiliates	3,070,962	342,035	(379,769)	(245,859)	(1,053,560)	1,342,273	-
Asset management fees payable	-	1,557	1,753	1,763	4,388	2,621	-
Total liabilities	10,431,988	1,922,236	2,235,168	1,945,820	7,771,192	3,760,513	-
Net assets:							
Beginning net assets	(4,226,434)	(69,099)	580,478	176,399	(2,156,393)	(2,304,020)	17,199,439
Contributions (distributions)	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue)	(557,125)	(163,446)	(9,166)	(105,534)	566,950	(178,834)	729,256
Total net assets	(4,783,559)	(232,545)	571,312	70,865	(1,589,443)	(2,482,854)	17,928,695
Total liabilities and net assets	\$ 5,648,429	\$ 1,689,691	\$ 2,806,480	\$ 2,016,685	\$ 6,181,749	\$ 1,277,659	\$ 17,928,695

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - REAL ESTATE ENTITIES - CONTINUED

December 31, 2016

	Hollybush	Magnolia	Milliken	Orange	Falls Church
Assets:					
Cash and cash equivalents	\$ -	\$ 49,949	\$ 163,526	\$ -	\$ 1,591,728
Investments - unrestricted	-	-	-	-	35,089
Notes receivable and accrued interest	6,489,440	-	6,561,343	20,832,628	1,657,311
Investments in housing funds	-	-	-	-	-
Land, buildings, improvements and equipment, net	-	4,109,900	-	-	4,333,160
Mortgage escrow and utility deposits	-	311,052	-	-	133,415
Prepaid expenses and other assets	-	145,514	-	-	12,264
Replacement reserves	-	98,506	-	-	181,668
Tenants' security deposits	-	77,450	-	-	36,298
Deferred financing costs, net	-	-	-	-	-
Due from affiliates	-	-	68,228	-	-
Total assets	\$ 6,489,440	\$ 4,792,371	\$ 6,793,097	\$ 20,832,628	\$ 7,980,933
Liabilities:					
Accounts payable and accrued expenses	\$ -	\$ 159,818	\$ -	\$ -	\$ 62,281
Other liabilities	-	9,277	-	-	1,477
Tenants' security deposits	-	77,775	-	-	36,298
Mortgage notes payable and accrued interest	-	7,081,425	-	-	6,373,453
Notes and construction loans payable and accrued interest	-	-	-	-	-
Accounts payable - affiliates	-	2,796,930	3,507	-	176,058
Asset management fees payable	-	-	-	-	32,500
Total liabilities	-	10,125,225	3,507	-	6,682,067
Net assets:					
Beginning net assets	6,805,474	(4,896,838)	2,581,714	20,213,540	1,378,758
Contributions (distributions)	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue)	(316,034)	(436,016)	4,207,876	619,088	(79,892)
Total net assets	6,489,440	(5,332,854)	6,789,590	20,832,628	1,298,866
Total liabilities and net assets	\$ 6,489,440	\$ 4,792,371	\$ 6,793,097	\$ 20,832,628	\$ 7,980,933

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - REAL ESTATE ENTITIES - CONTINUED

December 31, 2016

	New Covent	Mark Twain	Anacostia Garden	Alexander House	Benning Heights	Total
Assets:						
Cash and cash equivalents	\$ 6,260	\$ 146,457	\$ 11,109	\$ 9,780	\$ 509,672	\$ 3,028,865
Investments - unrestricted	-	-	-	-	-	35,089
Notes receivable and accrued interest	-	-	-	-	-	76,328,143
Investments in housing funds	-	-	-	-	-	1,500
Land, buildings, improvements and equipment, net	7,164,113	21,001,421	8,454,767	5,905,033	12,912,760	104,625,866
Mortgage escrow and utility deposits	650,130	829,508	147,727	19,200	179,987	5,165,880
Prepaid expenses and other assets	55,071	72,733	33,389	52,118	58,639	1,199,072
Replacement reserves	200,000	256,416	-	-	360,510	2,288,350
Tenants' security deposits	-	28,780	-	18,728	28,219	515,147
Deferred financing costs, net	-	25,256	-	-	-	25,741
Due from affiliates	-	-	-	-	-	290,986
Total assets	\$ 8,075,574	\$ 22,360,571	\$ 8,646,992	\$ 6,004,859	\$ 14,049,787	\$ 193,504,639
Liabilities:						
Accounts payable and accrued expenses	\$ 167,664	\$ 250,870	\$ 63,191	\$ 37,460	\$ 139,038	\$ 1,853,843
Other liabilities	100	51,787	2,589	7,016	15,041	319,909
Tenants' security deposits	-	28,370	38,613	18,079	26,383	691,749
Mortgage notes payable and accrued interest	-	-	6,366,325	-	9,539,401	84,361,190
Notes and construction loans payable and accrued interest	7,194,123	21,832,130	2,377,022	5,999,046	3,485,586	44,869,800
Accounts payable - affiliates	-	291,029	-	185,690	528,569	7,334,275
Asset management fees payable	-	-	-	-	-	44,582
Total liabilities	7,361,887	22,454,186	8,847,740	6,247,291	13,734,018	139,475,348
Net assets:						
Beginning net assets	-	-	-	56,026	87,412	48,473,141
Contributions (distributions)	803,530	849,275	-	-	-	2,052,805
Excess of revenue over expenses (expenses over revenue)	(89,843)	(942,890)	(200,748)	(298,458)	228,357	3,503,345
Total net assets	713,687	(93,615)	(200,748)	(242,432)	315,769	54,029,291
Total liabilities and net assets	\$ 8,075,574	\$ 22,360,571	\$ 8,646,992	\$ 6,004,859	\$ 14,049,787	\$ 193,504,639

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - REAL ESTATE ENTITIES

Year ended December 31, 2016

	Bayview	Clipper	St. Luke's	ACT	Cherry	Plaza B
Rent revenue	\$ -	\$ 4,298,296	\$ -	\$ -	\$ -	\$ -
Contribution income - non-affiliates	-	-	-	-	-	-
Interest income	271,674	-	256,946	-	5,314	151,186
Other revenue	-	80,464	-	-	-	-
Gain (loss) on sale of properties	-	-	-	-	-	-
Total revenue	271,674	4,378,760	256,946	-	5,314	151,186
Salaries and benefits	-	569,048	-	-	-	-
Facilities and maintenance	-	550,961	-	-	-	-
Interest	-	654,396	-	-	-	-
Utilities	-	186,586	-	-	-	-
Insurance	-	431,839	-	-	-	-
Real estate taxes	-	207,318	-	-	-	-
Property management fees	-	154,016	-	-	-	-
Asset management fees	-	59,351	-	-	-	-
Accounting expense	-	12,000	-	-	-	-
Legal	-	7,999	-	-	-	-
Management and administration	-	250,974	-	-	-	-
Consulting expense	-	-	-	-	-	-
Marketing	-	14,864	-	-	-	-
Travel	-	570	-	-	-	-
Bad debt expense	-	48,701	-	-	-	-
Contributions expense	545,239	-	-	-	32,914	-
Other financial expense	-	6,991	-	-	-	-
Depreciation	-	761,458	-	-	-	-
Amortization	-	-	-	-	-	-
Other losses (income) in investment in housing funds	-	-	-	-	(571)	-
Total expense	545,239	3,917,072	-	-	32,343	-
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	(273,565)	461,688	256,946	-	(27,029)	151,186
Excess of revenue over expenses attributable to the Organization - discontinued operations	-	-	-	729	-	-
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	\$ (273,565)	\$ 461,688	\$ 256,946	\$ 729	\$ (27,029)	\$ 151,186

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - REAL ESTATE ENTITIES - CONTINUED

Year ended December 31, 2016

	Copper	Creek Hollow	Heritage	Highland	The Grove at Trinity	Stone Ridge	Foxwood
Rent revenue	\$ 1,768,284	\$ 798,938	\$ 982,119	\$ 996,620	\$ 2,471,898	\$ 1,423,489	\$ -
Contribution income - non-affiliates	-	-	-	-	-	-	-
Interest income	66	69	111	105	303	121	729,256
Other revenue	91,088	120,311	42,549	100,628	225,676	165,775	-
Gain (loss) on sale of properties	-	-	-	-	-	-	-
Total revenue	1,859,438	919,318	1,024,779	1,097,353	2,697,877	1,589,385	729,256
Salaries and benefits	320,436	129,917	100,699	130,382	234,083	124,042	-
Facilities and maintenance	751,829	367,820	255,275	318,092	491,564	503,079	-
Interest	337,306	23,248	29,341	55,550	(136,236)	67,389	-
Utilities	133,761	92,253	75,659	64,939	236,608	235,715	-
Insurance	147,909	42,629	32,958	39,314	90,852	58,370	-
Real estate taxes	72,835	-	-	-	56	-	-
Property management fees	70,964	35,389	39,217	41,813	104,259	60,560	-
Asset management fees	-	17,695	19,608	20,906	52,130	30,670	-
Accounting expense	4,440	7,567	20,180	7,063	8,576	12,864	-
Legal	-	17,211	13,190	13,143	29,444	18,639	-
Management and administration	144,732	93,538	88,140	113,991	219,429	183,158	-
Consulting expense	27,061	-	-	-	-	-	-
Marketing	12,118	16,687	11,561	10,985	17,358	17,802	-
Travel	-	1,121	608	326	(64)	874	-
Bad debt expense	75,746	20,113	13,176	17,388	19,222	6,906	-
Contributions expense	-	130,900	246,550	296,550	545,950	215,050	-
Other financial expense	70,200	-	-	-	-	-	-
Depreciation	247,226	86,676	87,783	72,445	217,696	233,101	-
Amortization	-	-	-	-	-	-	-
Other losses (income) in investment in housing funds	-	-	-	-	-	-	-
Total expense	2,416,563	1,082,764	1,033,945	1,202,887	2,130,927	1,768,219	-
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	(557,125)	(163,446)	(9,166)	(105,534)	566,950	(178,834)	729,256
Excess of revenue over expenses attributable to the Organization - discontinued operations	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	\$ (557,125)	\$ (163,446)	\$ (9,166)	\$ (105,534)	\$ 566,950	\$ (178,834)	\$ 729,256

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - REAL ESTATE ENTITIES - CONTINUED

Year ended December 31, 2016

	Hollybush	Magnolia	Milliken	Orange	Falls Church
Rent revenue	\$ -	\$ 1,753,259	\$ 1,384,355	\$ -	\$ 1,361,391
Contribution income - non-affiliates	-	-	-	-	119,874
Interest income	211,819	16	124,519	711,392	47,632
Other revenue	-	193,679	75,802	-	13,333
Gain (loss) on sale of properties	-	-	9,611,382	-	-
Total revenue	211,819	1,946,954	11,196,058	711,392	1,542,230
Salaries and benefits	-	270,040	235,599	-	527,389
Facilities and maintenance	-	901,758	229,237	-	310,506
Interest	-	335,427	125,292	-	273,305
Utilities	-	143,284	299,696	-	110,977
Insurance	-	121,490	59,098	-	27,502
Real estate taxes	-	73,335	96,460	-	9,906
Property management fees	-	71,944	56,211	-	52,058
Asset management fees	-	-	22,417	-	65,000
Accounting expense	-	4,490	14,511	-	18,636
Legal	-	-	14,999	-	1,644
Management and administration	-	145,346	195,444	-	48,309
Consulting expense	-	14,715	-	-	-
Marketing	-	16,777	5,471	-	23,791
Travel	-	-	-	-	984
Bad debt expense	-	23,199	5,176	-	27,301
Contributions expense	527,853	-	5,313,746	92,304	-
Other financial expense	-	63,730	2,172	-	-
Depreciation	-	197,435	312,653	-	124,814
Amortization	-	-	-	-	-
Other losses (income) in investment in housing funds	-	-	-	-	-
Total expense	527,853	2,382,970	6,988,182	92,304	1,622,122
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	(316,034)	(436,016)	4,207,876	619,088	(79,892)
Excess of revenue over expenses attributable to the Organization - discontinued operations	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	<u>\$ (316,034)</u>	<u>\$ (436,016)</u>	<u>\$ 4,207,876</u>	<u>\$ 619,088</u>	<u>\$ (79,892)</u>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - REAL ESTATE ENTITIES - CONTINUED

Year ended December 31, 2016

	New Covent	Mark Twain	Anacostia Garden	Alexander House	Benning Heights	Total
Rent revenue	\$ 43,850	\$ 838,557	\$ 826,301	\$ 788,535	\$ 2,076,847	\$ 22,825,425
Contribution income - non-affiliates	-	-	-	-	-	119,874
Interest income	-	-	197	74	469	2,511,298
Other revenue	24,934	24,569	19,636	11,152	10,311	1,227,001
Gain (loss) on sale of properties	-	-	-	-	-	9,611,382
Total revenue	68,784	863,126	846,134	799,761	2,087,627	36,294,980
Salaries and benefits	\$ 989	\$ 135,681	\$ 159,304	\$ 215,179	\$ 377,023	\$ 3,672,816
Facilities and maintenance	50,379	69,402	114,506	100,412	282,784	5,392,441
Interest	66,362	943,466	348,123	374,609	373,682	4,221,411
Utilities	3,953	71,394	92,140	86,086	282,815	2,204,731
Insurance	5,793	46,250	28,788	33,098	37,748	1,239,892
Real estate taxes	-	-	35,620	56,069	115,935	722,244
Property management fees	1,103	49,484	44,678	51,300	97,489	971,026
Asset management fees	-	-	-	-	-	287,777
Accounting expense	-	-	13,723	-	14,598	150,148
Legal	-	5,424	14,538	2,900	13,245	155,012
Management and administration	10,765	81,947	22,084	28,373	36,202	1,682,126
Consulting expense	9,298	15,641	1,152	-	-	67,867
Marketing	-	284	-	2,030	-	153,293
Travel	-	154	84	-	79	4,736
Bad debt expense	-	60,363	39,466	5,231	5,748	377,744
Contributions expense	-	-	-	-	-	7,947,056
Other financial expense	-	-	-	111	1,962	151,795
Depreciation	9,985	326,526	132,676	142,821	219,960	3,390,820
Amortization	-	-	-	-	-	-
Other losses (income) in investment in housing funds	-	-	-	-	-	(571)
Total expense	158,627	1,806,016	1,046,882	1,098,219	1,859,270	32,792,364
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	(89,843)	(942,890)	(200,748)	(298,458)	228,357	3,502,616
Excess of revenue over expenses attributable to the Organization - discontinued operations	-	-	-	-	-	729
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	\$ (89,843)	\$ (942,890)	\$ (200,748)	\$ (298,458)	\$ 228,357	\$ 3,503,345

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - TAX CREDIT ENTITIES

December 31, 2016

	Forest Park	Walnut Square	Bayview Preservation	Foxwood Preservation	St Luke's Preservation	Roundtree	Plaza B II	Cleme	Hollybush Preservation	Pepper Tree	Orange Preservation	Parkchester	Harvest Homes	Ships Cove Preservation	Total
Assets:															
Cash and cash equivalents	\$ 318,271	\$ 703,522	\$ 605,244	\$ 388,543	\$ 84,492	\$ 289,675	\$ 721,899	\$ 884,167	\$ 725,493	\$ 427,057	\$ 115,571	217,053	\$ -	\$ 125,388	\$ 5,606,375
Land, buildings, improvements and equipment, net	13,478,820	30,134,931	29,483,570	25,650,190	17,759,597	12,241,359	22,170,106	18,664,688	25,281,749	12,323,053	34,003,340	11,815,599	10,647,134	6,761,569	270,415,705
Mortgage escrow and utility deposits	407,051	692,359	1,802,367	949,278	863,402	660,559	79,164	226,500	1,004,851	326,542	1,471,968	84,643	250,380	3,241,091	12,060,155
Prepaid expenses and other assets	174,993	137,549	100,765	76,005	91,058	15,523	133,268	219,468	58,448	42,522	114,190	59,269	-	62,369	1,285,427
Replacement reserves	158,058	332,162	596,935	270,431	392,130	83,556	-	-	219,521	127,418	324,653	-	-	854,136	3,359,000
Tenants' security deposits	82,620	82,326	166,950	116,758	44,394	38,493	28,156	16,714	81,400	4,462	125,835	16,000	-	48,914	853,022
Deferred financing costs, net	27,041	40,177	52,446	78,854	48,826	41,602	33,698	-	127,651	9,528	101,677	60,078	193,550	35,175	850,303
Due from affiliates	-	-	-	-	-	4,756	141,257	-	-	-	-	-	-	7,500	153,513
Total assets	\$ 14,646,854	\$ 32,123,026	\$ 32,808,277	\$ 27,530,059	\$ 19,283,899	\$ 13,375,523	\$ 23,307,548	\$ 20,011,537	\$ 27,499,113	\$ 13,260,582	\$ 36,257,234	\$ 12,252,642	\$ 11,091,064	\$ 11,136,142	\$ 294,583,500
Liabilities:															
Accounts payable and accrued expenses	\$ 67,763	\$ 54,610	\$ 73,679	\$ 119,083	\$ 101,519	\$ 18,002	\$ 212,498	\$ 280,058	\$ 151,780	\$ 199,944	\$ 131,019	\$ 815,511	\$ 1,330,502	\$ 888,804	\$ 4,444,772
Other liabilities	52,494	6,998	17,270	1,777,187	616,293	18,456	6,136	2,486,025	11,454	3,337	8,904	7,214	-	7,763	5,019,531
Tenants' security deposits	82,990	85,705	160,962	115,238	43,058	37,984	28,156	16,714	79,599	4,462	124,328	12,773	-	45,453	837,422
Mortgage notes payable and accrued interest	4,860,366	22,207,409	15,245,781	10,817,408	3,498,053	9,628,315	11,888,866	-	13,810,417	7,083,259	17,321,806	10,088,428	-	10,767,730	137,217,838
Notes and construction loans payable and accrued interest	3,739,219	3,229,959	11,340,998	17,928,695	6,418,721	609,943	6,890,633	13,599,221	6,489,440	-	20,832,629	-	5,494,026	840,084	97,413,568
Accounts payable - affiliates	1,222,225	779,342	3,517	984,628	609,045	7,500	3,423,418	1,276,626	5,699	1,740,756	15,549	252,211	282,695	619,082	11,222,293
Asset management fees payable	-	-	-	70,000	-	30,000	-	13,333	-	20,000	-	-	-	-	133,333
Total liabilities	10,025,057	26,364,023	26,842,207	31,812,239	11,286,689	10,350,200	22,449,707	17,671,977	20,548,389	9,051,758	38,434,235	11,176,137	7,107,223	13,168,916	256,288,757

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - TAX CREDIT ENTITIES - CONTINUED

December 31, 2016

	Forest Park	Walnut Square	Bayview Preservation	Foxwood Preservation	St Luke's Preservation	Roundtree	Plaza B II	Cleme	Hollybush Preservation	Pepper Tree	Orange Preservation	Parkchester	Harvest Homes	Ships Cove Preservation	Total
Net assets:															
Beginning net assets (GP)	(525)	(626)	(50)	(968)	(280)	(86)	66	(579,951)	119	(18,411)	(571)	8,950	410,000	-	(182,333)
Beginning net assets (SLP)	10	(625)	10	(1,069)	(373)	(184)	-	-	17	-	(674)	-	-	-	(2,888)
Beginning net assets (LP)	4,856,049	6,529,710	6,176,723	(3,550,500)	8,777,350	3,396,920	1,601,910	0	7,189,690	4,305,477	(648,670)	-	2,382,441	-	41,017,100
Contribution/distribution (GP)		-	-	-	(163,607)	-	-	-	-	(6,379)	-	-	-	-	(169,986)
Contribution/distribution (LP)	(22,948)	-	-	-	(106,170)	-	135,716	3,299,670	-	(153,101)	-	1,213,682	1,191,400	833,229	6,391,478
Changes in Equity (GP)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,899,397)	(2,899,397)
Syndication costs (LP)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess of expenses over revenue attributable to the Organization (GP) - continued operations	(21)	(77)	(21)	(73)	(35,016)	(36)	(88)	(271,623)	(24)	8	(152)	(15)	-	3	(307,135)
Excess of expense over revenue attributable to noncontrolling interests (SLP) - continued operations	-	(77)	-	(72)	(51)	(38)	-	-	(24)	-	(153)	-	-	-	(415)
Excess of expenses over revenue attributable to noncontrolling interests (LP) - continued operations	(210,768)	(769,302)	(210,592)	(729,498)	(474,643)	(371,253)	(879,763)	(108,536)	(239,054)	81,230	(1,526,781)	(146,112)	-	33,391	(5,551,681)
Ending net asset (GP)	(546)	(703)	(71)	(1,041)	(198,903)	(122)	(22)	(851,574)	95	(24,782)	(723)	8,935	410,000	(2,899,394)	(3,558,851)
Ending net asset (SLP)	10	(702)	10	(1,141)	(424)	(222)	-	-	(7)	-	(827)	-	-	-	(3,303)
Ending net asset (LP)	4,622,333	5,760,408	5,966,131	(4,279,998)	8,196,537	3,025,667	857,863	3,191,134	6,950,636	4,233,606	(2,175,451)	1,067,570	3,573,841	866,620	41,856,897
Total net assets	4,621,797	5,759,003	5,966,070	(4,282,180)	7,997,210	3,025,323	857,841	2,339,560	6,950,724	4,208,824	(2,177,001)	1,076,505	3,983,841	(2,032,774)	38,294,743
Total liabilities and net assets	\$ 14,646,854	\$ 32,123,026	\$ 32,808,277	\$ 27,530,059	\$ 19,283,899	\$ 13,375,523	\$ 23,307,548	\$ 20,011,537	\$ 27,499,113	\$ 13,260,582	\$ 36,257,234	\$ 12,252,642	\$ 11,091,064	\$ 11,136,142	\$ 294,583,500

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - TAX CREDIT ENTITIES

Year ended December 31, 2016

	Forest Park	Walnut Square	Bayview Preservation	Foxwood Preservation	St Luke's Preservation	Roundtree	Plaza B II	Cleme	Hollybush Preservation	Pepper Tree	Orange Preservation	Parkchester	Harvest Homes	Ships Cove Preservation	Total
Rent revenue	\$ 2,483,923	\$ 2,115,097	\$ 3,550,321	\$ 2,659,136	\$ 1,194,935	\$ 921,655	\$ 1,882,277	\$ 1,882,799	\$ 3,069,721	\$ 1,846,113	\$ 3,504,975	\$ 1,289,430	\$ -	\$ 613,755	\$ 27,014,137
Interest income	247	364	-	301	123	584	1,472	521	981	490	99	89	-	-	5,271
Other revenue	77,471	38,879	40,310	232,893	167,273	47,137	11,750	74,533	17,715	24,363	112,793	2,158	-	806	848,081
Total revenue	2,561,641	2,154,340	3,590,631	2,892,330	1,362,331	969,376	1,895,499	1,957,853	3,088,417	1,870,966	3,617,867	1,291,677	-	614,561	27,867,489
Salaries and benefits	290,620	202,123	343,451	498,105	230,332	187,939	337,227	263,381	446,416	327,647	484,852	154,422	-	111,946	3,878,461
Facilities and maintenance	392,404	243,664	366,717	468,357	151,454	89,337	178,655	143,515	233,176	215,834	337,024	344,163	-	45,186	3,209,486
Interest	389,611	440,861	1,240,752	723,941	267,513	187,475	724,024	431,214	765,969	248,725	1,249,383	362,535	-	124,290	7,156,293
Utilities	267,907	235,046	436,167	231,080	93,892	58,601	180,898	412,589	223,933	155,151	177,177	133,014	-	110,011	2,715,466
Insurance	211,513	294,996	103,032	100,208	72,475	40,912	51,402	188,515	77,328	80,522	151,534	41,096	-	21,986	1,435,519
Real estate taxes	136,560	75,541	237,010	255,035	70,336	-	167,634	219,484	333,043	139,239	1,018,354	45,656	-	35,011	2,732,903
Property management fees	101,048	85,084	142,534	123,712	58,201	48,318	60,726	80,062	132,427	94,447	150,350	53,016	-	22,414	1,152,339
Asset management fees	-	-	-	15,000	7,500	30,000	14,004	13,333	5,000	20,000	5,000	-	-	-	109,837
Accounting expense	4,440	4,440	14,784	14,849	8,750	21,020	25,121	24,750	26,398	9,000	15,496	17,191	-	11,050	197,289
Legal	-	-	7,601	6,571	11,663	5,591	-	29,911	16,104	9,612	104,938	13,257	-	2,490	207,738
Management and administration	189,160	261,655	199,244	362,488	289,962	206,391	80,553	182,981	344,986	74,800	462,798	78,083	-	53,280	2,786,381
Consulting expense	29,565	15,480	-	1,260	25,701	4,623	51,353	-	10,116	11,166	5,220	-	-	-	154,484
Marketing	27,941	10,091	3,517	20,920	6,328	7,631	-	3,136	5,017	17,754	9,195	443	-	1,374	113,347
Travel	-	-	-	1,417	35	12	-	600	4,359	12	437	1,341	-	-	8,213
Bad debt expense	31,466	26,503	513	8,638	45,198	2,067	25,044	6,056	17,512	13,419	8,207	2,675	-	1,680	188,978
Other financial expense	-	-	-	-	-	-	240,865	43,258	-	-	-	-	-	-	284,123
Depreciation	695,810	1,023,071	701,809	780,913	509,642	447,396	630,558	295,227	676,221	370,823	955,432	187,995	-	40,449	7,315,346
Amortization	4,385	5,241	4,113	9,480	23,059	3,390	7,286	-	9,514	1,577	9,556	2,917	-	-	80,518
Total expense	2,772,430	2,923,796	3,801,244	3,621,974	1,872,041	1,340,703	2,775,350	2,338,012	3,327,519	1,789,728	5,144,953	1,437,804	-	581,167	33,726,721
Excess of (expenses over revenue) revenue over expense - continued operations	(210,789)	(769,456)	(210,613)	(729,644)	(509,710)	(371,327)	(879,851)	(380,159)	(239,102)	81,238	(1,527,086)	(146,127)	-	33,394	(5,859,232)
Excess of expenses over revenue attributable to noncontrolling interests - continuing operations	210,768	769,379	210,592	729,571	474,694	371,291	879,763	108,536	239,078	(81,230)	1,526,934	146,112	-	(33,391)	5,552,097
Excess of expenses over revenue attributable to the Organization - continuing operations	\$ (21)	\$ (77)	\$ (21)	\$ (73)	\$ (35,016)	\$ (36)	\$ (88)	\$ (271,623)	\$ (24)	\$ 8	\$ (152)	(15)	\$ -	\$ 3	\$ (307,135)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - OTHER ENTITIES

December 31, 2016

	Preservation Partners	Walnut 209	Walnut	Forest	St. Luke's GP	Foxwood GP	Orange GP
Assets:							
Notes receivable and accrued interest	\$ -	\$ -	\$ -	\$ 2,154,032	\$ -	\$ -	\$ -
Investments in housing funds	-	-	-	-	(255)	(830)	(725)
Land, buildings, improvements and equipment, net	-	-	1,000,000	-	-	-	-
Prepaid expenses and other assets	-	-	210,966	-	-	-	-
Advances - current	341,647	37,243	-	-	-	-	-
Due from affiliates	-	-	-	-	-	70,000	-
Total assets	\$ 341,647	\$ 37,243	\$ 1,210,966	\$ 2,154,032	\$ (255)	\$ 69,170	\$ (725)
Liabilities:							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes and construction loans payable and accrued interest	-	-	-	-	-	-	-
Accounts payable - affiliates	-	-	-	-	200	100	100
Total liabilities	-	-	-	-	200	100	100
Net assets:							
Beginning net assets	341,647	37,243	1,374,779	2,803,440	(404)	59,143	(672)
Contributions (distributions)	-	-	-	-	-	-	-
Excess of expenses over revenue attributable to the Organization - continuing operations	-	-	(163,813)	(649,408)	(51)	9,927	(153)
Total net assets	341,647	37,243	1,210,966	2,154,032	(455)	69,070	(825)
Liabilities and net assets	\$ 341,647	\$ 37,243	\$ 1,210,966	\$ 2,154,032	\$ (255)	\$ 69,170	\$ (725)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - OTHER ENTITIES - CONTINUED

December 31, 2016

	Bayview GP	Hollybush GP	Pepper Tree GP	Plaza B GP	VOV-NHPFI	NDFD	Cleme 284	Jamestown	Harvest Homes GP
Assets:									
Notes receivable and accrued interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,218,103	\$ -
Investments in housing funds	(71)	95	(24,782)	16	(123)	735,780	(851,574)	(851,574)	410,100
Land, buildings, improvements and equipment, net	-	-	-	-	-	-	-	-	-
Prepaid expenses and other assets	-	-	-	-	-	-	-	-	-
Advances - current	-	-	-	-	-	-	-	-	-
Due from affiliates	-	-	20,000	40,799	30,000	-	10,000	-	-
Total assets	\$ (71)	\$ 95	\$ (4,782)	\$ 40,815	\$ 29,877	\$ 735,780	\$ (841,574)	\$ 2,366,529	\$ 410,100
Liabilities:									
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,700	\$ -
Notes and construction loans payable and accrued interest	-	-	-	-	-	-	-	3,000,000	-
Accounts payable - affiliates	10	100	-	125	30,100	868,066	-	-	100
Total liabilities	10	100	-	125	30,100	868,066	-	3,007,700	100
Net assets:									
Beginning net assets	(60)	19	1,589	26,778	(186)	(60,056)	-	120,203	410,000
Contributions (distributions)	-	-	-	-	-	-	(579,951)	(579,951)	-
Excess of expenses over revenue attributable to the Organization - continuing operations	(21)	(24)	(6,371)	13,912	(37)	(72,230)	(261,623)	(181,423)	-
Total net assets	(81)	(5)	(4,782)	40,690	(223)	(132,286)	(841,574)	(641,171)	410,000
Liabilities and net assets	\$ (71)	\$ 95	\$ (4,782)	\$ 40,815	\$ 29,877	\$ 735,780	\$ (841,574)	\$ 2,366,529	\$ 410,100

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - OTHER ENTITIES - CONTINUED

December 31, 2016

	Workforce I Housing, LLC	Anacostia GP	NHPF/WH	Wade Road GP	Benning GP	Ships Cove GP	New Covent GP	Total
Assets:								
Notes receivable and accrued interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,372,135
Investments in housing funds	(40,151)	(200,648)	(40,151)	8,935	315,869	103	92	(539,894)
Land, buildings, improvements and equipment, net	-	-	-	-	-	-	-	1,000,000
Prepaid expenses and other assets	-	-	-	-	-	-	-	210,966
Advances - current	-	-	-	-	-	-	-	378,890
Due from affiliates	-	-	-	-	-	-	-	170,799
Total assets	\$ (40,151)	\$ (200,648)	\$ (40,151)	\$ 8,935	\$ 315,869	\$ 103	\$ 92	\$ 6,592,896
Liabilities:								
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,700
Notes and construction loans payable and accrued interest	-	-	-	-	-	-	-	3,000,000
Accounts payable - affiliates	-	100	32,500	100	100	100	-	931,801
Total liabilities	-	100	32,500	100	100	100	-	3,939,501
Net assets:								
Beginning net assets	-	-	(32,500)	8,850	87,412	-	-	5,177,225
Contributions (distributions)	-	-	-	-	-	-	100	(1,159,802)
Excess of expenses over revenue attributable to the Organization - continuing operations	(40,151)	(200,748)	(40,151)	(15)	228,357	3	(8)	(1,364,028)
Total net assets	(40,151)	(200,748)	(72,651)	8,835	315,769	3	92	2,653,395
Liabilities and net assets	\$ (40,151)	\$ (200,648)	\$ (40,151)	\$ 8,935	\$ 315,869	\$ 103	\$ 92	\$ 6,592,896

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - OTHER ENTITIES

Year ended December 31, 2016

	Preservation Partners	Walnut 209	Walnut	Forest	St. Luke's GP	Foxwood GP	Orange GP
Asset management fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ -
Interest income	-	-	(158)	21,504	-	-	-
Other revenue	-	-	66,668	-	-	-	-
Total revenue	-	-	66,510	21,504	-	10,000	-
Asset management fees	-	-	-	-	-	-	-
Accounting expense	-	-	-	-	-	-	-
Management and administration	-	-	-	-	-	-	-
Contributions expense	-	-	230,323	670,912	-	-	-
Other losses (income) in investment in housing funds	-	-	-	-	51	73	153
Total expense	-	-	230,323	670,912	51	73	153
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (163,813)</u>	<u>\$ (649,408)</u>	<u>\$ (51)</u>	<u>\$ 9,927</u>	<u>\$ (153)</u>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - OTHER ENTITIES - CONTINUED

Year ended December 31, 2016

	Bayview GP	Hollybush GP	Pepper Tree GP	Plaza B GP	VOV-NHPF I	NDFD	Cleme 284	Jamestown	Harvest Homes GP
Asset management fees	\$ -	\$ -	\$ 20,000	\$ 14,003	\$ 30,000	\$ -	\$ 10,000	\$ -	\$ -
Interest income	-	-	-	-	-	-	-	92,700	-
Other revenue	-	-	-	-	-	-	-	-	-
Total revenue	-	-	20,000	14,003	30,000	-	10,000	92,700	-
Asset management fees	-	-	-	-	30,000	-	-	-	-
Accounting expense	-	-	-	-	-	-	-	2,500	-
Management and administration	-	-	-	25	-	-	-	-	-
Contributions expense	-	-	26,379	-	-	-	-	-	-
Other losses (income) in investment in housing funds	21	24	(8)	66	37	72,230	271,623	271,623	-
Total expense	21	24	26,371	91	30,037	72,230	271,623	274,123	-
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	\$ (21)	\$ (24)	\$ (6,371)	\$ 13,912	\$ (37)	\$ (72,230)	\$ (261,623)	\$ (181,423)	\$ -

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - OTHER ENTITIES - CONTINUED

Year ended December 31, 2016

	Workforce I Housing, LLC	Anacostia GP	NHPF/WH	Wade Road GP	Benning GP	Ships Cove GP	New Covent GP	Total
Asset management fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,003
Interest income	-	-	-	-	-	-	-	114,046
Other revenue	-	-	-	-	-	-	-	66,668
Total revenue	-	-	-	-	-	-	-	264,717
Asset management fees	-	-	-	-	-	-	-	30,000
Accounting expense	-	-	-	-	-	-	-	2,500
Management and administration	-	-	-	-	-	-	-	25
Contributions expense	-	-	-	-	-	-	-	927,614
Other losses (income) in investment in housing funds	40,151	200,748	40,151	15	(228,357)	(3)	8	668,606
Total expense	40,151	200,748	40,151	15	(228,357)	(3)	8	1,628,745
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	\$ (40,151)	\$ (200,748)	\$ (40,151)	\$ (15)	\$ 228,357	\$ 3	\$ (8)	\$ (1,364,028)

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