

**The NHP Foundation and its  
Affiliated Entities**

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

**December 31, 2017 and 2016**

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# 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 statements of financial position as of December 31, 2017 and 2016, 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 \$185,593,669 and \$129,187,868 of the related consolidated total assets as of December 31, 2017 and 2016, respectively, and total public support and operating revenue of \$22,343,035 and \$16,831,154, 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, 2017 and 2016, 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.

*CohnReznick LLP*

Bethesda, Maryland  
June 5, 2018

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

December 31, 2017 and 2016

	2017	2016
<b>Assets:</b>		
Cash and cash equivalents	\$ 44,889,762	\$ 13,229,779
Investments - restricted	467,970	463,770
Investments - unrestricted	373,579	371,467
Restricted cash	734,448	11,299
Notes receivable and accrued interest	880,833	1,670,244
Grants receivable	5,026	46,122
Investment in housing funds	144,240	933,839
Land, buildings, improvements and equipment, net	433,437,788	341,952,473
Mortgage escrow and utility deposits	28,905,368	17,226,035
Prepaid expenses and other assets	7,233,886	2,766,630
Working capital advances	16,381	37,695
Replacement reserves	5,736,419	5,647,350
Tenants' security deposits	1,376,824	1,368,169
Deferred development costs	4,983,859	1,284,400
Deferred other assets, net	1,135,753	876,044
Due from affiliates	7,441,577	263,445
	\$ 537,763,713	\$ 388,148,761
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 12,515,007	\$ 7,091,609
Other liabilities	4,731,777	5,910,084
Tenants' security deposits	1,421,172	1,529,171
Mortgage notes payable and accrued interest, net	353,798,386	250,605,281
Notes and construction loans payable and accrued interest, net	76,464,576	41,687,546
Asset management fees payable	42,458	3,333
Accounts payable - affiliates	10,771,301	1,897,903
	459,744,677	308,724,927
<b>Net assets:</b>		
Unrestricted controlling	55,535,912	38,374,259
Unrestricted noncontrolling	22,424,428	40,913,075
	77,960,340	79,287,334
Temporarily restricted net assets	58,696	136,500
	78,019,036	79,423,834
	\$ 537,763,713	\$ 388,148,761

See notes to consolidated financial statements

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended December 31, 2017

	Unrestricted	Temporarily restricted	Total
Public support and operating revenue:			
Rent revenue	\$ 53,381,677	\$ -	\$ 53,381,677
Management fees	48,425	-	48,425
Contributions and grants	3,457,202	139,068	3,596,270
	<u>56,887,304</u>	<u>139,068</u>	<u>57,026,372</u>
Net assets released from restrictions	<u>216,872</u>	<u>(216,872)</u>	<u>-</u>
Total public support and operating revenue	<u>57,104,176</u>	<u>(77,804)</u>	<u>57,026,372</u>
Expenses:			
Program services:			
Rental operations	61,357,925	-	61,357,925
Acquisition and development	3,540,391	-	3,540,391
Asset management	731,016	-	731,016
Operation Pathways	1,384,460	-	1,384,460
Supporting services:			
Management and general	12,326,585	-	12,326,585
Fundraising services	307,137	-	307,137
Total expenses	<u>79,647,514</u>	<u>-</u>	<u>79,647,514</u>
Excess of expenses over revenue before other revenue (expense)	<u>(22,543,338)</u>	<u>(77,804)</u>	<u>(22,621,142)</u>
Other revenue (expense):			
Developer fee revenue	3,908,485	-	3,908,485
Interest revenue	388,617	-	388,617
Other revenue	2,631,250	-	2,631,250
Gain on sale of fixed assets	40,264,074	-	40,264,074
Other income (losses) in housing funds	323	-	323
Total other revenue (expense)	<u>47,192,749</u>	<u>-</u>	<u>47,192,749</u>
Excess of revenue over expenses (expenses over revenue)	<u>24,649,411</u>	<u>(77,804)</u>	<u>24,571,607</u>
Excess of expenses over revenue attributable to noncontrolling interests	<u>7,252,979</u>	<u>-</u>	<u>7,252,979</u>
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	<u>\$ 31,902,390</u>	<u>\$ (77,804)</u>	<u>\$ 31,824,586</u>

(continued)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES  
CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

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) revenue over expenses 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	2,655,387	-	2,655,387
Gain on sale of fixed assets	348	-	348
Other income (losses) in housing funds	(71,659)	-	(71,659)
Total other revenue (expense)	4,859,113	-	4,859,113
Excess of (expenses over revenue) revenue over expenses	(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)

See notes to consolidated financial statements

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

Years ended December 31, 2017 and 2016

	Unrestricted net assets			Temporarily restricted net assets	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Beginning balance, January 1, 2016	\$ 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	38,374,259	40,913,075	79,287,334	136,500	79,423,834
Transfers in	-	(54,316,992)	(54,316,992)	-	(54,316,992)
Transfer of net assets	(14,740,737)	14,740,737	-	-	-
Capital contributions from noncontrolling interests, net of syndication costs	-	28,340,587	28,340,587	-	28,340,587
Excess of expenses over revenue attributable to noncontrolling interests	-	(7,252,979)	(7,252,979)	-	(7,252,979)
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	<u>31,902,390</u>	<u>-</u>	<u>31,902,390</u>	<u>(77,804)</u>	<u>31,824,586</u>
Ending balance, December 31, 2017	<u>\$ 55,535,912</u>	<u>\$ 22,424,428</u>	<u>\$ 77,960,340</u>	<u>\$ 58,696</u>	<u>\$ 78,019,036</u>

See notes to consolidated financial statements



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

Year ended December 31, 2017

Nature of expenses:	Program services				Supporting services		Total
	Rental operations	Acquisition and Development	Asset Management	Operation Pathways	Management and general	Fundraising	
Salaries and benefits	\$ 8,389,531	\$ 3,206,513	\$ 626,291	\$ 859,842	\$ 2,295,356	\$ 54,418	\$ 15,431,951
Facilities and maintenance	8,768,826	-	-	-	-	-	8,768,826
Interest	11,611,596	-	-	-	326,527	-	11,938,123
Utilities	5,395,833	-	-	-	-	-	5,395,833
Insurance	2,769,190	-	-	-	73,086	-	2,842,276
Real estate taxes	2,735,105	-	-	-	-	-	2,735,105
Management fees	214,343	-	-	-	2,085,004	-	2,299,347
Accounting and legal fees	86,430	-	-	-	1,115,522	-	1,201,952
Management and administration	6,262,190	27,818	8,968	485,284	1,804,269	5,414	8,593,943
Consulting	9,995	16,089	-	-	1,337,321	21,600	1,385,005
Marketing	3,922	1,295	66	-	373,813	174,826	553,922
Travel	11,542	288,676	95,691	4,334	343,282	50,879	794,404
Directors' fees	-	-	-	-	15,000	-	15,000
Other	235,724	-	-	-	814,426	-	1,050,150
Bad debt expense	16,435	-	-	35,000	659,615	-	711,050
Contributions expense	2,454,836	-	-	-	988,017	-	3,442,853
Depreciation and amortization	12,392,427	-	-	-	95,347	-	12,487,774
	<u>\$ 61,357,925</u>	<u>\$ 3,540,391</u>	<u>\$ 731,016</u>	<u>\$ 1,384,460</u>	<u>\$ 12,326,585</u>	<u>\$ 307,137</u>	<u>\$ 79,647,514</u>

(continued)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED

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	1,333,031	-	1,422,121
Marketing	26,614	-	-	13,836	326,263	-	366,713
Travel	12,949	178,959	89,955	61,008	194,471	29,275	566,617
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>

See notes to consolidated financial statements

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Excess (deficit) of revenue over expenses	\$ 24,571,607	\$ (9,752,409)
Adjustments to reconcile excess (deficit) of revenue over expenses to cash (used in) provided by operating activities:		
Depreciation and amortization	12,487,774	10,819,886
Bad debt expense	711,050	566,722
Amortization of debt issuance costs	896,215	846,999
Unrealized loss on swap	(248,448)	(878,170)
(Gain) Loss on sale of properties	(40,264,074)	(348)
Other (income) losses in housing funds	(323)	71,659
Increase (decrease) in operating assets:		
Accrued interest on notes receivable	38,169	(38,384)
Prepaid expenses and other assets	(5,178,306)	(962,158)
Tenants' security deposits	(8,655)	(79,474)
Due from affiliates	(7,178,132)	(263,445)
Grant receivable	41,096	188,349
(Increase) decrease in operating liabilities:		
Accounts payable and accrued expenses	2,359,924	(317,966)
Other liabilities	(933,192)	1,996,395
Tenants' security deposits	(107,999)	178,011
Accrued interest on mortgage, notes and construction loan payable	319,441	391,127
Accounts payable - affiliates	-	10,041
Net cash (used in) provided by operating activities	<u>(12,493,853)</u>	<u>2,776,835</u>
Cash flows from investing activities:		
Proceeds from repayment of notes receivable	854,220	587,628
Issuance of notes receivable	(102,978)	(2,000,000)
Purchase of land, buildings, improvements and equipment	(65,495,318)	(72,545,173)
Purchase of other assets	(460,878)	(25,256)
Net payment (advances) of working capital	21,314	(37,695)
Net deferred development costs (additions)/ reimbursements	(3,699,459)	1,704,258
Cash acquired from equity transfer	2,587,576	
Proceeds from sale of rental property	43,081,429	460,931
Net proceeds from (purchase of) investment in housing funds	789,922	(390,936)
Net deposits to mortgage escrow and utility deposits	(3,296,738)	(3,929,468)
Net (deposits to) withdrawals from replacement reserves	(89,069)	(855,749)
Net sales (purchases) of investments	(6,312)	550
Net cash used in investing activities	<u>(25,816,291)</u>	<u>(77,030,910)</u>
Cash flows from financing activities:		
Capital contributions received from noncontrolling interests	28,340,587	6,391,478
Net payment of advances from affiliates	715,926	-
Proceeds from mortgages, notes and construction loans payable	79,452,489	107,488,360
Principal payments on mortgages, notes and construction loans payable	(33,536,079)	(39,177,500)
Payments for debt issuance costs	(4,279,647)	(2,670,204)
Net cash provided by financing activities	<u>70,693,276</u>	<u>72,032,134</u>
Net increase (decrease) in cash and cash equivalents	32,383,132	(2,221,941)
Cash and cash equivalents, beginning	<u>13,241,078</u>	<u>15,463,019</u>
Cash and cash equivalents, ending	<u>\$ 45,624,210</u>	<u>\$ 13,241,078</u>

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

Years ended December 31, 2017 and 2016

	2017	2016
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest, net of amount capitalized	\$ 10,722,467	\$ 8,634,965
<b>SIGNIFICANT NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Equity transfer in	\$ (54,316,992)	\$ -
Accounts payable and accrued expenses, relating to construction costs included in land buildings, improvements and equipment	\$ 11,263,404	\$ 4,593,865
Mortgage proceeds included in land, buildings, improvements and equipment	\$ -	\$ 2,899,397
Cash and cash equivalents	\$ 44,889,762	\$ 13,229,779
Restricted cash	734,448	11,299
	\$ 45,624,210	\$ 13,241,078

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2017 and 2016

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### 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 37 properties, impacting over 6,399 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 20 properties in 12 states plus the District of Columbia impacting over 3,855 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. (LaSalle at Lincoln Heights) [8]
- Alexander House Owner, LLC (Alexander)
- Anacostia Gardens Investor, LLC (Anacostia Garden)
- Asmara Affordable Housing, Inc. (Asmara) [3]
- Benning Heights Affordable, LLC (Benning) [6]
- Cherry Affordable Housing, Inc. (Cherry) [2]
- C/HP Cove, Inc. (Clipper)
- Cornerstone/Bayview, Inc. (Bayview)
- Cornerstone/St. Luke’s Inc. (St. Luke’s)
- FCHC Virginia Community Development Corporation (Falls Church) [1]
- Falls Church Winter Hill, LLC (Winter Hill) [1]
- Foxwood Affordable Housing, Inc. (Foxwood)
- Hollybush Affordable Housing, Inc. (Hollybush)
- Nannie Helen Manager, LLC
- New Covent, LLC (New Covent)
- Milliken Affordable Housing, Inc. (Milliken) [9]

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2017 and 2016

- Nannie Helen Owner, LLC (Strand)
- New Mark Twain, LLC (Mark Twain)
- Orange Affordable Housing, Inc. (Orange)
- Plaza Borinquen 88 Owner L.P. (Plaza B)
- Preserving Louisiana's Affordable Housing I, LLC (Copper) [4]
- Preserving Louisiana's Affordable Housing II, LLC (Magnolia) [5]
- The Pines Owner, LLC (Pines at Carolina)
- Takoma Place Investor, LLC (Takoma)
- Virginia Village Apartments (Virginia Village) [7]

- [1] 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.
- [2] 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.
- [3] On December 13, 2017, the properties and the related assets and liabilities of Asmara were sold to an unrelated third party.
- [4] On May 12, 2017, the property and the related assets and liabilities of Copper were sold to an unrelated third party.
- [5] On May 12, 2017, the property and the related assets and liabilities of Magnolia were sold to an unrelated third party.
- [6] On January 11, 2017, the property and the related assets and liabilities of Benning were sold to Benning Heights Investor LLC, a related party.
- [7] Virginia Village is a 4-unit property located in Falls Church, Virginia which, is a component of FCHC Virginia Community Development Company. This property was sold on November 28, 2017 to an unrelated third party.
- [8] On June 22, 2017, A.C.T. Affordable Housing purchased LaSalle at Lincoln Heights.
- [9] On September 23, 2016, the property and related assets and liabilities of Milliken were sold to Ship's Cove Preservation Limited Partnership, a related party.

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)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2017 and 2016

- Benning Heights Investor, LLC (Benning Heights)
- Bolton North, LP (Bolton North)[10]
- Cleme Manor Holdings, LLC (Cleme)
- Columbia Heights Village Apartments L.P. (Columbia Heights)
- 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) [11]
- Plaza Borinquen 88 Housing Development Fund Company, Inc. (Plaza B Housing Fund) [11]
- 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) [12]
- St. Luke's Preservation Partners, L.P. (St. Luke's Preservation) [12]
- Wade Road Investor LLC (Parkchester)

[10] On January 11, 2017, the property and the related assets and liabilities of Benning Heights were acquired from Benning Heights Affordable, LLC, a related party.

[11] 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.

[12] The accounts and balances of St. Luke's Master Tenant, LLC are combined with St. Luke's Preservation, the real estate title holder. These combined entities are collectively referred to as St. Luke's Preservation 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)
- Columbia Apartments, L.P. (Columbia Heights GP)
- New Covent Managing Member, LLC (Covent GP)
- Forest Park Affordable Housing, Inc. (Forest)
- Foxwood GP, Inc. (Foxwood GP)

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- Harvest Homes GP, LLC (Harvest Homes GP)
- Hollybush GP, Inc. (Hollybush GP)
- Jamestown Affordable Housing, Inc. (Jamestown)
- NDFD LLC (NDFD)
- NDFD II (NDFD II)
- NHPF/WFH, LLC (NHPF/WFH)
- NHPF-Columbia Heights Manager, LLC (Columbia Heights Manager GP)
- NHPF Eagles Landing GP, LLC
- Nannie Helen NHPF, LLC (Nannie Helen GP)
- 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)
- Takoma Place GP, Inc. (Takoma 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.

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:



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- 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, 2017 and 2016 of limited partner/member equity interest in the non-wholly-owned affordable housing entities that are included in the consolidated financial statements. The majority of non-controlling unrestricted net assets consists of the limited partner interests in tax credit holdings.
- 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, 2017 and 2016.

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 and loan 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 experience and a review of the status of tenant accounts receivables. It is reasonably possible that management's estimate of the allowance will change.

Debt Issuance Costs

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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.

Deferred Costs

Deferred costs consist of tax credit fees and other intangible assets. The deferred costs are amortized over the estimated useful life using the straight-line method.

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.

Developer fees receivable

NHPF has entered into various development agreements with the affiliated tax credit and real estate entities of which, NHPF and their related general partner/member entities serve as the general partner or managing member in these entities. The agreements provide for the fee to be paid from capital contributions and future cash flows of the respective entities. Developer fees receivable presented on the combining and consolidating statement of financial position represent developer fees due from related entities for development services. Developer fees receivable, developer fee income and deferred developer fee earned from affiliates and subsidiaries shall be paid by the related entities upon receipt of the limited partner equity contribution. Any remaining developer fee receivable, and accrued interest there in, if applicable, is payable from operational cash flow of the respective projects and is eliminated in consolidation. Developer fees receivable are reported at their net realizable value. Management's estimate of any allowance is based on collectability determined by future operating cash flows of the related entities. It is reasonably possible that management's estimate of allowances will change. The balance of developer fees receivable, net of allowance for uncollectable, after eliminating adjustments, as of December 31, 2017 and 2016 is \$7,280,512 and \$263,445, respectively and is included in due from affiliates in the consolidated statements of financial position.

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

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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, 2017 and 2016.

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, recognizes its share of 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 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 receive 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,

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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 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

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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 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 receive 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/WFH is now the sole member of Workforce Housing I LLC.

#### 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

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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). Asmara was sold in 2017 and as of December 31, 2017, the two remaining 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.

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

Development fees are recorded as income in the period earned based on the percentage of completion method, taking into account the total anticipated development costs of the related project including completion and operating deficit guarantee obligations. The unearned portion is classified

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as deferred revenue. Development fees are carried at their net realizable value. Only the portion of development fees to be paid from operating cash flow is eliminated in consolidation.

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 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, 2017 and 2016. 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 2014 remain open.

The following are single member limited liability companies and therefore, these entities are treated as disregarded entities for income tax purposes and, as such, are not subject to income taxes.

- Alexander House Owner, LLC
- The Pines at Carolina, LLC
- Wade Road Investor, LLC
- Takoma Place Investor, LLC
- New Covent, LLC
- New Mark Twain, LLC

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- Anacostia Gardens Investor, LLC

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, Takoma, Anacostia, Nannie Helen, Wade Road 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, 2017 and 2016. 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 2014 remain open.

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.

Reclassifications

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



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**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>	<u>End Date</u>
Alexander House	MD06H020040	95	5/1/2014	4/30/2019
Bayview Preservation	CT26-M000-093	75	7/1/2011	6/30/2031
Benning Heights Investor	DC39H001003	148	5/24/2015	5/24/2035
Bolton North	MD06000088	209	8/9/2017	8/31/2031
Cleme Manor Holdings	TX24M000012	284	1/1/2002	1/1/2022
Columbia Heights	DC39-MOOO-053	406	1/1/2002	1/1/2022
Hollybush Preservation	NJ16-L000-006	159	10/1/2013	9/30/2033
Parkchester	DC390032002	94	11/30/2015	11/31/2034
Plaza B	NYPF0029-504	66	10/31/2012	10/31/2034
Forest Park	N/A	71	4/5/2009	4/2/2019
Walnut Square	N/A	48	7/13/2009	7/12/2019
Ship's Cove	MA06-L000-037	162	9/30/2016	10/31/2034
St. Luke's Preservation	MO36-M000-928	21	8/1/2004	7/31/2020

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.

**NOTE 4 - INVESTMENTS**

At December 31, 2017 and 2016, investments held in brokerage investment accounts consists of certificates of deposits in the amount of \$841,549 and \$835,237, 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, 2017 and 2016, \$467,970 and \$463,770, respectively, is restricted pursuant to various agreements.

**NOTE 5 - INVESTMENTS IN OPERATING ENTITIES**

As of December 31, 2017, and 2016, 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 and is recorded on the cost method. As of December 31, 2017 and 2016, the investment balance in HPET was \$184,052 and \$196,559, respectively.

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The following investments are recorded on the equity method:

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, 2017 and 2016, the investment balance was \$1,820 and \$1,500, respectively.

Eagles Landing

During 2015, NHPF acquired its interest in Eagles Landing. As of December 31, 2017 and 2016, the investment balance was \$44,342 and \$0.

Nonprofit Housing Preservation SB, Inc. (Sunset Bay)

During 2016, NHPF acquired its interest in Sunset Bay. As of December 31, 2017, and 2016, the investment balance was \$0.

CHA

During 2016, NHPF acquired its interest in CHA, LLC. As of December 31, 2017 and 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, 2017 and 2016, the investment in NHPF/UA was \$(85,974) and \$735,780, respectively.

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The combined equity investments as of and for the years ended December 31, 2017 and 2016 are summarized below:

Investment in Operating Entities at January 1, 2016	\$	403,061
Capital contributions paid		528,401
Distributions received		(122,523)
Equity in losses of Operating Entities		<u>(71,659)</u>
Investment in Operating Entities at December 31, 2016	\$	737,280
Capital contributions paid		44,342
Distributions received		(821,757)
Equity in losses of Operating Entities		<u>323</u>
Investment in Operating Entities at December 31, 2017	\$	<u><u>(39,812)</u></u>

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The combined summary financial information of the equity investments as of December 31, 2017 and 2016 and for the years then ended, are as follows:

BALANCE SHEET

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,133,481	\$ 299,535
Restricted cash	573,148	260,306
Investment in properties	(164,146)	122,430
Land, buildings, improvements and equipment, net	27,225,193	19,800,487
Mortgage escrow and utility deposits	15,524,073	15,664,275
Prepaid expenses and other assets	224,013	326,275
Replacement reserves	350,820	356,549
Tenants' security deposits	22,123	15,501
Due from affiliate	5,193	1,519
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 44,893,898</u>	<u>\$ 36,846,877</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts payable and accrued expenses	\$ 1,286,897	\$ 918,211
Other liabilities	875,976	375,723
Tenants' security deposits	43,390	37,296
Mortgage notes payable and accrued interest, net	15,902,360	8,454,928
Notes and construction loans payable and accrued interest, net	17,641,639	18,230,293
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>35,750,262</u>	<u>28,016,451</u>
Members' equity		
NHPF's member equity	(39,812)	737,280
Other members' equity	9,183,448	8,093,146
	<u>                    </u>	<u>                    </u>
Total members' equity	<u>9,143,636</u>	<u>8,830,426</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and members' equity	<u>\$ 44,893,898</u>	<u>\$ 36,846,877</u>

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STATEMENT OF OPERATIONS

	<u>2017</u>	<u>2016</u>
Revenue		
Rent revenue	\$ 2,656,770	\$ 1,735,250
Asset management fees	195,527	238,455
Interest revenue	94,024	12,026
Other revenue	<u>1,089,257</u>	<u>67,796</u>
Total revenue	4,035,578	2,053,527
Operating expenses		
Legal expense	33,179	(3,642)
Other professional fees	115,200	150,375
Travel	15,346	25,157
Office expenses	1,299,920	880,739
Miscellaneous operating expenses	<u>3,572,071</u>	<u>1,295,212</u>
Total operating expenses	<u>5,035,716</u>	<u>2,347,841</u>
Net income before equity in losses	(1,000,138)	(294,314)
Equity in losses	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$ (1,000,138)</u>	<u>\$ (294,314)</u>
Investor's share of net income (loss)	<u>\$ 323</u>	<u>\$ (71,659)</u>

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2017 and 2016

### NOTE 6 - NOTES RECEIVABLE AND ACCRUED INTEREST

Notes receivable and accrued interest consist of the following:

Affiliated Entity	Description	2017 Note Balance	2016 Note Balance	2017 Accrued Interest	2016 Accrued Interest	Maturity Date	Interest Rate	Borrowers
Cherry	Seller Loan	\$ 98,300	\$ 127,660	\$ 4,678	\$ 5,314	7/14/2046	3.860%	Cherry Estates
Bayview	HTCC Loan	500,000	500,000	66,925	52,020	12/1/2054	2.700%	Bayview Preservation
Bayview	Seller Loan	10,332,544	10,531,817	251,613	257,161	12/1/2054	2.400%	Bayview Preservation
St. Luke's	Seller Loan	4,815,000	4,815,000	1,871,382	1,603,721	12/18/2044	4.170%	St. Luke's Preservation
Falls Church	Loan	349,250	335,000	27,494	10,528	11/4/2015	5.000%	Alexander House Owner
Falls Church	Seller Loan	36,000	36,000	30,405	26,646	12/1/2016	6.000%	420 S. Virginia Ave.
Falls Church	Loan	708,370	1,216,328	3,086	32,809	[1]	5.000%	CHA (Cambridge)
Forest	Seller Loan	1,765,976	2,141,838	14,449	12,194	3/19/2037	1.000%	Forest Park
Foxwood	Seller Loan	12,800,000	12,800,000	5,888,879	5,128,695	6/30/2046	4.240%	Foxwood Preservation
Hollybush	Seller Loan	6,056,295	6,353,857	132,022	135,583	12/31/2055	3.280%	Hollybush Preservation
Jamestown	Loan	1,200,000	-	16,023	-	8/25/2024	2.990%	Cleme
Jamestown	Acquisition Loan	3,000,000	3,000,000	307,803	218,103	8/25/2024	2.990%	Cleme
Milliken	Seller Loan	5,185,000	5,185,000	470,119	100,158	12/31/2056	7.000%	Ships Cove Preservation
Milliken	Reserve Note	1,252,000	1,252,000	113,518	24,185	12/31/2056	7.000%	Ships Cove Preservation
NHPF	Mark to Market Loan	2,740,408	-	73,799	-	1/1/2049	2.750%	Benning Heights Investor
NHPF	Mirror Loan	8,789,657	-	29,304	-	2/8/2019	3.630%	Bolton North
NHPF	Sponsor Loan	-	175,000	-	2,188	11/30/2016	3.750%	Abysinnian
NHPF	Sponsor Loan	184,250	184,250	27,096	15,133	11/30/2049	8.000%	Harvest Homes
NHPF	Sponsor Loan	-	47,500	-	257	10/26/2051	3.000%	Harvest Homes
NHPF	Sponsor Loan	150,000	300,000	518	542	N/A	6.000%	Clipper
NHPF	Sponsor Loan	1,450,000	1,450,000	149,688	135,188	3/19/2037	1.000%	Forest Park
NHPF	Sponsor Loan	2,339,025	-	11,208	-	6/1/2018	5.750%	Mark Twain
NHPF	Sponsor Loan	295,814	295,814	6,389	3,195	12/31/2051	1.000%	Roundtree
NHPF	Sponsor Loan	562,654	-	-	-	12/18/2044	0.000%	St. Luke's GP
NHPF	Sponsor Loan	1,045,000	1,045,001	108,854	98,404	3/1/2044	1.000%	Walnut Square
NHPF	Sponsor Loan	600,000	600,000	62,515	56,515	3/1/2044	1.000%	Walnut Square
NHPF	Sponsor Loan	250,000	250,000	134,147	121,272	3/1/2027	5.150%	Walnut Square
Orange	Seller Loan	17,800,000	17,800,000	3,767,905	3,032,628	12/31/2052	3.530%	Orange Preservation
Plaza B II	Gap Note	109,190	-	2,527	-	6/1/2046	3.140%	Plaza B II
Plaza B II	Reserve Note	336,256	336,256	38,474	27,062	6/1/2046	3.140%	Plaza B II
Plaza B II	Seller Loan	4,250,669	4,250,669	496,577	352,046	6/1/2046	3.140%	Plaza B II
St. Luke's GP	Promissory Note	562,654	-	-	-	12/18/2044	0.000%	St. Luke's Preservation
	Sub-total	89,564,312	75,028,990	14,107,397	11,451,547			
	Less: Allowance	(2,740,408)	-	-	-			
	Eliminations	(85,981,234)	(73,426,502)	(14,069,234)	(11,383,791)			
	Total	\$ 842,670	\$ 1,602,488	\$ 38,163	\$ 67,756			

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

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2017 and 2016

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

As of December 31, 2017 and 2016, land, buildings, improvements and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 56,828,389	\$ 45,397,212
Buildings, improvements and equipment	<u>480,962,565</u>	<u>363,845,986</u>
	537,790,954	409,243,198
Less: Accumulated depreciation	<u>(104,353,166)</u>	<u>(67,290,725)</u>
	<u>\$ 433,437,788</u>	<u>\$ 341,952,473</u>

Depreciation expense for 2017 and 2016 amounted to \$12,286,605 and \$10,736,386. Construction in progress of \$15,159,975 and \$22,017,843 at December 31, 2017 and 2016 is included in buildings, improvements and equipment. Refer to Note 12 for the acquisition and disposition of properties during 2017 and 2016.

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2017 and 2016

**NOTE 8 - NOTES AND CONSTRUCTION LOANS PAYABLE**

Affiliated Entity	2017 Note Balance	2016 Note Balance	2017 Accrued Interest	2016 Accrued Interest	Maturity Date	Interest Rate		Lenders
NHPF	\$ 2,112,500	\$ 2,500,000	\$ 56,250	\$ 30,125	11/1/2023	4.500%	[7]	Prudential Insurance Company of America
NHPF	2,500,000	-	19,167	-	11/1/2023	3.000%	[7]	Prudential Insurance Company of America
NHPF	-	1,000,000	-	-	3/6/2017	1.000%	[5]	The Ford Foundation
NHPF	8,789,659	-	29,302	-	2/8/2019	3.810%	[14]	PNC Bank
NHPF	325,000	-	8,801	-	7/19/2018	6.500%		National Housing Trust
NHPF	500,000	-	2,375	-	6/18/2018	6.000%		Community Capital
NHPF	1,428,000	-	33,528	-	8/31/2019	5.750%		National Housing Trust
NHPF	100,000	-	5,450	-	1/1/2019	6.000%		Corporation for Supportive Housing
NHPF	1,201,450	-	11,147	-	12/1/2018	6.000%		Local Initiatives Support Corporation
Alexander	349,250	335,000	27,494	10,528	8/10/2018	5.000%	[1]	Falls Church
Alexander	4,800,000	4,800,000	-	-	8/31/2018	variable	[9]	Enterprise Community Loan Fund Inc
Alexander	900,000	900,000	-	-	8/31/2018	6.000%		Enterprise Community Loan Fund Inc
Anacostia Gardens	2,400,000	2,400,000	12,000	12,800	3/29/2016	6.000%	[8]	Local Initiatives Support Corporation
Bayview Preservation - HTCC Loan	500,000	500,000	66,925	52,020	12/1/2054	2.700%	[1], [15]	Bayview
Bayview Preservation - Seller Loan	10,332,544	10,531,817	251,613	257,161	12/1/2054	2.400%	[1], [15]	Bayview
Benning	-	290,580	-	-	N/A	0.000%		Department of Housing and Community Development
Benning	-	3,128,829	-	66,177	6/30/2030	2.000%		U.S. Department of Housing and Urban Development
Benning Heights	2,740,408	-	73,799	-	1/1/2049	2.750%	[1]	NHPF
Benning Heights	10,436,193	-	-	-	1/1/2049	3.622%		Citibank, N.A.
Benning Heights	5,012,387	-	150,372	-	1/1/2049	3.000%		DHCD
Bolton North	8,789,657	-	29,304	-	2/8/2019	3.630%	[12], [1], [14]	NHPF
Cleme	14,933,422	11,611,610	41,220	31,964	N/A	3.250%		PNC Bank
Cleme	1,200,000	-	16,023	-	8/25/2024	2.990%	[1], [15]	Jamestown
Cleme - Seller Loan	3,000,000	3,000,000	307,803	218,103	8/25/2024	2.990%	[1], [15]	Jamestown
Clipper - NHPF/TPI Loan	300,000	300,000	740	547	N/A	6.000%	[6]	NHPF/TPI
Forest Park - NHPF Loan	1,450,000	1,450,000	149,689	135,189	3/19/2037	1.000%	[1], [15]	NHPF
Forest Park - Seller Loan	1,765,974	2,141,836	14,449	12,194	3/19/2037	1.000%	[1], [15]	Forest
Foxwood	12,800,000	12,800,000	5,888,879	5,128,695	6/30/2046	4.240%	[1], [15]	Foxwood
Harvest Homes	7,746,035	5,281,073	28,340	13,570	6/21/2018	4.150%	[13]	JP Morgan Chase
Harvest Homes	600,000	-	1,062	-	12/21/2036	5.790%		JP Morgan Chase
Hollybush Preservation - Seller Loan	6,056,295	6,353,857	132,022	135,583	12/31/2055	3.280%	[1], [2]	Hollybush
Jamestown	4,200,000	3,000,000	-	-	8/25/2024	0.000%		Dept. of Housing and Community Development
Mark Twain	2,339,025	-	11,208	-	6/1/2018	5.750%	[1]	NHPF
Orange Preservation - Seller Loan	17,800,000	17,800,000	3,767,905	3,032,629	12/31/2052	3.530%	[1], [3]	Orange
Plaza B II	109,190	-	2,527	-	6/1/2046	3.140%	[1], [15]	Plaza Borinquen 88 Owner
Plaza B II - HDC Loan	1,920,000	1,919,800	-	-	5/1/2047	1.250%		New York City Housing Development Corporation
Plaza B II - Reserve Note	336,256	336,256	38,474	27,063	6/1/2046	3.140%	[1], [15]	Plaza Borinquen 88 Owner
Plaza B II - Seller Note Loan	4,250,669	4,250,669	566,862	356,845	6/1/2046	1.250%	[1], [15]	Plaza Borinquen 88 Owner
Roundtree - Sponsor Loan	603,701	603,701	12,279	6,242	12/31/2051	1.000%	[4]	NHPF and VOV Community Development Corp.
Ships Cove Preservation (Loan B)	1,827,000	190,857	-	1,256	3/22/2018	Varies	[10]	Citizen Bank
Ships Cove Preservation (Loan C)	848,535	642,372	-	5,599	3/22/2018	Varies	[11]	Citizen Bank
St. Luke's Preservation	562,654	-	-	-	12/18/2044	0.000%	[1]	St. Luke's GP
St. Luke's GP	562,654	-	-	-	12/18/2044	0.000%	[1]	NHPF
St. Luke's Preservation - Seller Loan	4,815,000	4,815,000	1,871,381	1,603,721	12/18/2044	4.170%	[1], [15]	St. Luke's
Pines at Carolina	3,700,000	3,700,000	-	-	10/1/2023	6.750%		Low Income Investment Fund
Walnut Square - NHPF Loan	1,045,001	1,045,001	108,854	98,404	3/1/2044	1.000%	[1], [15]	NHPF
Walnut Square - NHPF Loan	600,000	600,000	62,515	56,515	3/1/2044	1.000%	[1], [15]	NHPF
Walnut Square - NHPF Loan	250,000	250,000	134,147	121,272	3/1/2027	5.150%	[1], [15]	NHPF
Walnut Square - TCAP Loan	1,000,000	1,000,000	68,822	58,775	1/1/2051	1.000%		TCAP - Louisiana Housing and Finance Agency
Sub-total	159,838,459	109,478,258	14,002,728	11,472,977				
Eliminations	(82,100,391)	(66,655,250)	(13,527,188)	(11,249,255)				
Total	77,738,068	42,823,008	\$ 475,540	\$ 223,722				
Unamortized debt issuance costs	(1,749,032)	(1,359,184)						
Accrued interest	475,540	223,722						
Balance, Net of Unamortized Debt Issuance Costs	\$ 76,464,576	\$ 41,687,546						



# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2017 and 2016

- [1] - For consolidation purposes, the activity is eliminated.  
 [2] - Matures on the earlier of i) December 31, 2055 or ii) the sale, refinancing or other disposition of the project.  
 [3] - Matures on the earlier of i) December 31, 2052 or ii) the sale, refinancing or other disposition of the project.  
 [4] - For consolidation purposes, the NHPF portion (49%) of activity is eliminated.  
 [5] - NHPF repaid this loan in 2017 in accordance with the note provisions.  
 [6] - For consolidation purposes, 50% of the activity is eliminated.  
 [7] - NHPF entered an amended agreement with Prudential Insurance Company of America on September 8, 2017 with extended maturity date of November 1, 2023  
 [8] - 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  
 [9] - 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.  
 [10] - Interest rate accrues at LIBOR plus 175 basis points.  
 [11] - Interest rate accrues at LIBOR plus 250 basis points  
 [12] - Interest rate accrues at the higher of the prime rate or the sum of the Federal Funds Open Rate plus 1%  
 [13] - Interest rate accrues at the LIBOR plus 2.65%  
 [14] - Repaid in 2018  
 [15] - Payable from cash flow of the property

For the years ended December 31, 2017 and 2016, total interest costs of \$1,780,366 and \$1,122,130, respectively, were incurred, of which \$0 and \$0, respectively, was capitalized and \$1,780,366 and \$1,122,130, respectively, was expensed. For the years ended December 31, 2017 and 2016, amortization of debt issuance costs of \$118,963 and \$89,008, respectively, were included in total interest costs expensed.

Debt issuance costs, net of accumulated amortization, as of December 31, 2017 and 2016, totaled \$1,749,032 and \$1,359,184, 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 Entities	Tax Credit Entities	Other Entities	Eliminations	Total
December 31,						
2018	\$ 2,026,450	\$ 8,388,275	\$ 10,421,570	\$ -	\$ (2,688,275)	\$ 18,148,020
2019	10,317,659	2,400,000	8,789,657	-	(8,789,657)	12,717,659
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2020	-	-	-	-	-	-
Thereafter	4,612,500	4,000,000	104,119,694	4,762,654	(70,622,459)	46,872,389
	16,956,609	14,788,275	123,330,921	4,762,654	(82,100,391)	77,738,068
Unamortized debt issuance costs	-	(44,535)	(1,704,497)	-	-	(1,749,032)
	<u>\$ 16,956,609</u>	<u>\$ 14,743,740</u>	<u>\$ 121,626,424</u>	<u>\$ 4,762,654</u>	<u>\$ (82,100,391)</u>	<u>\$ 75,989,036</u>

**THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED DECEMBER 31, 2017 and 2016**

**NOTE 9 - MORTGAGE NOTES PAYABLE**

Affiliated Entity	2017 Mortgage Amount	2016 Mortgage Amount	2017 Accrued Interest	2016 Accrued Interest	Maturity Date	Interest Rate	Description or Mortgagee
Asmara	-	17,140,000	-	-	2033	variable	Texas Dept. of Housing and Community Affairs tax-exempt bond
Anacostia Gardens	\$ 6,400,000	\$ 6,400,000	\$ 26,450	\$ 24,933	2019	variable	Eagle Bank
Bayview Preservation	15,262,010	15,364,049	80,979	80,989	2054	6.250%	Connecticut Housing Finance Authority
Benning	-	9,600,000	-	23,401	2018	2.250%	Citibank, N.A.
Bolton North	25,200,000	-	257,138	-	2034	3.157%	Community Development Administration
Clipper	16,286,848	16,661,542	52,172	53,372	2023	3.720%	PNC Bank
Clipper	8,453,691	-	37,563	-	2023	5.160%	PNC Bank
Columbia Heights Village	92,103,279	-	-	-	-	-	Bellwether Enterprise Mortgage Investments LLC
Copper	-	7,363,822	-	26,376	2038	4.250%	Louisiana Local Government Environmental Facilities and Community Authority
New Covent	2,220,000	2,220,000	-	-	2018	6.000%	Chicago Community Loan Fund
New Covent	5,000,000	5,000,000	9,546	9,087	2018	5.250%	Community Investment Corporation
Falls Church - Winter Hill	6,235,400	6,363,809	20,954	21,316	2020	3.368%	Oak Grove Commercial Mortgage, LLC
Falls Church - Virginia Village	-	87,987	-	362	2024	5.000%	Virginia Housing Development Authority (VHDA)
Forest Park	4,843,381	4,936,909	27,446	27,977	2027	6.800%	Pacific Life Insurance Company
Foxwood Preservation	11,114,665	11,266,194	-	-	2046	variable	Pennsylvania Housing Finance Agency
Harvest Homes	184,250	184,250	31,083	15,133	2049	8.000%	NHPF
Harvest Homes	519,772	-	25,319	-	2049	7.000%	The People's Community Development Association of Chicago
Hollybush Preservation	14,225,000	14,370,000	123,594	124,406	2031	2.25%/3.55%	New Jersey Housing and Mortgage Finance Agency
LaSalle at Lincoln Heights	915,000	-	-	-	2028	4.870%	Bellwether Enterprise Mortgage Investments LLC
LaSalle at Lincoln Heights	889,698	-	-	-	2037	2.000%	City of Charlotte
Magnolia	-	7,328,901	-	26,235	2038	4.250%	Louisiana Local Government Environmental Facilities and Community Authority
Mark Twain	16,600,000	16,600,000	108,080	93,872	2018	LIBOR+5.95%	PCI Investor Lender Fund III LLC
Mark Twain	5,250,000	5,250,000	25,477	23,853	2018	6.000%	Chicago Community Loan Fund
Orange Preservation	17,445,000	17,710,000	257,253	258,912	2028	4.839%	New Jersey Housing and Mortgage Finance Agency
Parkchester	8,968,368	1,335,395	27,129	3,203	2056	variable	Citibank, N.A.
Parkchester	717,462	2,676,910	2,231	6,593	2018	variable	Citibank, N.A.
Parkchester	6,413,410	6,413,410	-	-	2018	1.000%	District of Columbia Department of Housing and Community Development
Pepper Tree - first mortgage	3,652,935	3,720,367	-	-	2022	5.000%	PNC Bank
Pepper Tree - second mortgage	3,359,800	3,488,200	-	-	2044	0.000%	Texas Dept. of Housing and Community Authority
Plaza B II	8,390,000	12,659,513	41,304	133,795	2046	2.25%/5.25%	New York City Housing Development Corporation
Roundtree - district loan	5,000,000	5,000,000	261,171	211,171	2051	1.000%	District of Columbia Department of Housing and Community Development
Roundtree - senior loan	4,840,000	4,910,000	56,144	61,123	2044	2.320%	District of Columbia Housing Finance Agency
Ship's Cove Preservation	10,804,374	10,949,400	35,515	35,951	2034	4.090%	Massachusetts Development Finance Agency
St Luke Preservation	4,000,000	4,000,000	6,627	8,411	2042	variable	Industrial Development Authority of the City of St. Louis, Missouri
Strand	3,454,886	-	-	-	2057	3.000%	The Deputy Mayor for Planning and Economic Development
Takoma	13,712,505	-	68,563	-	2057	2.000%	District of Columbia Department of Housing and Community Development
Takoma	2,335,909	-	8,269	-	2020	variable	Citibank, N.A.
Pines at Carolina	14,783,156	14,900,000	-	-	2023	3.350%	Jones Lang LaSalle Multifamily, LLC
Walnut Square - first mortgage	2,378,810	2,419,555	14,531	14,779	2028	7.330%	Pacific Life Insurance Company
Walnut Square - second mortgage	19,749,073	19,913,127	122,515	110,761	2044	1.000%	Louisiana Housing Finance Authority
Subtotal	<u>361,708,682</u>	<u>256,233,340</u>	<u>1,727,053</u>	<u>1,396,011</u>			
Eliminations	<u>(184,250)</u>	<u>(184,250)</u>	<u>(27,096)</u>	<u>(15,133)</u>			
Total	<u>361,524,432</u>	<u>256,049,090</u>	<u>\$ 1,699,957</u>	<u>\$ 1,380,878</u>			
Unamortized debt issuance costs	(9,426,003)	(6,824,687)					
Accrued interest	<u>1,699,957</u>	<u>1,380,878</u>					
	<u>\$ 353,798,386</u>	<u>\$ 250,605,281</u>					

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2017 and 2016

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As of December 31, 2017, and 2016, 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:

Year ending December 31,	Total
2018	\$ 38,863,009
2019	9,203,062
2020	11,005,599
2021	2,872,840
2022	3,009,698
Thereafter	<u>296,570,224</u>
	<u>\$ 361,524,432</u>

For the years ended December 31, 2017 and 2016, total interest costs of \$10,308,928 and \$7,872,791, respectively, were incurred, of which \$151,171 and \$0, respectively, were capitalized and \$10,157,757 and \$7,872,791, respectively, were expensed. For the years ended December 31, 2017 and 2016, amortization of debt issuance costs of \$777,252 and \$757,991, respectively, were included in total interest costs expensed. For the years ended December 31, 2017 and 2016, the unrealized gains on the interest rate liability of \$248,448 and \$878,170, respectively, were included in total interest costs expensed.

Debt issuance costs, net of accumulated amortization, as of December 31, 2017 and 2016, totaled \$9,426,003 and \$6,824,687, 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 2.67% and 8.40%.

### 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 paid a fixed interest rate of 1.6495% per annum and received a floating interest rate based on the USD-SIFMA Municipal Swap Index (0.72% as of December 31, 2016). During 2017, the swap matured and the properties were sold to an unrelated third party. Under Foxwood Preservation’s 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 (1.22% and 0.64% at December 31, 2017 and 2016, respectively). This swap matures on December 1, 2025. Under the St. Luke’s Preservation

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2017 and 2016

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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 (1.21% and 0.64% at December 31, 2017 and 2016, respectively). This swap contract matures on December 1, 2026.

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, 2017 and 2016 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, 2017 and 2016. At December 31, 2017 and 2016, the interest rate swap contracts represent a liability of \$2,100,592 and \$2,426,437, which is included in other liabilities on the consolidated statements of financial position.

### NOTE 10 - LEASES

NHPF leased office space under a standard commercial operating lease extending through September 30, 2018 for its main office in New York, NY. In January, 2017 the lease agreement was amended to reflect new office space and the lease was extended through March, 2027. NHPF leases office space under a standard commercial operating leases extending through December 31, 2026 for its Washington, DC office. Rent expense for the years ended December 31, 2017 and 2016 totaled \$961,885 and \$536,067, respectively, which is net of all sublease payments and rent concessions.

Future minimum lease commitments at December 31, 2017, are as follows:

2017	\$	691,999
2018		708,021
2019		724,416
2020		741,191
2021		790,460
Thereafter		<u>3,558,387</u>
	\$	<u>7,214,474</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

## THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2017 and 2016

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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.

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 \$248,448 for 2017 and the gain on the interest rate swap contracts of \$878,170 for 2016, 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, 2017 or 2016. The following tables present the fair value of liabilities measured on a recurring basis as of December 31, 2017 and 2016:

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2017 and 2016

	Level 1	Level 2	Level 3	December 31, 2017 Net balance
Interest rate swap contracts	\$ -	\$ 2,100,592	\$ -	\$ 2,100,592

  

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

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, 2017 and 2016, 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 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 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 March 29, 2016, NHPF acquired Anacostia Gardens Apartments, a 100-unit apartment complex located in Washington, DC for a purchase price of \$8,000,000. The acquisition price was funded with proceeds of a loan from Eagle Bank in the amount of \$6,400,000 and a loan from Local Initiative Support Corporation (LISC) in the amount of \$2,400,000.

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.

## THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2017 and 2016

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On September 22, 2016, Ships Cove Preservation Partners Limited Partnership 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.

On March 14, 2017, NHPF acquired Takoma, a 105-unit multifamily affordable housing property located in Washington, DC for a purchase price of \$14,000,000. The acquisition price was funded with the proceeds of a loan from Citibank in the amount of \$8,500,000 and a loan from the Local Initiative Support Corporation in the amount of \$8,200,000.

On May 12, 2017, two properties, Copper Ridge and Magnolia Trace, were sold to an unrelated third party for a sales price of \$9,500,000 and \$8,500,000, respectively, resulting in a combined gain of \$6,890,218.

On May 25, 2017, NHPF acquired LaSalle at Lincoln Heights, a 60-unit senior-only affordable housing property located in Charlotte, NC for a purchase price of \$1,543,000. The acquisition price was funded with the proceeds of a loan from Bellwether Enterprise Mortgage Investment LLC in the amount of \$915,000 and a loan from the City of Charlotte in the amount of \$911,389.

On August 22, 2017, The Nannie Helen Owner LLC, of which the NHP Foundation is the general partner, acquired several parcels that will make up the Strand Residences, an 86-unit multifamily affordable housing building plus street front retail located in Washington, DC. The total acquisition price for the land and buildings was \$3,030,001. The acquisition price was funded with the proceeds of a loan from the District of Columbia in the amount of \$9,900,000. The remaining loan proceeds were available for other ancillary acquisition costs, such as title and escrow costs, as well as pre-development and construction expenses.

On November 28, 2017, Virginia Village Apartments, a component of FCHC Virginia Community Development Company, was sold for \$680,000 to an unrelated third party, resulting in a recognized gain of \$584,246.

On December 13, 2017, the five Asmara properties were sold to an unrelated third party for a sales price of \$45,000,000, resulting in a recognized gain of \$32,789,610.

On December 28, 2017, NHPF-Columbia Heights Manager, LLC purchased a 50% general partner interest in Columbia Apartments LP, the general partner of Columbia Heights Village Apartments, a 406-unit multifamily affordable housing property located in Washington DC. The purchase was \$33,000,100 and was funded with the proceeds of a \$29,365,000 from Bellwether Enterprise

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2017 and 2016

Mortgage Investment LLC, and equity contributions of \$5,000,000 and \$4,950,000 from the Enterprise Community Loan fund and the Enterprise Multifamily Opportunity Fund, respectively.

The total excess of revenue over expenses from discontinued operations for the years ended December 31, 2017 and 2016 was as follows:

	2017	2016
A.C.T Affordable Housing, Inc.	\$ -	\$ 729
Asmara Affordable Housing, Inc.	5,055,450	1,685,979
Preserving Louisiana's Affordable Housing I, LLC (Copper)	4,783,559	(557,125)
Preserving Louisiana's Affordable Housing II, LLC (Magnolia)	5,332,854	(436,016)
Virginia Village Apartments	(161,123)	6,793
Total	<u>\$ 15,010,740</u>	<u>\$ 700,360</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, 2017 are as follows:

- New Countryside LLC (Countryside)
- New Exchange Place LLC (Exchange Place)
- New Flanders LLC (Flanders)
- Lancaster Owner, LLC (Lancaster)
- Alpha Tower LLC (Alpha Tower)

On August 9, 2017, NHPF Foundation-Urban Atlantic Fund I LLC and Columbia Housing SLP Corporation sold their limited partnership interests to NHPF/UA Bolton, LLC.

### NOTE 13 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS

During the years ended December 31, 2017 and 2016, net assets released from temporary donor restrictions and the events and transactions which caused the restrictions to expire are \$216,872 and \$284,013, respectively, for expenses incurred for donor specified purposes.

As of December 31, 2017, and 2016, the balance of temporarily restricted net assets was \$58,696 and \$136,500, respectively, which is comprised of gifts and other unexpended revenue restricted to specific programs.



# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2017 and 2016

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### NOTE 14 - PROPERTY MANAGEMENT

The properties are managed by the management companies as follows:

<u>Property Name</u>	<u>Management Company</u>	<u>Location</u>
Alexander House	Edgewood Management	Hagerstown, MD
Anacostia Gardens	Winn Properties	Washington, DC
Bayview Towers	HallKeen Property Management	Stamford, CT
Benning Heights	Winn Properties	Washington, DC
Bolton North	Atlantic Coast Management LLC	Baltimore, MD
Cleme Manor	Lynd Management	Houston, TX
Clipper Cove	TPI, Inc.	Boynton Beach, FL
Columbia Heights Village	Winn Properties	Washington, DC
Covent Hotel	Latter & Blum	Chicago, IL
Forest Park	Realty & Mortgage	New Orleans, LA
Foxwood Manor	Winn Properties - Landex Management	Levittown, PA
Harvest Homes	HallKeen Property Management	Chicago, IL
Hollybush Gardens	Heartland Housing	Glassboro, NJ
LaSalle at Lincoln Heights	Heartland Housing	Charlotte, NC
Mark Twain Hotel	Edgewood Management	Chicago, IL
Parkchester	Hettig Management	Washington, DC
Peppertree Manor	Shinda Management	Houston, TX
Plaza Borinquen	HallKeen Property Management	Bronx, NY
Ship's Cove	McCormack Baron	Fall River, MA
St. Luke's Plaza	Winn Properties	St. Louis, MO
Takoma Place	CIH Properties	Washington, DC
The Pines at Carolina Place	HallKeen Property Management	Pineville, NC
The Roundtree Residences	Latter & Blum	Washington, DC
The Strand	Winn Properties - Landex Management	Washington, DC
Walnut Square	NDC Real Estate Management, Inc.	New Orleans, LA
Washington Dodd	Winn Properties	Orange, NJ
Winter Hill	Beacon Communities	Falls Church, VA

### 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, 2017 and 2016

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- (2) Tax credit recapture 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 recapture 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 recapture 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 recapture 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, 2017 and 2016

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- (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. This guarantee ended in December 2017.
- (2) Tax credit recapture 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 recapture 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 recapture 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:

## THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2017 and 2016

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- (1) 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.
- (2) Tax credit recapture 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 was financed with mortgage notes financed by tax-exempt bonds, federal tax LIHTC issued by the New York City Housing Preservation Development, 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) 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.
- (2) Tax credit recapture 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 was 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 recapture 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 amount then the final pay-in by the equity investor will be adjusted per the terms of the partnership agreement.

## THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2017 and 2016

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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 stabilization, 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.
- (3) Tax credit recapture 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 amount then the final pay-in by the equity investor will be adjusted per the terms of the partnership agreement.

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2017 and 2016

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Benning'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 Benning.
- (2) Operating deficit guarantee - Benning Heights GP guaranteed to pay all operating deficits during construction and operating deficits not to exceed a specified amount and time period, after the property achieves stabilized occupancy, as defined in Benning's operating agreement.
- (3) Tax credit recapture 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 amount then the final pay-in by the equity investor will be adjusted per the terms of the 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. As of December 31, 2017, this lawsuit has been settled through the insurance company. In the opinion of management, no loss contingencies are required to be recorded in the accompanying financial statements.

### **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, 2017, 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 2017 and 2016, 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

# THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED YEARS ENDED DECEMBER 31, 2017 and 2016

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insurance. Management believes that no significant concentration of credit risk exists with respect to these cash and cash equivalent balances at December 31, 2017 and 2016.

### 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 5, 2018 (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 February 15, 2018, The NHP Foundation acquired Woodmont Crossing Apartments, a 176-unit property located in Washington, D.C. for a purchase price of \$44,600,000. The acquisition price was funded through a \$25,500,000 loan from the District of Columbia Housing Finance Agency (DCHFA) and equity financing of \$12,100,000 from Royal Bank of Canada (RBC).

On February 21, 2018, The NHP Foundation paid off the loan payable to Local Initiative Support Corporation (LISC) in the principal amount of \$1,232,328 and interest of \$4,108.

On March 21, 2018, The NHP Foundation paid off the loan payable to PNC Bank in the principal amount of \$8,789,659 and interest of \$29,304.

On May 15, 2018 NHPF acquired Princess Anne, a 120 garden-style, multifamily, affordable rental townhouse located in Princess Anne, Maryland for a purchase price of \$8,770,000. The purchase was funded through a loan from a consortium of LIIF, NHPT and Morgan Stanley in the amount of \$9,357,500.

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, 2017, and our report thereon dated June 5, 2018, 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 49 through 82, 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 54 through 82, 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 5, 2018



THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2017

	The NHP Foundation	Operation Pathways	Interstate	Real Estate Entities	Tax Credit Entities	Other Entities	Consolidated Eliminations	Total
Assets:								
Cash and cash equivalents	\$ 32,049,534	\$ 79,899	\$ 91,350	\$ 4,311,439	\$ 8,293,603	\$ 63,937	\$ -	\$ 44,889,762
Investments - restricted	467,970	-	-	-	-	-	-	467,970
Investments - unrestricted	338,490	-	-	35,089	-	-	-	373,579
Restricted cash	734,448	-	-	-	-	-	-	734,448
Notes receivable and accrued interest	16,269,918	-	-	77,794,468	-	6,866,905	(100,050,458)	880,833
Grant receivable	-	5,026	-	-	-	-	-	5,026
Investments in housing funds	60,749,905	-	-	1,820	-	(18,808,788)	(41,798,697)	144,240
Land, buildings, improvements and equipment, net	559,494	-	-	91,087,120	377,114,658	1,000,000	(36,323,484)	433,437,788
Mortgage escrow and utility deposits	-	-	-	4,916,415	23,988,953	-	-	28,905,368
Prepaid expenses and other assets	296,645	-	-	1,169,963	5,767,229	49	-	7,233,886
Replacement reserves	-	-	-	1,170,153	4,566,266	-	-	5,736,419
Tenants' security deposits	-	-	-	303,288	1,073,536	-	-	1,376,824
Deferred development costs	6,887,709	-	-	-	-	-	(1,903,850)	4,983,859
Deferred other costs, net	-	-	-	25,256	1,110,497	-	-	1,135,753
Asset management and resident service fees receivable	119,730	-	-	-	-	-	(119,730)	-
Advances receivable	4,363,699	230	744,710	-	-	378,890	(5,471,148)	16,381
Due from affiliates	10,714,691	-	-	375,274	-	2,479,416	(6,127,804)	7,441,577
Total assets	<u>\$ 133,552,233</u>	<u>\$ 85,155</u>	<u>\$ 836,060</u>	<u>\$ 181,190,285</u>	<u>\$ 421,914,742</u>	<u>\$ (8,019,591)</u>	<u>\$ (191,795,171)</u>	<u>\$ 537,763,713</u>

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

December 31, 2017

	The NHP Foundation	Operation Pathways	Interstate	Real Estate Entities	Tax Credit Entities	Other Entities	Consolidated Eliminations	Total
<b>Liabilities:</b>								
Accounts payable and accrued expenses	\$ 733,009	\$ 193,758	\$ -	\$ 1,543,484	\$ 10,254,209	\$ 10,200	\$ (219,653)	\$ 12,515,007
Other liabilities	3,515,658	4,358	-	129,418	2,642,343	-	(1,560,000)	4,731,777
Tenants' security deposits	-	-	-	363,182	1,057,990	-	-	1,421,172
Mortgage notes payable and accrued interest	-	-	-	102,131,768	251,877,964	-	(211,346)	353,798,386
Notes and construction loans payable and accrued interest	17,122,629	-	-	14,795,182	135,411,690	4,762,654	(95,627,579)	76,464,576
Accounts payable - affiliates	526,055	167,935	3,748	3,387,414	16,942,918	1,996,100	(12,252,869)	10,771,301
Asset management fees payable	-	-	-	97,500	246,573	-	(301,615)	42,458
Working capital advances payable	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>21,897,351</b>	<b>366,051</b>	<b>3,748</b>	<b>122,447,948</b>	<b>418,433,687</b>	<b>6,768,954</b>	<b>(110,173,062)</b>	<b>459,744,677</b>
<b>Net assets:</b>								
Unrestricted controlling	111,654,882	(339,592)	832,312	59,682,857	(28,516,096)	8,584,395	(96,362,846)	55,535,912
Unrestricted noncontrolling	-	-	-	(940,520)	31,997,151	(23,372,940)	14,740,737	22,424,428
<b>Total unrestricted net assets</b>	<b>111,654,882</b>	<b>(339,592)</b>	<b>832,312</b>	<b>58,742,337</b>	<b>3,481,055</b>	<b>(14,788,545)</b>	<b>(81,622,109)</b>	<b>77,960,340</b>
Temporarily restricted net assets	-	58,696	-	-	-	-	-	58,696
<b>Total net assets</b>	<b>111,654,882</b>	<b>(280,896)</b>	<b>832,312</b>	<b>58,742,337</b>	<b>3,481,055</b>	<b>(14,788,545)</b>	<b>(81,622,109)</b>	<b>78,019,036</b>
<b>Total liabilities and net assets</b>	<b>\$ 133,552,233</b>	<b>\$ 85,155</b>	<b>\$ 836,060</b>	<b>\$ 181,190,285</b>	<b>\$ 421,914,742</b>	<b>\$ (8,019,591)</b>	<b>\$ (191,795,171)</b>	<b>\$ 537,763,713</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2017

	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
<b>Public support and operating revenue:</b>											
Rent revenue	\$ -	\$ -	\$ -	\$ 21,069,106	\$ 32,312,571	\$ -	\$ 53,381,677	\$ -	\$ -	\$ -	\$ 53,381,677
Management fees	216,292	852,561	57,388	-	-	124,082	1,250,323	-	-	(1,201,898)	48,425
Contributions and grants	6,094,396	500,677	-	76,982	-	174,542	6,846,597	139,068	139,068	(3,389,395)	3,596,270
	6,310,688	1,353,238	57,388	21,146,088	32,312,571	298,624	61,478,597	139,068	139,068	(4,591,293)	57,026,372
Net assets released from restrictions	-	216,872	-	-	-	-	216,872.00	(216,872)	(216,872)	-	-
<b>Total public support and operating revenue</b>	<b>6,310,688</b>	<b>1,570,110</b>	<b>57,388</b>	<b>21,146,088</b>	<b>32,312,571</b>	<b>298,624</b>	<b>61,695,469</b>	<b>(77,804)</b>	<b>(77,804)</b>	<b>(4,591,293)</b>	<b>57,026,372</b>
<b>Expenses:</b>											
<b>Program services:</b>											
Rental operations	-	-	-	62,062,625	38,285,503	-	100,348,128	-	-	(38,990,203)	61,357,925
Acquisition and development	3,540,391	-	-	-	-	-	3,540,391	-	-	-	3,540,391
Asset management	731,016	-	-	-	-	-	731,016	-	-	-	731,016
Operation Pathways	-	1,384,460	-	-	-	-	1,384,460	-	-	-	1,384,460
<b>Supporting services:</b>											
Management and general	9,804,946	337,444	524,447	2,798,203	2,117,252	2,327,515	17,909,807	-	-	(5,583,222)	12,326,585
Fundraising services	225,705	81,432	-	-	-	-	307,137	-	-	-	307,137
<b>Total expenses</b>	<b>14,302,058</b>	<b>1,803,336</b>	<b>524,447</b>	<b>64,860,828</b>	<b>40,402,755</b>	<b>2,327,515</b>	<b>124,220,939</b>	<b>-</b>	<b>-</b>	<b>(44,573,425)</b>	<b>79,647,514</b>
<b>Excess of revenue over expenses (expenses over revenue) before other revenue (expense)</b>	<b>(7,991,370)</b>	<b>(233,226)</b>	<b>(467,059)</b>	<b>(43,714,740)</b>	<b>(8,090,184)</b>	<b>(2,028,891)</b>	<b>(62,525,470)</b>	<b>(77,804)</b>	<b>(77,804)</b>	<b>39,982,132</b>	<b>(22,621,142)</b>

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

Year ended December 31, 2017

	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	5,629,032	-	-	-	-	-	5,629,032	-	-	(1,720,547)	3,908,485
Interest revenue	378,668	-	1	2,966,900	18,100	127,225	3,490,894	-	-	(3,102,277)	388,617
Other revenue	583,613	5,893	-	1,223,338	818,381	66,693	2,697,918	-	-	(66,668)	2,631,250
Gain (loss) on sale of properties	25,238,647	-	(278,363)	43,850,456	-	-	68,810,740	-	-	(28,546,666)	40,264,074
Other income (losses) in housing funds	(2,866,163)	-	-	319	-	31,656,815	28,790,971	-	-	(28,790,648)	323
Total other revenue (expense)	28,963,797	5,893	(278,362)	48,041,013	836,481	31,850,733	109,419,555	-	-	(62,226,806)	47,192,749
Excess of revenue over expenses (expenses over revenue) - continued operations	20,972,427	(227,333)	(745,421)	4,326,273	(7,253,703)	29,821,842	46,894,085	(77,804)	(77,804)	(22,244,674)	24,571,607
Excess of expenses over revenue - discontinued operations	-	-	-	-	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue)	20,972,427	(227,333)	(745,421)	4,326,273	(7,253,703)	29,821,842	46,894,085	(77,804)	(77,804)	(22,244,674)	24,571,607
Excess of expenses over revenue attributable to noncontrolling interests	-	-	-	-	7,252,979	-	7,252,979	-	-	-	7,252,979
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	\$ 20,972,427	\$ (227,333)	\$ (745,421)	\$ 4,326,273	\$ (724)	\$ 29,821,842	\$ 54,147,064	\$ (77,804)	\$ (77,804)	\$ (22,244,674)	\$ 31,824,586

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES  
SUPPLEMENTARY INFORMATION - CONTINUED  
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS  
Year ended December 31, 2017

	Unrestricted Net Assets									Temporarily Restricted Net Assets	Net Assets	
	Controlling								Noncontrolling	Controlling		
	The NHP Foundation	Operation Pathways	Interstate	Real Estate Entities	Tax Credit Entities	Other Entities	Consolidated eliminations	Subtotal	Real Estate, Tax Credit and Other Entities	Total		Operation Pathways
Beginning balance, January 1, 2017	\$ 90,682,455	\$ (112,259)	\$ 1,577,733	\$ 54,969,811	\$ (3,558,852)	\$ 2,653,395	\$ (107,838,024)	\$ 38,374,259	\$ 40,913,075	\$ 79,287,334	\$ 136,500	\$ 79,423,834
Transfers in	-	-	-	-	(2,539,259)	(11,686,470)	-	(14,225,729)	(40,091,263)	(54,316,992)	-	(54,316,992)
Transfer of net assets					\$ 2,539,259	\$ 11,686,470	\$ -	14,225,729	\$ (14,225,729)			
Capital contributions from noncontrolling interests, net of syndication costs	-	-	-	-	-	-	-	-	28,340,587	28,340,587	-	28,340,587
Contributions from / (distributions to) controlling interests	-	-	-	386,773	(25,213,002)	(23,890,842)	48,717,071	-	-	-	-	-
Other changes in equity	-	-	-	-	256,482	-	(256,482)	-	-	-	-	-
Excess of expenses over revenue attributable to noncontrolling interests	-	-	-	-	-	-	-	-	(7,252,979)	(7,252,979)	-	(7,252,979)
Excess of revenue over expenses (expenses over revenue) attributable to the Organization	20,972,427	(227,333)	(745,421)	4,326,273	(724)	29,821,842	(22,244,674)	31,902,390	-	31,902,390	(77,804)	31,824,586
Ending balance, December 31, 2017	\$ 111,654,882	\$ (339,592)	\$ 832,312	\$ 59,682,857	\$ (28,516,096)	\$ 8,584,395	\$ (81,622,109)	\$ 70,276,649	\$ 7,683,691	\$ 77,960,340	\$ 58,696	\$ 78,019,036

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

December 31, 2017

	NHPF	Operation Pathways	Interstate	Real Estates Entities	Tax Credits Entities	Other Entities	Elimination Entries	Total
Assets:								
Cash and cash equivalents	\$ 32,049,534	\$ 79,899	\$ 91,350	\$ 4,311,439	\$ 8,293,603	\$ 63,937	\$ -	\$ 44,889,762
Investments - restricted	467,970	-	-	-	-	-	-	467,970
Investments - unrestricted	338,490	-	-	35,089	-	-	-	373,579
Restricted cash	734,448	-	-	-	-	-	-	734,448
Notes receivable and accrued interest	16,269,918	-	-	77,794,468	-	6,866,905	(100,050,458)	880,833
Grants receivable	-	5,026	-	-	-	-	-	5,026
Investments in housing funds	60,749,905	-	-	1,820	-	(18,808,788)	(41,798,697)	144,240
Land, buildings, improvements and equipment, net	559,494	-	-	91,087,120	377,114,658	1,000,000	(36,323,484)	433,437,788
Mortgage escrow and utility deposits	-	-	-	4,916,415	23,988,953	-	-	28,905,368
Prepaid expenses and other assets	296,645	-	-	1,169,963	5,767,229	49	-	7,233,886
Replacement reserves	-	-	-	1,170,153	4,566,266	-	-	5,736,419
Tenants' security deposits	-	-	-	303,288	1,073,536	-	-	1,376,824
Deferred development costs	6,887,709	-	-	-	-	-	(1,903,850)	4,983,859
Deferred other costs, net	-	-	-	25,256	1,110,497	-	-	1,135,753
Management fees receivable	119,730	-	-	-	-	-	(119,730)	-
Advances - current	3,008,552	230	744,710	-	-	378,890	(4,116,005)	16,377
Advances - future developments	1,355,147	-	-	-	-	-	(1,355,143)	4
Due from affiliates	10,714,691	-	-	375,274	-	2,479,416	(6,127,804)	7,441,577
<b>Total assets</b>	<b>\$ 133,552,233</b>	<b>\$ 85,155</b>	<b>\$ 836,060</b>	<b>\$ 181,190,285</b>	<b>\$ 421,914,742</b>	<b>\$ (8,019,591)</b>	<b>\$ (191,795,171)</b>	<b>\$ 537,763,713</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION SUMMARY - CONTINUED

December 31, 2017

	NHPF	Operation Pathways	Interstate	Real Estates Entities	Tax Credits Entities	Other Entities	Elimination Entries	Total
<b>Liabilities:</b>								
Accounts payable and accrued expenses	\$ 733,009	\$ 193,758	\$ -	\$ 1,543,484	\$ 10,254,209	\$ 10,200	\$ (219,653)	\$ 12,515,007
Other liabilities	3,515,658	4,358	-	129,418	2,642,343	-	(1,560,000)	4,731,777
Tenants' security deposits	-	-	-	363,182	1,057,990	-	-	1,421,172
Mortgage notes payable and accrued interest	-	-	-	102,131,768	251,877,964	-	(211,346)	353,798,386
Notes and construction loans payable and accrued interest	17,122,629	-	-	14,795,182	135,411,690	4,762,654	(95,627,579)	76,464,576
Accounts payable - affiliates	526,055	167,935	3,748	3,387,414	16,942,918	1,996,100	(12,252,869)	10,771,301
Asset management fees payable	-	-	-	97,500	246,573	-	(301,615)	42,458
<b>Total liabilities</b>	<b>21,897,351</b>	<b>366,051</b>	<b>3,748</b>	<b>122,447,948</b>	<b>418,433,687</b>	<b>6,768,954</b>	<b>(110,173,062)</b>	<b>459,744,677</b>
<b>Net assets:</b>								
Beginning 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
Transfers in	-	-	-	-	(30,944,052)	(23,372,940)	-	(54,316,992)
Contributions (distributions), net of syndication costs	-	-	-	386,773	3,127,585	(23,890,842)	48,717,071	28,340,587
Change in equity	-	-	-	-	256,482	-	(256,482)	-
Excess of revenue over expenses (expenses over revenue)	20,972,427	(305,137)	(745,421)	4,326,273	(7,253,703)	29,821,842	(22,244,674)	24,571,607
<b>Total net assets</b>	<b>111,654,882</b>	<b>(280,896)</b>	<b>832,312</b>	<b>58,742,337</b>	<b>3,481,055</b>	<b>(14,788,545)</b>	<b>(81,622,109)</b>	<b>78,019,036</b>
<b>Total liabilities and net assets</b>	<b>\$ 133,552,233</b>	<b>\$ 85,155</b>	<b>\$ 836,060</b>	<b>\$ 181,190,285</b>	<b>\$ 421,914,742</b>	<b>\$ (8,019,591)</b>	<b>\$ (191,795,171)</b>	<b>\$ 537,763,713</b>

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

Year ended December 31, 2017

	NHPF	Operation Pathways	Interstate	Real Estates Entities	Tax Credits Entities	Other Entities	Elimination Entries	Total
Rent revenue	\$ -	\$ -	\$ -	\$ 21,069,106	\$ 32,312,571	\$ -	\$ -	\$ 53,381,677
Contribution income - affiliates	3,214,853	-	-	-	-	174,542	(3,389,395)	-
Contribution income - non-affiliates	2,879,543	639,745	-	76,982	-	-	-	3,596,270
Asset management fees	190,292	-	57,388	-	-	124,082	(371,762)	-
Resident service fees	26,000	852,561	-	-	-	-	(830,136)	48,425
Developer fee income	5,629,032	-	-	-	-	-	(1,720,547)	3,908,485
Interest income	378,668	-	1	2,966,900	18,100	127,225	(3,102,277)	388,617
Other revenue	583,613	5,893	-	1,223,338	818,381	66,693	(66,668)	2,631,250
Gain (loss) on sale of properties	25,238,647	-	(278,363)	43,850,456	-	-	(28,546,666)	40,264,074
	<u>38,140,648</u>	<u>1,498,199</u>	<u>(220,974)</u>	<u>69,186,782</u>	<u>33,149,052</u>	<u>492,542</u>	<u>(38,027,451)</u>	<u>104,218,798</u>
Total revenue								



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

Year ended December 31, 2017

	NHPF	Operation Pathways	Interstate	Real Estates Entities	Tax Credits Entities	Other Entities	Elimination Entries	Total
Salaries and benefits	5,926,679	1,088,360	-	3,439,741	4,949,790	27,381	-	15,431,951
Facilities and maintenance	-	-	-	4,631,476	4,137,350	-	-	8,768,826
Interest	326,527	-	-	5,927,476	8,327,104	-	(2,642,984)	11,938,123
Utilities	-	-	-	2,059,869	3,335,964	-	-	5,395,833
Insurance	73,086	-	-	1,099,944	1,669,246	-	-	2,842,276
Real estate taxes	-	-	-	379,099	2,356,006	-	-	2,735,105
Property management fees	-	-	-	904,672	1,394,675	-	-	2,299,347
Asset management fees	-	-	-	266,277	149,958	30,000	(383,338)	62,897
Accounting expense	108,175	18,000	-	191,854	233,680	2,500	-	554,209
Legal	244,788	7,504	-	163,829	231,622	-	-	647,743
Management and administration	1,856,223	512,353	434	2,408,187	3,935,095	-	(118,349)	8,593,943
Consulting expense	1,134,434	21,600	-	89,329	139,642	-	-	1,385,005
Marketing	301,917	11,995	-	85,865	154,145	-	-	553,922
Travel	674,338	108,524	-	5,601	5,941	-	-	794,404
Bad debt expense	2,740,408	35,000	-	440,513	235,537	-	(2,740,408)	711,050
Directors fee expense	15,000	-	-	-	-	-	-	15,000
Resident service fees	804,136	-	-	-	-	-	(804,136)	-
Contributions expense	1,000	-	524,013	39,314,416	-	707,634	(37,104,210)	3,442,853
Other financial expense and	-	-	-	71,949	135,304	1,560,000	(780,000)	987,253
Depreciation	94,602	-	-	3,376,833	8,815,170	-	-	12,286,605
Amortization	745	-	-	3,898	196,526	-	-	201,169
Other losses (income) in investment in housing funds	2,866,163	-	-	(319)	-	(31,656,815)	28,790,648	(323)
<b>Total expense</b>	<b>17,168,221</b>	<b>1,803,336</b>	<b>524,447</b>	<b>64,860,509</b>	<b>40,402,755</b>	<b>(29,329,300)</b>	<b>(15,782,777)</b>	<b>79,647,191</b>
<b>Excess of expense over revenue (expenses over revenue)</b>	<b>20,972,427</b>	<b>(305,137)</b>	<b>(745,421)</b>	<b>4,326,273</b>	<b>(7,253,703)</b>	<b>29,821,842</b>	<b>(22,244,674)</b>	<b>24,571,607</b>
<b>Excess of expenses over revenue attributable to noncontrolling interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,252,979</b>	<b>-</b>	<b>-</b>	<b>7,252,979</b>
<b>Excess of revenue over expenses (expenses over revenue) attributable to the Organization</b>	<b>\$ 20,972,427</b>	<b>\$ (305,137)</b>	<b>\$ (745,421)</b>	<b>\$ 4,326,273</b>	<b>\$ (724)</b>	<b>\$ 29,821,842</b>	<b>\$ (22,244,674)</b>	<b>\$ 31,824,586</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - REAL ESTATE ENTITIES

December 31, 2017

	Cornerstone Bayview	Takoma Place Investor	Clipper Cove	Cornerstone St Luke's	ACT LaSalle	Alexander House	Cherry Affordable
<b>Assets:</b>							
Cash and cash equivalents	\$ -	\$ 97,470	\$ 217,435	\$ -	\$ 4,740	\$ 540	\$ -
Investments - unrestricted	-	-	-	-	-	-	-
Notes receivable and accrued interest	11,151,082	-	-	6,686,382	-	-	102,978
Investments in housing funds	-	-	-	-	-	-	1,820
Land, buildings, improvements and equipment, net	-	14,491,436	6,522,718	-	1,687,256	5,947,894	-
Mortgage escrow and utility deposits	-	497,798	584,859	-	66,585	44,812	-
Prepaid expenses and other assets	-	86,584	194,958	-	8,415	48,861	-
Replacement reserves	-	27,090	-	-	251,375	-	-
Tenants' security deposits	-	59,454	49,609	-	15,677	18,747	-
Deferred other costs, net	-	-	-	-	-	-	-
Due from affiliates	-	104,133	-	-	-	-	-
<b>Total assets</b>	<b>\$ 11,151,082</b>	<b>\$ 15,363,965</b>	<b>\$ 7,569,579</b>	<b>\$ 6,686,382</b>	<b>\$ 2,034,048</b>	<b>\$ 6,060,854</b>	<b>\$ 104,798</b>
<b>Liabilities:</b>							
Accounts payable and accrued expenses	\$ -	\$ 173,381	\$ 323,001	\$ -	\$ 3,826	\$ 36,311	\$ 2,246
Other liabilities	-	22,864	14,792	-	10,634	3,300	-
Tenants' security deposits	-	57,923	86,536	-	15,712	17,881	-
Mortgage notes payable and accrued interest	-	15,978,632	24,530,965	-	1,766,249	-	-
Notes and construction loans payable and accrued interest	-	-	300,740	-	-	6,064,077	-
Accounts payable - affiliates	-	1,500	-	-	7,654	517,599	-
Asset management fees payable	-	-	-	-	-	-	-
Minority interest of current year loss	\$ -	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>16,234,300</b>	<b>25,256,034</b>	<b>-</b>	<b>1,804,075</b>	<b>6,639,168</b>	<b>2,246</b>
<b>Net assets:</b>							
Beginning net assets	11,340,998	-	(9,339,099)	6,418,721	-	(242,432)	132,228
Transfers in	-	-	-	-	-	-	-
Contributions (distributions)	-	-	-	-	250,232	-	-
Excess of revenue over expenses (expenses over revenue)	(189,916)	(870,335)	(8,347,356)	267,661	(20,259)	(335,882)	(29,676)
<b>Total net assets</b>	<b>11,151,082</b>	<b>(870,335)</b>	<b>(17,686,455)</b>	<b>6,686,382</b>	<b>229,973</b>	<b>(578,314)</b>	<b>102,552</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,151,082</b>	<b>\$ 15,363,965</b>	<b>\$ 7,569,579</b>	<b>\$ 6,686,382</b>	<b>\$ 2,034,048</b>	<b>\$ 6,060,854</b>	<b>\$ 104,798</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

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

December 31, 2017

	Plaza B I	Copper	Nannie Helen Owner (Strand)	New Covent	Pines at Carolina	Foxwood Affordable	Hollybush Affordable
<b>Assets:</b>							
Cash and cash equivalents	\$ 22,620	\$ -	\$ -	\$ 11,820	\$ 195,591	\$ -	\$ -
Investments - unrestricted	-	-	-	-	-	-	-
Notes receivable and accrued interest	5,233,684	-	-	-	-	18,688,879	6,188,317
Investments in housing funds	-	-	-	-	-	-	-
Land, buildings, improvements and equipment, net	-	-	3,706,452	7,156,023	17,945,496	-	-
Mortgage escrow and utility deposits	-	-	-	290,076	69,182	-	-
Prepaid expenses and other assets	8,725	-	-	24,516	146,289	-	-
Replacement reserves	-	-	-	156,019	300,434	-	-
Tenants' security deposits	-	-	-	4,250	78,472	-	-
Deferred other costs, net	-	-	-	-	-	-	-
Due from affiliates	222,758	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 5,487,787</b>	<b>\$ -</b>	<b>\$ 3,706,452</b>	<b>\$ 7,642,704</b>	<b>\$ 18,735,464</b>	<b>\$ 18,688,879</b>	<b>\$ 6,188,317</b>
<b>Liabilities:</b>							
Accounts payable and accrued expenses	\$ 15,088	\$ -	\$ -	\$ 253,603	\$ 71,085	\$ -	\$ -
Other liabilities	-	-	-	11,115	17,841	-	-
Tenants' security deposits	-	-	-	-	78,801	-	-
Mortgage notes payable and accrued interest	-	-	3,454,886	7,214,585	14,638,615	-	-
Notes and construction loans payable and accrued interest	-	-	-	-	3,684,679	-	-
Accounts payable - affiliates	250,447	-	251,566	-	-	-	-
Asset management fees payable	-	-	-	-	-	-	-
Minority interest of current year loss	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>265,535</b>	<b>-</b>	<b>3,706,452</b>	<b>7,479,303</b>	<b>18,491,021</b>	<b>-</b>	<b>-</b>
<b>Net assets:</b>							
Beginning net assets	5,063,792	(4,783,559)	-	713,687	359,849	17,928,695	6,489,440
Transfers in	-	-	-	-	-	-	-
Contributions (distributions)	-	-	-	-	136,541	-	-
Excess of revenue over expenses (expenses over revenue)	158,460	4,783,559	-	(550,286)	(251,947)	760,184	(301,123)
<b>Total net assets</b>	<b>5,222,252</b>	<b>-</b>	<b>-</b>	<b>163,401</b>	<b>244,443</b>	<b>18,688,879</b>	<b>6,188,317</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,487,787</b>	<b>\$ -</b>	<b>\$ 3,706,452</b>	<b>\$ 7,642,704</b>	<b>\$ 18,735,464</b>	<b>\$ 18,688,879</b>	<b>\$ 6,188,317</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

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

December 31, 2017

	Asmara Affordable						Milliken Affordable
	Creek Hollow	Heritage Square	The Highlands	The Grove at Trinity Mills	Stone Ridge	Magnolia	
<b>Assets:</b>							
Cash and cash equivalents	\$ 115,436	\$ 105,304	\$ 90,520	\$ 245,717	\$ 111,375	\$ -	\$ 11,937
Investments - unrestricted	-	-	-	-	-	-	-
Notes receivable and accrued interest	-	-	-	-	-	-	7,020,636
Investments in housing funds	-	-	-	-	-	-	-
Land, buildings, improvements and equipment, net	-	-	-	-	-	-	-
Mortgage escrow and utility deposits	34,940	55,903	52,409	146,746	59,397	-	-
Prepaid expenses and other assets	51,033	81,654	76,550	218,341	82,017	-	-
Replacement reserves	-	-	-	-	-	-	-
Tenants' security deposits	-	-	-	-	-	-	-
Deferred other costs, net	-	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-	47,883
<b>Total assets</b>	<b>\$ 201,409</b>	<b>\$ 242,861</b>	<b>\$ 219,479</b>	<b>\$ 610,804</b>	<b>\$ 252,789</b>	<b>\$ -</b>	<b>\$ 7,080,456</b>
<b>Liabilities:</b>							
Accounts payable and accrued expenses	\$ 3,957	\$ 16,113	\$ 25,967	\$ 62,377	\$ 26,143	\$ -	\$ -
Other liabilities	-	-	-	-	-	-	-
Tenants' security deposits	-	-	-	-	-	-	-
Mortgage notes payable and accrued interest	-	-	-	-	-	-	-
Notes and construction loans payable and accrued interest	-	-	-	-	-	-	-
Accounts payable - affiliates	-	-	-	-	-	-	-
Asset management fees payable	-	-	-	-	-	-	-
Minority interest of current year loss	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>3,957</b>	<b>16,113</b>	<b>25,967</b>	<b>62,377</b>	<b>26,143</b>	<b>-</b>	<b>-</b>
<b>Net assets:</b>							
Beginning net assets	(232,545)	571,312	70,865	(1,589,443)	(2,482,854)	(5,332,854)	6,789,590
Contributions (distributions)	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue)	429,997	(344,564)	122,647	2,137,870	2,709,500	5,332,854	290,866
<b>Total net assets</b>	<b>197,452</b>	<b>226,748</b>	<b>193,512</b>	<b>548,427</b>	<b>226,646</b>	<b>-</b>	<b>7,080,456</b>
<b>Total liabilities and net assets</b>	<b>\$ 201,409</b>	<b>\$ 242,861</b>	<b>\$ 219,479</b>	<b>\$ 610,804</b>	<b>\$ 252,789</b>	<b>\$ -</b>	<b>\$ 7,080,456</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

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

December 31, 2017

	Orange Affordable	Falls Church	Mark Twain	Anacostia Garden	Benning Heights Affordable	Total
<b>Assets:</b>						
Cash and cash equivalents	\$ -	\$ 2,898,510	\$ 103,290	\$ 24,296	\$ 54,838	\$ 4,311,439
Investments - unrestricted	-	35,089	-	-	-	35,089
Notes receivable and accrued interest	21,567,905	1,154,605	-	-	-	77,794,468
Investments in housing funds	-	-	-	-	-	1,820
Land, buildings, improvements and equipment, net	-	4,059,191	21,201,736	8,368,918	-	91,087,120
Mortgage escrow and utility deposits	-	134,434	2,799,360	79,914	-	4,916,415
Prepaid expenses and other assets	-	12,956	75,374	53,690	-	1,169,963
Replacement reserves	-	178,819	256,416	-	-	1,170,153
Tenants' security deposits	-	37,066	40,013	-	-	303,288
Deferred other costs, net	-	-	25,256	-	-	25,256
Due from affiliates	-	500	-	-	-	375,274
<b>Total assets</b>	<b>\$ 21,567,905</b>	<b>\$ 8,511,170</b>	<b>\$ 24,501,445</b>	<b>\$ 8,526,818</b>	<b>\$ 54,838</b>	<b>\$ 181,190,285</b>
<b>Liabilities:</b>						
Accounts payable and accrued expenses	\$ -	\$ 62,968	\$ 330,059	\$ 137,359	\$ -	\$ 1,543,484
Other liabilities	-	98	46,277	2,319	178	129,418
Tenants' security deposits	-	37,066	35,830	33,433	-	363,182
Mortgage notes payable and accrued interest	-	6,186,353	21,968,523	6,392,960	-	102,131,768
Notes and construction loans payable and accrued interest	-	-	2,354,131	2,391,555	-	14,795,182
Accounts payable - affiliates	-	517,675	1,840,973	-	-	3,387,414
Asset management fees payable	-	97,500	-	-	-	97,500
Minority interest of current year loss	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>6,901,660</b>	<b>26,575,793</b>	<b>8,957,626</b>	<b>178</b>	<b>122,447,948</b>
<b>Net assets:</b>						
Beginning net assets	20,832,628	1,298,866	(93,615)	(200,748)	315,769	54,029,291
Transfers in	-	-	-	-	-	-
Contributions (distributions)	-	-	-	-	-	386,773
Excess of revenue over expenses (expenses over revenue)	735,277	310,644	(1,980,733)	(230,060)	(261,109)	4,326,273
<b>Total net assets</b>	<b>21,567,905</b>	<b>1,609,510</b>	<b>(2,074,348)</b>	<b>(430,808)</b>	<b>54,660</b>	<b>58,742,337</b>
<b>Total liabilities and net assets</b>	<b>\$ 21,567,905</b>	<b>\$ 8,511,170</b>	<b>\$ 24,501,445</b>	<b>\$ 8,526,818</b>	<b>\$ 54,838</b>	<b>\$ 181,190,285</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - REAL ESTATE ENTITIES

Year ended December 31, 2017

	Cornerstone Bayview	Takoma Place Investor	Clipper Cove	Cornerstone St Luke's	ACT LaSalle	Alexander House	Cherry Affordable
Rent revenue	\$ -	\$ 1,182,458	\$ 4,471,030	\$ -	\$ 5,684	\$ 800,910	\$ -
Contribution income - non-affiliates	-	-	-	-	-	-	-
Interest income	266,518	27,331	-	267,661	-	66	4,678
Other revenue	-	9,283	243,668	-	376	31,967	-
Gain (loss) on sale of properties	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>266,518</b>	<b>1,219,072</b>	<b>4,714,698</b>	<b>267,661</b>	<b>6,060</b>	<b>832,943</b>	<b>4,678</b>
Salaries and benefits	-	222,044	525,253	-	3,380	180,099	-
Facilities and maintenance	-	243,564	717,063	-	2,667	153,978	-
Interest	-	644,542	912,437	-	-	401,069	-
Utilities	-	190,889	362,288	-	3,062	86,215	-
Insurance	-	30,408	403,384	-	7,240	29,553	-
Real estate taxes	-	4,216	218,094	-	1,199	65,312	-
Property management fees	-	47,647	160,957	-	1,935	51,300	-
Asset management fees	-	-	57,485	-	-	-	-
Accounting expense	-	15,998	12,000	-	470	12,275	-
Legal	-	629	10,346	-	-	1,660	-
Management and administration	-	460,316	255,819	-	6,366	41,571	-
Consulting expense	-	-	-	-	-	-	-
Marketing	-	3,117	13,179	-	-	891	-
Bad debt expense	-	22,639	49,130	-	-	755	-
Travel	-	1,620	1,093	-	-	989	-
Contributions expense	456,434	-	8,541,568	-	-	-	34,673
Depreciation	-	200,443	815,363	-	-	142,965	-
Amortization	-	-	-	-	-	-	-
Other financial expense and acquisition fee	-	1,335	6,595	-	-	193	-
Other losses (income) in investment in housing funds	-	-	-	-	-	-	(319)
<b>Total expense</b>	<b>456,434</b>	<b>2,089,407</b>	<b>13,062,054</b>	<b>-</b>	<b>26,319</b>	<b>1,168,825</b>	<b>34,354</b>
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	(189,916)	(870,335)	(8,347,356)	267,661	(20,259)	(335,882)	(29,676)
Excess of revenue over expenses attributable to the Organization - discontinued operations	-	-	-	-	-	-	-
<b>Excess of revenue over expenses (expenses over revenue) attributable to the Organization</b>	<b>\$ (189,916)</b>	<b>\$ (870,335)</b>	<b>\$ (8,347,356)</b>	<b>\$ 267,661</b>	<b>\$ (20,259)</b>	<b>\$ (335,882)</b>	<b>\$ (29,676)</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - REAL ESTATE ENTITIES - CONTINUED

Year ended December 31, 2017

	Plaza B I	Copper	Nannie Helen Owner (Strand)	New Covent	Pines at Carolina	Foxwood Affordable	Hollybush Affordable
Rent revenue	\$ -	\$ 726,386	\$ -	\$ 232,476	\$ 1,951,468	\$ -	\$ -
Contribution income - non-affiliates	-	-	-	-	-	-	-
Interest income	158,460	13	-	-	-	760,184	204,234
Other revenue	-	24,004	-	149,600	58,256	-	-
Gain (loss) on sale of properties	-	6,312,429	-	-	-	-	-
<b>Total revenue</b>	<b>158,460</b>	<b>7,062,832</b>	<b>-</b>	<b>382,076</b>	<b>2,009,724</b>	<b>760,184</b>	<b>204,234</b>
Salaries and benefits	-	106,715	-	145,002	300,136	-	-
Facilities and maintenance	-	370,499	-	78,438	251,411	-	-
Interest	-	138,144	-	380,564	784,247	-	-
Utilities	-	34,325	-	41,861	182,582	-	-
Insurance	-	48,192	-	18,974	71,327	-	-
Real estate taxes	-	29,736	-	-	358	-	-
Property management fees	-	27,105	-	23,449	78,913	-	-
Asset management fees	-	-	-	7,500	-	-	-
Accounting expense	-	1,480	-	8,800	12,101	-	-
Legal	-	-	-	7,274	13,092	-	-
Management and administration	-	53,693	-	83,254	69,987	-	-
Consulting expense	-	196	-	41,461	-	-	-
Marketing	-	3,175	-	812	6,425	-	-
Bad debt expense	-	34,199	-	33,159	41,806	-	-
Travel	-	-	-	144	-	-	-
Contributions expense	-	1,304,750	-	-	-	-	505,357
Depreciation	-	100,903	-	61,453	439,286	-	-
Amortization	-	-	-	-	-	-	-
Other financial expense and acquisition fee	-	26,161	-	217	10,000	-	-
Other losses (income) in investment in housing funds	-	-	-	-	-	-	-
<b>Total expense</b>	<b>-</b>	<b>2,279,273</b>	<b>-</b>	<b>932,362</b>	<b>2,261,671</b>	<b>-</b>	<b>505,357</b>
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	158,460	4,783,559	-	(550,286)	(251,947)	760,184	(301,123)
Excess of revenue over expenses attributable to the Organization - discontinued operations	-	-	-	-	-	-	-
<b>Excess of revenue over expenses (expenses over revenue) attributable to the Organization</b>	<b>\$ 158,460</b>	<b>\$ 4,783,559</b>	<b>\$ -</b>	<b>\$ (550,286)</b>	<b>\$ (251,947)</b>	<b>\$ 760,184</b>	<b>\$ (301,123)</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - REAL ESTATE ENTITIES - CONTINUED

Year ended December 31, 2017

	Asmara						Milliken Affordable
	Creek Hollow	Heritage Square	The Highlands	The Grove at Trinity Mills	Stone Ridge	Magnolia	
Rent revenue	\$ 846,528	\$ 1,017,223	\$ 1,072,919	\$ 2,523,700	\$ 1,461,489	\$ 753,853	\$ -
Contribution income - non-affiliates	-	-	-	-	-	-	-
Interest income	9	9	7	24	8	4	459,293
Other revenue	120,226	17,880	101,958	263,890	116,549	39,689	6,115
Gain (loss) on sale of properties	3,302,542	3,821,387	4,082,693	12,501,056	7,862,709	5,726,603	-
<b>Total revenue</b>	<b>4,269,305</b>	<b>4,856,499</b>	<b>5,257,577</b>	<b>15,288,670</b>	<b>9,440,755</b>	<b>6,520,149</b>	<b>465,408</b>
Salaries and benefits	141,293	126,239	157,303	258,017	151,220	87,307	-
Facilities and maintenance	364,239	234,473	408,717	581,727	595,445	192,401	-
Interest	70,308	8,130	51,444	(162,641)	146,006	137,430	-
Utilities	96,790	72,583	64,621	202,711	284,506	46,673	-
Insurance	72,790	37,579	44,680	102,575	66,007	43,461	-
Real estate taxes	-	-	-	-	-	30,182	-
Property management fees	37,597	40,546	45,786	110,153	63,522	30,292	-
Asset management fees	17,147	20,004	19,451	50,609	29,081	-	-
Accounting expense	7,796	7,276	8,835	20,966	13,253	1,480	-
Legal	6,912	2,330	4,460	4,284	6,841	-	-
Management and administration	119,578	108,909	100,983	194,143	174,929	54,012	-
Consulting expense	-	-	-	-	-	8,545	-
Marketing	8,230	5,649	6,425	1,958	6,602	4,630	-
Bad debt expense	24,242	27,970	30,243	49,160	21,227	13,791	-
Travel	335	61	114	46	468	-	-
Contributions expense	2,783,335	4,421,626	4,119,237	11,509,185	4,937,984	425,725	174,542
Depreciation	88,716	87,688	72,631	227,907	234,164	85,325	-
Amortization	-	-	-	-	-	-	-
Other financial expense and acquisition fee	-	-	-	-	-	26,041	-
Other losses (income) in investment in housing funds	-	-	-	-	-	-	-
<b>Total expense</b>	<b>3,839,308</b>	<b>5,201,063</b>	<b>5,134,930</b>	<b>13,150,800</b>	<b>6,731,255</b>	<b>1,187,295</b>	<b>174,542</b>
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	429,997	(344,564)	122,647	2,137,870	2,709,500	5,332,854	290,866
Excess of revenue over expenses attributable to the Organization - discontinued operations	-	-	-	-	-	-	-
<b>Excess of revenue over expenses (expenses over revenue) attributable to the Organization</b>	<b>\$ 429,997</b>	<b>\$ (344,564)</b>	<b>\$ 122,647</b>	<b>\$ 2,137,870</b>	<b>\$ 2,709,500</b>	<b>\$ 5,332,854</b>	<b>\$ 290,866</b>



THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - REAL ESTATE ENTITIES - CONTINUED

Year ended December 31, 2017

	Orange Affordable	Falls Church	Mark Twain	Anacostia Garden	Benning Heights Affordable	Total
Rent revenue	\$ -	\$ 1,371,730	\$ 1,377,001	\$ 1,212,599	\$ 61,652	\$ 21,069,106
Contribution income - non-affiliates	-	76,982	-	-	-	76,982
Interest income	735,277	82,955	45	58	66	2,966,900
Other revenue	-	9,356	14,265	16,556	(300)	1,223,338
Gain (loss) on sale of properties	-	584,246	-	-	(343,209)	43,850,456
<b>Total revenue</b>	<b>735,277</b>	<b>2,125,269</b>	<b>1,391,311</b>	<b>1,229,213</b>	<b>(281,791)</b>	<b>69,186,782</b>
Salaries and benefits	-	558,743	\$ 241,514	\$ 238,358	\$ (2,882)	\$ 3,439,741
Facilities and maintenance	-	190,467	115,047	130,546	794	4,631,476
Interest	-	301,137	1,609,653	478,872	26,134	5,927,476
Utilities	-	109,067	121,474	190,991	(30,769)	2,059,869
Insurance	-	17,514	76,013	32,678	(2,431)	1,099,944
Real estate taxes	-	3,328	-	49,898	(23,224)	379,099
Property management fees	-	48,264	75,419	59,400	2,387	904,672
Asset management fees	-	65,000	-	-	-	266,277
Accounting expense	-	29,557	8,800	18,564	12,203	191,854
Legal	-	2,685	95,310	8,006	-	163,829
Management and administration	-	226,970	358,665	97,619	1,373	2,408,187
Consulting expense	-	8,100	28,369	2,658	-	89,329
Marketing	-	22,682	1,810	212	68	85,865
Bad debt expense	-	3,345	76,016	18,673	(5,842)	440,513
Travel	-	211	298	122	100	5,601
Contributions expense	-	100,000	-	-	-	39,314,416
Depreciation	-	127,555	559,758	132,676	-	3,376,833
Amortization	-	-	3,898	-	-	3,898
Other financial expense and acquisition fee	-	-	-	-	1,407	71,949
Other losses (income) in investment in housing funds	-	-	-	-	-	(319)
<b>Total expense</b>	<b>-</b>	<b>1,814,625</b>	<b>3,372,044</b>	<b>1,459,273</b>	<b>(20,682)</b>	<b>64,860,509</b>
Excess or revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	735,277	310,644	(1,980,733)	(230,060)	(261,109)	4,326,273
Excess of revenue over expenses attributable to the Organization - discontinued operations	-	-	-	-	-	-
<b>Excess of revenue over expenses (expenses over revenue) attributable to the Organization</b>	<b>\$ 735,277</b>	<b>\$ 310,644</b>	<b>\$ (1,980,733)</b>	<b>\$ (230,060)</b>	<b>\$ (261,109)</b>	<b>\$ 4,326,273</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - TAX CREDIT ENTITIES

December 31, 2017

	Forest Park	Walnut Square	Bayview Preservation	Foxwood Preservation	St. Luke's Preservation	Columbia Heights Village
<b>Assets:</b>						
Cash and cash equivalents	\$ 359,909	\$ 490,334	\$ 562,490	\$ 290,816	\$ 87,060	\$ 1,691,280
Land, buildings, improvements and equipment, net	12,783,009	29,184,453	28,892,683	24,931,125	17,251,532	33,041,380
Mortgage escrow and utility deposits	348,067	777,225	1,825,958	969,233	938,230	236,918
Prepaid expenses and other assets	141,227	161,171	92,210	146,827	122,467	3,757,917
Replacement reserves	243,498	323,184	693,137	263,872	413,830	1,219,927
Tenants' security deposits	80,835	78,042	159,687	110,536	37,594	130,952
Deferred other costs, net	22,656	34,936	48,333	69,374	43,123	-
Due from affiliates	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 13,979,201</b>	<b>\$ 31,049,345</b>	<b>\$ 32,274,498</b>	<b>\$ 26,781,783</b>	<b>\$ 18,893,836</b>	<b>\$ 40,078,374</b>
<b>Liabilities:</b>						
Accounts payable and accrued expenses	\$ 45,850	\$ 61,371	\$ 92,500	\$ 109,104	\$ 61,229	\$ 349,961
Other liabilities	71,234	34,229	20,799	1,587,027	556,826	206,027
Tenants' security deposits	81,850	79,860	156,128	108,979	35,524	129,400
Mortgage notes payable and accrued interest	4,781,450	22,037,169	15,149,279	10,685,592	3,515,177	90,186,912
Notes and construction loans payable and accrued interest	3,380,112	3,269,339	11,151,082	18,688,879	7,249,035	-
Accounts payable - affiliates	1,222,225	578,127	3,517	737,267	268,049	-
Asset management fees payable	-	-	-	80,000	-	-
<b>Total liabilities</b>	<b>9,582,721</b>	<b>26,060,095</b>	<b>26,573,305</b>	<b>31,996,848</b>	<b>11,685,840</b>	<b>90,872,300</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

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

December 31, 2017

	Alabama Ave. (Roundtree)	Benning Heights Investor	Ships Cove Preservation	Wade Road (Parkchester)	Harvest Homes	Bolton North
<b>Assets:</b>						
Cash and cash equivalents	\$ 418,460	\$ 759,941	\$ 41,635	\$ 207,310	\$ 41,629	\$ 832,359
Land, buildings, improvements and equipment, net	11,792,461	22,600,532	14,217,527	20,876,283	13,537,561	22,572,664
Mortgage escrow and utility deposits	672,855	138,652	1,984,144	68,803	6,313,705	5,667,821
Prepaid expenses and other assets	22,180	56,584	280,872	73,475	11,218	63,967
Replacement reserves	110,890	416,010	174,459	-	8,100	19,334
Tenants' security deposits	43,851	27,781	50,197	16,016	30,086	60,098
Deferred other costs, net	37,596	65,155	68,950	56,073	62,768	281,392
Due from affiliates	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 13,098,293</b>	<b>\$ 24,064,655</b>	<b>\$ 16,817,784</b>	<b>\$ 21,297,960</b>	<b>\$ 20,005,067</b>	<b>\$ 29,497,635</b>
<b>Liabilities:</b>						
Accounts payable and accrued expenses	\$ 38,858	\$ 2,262,083	\$ 1,598,072	\$ 2,010,973	\$ 505,417	\$ 767,782
Other liabilities	6,323	1,455	6,226	7,965	-	41,085
Tenants' security deposits	42,431	26,090	49,744	15,651	29,243	58,233
Mortgage notes payable and accrued interest	9,623,266	-	10,394,479	15,280,780	760,424	24,251,918
Notes and construction loans payable and accrued interest	615,980	18,413,159	2,675,535	-	8,361,918	8,818,961
Accounts payable - affiliates	7,500	891,352	1,281,606	1,418,123	879,917	638,161
Asset management fees payable	44,457	-	5,625	-	18,758	-
<b>Total liabilities</b>	<b>10,378,815</b>	<b>21,594,139</b>	<b>16,011,287</b>	<b>18,733,492</b>	<b>10,555,677</b>	<b>34,576,140</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

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

December 31, 2017

	Plaza B II	Cleme Manor	Hollybush Preservation	Pepper Tree	Orange Preservation	Total
<b>Assets:</b>						
Cash and cash equivalents	\$ 463,844	\$ 741,804	\$ 751,255	\$ 226,052	\$ 327,425	\$ 8,293,603
Land, buildings, improvements and equipment, net	21,688,144	33,994,437	24,617,978	11,952,230	33,180,659	377,114,658
Mortgage escrow and utility deposits	948,779	7,016	1,093,325	338,183	1,660,039	23,988,953
Prepaid expenses and other assets	177,969	341,760	100,737	43,779	172,869	5,767,229
Replacement reserves	-	-	284,065	59,368	336,592	4,566,266
Tenants' security deposits	28,156	16,247	78,671	3,662	121,125	1,073,536
Deferred other costs, net	26,412	75,520	118,137	7,951	92,121	1,110,497
Due from affiliates	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 23,333,304</b>	<b>\$ 35,176,784</b>	<b>\$ 27,044,168</b>	<b>\$ 12,631,225</b>	<b>\$ 35,890,830</b>	<b>\$ 421,914,742</b>
<b>Liabilities:</b>						
Accounts payable and accrued expenses	\$ 68,024	\$ 1,585,363	\$ 251,348	\$ 219,871	\$ 226,403	\$ 10,254,209
Other liabilities	10,851	27,690	42,077	11,681	10,848	2,642,343
Tenants' security deposits	28,156	16,247	77,170	3,662	119,622	1,057,990
Mortgage notes payable and accrued interest	7,504,144	-	13,720,534	6,907,747	17,079,093	251,877,964
Notes and construction loans payable and accrued interest	7,223,978	17,807,490	6,188,317	-	21,567,905	135,411,690
Accounts payable - affiliates	3,073,436	4,201,634	699	1,740,756	549	16,942,918
Asset management fees payable	-	52,733	5,000	20,000	20,000	246,573
<b>Total liabilities</b>	<b>17,908,589</b>	<b>23,691,157</b>	<b>20,285,145</b>	<b>8,903,717</b>	<b>39,024,420</b>	<b>\$ 418,433,687</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

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

December 31, 2017

	Forest Park	Walnut Square	Bayview Preservation	Foxwood Preservation	St. Luke's Preservation	Columbia Heights Village
Net assets:						
Beginning net assets (GP)	(546)	(703)	(71)	(1,041)	(389)	-
Beginning net assets (SLP)	10	(702)	10	(1,141)	(405)	-
Beginning net assets (LP)	4,622,333	5,760,408	5,966,131	(4,279,998)	7,998,004	-
Transfers in	-	-	-	-	-	(25,316,148)
Contribution/distribution (GP)	-	-	-	-	-	(25,372,803)
Contribution/distribution (LP)	(5,932)	-	-	-	-	-
Changes in Equity (GP)	-	-	-	-	-	-
Syndication costs (LP)	-	-	-	-	-	-
Excess of expenses over revenue attributable to the Organization (GP) - continued operations	(22)	(77)	(26)	(93)	(79)	(10)
Excess of expense over revenue attributable to noncontrolling interests (SLP) - continued operations	-	(77)	-	(93)	(55)	-
Excess of expenses over revenue attributable to noncontrolling interests (LP) - continued operations	(219,363)	(769,599)	(264,851)	(932,698)	(789,080)	(104,965)
Ending net asset (GP)	(568)	(780)	(97)	(1,135)	(468)	(25,372,813)
Ending net asset (SLP)	10	(779)	10	(1,235)	(460)	-
Ending net asset (LP)	4,397,038	4,990,809	5,701,280	(5,212,696)	7,208,924	(25,421,113)
Total net assets	4,396,480	4,989,250	5,701,193	(5,215,065)	7,207,996	(50,793,926)
Total liabilities and net assets	<u>\$ 13,979,201</u>	<u>\$ 31,049,345</u>	<u>\$ 32,274,498</u>	<u>\$ 26,781,783</u>	<u>\$ 18,893,836</u>	<u>\$ 40,078,374</u>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

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

December 31, 2017

	Alabama Ave. (Roundtree)	Benning Heights Investor	Ships Cove Preservation	Wade Road (Parkchester)	Harvest Homes	Bolton North
Net assets:						
Beginning net assets (GP)	(121)	-	(2,899,394)	8,935	410,000	-
Beginning net assets (SLP)	(223)	-	-	-	-	-
Beginning net assets (LP)	3,025,667	-	866,620	1,067,570	3,573,841	-
Transfers in	-	-	-	-	-	(5,627,904)
Contribution/distribution (GP)	-	100	174,642	-	226,300	-
Contribution/distribution (LP)	-	2,106,000	2,666,334	2,190,648	5,957,359	414,854
Changes in Equity (GP)	-	256,482	-	-	-	-
Syndication costs (LP)	-	-	-	(2,670)	-	-
Excess of expenses over revenue attributable to the Organization (GP) - continued operations	(30)	11	-	(70)	(72)	13
Excess of expense over revenue attributable to noncontrolling interests (SLP) - continued operations	(31)	-	-	-	-	-
Excess of expenses over revenue attributable to noncontrolling interests (LP) - continued operations	(305,784)	107,923	(1,705)	(699,945)	(718,038)	134,532
Ending net asset (GP)	(151)	256,593	(2,724,752)	8,865	636,228	13
Ending net asset (SLP)	(254)	-	-	-	-	-
Ending net asset (LP)	2,719,883	2,213,923	3,531,249	2,555,603	8,813,162	(5,078,518)
Total net assets	2,719,478	2,470,516	806,497	2,564,468	9,449,390	(5,078,505)
Total liabilities and net assets	\$ 13,098,293	\$ 24,064,655	\$ 16,817,784	\$ 21,297,960	\$ 20,005,067	\$ 29,497,635

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

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

December 31, 2017

	Plaza B II	Cleme Manor	Hollybush Preservation	Pepper Tree	Orange Preservation	Total
Net assets:						
Beginning net assets (GP)	(21)	(851,574)	95	(24,782)	(723)	(3,360,336)
Beginning net assets (SLP)	-	-	(7)	-	(827)	(3,285)
Beginning net assets (LP)	857,862	3,191,134	6,950,636	4,233,606	(2,175,451)	41,658,364
Transfers in	-	-	-	-	-	(30,944,052)
Contribution/distribution (GP)	-	-	-	(14,941)	-	(24,986,702)
Contribution/distribution (LP)	5,198,262	9,948,001	-	(358,569)	-	28,116,957
Changes in Equity (GP)	-	-	-	-	-	256,482
Syndication costs (LP)	-	-	-	-	-	-
Excess of expenses over revenue attributable to the Organization (GP) - continued operations	(64)	(80)	(19)	(11)	(95)	(724)
Excess of expense over revenue attributable to noncontrolling interests (SLP) - continued operations	-	-	(19)	-	(96)	(371)
Excess of expenses over revenue attributable to noncontrolling interests (LP) - continued operations	(631,324)	(801,854)	(191,663)	(107,795)	(956,398)	(7,252,607)
Ending net asset (GP)	(85)	(851,654)	76	(39,734)	(818)	(28,091,280)
Ending net asset (SLP)	-	-	(26)	-	(923)	(3,656)
Ending net asset (LP)	5,424,800	12,337,281	6,758,973	3,767,242	(3,131,849)	31,575,992
Total net assets	5,424,715	11,485,627	6,759,023	3,727,508	(3,133,590)	3,481,055
Total liabilities and net assets	\$ 23,333,304	\$ 35,176,784	\$ 27,044,168	\$ 12,631,225	\$ 35,890,830	\$ 421,914,742

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - TAX CREDIT ENTITIES

Year ended December 31, 2017

	Forest Park	Walnut Square	Bayview Preservation	Foxwood Preservation	St. Luke's Preservation	Columbia Heights Village
Rent revenue	\$ 2,523,455	\$ 2,030,678	\$ 3,583,681	\$ 2,772,545	\$ 1,203,248	\$ -
Interest income	306	415	6,789	691	150	-
Other revenue	73,314	44,242	27,109	177,241	108,184	-
<b>Total revenue</b>	<b>2,597,075</b>	<b>2,075,335</b>	<b>3,617,579</b>	<b>2,950,477</b>	<b>1,311,582</b>	<b>-</b>
Salaries and benefits	279,554	254,788	365,301	532,008	282,112	-
Facilities and maintenance	423,417	258,521	407,382	447,986	231,694	-
Interest	383,445	436,361	1,229,428	1,026,472	374,995	39,823
Utilities	296,377	197,492	452,704	212,667	99,443	-
Insurance	211,674	249,717	103,434	111,447	72,611	65,152
Real estate taxes	135,195	83,851	243,226	260,062	66,374	-
Property management fees	101,984	82,135	143,698	129,892	61,847	-
Asset management fees	-	-	-	15,000	7,500	-
Accounting expense	4,440	4,440	12,228	13,137	8,950	-
Legal	-	-	5,191	20,749	20,317	-
Management and administration	210,220	284,280	199,144	278,551	301,752	-
Consulting expense	19,951	15,957	-	3,465	18,936	-
Marketing	33,684	11,839	4,443	18,103	7,516	-
Travel	-	-	-	3,135	-	-
Bad debt expense	16,323	9,988	10,261	18,025	76,231	-
Other financial expense and acquisition fee	-	-	-	-	(43,250)	-
Depreciation	695,811	950,478	701,903	783,183	508,065	-
Amortization	4,385	5,241	4,113	9,480	5,703	-
<b>Total expense</b>	<b>2,816,460</b>	<b>2,845,088</b>	<b>3,882,456</b>	<b>3,883,362</b>	<b>2,100,796</b>	<b>104,975</b>
Excess of (expenses over revenue) revenue over expense - continued operations	(219,385)	(769,753)	(264,877)	(932,885)	(789,214)	(104,975)
Excess of expenses over revenue attributable to noncontrolling interests - continuing operations	219,363	769,676	264,851	932,792	789,135	104,965
Excess of expenses over revenue attributable to the Organization - continuing operations	\$ (22)	\$ (77)	\$ (26)	\$ (93)	\$ (79)	\$ (10)



THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - TAX CREDIT ENTITIES - CONTINUED

Year ended December 31, 2017

	Alabama Ave. (Roundtree)	Benning Heights Investor	Ships Cove Preservation	Wade Road (Parkchester)	Harvest Homes	Bolton North
Rent revenue	\$ 975,341	\$ 1,940,554	\$ 2,309,005	\$ 1,278,758	\$ 289,753	\$ 1,276,409
Interest income	1,079	1,906	1,142	514	29	138
Other revenue	39,173	8,668	27,783	7,128	11,217	20,286
<b>Total revenue</b>	<b>1,015,593</b>	<b>1,951,128</b>	<b>2,337,930</b>	<b>1,286,400</b>	<b>300,999</b>	<b>1,296,833</b>
Salaries and benefits	210,085	368,200	325,926	203,859	106,802	78,522
Facilities and maintenance	90,347	254,414	312,720	194,096	27,637	119,938
Interest	188,664	224,171	415,152	135,685	247,264	381,943
Utilities	61,422	180,165	413,463	116,904	51,438	151,708
Insurance	42,209	42,417	80,661	44,219	14,207	14,651
Real estate taxes	-	-	137,769	-	19,992	57,444
Property management fees	50,048	86,978	92,929	78,016	18,020	43,930
Asset management fees	30,000	-	-	-	18,758	-
Accounting expense	14,700	27,202	14,012	36,120	23,856	7,680
Legal	2,774	13,211	24,422	8,053	1,327	1,372
Management and administration	173,111	362,423	194,793	721,428	22,192	16,296
Consulting expense	2,980	6,630	-	-	727	-
Marketing	4,712	1,270	9,193	1,781	18,440	1,358
Travel	485	-	-	720	-	-
Bad debt expense	(3,003)	16,156	12,407	24,571	2,766	1,060
Other financial expense and acquisition fee	-	1,471	7,566	420	7,105	33,824
Depreciation	448,898	251,971	298,622	416,538	361,715	206,482
Amortization	4,006	6,515	-	4,005	76,863	46,080
<b>Total expense</b>	<b>1,321,438</b>	<b>1,843,194</b>	<b>2,339,635</b>	<b>1,986,415</b>	<b>1,019,109</b>	<b>1,162,288</b>
Excess of (expenses over revenue) revenue over expense - continued operations	(305,845)	107,934	(1,705)	(700,015)	(718,110)	134,545
Excess of expenses over revenue attributable to noncontrolling interests - continuing operations	305,815	(107,923)	1,705	699,945	718,038	(134,532)
Excess of expenses over revenue attributable to the Organization - continuing operations	\$ (30)	\$ 11	\$ -	(70)	\$ (72)	\$ 13

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - TAX CREDIT ENTITIES - CONTINUED

Year ended December 31, 2017

	Plaza B II	Cleme Manor	Hollybush Preservation	Pepper Tree	Orange Preservation	Total
Rent revenue	\$ 2,019,299	\$ 1,574,685	\$ 3,097,123	\$ 1,895,729	\$ 3,542,308	\$ 32,312,571
Interest income	3,603	-	596	635	107	18,100
Other revenue	3,659	54,599	28,575	9,273	177,930	818,381
<b>Total revenue</b>	<b>2,026,561</b>	<b>1,629,284</b>	<b>3,126,294</b>	<b>1,905,637</b>	<b>3,720,345</b>	<b>33,149,052</b>
Salaries and benefits	316,210	374,712	417,774	318,657	515,280	4,949,790
Facilities and maintenance	72,913	173,944	242,981	398,985	480,375	4,137,350
Interest	801,587	208,439	756,153	207,382	1,270,140	8,327,104
Utilities	259,326	254,512	227,270	180,069	181,004	3,335,964
Insurance	51,541	239,296	83,678	82,957	159,375	1,669,246
Real estate taxes	170,001	221,411	337,629	174,754	448,298	2,356,006
Property management fees	60,552	61,819	132,752	97,002	153,073	1,394,675
Asset management fees	7,500	41,200	5,000	20,000	5,000	149,958
Accounting expense	19,156	9,075	16,684	9,000	13,000	233,680
Legal	-	10,504	27,341	10,705	85,656	231,622
Management and administration	86,808	212,318	343,609	110,846	417,324	3,935,095
Consulting expense	44,538	-	12,503	9,750	4,205	139,642
Marketing	-	4,346	6,546	20,936	9,978	154,145
Travel	65	559	367	-	610	5,941
Bad debt expense	8,307	4,899	21,973	-	15,573	235,537
Other financial expense and acquisition fee	115,156	13,012	-	-	-	135,304
Depreciation	637,003	598,970	676,221	370,823	908,487	8,815,170
Amortization	7,286	2,202	9,514	1,577	9,556	196,526
<b>Total expense</b>	<b>2,657,949</b>	<b>2,431,218</b>	<b>3,317,995</b>	<b>2,013,443</b>	<b>4,676,934</b>	<b>40,402,755</b>
Excess of (expenses over revenue) revenue over expense - continued operations	(631,388)	(801,934)	(191,701)	(107,806)	(956,589)	(7,253,703)
Excess of expenses over revenue attributable to noncontrolling interests - continuing operations	631,324	801,854	191,682	107,795	956,494	7,252,979
Excess of expenses over revenue attributable to the Organization - continuing operations	\$ (64)	\$ (80)	\$ (19)	\$ (11)	\$ (95)	\$ (724)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - OTHER ENTITIES

December 31, 2017

	Preservation Partners	Walnut 209	Walnut Affordable	Forest Park Affordable	St. Luke's GP	Ships Cove GP	Foxwood GP
<b>Assets:</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes receivable and accrued interest	-	-	-	1,780,425	562,654	-	-
Investment in housing funds	-	-	-	-	(334)	174,645	(923)
Land, buildings, improvements and equipment, net	-	-	1,000,000	-	-	-	-
Prepaid expenses and other assets	-	-	49	-	-	-	-
Advances - current	341,647	37,243	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-	80,000
<b>Total assets</b>	<b>\$ 341,647</b>	<b>\$ 37,243</b>	<b>\$ 1,000,049</b>	<b>\$ 1,780,425</b>	<b>\$ 562,320</b>	<b>\$ 174,645</b>	<b>\$ 79,077</b>
<b>Liabilities:</b>							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes and construction loans payable and accrued interest	-	-	-	-	562,654	-	-
Accounts payable - affiliates	-	-	-	-	200	100	100
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>562,854</b>	<b>100</b>	<b>100</b>
<b>Net assets:</b>							
Beginning net assets	341,647	37,243	1,210,966	2,154,032	(455)	3	69,070
Transfers in	-	-	-	-	-	-	-
Contributions (distributions) GP	-	-	-	-	-	-	-
<b>Excess of expenses over revenue attributable to the Organization - continuing operations</b>	<b>-</b>	<b>-</b>	<b>(210,917)</b>	<b>(373,607)</b>	<b>(79)</b>	<b>174,542</b>	<b>9,907</b>
<b>Total net assets</b>	<b>341,647</b>	<b>37,243</b>	<b>1,000,049</b>	<b>1,780,425</b>	<b>(534)</b>	<b>174,545</b>	<b>78,977</b>
<b>Liabilities and net assets</b>	<b>\$ 341,647</b>	<b>\$ 37,243</b>	<b>\$ 1,000,049</b>	<b>\$ 1,780,425</b>	<b>\$ 562,320</b>	<b>\$ 174,645</b>	<b>\$ 79,077</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - OTHER ENTITIES - CONTINUED

December 31, 2017

	<u>Orange GP</u>	<u>Bayview GP</u>	<u>Hollybush GP</u>	<u>Pepper Tree GP</u>	<u>Plaza B GP</u>	<u>VOV-NHPF I</u>	<u>Jamestown Affordable</u>
<b>Assets:</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes receivable and accrued interest	-	-	-	-	-	-	4,523,826
Investment in housing funds	(821)	(97)	76	(39,733)	(13)	(154)	(851,654)
Land, buildings, improvements and equipment, net	-	-	-	-	-	-	-
Prepaid expenses and other assets	-	-	-	-	-	-	-
Advances - current	-	-	-	-	-	-	-
Due from affiliates	-	-	-	20,000	55,224	44,457	-
<b>Total assets</b>	<u>\$ (821)</u>	<u>\$ (97)</u>	<u>\$ 76</u>	<u>\$ (19,733)</u>	<u>\$ 55,211</u>	<u>\$ 44,303</u>	<u>\$ 3,672,172</u>
<b>Liabilities:</b>							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,200
Notes and construction loans payable and accrued interest	-	-	-	-	-	-	4,200,000
Accounts payable - affiliates	100	10	100	-	100	44,557	27,381
<b>Total liabilities</b>	<u>100</u>	<u>10</u>	<u>100</u>	<u>-</u>	<u>100</u>	<u>44,557</u>	<u>4,237,581</u>
<b>Net assets:</b>							
Beginning net assets	(825)	(81)	(5)	(4,782)	40,690	(223)	(641,171)
Transfers in	-	-	-	-	-	-	-
Contributions (distributions) GP	-	-	-	-	-	-	-
<b>Excess of expenses over revenue attributable to the Organization - continuing operations</b>	<u>(96)</u>	<u>(26)</u>	<u>(19)</u>	<u>(14,951)</u>	<u>14,421</u>	<u>(31)</u>	<u>75,762</u>
<b>Total net assets</b>	<u>(921)</u>	<u>(107)</u>	<u>(24)</u>	<u>(19,733)</u>	<u>55,111</u>	<u>(254)</u>	<u>(565,409)</u>
<b>Liabilities and net assets</b>	<u>\$ (821)</u>	<u>\$ (97)</u>	<u>\$ 76</u>	<u>\$ (19,733)</u>	<u>\$ 55,211</u>	<u>\$ 44,303</u>	<u>\$ 3,672,172</u>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - OTHER ENTITIES - CONTINUED

December 31, 2017

	<u>Harvest Homes GP</u>	<u>Benning Heights GP</u>	<u>New Covent GP</u>	<u>Wade Road GP</u>	<u>Anacostia GP</u>	<u>Workforce I Housing, LLC</u>	<u>NHPF/WH</u>
<b>Assets:</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes receivable and accrued interest	-	-	-	-	-	-	-
Investment in housing funds	410,071	315,980	42	8,942	(430,708)	(291,998)	(292,098)
Land, buildings, improvements and equipment, net	-	-	-	-	-	-	-
Prepaid expenses and other assets	-	-	-	-	-	-	-
Advances - current	-	-	-	-	-	-	-
Due from affiliates	18,758	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 428,829</u>	<u>\$ 315,980</u>	<u>\$ 42</u>	<u>\$ 8,942</u>	<u>\$ (430,708)</u>	<u>\$ (291,998)</u>	<u>\$ (292,098)</u>
<b>Liabilities:</b>							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes and construction loans payable and accrued interest	-	-	-	-	-	-	-
Accounts payable - affiliates	100	200	-	100	100	100	32,500
<b>Total liabilities</b>	<u>100</u>	<u>200</u>	<u>-</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>32,500</u>
<b>Net assets:</b>							
Beginning net assets	410,000	315,769	92	8,835	(200,748)	(40,151)	(72,651)
Transfers in	-	-	-	-	-	-	-
Contributions (distributions) GP	-	-	-	-	-	-	-
Excess of expenses over revenue attributable to the Organization - continuing operations	18,729	11	(50)	7	(230,060)	(251,947)	(251,947)
<b>Total net assets</b>	<u>428,729</u>	<u>315,780</u>	<u>42</u>	<u>8,842</u>	<u>(430,808)</u>	<u>(292,098)</u>	<u>(324,598)</u>
<b>Liabilities and net assets</b>	<u>\$ 428,829</u>	<u>\$ 315,980</u>	<u>\$ 42</u>	<u>\$ 8,942</u>	<u>\$ (430,708)</u>	<u>\$ (291,998)</u>	<u>\$ (292,098)</u>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF FINANCIAL POSITION - OTHER ENTITIES - CONTINUED

December 31, 2017

	<u>NDFD II</u>	<u>NDFD I</u>	<u>Cleme 284 GP</u>	<u>Takoma GP</u>	<u>Columbia Apartments</u>	<u>NHPF-Columbia Heights Manager</u>	<u>Total</u>
<b>Assets:</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 63,937	\$ -	\$ 63,937
Notes receivable and accrued interest	-	-	-	-	-	-	6,866,905
Investment in housing funds	34	(86,185)	(851,654)	(870,235)	(49,263,645)	33,261,674	(18,808,788)
Land, buildings, improvements and equipment, net	-	-	-	-	-	-	1,000,000
Prepaid expenses and other assets	-	-	-	-	-	-	49
Advances - current	-	-	-	-	-	-	378,890
Due from affiliates	-	-	40,900	-	2,220,077	-	2,479,416
<b>Total assets</b>	<u>\$ 34</u>	<u>\$ (86,185)</u>	<u>\$ (810,754)</u>	<u>\$ (870,235)</u>	<u>\$ (46,979,631)</u>	<u>\$ 33,261,674</u>	<u>\$ (8,019,591)</u>
<b>Liabilities:</b>							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,200
Notes and construction loans payable and accrued interest	-	-	-	-	-	-	4,762,654
Accounts payable - affiliates	-	46,101	-	100	1,844,151	-	1,996,100
<b>Total liabilities</b>	<u>-</u>	<u>46,101</u>	<u>-</u>	<u>100</u>	<u>1,844,151</u>	<u>-</u>	<u>6,768,954</u>
<b>Net assets:</b>							
Beginning net assets	-	(132,286)	(841,574)	-	-	-	2,653,395
Transfers in	-	-	-	-	(23,372,940)	-	(23,372,940)
Contributions (distributions)	-	-	-	-	(23,890,842)	-	(23,890,842)
Excess of expenses over revenue attributable to the Organization - continuing operations	34	-	30,820	(870,335)	(1,560,000)	33,261,674	29,821,842
<b>Total net assets</b>	<u>34</u>	<u>(132,286)</u>	<u>(810,754)</u>	<u>(870,335)</u>	<u>(48,823,782)</u>	<u>33,261,674</u>	<u>(14,788,545)</u>
<b>Liabilities and net assets</b>	<u>\$ 34</u>	<u>\$ (86,185)</u>	<u>\$ (810,754)</u>	<u>\$ (870,235)</u>	<u>\$ (46,979,631)</u>	<u>\$ 33,261,674</u>	<u>\$ (8,019,591)</u>

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

Year ended December 31, 2017

	Preservation Partners	Walnut 209	Walnut Affordable	Forest Park Affordable	St. Luke's GP	Ships Cove GP	Foxwood GP
Contribution affiliates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,542	\$ -
Asset management fees	-	-	-	-	-	-	10,000
Developer fee income	-	-	-	-	-	-	-
Interest income	-	-	-	21,502	-	-	-
Other revenue	-	-	66,668	-	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>66,668</b>	<b>21,502</b>	<b>-</b>	<b>174,542</b>	<b>10,000</b>
Salaries and benefits	-	-	-	-	-	-	-
Accounting expense	-	-	-	-	-	-	-
Asset management fees	-	-	-	-	-	-	-
Management and administration	-	-	-	-	-	-	-
Contributions expense	-	-	277,585	395,109	-	-	-
Other financial expenses and acquisition fee	-	-	-	-	-	-	-
Other losses (income) in investment in housing funds	-	-	-	-	79	-	93
<b>Total expense</b>	<b>-</b>	<b>-</b>	<b>277,585</b>	<b>395,109</b>	<b>79</b>	<b>-</b>	<b>93</b>
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (210,917)</b>	<b>\$ (373,607)</b>	<b>\$ (79)</b>	<b>\$ 174,542</b>	<b>\$ 9,907</b>

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - OTHER ENTITIES - CONTINUED

Year ended December 31, 2017

	Orange GP	Bayview GP	Hollybush GP	Pepper Tree GP	Plaza B GP	VOV-NHPF I	Jamestown Affordable
Contribution affiliates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Asset management fees	-	-	-	20,000	14,424	30,000	-
Developer fee income	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	105,723
Other revenue	-	-	-	-	25	-	-
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>14,449</b>	<b>30,000</b>	<b>105,723</b>
Salaries and benefits	-	-	-	-	-	-	27,381
Accounting expense	-	-	-	-	-	-	2,500
Asset management fees	-	-	-	-	-	30,000	-
Management and administration	-	-	-	-	-	-	-
Contributions expense	-	-	-	34,940	-	-	-
Other financial expenses and acquisition fee	-	-	-	-	-	-	-
Other losses (income) in investment in housing funds	96	26	19	11	28	31	80
<b>Total expense</b>	<b>96</b>	<b>26</b>	<b>19</b>	<b>34,951</b>	<b>28</b>	<b>30,031</b>	<b>29,961</b>
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	\$ (96)	\$ (26)	\$ (19)	\$ (14,951)	\$ 14,421	\$ (31)	\$ 75,762



THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - OTHER ENTITIES - CONTINUED

Year ended December 31, 2017

	Harvest Homes GP	Benning Heights GP	New Covent GP	Wade Road GP	Anacostia GP	Workforce I Housing, LLC	NHPF/WH
Contribution affiliates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Asset management fees	18,758	-	-	-	-	-	-
Developer fee income	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>18,758</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Salaries and benefits	-	-	-	-	-	-	-
Accounting expense	-	-	-	-	-	-	-
Asset management fees	-	-	-	-	-	-	-
Management and administration	-	-	-	-	-	-	-
Contributions expense	-	-	-	-	-	-	-
Other financial expenses and acquisition fee	-	-	-	-	-	-	-
Other losses (income) in investment in housing funds	29	(11)	50	(7)	230,060	251,947	251,947
<b>Total expense</b>	<b>29</b>	<b>(11)</b>	<b>50</b>	<b>(7)</b>	<b>230,060</b>	<b>251,947</b>	<b>251,947</b>
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	\$ 18,729	\$ 11	\$ (50)	\$ 7	\$ (230,060)	\$ (251,947)	\$ (251,947)

THE NHP FOUNDATION AND ITS AFFILIATED ENTITIES

SUPPLEMENTARY INFORMATION - CONTINUED

UNAUDITED CONSOLIDATING STATEMENT OF ACTIVITIES - OTHER ENTITIES - CONTINUED

Year ended December 31, 2017

	NDFD II	NDFD I	Cleme 284 GP	Takoma GP	Columbia Apartments	NHPF-Columbia Heights Manager	Total
Contribution affiliates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,542
Asset management fees	-	-	30,900	-	-	-	124,082
Developer fee income	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	127,225
Other revenue	-	-	-	-	-	-	66,693
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>30,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>492,542</b>
Salaries and benefits	-	-	-	-	-	-	27,381
Accounting expense	-	-	-	-	-	-	2,500
Asset management fees	-	-	-	-	-	-	30,000
Management and administration	-	-	-	-	-	-	-
Contributions expense	-	-	-	-	-	-	707,634
Other financial expenses and acquisition fee	-	-	-	-	1,560,000	-	1,560,000
Other losses (income) in investment in housing funds	(34)	-	80	870,335	-	(33,261,674)	(31,656,815)
<b>Total expense</b>	<b>(34)</b>	<b>-</b>	<b>80</b>	<b>870,335</b>	<b>1,560,000</b>	<b>(33,261,674)</b>	<b>(29,329,300)</b>
Excess of revenue over expenses (expenses over revenue) attributable to the Organization - continued operations	\$ 34	\$ -	\$ 30,820	\$ (870,335)	\$ (1,560,000)	\$ 33,261,674	\$ 29,821,842

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