

**Preservation of Affordable  
Housing, Inc. and Subsidiaries**

**Consolidated Financial Statements  
(with Supplementary Information)  
and Independent Auditor's Report  
and Single Audit Report**

**December 31, 2022**

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# Preservation of Affordable Housing, Inc. and Subsidiaries

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## Independent Auditor's Report

To the Board of Directors  
Preservation of Affordable Housing, Inc. and Subsidiaries

Report on the Audit of the Consolidated Financial Statements

### *Opinion*

We have audited the accompanying consolidated financial statements of Preservation of Affordable Housing, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Preservation of Affordable Housing, Inc. and Subsidiaries as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of certain Subsidiaries, which statements reflect total assets of \$457,387,300 as of December 31, 2022 and total revenues of \$60,065,004 for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Subsidiaries, is based solely on the reports of the other auditors.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Preservation of Affordable Housing, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of certain Subsidiaries of Preservation of Affordable Housing, Inc. were not audited in accordance with *Government Auditing Standards*.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Preservation of Affordable Housing, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Preservation of Affordable Housing, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Preservation of Affordable Housing, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Report on Summarized Comparative Information*

We have previously audited Preservation of Affordable Housing, Inc. and Subsidiaries' December 31, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of Preservation of Affordable Housing, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Preservation of Affordable Housing, Inc. and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Preservation of Affordable Housing, Inc. and Subsidiaries' internal control over financial reporting and compliance.



Boston, Massachusetts  
June 30, 2023

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidated Statements of Financial Position  
December 31, 2022 and 2021**

Assets

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 83,587,268	\$ 53,426,602
Restricted cash	21,823,974	9,842,159
Reserves	4,789,295	4,750,286
Restricted reserves	4,614,524	4,544,512
Short-term investments	22,343,134	-
Accounts receivable		
Rental - tenants and subsidy	5,317,328	3,295,741
Grants receivable	372,546	1,287,500
Properties, net of allowance for doubtful accounts	285,922	459,644
Other	3,102,724	2,815,468
Escrow deposits	121,975,420	114,487,251
Tenant security deposits	4,606,786	4,367,019
Due from affiliates	251,426	379,534
Prepaid expenses	2,132,000	2,390,602
Predevelopment costs reimbursable, current	27,086,516	12,202,605
Total current assets	<u>302,288,863</u>	<u>214,248,923</u>
Other assets		
Notes receivable, net of discount	28,472,750	28,472,750
Investment in partnerships	2,310,213	1,276,946
Predevelopment costs reimbursable, net of current	4,126,934	3,648,279
Other assets	7,943,780	6,154,549
Total other assets	<u>42,853,677</u>	<u>39,552,524</u>
Fixed assets		
Land and buildings	1,608,694,136	1,381,090,272
Rehabilitation in progress	41,114,957	112,469,082
Furniture, equipment and leasehold improvements	30,941,348	25,312,034
Right-of-use assets	25,017,712	5,564,146
Less: Accumulated depreciation	<u>(320,792,889)</u>	<u>(282,548,888)</u>
Total fixed assets	<u>1,384,975,264</u>	<u>1,241,886,646</u>
Total assets	<u><u>\$ 1,730,117,804</u></u>	<u><u>\$ 1,495,688,093</u></u>

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidated Statements of Financial Position  
December 31, 2022 and 2021**

Liabilities and Net Assets

	<u>2022</u>	<u>2021</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 7,533,748	\$ 6,312,669
Accrued expenses	16,402,019	17,013,115
Accounts payable - development	38,450,572	33,903,707
Accrued interest	3,964,012	2,924,615
Mortgages payable - properties, current	31,245,425	53,003,146
Construction loans - properties, current	117,678,434	63,676,295
Loan payable, current	10,133,500	11,134,637
Line of credit, current	1,584,329	2,336,722
Deferred liabilities, current	-	31,742
Tenant security deposits	4,218,465	3,979,796
Prepaid revenue	2,332,462	2,062,833
Due to affiliates	33,129	258,128
Total current liabilities	<u>233,576,095</u>	<u>196,637,405</u>
Long-term liabilities		
Loans and notes payable, net of current	21,677,539	34,553,333
Line of credit, net of current	1,327,853	2,313,256
Accrued interest payable - notes payable	1,257,532	1,119,294
Bonds payable	74,029,377	-
Notes payable and accrued interest - properties	360,608,801	334,084,616
Mortgages payable - properties, net of current	615,353,494	550,814,829
Construction loans - properties, net of current	96,378,179	79,119,792
Interest rate swap	100,370	1,939,203
Other long-term liabilities	12,577,030	506,169
Deferred income	32,630,446	19,365,573
Total long-term liabilities	<u>1,215,940,621</u>	<u>1,023,816,065</u>
Total liabilities	<u>1,449,516,716</u>	<u>1,220,453,470</u>
Commitments and contingencies	-	-
Net assets		
Net assets without donor restrictions controlling	35,896,949	43,448,233
Net assets without donor restrictions noncontrolling	239,990,123	224,891,705
Total net assets without donor restrictions	<u>275,887,072</u>	<u>268,339,938</u>
Net assets with donor restrictions	4,714,016	6,894,685
Total net assets	<u>280,601,088</u>	<u>275,234,623</u>
Total liabilities and net assets	<u>\$ 1,730,117,804</u>	<u>\$ 1,495,688,093</u>

See Notes to Consolidated Financial Statements.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidated Statements of Activities**  
**Year ended December 31, 2022 (with summarized comparative totals for 2021)**

	Without donor restrictions	With donor restrictions	Total 2022	Total 2021
Support and revenue				
Rental income	\$ 177,118,033	\$ -	\$ 177,118,033	\$ 166,436,301
Grant income	835,451	846,811	1,682,262	1,561,146
Grant income, capital investments	2,857,838	391,825	3,249,663	3,173,467
Contribution income	3,800	-	3,800	33,570
Developer fee revenue	2,102,997	-	2,102,997	2,497,207
Property management and related fees	833,329	-	833,329	1,447,035
Reimbursable salaries and expenses	991,522	-	991,522	784,551
Gain on debt forgiveness	574,311	-	574,311	21,682,288
Interest income	1,917,115	-	1,917,115	591,435
Loss on investment in partnership	(97,262)	-	(97,262)	(120,185)
Investment income (loss)	186,287	-	186,287	(2,189)
Other income	7,054,897	62,458	7,117,355	4,080,465
	<u>194,378,318</u>	<u>1,301,094</u>	<u>195,679,412</u>	<u>202,165,091</u>
Net assets released from restrictions	3,481,763	(3,481,763)	-	-
Total support and revenue	<u>197,860,081</u>	<u>(2,180,669)</u>	<u>195,679,412</u>	<u>202,165,091</u>
Expenses				
Personnel	20,627,503	-	20,627,503	19,844,501
Development expense	1,508,396	-	1,508,396	2,749,251
Professional services	2,113,805	-	2,113,805	1,612,565
Contributions and grants made	76,583	-	76,583	61,050
Rental and utilities	1,468,427	-	1,468,427	1,451,231
Taxes and insurance	697,639	-	697,639	642,209
Travel and lodging	754,729	-	754,729	351,546
Interest expense	4,346,251	-	4,346,251	2,041,704
Reimbursable salaries and expenses	991,522	-	991,522	4,335,140
Property operations	119,619,591	-	119,619,591	103,817,119
Property mortgage interest	46,427,860	-	46,427,860	61,325,123
Impairment loss	-	-	-	2,487,138
Office and administration	1,570,351	-	1,570,351	1,549,042
Depreciation and amortization	37,146,247	-	37,146,247	33,649,204
Community impact	3,274,389	-	3,274,389	3,025,790
Bad debt expense	569,847	-	569,847	-
Miscellaneous	63,982	-	63,982	113,047
Total expenses	<u>241,257,122</u>	<u>-</u>	<u>241,257,122</u>	<u>239,055,660</u>
Excess of expenses over revenue	<u>(43,397,041)</u>	<u>(2,180,669)</u>	<u>(45,577,710)</u>	<u>(36,890,569)</u>
Excess of expenses over revenue attributable to noncontrolling interests	<u>(23,610,414)</u>	<u>-</u>	<u>(23,610,414)</u>	<u>(22,953,525)</u>
Excess of expenses over revenue attributable to the Company	<u>\$ (19,786,627)</u>	<u>\$ (2,180,669)</u>	<u>\$ (21,967,296)</u>	<u>\$ (13,937,044)</u>

See Notes to Consolidated Financial Statements.



**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidated Statements of Functional Expenses**  
**Year ended December 31, 2022 (with summarized comparative totals for 2021)**

	2022			2021	
	Real estate ownership	Management and general	Fundraising	Total	Total
Personnel	\$ 18,950,895	\$ 1,587,849	\$ 88,759	\$ 20,627,503	\$ 19,844,501
Development expense	1,508,396	-	-	1,508,396	2,749,251
Professional services	2,113,805	-	-	2,113,805	1,612,565
Contributions and grants made	76,583	-	-	76,583	61,050
Rental and utilities	1,349,072	113,036	6,319	1,468,427	1,451,231
Taxes and insurance	640,935	53,702	3,002	697,639	642,209
Travel and lodging	696,632	58,097	-	754,729	351,546
Interest expense	4,346,251	-	-	4,346,251	2,041,704
Reimbursable salaries and expenses	991,522	-	-	991,522	4,335,140
Property operations	119,619,591	-	-	119,619,591	103,817,119
Property mortgage interest	46,427,860	-	-	46,427,860	61,325,123
Impairment loss	-	-	-	-	2,487,138
Office and administration	1,442,713	120,881	6,757	1,570,351	1,549,042
Depreciation and amortization	37,146,247	-	-	37,146,247	33,649,204
Community impact	3,229,562	-	44,827	3,274,389	3,025,790
Bad debt expense	569,847	-	-	569,847	-
Miscellaneous	58,782	4,925	275	63,982	113,047
	<u>\$ 239,168,693</u>	<u>\$ 1,938,490</u>	<u>\$ 149,939</u>	<u>\$ 241,257,122</u>	<u>\$ 239,055,660</u>

See Notes to Consolidated Financial Statements.

Preservation of Affordable Housing, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets  
Years ended December 31, 2022 and 2021

	Net assets without donor restrictions			Net assets with donor restrictions	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Beginning balance, January 1, 2021	\$ 44,465,265	\$ 222,764,498	\$ 267,229,763	\$ 7,652,468	\$ 274,882,231
Transfer of limited partnership interest to controlling	12,162,229	(12,162,229)	-	-	-
Capital contributions from noncontrolling interests	-	38,215,918	38,215,918	-	38,215,918
Distributions to noncontrolling interests	-	(793,339)	(793,339)	-	(793,339)
Noncontrolling interests' syndication costs	-	(179,618)	(179,618)	-	(179,618)
Excess of expenses over revenue attributable to noncontrolling interests	-	(22,953,525)	(22,953,525)	-	(22,953,525)
Excess of expenses over revenue attributable to the Company	(13,179,261)	-	(13,179,261)	(757,783)	(13,937,044)
Ending balance, December 31, 2021	43,448,233	224,891,705	268,339,938	6,894,685	275,234,623
Adjustment for changes in accounting principle	(50,741)	(910,620)	(961,361)	-	(961,361)
Transfer of limited partnership interest to controlling	12,286,084	(12,286,084)	-	-	-
Capital contributions from noncontrolling interests	-	53,082,134	53,082,134	-	53,082,134
Distributions to noncontrolling interests	-	(958,298)	(958,298)	-	(958,298)
Noncontrolling interests' syndication costs	-	(218,300)	(218,300)	-	(218,300)
Excess of expenses over revenue attributable to noncontrolling interests	-	(23,610,414)	(23,610,414)	-	(23,610,414)
Excess of expenses over revenue attributable to the Company	(19,786,627)	-	(19,786,627)	(2,180,669)	(21,967,296)
Ending balance, December 31, 2022	\$ 35,896,949	\$ 239,990,123	\$ 275,887,072	\$ 4,714,016	\$ 280,601,088

See Notes to Consolidated Financial Statements.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows  
Years ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Excess of expenses over revenue	\$ (45,577,710)	\$ (36,890,569)
Adjustments to reconcile excess of expenses over revenue to net cash used in operating activities		
Loss on investment in partnership	97,262	120,185
Investment loss	684,976	2,189
Depreciation and amortization	37,146,247	33,649,204
Effective interest adjustment	1,736,773	1,919,375
Change in fair market value of interest rate swaps	(3,984,136)	1,055,133
Impairment loss	-	2,487,138
Forgiveness of debt	(574,311)	(21,682,288)
Bad debt expense	1,747,360	2,824,888
Changes in		
Accounts receivable	(2,831,451)	326,139
Prepaid expenses and other assets	622,207	558,494
Predevelopment costs reimbursable	(15,362,566)	(970,847)
Accounts payable and accrued expenses	1,441,280	963,857
Prepaid and deferred revenues	17,614,161	16,254,386
Tenant security deposits	238,670	107,065
Due to affiliates, net	<u>(3,877,021)</u>	<u>(3,671,862)</u>
Net cash used in operating activities	<u>(10,878,259)</u>	<u>(2,947,513)</u>
Cash flows from investing activities		
Escrow deposits and restricted reserves, net	(7,488,169)	14,856,720
Purchase of short term investments	(22,343,134)	-
Advances on notes receivable and accrued interest	(21,007,597)	(11,115,792)
Repayments of notes receivable and accrued interest	23,800,875	13,676,533
Acquisition of assets	(1,060,482)	(339,200)
Contributions to partnerships	-	-
Cash paid for fixed assets	<u>(167,373,192)</u>	<u>(202,224,235)</u>
Net cash used in investing activities	<u>(195,471,699)</u>	<u>(185,145,974)</u>
Cash flows from financing activities		
Proceeds from line of credit	-	4,400,000
Payments on line of credit	(1,752,393)	(2,590,000)
Proceeds from notes and mortgages payable	233,791,824	221,498,225
Payment on notes and mortgages payable	(103,931,258)	(58,647,998)
Proceeds from issuance of bonds payable	75,000,000	-
Debt issuance costs paid	(4,996,014)	(5,709,854)
Syndication costs and tax credit fees paid	(1,395,168)	(557,781)
Distributions paid to minority partners	(221,409)	(267,072)
Distributions to members	(736,889)	(526,267)
Minority partners' capital contributions received	<u>53,082,534</u>	<u>38,215,918</u>
Net cash provided by financing activities	<u>248,841,227</u>	<u>195,815,171</u>

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Net increase in cash, cash equivalents, and restricted cash	\$ 42,491,269	\$ 7,721,684
Cash, cash equivalents, and restricted cash, beginning of year	<u>76,930,578</u>	<u>69,208,894</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 119,421,847</u>	<u>\$ 76,930,578</u>
Supplemental disclosure of cash flow activities		
Cash paid for interest	<u>\$ 41,008,733</u>	<u>\$ 35,904,087</u>
Schedule of noncash investing activities		
Fixed asset costs incurred	\$ 195,926,077	\$ 334,187,430
Fixed assets sold in connection with common control transaction	(24,069,370)	(105,291,953)
Accounts payable - development, beginning of year	33,897,907	89,399,879
Accounts payable - development, end of year	<u>(38,381,422)</u>	<u>(116,071,121)</u>
Cash paid for fixed assets	<u>\$ 167,373,192</u>	<u>\$ 202,224,235</u>
Deferred liability included in residual receipts escrow	<u>\$ 906,948</u>	<u>\$ 405,883</u>
Additions to leased assets obtained from new lease liabilities	<u>\$ 19,959,228</u>	<u>\$ -</u>
Schedule of noncash financing activities		
(Decrease) increase in liabilities due to interest rate swap	<u>\$ (3,984,136)</u>	<u>\$ 1,055,133</u>

See Notes to Consolidated Financial Statements.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

#### Note 1 - Organization

Preservation of Affordable Housing, Inc., ("POAH" or the "Company") was created to do exactly what its name suggests, preserve affordable housing stock. The Company is dedicated to the acquisition of and long-term ownership and operation of existing affordable housing properties.

The Company conducts its development and property management business through Preservation of Affordable Housing LLC ("POAH LLC") and its wholly owned subsidiary, POAH Communities LLC ("POAHC LLC"). The Company is located in Boston, Massachusetts, Kansas City, Missouri, Chicago, Illinois, Washington, DC and Cincinnati, OH.

At December 31, 2022, POAH or affiliates of POAH hold General Partner, Managing Member or ownership interests in 166 entities that own, in the aggregate 13,130 units of affordable housing. POAH LLC is the managing member of POAH/Trinity Loan Holding Company, LLC ("PTLHC") and the sole member of POAH Woodlawn Station Master Tenant, LLC ("PWSMT"). At December 31, 2021, POAH or affiliates of POAH hold General Partner, Managing Member or ownership interests in 159 entities that own, in the aggregate 12,582 units of affordable housing.

#### Note 2 - Summary of significant accounting policies

##### Consolidation

The accompanying consolidated financial statements include the assets, liabilities, net assets, and financial activities of the Company and its core operating subsidiaries, POAH LLC, POAHC LLC, PTLHC and PWSMT. The statements include those 86 entities in which the Company has a 100% ownership interest ("Wholly Owned"). Additionally, in accordance with ASC-810-20, "Control of Partnership and Similar Entities", as described below, the statements include the assets, liabilities, net assets and financial activities of 72 entities in which POAH or affiliates serve as General Partner or Managing Member.

The accompanying 2022 and 2021 consolidated financial statements include the assets, liabilities, equity and financial activities of those limited partnerships and limited liability companies where the Company generally owns a .01 - 1% general partner or managing member interest and represent all properties in which POAH or affiliates act as general partner or managing member and in which third party investors have substantial economic interests ("LP"). All significant inter-company balances and transactions between the Company and the entities have been eliminated in consolidation. Net assets without donor restricted noncontrolling on the accompanying consolidated financial statements reflects the proportional share of equity and operations that is not attributable to the Company's interest in these entities. The limited partnerships and limited liability companies are detailed in note 16.

##### Net asset classification

The company reports information regarding its financial position and activities according to two classes of net assets: Without donor restrictions and with donor restrictions. They are described as follows:

Net assets without donor restrictions – net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions.

Net Assets with donor restrictions – net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

met by the passage of time, purpose, or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Cash and cash equivalents

The company considers all highly liquid investments purchased with an original maturity of three months or less at the date of acquisition to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates market value.

#### Depreciation

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated asset lives. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized.

#### Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as direct deduction from the face amount of the permanent mortgage loan payable to which such costs relate. Amortization of the debt issuance costs is reported as a component of interest expense on the consolidated statements of activities and is computed using an imputed interest rate on the related loan.

#### Tax credit and in-place leases

Tax credit compliance monitoring fees are costs related to obtaining low-income housing tax credits, which are being amortized over the mandatory 15-year compliance period. In-place leases are amortized over one year. Unamortized tax credit fees and in-place leases are included in other assets on the consolidated statement of financial position. Amortization expense for the years ended December 31, 2022 and 2021 totaled \$296,156 and \$311,154, respectively, and accumulated amortization totaled \$3,009,265 and \$3,250,712, respectively.

Estimated amortization expense for each of the ensuing five years through December 31, 2027 is as follows:

<u>Years</u>	<u>Wholly Owned</u>	<u>LP</u>	<u>Total</u>
2023	\$ 19,624	\$ 339,002	\$ 358,626
2024	13,792	327,411	341,203
2025	13,792	324,260	338,052
2026	11,976	277,428	289,404
2027	-	267,582	267,582

#### Accounts receivable

Accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

#### Grants receivable

Grants receivable represents grants committed but not yet received or costs incurred on cost reimbursable grants that will be billed after December 31, 2022. As of December 31, 2022,

## **Preservation of Affordable Housing, Inc. and Subsidiaries**

### **Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021**

management has determined that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

#### **Predevelopment costs reimbursable**

The Company carries all third-party costs associated with the potential acquisition of investment properties as predevelopment costs reimbursable. Costs associated with potential acquisitions that are not deemed probable to be recovered are expensed.

#### **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

#### **Noncontrolling interests**

Noncontrolling interest in POAH LLC represents the proportional share of equity and operations of PTLHC that is not attributable to POAH LLC's interest in the entity. At December 31, 2022 and 2021, the noncontrolling member's interest totals \$(321,845) and \$448,779, respectively. Noncontrolling interest in the project limited partnerships and limited liability companies represents various investor limited partners' and members' proportionate share of equity in the project limited partnerships and limited liability companies. At December 31, 2022 and 2021, the noncontrolling partners'/members' interest in the project limited partnerships and limited liability companies were approximately 99.99% and total \$253,360,826 and \$237,491,784, respectively. Income is allocated to noncontrolling interest based on the noncontrolling partners'/members' ownership. At both December 31, 2022 and 2021, eliminations related to the noncontrolling interests total \$13,048,858.

#### **Investment in partnerships**

The Company's investment in limited partnerships are accounted for under the equity method of accounting as the Company does not exercise control or meet the requirements for consolidation. Amounts contributed are carried at cost, adjusted for the Company's share of undistributed earnings or losses.

#### **Tax status**

The Company is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3) and did not have any unrelated business income for the years ended December 31, 2022 and 2021. No provision or benefit for income taxes has been included in these consolidated financial statements for POAH LLC, POAHC LLC, PTLHC LLC, PWSMT, and the entities controlled by POAH or an affiliate since the limited liability companies are either disregarded entities of POAH and thus POAH is treated for tax purposes as having earned all of the income and incurred all of the losses directly of those limited liability companies, or the limited liabilities companies are treated as partnerships and thus all of their net taxable profit or loss is passed through to the partners, including POAH. The Company is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2019 remain open.

#### **Use of estimates**

The preparation of 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

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Functional expenses**

The costs of program and supporting service activities have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are tracked using direct identification methodology of charging specific expenses as either program, management and general, or fundraising. The financial statement reports certain categories of expense that are attributable to one or more programs or supporting functions. Those expenses have been allocated based on estimates of time and effort.

#### **Accounting for the impairment of long-lived assets**

The Company reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2022. During the year ended December 31, 2021, impairment losses were recorded on two properties in the total amount of \$2,487,138.

#### **Revenue recognition**

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the limited partnerships and the tenants of the properties are operating leases.

Rental income from leases on commercial space is recognized on a straight-line basis over the period of the commercial lease.

Revenue from development fees, property management and related fees, and other contractual services is recognized when control of the promised service is transferred to the Company's customers, in an amount that depicts the consideration the Company expects to be entitled to in exchange for those services. Revenue is not recognized unless collectability under the contract is considered probable, the contract has commercial substance and the contract has been approved. Additionally, the contract must contain payment terms, as well as the rights and commitments of both parties.

Contribution revenue is recognized when an unconditional promise to give a financial asset is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

See Note 9 for a further discussion of the Company's revenues.

#### **Derivatives**

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Effective January 1, 2010, this guidance was codified into ASC-815-10 "Derivatives and Hedging." The Company uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts designated and qualifying as cash flow hedges are reported at fair value.



## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

#### **Fair value measurement**

The Company determines the fair values of its financial assets and liabilities, as well as non-financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis, based on the fair value hierarchy established in accordance with generally accepted accounting principles for *Fair Value Measurements* ASC 820 which requires disclosures about the inputs to fair value measurements, including their classification with a hierarchy that priorities the inputs to fair value measurements.

#### **Summarized comparative information**

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Company's financial statements for the year ended December 31, 2021 from which the summarized information was derived.

#### **Leases**

The Company recognizes a lease asset and a lease liability at the lease commencement date. The lease asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate ranging from 2.64% to 5.25%, and the risk-free rate of 2.016%. The Company determines the incremental borrowing rate using borrowing rates for collateralized financings of similar types of assets.

Total lease costs on an undiscounted basis are recognized as rent expense over the term of the lease on a straight-line basis. Annual rent expense comprises amortization of the lease asset plus interest on the lease liability adjusted for any variations in lease payment amounts.

#### **Reclassifications**

Certain items from the prior year financials have been reclassified to conform to the current year presentation.

#### **New accounting pronouncements**

The Company adopted Accounting Standards Update 2016-02 (as amended), Leases ("Topic 842") on January 1, 2022 ("Adoption Date"). Topic 842 required lessees to recognize a right-of-use asset and a corresponding lease liability for all leases. Additionally, the Company elected and applied the following practical expedients on the Adoption Date:

- The package of practical expedients permitting the Company to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.
- Application of Topic 842 at the adoption date, instead of applying them to the earliest comparative period presented in the financial statements.
- Use a risk-free discount rate.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

The Partnerships accounted for its existing operating leases with residential tenants of the Properties as operating leases. Adopting Topic 842 in accounting for residential tenant leases did not result in adjustments to the financial statements.

Leases with commercial tenants not classified as sales-type or direct financing leases are classified as operating leases. The Partnerships accounted for its existing leases with commercial tenants as operating leases. As lessor in commercial lease arrangements, there were no accounting adjustments required.

The Company made the following adjustments to its balance sheets as of the Adoption Date in connection with transitioning to Topic 842:

	Increase (decrease)				
	Core Company	Wholly Owned	LP	Eliminations	Total
Right of use assets - operating	\$ 10,243,849	\$ 5,876,385	\$10,189,714	\$ (16,010,966)	\$10,298,982
Lease liabilities - operating lease	10,412,796	5,876,385	10,774,623	\$ (16,261,823)	10,801,981
Change in net assets	(50,656)	-	(910,711)	6	(961,361)

Further, the adoption of Topic 842 did not have a material impact on the Company's net income (loss).

### Note 3 - Liquidity and availability

Financial assets available for general expenditure within one year consist of the following:

	Consolidated	Core Operating Companies
Cash, cash equivalents, and restricted cash	\$ 105,411,242	\$ 60,570,807
Grants and pledges receivable	372,546	372,546
Accounts receivable	8,939,319	9,398,834
Development fee receivable - affiliates	-	13,803,207
Short-term investments	22,343,134	22,343,134
Undrawn lines of credit	9,880,159	9,880,159
Total financial assets	146,946,400	116,368,687
Less amounts not available to be used within one year		
Restricted by donor with time or purpose restrictions	(22,196,520)	(22,196,520)
Financial assets available to meet general expenditures over the next twelve months	\$ 124,749,880	\$ 94,172,167

The Company regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to financial assets available to meet general expenditures over the next 12 months, the Company operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Company has various sources of liquidity at its disposal including cash, a steady revenue stream from its developer fees, notes receivable, rental income, and various annual service fees.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

#### Note 4 - Notes receivable

The Company, as the sponsor of the entities that own the affordable housing developments, holds various notes receivable from the entities. Certain notes were contributed to the Company by the Department of Housing and Urban Development (“HUD”) in connection with the Mark-to-Market restructuring. The notes bear interest at various rates, are generally secured but subordinate to the first mortgages on the properties and are payable from available cash flow. The notes, at the time of receipt by the Company, were recorded at a discount rate reflecting the present value of future projected cash flows. The discount rate was 17% for notes received prior to 2005 and 20% for notes received thereafter. The interest income that is received by the Company is recorded based on the amortization schedules at the discounted note values. Payments received in excess of the amortization schedules are recorded to income in the year of the excess payment.

Other loans have been originated by the Company and were funded by reserves or represent seller financing provided to the affordable housing development. These notes have been recorded simultaneously with a deferred gain (see Note 21).

Management has established an allowance for amounts deemed uncollectible in the amount of \$15,230,421 and \$14,995,088, respectively, as of December 31, 2022 and 2021.

A summary of the notes receivable and accrued interest is as follows:

	Balance at December 31, 2022	Balance at December 31, 2021
Mark-to-market loans, bearing interest from 1% to 5.5%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2056, net of discount of \$9,601,311.	\$ 11,494,035	\$ 11,803,972
Resale loans, bearing interest from 2.64% to 12%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2061, net of allowance of \$2,240,000.	46,287,571	49,504,882
Reserve loans, bearing interest from 0% to 6.75%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2073, net of allowance of \$1,686,798.	24,563,038	22,172,615
State tax credit loans, bearing interest from 0% to 5%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2057, net of allowance of \$5,004,245.	20,242,980	20,302,322
Grant fund loans, bearing interest from 1% to 7%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2065, net of allowance of \$3,209,678 and \$3,074,345, respectively.	28,172,226	26,286,693

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

	Balance at December 31, 2022	Balance at December 31, 2021
Deferred developer fee loans, bearing interest from 2.62% to 5.5%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2055, net of allowance of \$270,000.	555,000	555,000
Other loans, bearing interest from 1% to 8%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2064, net of allowance of \$2,819,700 and \$2,719,700, respectively.	60,111,519	58,457,385
Seller loans, bearing interest from 1% to 5.09%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2057.	4,419,608	5,039,378
Accrued interest	6,244,315	6,142,494
	\$ 202,090,292	\$ 200,264,741
Eliminated in consolidation	(173,617,542)	(171,791,991)
	\$ 28,472,750	\$ 28,472,750

The Company only records accrued interest receivable to the extent that payment is expected from the properties from available surplus cash. Interest of \$35,869,167 and \$34,014,176 for 2022 and 2021, respectively, has not been recorded in these financial statements because no assurance can be made that it will be paid.

Gains from the excess payments over the loan principal and accretion of market discounts is \$0 and \$260,472, respectively, for the years ended December 31, 2022 and 2021. The effects of these transactions have been eliminated in consolidation each year.

In 2014, a change was implemented relating to properties purchased and controlled by entities wholly owned by the Company and subsequently sold to limited partnerships ("LP's") where the Company retains a general partner or controlling interest. Under common control accounting guidance, the acquired assets on the acquiring entity's books are recorded at the net book value as reflected on the selling entity's books at the date of the acquisition and not at the fair value as determined by an appraisal. The net book value is typically less than the fair value purchase price of the acquired assets.

In prior years the fair value gain on sale was recognized by the Company or POAH LLC as a seller note receivable and related deferred gain. The change in guidance, effective for the year ended December 31, 2014, precludes recording these notes and deferred gain on the Company's consolidated statement of financial position or POAH LLC's balance sheet.

At December 31, 2022 and 2021, notes receivable totaling \$91,301,436 and \$88,869,485, respectively, are assets of the Company, however, they are not reflected as a component of notes receivable on the consolidated statement of financial position because they represent notes receivable related to acquisitions under common control. The Company records cash payments on such notes receivable and interest income as a component of equity. At December 31, 2022 and 2021, interest income in the amount of \$318,917 and \$261,546, respectively, is recorded as a

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

component of equity, and is eliminated in consolidation. At December 31, 2022 and 2021, principal payments in the amount of \$915,602 and \$747,799, respectively, is recorded as a component of equity, and is eliminated in consolidation.

A summary of these common control notes receivable and accrued interest at year end is as follows:

	Balance at December 31, 2022	Balance at December 31, 2021
Resale loans, bearing interest from 1.95% to 7%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2073.	\$ 90,161,663	\$ 87,376,706
Reserve loans, bearing interest from 3.2% to 5%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2055.	1,139,773	1,492,779
Accrued interest	234,350	145,082
	91,535,786	89,014,567
Common control assets not recorded	(91,301,436)	(88,869,485)
Eliminated in consolidation	(234,350)	(145,082)
	\$ -	\$ -

#### Note 5 - Loans and notes payable

##### Calvert Impact Capital, Inc.

In December 2015, the Company entered into an \$8,000,000 loan commitment with Calvert Impact Capital, Inc. ("Calvert"), formerly Calvert Social Investment Foundation, for the purpose of furthering its activities as a non-profit organization engaged in community economic development. Interest accrues at the rate of 4.5% per annum. Payments of interest are due quarterly in arrears with the first principal payment with any accrued and unpaid interest due July 31, 2018 and the second principal payment with any accrued and unpaid interest due December 31, 2022. In June 2018, the maturity of the first principal payment was extended to July 31, 2019. In September 2019, the maturity of the first principal payment was extended to November 30, 2019. On November 30, 2019, the first principal amount was repaid in full as part of the POAH LLC credit facility with Calvert. In November 2022, the maturity of the second principal payment was extended to June 30, 2023. In June 2023, the loan was repaid. During the years ended December 31, 2022 and 2021, interest expense of \$182,500 was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance is \$4,000,000, and accrued interest is \$0.

##### Local Initiative Support Corporation

In July 2012, the Company entered into a \$5,000,000 line of credit loan with Local Initiative Support Corporation ("LISC") for the purpose of funding predevelopment costs. The line was collateralized by the mortgage note receivable from Hawthorne. Interest accrued at the rate of 6% per annum and was due monthly. Disbursements were made on a Project basis and principal and any accrued and unpaid interest was due for each Project at the earliest to occur of closing of construction financing, refinancing, the eighteen month anniversary following disbursement of funds or the maturity date of October 2017. In May 2017, the line was increased to \$6,500,000 and maturity date was extended to October 2022. In October 2021, the line of credit was closed and the outstanding balance was transferred to POAH LLC. During the years ended December 31, 2022 and 2021, interest expense

## **Preservation of Affordable Housing, Inc. and Subsidiaries**

### **Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021**

of \$0 and \$50,198, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance was \$0.

#### **Silicon Valley Bank**

In June 2018, the Company entered into a \$5,000,000 loan commitment with Silicon Valley Bank, formerly Boston Private Bank & Trust Company. The loan is collateralized by the mortgage note receivable from Kenmore. The loan bears interest at 4.97%, requires monthly principal and interest payments on a fifteen-year amortization, has a ten-year term and matures on June 1, 2028. In April 2022, the loan was paid off. During the years ended December 31, 2022 and 2021, interest expense of \$83,347 and \$217,588, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance is \$0 and \$4,176,832, respectively, and accrued interest is \$0.

#### **The Model Group**

On May 31, 2018, the Company entered into a \$1,050,000 loan agreement with The Model Group for the purpose of funding the purchase of general partner interests in 18 properties and management contracts. Interest accrued at 2.18%. Annual payments of \$350,000 of principal and accrued interest were made each May 31<sup>st</sup> through maturity, May 31, 2021. In June 2021, the loan was paid off. During the years ended December 31, 2022 and 2021, interest expense of \$0 and \$2,543, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance was \$0.

#### **Arc Chicago, LLC**

In March 2020, the Company entered into a \$5,000,000 loan agreement with Arc Chicago, LLC for the purpose of acquisition and preservation properties in communities in Chicago and surrounding suburbs that have experienced historic disinvestment and/or where residents are at risk of displacement due to gentrification. Interest accrues at 5.00% per annum, commencing on July 1, 2020. Payments of interest are due on the first day of each quarter, and payments of principal are due in three installments on April 1, 2028, April 1, 2029, and April 1, 2030. Interest payments for 2020 have been deferred and will be due at the time of the final principal payment. In July 2021, the loan was increased to \$6,000,000. In April 2022, \$3,000,000 was repaid on the loan. During the years ended December 31, 2022 and 2021, interest expense of \$198,333 and \$243,406, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance is \$3,000,000 and \$6,000,000, respectively, and accrued interest is \$110,401 and \$185,401, respectively.

#### **Community Economic Development Assistance Corporation**

In September 2020, the Company entered into a \$500,000 predevelopment loan agreement with Community Economic Development Assistance Corporation for the purpose of funding predevelopment related costs related to the development of 950 Falmouth Road in Mashpee, MA. Interest accrues at 3% per annum. All unpaid principal and accrued interest are due at the time of the project construction closing. In April 2022, the loan was repaid. During the years ended December 31, 2022 and 2021, interest expense of \$4,051 and \$7,484, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance is \$0 and \$300,000, respectively, and accrued interest is \$0 and \$7,807, respectively.

#### **Greater Cincinnati Foundation**

In December 2020, the Company entered into a \$1,000,000 loan agreement with The Greater Cincinnati Foundation for the purpose of acquiring and preserving 100 or more units of affordable housing in greater Cincinnati. The loan is revolving until December 31, 2027 and interest accrues at 2.50% per annum. Interest payments are due annually in arrears beginning on December 31, 2021.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

Principal payments are due in consecutive equal annual payments beginning on December 31, 2028 with all unpaid principal and interest due on December 31, 2030. During the years ended December 31, 2022 and 2021, interest expense of \$25,000 was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance is \$1,000,000, and accrued interest is \$26,233 and \$1,233, respectively.

#### **Merchants Bank of Indiana**

In June 2021, the Company entered into a \$5,250,000 loan agreement with Merchants Bank of Indiana for the purpose of funding acquisition and redevelopment of Island Terrace in Chicago, Illinois. The note accrues interest equal to the Floating Interest Rate with a floor of 3.75% (6.09% and 3.75% at December 31, 2022 and 2021, respectively) and is payable monthly. All unpaid principal and accrued interest are due on the maturity date which is the earlier of (i) July 10, 2024, or (ii) by default. The loan proceeds have been loaned to POAH Island Terrace, LLC. In March 2023, the loan was repaid. During the years ended December 31, 2022 and 2021, interest expense of \$249,349 and \$100,625, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance is \$5,250,000 and accrued interest is \$31,194 and \$16,953, respectively.

#### **BlueHub Loan Fund - property acquisition**

In June 2019, POAH LLC entered into a \$880,000 loan agreement with BlueHub Loan Fund for the purpose of funding the acquisition of a property in Chicago, IL. Interest accrued at 3.50% per annum. Payments of interest were due monthly and are funded by loan proceeds through maturity, the earlier of (i) the date of closing of any construction loan or any other financing or equity source which is used to finance the project's development and/or operation of the project, and (ii) June 18, 2022. The loan proceeds had been loaned to POAH Roseland East 110<sup>th</sup> Place Hold Limited Partnership. In October 2021, the loan was paid off. During the years ended December 31, 2022 and 2021, interest expense of \$0 and \$23,155, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal was \$0.

#### **Life Insurance Community Investment Initiative - Briston Arms**

In July 2015, POAH LLC entered into a \$2,407,000 loan agreement with Life Insurance Community Investment Initiative, LLC ("Life initiative") for the purpose of funding development costs for Briston Arms, a property in Cambridge, MA, being developed by POAH LLC. Interest accrues at 7%, compounded annually. Payments of principal and accrued interest are due annually in the amount of 80% of deferred development fee payments received from Briston Arms. All unpaid principal and accrued interest are due on the maturity date of July 6, 2023. The loan proceeds have been loaned to Briston Arms. In June 2023, the loan was repaid. During the years ended December 31, 2022 and 2021, interest expense of \$84,613 and \$79,006, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance is \$1,192,196 and \$1,113,190, respectively, and accrued interest is \$84,613 and \$79,006, respectively.

#### **Cambridge Affordable Housing Trust - Briston Arms**

In July 2015, POAH LLC entered into a \$2,400,000 loan agreement with Cambridge Affordable Housing Trust for the purpose of funding development costs for Briston Arms, a property in Cambridge, MA, being developed by POAH LLC. Interest accrues at 4%. Payments of principal and accrued interest are due annually in an amount equal to the EV Income Payments as defined in the agreement. After full repayment of the Life Initiatives note, all unpaid principal and accrued interest is due on the maturity date of June 30, 2035. The loan proceeds have been loaned to Briston Arms. During the years ended December 31, 2022 and 2021, interest expense of \$96,000 was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance is \$2,400,000 and accrued interest is \$719,733 and \$623,733, respectively.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

#### **Life Insurance Community Investment Initiative - revolving line of credit**

In June 2019, POAH LLC entered into a \$1,000,000 revolving line of credit with Life Initiative for the purpose of funding predevelopment costs for properties in Massachusetts. Interest accrues at 5.5% and is due quarterly. Payments of principal are due at the closing of the acquisition of the properties. All unpaid principal and accrued interest are due on the maturity date of May 29, 2024. Disbursements that are repaid can be reborrowed, assuming loan criteria are met. The line is collateralized by the mortgage note receivable from Eastgate. In April 2020, the line of credit was increased to \$2,000,000. In February 2023, the line was repaid and closed. During the years ended December 31, 2022 and 2021, interest expense of \$108,560 and \$80,616, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance is \$1,973,809, and accrued interest is \$27,140.

#### **Ohio Housing Finance Agency**

In May 2018, various notes payable were assigned to POAH LLC as part of a portfolio acquisition. The six notes, totaling \$2,157,996 with the Ohio Housing Finance Agency ("OHFA") were funded from Housing Development Assistance Program ("HDAP") funds for the purpose of funding development costs for various properties in Cincinnati, OH. Interest accrues at 2% per annum. Payments of principal and accrued interest are due annually in an amount equal to payments of 50% of the cash flow, as defined in the agreement, from the respective properties. The maturity dates range from April 2024 to December 2042. During the years ended December 31, 2022 and 2021, interest expense of \$36,631 was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal is \$1,831,544 and accrued interest is \$453,186 and \$416,555, respectively.

#### **MHIC CMF - Bedford Village**

In June 2019, POAH LLC entered into a \$528,000 loan agreement with MHIC CMF Affordable Housing Fund LLC for the purpose of funding development costs at Bedford Village in Bedford, MA. Interest accrued at 4% per annum. Payments were due annually subject to the property's cash flow, and any unpaid principal and accrued interest were due at maturity, June 1, 2027. During July 2019, loan proceeds of \$475,200 were received. The loan proceeds had been loaned to Bedford Village Preservation Associates Limited Partnership. In May 2021, the loan was paid off. During the years ended December 31, 2022 and 2021, interest expense of \$0 and \$6,970, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal was \$0.

#### **Calvert Impact Capital, Inc.**

In December 2019, POAH LLC entered into a \$15,000,000 syndicated revolving credit facility with Calvert for the purpose of funding its development and acquisition activities. Interest accrues at the rate of the Five-Year Constant Maturity US Treasury Rate plus 2.5%. The interest rate is reset annually with any change limited to 0.25% (3.88% and 3.63% at December 31, 2022 and 2021, respectively). Payments of interest are due quarterly in arrears with all unpaid principal with any accrued and unpaid interest due on the maturity date of December 31, 2024. During the years ended December 31, 2022 and 2021, interest expense of \$230,149 and \$281,963, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance is \$6,750,000, and accrued interest is \$0.

In June 2020, POAH LLC entered into a \$4,000,000 loan agreement with Calvert for the purpose of bridging the syndicated revolving credit facility. Interest accrues at the rate of 4%. Payments of interest are due quarterly in arrears with all unpaid principal with any accrued and unpaid interest due on the maturity date of June 11, 2021. In June 2021, the maturity date was extended to December 11, 2021 and in November 2021, the maturity date was extended to March 11, 2022. In March 2022, the maturity date was extended to June 11, 2022. On May 31, 2022, the loan was paid off. During the



## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

years ended December 31, 2022 and 2021, interest expense of \$67,111 and \$162,222 was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance is \$0 and \$4,000,000, respectively, and accrued interest is \$0.

#### **The Prudential Insurance Company of America**

In July 2020, POAH LLC entered into a \$5,000,000 loan agreement with The Prudential Insurance Company of America. POAH LLC used the proceeds of the Loan to make a loan to POAH Support Corporation 2, an entity related to POAH INC, who will then use those proceeds as qualified equity investments into various community development entities that will then use the investments to fund a qualified low income community investment to POAH DD Sugar Hill, LLC, which operates a property in Detroit, MI. Interest accrues at 4.25% per annum. Payments of interest only are due monthly commencing on August 1, 2020 to July 9, 2022. Thereafter payments of principal and interest are due monthly on a twenty-year amortization. Any outstanding balances will be made on the maturity date of January 9, 2028. In July 2022, the loan was paid off. For the years ended December 31, 2022 and 2021, interest expense of \$122,187 and \$212,500, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance is \$0 and \$5,000,000, respectively, and accrued interest is \$0.

#### **Community Ventures 2011, LLC**

In April 2021, POAH LLC entered into a \$200,000 loan agreement with Community Ventures 2011, LLC for the purpose of funding predevelopment costs at Levy House in Chicago, IL. The loan bears no interest and matures on the earliest to occur of (i) the date of closing and initial disbursement of the first mortgage loan for the Project, (ii) March 31, 2023, or (iii) by default. In January 2023, the loan was extended to September 30, 2023. At December 31, 2022 and 2021, the outstanding principal is \$200,000.

#### **Local Initiatives Support Corporation - revolving line of credit**

In October 2021, POAH LLC entered into a \$7,750,000 revolving line of credit with Local Initiatives Support Corporation for the purpose of funding predevelopment costs and acquisition for properties across LISC and POAH's shared geography ("Project"). Interest accrues at 4.75% per annum and is due monthly. Any outstanding principal disbursed for underlying Projects will be due at the earlier of (i) that project's construction financing closing; (ii) 36 months from the date of the first disbursement for that Project. All outstanding principal and interest is due on the maturity date of November 1, 2026. The line is collateralized by the mortgage note receivable from Blackstone. During the years ended December 31, 2022 and 2021, interest expense of \$91,641 and \$14,409, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance is \$1,720,595 and \$1,115,500, respectively, and accrued interest is \$0.

#### **Boston Housing Authority**

In February 2022, POAH LLC entered into a \$1,862,400 loan with Boston Housing Authority for the purpose of funding predevelopment costs for Whittier Phase Three. The loan bears no interest and matures on the earlier to occur of (i) the construction financial closing for the Project Phase Three or (ii) December 31, 2023. In February 2023, the loan was repaid. At December 31, 2022, the outstanding principal balance is \$1,862,400.

#### **Paycheck Protection Program Loan**

In April 2020, POAHC entered into a \$5,491,324 Small Business Administration loan with Eastern Bank under the Paycheck Protection Program ("PPP Loan"). The note accrued interest at 1% per annum. Payments of principal and interest were due monthly in the amount of \$307,494.42 beginning in November 2020 with all unpaid principal and accrued interest due on the maturity date of April 15, 2022. Forgiveness of the full amount of the loan was applied for per the loan documents and in June

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

2021, POAHC received notice from its lender that the SBA approved forgiveness of the full amount of the loan and the related interest thereon. During the years ended December 31, 2022 and 2021, interest expense of \$0 and \$26,629, respectively, was recorded on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal balance was \$0.

#### Chicago Community Loan Fund

In December 2017, PWSMT entered into a \$350,000 loan agreement with Chicago Community Loan Fund for the purpose of funding retail development costs at Woodlawn Station, a property in Chicago, IL, being developed by POAH LLC. Interest accrues at 5% per annum. Payments of interest only are due monthly. All unpaid principal and accrued interest are due on the maturity date of December 1, 2025. In September 2019, the loan was increased to \$700,000. During the years ended December 31, 2022 and 2021, interest expense of \$34,999 and \$35,244, respectively, was included in interest expense on the consolidated statements of activities. At December 31, 2022 and 2021, the outstanding principal is \$692,314, and accrued interest is \$2,885 and \$2,981, respectively.

#### Debt issuance costs

As of December 31, 2022, unamortized debt issuance costs related to these loans total \$61,819 consist of financing costs of \$188,210 less accumulated amortization of \$126,391. As of December 31, 2021, unamortized debt issuance costs related to these loans total \$115,219 consist of financing costs of \$225,710 less accumulated amortization of \$110,491. For the years ended December 31, 2022 and 2021, \$53,400 and \$32,008, respectively, of amortization was incurred and is included in interest expense on the consolidated statements of activities.

#### Loan balances

The balances as included in the accompanying consolidated statement of financial position as of December 31, 2022 and 2021 are summarized as follows:

Lender	Current Portion	Long-term Portion	Total Balance at December 31, 2022	Current Portion	Long-term Portion	Total Balance at December 31, 2021
Calvert	\$ 4,000,000	\$ -	\$ 4,000,000	\$ 4,000,000	\$ -	\$ 4,000,000
SVB	-	-	-	272,589	3,904,243	4,176,832
Arc Chicago	-	3,000,000	3,000,000	-	6,000,000	6,000,000
CEDAC	-	-	-	300,000	-	300,000
Greater Cincinnati	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Merchants Bank of Indiana	-	5,250,000	5,250,000	-	5,250,000	5,250,000
Life Initiative - LLC	1,192,196	-	1,192,196	-	1,113,190	1,113,190
CAHT - LLC	-	2,400,000	2,400,000	-	2,400,000	2,400,000
Life Initiative - LLC	1,973,809	-	1,973,809	1,973,809	-	1,973,809
OHFA - LLC	-	1,831,544	1,831,544	-	1,831,544	1,831,544
Calvert - LLC	-	6,750,000	6,750,000	4,000,000	6,750,000	10,750,000
Prudential - LLC	-	-	-	88,239	4,911,761	5,000,000
Community Ventures 2011 - LLC	200,000	-	200,000	200,000	-	200,000
LISC - LLC	905,095	815,500	1,720,595	300,000	815,500	1,115,500
Boston Housing Authority - LLC	1,862,400	-	1,862,400	-	-	-
CCLF - PWSMT	-	692,314	692,314	-	692,314	692,314
Unamortized debt issuance costs	-	(61,819)	(61,819)	-	(115,219)	(115,219)
	<u>\$ 10,133,500</u>	<u>\$ 21,677,539</u>	<u>\$ 31,811,039</u>	<u>\$ 11,134,637</u>	<u>\$ 34,553,333</u>	<u>\$ 45,687,970</u>

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

Annual maturities of debt, including voluntary prepayments, for the ensuing five years as of December 31, 2022 are as follows:

	INC	LLC	Total
2023	\$ 4,000,000	\$ 6,133,500	\$ 10,133,500
2024	5,250,000	7,865,500	13,115,500
2025	-	692,314	692,314
2026	-	-	-
2027	-	-	-
Thereafter	4,000,000	3,931,544	7,931,544

#### Note 6 - Line of credit - Silicon Valley Bank

In January 2013, POAH LLC entered an agreement for a revolving demand line of credit note with Silicon Valley Bank (“SVB”), formerly Boston Private Bank & Trust Company. In April 2019, the line was increased to \$6,000,000, the maturity date was extended to March 29, 2022, and Eastern Bank was added as a participant in the line. The note accrues interest equal to the Prime Rate minus 25 basis points (7.25% and 3.00% at December 31, 2022 and 2021, respectively) and is payable monthly. The line is collateralized by the mortgage note receivable from Franklin. In April 2020, the line was temporarily increased to \$7,000,000 with the increase terminating on October 29, 2021.

In November 2020, the line was replaced with an organizational standby revolving line of credit (“OSRLOC”) facility loan which added a \$2,000,000 facility for the purpose of providing standby letter of credits to support the Company’s development activities. Each letter of credit shall have a term of no greater than five years. In October 2021, the line was permanently increased to \$7,000,000 and the maturity date was extended to October 29, 2024. In May 2023, the standby letter of credit facility was increased to \$4,000,000, the maturity date of the OSRLOC was extended to May 2027, and the mortgage note receivable from Kenmore was provided as additional collateral. During the years ended December 31, 2022 and 2021, interest expense of \$181,779 and \$129,191, respectively, was recorded on the consolidated statements of activities. At December 31, 2022, \$2,925,437 is outstanding on the line, \$1,750,000 is available on the letter of credit facility and accrued interest is \$15,029. At December 31, 2021, \$4,677,830 is outstanding on the line, \$428,628 is available on the letter of credit facility, and accrued interest is \$12,084.

As of December 31, 2022 and 2021, the outstanding principal on the line of credit less unamortized debt issuance costs was \$2,912,182 and \$4,649,978, respectively. As of December 31, 2022 and 2021, unamortized debt issuance cost of \$13,255 and \$27,852, respectively. During the years ended December 31, 2022 and 2021, amortization expense incurred was \$14,597 and \$18,327, respectively.

Annual maturities of debt, including voluntary prepayments, for the ensuing two years as of December 31, 2022 are as follows:

2023	\$	1,584,329
2024		1,341,108

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

#### Note 7 - Mortgages payable - properties

The Company receives financing for the affordable housing properties from various federal, state and local agencies and financial institutions. These loans are nonrecourse to the Company and are secured by mortgages on the properties. Some of the mortgages also require monthly remittances for escrows and reserves.

The entities in which the Company owns a general partner or managing member interest have outstanding mortgage loans and notes payable. Generally, the loans are secured by security interests and liens common to mortgage loans on the entities' real property and other assets and are nonrecourse to the Company. Such loans bear interest at rates ranging from approximately 0% to 12% per annum. The majority of the first mortgage loans require monthly payments of principal and interest, while some of the subordinate loans are only payable from available cash flow and/or deferred to maturity. The mortgages mature in years from 2031 to 2065. Forgiveness of certain loans was received in accordance with respective extinguishment of debt agreements. For the years ended December 31, 2022 and 2021, gain on debt forgiveness of \$574,311 and \$16,125,068, respectively, was recorded on the consolidated statement of activities. For those mortgages payable to POAH or an affiliate, the effect of the loan has been eliminated in the consolidation for each year.

A summary of the mortgages and notes payable at year-end is as follows:

	Balance at December 31, 2022	Balance at December 31, 2021
Permanent conventional loans, bearing compounded interest from 1.00% to 7.40%, generally with principal and interest due monthly, to be repaid in full on various maturity dates through 2049.	\$ 232,638,413	\$ 194,748,184
Federal, state and local agency loans, bearing interest from 0% to 7.75%, generally with principal and interest due monthly or payable from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2053.	110,754,294	103,566,423
Other loans, bearing interest from 0% to 12%, generally payable annually from the respective property's net cash flow, if any, to be repaid in full on various maturity dates through 2059.	82,379,153	63,445,962
Accrued interest	26,084,557	21,399,107
Wholly owned entities	451,856,417	383,159,676
Entities controlled by POAH or affiliates	990,126,218	913,149,233
Unamortized debt issuance costs	(18,698,473)	(16,457,231)
	1,423,284,162	1,279,851,678
Mortgages and notes eliminated in consolidation	(202,019,829)	(199,153,000)
	\$ 1,221,264,333	\$ 1,080,698,678

During the years ended December 31, 2022 and 2021, amortization expense incurred on debt issuance costs was \$1,601,572 and \$1,869,039, respectively, and was included in property mortgage interest in the consolidated statements of activities. A summary of the mortgages payable and related deferred financing costs is as follows:

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Notes to the Consolidated Financial Statements  
Years ended December 31, 2022 and 2021**

			Total Balance at December 31, 2022			Total Balance at December 31, 2021
	Wholly Owned	LP		Wholly Owned	LP	
Mortgages payable less unamortized debt issuance costs	\$ 248,193,792	\$ 398,405,127	\$ 646,598,919	\$ 200,110,850	\$ 403,707,125	\$ 603,817,975
Debt issuance costs	\$ 7,284,870	\$ 20,505,226	\$ 27,790,096	\$ 6,586,980	\$ 18,736,393	\$ 25,323,373
Less: accumulated amortization	(3,293,138)	(5,798,485)	(9,091,623)	(2,923,544)	(5,942,598)	(8,866,142)
Unamortized debt issuance costs	<u>\$ 3,991,732</u>	<u>\$ 14,706,741</u>	<u>\$ 18,698,473</u>	<u>\$ 3,663,436</u>	<u>\$ 12,793,795</u>	<u>\$ 16,457,231</u>

Annual maturities of debt for the ensuing five years are summarized as follows:

Years	Wholly Owned	LP	Total
2023	\$ 23,552,332	\$ 125,371,527	\$ 148,923,859
2024	55,233,877	6,606,355	61,840,232
2025	4,605,615	6,910,592	11,516,207
2026	9,484,054	8,094,524	17,578,578
2027	4,133,851	9,067,699	13,201,550

To minimize the effect of changes in interest on a mortgage note, POAH Support Corporation (“PSC”), entered into interest rate swap agreements with BMO Harris Bank under which PSC pays interest at a fixed rate of 1.31% and the banks pay the interest on the mortgage at a variable rate. The result is that the partnership pays interest at a fixed effective rate. Valued separately, the interest rate swap agreements represent a liability in the amount of \$100,370 and (\$27,286), respectively, as of December 31, 2022 and 2021, and are categorized as Level 2. This value represents the fair value of the current difference in the interest paid and received under the swap agreement over the remaining term of the agreement.

To minimize the effect of changes in interest on a mortgage note, Woodlawn Station Preservation Associates Limited Partnership (“WSPALP”), entered into interest rate swap agreements with the Bank of Montreal under which WSPALP pays interest at a fixed rate of 5.53% and the banks pay the interest on the mortgage at a variable rate. The result is that the partnership pays interest at a fixed effective rate. Valued separately, the interest rate swap agreements represent an asset of \$150,515 as of December 31, 2022, included in other assets, and a liability in the amount of \$592,313 as of December 31, 2021, and are categorized as Level 2. This value represents the fair value of the current difference in the interest paid and received under the swap agreement over the remaining term of the agreement.

To minimize the effect of changes in interest on a mortgage note, Hawthorne Place II Preservation Associates Limited Partnership (“HPIIPALP”), entered into two interest rate swap agreements with the Boston Private Bank & Trust under which HPIIPALP pays interest at a fixed rate of 4.35% and 4.385% and the banks pay the interest on the mortgage at a variable rate. The result is that the partnership pays interest at a fixed effective rate. Valued separately, the interest rate swap agreements represent an asset of \$1,994,787 as of December 31, 2022, included in other assets, and a liability in the amount of \$1,374,176 as of December 31, 2022 and 2021, and are categorized as Level 2. This value represents the fair value of the current difference in the interest paid and received under the swap agreement over the remaining term of the agreement.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

#### Note 8 - Acquisitions of rental property

Acquisition of real property is accounted for as asset acquisitions and recorded at proportional fair value at the time of purchase as determined by an appraisal. During the years ended December 31, 2022 and 2021, the Company recorded the acquisition of real property totaling \$500,000 and \$41,378,668, respectively.

#### Note 9 - Revenue

Revenue is recognized when control of the promised service is transferred to the Company's customers, in an amount that depicts the consideration the Company expects to be entitled to in exchange for those services.

##### Development fee

Most development fees earned are paid from the Project's equity and debt proceeds at the completion of the construction of the Project. These fees are recognized over the development period beginning when the Project is assured of being constructed, as evidenced by the admission of an equity partner, and concluding with the approval of the cost certification of the respective housing credit agency.

The Company estimates whether it will be entitled to variable consideration under the terms of the development agreement and includes its estimate of variable consideration in the total development fee amount when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur in accordance with the accounting guidance in *ASC Topic 606, Revenue from Contracts with Customers*, on constraining estimates of variable consideration, which typically includes the following factors:

- The susceptibility of the consideration amount to factors outside the Project's influence, including insufficient equity and debt proceeds at the completion of the construction of the Project.
- Whether the uncertainty about the consideration amount is not expected to be resolved for a long period of time.
- The Company's experience with similar types of agreements.
- Whether the Company expects to offer changes to payment terms.
- The range of possible consideration amounts.

The cumulative amount of development fees earned over the development agreement is updated at each reporting period based on the Company's estimate of the variable consideration using available information at the reporting date. Deferred development fees payable from property surplus cash are recognized at such time as there is available surplus cash.

##### Management service revenue

POAHC provides property management services on a contractual basis for owners of and investors in affordable housing properties. These services include management, marketing, building engineering, accounting, compliance, and financial services. POAHC is compensated for its services through a monthly management fee earned based on either a specified percentage of the monthly rental income, rental receipts generated from the property under management or a fixed fee. POAHC is also often reimbursed for its administrative and payroll costs directly attributable to the properties under management. Property management services represent a series of distinct daily services rendered over time. Consistent with the transfer of control for distinct, daily services to the customer, revenue is recognized at the end of each period for the fees associated with the services performed.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

#### Other fee revenue from properties

The Company earns other fees from related affordable housing properties in accordance with property partnership agreements. These fees are only payable from property surplus cash or refinancing proceeds. Income is recognized upon satisfaction of the primary performance obligation which occurs at a point in time which is such time as there is available surplus cash or refinancing proceeds.

#### Note 10 - Bonds payable

The Company received an issuer credit rating from Standard & Poor's of A+ with a stable outlook with the intention to issue bonds to further its mission. In April 2022, the Company issued Series 2022 taxable bonds (Sustainability Bonds) in the amount of \$75,000,000. The bonds constitute unsecured general obligations of the Company. The proceeds of the bonds are to be used to (i) refinance certain existing debt obligations (ii) finance additional mission aligned affordable housing projects, and (iii) pay costs of issuance of the Bonds. The bonds bear interest at 4.479% and interest payments are payable semiannually on June 1 and December 1 of each year, commencing December 1, 2022. The bonds are subject to optional redemption by the Company in whole or in part, with principal due in full on December 1, 2032. During the year ended December 31, 2022, interest expense of \$2,332,813 was recorded on the consolidated statement of activities. As of December 31, 2022, the balance of the bonds payable is \$75,000,000, and accrued interest is \$270,606.

As of December 31, 2022, the balance of the Bonds payable less unamortized debt issuance costs was \$74,029,377. As of December 31, 2022, unamortized debt issuance costs related to the bonds total \$970,623 consist of issuance costs of \$1,044,031 less accumulated amortization of \$73,408. For the year ended December 31, 2022, \$73,408 of amortization was incurred and is included in interest expense on the consolidated statement of activities.

#### Note 11 - Related party transactions

##### Notes and other receivables from affiliates

For the years ended December 31, 2022 and 2021, the Company's notes receivable and accounts receivable are amounts receivable from limited partnerships in which the Company is a general partner. The effect of these transactions has been eliminated in consolidation each year.

##### Administrative salaries and costs

The Company provides various services related to the administration of POAH LLC. For the years ended December 31, 2022 and 2021, POAH LLC incurred \$11,346,402 and \$9,760,059, respectively, for compensation, overhead and rent from the Company.

##### Property management and related fees

Property management and related fees were earned by POAHC from related properties in 2022 in the amount of \$10,841,971, of which \$10,201,975 has been eliminated in consolidation, and in 2021 in the amount of \$10,843,386, of which \$10,053,044 has been eliminated in consolidation. At December 31, 2022 and 2021, \$3,341,920 and \$3,903,643, respectively, is due from related parties for services and advances net of an allowance for doubtful accounts which is estimated to be \$3,042,241 and \$1,432,365, respectively.

##### Development fee and other revenue from properties

For the years ended December 31, 2022 and 2021, the Company and POAH LLC earned development fee revenue and fees from properties as follows:

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

	2022	2021
Development fee paid from development sources	\$ 9,225,124	\$ 10,156,946
Development fee paid from cash flow	1,430,385	2,858,769
Other fee revenue	728,143	484,112
Proceeds from property refinancing	12,688,444	-
	24,072,096	13,499,827
Cash flow fees from certain related properties	5,322,884	2,776,086
	\$ 29,394,980	\$ 16,275,913
Development and cash flow fees eliminated in consolidation	(27,291,983)	(13,778,706)
	\$ 2,102,997	\$ 2,497,207

At December 31, 2022 and 2021, \$18,657,987 and \$12,337,966, respectively, is due from related properties for development and cash flow fees. The effect of these transactions has been eliminated in consolidation each year. At December 31, 2022 and 2021, development fees received but not yet earned are \$555,000 and \$642,514, respectively, and is shown as a component of deferred income on the consolidated statements of financial position.

#### **Reimbursable salaries and expenses**

POAHC LLC incurs costs related to payroll, technical support and other reimbursable expenses on behalf of the properties that it manages. In 2022, the costs incurred and the related reimbursement from related properties totaled \$27,376,358, net of PPP Loan proceeds of \$0, of which \$26,686,218 has been eliminated in consolidation and in 2021 the costs incurred and the related reimbursement from related properties totaled \$21,378,745, net of PPP Loan proceeds of \$3,515,091, of which \$20,934,544 has been eliminated in consolidation. The effect of these transactions has been eliminated in consolidation each year.

#### **Ground and master tenant leases**

For the years ended December 31, 2022 and 2021, certain entities that the Company is a general partner or sole member in have ground lease or master lease agreements with limited partnerships in which the Company is a general partner or other entities the Company owns/controls. The leases provide the LPs with the right to use the land upon which the project is located or master lease residential buildings or commercial space and are classified as operating leases. Base rent shall be due per the respective agreements. The effect of these transactions have been eliminated in consolidation each year.

#### **Note 12 - Investment in partnerships**

The Company, either as the sole member of the entity or the 100% owner of the general partner, has made capital contributions to some of the entities that own affordable housing developments. At December 31, 2022 and 2021, investment in properties is \$24,118,821 and \$25,018,788, respectively, of which \$22,912,470 and \$24,849,256, respectively, has been eliminated in consolidation.

In May 2018, the Company purchased a non-controlling general partner interest in seven properties located in Cincinnati, OH. In July 2022, the Company made an investment of a non-controlling interest in a property located in Chicago, IL. The investments are recorded using the equity method. The balance of this investment at December 31, 2022 and 2021 is \$1,206,351 and \$169,532, respectively. The investment balances of these properties are included in the investment in properties balances noted above.



## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

In May 2018, the Company purchased the managing member general partner interest in Losantiville Apartments Limited Partnership ("LALP"). LALP is the limited partner in Elm St. Senior Housing, Ltd, an unrelated entity. The investment is recorded using the equity method. The balance of this investment at December 31, 2022 and 2021 is \$1,103,862 and \$1,107,414, respectively.

Certain financial information with respect to these investments at December 31, 2022 and 2021, and the years then ended, are as follows:

	2022	2021
Net investment in real estate	\$ 45,008,644	\$ 47,698,723
Total assets	48,508,683	51,565,628
Permanent financing (including accrued interest)	25,283,927	24,599,061
Total liabilities	28,230,995	27,458,065
Limited partner's equity	17,753,409	21,579,184
General partners' equity	2,524,279	2,528,379
Revenue	3,784,330	4,012,232
Expenses	7,983,168	7,937,519
Net loss	(4,198,838)	(3,925,287)

#### Note 13 - Investments

During 2022, the Company invested Sustainability Bonds proceeds in a laddered bond portfolio until funds are deployed for mission driven investments. At December 31, 2022, the Company had marketable debt securities that were recorded at fair value. These securities consisted of the following:

	2022
Treasury bills	\$ 4,961,695
Treasury notes	2,515,486
Government agency bonds	7,442,968
Corporate bonds	7,422,985
Total investments	22,343,134

The return on investments at December 31, 2022 consisted of the following:

	2022
Interest and dividends	\$ 301,580
Realized gain (loss)	-
Unrealized gain (loss)	105,069
Total return on investment	\$ 406,649

#### Note 14 - Fair value measurements

The Financial Accounting Standards Board's ("FASB") guidance on fair value measurements requires fair value to be determined based on the exchange price that would be received for an asset or paid

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. FASB's guidance established a three-level valuation hierarchy based upon observable and non-observable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

Fair value is the price the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. Preference is given to observable inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. FASB's guidance requires the use of observable data if such data is available without undue costs and effort.

The fair value hierarchy under the guidance is as follows:

- Level 1 - quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3 – prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The fair value of the Company's investments that are reported in the accompanying consolidated statements of financial position at December 31, 2022 were as follows:

	2022 Level 2
Treasury bills	\$ 4,961,695
Treasury notes	2,515,486
Government agency bonds	7,442,968
Corporate bonds	7,422,985
Total investments	<u>22,343,134</u>

#### Note 15 - Leases

##### Office leases

In December 2019, the Company entered into a new non-cancelable operating lease in Boston, MA that commenced in August 2020 and expires in October 2030. The lease liability at December 31, 2022 of \$7,262,645 is the present value of remaining scheduled lease payments discounted using

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

the incremental borrowing rate of 3%. Rental expense, inclusive of operating costs, for the years ended December 31, 2022 and 2021 totaled \$1,007,238 and \$992,571, respectively. As of December 31, 2022, the right-of-use asset totals \$6,912,016.

POAH LLC leases office space under a non-cancelable operating lease in Chicago, Illinois. In September 2017, a lease extension was executed that commenced in May 2018 and expires in April 2025. The lease liability at December 31, 2022 of \$398,876 is the present value of remaining scheduled lease payments discounted using the incremental borrowing rate of 3%. Rental expense, inclusive of operating costs, for the years ended December 31, 2022 and 2021 totaled \$190,111 and \$159,250, respectively. As of December 31, 2022, the right-of-use asset totals \$380,186.

POAH LLC leases office space under a non-cancelable operating lease in Washington, DC which expires in July 2022. In April 2022, the option to extend the lease was exercised with a commencement date in August 2022 and expires in December 2026. The lease liability at December 31, 2022 of \$303,863 is the present value of remaining scheduled lease payments discounted using the incremental borrowing rate of 5.25%. Rental expense, inclusive of operating costs, for the years ended December 31, 2022 and 2021 totaled \$81,656 and \$77,159, respectively. As of December 31, 2022, the right-of-use asset totals \$302,086.

POAHC leases office space under a non-cancelable operating lease in Kansas City, Missouri, which expires in March 2025. The lease liability at December 31, 2022 of \$358,835 is the present value of remaining scheduled lease payments discounted using the incremental borrowing rate of 3%. Rental expense, inclusive of real estate taxes and operating costs, for the years ended December 31, 2022 and 2021 totaled \$129,623 and \$157,428, respectively. As of December 31, 2022, the right-of-use asset totals \$300,456.

The annual payment amounts are presented on an undiscounted basis along with a reconciliation to the lease liability on December 31, 2022, which are recorded on a present value basis and included in other long-term liabilities on the consolidated statement of financial position, are as follows:

	POAH INC	POAH LLC	POAHC	Total
December 31, 2023	\$ 968,011	\$ 254,347	\$ 162,702	\$ 1,385,060
2024	987,339	259,300	167,003	1,413,642
2025	1,006,667	150,120	41,930	1,198,717
2026	1,025,995	88,352	-	1,114,347
2027	1,045,333	-	-	1,045,333
Thereafter	3,158,518	-	-	3,158,518
	8,191,863	752,119	371,635	9,315,617
Less discount	(929,218)	(49,380)	(12,800)	(991,398)
Total	\$ 7,262,645	\$ 702,739	\$ 358,835	\$ 8,324,219

#### Ground and master tenant leases

Various properties have entered into ground leases or master tenant lease agreements, some of which are with affiliated entities. Leases expire ranging from 2082-2097. The lease liabilities at December 31, 2022 of \$22,627,807, of which \$18,374,999 is eliminated in consolidation, is the present value of remaining scheduled lease payments per the respective lease agreements discounted using the incremental borrowing rate ranging from 2.64% to 3.36% and the risk-free rate of 2.016%. Rental expense, inclusive of any applicable real estate taxes and operating costs, for the year ended December 31, 2022 totaled \$721,088, of which \$566,332 is eliminated in consolidation.

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

As of December 31, 2022, the right-of-use assets total \$33,719,215, of which \$16,596,247 was eliminated in consolidation.

The annual payment amounts are presented on an undiscounted basis along with a reconciliation to the lease liability on December 31, 2022, which are recorded on a present value basis and included in other long-term liabilities on the consolidated statement of financial position, are as follows:

	Wholly Owned	LP	WSMT	Total
December 31, 2023	\$ 283,200	\$ 255,504	\$ 104,848	\$ 643,552
2024	284,700	258,839	106,945	650,484
2025	286,276	262,227	109,084	657,587
2026	287,928	265,664	111,266	664,858
2027	289,664	269,203	113,491	672,358
Thereafter	5,980,072	35,539,280	1,349,184	42,868,536
	<u>7,411,840</u>	<u>36,850,717</u>	<u>1,894,818</u>	<u>46,157,375</u>
Less discount	<u>(1,489,409)</u>	<u>(21,757,190)</u>	<u>(282,969)</u>	<u>(23,529,568)</u>
	5,922,431	15,093,527	1,611,849	22,627,807
Eliminated in consolidation	<u>(5,922,431)</u>	<u>(10,840,719)</u>	<u>(1,611,849)</u>	<u>(18,374,999)</u>
Total	<u>\$ -</u>	<u>\$ 4,252,808</u>	<u>\$ -</u>	<u>\$ 4,252,808</u>

#### Note 16 - Commitments and contingencies

The Company or its affiliates serve as the general partner or managing member for various entities that are the owners of the affordable housing properties. The investors and in some cases the lenders in these entities usually require guarantees from POAH entities on behalf of the general partner or managing member as a condition to their investment. Generally, these guarantees are for obligations such as construction and rehabilitation completion, funding of operating deficits and tax credit recapture price adjusters.

A summary of the guarantees outstanding at December 31, 2022 is as follows. See Note 20 for a detail of these entities.

Entity	Guaranty	Construction guaranty maximum amount	Loan guarantee	Operating deficit expiration	Operating deficit maximum amount	Advances at December 31, 2022
Jefferson	(1)	N/A	N/A	December 2026	\$970,894	\$901,319
Driftwood	(1), (3)	N/A	N/A	None	420,705	None
Cochecho	(3), (8)	N/A	N/A	N/A	N/A	N/A
United Front	(1), (3)	N/A	N/A	(7)	1,050,000	None
WCS	(1), (3), (6)	N/A	N/A	(7)	310,000	None
Sugar River	(1), (3)	N/A	N/A	(7)	815,000	None
CB Rental	(1), (3)	N/A	N/A	(7)	543,904	24,631
Renaissance	(1), (3)	N/A	N/A	(7)	886,000	N/A
WCN	(1), (3), (6)	N/A	N/A	(7)	162,500	None
Clay Pond Cove	(1), (3)	N/A	N/A	(7)	393,543	None
Central Annex	(3), (9)	N/A	N/A	N/A	N/A	N/A
Torrington	(1), (3)	N/A	N/A	(7)	413,050	None
Old Middletown	(1), (3)	N/A	N/A	(7)	700,068	None
WP Senior	(1), (3), (6)	N/A	N/A	(7)	288,634	None

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

Entity	Guaranty	Construction guaranty maximum amount	Loan guarantee	Operating deficit expiration	Operating deficit maximum amount	Advances at December 31, 2022
Dennis	(1), (3)	N/A	N/A	(7)	161,956	None
Lafayette	(1), (3)	N/A	N/A	(7)	548,000	426,702
Briston Arms	(1), (3)	N/A	N/A	(7)	4,475,000	258,000
Newberry	(1), (3)	N/A	N/A	(7)	524,914	None
Billings Forge	(1), (3), (8)	N/A	N/A	(7)	620,000	10,000
Cherry Briggs	(1), (3)	N/A	N/A	(7)	569,290	None
Trianon	(3), (5), (9)	N/A	\$5,500,000	N/A	N/A	530,212
Brandy Hill	(1), (3)	N/A	N/A	N/A	630,000	None
Founders Court	(1), (3)	N/A	N/A	N/A	300,055	None
Trinity Towers East	(1), (3)	N/A	N/A	N/A	660,404	None
Trinity Towers South	(1), (3)	N/A	N/A	N/A	881,300	None
Tribune	(1), (3)	N/A	N/A	N/A	441,155	None
Woodlawn Rollup	(1), (3)	N/A	N/A	N/A	1,232,956	665,917
Woodlawn Station	(1), (3), (5)	N/A	5,000,000	(7)	369,000	None
Oxford	(1), (3)	N/A	N/A	(7)	685,000	None
Whittier 1A-4	(1), (3)	N/A	N/A	(7)	532,000	None
Whittier 1A-9	(1), (3)	N/A	N/A	(7)	335,000	None
Bedford	(1), (3)	N/A	N/A	(7)	755,140	None
Greenwood	(1), (3)	N/A	N/A	(7)	928,300	None
JBL	(1), (3)	(2)	N/A	(7)	400,000	302,888
Abigail Apartments	(1), (3)	N/A	N/A	(7)	247,500	336,646
Abington Race & Pleasant	(1), (3)	N/A	N/A	(7)	286,030	341,910
Burnet Place	(1), (3)	N/A	N/A	(7)	410,000	70,670
Losantiville Buildings	(1), (3)	N/A	N/A	(7)	379,922	94,070
Losantiville Evanston	(1), (3)	N/A	N/A	(7)	379,922	None
Magnolia Heights	(1), (3)	N/A	N/A	(7)	328,584	441,242
Navarre Garrone	(1), (3)	N/A	N/A	(7)	398,328	None
North Rhine Heights	(1), (3)	N/A	N/A	(7)	264,352	311,446
OTR Revitalization	(1), (3)	N/A	N/A	(7)	858,068	None
Villas of the Valley	(1), (3)	N/A	N/A	(7)	109,352	27,863
Villas of the Valley II	(1), (3)	N/A	N/A	(7)	101,632	25,000
WH Mainstrasse	(1), (3)	N/A	N/A	(7)	156,531	None
Helton Pointe	(1)	N/A	N/A	(7)	65,000	None
Corcoran	(5)	N/A	4,500,000	N/A	N/A	N/A
Kerper Apartments	(5)	N/A	790,500	N/A	N/A	790,500
Whittier 2	(1), (3), (4), (5)	\$34,704,358	23,862,341	(7)	686,781	None
Sugar Hill	(4), (5)	(2)	10,247,249	N/A	N/A	N/A
Gardner Terrace I & II	(4), (5)	(2)	5,650,000	N/A	N/A	N/A
South Chicago Salud	(1), (3)	N/A	N/A	(7)	804,220	N/A
Mattapan 4	(1), (3), (4), (5)	(2)	40,310,668	(7)	1,028,587	None
Mattapan 9	(1), (3), (4), (5)	(2)	9,015,896	(7)	189,589	None
Farrell House	(1), (3)	(2)	N/A	(7)	612,000	None
Beachwinds II	(1), (3), (4)	(2)	N/A	(7)	781,500	None
Hawthorne Place II	(1), (3), (4), (5)	(2)	40,357,584	(7)	3,050,000	None
Levy House	(5)	N/A	9,250,000	N/A	N/A	N/A
Brewster Woods	(1), (3), (4), (5)	(2)	7,058,175	(7)	212,500	None
Salem Heights II	(1), (3), (4), (5)	(2)	61,000,000	(7)	2,860,000	None
Island Terrace	(5)	N/A	21,300,000	N/A	N/A	N/A
Bartlett Lot D	(4), (5)	28,207,332	17,471,549	N/A	N/A	N/A
19 E 110th Place	(1), (3), (4), (5)	(2)	6,000,000	(7)	405,040	None
5040 S Indiana	(1), (3), (4), (5)	(2)	5,985,000	(7)	373,360	None
Terrapin Ridge	(1), (3)	N/A	N/A	(7)	224,121	None
Wing Schoolhouse	(1), (3), (4), (5)	(2)	8,400,000	December 2037	240,000	None

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Entity	Guaranty	Construction guaranty maximum amount	Loan guarantee	Operating deficit expiration	Operating deficit maximum amount	Advances at December 31, 2022
South Suburban	(1), (3), (4), (5)	(2)	25,000,000	(7)	1,296,000	None
Elgin Manor I	(1), (3), (4), (5)	(2)	18,000,000	(7)	1,032,000	None
Barry Farm 1B	(1), (3), (4), (5)	(2)	42,275,000	(7)	786,000	None
Deerfield II	(1), (3), (4), (5)	3,883,993	1,019,576	(7)	245,234	None
17 properties	(3)	N/A	N/A	N/A	N/A	50,387

#### Types of guarantees

(1) Operating deficits

(2) Construction rehabilitation completion, per agreement there is no limit on the amount of this guarantee

(3) Tax credit recapture price adjusters

(4) Construction completion and/or construction loan guarantee

(5) Loan guarantee

(6) Financing coverage guarantee

#### Other

(7) Two to five years from construction completion and/or breakeven.

(8) Annual commercial income guarantee

(9) Basic rent guarantee per Net Lease

### Note 17 - Financial instruments

The Company and its subsidiaries maintain its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. Management believes it is not exposed to any significant credit risk on its cash, cash equivalents and other deposits at December 31, 2022 and 2021.

### Note 18 - Rent subsidies

For most of the properties, tenants' rents are being subsidized by various federal and state programs. Generally, these programs restrict assistance to those residents who qualify by meeting certain established criteria, including maximum income limitations. A majority of the properties have entered into contracts with HUD to provide the federal subsidies. These contracts expire in years 2023 to 2051. Rent subsidies totaled \$122,571,028 and \$115,728,012 for 2022 and 2021, respectively.

### Note 19 - Net assets with donor restrictions

The Company received the following grants which are included in net assets with donor restrictions at December 31, 2022 and 2021 for either time restrictions or restrictions related to specific program services:

## Preservation of Affordable Housing, Inc. and Subsidiaries

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	Balance at December 31, 2022	Balance at December 31, 2021
Home ownership assistance	\$ 143,389	\$ 143,389
Community resource center	270,641	225,973
Installation of artwork	15,000	15,000
Children savings accounts	67,555	67,555
Family Self Sufficiency	341,527	488,664
Community arts festival	9,945	9,945
Capital Magnet Fund	3,075,000	4,300,000
Technology assistance	-	9,489
Rental assistance	4,326	4,326
Trauma-informed care	51,479	1,563,570
Digital inclusion	52,329	66,774
Capital grants	682,825	-
	\$ 4,714,016	\$ 6,894,685

#### Note 20 - Limited partnerships and limited liability companies

As of December 31, 2022, the Company owns a general partner or managing member interest in the following entities:

Entity	Project Location	No. of Units
1) Barry Farm Building 1B LLC	Washington, DC	108
2) Driftwood Preservation Associates Limited Partnership	Narragansett, RI	32
3) Beachwinds II Preservation Associates Limited Partnership	Narragansett, RI	104
4) Fieldstone Preservation Associates Limited Partnership	Narragansett, RI	24
5) Heritage Preservation Associates Limited Partnership	North Kingstown, RI	204
6) Grace Preservation Associates Limited Partnership	Providence, RI	101
7) Cherry Briggs Preservation Associates Limited Partnership	Johnston & Providence, RI	160
8) Oxford Preservation Associates Limited Partnership	Providence, RI	128
9) POAH DD Sugar Hill LLC	Detroit, MI	68
10) United Front Nine Preservation Associates Limited Partnership	New Bedford, MA	173
11) Cromwell Preservation Associates Limited Partnership	Hyannis, MA	124
12) CB Rental Limited Partnership	Bourne, MA	28
13) Blackstone Preservation Associates Limited Partnership	Boston, MA	145
14) Franklin Preservation Associates Limited Partnership	Boston, MA	193
15) Kenmore Abbey Preservation Associates Limited Partnership	Boston, MA	199
16) Bartlett Lot D Preservation Associates Limited Partnership	Boston, MA	50
17) Peter's Grove Preservation Associates Limited Partnership	Hudson, MA	96
18) Rock Harbor Preservation Associates Limited Partnership	Orleans, MA	100
19) Clay Pond Preservation Associates Limited Partnership	Bourne, MA	45
20) Kings Landing Preservation Associates Limited Partnership	Brewster, MA	108
21) Brewster Woods Preservation Associates Limited Partnership	Brewster, MA	30
22) Central Annex Preservation Associates Limited Partnership	Pittsfield, MA	101
23) Dennis Community Housing Preservation Associates Limited Partnership	Dennis, MA	27
24) Briston Arms Preservation Associates Limited Partnership	Cambridge, MA	154
25) Founders Court Preservation Associates Limited Partnership	Hyannis, MA	32
26) Brandy Hill Preservation Associates Limited Partnership	E. Wareham, MA	132
27) Tribune Preservation Associates Limited Partnership	Framingham, MA	53
28) Canal Bluffs P3 Preservation Associates Limited Partnership	Bourne, MA	44
29) Whittier 1A-4 Preservation Associates Limited Partnership	Boston, MA	58
30) Whittier 1A-9 Preservation Associates Limited Partnership	Boston, MA	34
31) Whittier 2 Preservation Associates Limited Partnership	Boston, MA	52
32) Mattapan Station 4 LLC	Boston, MA	114

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Entity	Project Location	No. of Units
33) Mattapan Station 9 LLC	Boston, MA	21
34) Bedford Village Preservation Associates Limited Partnership	Bedford, MA	124
35) Salem Heights II Preservation Associates Limited Partnership	Salem, MA	281
36) Terrapin Ridge LLC	Sandwich, MA	30
37) Deerfield Village II Preservation Associates Limited Partnership	Carthage, MO	60
38) Hawthorne Place II Preservation Associates Limited Partnership	Independence, MO	745
39) 19 E 110th Place Preservation Associates Limited Partnership	Chicago, IL	60
40) 5040 S Indiana Preservation Associates Limited Partnership	Chicago, IL	60
41) WCS Preservation Associates Limited Partnership	Chicago, IL	67
42) Renaissance Preservation Associates Limited Partnership	Chicago, IL	117
43) WCN Preservation Associates Limited Partnership	Chicago, IL	33
44) WP Senior Preservation Associates Limited Partnership	Chicago, IL	65
45) Lafayette Preservation Associates Limited Partnership	Chicago, IL	94
46) Newberry Park Preservation Associates Limited Partnership	Chicago, IL	84
47) Woodlawn Station Preservation Associates Limited Partnership	Chicago, IL	70
48) Woodlawn Roll-up Preservation Associates Limited Partnership	Chicago, IL	196
49) Greenwood Preservation Associates Limited Partnership	Chicago, IL	122
50) JBL Preservation Associates Limited Partnership	Chicago, IL	106
51) Community Housing Partners XI Limited Partnership	Chicago, IL	77
52) Community Housing Partners X Limited Partnership	Chicago, IL	59
53) Community Housing Partners XV Limited Partnership	Chicago, IL	30
54) Farrell House Preservation Associates I Limited Partnership	Chicago, IL	59
55) South Chicago Salud Center Preservation Associates Limited Partnership	Chicago, IL	101
56) 6040 JPT LLC (not consolidated)	Chicago, IL	318
57) South Suburban Preservation Associates Limited Partnership	Harvey, IL	120
58) Wing Schoolhouse Preservation Associates Limited Partnership	Elgin, IL	27
59) Elgin Manor Preservation Associates I Limited Partnership	Elgin, IL	100
60) Cochecho Park Preservation Associates Limited Partnership	Dover, NH	78
61) Sugar River Preservation Associates Limited Partnership	Claremont, NH	162
62) New Horizons Preservation Associates Limited Partnership	Miami, FL	100
63) Harbor City Towers LLLP	Melbourne, FL	192
64) Trinity Towers East Preservation Associates LLLP	Melbourne, FL	156
65) New Trinity Towers South Preservation Associates LLLP	Melbourne, FL	162
66) Tarringford West Preservation Associates Limited Partnership	Torrington, CT	79
67) Billings Forge LLC		
68) Billings Forge Preservation Associates Limited Partnership	Hartford, CT	114
69) Old Middletown Preservation Associates Limited Partnership	Middletown, CT	65
70) Abigail Apartments Limited Partnership	Cincinnati, OH	71
71) Abington Race and Pleasant LLC (not consolidated)	Cincinnati, OH	50
72) Burnet Place Limited Partnership (not consolidated)	Cincinnati, OH	62
73) Losantiville Apartments Limited Partnership	Cincinnati, OH	87
74) Magnolia Heights Limited Partnership (not consolidated)	Cincinnati, OH	98
75) Navarre Garrone Limited Partnership	Cincinnati, OH	62
76) North Rhine Heights Limited Partnership (not consolidated)	Cincinnati, OH	65
77) OTR Revitalization Limited Partnership (not consolidated)	Cincinnati, OH	94
78) Villas of the Valley Limited Partnership (not consolidated)	Lincoln Heights, OH	42
79) Villas of the Valley II Limited Partnership (not consolidated)	Lincoln Heights, OH	35
80) WH Mainstrasse I LLLP	Convington, KY	41
81) SSAH LLC (100% owned by POAH, Inc)	Weymouth, MA	20
82) Riverview Residences Dover LLC (100% owned by POAH, Inc)	Dover, NH	24
83) POAH Southpoint Crossing LLC (100% owned by POAH, Inc)	Florida, FL	122
84) POAH Aaron Briggs LLC (100% owned by POAH, Inc)		
85) POAH Fieldstone Apartments LLC (100% owned by POAH, Inc)		
86) POAH Old Middletown LLC (100% Owned by POAH, Inc)		
87) POAH Central Annex LLC (100% owned by POAH, Inc)		
88) POAH Brandy Hill LLC (100% owned by POAH, Inc)		
89) POAH Ventures LLC (100% owned by POAH, Inc)		
90) BR Sugar River Limited Partnership (100% owned by POAH, Inc)		
91) POAH Kings Landing LLC (100% owned by POAH, Inc)		
92) POAH Cutler Meadows LLC (100% owned by POAH, Inc)	Miami, FL	225
93) POAH Cutler Manor LLC (100% owned by POAH, Inc)	Miami, FL	219
94) POAH Middletowne Apartments LLC (100% owned by POAH, Inc)	Orange Park, FL	100
95) POAH Campbell Arms LLC (100% owned by POAH, Inc)	Homestead, FL	201
96) POAH Cutler Manor II LLC (100% owned by POAH, Inc)		
97) POAH New Horizons LLC (100% owned by POAH, Inc)		
98) POAH Trinity Towers East LLC (100% owned by POAH, Inc)		



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Entity	Project Location	No. of Units
99) POAH Trinity Towers West LLC (100% owned by POAH, Inc)		
100) Trinity Towers South Preservation Associates LLLP (100% owned by POAH, Inc)		
101) POAH NSP Chicago LLC (100% owned by POAH, Inc)		
102) POAH Grove Parc Apartments LLC (100% owned by POAH, Inc)		
103) POAH Holdings LLC (100% owned by POAH, Inc)		
104) POAH NMTC2 Title Holding Corporation (100% owned by POAH, Inc)	Chicago, IL	27
105) POAH Support Corporation (100% owned by POAH, Inc)		
106) POAH Support Corporation 2 (100% owned by POAH, Inc)		
107) POAH Greenwood Park LLC (100% owned by POAH, Inc)		
108) POAH JBL LLC (100% owned by POAH, Inc)		
109) Community Housing Partners VI Limited Partnership (100% owned by POAH, Inc)	Chicago, IL	55
110) Community Housing Partners XII Limited Partnership (100% owned by POAH, Inc)	Chicago, IL	26
111) Corcoran Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Chicago, IL	94
112) POAH Roseland East 110th Place Hold Limited Partnership (100% owned by POAH, Inc)		
113) POAH Washington Park Indiana Avenue Hold Limited Partnership (100% owned by POAH, Inc)		
114) POAH Levy House LLC (100% owned by POAH, Inc)	Chicago, IL	57
115) POAH Island Terrace LLC (100% owned by POAH, Inc)	Chicago, IL	240
116) Elgin Manor Preservation Associates Limited Partnership (100% owned by POAH, Inc)		
117) Elgin Schoolhouse Preservation Associates Limited Partnership (100% owned by POAH, Inc)		
118) POAH South Chicago Y Hold LLC (100% owned by POAH, Inc)		
119) POAH South Suburban Y Hold LLC (100% owned by POAH, Inc)		
120) POAH Harvey East 151st Street Hold Limited Partnership (100% owned by POAH, Inc)	Harvey, IL	60
121) POAH Harvey West 151st Street Hold Limited Partnership (100% owned by POAH, Inc)	Harvey, IL	60
122) Farrell House Preservation Associates Limited Partnership (100% owned by POAH, Inc)		
123) Crestview Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Kankakee, IL	132
124) POAH Gardner Terrace LLC (100% owned by POAH, Inc)	Attleboro, MA	144
125) POAH Hebronville Mill LLC (100% owned by POAH, Inc)	Attleboro, MA	83
126) Bridle Path Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Randolph, MA	104
127) Chestnut Gardens Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Lynn, MA	65
128) Dom Narodowy Polski Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Chicopee, MA	50
129) Eastgate Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Springfield, MA	148
130) Meadowbrook Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Northampton, MA	252
131) Salem Heights Preservation Associates Limited Partnership (100% owned by POAH, Inc)		
132) Fairweather Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Beverly, Danvers, Peabody	321
133) Washington Gardens Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Hagerstown, MD	100
134) Jefferson Maison East Limited Dividend Housing Association LLC (100% owned by POAH, Inc)	Detroit, MI	280
135) Oakland Grand Haven Limited Dividend Housing Association LLC (100% owned by POAH, Inc)	Troy, MI	297
136) Woodlen Place Associates Limited Partnership (100% owned by POAH, Inc)	Kansas City, MO	60
137) Colony Plaza Associates Limited Partnership (100% owned by POAH, Inc)	Excelsior Springs, MO	111
138) Country Club Village Associates Limited Partnership (100% owned by POAH, Inc)	Springfield, MO	70
139) Glenwood Manor Associates Limited Partnership (100% owned by POAH, Inc)	Springfield, MO	119
140) Highland Meadows Associates Limited Partnership (100% owned by POAH, Inc)	Carthage, MO	44
141) Deerfield Village Associates Limited Partnership (100% owned by POAH, Inc)		
142) Hawthorne Associates Limited Partnership (100% owned by POAH, Inc)		
143) Country Club Village II Associates - I Limited Partnership (100% owned by POAH, Inc)	Springfield, MO	28
144) Highland Acres Associates - I Limited Partnership (100% owned by POAH, Inc)	Carthage, MO	35
145) Houston Plaza Associates - I Limited Partnership (100% owned by POAH, Inc)	Adrian, MO	34
146) Maplewood Manor Associates - I Limited Partnership (100% owned by POAH, Inc)	Web City, MO	60
147) Monroe Estates Associates - I Limited Partnership (100% owned by POAH, Inc)	Lebanon, MO	74
148) Prairie Plains Associates - I Limited Partnership (100% owned by POAH, Inc)	Lamar, MO	50
149) Crestview Village Associates - I Limited Partnership (100% owned by POAH, Inc)	Liberty, MO	48
150) Terri Manor Associates LTD (100% owned by POAH, Inc)	Cincinnati, OH	81
151) Community Manor Limited Partnership (100% owned by POAH, Inc)	Cincinnati, OH	19
152) Baymiller Manor Limited Partnership (100% owned by POAH, Inc)	Cincinnati, OH	31
153) Fairview Estates Limited Partnership (100% owned by POAH, Inc)	Cincinnati, OH	28
154) Kerper Development Limited Partnership (100% owned by POAH, Inc)	Cincinnati, OH	38
155) Pendleton Estates Limited Partnership (100% owned by POAH, Inc)	Cincinnati, OH	42
156) Wesley Estates Limited Partnership (100% owned by POAH, Inc)	Cincinnati, OH	29
157) POAH Washington Park LLC (100% owned by POAH, Inc)	Cincinnati, OH	37
158) Blacklick Apartments LLC (100% owned by POAH, Inc)	Blacklick, OH	176
159) Garfield Hills Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Washington, DC	94
160) Hillside Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Providence, RI	42
161) Pocasset Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Providence, RI	82
162) Hillcrest Preservation Associates Limited Partnership (100% owned by POAH, Inc)	Providence, RI	130
163) Barry Farm Redevelopment Associates Limited Partnership (100% owned by POAH, Inc)		
164) Beachwood Preservation Associates Limited Partnership (100% owned by POAH, Inc)		

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

Entity	Project Location	No. of Units
165) Southwinds Preservation Associates Limited Partnership (100% owned by POAH, Inc)		
166) POAH Landowner LLC (100% owned by POAH, Inc)		
		13,130

The majority of these properties qualify for the low-income tax credit in accordance with Section 42 of the Internal Revenue Code. Provisions of Section 42 regulate the use of the Project as to occupancy eligibility and unit gross rent, among other requirements, for 15 years. Most of the properties are subject to these provisions for additional terms in accordance with agreements entered into with the state tax credit agencies. The properties are also controlled by regulatory agreements with lenders and other funding and subsidy sources.

The limited partners or investor members generally own between 99 to 99.99% interest in the properties. Capital contributions are due from these partners or members in installments upon each property's satisfaction of specified conditions, as defined, and are subject to adjustment based on the actual low-income tax credits delivered. These contributions are recorded by the entities when received.

#### Note 21 - Deferred gain

The Company has purchased various properties and then sold those properties to limited partnerships in which an affiliate of the Company serves as general partner. This related party sale results in a deferred gain.

As part of the purchase of certain of these properties, the Company acquired reserve funds. The Company then used those reserve funds to either fund general partner capital contributions or provide loans to related limited partnerships.

The following is a summary of the deferred gains and related notes receivable:

Property	Deferred Gain	Resale Note Receivable	General Partner Contribution	Reserve Note Receivable	
Pocasset Manor Apartments	\$ 4,589,201	\$ 2,340,000	\$ 1,067,857	\$ 1,181,344	(1)
Hillcrest Village Apartments	300,000	300,000	-	-	
Bridle Path Apartments	2,613,236	844,160	-	1,769,076	(2)
Chestnut Garden Apartments	1,727,285	1,727,285	-	-	
Dom Narodowy Polski Apartments	965,490	912,273	-	53,217	(2)
Eastgate Apartments	6,242,014	3,196,804	-	3,045,210	(2)
Heritage Village II Apartments	4,668,132	1,639,308	-	3,028,824	(3)
New Horizons	200,000	200,000	-	-	
Cromwell Court	872,000	872,000	-	-	
Blackstone	16,658,507	12,485,719	-	4,172,788	(4)
Franklin	16,676,301	16,676,301	-	-	
Kenmore Abbey	17,722,502	12,182,798	-	5,539,704	(5)
Peter's Grove	626,994	626,994	-	-	
Rock Harbor	355,416	355,416	-	-	
King's Landing	3,345,829	3,345,829	-	-	
Grace	157,646	-	-	157,646	
Cherry Hill	444,276	-	-	444,276	(6)
Aaron Briggs	114,098	-	-	114,098	(6)
Tribune	175,800	-	-	175,800	
Brandy Hill	1,356,610	-	-	1,356,610	
South Chicago	1,415,213	-	-	1,415,213	
Hawthorne	2,902,256	-	-	-	(7)
Beachwood	939,807	-	-	939,807	(8)

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

Property	Deferred Gain	Resale Note Receivable	General Partner Contribution	Reserve Note Receivable
Oxford	403,051	-	-	403,051
Elgin Schoolhouse	75,000	-	-	75,000
Greenwood	788,322	-	-	788,322
Farrell House	788,354	-	-	788,354
	87,123,340	57,704,887	1,067,857	25,448,340
Gain recognized from receipt of principal payments in prior years	(7,550,395)	(3,957,064)	-	(3,593,331)
Gain recognized from receipt of principal payment in 2021	(2,072,524)	(1,115,197)	-	(957,327)
Deferred gain at December 31, 2021	77,500,421	52,632,626	1,067,857	20,897,682
Elgin Manor	450,000	-	-	450,000
Salem Heights	640,698	-	-	640,698
South Suburban	794,484	-	-	794,484
Gain recognized from receipt of principal payments in 2022	(4,368,629)	(3,745,050)	-	(623,579)
	\$ 75,016,974	\$ 48,887,576	\$ 1,067,857	\$ 22,159,285

- (1) Funds loaned to Pocasset, Hillside and Hillcrest
- (2) Funds loaned to Fairweather, Chestnut Gardens and Dom Narodowy
- (3) Funds loaned to Heritage and Fieldstone
- (4) Funds loaned to Franklin and Rock Harbor
- (5) Funds loaned to Franklin and Peter's Grove
- (6) Funds loaned to Cherry Briggs
- (7) Funds will be loaned to Hawthorne II
- (8) Funds loaned to Beachwinds II

The results of the above transactions are eliminated in consolidation.

#### Note 22 - Deferred grant revenue

The Company has received Capital Magnet Fund ("CMF") grant awards from the Community Development Financial Institutions Fund. The grant funds are to be used to acquire and fund eligible projects over a five-year period with program compliance restrictions per the grant agreement. If all program compliance restrictions are met the funds become unrestricted at the end of the grant period. The grants are recorded as deferred income until all conditions of the grant have been satisfied. At December 31, 2022 and 2021, deferred grant revenue is \$24,000,000 and \$12,000,000, respectively, and are included in deferred income on the consolidated statements of financial position.

#### Note 23 - Consolidated statements of cash flows

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position as of December 31, 2022 and 2021 that sum to the total of the same amounts in the consolidated statements of cash flows:

## Preservation of Affordable Housing, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements Years ended December 31, 2022 and 2021

	2022	2021
Cash and cash equivalents	\$ 83,587,268	\$ 53,426,602
Restricted cash	21,823,974	9,842,159
Reserves	4,789,295	4,750,286
Restricted reserves	4,614,524	4,544,512
Tenant security deposits	4,606,786	4,367,019
Total cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows	<u>\$ 119,421,847</u>	<u>\$ 76,930,578</u>

The amount included in restricted cash consists of security deposits and family self-sufficiency escrows held in trust for the future benefit of tenants, grant funds received but not yet expended, and Company reserves for operations and capital investments.

#### Note 24 - 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 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 to the consolidated financial statements. Management evaluated the activity of the Company through June 30, 2023 and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements. The following subsequent events are required to be disclosed in the notes to the consolidated financial statements.

In February 2023, POAH LLC repaid in full the revolving line of credit with Life Initiative and the loan with Boston Housing Authority (see Note 5).

On March 10, 2023, SVB in Santa Clara, California, was closed by the California Department of Financial Protection and Innovation. On March 27, 2023, First Citizens Bank and Trust Company (FCB) entered into an agreement to purchase the assets and assumed the debts of SVB and to continue operations as Silicon Valley Bank, a division of First Citizens Bank (SVB/FCB). In May 2023, POAH LLC executed an amendment to its line of credit facility with SVB/FCB (see Note 6). Several properties had loans or notes payable with SVB or had SVB as an investor. In all instances, the obligations of SVB have been met by SVB/FCB.

In March 2023, the Company paid off the \$5,250,000 loan with Merchants Bank of Indiana (see Note 5).

In June 2023, the Company repaid in full the loan with Calvert Impact Capital and POAH LLC repaid the Life Initiatives Briston Arms loans (see Note 5).

## **Supplementary Information**

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Supplementary Information  
Consolidating Schedule of Financial Position  
December 31, 2022**

	<u>Assets</u>					
	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
<b>Current assets</b>						
Cash and cash equivalents	\$ 38,746,833	\$ 16,117,876	\$ 28,722,559	\$ 83,587,268	\$ -	\$ 83,587,268
Restricted cash	21,823,974	-	-	21,823,974	-	21,823,974
Reserves	4,789,295	-	-	4,789,295	-	4,789,295
Restricted reserves	3,737,351	208,815	668,358	4,614,524	-	4,614,524
Short-term investments	22,343,134	-	-	22,343,134	-	22,343,134
Accounts receivable						
Rental - tenants and subsidy	-	2,469,986	2,868,442	5,338,428	(21,100)	5,317,328
Grants receivable	372,546	-	-	372,546	-	372,546
Properties, net of allowance for doubtful accounts	8,138,386	-	-	8,138,386	(7,852,464)	285,922
Development fees	13,803,207	-	-	13,803,207	(13,803,207)	-
Other	1,260,448	806,689	1,268,932	3,336,069	(233,345)	3,102,724
Escrow deposits	-	45,287,393	76,688,027	121,975,420	-	121,975,420
Tenant security deposits	28,009	1,853,396	2,725,381	4,606,786	-	4,606,786
Due from affiliates	1,562,246	1,430,741	769,384	3,762,371	(3,510,945)	251,426
Prepaid expenses	886,122	517,501	728,377	2,132,000	-	2,132,000
Note receivable, current	5,275,989	-	-	5,275,989	(5,275,989)	-
Interest on notes receivable	6,478,665	-	-	6,478,665	(6,478,665)	-
Predevelopment costs reimbursable, current	26,814,450	6,418,196	-	33,232,646	(6,146,130)	27,086,516
<b>Total current assets</b>	<b>156,060,655</b>	<b>75,110,593</b>	<b>114,439,460</b>	<b>345,610,708</b>	<b>(43,321,845)</b>	<b>302,288,863</b>
<b>Other assets</b>						
Notes receivable, net of discount	159,446,387	31,123,601	-	190,569,988	(162,097,238)	28,472,750
Investment in partnerships	22,259,356	1,462,014	1,103,862	24,825,232	(22,515,019)	2,310,213
Predevelopment costs reimbursable, net of current	4,126,934	-	-	4,126,934	-	4,126,934
Other assets	398,488	814,054	6,731,238	7,943,780	-	7,943,780
<b>Total other assets</b>	<b>186,231,165</b>	<b>33,399,669</b>	<b>7,835,100</b>	<b>227,465,934</b>	<b>(184,612,257)</b>	<b>42,853,677</b>
<b>Fixed assets</b>						
Land and buildings	938,747	443,551,087	1,429,276,044	1,873,765,878	(265,071,742)	1,608,694,136
Rehabilitation in progress	-	6,143,402	34,971,555	41,114,957	-	41,114,957
Furniture, equipment and leasehold improvements	1,163,783	6,755,486	23,022,079	30,941,348	-	30,941,348
Right-of-use assets	9,430,411	5,689,084	26,494,464	41,613,959	(16,596,247)	25,017,712
Less: Accumulated depreciation	(697,850)	(132,031,018)	(257,949,219)	(390,678,087)	69,885,198	(320,792,889)
<b>Total fixed assets</b>	<b>10,835,091</b>	<b>330,108,041</b>	<b>1,255,814,923</b>	<b>1,596,758,055</b>	<b>(211,782,791)</b>	<b>1,384,975,264</b>
<b>Total assets</b>	<b>\$ 353,126,911</b>	<b>\$ 438,618,303</b>	<b>\$ 1,378,089,483</b>	<b>\$ 2,169,834,697</b>	<b>\$ (439,716,893)</b>	<b>\$ 1,730,117,804</b>

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Supplementary Information  
Consolidating Schedule of Financial Position  
December 31, 2022**

Liabilities and Net Assets

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 1,054,588	\$ 4,979,388	\$ 7,435,092	\$ 13,469,068	\$ (5,935,320)	\$ 7,533,748
Accrued expenses	3,679,286	5,165,755	7,556,978	16,402,019	-	16,402,019
Accounts payable - development	69,150	4,639,808	95,918,002	100,626,960	(62,176,388)	38,450,572
Accrued interest	483,488	1,280,361	2,200,163	3,964,012	-	3,964,012
Mortgages payable - properties, current	-	23,552,332	7,693,093	31,245,425	-	31,245,425
Construction loans - properties, current	-	-	117,678,434	117,678,434	-	117,678,434
Loan payable, current	10,133,500	-	-	10,133,500	-	10,133,500
Line of credit, current	1,584,329	-	-	1,584,329	-	1,584,329
Tenant security deposits	27,944	1,697,886	2,492,635	4,218,465	-	4,218,465
Prepaid revenue	43	815,672	1,516,747	2,332,462	-	2,332,462
Due to affiliates	271,050	7,885,202	6,669,474	14,825,726	(14,792,597)	33,129
<b>Total current liabilities</b>	<b>17,303,378</b>	<b>50,016,404</b>	<b>249,160,618</b>	<b>316,480,400</b>	<b>(82,904,305)</b>	<b>233,576,095</b>
<b>Long-term liabilities</b>						
Loans and notes payable, net of current	21,677,539	-	-	21,677,539	-	21,677,539
Line of credit, net of current	1,327,853	-	-	1,327,853	-	1,327,853
Accrued interest payable - notes payable	1,257,532	-	-	1,257,532	-	1,257,532
Bonds payable	74,029,377	-	-	74,029,377	-	74,029,377
Notes payable and accrued interest - properties	-	199,670,893	362,957,737	562,628,630	(202,019,829)	360,608,801
Mortgages payable - properties, net of current	-	224,641,460	390,712,034	615,353,494	-	615,353,494
Construction loans- properties, net of current	-	-	96,378,179	96,378,179	-	96,378,179
Interest rate swap	-	100,370	-	100,370	-	100,370
Other long-term liabilities	9,936,068	5,922,431	15,093,526	30,952,025	(18,374,995)	12,577,030
Deferred income	99,669,265	32,456,237	6,967,556	139,093,058	(106,462,612)	32,630,446
<b>Total long-term liabilities</b>	<b>207,897,634</b>	<b>462,791,391</b>	<b>872,109,032</b>	<b>1,542,798,057</b>	<b>(326,857,436)</b>	<b>1,215,940,621</b>
<b>Total liabilities</b>	<b>225,201,012</b>	<b>512,807,795</b>	<b>1,121,269,650</b>	<b>1,859,278,457</b>	<b>(409,761,741)</b>	<b>1,449,516,716</b>
<b>Commitments and contingencies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>						
Net assets without donor restrictions controlling	123,533,728	(74,189,492)	3,459,007	52,803,243	(16,906,294)	35,896,949
Net assets without donor restrictions noncontrolling	(321,845)	-	253,360,826	253,038,981	(13,048,858)	239,990,123
<b>Total net assets without donor restrictions</b>	<b>123,211,883</b>	<b>(74,189,492)</b>	<b>256,819,833</b>	<b>305,842,224</b>	<b>(29,955,152)</b>	<b>275,887,072</b>
Net assets with donor restrictions	4,714,016	-	-	4,714,016	-	4,714,016
<b>Total net assets</b>	<b>127,925,899</b>	<b>(74,189,492)</b>	<b>256,819,833</b>	<b>310,556,240</b>	<b>(29,955,152)</b>	<b>280,601,088</b>
<b>Total liabilities and net assets</b>	<b>\$ 353,126,911</b>	<b>\$ 438,618,303</b>	<b>\$ 1,378,089,483</b>	<b>\$ 2,169,834,697</b>	<b>\$ (439,716,893)</b>	<b>\$ 1,730,117,804</b>

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Supplementary Information  
Consolidating Schedule of Activities  
Year ended December 31, 2022

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Support and revenue						
Rental income	\$ 251,428	\$ 58,070,350	\$ 118,958,863	\$ 177,280,641	\$ (162,608)	\$ 177,118,033
Grant income	846,811	287,311	548,140	1,682,262	-	1,682,262
Grant income, capital investments	3,249,663	-	-	3,249,663	-	3,249,663
Contribution income	3,800	-	-	3,800	-	3,800
Developer fee revenue	11,383,652	-	-	11,383,652	(9,280,655)	2,102,997
Cash flow from properties	5,322,884	-	-	5,322,884	(5,322,884)	-
Property management and related fees	11,035,304	-	-	11,035,304	(10,201,975)	833,329
Reimbursable salaries and expenses	27,677,740	-	-	27,677,740	(26,686,218)	991,522
Gain on receipt of mortgage note	4,368,629	-	-	4,368,629	(4,368,629)	-
Gain on debt forgiveness	-	574,311	-	574,311	-	574,311
Loss on sale	-	102,188	-	102,188	(102,188)	-
Proceeds from property refinancing	12,688,444	-	-	12,688,444	(12,688,444)	-
Interest income	8,338,103	594,132	653,741	9,585,976	(7,668,861)	1,917,115
Loss on investment in partnership	-	-	(97,262)	(97,262)	-	(97,262)
Investment (loss) income	(475,026)	(819,478)	-	(1,294,504)	1,480,791	186,287
Other income	323,405	4,378,229	3,471,314	8,172,948	(1,055,593)	7,117,355
	<u>85,014,837</u>	<u>63,187,043</u>	<u>123,534,796</u>	<u>271,736,676</u>	<u>(76,057,264)</u>	<u>195,679,412</u>
Net assets released from restrictions	-	-	-	-	-	-
Total support and revenue	<u>85,014,837</u>	<u>63,187,043</u>	<u>123,534,796</u>	<u>271,736,676</u>	<u>(76,057,264)</u>	<u>195,679,412</u>
Expenses						
Personnel	20,627,503	-	-	20,627,503	-	20,627,503
Development expense	4,491,068	-	-	4,491,068	(2,982,672)	1,508,396
Professional services	2,113,805	-	-	2,113,805	-	2,113,805
Contributions and grants made	76,583	-	-	76,583	-	76,583
Rental and utilities	1,468,427	-	-	1,468,427	-	1,468,427
Taxes and insurance	697,639	-	-	697,639	-	697,639
Travel and lodging	754,729	-	-	754,729	-	754,729
Interest expense	4,346,251	-	-	4,346,251	-	4,346,251
Reimbursable salaries and expenses	27,677,740	-	-	27,677,740	(26,686,218)	991,522
Property operations	202,901	48,897,550	82,417,383	131,517,834	(11,898,243)	119,619,591
Property mortgage interest	34,999	24,620,645	29,441,077	54,096,721	(7,668,861)	46,427,860
Office and administration	1,570,351	-	-	1,570,351	-	1,570,351
Depreciation and amortization	172,210	9,878,125	35,275,503	45,325,838	(8,179,591)	37,146,247
Community impact	3,274,389	-	-	3,274,389	-	3,274,389
Bad debt expense	1,747,360	-	-	1,747,360	(1,177,513)	569,847
Miscellaneous	63,982	-	-	63,982	-	63,982
Total expenses	<u>69,319,937</u>	<u>83,396,320</u>	<u>147,133,963</u>	<u>299,850,220</u>	<u>(58,593,098)</u>	<u>241,257,122</u>
Excess of revenue over expenses (expenses over revenue)	<u>15,694,900</u>	<u>(20,209,277)</u>	<u>(23,599,167)</u>	<u>(28,113,544)</u>	<u>(17,464,166)</u>	<u>(45,577,710)</u>
Excess of expenses over revenue attributable to noncontrolling	<u>(33,735)</u>	<u>-</u>	<u>(23,576,679)</u>	<u>(23,610,414)</u>	<u>-</u>	<u>(23,610,414)</u>
Excess of revenue over expenses (expenses over revenue) attributable to the Company	<u>\$ 15,728,635</u>	<u>\$ (20,209,277)</u>	<u>\$ (22,488)</u>	<u>\$ (4,503,130)</u>	<u>\$ (17,464,166)</u>	<u>\$ (21,967,296)</u>

See Independent Auditor's Report.



Preservation of Affordable Housing, Inc. and Subsidiaries

Supplementary Information  
Consolidating Schedule of Changes in Net Assets  
Year ended December 31, 2022

	Net assets without donor restrictions									Net assets	Net assets	
	Controlling					Noncontrolling				with donor	restrictions	
	Core Operating Companies	Wholly Owned	LP	Eliminations	Subtotal	Core Operating Companies	LP	Eliminations	Subtotal	Total	Controlling	Total
Beginning balance, January 1, 2022	\$ 104,440,561	\$ (48,937,355)	\$ 8,359,378	\$ (20,414,351)	\$ 43,448,233	\$ 448,779	\$ 237,491,784	\$ (13,048,858)	\$ 224,891,705	\$ 268,339,938	\$ 6,894,685	\$ 275,234,623
Adjustment for changes in accounting principle	(50,656)	-	(91)	6	(50,741)	-	(910,620)	-	(910,620)	(961,361)	-	(961,361)
Transfer of limited partnership interest to controlling	-	12,286,084	-	-	12,286,084	-	(12,286,084)	-	(12,286,084)	-	-	-
Capital contributions from noncontrolling interests	-	-	-	-	-	-	53,082,134	-	53,082,134	53,082,134	-	53,082,134
Capital contributions from the Company	-	933,509	400	(933,909)	-	-	-	-	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-	-	(736,889)	(221,409)	-	(958,298)	(958,298)	-	(958,298)
Distributions to the Company	-	(16,545,909)	(113,703)	16,659,612	-	-	-	-	-	-	-	-
Noncontrolling interests' syndication costs	-	-	-	-	-	-	(218,300)	-	(218,300)	(218,300)	-	(218,300)
Other changes in equity	1,234,519	(1,716,544)	(4,764,489)	5,246,514	-	-	-	-	-	-	-	-
Excess of expenses over revenue attributable to noncontrolling interests	-	-	-	-	-	(33,735)	(23,576,679)	-	(23,610,414)	(23,610,414)	-	(23,610,414)
Excess of revenue (expenses) attributable to the Company	17,909,304	(20,209,277)	(22,488)	(17,464,166)	(19,786,627)	-	-	-	-	(19,786,627)	(2,180,669)	(21,967,296)
Ending balance, December 31, 2022	<u>\$ 123,533,728</u>	<u>\$ (74,189,492)</u>	<u>\$ 3,459,007</u>	<u>\$ (16,906,294)</u>	<u>\$ 35,896,949</u>	<u>\$ (321,845)</u>	<u>\$ 253,360,826</u>	<u>\$ (13,048,858)</u>	<u>\$ 239,990,123</u>	<u>\$ 275,887,072</u>	<u>\$ 4,714,016</u>	<u>\$ 280,601,088</u>

See Independent Auditor's Report.

**Presevation of Affordable Housing, Inc. and Subsidiaries**

**Supplementary Information  
Consolidating Schedule of Cash Flows  
Year ended December 31, 2022**

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
<b>Cash flows from operating activities</b>						
Excess of revenue over expenses (expenses over revenue)	\$ 15,694,900	\$ (20,209,277)	\$ (23,599,167)	\$ (28,113,544)	\$ (17,464,166)	\$ (45,577,710)
Adjustments to reconcile excess of revenue over expenses (expenses over revenue) to net cash provided by (used in) operating activities						
Loss on investment in partnership	-	-	97,262	97,262	-	97,262
Investment income	684,976	-	-	684,976	-	684,976
Depreciation and amortization	172,210	9,878,125	35,275,503	45,325,838	(8,179,591)	37,146,247
Amortization of debt issuance costs	141,406	519,806	1,075,561	1,736,773	-	1,736,773
Change in fair market value of interest rate swaps	-	127,656	(4,111,792)	(3,984,136)	-	(3,984,136)
Gain (loss) on sale of properties	-	(102,188)	-	(102,188)	102,188	-
Impairment loss	-	-	-	-	-	-
Forgiveness of debt	-	(574,311)	-	(574,311)	-	(574,311)
Bad debt expense	1,747,360	-	-	1,747,360	-	1,747,360
Changes in						
Accounts receivable	(6,412,200)	(930,146)	(1,606,779)	(8,949,125)	6,117,674	(2,831,451)
Predevelopment costs reimbursable	(16,543,771)	(1,352,433)	-	(17,896,204)	2,533,638	(15,362,566)
Prepaid expenses and other assets	183,200	464,396	(25,389)	622,207	-	622,207
Accounts payable and accrued expenses	(126,384)	451,306	2,023,148	2,348,070	(906,790)	1,441,280
Prepaid and deferred revenues	12,022,546	4,233,589	1,358,026	17,614,161	-	17,614,161
Tenant security deposits	-	85,268	153,402	238,670	-	238,670
Due to affiliates, net	(919,361)	992,947	(652,212)	(578,626)	(3,298,395)	(3,877,021)
<b>Net cash provided by (used in) operating activities</b>	<b>6,644,882</b>	<b>(6,415,262)</b>	<b>9,987,563</b>	<b>10,217,183</b>	<b>(21,095,442)</b>	<b>(10,878,259)</b>
<b>Cash flows from investing activities</b>						
Escrow deposits and restricted reserves, net	-	(7,366,432)	(121,737)	(7,488,169)	-	(7,488,169)
Purchase of short term investments	(22,343,134)	-	-	(22,343,134)	-	(22,343,134)
Advances on notes receivable and accrued interest	(22,731,327)	-	-	(22,731,327)	1,723,730	(21,007,597)
Repayments of notes receivable and accrued interest	23,800,875	-	-	23,800,875	-	23,800,875
Purchase of limited partner interest	(442,668)	-	-	(442,668)	442,668	-
Acquisition of assets	(1,060,482)	-	-	(1,060,482)	-	(1,060,482)
Contributions to partnerships	(506,882)	-	-	(506,882)	506,882	-
Distributions from partnerships	2,225,021	-	-	2,225,021	(2,225,021)	-
Cash paid for fixed assets	-	5,932,602	(175,959,050)	(170,026,448)	2,653,256	(167,373,192)
<b>Net cash (used in) provided by investing activities</b>	<b>(21,058,597)</b>	<b>(1,433,830)</b>	<b>(176,080,787)</b>	<b>(198,573,214)</b>	<b>3,101,515</b>	<b>(195,471,699)</b>
<b>Cash flows from financing activities</b>						
Payments on line of credit	(1,752,393)	-	-	(1,752,393)	-	(1,752,393)
Proceeds from notes and mortgages payable	2,967,494	75,838,762	154,985,568	233,791,824	-	233,791,824
Payment on notes and mortgages payable	(16,976,831)	(52,507,978)	(31,579,620)	(101,064,429)	(2,866,829)	(103,931,258)
Proceeds from issuance of bonds payable	75,000,000	-	-	75,000,000	-	75,000,000
Deferred income	(4,368,629)	-	-	(4,368,629)	4,368,629	-
Debt issuance costs paid	(1,044,031)	(204,335)	(3,747,648)	(4,996,014)	-	(4,996,014)
Syndication and tax credit costs paid	-	-	(1,395,168)	(1,395,168)	-	(1,395,168)
Acquisition costs and fees paid as a component of general partner equity	-	-	(766,024)	-	766,024	-
Distributions paid to partners	-	(16,545,909)	(335,112)	(16,881,021)	16,659,612	(221,409)
Distributions to members	(736,889)	-	-	(736,889)	-	(736,889)
Partners capital contributions received	-	933,509	53,082,534	54,016,043	(933,509)	53,082,534
<b>Net cash provided by financing activities</b>	<b>53,088,721</b>	<b>7,514,049</b>	<b>170,244,530</b>	<b>230,847,300</b>	<b>17,993,927</b>	<b>248,841,227</b>

**Presevation of Affordable Housing, Inc. and Subsidiaries**

**Supplementary Information  
Consolidating Schedule of Cash Flows  
Year ended December 31, 2022**

	Core Operating Companies	Wholly Owned	LP	Subtotal	Elimination	Total
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ 38,675,006	\$ (335,043)	\$ 4,151,306	\$ 42,491,269	\$ -	\$ 42,491,269
Cash, cash equivalents, and restricted cash, beginning of year	30,450,456	18,515,130	27,964,992	76,930,578	-	76,930,578
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 69,125,462</u>	<u>\$ 18,180,087</u>	<u>\$ 32,116,298</u>	<u>\$ 119,421,847</u>	<u>\$ -</u>	<u>\$ 119,421,847</u>
Supplemental disclosure of cash flow activities						
Cash paid for interest	<u>\$ 1,619,725</u>	<u>\$ 12,923,857</u>	<u>\$ 26,465,151</u>	<u>\$ 41,008,733</u>	<u>\$ -</u>	<u>\$ 41,008,733</u>
Schedule of noncash investing activities						
Fixed asset costs incurred	\$ -	\$ 19,771,873	\$ 199,897,241	\$ 219,669,114	\$ (23,743,037)	\$ 195,926,077
Fixed assets sold in connection with common control transaction	-	(24,069,370)	-	(24,069,370)	-	(24,069,370)
Accounts payable - development, beginning of year	-	3,004,703	71,979,811	74,984,514	(41,086,607)	33,897,907
Accounts payable - development, end of year	-	(4,639,808)	(95,918,002)	(100,557,810)	62,176,388	(38,381,422)
Cash paid for fixed assets	<u>\$ -</u>	<u>\$ (5,932,602)</u>	<u>\$ 175,959,050</u>	<u>\$ 170,026,448</u>	<u>\$ (2,653,256)</u>	<u>\$ 167,373,192</u>
Transfer of fixed assets	<u>\$ -</u>	<u>\$ 52,046,374</u>	<u>\$ (52,046,374)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred liability included in residual receipts escrow	<u>\$ -</u>	<u>\$ 334,484</u>	<u>\$ 572,464</u>	<u>\$ 906,948</u>	<u>\$ -</u>	<u>\$ 906,948</u>
Increase in interest on notes receivable for acquisitions under common control	<u>\$ 318,917</u>	<u>\$ -</u>	<u>\$ (318,917)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution of notes receivable	<u>\$ 1,885,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,885,182</u>	<u>\$ -</u>	<u>\$ 1,885,182</u>
Additions to leased assets obtained from new lease liabilities	<u>\$ 9,936,068</u>	<u>\$ 6,594,320</u>	<u>\$ 21,892,448</u>	<u>\$ 38,422,836</u>	<u>\$ (18,463,608)</u>	<u>\$ 19,959,228</u>
Schedule of noncash financing activities						
Increase (decrease) in liabilities due to interest rate swap	<u>\$ -</u>	<u>\$ 127,656</u>	<u>\$ (4,111,792)</u>	<u>\$ (3,984,136)</u>	<u>\$ -</u>	<u>\$ (3,984,136)</u>

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Supplementary Information  
Consolidating Schedule of Financial Position - Core Operating Companies  
December 31, 2022**

	<u>Assets</u>				
	POAH INC	POAH LLC	Subtotal	Elimination	Total
<b>Current assets</b>					
Cash and cash equivalents	\$ 23,587,410	\$ 15,159,423	\$ 38,746,833	\$ -	\$ 38,746,833
Restricted cash	21,823,974	-	21,823,974	-	21,823,974
Reserves	4,789,295	-	4,789,295	-	4,789,295
Restricted reserves	3,737,351	-	3,737,351	-	3,737,351
Short-term investments	22,343,134	-	22,343,134	-	22,343,134
Accounts receivable					
Grants receivable	372,546	-	372,546	-	372,546
Properties, net of allowance for doubtful accounts	216,137	7,922,249	8,138,386	-	8,138,386
Development fees	-	13,803,207	13,803,207	-	13,803,207
Other	113,581	1,146,867	1,260,448	-	1,260,448
Tenant security deposits	-	28,009	28,009	-	28,009
Due from affiliates	2,253,722	3,229,820	5,483,542	(3,921,296)	1,562,246
Prepaid expenses	323,923	562,199	886,122	-	886,122
Note receivable, current	3,739,269	1,536,720	5,275,989	-	5,275,989
Interest on notes receivable	278,074	6,200,591	6,478,665	-	6,478,665
Predevelopment costs reimbursable, current	15,573,016	11,241,434	26,814,450	-	26,814,450
<b>Total current assets</b>	<b>99,151,432</b>	<b>60,830,519</b>	<b>159,981,951</b>	<b>(3,921,296)</b>	<b>156,060,655</b>
<b>Other assets</b>					
Notes receivable, net of discount	46,969,370	112,477,017	159,446,387	-	159,446,387
Investment in companies	79,527,787	-	79,527,787	(79,527,787)	-
Investment in partnerships	21,660,144	599,212	22,259,356	-	22,259,356
Predevelopment costs reimbursable, net of current	-	4,126,934	4,126,934	-	4,126,934
Other assets	364,633	33,855	398,488	-	398,488
<b>Total other assets</b>	<b>148,521,934</b>	<b>117,237,018</b>	<b>265,758,952</b>	<b>(79,527,787)</b>	<b>186,231,165</b>
<b>Fixed assets</b>					
Land and buildings	-	938,747	938,747	-	938,747
Furniture, equipment and leasehold improvements	813,101	350,682	1,163,783	-	1,163,783
Right-of-use assets	6,912,016	2,518,395	9,430,411	-	9,430,411
Less: Accumulated depreciation	(169,376)	(528,474)	(697,850)	-	(697,850)
<b>Total fixed assets</b>	<b>7,555,741</b>	<b>3,279,350</b>	<b>10,835,091</b>	<b>-</b>	<b>10,835,091</b>
<b>Total assets</b>	<b>\$ 255,229,107</b>	<b>\$ 181,346,887</b>	<b>\$ 436,575,994</b>	<b>\$ (83,449,083)</b>	<b>\$ 353,126,911</b>

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Supplementary Information  
Consolidating Schedule of Financial Position - Core Operating Companies  
December 31, 2022**

	<u>Liabilities and Net assets</u>				
	<u>POAH INC</u>	<u>POAH LLC</u>	<u>Subtotal</u>	<u>Elimination</u>	<u>Total</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 431,295	\$ 623,293	\$ 1,054,588	\$ -	\$ 1,054,588
Accrued expenses	266,232	3,413,054	3,679,286	-	3,679,286
Accounts payable - development	-	69,150	69,150	-	69,150
Accrued interest	438,434	45,054	483,488	-	483,488
Loan payable, current	4,000,000	6,133,500	10,133,500	-	10,133,500
Line of credit, current	-	1,584,329	1,584,329	-	1,584,329
Tenant security deposit	-	27,944	27,944	-	27,944
Prepaid revenue	-	43	43	-	43
Due to affiliates	1,921,931	2,270,415	4,192,346	(3,921,296)	271,050
<b>Total current liabilities</b>	<u>7,057,892</u>	<u>14,166,782</u>	<u>21,224,674</u>	<u>(3,921,296)</u>	<u>17,303,378</u>
<b>Long-term liabilities</b>					
Loans and notes payable, net of current	9,246,123	12,431,416	21,677,539	-	21,677,539
Line of credit, net of current	-	1,327,853	1,327,853	-	1,327,853
Accrued interest payable - notes payable	-	1,257,532	1,257,532	-	1,257,532
Bonds payable	74,029,377	-	74,029,377	-	74,029,377
Other long-term liabilities	7,262,645	2,673,423	9,936,068	-	9,936,068
Deferred income	29,385,326	70,283,939	99,669,265	-	99,669,265
<b>Total long-term liabilities</b>	<u>119,923,471</u>	<u>87,974,163</u>	<u>207,897,634</u>	<u>-</u>	<u>207,897,634</u>
<b>Total liabilities</b>	<u>126,981,363</u>	<u>102,140,945</u>	<u>229,122,308</u>	<u>(3,921,296)</u>	<u>225,201,012</u>
<b>Net assets</b>					
Net assets without donor restrictions controlling	123,533,728	79,527,787	203,061,515	(79,527,787)	123,533,728
Net assets without donor restrictions noncontrolling	-	(321,845)	(321,845)	-	(321,845)
<b>Total net assets without donor restrictions</b>	<u>123,533,728</u>	<u>79,205,942</u>	<u>202,739,670</u>	<u>(79,527,787)</u>	<u>123,211,883</u>
Net assets with donor restrictions	4,714,016	-	4,714,016	-	4,714,016
<b>Total net assets</b>	<u>128,247,744</u>	<u>79,205,942</u>	<u>207,453,686</u>	<u>(79,527,787)</u>	<u>127,925,899</u>
<b>Total liabilities and net assets</b>	<u>\$ 255,229,107</u>	<u>\$ 181,346,887</u>	<u>\$ 436,575,994</u>	<u>\$ (83,449,083)</u>	<u>\$ 353,126,911</u>

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Supplementary Information  
Consolidating Schedule of Activities - Core Operating Companies  
Year ended December 31, 2022**

	POAH INC without donor restrictions	POAH INC with donor restriction	POAH LLC	Subtotal	Elimination	Total
Support and revenue						
Rental income	\$ -	\$ -	\$ 251,428	\$ 251,428	\$ -	\$ 251,428
Grant income	-	846,811	-	846,811	-	846,811
Grant income, capital investments	2,722,505	391,825	135,333	3,249,663	-	3,249,663
Contribution income	3,800	-	-	3,800	-	3,800
Developer fee revenue	-	-	11,383,652	11,383,652	-	11,383,652
Cash flow from properties	935,892	-	4,386,992	5,322,884	-	5,322,884
Property management and related fees	-	-	11,035,304	11,035,304	-	11,035,304
Reimbursable salaries and expenses	-	-	27,677,740	27,677,740	-	27,677,740
Gain on receipt of mortgage note	333,446	-	4,035,183	4,368,629	-	4,368,629
Proceeds from property refinancing	952,463	-	11,735,981	12,688,444	-	12,688,444
Interest income	723,065	-	7,615,038	8,338,103	-	8,338,103
Investment income (loss)	19,657,245	-	(456,107)	19,201,138	(19,676,164)	(475,026)
Other income	217,736	62,458	43,211	323,405	-	323,405
	<u>25,546,152</u>	<u>1,301,094</u>	<u>77,843,755</u>	<u>104,691,001</u>	<u>(19,676,164)</u>	<u>85,014,837</u>
Net assets released from restrictions	3,481,763	(3,481,763)	-	-	-	-
Total support and revenue	<u>29,027,915</u>	<u>(2,180,669)</u>	<u>77,843,755</u>	<u>104,691,001</u>	<u>(19,676,164)</u>	<u>85,014,837</u>
Expenses						
Personnel	2,135,516	-	18,491,987	20,627,503	-	20,627,503
Development expense	750	-	4,490,318	4,491,068	-	4,491,068
Professional services	1,253,223	-	860,582	2,113,805	-	2,113,805
Contributions and grants made	70,758	-	5,825	76,583	-	76,583
Rental and utilities	178,576	-	1,289,851	1,468,427	-	1,468,427
Taxes and insurance	571,931	-	125,708	697,639	-	697,639
Travel and lodging	85,452	-	669,277	754,729	-	754,729
Interest expense	3,270,960	-	1,075,291	4,346,251	-	4,346,251
Reimbursable salaries and expenses	-	-	27,677,740	27,677,740	-	27,677,740
Property operations	-	-	202,901	202,901	-	202,901
Property mortgage interest	-	-	34,999	34,999	-	34,999
Office and administration	156,132	-	1,414,219	1,570,351	-	1,570,351
Depreciation and amortization	81,538	-	90,672	172,210	-	172,210
Community impact	3,274,389	-	-	3,274,389	-	3,274,389
Bad debt expense	-	-	1,747,360	1,747,360	-	1,747,360
Miscellaneous	39,386	-	24,596	63,982	-	63,982
Total expenses	<u>11,118,611</u>	<u>-</u>	<u>58,201,326</u>	<u>69,319,937</u>	<u>-</u>	<u>69,319,937</u>
Excess of revenue over expenses (expenses over revenue)	<u>17,909,304</u>	<u>(2,180,669)</u>	<u>19,642,429</u>	<u>35,371,064</u>	<u>(19,676,164)</u>	<u>15,694,900</u>
Excess of expenses over revenue attributable to noncontrolling interests	-	-	33,735	33,735	-	33,735
Excess of revenue over expenses (expenses over revenue) attributable to the Company	<u>\$ 17,909,304</u>	<u>\$ (2,180,669)</u>	<u>\$ 19,676,164</u>	<u>\$ 35,404,799</u>	<u>\$ (19,676,164)</u>	<u>\$ 15,728,635</u>

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Supplementary Information  
Consolidating Schedule of Changes in Net Assets - Core Operating Companies  
Year ended December 31, 2022**

	Net assets without donor restrictions					Total	Net assets with donor restrictions	
	Controlling		Eliminations	Subtotal	Noncontrolling		Controlling	Total
	POAH INC	POAH LLC			POAH LLC		POAH INC	
Beginning balance, January 1, 2022	\$ 104,440,561	\$ 63,857,760	\$ (63,857,760)	\$ 104,440,561	\$ 448,779	\$ 104,889,340	\$ 6,894,685	\$ 111,784,025
Adjustment for changes in accounting principle	(50,656)	(50,656)	50,656	(50,656)	-	(50,656)	-	(50,656)
Distributions to member	-	(5,190,000)	5,190,000	-	-	-	-	-
Distributions to noncontrolling member	-	-	-	-	(736,889)	(736,889)	-	(736,889)
Other changes in equity	1,234,519	1,234,519	(1,234,519)	1,234,519	-	1,234,519	-	1,234,519
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	(33,735)	(33,735)	-	(33,735)
Excess of revenue over expenses (expenses over revenue) attributable to the Company	17,909,304	19,676,164	(19,676,164)	17,909,304	-	17,909,304	(2,180,669)	15,728,635
Ending balance, December 31, 2022	<u>\$ 123,533,728</u>	<u>\$ 79,527,787</u>	<u>\$ (79,527,787)</u>	<u>\$ 123,533,728</u>	<u>\$ (321,845)</u>	<u>\$ 123,211,883</u>	<u>\$ 4,714,016</u>	<u>\$ 127,925,899</u>

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Supplementary Information  
Consolidating Schedule of Cash Flows - Core Operating Companies  
Year ended December 31, 2022**

	<u>POAH, Inc</u>	<u>POAH LLC</u>	<u>Subtotal</u>	<u>Elimination</u>	<u>Total</u>
Cash flows from operating activities					
Excess of revenue over expenses (expenses over revenue)	\$ 15,728,635	\$ 19,642,429	\$ 35,371,064	\$ (19,676,164)	\$ 15,694,900
Adjustments to reconcile excess of revenue over expenses (expenses over revenue) to net cash (used in) provided by operating activities					
Investment loss (income)	(19,447,295)	456,107	(18,991,188)	19,676,164	684,976
Depreciation and amortization	81,538	90,672	172,210	-	172,210
Amortization of debt issuance costs	98,588	42,818	141,406	-	141,406
Bad debt expense	-	1,747,360	1,747,360	-	1,747,360
Changes in					
Accounts receivable	954,983	(7,367,183)	(6,412,200)	-	(6,412,200)
Predevelopment costs reimbursable	(15,179,393)	(1,364,378)	(16,543,771)	-	(16,543,771)
Prepaid expenses and other assets	478,614	(295,414)	183,200	-	183,200
Accounts payable and accrued expenses	285,236	(411,620)	(126,384)	-	(126,384)
Prepaid and deferred revenues	12,108,836	(86,290)	12,022,546	-	12,022,546
Due to affiliates, net	(1,133,532)	214,171	(919,361)	-	(919,361)
Net cash (used in) provided by operating activities	<u>(6,023,790)</u>	<u>12,668,672</u>	<u>6,644,882</u>	<u>-</u>	<u>6,644,882</u>
Cash flows from investing activities					
Escrow deposits and restricted reserves, net	-	5,800	5,800	-	5,800
Purchase of short term investments	(22,343,134)	-	(22,343,134)	-	(22,343,134)
Advances on notes receivable and accrued interest	(14,987,489)	(7,743,838)	(22,731,327)	-	(22,731,327)
Repayments of notes receivable and accrued interest	5,443,096	18,357,779	23,800,875	-	23,800,875
Purchase of limited partner interest	-	(442,668)	(442,668)	-	(442,668)
Acquisition of assets	(1,060,482)	-	(1,060,482)	-	(1,060,482)
Contributions to partnerships	(506,882)	-	(506,882)	-	(506,882)
Distributions from partnerships	1,340,198	884,823	2,225,021	-	2,225,021
Distribution from subsidiary	5,190,000	-	5,190,000	(5,190,000)	-
Net cash (used in) provided by investing activities	<u>(26,924,693)</u>	<u>11,061,896</u>	<u>(15,862,797)</u>	<u>(5,190,000)</u>	<u>(21,052,797)</u>
Cash flows from financing activities					
Payments on line of credit	-	(1,752,393)	(1,752,393)	-	(1,752,393)
Proceeds from notes and mortgages payable	200,000	2,767,494	2,967,494	-	2,967,494
Payment on notes and mortgages payable	(7,676,831)	(9,300,000)	(16,976,831)	-	(16,976,831)
Proceeds from issuance of bonds payable	75,000,000	-	75,000,000	-	75,000,000
Deferred income	(333,446)	(4,035,183)	(4,368,629)	-	(4,368,629)
Debt issuance costs	(1,044,031)	-	(1,044,031)	-	(1,044,031)
Distributions to members	-	(5,926,889)	(5,926,889)	5,190,000	(736,889)
Net cash provided by (used in) financing activities	<u>66,145,692</u>	<u>(18,246,971)</u>	<u>47,898,721</u>	<u>5,190,000</u>	<u>53,088,721</u>
Net increase in cash, cash equivalents, and restricted cash	33,197,209	5,483,597	38,680,806	-	38,680,806
Cash, cash equivalents, and restricted cash, December 31, 2021	<u>20,740,821</u>	<u>9,703,835</u>	<u>30,444,656</u>	<u>-</u>	<u>30,444,656</u>
Cash, cash equivalents, and restricted cash, December 31, 2022	<u>\$ 53,938,030</u>	<u>\$ 15,187,432</u>	<u>\$ 69,125,462</u>	<u>\$ -</u>	<u>\$ 69,125,462</u>



**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Supplementary Information  
Consolidating Schedule of Cash Flows - Core Operating Companies  
Year ended December 31, 2022**

	<u>POAH, Inc</u>	<u>POAH LLC</u>	<u>Subtotal</u>	<u>Elimination</u>	<u>Total</u>
Supplemental disclosure of cash flow activities					
Cash paid for interest	<u>\$ 786,147</u>	<u>\$ 833,578</u>	<u>\$ 1,619,725</u>	<u>\$ -</u>	<u>\$ 1,619,725</u>
Schedule of noncash investing activities					
Increase in interest on notes receivable for acquisitions under common control	<u>\$ 318,917</u>	<u>\$ 318,917</u>	<u>\$ 637,834</u>	<u>\$ (318,917)</u>	<u>\$ 318,917</u>
Contribution of notes receivable	<u>\$ -</u>	<u>\$ 1,885,182</u>	<u>\$ 1,885,182</u>	<u>\$ -</u>	<u>\$ 1,885,182</u>
Additions to leased assets obtained from new lease liabilities	<u>\$ 7,262,645</u>	<u>\$ 2,673,423</u>	<u>\$ 9,936,068</u>	<u>\$ -</u>	<u>\$ 9,936,068</u>

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Supplementary Information  
 Consolidating Schedule of Financial Position - POAH LLC  
 December 31, 2022

	<u>Assets</u>					
	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations	Total
<b>Current assets</b>						
Cash and cash equivalents	\$ 13,148,202	\$ 1,975,955	\$ -	\$ 35,266	\$ -	\$ 15,159,423
Accounts receivable						
Properties, net of allowance for doubtful accounts	4,638,643	3,398,205	-	26,287	(140,886)	7,922,249
Development fees	13,763,784	-	39,423	-	-	13,803,207
Other	1,096,881	49,986	-	-	-	1,146,867
Due from related parties	4,189,001	443,060	-	-	(1,402,241)	3,229,820
Prepaid expenses	178,428	383,771	-	-	-	562,199
Note receivable, current	1,536,720	-	-	-	-	1,536,720
Interest on notes receivable	6,102,350	-	98,241	-	-	6,200,591
Predevelopment costs reimbursable, current	11,241,434	-	-	-	-	11,241,434
Tenant security deposits	-	-	-	28,009	-	28,009
<b>Total current assets</b>	<b>55,895,443</b>	<b>6,250,977</b>	<b>137,664</b>	<b>89,562</b>	<b>(1,543,127)</b>	<b>60,830,519</b>
<b>Other assets</b>						
Notes receivable, net of discount and current	107,900,578	-	4,576,439	-	-	112,477,017
Investment in companies	7,692,481	-	-	-	(7,692,481)	-
Investment in partnerships	144,938	-	-	-	454,274	599,212
Predevelopment costs reimbursable, net of current	4,126,934	-	-	-	-	4,126,934
Other assets	24,230	9,625	-	-	-	33,855
<b>Total other assets</b>	<b>119,889,161</b>	<b>9,625</b>	<b>4,576,439</b>	<b>-</b>	<b>(7,238,207)</b>	<b>117,237,018</b>
<b>Fixed assets</b>						
Land and buildings	-	-	-	938,747	-	938,747
Furniture, equipment and leasehold improvements	173,150	177,532	-	-	-	350,682
Right-of-use assets	682,272	300,456	-	1,535,667	-	2,518,395
Less: Accumulated depreciation	(167,328)	(146,963)	-	(214,183)	-	(528,474)
<b>Total fixed assets</b>	<b>688,094</b>	<b>331,025</b>	<b>-</b>	<b>2,260,231</b>	<b>-</b>	<b>3,279,350</b>
<b>Total assets</b>	<b>\$ 176,472,698</b>	<b>\$ 6,591,627</b>	<b>\$ 4,714,103</b>	<b>\$ 2,349,793</b>	<b>\$ (8,781,334)</b>	<b>\$ 181,346,887</b>

Preservation of Affordable Housing, Inc. and Subsidiaries

Supplementary Information  
Consolidating Schedule of Financial Position - POAH LLC  
December 31, 2022

Liabilities and Net Assets

	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations	Total
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 400,490	\$ 212,172	\$ -	\$ 10,631	\$ -	\$ 623,293
Accrued expenses	1,264,734	2,148,320	-	-	-	3,413,054
Development costs payable	63,350	-	-	5,800	-	69,150
Accrued interest	42,169	-	-	2,885	-	45,054
Loan payable, current	6,133,500	-	-	-	-	6,133,500
Line of credit, current	1,584,329	-	-	-	-	1,584,329
Tenant security deposits	-	-	-	27,944	-	27,944
Prepaid revenue	-	43	-	-	-	43
Due to related parties	2,242,465	977,547	140,886	452,644	(1,543,127)	2,270,415
<b>Total current liabilities</b>	<b>11,731,037</b>	<b>3,338,082</b>	<b>140,886</b>	<b>499,904</b>	<b>(1,543,127)</b>	<b>14,166,782</b>
<b>Long-term liabilities</b>						
Loans and notes payable, net of current	11,739,102	-	-	692,314	-	12,431,416
Line of credit, net of current	1,327,853	-	-	-	-	1,327,853
Accrued interest payable - loans and notes payable	1,257,532	-	-	-	-	1,257,532
Deferred liabilities, net of current	702,739	358,835	-	1,611,849	-	2,673,423
Deferred income	70,186,648	97,291	-	-	-	70,283,939
<b>Total long-term liabilities</b>	<b>85,213,874</b>	<b>456,126</b>	<b>-</b>	<b>2,304,163</b>	<b>-</b>	<b>87,974,163</b>
<b>Total liabilities</b>	<b>96,944,911</b>	<b>3,794,208</b>	<b>140,886</b>	<b>2,804,067</b>	<b>(1,543,127)</b>	<b>102,140,945</b>
<b>Net assets</b>						
Net assets without donor restrictions controlling	79,527,787	2,797,419	4,895,062	(454,274)	(7,238,207)	79,527,787
Net assets without donor restrictions noncontrolling	-	-	(321,845)	-	-	(321,845)
<b>Total net assets without donor restrictions</b>	<b>79,527,787</b>	<b>2,797,419</b>	<b>4,573,217</b>	<b>(454,274)</b>	<b>(7,238,207)</b>	<b>79,205,942</b>
<b>Total liabilities and net assets</b>	<b>\$ 176,472,698</b>	<b>\$ 6,591,627</b>	<b>\$ 4,714,103</b>	<b>\$ 2,349,793</b>	<b>\$ (8,781,334)</b>	<b>\$ 181,346,887</b>

See Independent Auditor's Report.

Preservation of Affordable Housing, Inc. and Subsidiaries

Supplementary Information  
Consolidating Schedule of Activities - POAH LLC  
Year ended December 31, 2022

	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations	Total
Support and revenue						
Rental income	\$ -	\$ -	\$ -	\$ 251,428	\$ -	\$ 251,428
Grant income, capital investments	135,333	-	-	-	-	135,333
Development and other fee revenue from properties	11,337,161	-	46,491	-	-	11,383,652
Cash flow from properties	4,527,878	-	-	-	(140,886)	4,386,992
Property management and related fees	-	11,035,304	-	-	-	11,035,304
Reimbursable salaries and expenses	-	27,677,740	-	-	-	27,677,740
Gain on receipt of mortgage note	4,035,183	-	-	-	-	4,035,183
Proceeds from property refinancing	11,735,981	-	-	-	-	11,735,981
Interest income	7,599,207	203	15,556	72	-	7,615,038
Investment (loss) income	(1,592,059)	-	-	-	1,135,952	(456,107)
Other income	40,251	2,459	-	501	-	43,211
Total support and revenue	37,818,935	38,715,706	62,047	252,001	995,066	77,843,755
Expenses						
Personnel	10,138,901	8,353,086	-	-	-	18,491,987
Development expense	4,490,318	-	140,886	-	(140,886)	4,490,318
Professional services	508,889	351,693	-	-	-	860,582
Contributions and grants made	5,825	-	-	-	-	5,825
Rental and utilities	911,987	377,864	-	-	-	1,289,851
Taxes and insurance	4,827	120,881	-	-	-	125,708
Travel and lodging	164,310	504,967	-	-	-	669,277
Interest expense	1,075,291	-	-	-	-	1,075,291
Reimbursable salaries and expenses	-	27,677,740	-	-	-	27,677,740
Property operations	-	-	-	202,901	-	202,901
Property mortgage interest	-	-	-	34,999	-	34,999
Office and administration	680,801	733,418	-	-	-	1,414,219
Depreciation and amortization	15,499	12,590	-	62,583	-	90,672
Bad debt expense	135,333	1,612,027	-	-	-	1,747,360
Miscellaneous	10,790	13,806	-	-	-	24,596
Total expenses	18,142,771	39,758,072	140,886	300,483	(140,886)	58,201,326
Excess of revenue over expenses (expenses over revenue)	19,676,164	(1,042,366)	(78,839)	(48,482)	1,135,952	19,642,429
Excess of expenses over revenue attributable to noncontrolling interests	-	-	33,735	-	-	33,735
Excess of revenue over expenses (expenses over revenue) attributable to the Company	\$ 19,676,164	\$ (1,042,366)	\$ (45,104)	\$ (48,482)	\$ 1,135,952	\$ 19,676,164

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Supplementary Information  
Consolidating Schedule of Changes in Net Assets - POAH LLC  
Year ended December 31, 2022**

	Controlling					Subtotal	Noncontrolling	Total
	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations		PTLHC	
Balance at January 1, 2022	\$ 63,857,760	\$ 3,130,287	\$ 4,498,244	\$ (343,521)	\$ (7,285,010)	\$ 63,857,760	\$ 448,779	\$ 64,306,539
Adjustment for changes in accounting principle	(50,656)	9,498	-	(62,271)	52,773	(50,656)	-	(50,656)
Contribution from the member	-	1,000,000	-	-	(1,000,000)	-	-	-
Distributions to the member	(5,190,000)	(300,000)	-	-	300,000	(5,190,000)	-	(5,190,000)
Distributions to noncontrolling member	-	-	-	-	-	-	(736,889)	(736,889)
Other changes in equity								
Common control - interest	318,917	-	59,104	-	(59,104)	318,917	-	318,917
Common control - principal	915,602	-	382,818	-	(382,818)	915,602	-	915,602
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	-	-	(33,735)	(33,735)
Excess of revenue over expenses (expenses over revenue) attributable to the Company	19,676,164	(1,042,366)	(45,104)	(48,482)	1,135,952	19,676,164	-	19,676,164
Balance at December 31, 2022	<u>\$ 79,527,787</u>	<u>\$ 2,797,419</u>	<u>\$ 4,895,062</u>	<u>\$ (454,274)</u>	<u>\$ (7,238,207)</u>	<u>\$ 79,527,787</u>	<u>\$ (321,845)</u>	<u>\$ 79,205,942</u>

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Supplementary Information  
Consolidating Statement of Cash Flow - POAH LLC  
Year ended December 31, 2022**

	POAH LLC	POAHC	PTLHC	PWSMT	Eliminations	Total
Cash flows from operating activities						
Excess of revenue over expenses (expenses over revenue)	\$ 19,676,164	\$ (1,042,366)	\$ (78,839)	\$ (48,482)	\$ 1,135,952	\$ 19,642,429
Adjustments to reconcile excess of revenue over expenses (expenses over revenue) to net cash provided by (used in) operating activities						
Investment loss (income)	1,592,059	-	-	-	(1,135,952)	456,107
Depreciation and amortization	15,499	12,590	-	62,583	-	90,672
Amortization of debt issuance costs	42,818	-	-	-	-	42,818
Bad debt expense	135,333	1,612,027	-	-	-	1,747,360
Changes in						
Accounts receivable	(6,583,394)	(986,272)	205,836	(3,353)	-	(7,367,183)
Predevelopment costs reimbursable	(1,364,378)	-	-	-	-	(1,364,378)
Prepaid expenses and other assets	(173,115)	(122,299)	-	-	-	(295,414)
Accounts payable and accrued expenses	413,928	(817,369)	-	(8,179)	-	(411,620)
Prepaid revenue and deferred liabilities	(71,949)	(28,252)	-	13,911	-	(86,290)
Due to affiliates, net	202,348	12,826	(803)	(200)	-	214,171
Net cash provided by (used in) operating activities	<u>13,885,313</u>	<u>(1,359,115)</u>	<u>126,194</u>	<u>16,280</u>	<u>-</u>	<u>12,668,672</u>
Cash flows from investing activities						
Escrow deposit and restricted reserves, net	-	-	-	5,800	-	5,800
Advances on notes receivable and accrued interest	(7,728,282)	-	(15,556)	-	-	(7,743,838)
Repayment of notes receivable and accrued interest	17,731,528	-	626,251	-	-	18,357,779
Purchase of limited partner interest	(442,668)	-	-	-	-	(442,668)
Distribution from partnership	884,823	-	-	-	-	884,823
Contribution to subsidiary	(1,000,000)	-	-	-	1,000,000	-
Distribution from subsidiary	300,000	-	-	-	(300,000)	-
Net cash provided by investing activities	<u>9,745,401</u>	<u>-</u>	<u>610,695</u>	<u>5,800</u>	<u>700,000</u>	<u>11,061,896</u>
Cash flows from financing activities						
Payments on line of credit	(1,752,393)	-	-	-	-	(1,752,393)
Proceeds from notes payable	2,767,494	-	-	-	-	2,767,494
Payments on notes payable	(9,300,000)	-	-	-	-	(9,300,000)
Deferred income	(4,035,183)	-	-	-	-	(4,035,183)
Contribution from member	-	1,000,000	-	-	(1,000,000)	-
Distributions to member	(5,190,000)	(300,000)	(736,889)	-	300,000	(5,926,889)
Net cash (used in) provided by financing activities	<u>(17,510,082)</u>	<u>700,000</u>	<u>(736,889)</u>	<u>-</u>	<u>(700,000)</u>	<u>(18,246,971)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	6,120,632	(659,115)	-	22,080	-	5,483,597
Cash, cash equivalents, and restricted cash, beginning	<u>7,027,570</u>	<u>2,635,070</u>	<u>-</u>	<u>41,195</u>	<u>-</u>	<u>9,703,835</u>
Cash, cash equivalents, and restricted cash, ending	<u>\$ 13,148,202</u>	<u>\$ 1,975,955</u>	<u>\$ -</u>	<u>\$ 63,275</u>	<u>\$ -</u>	<u>\$ 15,187,432</u>

**Preservation of Affordable Housing LLC and Subsidiaries**

**Supplementary Information  
Consolidating Statement of Cash Flow - POAH LLC  
Year ended December 31, 2022**

Supplemental disclosure of cash flow activities						
Cash paid for interest	<u>\$ 798,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,095</u>	<u>\$ -</u>	<u>\$ 833,578</u>
Schedule of noncash investing activities						
Increase in interest on notes receivable for acquisitions under common control	<u>\$ 318,917</u>	<u>\$ -</u>	<u>\$ 59,104</u>	<u>\$ -</u>	<u>\$ (59,104)</u>	<u>\$ 318,917</u>
Contribution of notes receivable	<u>\$ 1,885,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,885,182</u>
Additions to leased assets obtained from new lease liabilities	<u>\$ 702,739</u>	<u>\$ 358,835</u>	<u>\$ -</u>	<u>\$ 1,611,849</u>	<u>\$ -</u>	<u>\$ 2,673,423</u>

See Independent Auditor's Report.

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2022**

Federal Agency/ (Pass-through Agency)/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures			
			From Pass-through Awards	From Direct Awards	Total Expenditures	Passed through to Subrecipients
U.S. Department of the Treasury						
Community Development Financial Institutions Fund						
Capital Magnet Fund	21.011	N/A	\$ -	\$ 3,075,000	\$ 3,075,000	\$ -
Capital Magnet Fund	21.011	N/A	-	4,000,000	4,000,000	-
Capital Magnet Fund	21.011	N/A	-	2,276,255	2,276,255	-
<b>Total Community Development Financial Institutions Fund</b>			-	9,351,255	9,351,255	-
<b>Total</b>			\$ -	\$ 9,351,255	\$ 9,351,255	\$ -

See Notes to Schedule of Expenditures of Federal Awards.



## **Preservation of Affordable Housing, Inc. and Subsidiaries**

### **Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2022**

#### **Note 1 - Basis of presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes federal award activity of Preservation of Affordable Housing, Inc. and Subsidiaries under various programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Preservation of Affordable Housing, Inc. and Subsidiaries, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of Preservation of Affordable Housing, Inc. and Subsidiaries.

#### **Note 2 - Summary of significant accounting policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

Preservation of Affordable Housing, Inc. and Subsidiaries has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors  
Preservation of Affordable Housing, Inc. and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Preservation of Affordable Housing, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated June 30, 2023. The financial statements of certain subsidiaries were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance for these certain subsidiaries.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Preservation of Affordable Housing, Inc. and Subsidiaries' internal control over financial reporting as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Preservation of Affordable Housing, Inc. and Subsidiaries' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Preservation of Affordable Housing, Inc. and Subsidiaries' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Preservation of Affordable Housing, Inc. and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Boston, Massachusetts  
June 30, 2023

Independent Auditor's Report on Compliance for the Major Federal Program and  
Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors  
Preservation of Affordable Housing, Inc. and Subsidiaries

Report on Compliance for the Major Federal Program

*Opinion on the Major Federal Program*

We have audited Preservation of Affordable Housing, Inc. and Subsidiaries' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Preservation of Affordable Housing, Inc. and Subsidiaries' major federal program for the year ended December 31, 2022. Preservation of Affordable Housing, Inc. and Subsidiaries' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Preservation of Affordable Housing, Inc. and Subsidiaries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

*Basis for Opinion on the Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Preservation of Affordable Housing, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Preservation of Affordable Housing, Inc. and Subsidiaries' compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Preservation of Affordable Housing, Inc. and Subsidiaries' federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Preservation of Affordable Housing, Inc. and Subsidiaries' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Preservation of Affordable Housing, Inc. and Subsidiaries' compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Preservation of Affordable Housing, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Preservation of Affordable Housing, Inc. and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Preservation of Affordable Housing, Inc. and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Preservation of Affordable Housing, Inc. and Subsidiaries' response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Preservation of Affordable Housing, Inc. and Subsidiaries' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Boston, Massachusetts  
June 30, 2023

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Schedule of Findings and Questioned Costs  
December 31, 2022**

**A. Summary of Auditor's Results**

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   x   No
- Significant deficiency(ies) identified?        Yes   x   None reported

Noncompliance material to financial statements noted?

       Yes   x   No

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?        Yes   x   No
- Significant deficiency(ies) identified?   x   Yes        None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

       Yes   x   No

Identification of major federal programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.011	Capital Magnet Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee

  x   Yes        No

**Preservation of Affordable Housing, Inc. and Subsidiaries**

**Schedule of Findings and Questioned Costs  
December 31, 2022**

**B. Findings - Financial Statement Audit**

None reported

**C. Findings and Questioned Costs - Major Federal Award Programs Audit**

Finding No. 2022-001

U.S. Department of the Treasury, Community Development Financial Institutions Fund  
Federal Assistance Listing Number #21.011 Capital Magnet Fund - Compliance Requirement: E  
- Eligibility

**Criteria**

2016 Capital Magnet Fund Assistance Agreement Section 5.2(b) Rental Affordability Qualifications: Project-level targeted income requires at least 20% of all rental units in each project to be occupied by tenants at or below 50% of Area Median Income (“AMI”).

**Condition**

The internal controls over tracking the income limitation on one of the six properties tested was not consistently followed.

**Cause**

One of the six properties tested had tenants certified by a housing authority, so management followed alternate procedures on tracking income.

**Effect or Potential Effect**

Project-level targeted income of at least 20% units occupied by tenants at or below 50% of AMI may be below the requirement.

**Questioned Costs:** Not applicable.

**Context**

In connection with the procedures applied to a sample of six projects, one project’s income verification process followed alternate procedures which could result in error.

**Repeat Finding:** No

**Recommendation**

For the project which followed an alternate process, management should follow the same procedures utilizing Yardi that they follow on the other projects. Management should input the income restrictions into Yardi and should also input the annual tenant income data into Yardi for this project.

**Views of Responsible Officials**

In 2023, management will be utilizing the local programming TIC in Yardi so tenants will recertify annually to ensure that they meet the 50% AMI restriction.





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