

**Arlington Partnership for Affordable Housing, Inc.
and Subsidiaries**

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

December 31, 2019

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

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Independent Auditor's Report

To the Board of Directors
Arlington Partnership for Affordable Housing, Inc.
and Subsidiaries

Report on the Financial Statements

We have audited the consolidated statement of financial position of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries (the "Corporation") as of December 31, 2019, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of certain subsidiaries included in the consolidated financial statements were not audited in accordance with *Government Audit Standards* as discussed in Note 1 in the Notes to Schedule of Expenditures of Federal Awards.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries as of December 31, 2019, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 2019 supplementary information on pages 65 to 82 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2020 on our consideration of Arlington Partnership for 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 Arlington Partnership for 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 Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' internal control over financial reporting and compliance.



Boston, Massachusetts
September 8, 2020

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidated Statement of Financial Position
December 31, 2019**

Assets

Current assets

Cash and cash equivalents, including \$6,956,634 of restricted cash		\$	24,017,999
Grants and pledges receivable			354,789
Accounts receivable			
Residents	\$		287,020
Other			245,581
			532,601
Development fee receivable - affiliate			5,674,016
Prepaid expenses			1,069,164
Prepaid ground lease, current portion			42,461
Deposits			78,018
Mortgage escrow deposits			528,470
			32,297,518

Total current assets

Property and equipment

Land			75,874,630
Buildings, furniture and equipment			353,676,132
Construction in progress			28,913,589
			458,464,351
Less accumulated depreciation			48,916,494

Total property and equipment

Other assets

Residents' security deposits			927,348
In-place leases, net of accumulated amortization of \$398,254			131,754
Replacement reserves			2,784,370
Other reserves			6,088,817
Prepaid ground lease, net of current portion			1,376,648
Other assets			652,429
			11,961,366

Total other assets

Total assets

\$ 453,806,741

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidated Statement of Financial Position
December 31, 2019**

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 805,696
Accrued interest, current portion	869,002
Accounts payable - related party	125,985
Prepaid rents	291,100
Notes payable, current maturities	2,880,283
Construction and development costs payable	5,466,478
Development fee payable	343,194
	<hr/>
Total current liabilities	10,781,738
	<hr/>
Other liability	
Residents' security deposits	927,599
	<hr/>
Total other liability	927,599
	<hr/>
Long-term liabilities	
Notes payable, less current maturities and unamortized debt issuance costs (see Note 3)	310,959,447
Accrued interest, less current portion	11,429,890
Deferred development fee (see Note 6)	3,818,210
Other liabilities	325,236
	<hr/>
Total long-term liabilities	326,532,783
	<hr/>
Total liabilities	338,242,120
	<hr/>
Net assets	
Without donor restrictions	
Unrestricted controlling	29,580,464
Unrestricted noncontrolling (see Note 1)	83,662,080
	<hr/>
Total net assets without donor restrictions	113,242,544
	<hr/>
With donor restrictions (see Note 14)	2,322,077
	<hr/>
Total net assets	115,564,621
	<hr/>
Total liabilities and net assets	<u>\$ 453,806,741</u>

See Notes to Consolidated Financial Statements.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidated Statement of Activities
Year Ended December 31, 2019**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue and other support			
Grants and contributions	\$ 801,297	\$ 2,322,077	\$ 3,123,374
Rental revenue - net	24,970,108	-	24,970,108
Development fee income	3,679,308	-	3,679,308
Interest income	166,668	-	166,668
Other income	865,245	-	865,245
Special events, net of expenses of \$33,175	522,473	-	522,473
Net assets released from restrictions	484,951	(484,951)	-
	<u>31,490,050</u>	<u>1,837,126</u>	<u>33,327,176</u>
Total revenues and other support			
Expenses			
Program services (including interest expense of \$10,235,313 and depreciation and amortization of \$9,372,399)	34,513,315	-	34,513,315
Supporting services			
Management and general (including interest expense of \$33,411 and depreciation of \$120,597)	1,820,771	-	1,820,771
Fundraising	177,193	-	177,193
	<u>36,511,279</u>	<u>-</u>	<u>36,511,279</u>
Total expenses			
Excess of revenue over expenses (expenses over revenue)	(5,021,229)	1,837,126	(3,184,103)
Excess of expenses over revenue attributable to noncontrolling interests	<u>(8,702,299)</u>	<u>-</u>	<u>(8,702,299)</u>
Excess of revenue over expenses (expenses over revenue) attributable to APAH	<u>\$ 3,681,070</u>	<u>\$ 1,837,126</u>	<u>\$ 5,518,196</u>

See Notes to Consolidated Financial Statements.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2019**

	Program services			Management and general	Fundraising	Total
	Rental properties	Real estate development	Subtotal			
Interest expense	\$ 10,235,313	\$ -	\$ 10,235,313	\$ 33,411	\$ -	\$ 10,268,724
Salaries	1,295,737	1,400,086	2,695,823	973,159	127,909	3,796,891
Depreciation and amortization	9,372,399	-	9,372,399	120,597	-	9,492,996
Loss on disposal of fixed assets	-	-	-	4,647	-	4,647
Utilities	1,789,900	-	1,789,900	11,642	-	1,801,542
Property operating and maintenance	4,153,683	-	4,153,683	32,685	-	4,186,368
Licenses and taxes	2,823,811	-	2,823,811	61,653	-	2,885,464
Management fee	858,912	-	858,912	-	-	858,912
Property administrative expenses	1,245,900	12,854	1,258,754	144,640	45,530	1,448,924
Auditing and accounting	187,394	-	187,394	35,600	-	222,994
Insurance	869,684	-	869,684	77,790	-	947,474
Telephone	175,420	-	175,420	15,528	-	190,948
Legal	92,222	-	92,222	24,220	-	116,442
Development and consulting services	-	-	-	77,210	-	77,210
Printing and copying	-	-	-	9,546	-	9,546
Supplies	-	-	-	13,039	-	13,039
Postage and delivery	-	-	-	51,698	3,754	55,452
Training	-	-	-	48,220	-	48,220
Travel	-	-	-	11,571	-	11,571
Sponsorships and subscriptions	-	-	-	52,458	-	52,458
Grant expenses	-	-	-	21,457	-	21,457
Fundraising direct costs for events	-	-	-	-	33,175	33,175
Total expense by function	33,100,375	1,412,940	34,513,315	1,820,771	210,368	36,544,454
Less expenses included with revenues on statement of activities						
Fundraising direct costs for events	-	-	-	-	(33,175)	(33,175)
Less expenses included in the expense section on the statement of activities	<u>\$ 33,100,375</u>	<u>\$ 1,412,940</u>	<u>\$ 34,513,315</u>	<u>\$ 1,820,771</u>	<u>\$ 177,193</u>	<u>\$ 36,511,279</u>

See Notes to Consolidated Financial Statements.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidated Statement of Changes in Net Assets
Year Ended December 31, 2019**

	Without donor restrictions			With donor restrictions	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Net assets, December 31, 2018	\$ 22,425,460	\$ 84,305,663	\$ 106,731,123	\$ 484,951	\$ 107,216,074
Capital contributions from noncontrolling interests	-	9,058,495	9,058,495	-	9,058,495
Distributions to noncontrolling interests	-	(35,673)	(35,673)	-	(35,673)
Noncontrolling interests' syndication costs	-	(207,177)	(207,177)	-	(207,177)
Adjustment for change in accounting principle	2,717,005	-	2,717,005	-	2,717,005
Transfer of noncontrolling interest	756,929	(756,929)	-	-	-
Excess of expenses over revenue attributable to noncontrolling interests	-	(8,702,299)	(8,702,299)	-	(8,702,299)
Excess of revenue over expenses attributable to controlling interests	<u>3,681,070</u>	<u>-</u>	<u>3,681,070</u>	<u>1,837,126</u>	<u>5,518,196</u>
Net assets, December 31, 2019	<u>\$ 29,580,464</u>	<u>\$ 83,662,080</u>	<u>\$ 113,242,544</u>	<u>\$ 2,322,077</u>	<u>\$ 115,564,621</u>

See Notes to Consolidated Financial Statements.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidated Statement of Cash Flows
Year Ended December 31, 2019**

Cash flows from operating activities	
Excess of expenses over revenue	\$ (3,184,103)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	9,318,205
Amortization	174,791
Amortization of debt issuance costs	298,947
Bad debt	107,924
Loss on disposal of fixed assets	4,647
Change in fair value of derivative instruments	98,951
Accretion of loan fair value adjustment	83,024
Decrease in grants and pledges receivable	22,092
Increase in residents' accounts receivable	(214,278)
Increase in accounts receivable - other	(153,430)
Decrease in development fee receivable	1,135,394
Increase in mortgage escrow deposits	(155,705)
Increase in prepaid expenses	(708,426)
Decrease in deposits	174,419
Increase in accounts payable and accrued expenses	278,025
Increase in accrued interest	1,015,730
Decrease in prepaid rents	(411)
Increase in residents' security deposits	174,777
	8,470,573
Net cash provided by operating activities	8,470,573
Cash flows from investing activities	
Net purchases of land, property and equipment, construction in progress and development in progress	(75,899,730)
Increase in replacement and redevelopment reserves	(483,246)
Increase in other reserves	(134,848)
Cash paid for in-place leases	(44,207)
	(76,562,031)
Net cash used in investing activities	(76,562,031)

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from financing activities	
Proceeds from notes payable	73,099,585
Repayment of notes payable	(2,495,652)
Capital contributions received from noncontrolling interests	9,058,495
Distributions paid to noncontrolling interests	(35,673)
Syndication costs paid	(207,177)
Repayment of advances from affiliates	53,903
Debt issuance costs paid	<u>(2,095,602)</u>
Net cash provided by financing activities	<u>77,377,879</u>
Net increase in cash, cash equivalents, and restricted cash	9,286,421
Cash, cash equivalents and restricted cash, beginning	<u>21,992,091</u>
Cash, cash equivalents and restricted cash, end	<u><u>\$ 31,278,512</u></u>
Supplemental disclosure of cash flow information	
Cash paid for interest during the year, net of amount capitalized	<u><u>\$ 9,013,436</u></u>
Supplemental schedule of noncash investing activities	
Costs incurred for rental property during the year	\$ (70,259,842)
Amortization of debt issuance costs capitalized	864,649
Disposal of fixed assets	(1,906,542)
Construction and development costs payable	
Beginning of the period	(9,384,703)
End of the period	5,466,478
Amounts included in accrued interest payable	
Beginning of the period	(27,477)
End of the period	-
Development fee payable	
Beginning of the period	(4,813,697)
End of the period	<u>4,161,404</u>
Payments for rental property	<u><u>\$ (75,899,730)</u></u>

See Notes to Consolidated Financial Statements.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

Note 1 - Organization and summary of significant accounting policies

Arlington Partnership for Affordable Housing, Inc. ("APAH") was incorporated in 1989 in the Commonwealth of Virginia as a nonstock, nonprofit corporation. APAH's purpose and mission is to develop, preserve, and own quality, affordable places to live; to promote stability and opportunity for our residents; and to advocate with the people and communities we serve. APAH resident services programs increase resident stability by connecting at-risk individuals and families to services and provide programs on workplace skills, financial education, health and well-being and community building. APAH derives its revenue principally from rental revenue, grants, contributions and development fees.

Basis of consolidation

The consolidated financial statements include the accounts of APAH and its subsidiary housing organizations and certain limited partnerships. The accounting guidance establishes the presumption that the general partner(s) in a limited partnership controls that limited partnership (or similar entity) regardless of the extent of the general partner's ownership interest in the Limited Partnership. The presumption of control by the general partner(s) can be overcome if the limited partners have either (i) "kick-out rights" - the substantive ability to dissolve or liquidate the partnership or otherwise remove the general partner(s) "without cause" or (ii) "substantive participating rights" - the ability to effectively participate in significant decisions made in the ordinary course of the limited partnership's business. If the presumption of control cannot be overcome, then the general partner is required to consolidate the limited partnership. APAH determined that the presumption of control for the limited partnerships in which APAH is the sole general partner had not been overcome and as a result APAH is required to consolidate the financial statements of APAH Westover Apartments Limited Partnership, Arlington Mill Limited Partnership, Ballston West Nine Limited Partnership, Ballston East Four Limited Partnership, Buchanan Gardens Limited Partnership, Cameron Commons LLC, Columbia Grove Apartments Limited Partnership, Columbia Hills East Limited Partnership, Columbia Hills West Limited Partnership, Courthouse Crossings Limited Partnership, Fisher House Limited Partnership, Gilliam Place East Limited Partnership, Gilliam Place West Limited Partnership, Oakwood South Nine Limited Partnership, Oakwood North Four Limited Partnership, Post West Nine Limited Partnership, Post East Four Limited Partnership, Rosslyn Ridge Apartments Limited Partnership, The Springs Apartments Limited Partnership, Queens North Four Limited Partnership, Queens South Nine Limited Partnership and APAH Snowden Limited Partnership.

The board of directors of APAH Commercial LLC, APAH Oakwood LLC, APAH Snowden Development Corporation, APAH Snowden, LLC, APAH Sterling 4 LLC, APAH Sterling 9 LLC, APAH Rosslyn Ridge, Inc., APAH Westover Development Corporation, APAH Westover LLC, Arlington Mill Development Corporation, The Barkalow LLC, Ballston East Four GP LLC, Ballston West Nine GP LLC, Buchanan Gardens II, LLC, Buchanan Gardens Development Corporation, Calvert Manor Development Corporation, Calvert Manor Limited Partnership, Cameron Commons Development Corporation, Carlyn Springs/Foxcroft Terrace Development Corporation, Columbia Grove Development Corporation, Columbia Grove, Inc., Columbia Hills East Development Corporation, Columbia Hills West Development Corporation, Courthouse Crossings Development Corporation, FHDC Corporation, Gilliam Place LLC, Gilliam Place East Development Corporation, Gilliam Place West Development Corporation, Gilliam Retail, LLC, Fisher House Development Corporation, Lorcom Arms Development Corporation, Lorcom Arms Limited Partnership, North Pierce Associates Limited Partnership, Oakwood North Four Development LLC, Oakwood South Nine Development LLC, Post East Four Development Corporation, Post West Nine Development Corporation, Queen's Court Development Corporation, Queen's North Four Development Corporation, Queen's South Nine Development Corporation and The Springs Development Corporation is identical to the executive committee of the board of directors of APAH.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

Rosslyn Ridge Development Corporation became an Arlington County designated Community Housing Development Organization ("CHDO") on June 9, 2011. To maintain certification as a CHDO, one third of the board of directors of Rosslyn Ridge Development Corporation must be comprised of a) residents of low-income neighborhoods, b) low-income residents, or c) elected representatives of a low-income neighborhood organization. The remaining two thirds of the board of directors are comprised of members of the executive committee of APAH's board of directors. Marbella Development, LLC, Post East Four Development Corporation, and AVV Apartments, LLC are wholly-owned subsidiaries of Rosslyn Ridge Development Corporation. The board of directors of Post East Four Development Corporation is identical to the board of directors of Rosslyn Ridge Development Corporation.

Currently, APAH's subsidiary housing organizations operate through an unaffiliated management company. The subsidiary housing organizations are required to rent a certain number of units in each of the rental buildings described below to qualifying residents based upon household income. All significant intercompany transactions have been eliminated in consolidation.

Under common control accounting guidance relating to properties purchased and controlled by entities wholly-owned by APAH and subsequently sold to limited partnerships where APAH retains a general partner or controlling interest, 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.

APAH Commercial LLC - APAH Commercial LLC, a wholly-owned subsidiary, was formed on January 28, 2015 for the purpose of acquiring, owning, and disposing of the commercial condominium unit within the Springs Condominium. The condominium consists of approximately 5,573 square feet of commercial office space. The condominium was formed and subdivided on December 7, 2016. The activity of APAH Commercial, LLC is included with APAH, Inc. in the consolidating statement of financial position and statement of activities.

APAH Oakwood LLC - APAH Oakwood LLC, a wholly-owned subsidiary, was formed on January 10, 2019 for the purpose of acquiring, owning, leasing, and disposing of real estate.

APAH Snowden, LLC - APAH Snowden, LLC, a wholly-owned subsidiary, was formed on October 3, 2018 for the purpose of acquiring, owning, leasing, and disposing of real estate in Montgomery County, Maryland.

APAH Snowden Development Corporation and APAH Snowden Limited Partnership - APAH Snowden Limited Partnership was formed on November 20, 2018 for the purpose of acquiring, owning, leasing, and disposing of real estate in Montgomery County, Maryland. APAH Snowden Development Corporation, a wholly-owned subsidiary, is the .01% general partner and APAH Snowden, LLC is the limited partner and owns 99.99% in APAH Snowden Limited Partnership. On July 12, 2019, APAH Snowden Limited Partnership acquired 13 buildings consisting of 87 units from an unrelated third party, located in Montgomery County, Maryland.

APAH Sterling 4 LLC - APAH Sterling 4 LLC, a wholly-owned subsidiary, was formed on February 22, 2019 for the purpose of acquiring, owning, leasing, and disposing of real estate.

APAH Sterling 9 LLC - APAH Sterling 9 LLC, a wholly-owned subsidiary, was formed on February 22, 2019 for the purpose of acquiring, owning, leasing, and disposing of real estate.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

APAH Westover LLC - APAH Westover LLC, a wholly-owned subsidiary, was formed on July 20, 2016 for the purpose of acquiring, owning, leasing, and disposing of real estate in Arlington County, Virginia. On September 28, 2016, the company acquired five buildings from an unrelated party. On November 30, 2016, the company acquired one additional building from an unrelated party. On January 12, 2017, the company acquired two additional buildings from an unrelated party. On December 19, 2017, assets comprising of buildings and site improvements were transferred to APAH Westover Apartments Limited Partnership.

APAH Westover Development Corporation and APAH Westover Apartments Limited Partnership - APAH Westover Apartments Limited Partnership was formed on June 30, 2017. APAH Westover Development Corporation, a wholly-owned subsidiary, is the .01% general partner in APAH Westover Apartments Limited Partnership. An unrelated limited partner owns 98.99% of partnership interest, an unrelated special limited partner owns 0% of partnership interest, and an unrelated state limited partner owns the remaining 1.00% of partnership interest. On December 19, 2017, assets comprising of buildings and site improvements were transferred to the partnership from APAH Westover LLC. The project consists of eight (8) residential buildings which contain 68 units, located in Arlington County, Virginia.

APAH Rosslyn Ridge, Inc., North Pierce Associates Limited Partnership, and Rosslyn Ridge Apartments Limited Partnership - APAH Rosslyn Ridge, Inc. was formed in 2006 as a wholly-owned subsidiary, which is structured as a corporation, to act as general partner with a 1% interest and as a limited partner with a 49% interest in North Pierce Associates Limited Partnership. The investment in North Pierce Associates was stated at cost adjusted for APAH Rosslyn Ridge Inc.'s equity in income and loss and for cash distributions (the "equity method"). An unrelated party owned the remaining 50%.

On November 13, 2006, Rosslyn Ridge Apartments Limited Partnership was formed for the purpose of acquiring, constructing and operating a rental housing project. The project is a high-rise consisting of 238 units located in Arlington, Virginia, and operates under the name of Parc Rosslyn Apartments. North Pierce Associates Limited Partnership is the .0008% general partner. An unrelated limited partner owns the remaining 99.9992% of partnership interest.

On June 14, 2013, APAH acquired the other 50% interest in North Pierce Associates Limited Partnership from an unrelated entity. APAH effectively owns 100% of the interest in North Pierce Associates Limited Partnership through APAH Rosslyn Ridge, Inc. Accordingly, North Pierce Associates Limited Partnership and Rosslyn Ridge Apartments Limited Partnership were consolidated in these consolidated financial statements.

Arlington Mill Development Corporation and Arlington Mill Limited Partnership - Arlington Mill Limited Partnership was formed on November 1, 2010. Arlington Mill Development Corporation, a wholly-owned subsidiary, is the .01% general partner in Arlington Mill Limited Partnership. An unrelated limited partner owns 99.98% of partnership interest and an unrelated special limited partner owns the remaining .01% of partnership interest. On October 31, 2011, Arlington Mill Limited Partnership entered into a ground lease agreement with the County Board of Arlington County, Virginia, effective August 29, 2012, to develop the project. The project, which was completed and placed in service on January 31, 2014, is a mid-rise building consisting of 122 units and located in Arlington County, Virginia.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

Ballston East Four GP LLC and Ballston East Four Limited Partnership - Ballston East Four Limited Partnership was formed on August 6, 2019. Ballston East Four GP LLC, a wholly-owned subsidiary, is the .01% general partner in Ballston East Four Limited Partnership. APAH is the Limited Partner.

Ballston West Nine GP LLC and Ballston West Nine Limited Partnership - Ballston West Nine Limited Partnership was formed on August 6, 2019. Ballston West Nine GP LLC, a wholly-owned subsidiary, is the .01% general partner in Ballston West Nine Limited Partnership. APAH is the Limited Partner.

Barkalow Limited Liability Company - The Barkalow Limited Liability Company purchased a 14-unit building, located in Arlington County, Virginia ("The Barkalow"), on September 21, 1999. Since April 12, 2002, APAH has been the sole member of the LLC.

Buchanan Gardens II, LLC - The company bought a 111-unit, garden style, 11-building complex, located in Arlington County, Virginia in December 2009. The property was sold to Buchanan Gardens Limited Partnership on April 25, 2011. APAH is the sole member of the LLC.

Buchanan Gardens Development Corporation and Buchanan Gardens Limited Partnership - On April 25, 2011, Buchanan Gardens Limited Partnership purchased a 111-unit, garden style, 11-building complex, located in the Barcroft neighborhood from Buchanan Gardens II, LLC. Buchanan Gardens Development Corporation, a wholly-owned subsidiary, is the .01% general partner in Buchanan Gardens Limited Partnership. An unrelated limited partner owns the remaining 99.99% of partnership interest.

Calvert Manor Development Corporation and Calvert Manor Limited Partnership - During 1997, Calvert Manor Development Corporation was formed as a wholly-owned subsidiary, which is structured as a corporation, to act as general partner with a .1% ownership interest in Calvert Manor Limited Partnership. An unrelated limited partner owned the remaining 99.9% of partnership interest. On October 21, 2013, APAH was assigned the remaining 99.9% of partnership interest. Calvert Manor is a 23-unit, three-story brick multifamily residential dwelling, located in Arlington County, Virginia. The property was purchased on September 24, 1997.

Cameron Commons Development Corporation and Cameron Commons, LLC - Cameron Commons Development Corporation, a wholly-owned subsidiary, purchased an 11-unit garden-style building on August 1, 2001 and completed the construction of five apartments in a separate two-story building in February 2005 located in Arlington County, Virginia. On July 3, 2008, Cameron Commons Development Corporation contributed Cameron Commons Apartments to Cameron Commons, LLC. Cameron Commons Development Corporation had an 87.5% membership interest in Cameron Commons, LLC from inception through December 6, 2009. Doorways Cameron, LLC, an unrelated member, owned the remaining 12.5% of the Corporation's interests during this time. During 2011, additional contributions were made by Doorways Cameron, LLC, which in accordance with the operating agreement, changed their membership interest to 31%. Cameron Commons Development Corporation's ownership interest changed to 69%.

Carlyn Springs/Foxcroft Terrace Development Corporation - The Corporation owned and operated Carlyn Springs Apartments, a 27-unit, garden-style building complex. The complex was purchased by APAH on October 31, 1997. On February 5, 2015, the Corporation sold the land to The Springs Apartments Limited Partnership, an APAH subsidiary. Both the selling and purchasing entity is consolidated by APAH and as a result this transaction is considered to be a transaction between entities under common control. On January 19, 2017, Montgomery Housing Partnership,

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

Inc. ("MHP") assigned Carlyn Springs/Foxcroft Terrace Development Corporation 21% of its membership interest in BGA MM LLC. On May 30, 2018, MHP assigned Carlyn Springs/Foxcroft Terrace Development Corporation 46% of its membership interest in MHP Art, LLC.

Columbia Grove Development Corporation and Columbia Grove Apartments Limited Partnership - On October 30, 2008, Columbia Grove, Inc. contributed Columbia Grove Apartments to Columbia Grove Apartments Limited Partnership. Columbia Grove Development Corporation, a wholly-owned subsidiary, is the .01% general partner in Columbia Grove Apartments Limited Partnership. Columbia Grove, Inc. is the .01% special limited partner. An unrelated limited partner owns the remaining 99.98% of partnership interests.

On June 2, 2016, Columbia Grove Apartments Limited Partnership transferred assets comprised of land and site improvements of the project to APAH, in connection with the Donation Agreement executed February 1, 2015. On June 2, 2016, APAH formed a land condominium with two land units and the land units were sold to Columbia Hills East Limited Partnership and Columbia Hills West Limited Partnership.

Columbia Grove, Inc. - The Corporation formerly owned a 210-unit, garden-style apartment complex, operated under the name of Columbia Grove Apartments, located in Arlington County, Virginia. On May 9, 2003, APAH purchased 100% of the stock of Columbia Grove, Inc. Such interests consist of one share of common stock. The Corporation contributed the property to Columbia Grove Apartments Limited Partnership on October 30, 2008. The Corporation is a .01% special limited partner in Columbia Grove Apartments Limited Partnership.

Columbia Hills East Development Corporation and Columbia Hills East Limited Partnership - Columbia Hills East Limited Partnership was formed on January 21, 2015. Columbia Hills East Development Corporation, a wholly-owned subsidiary, is the .01% general partner in Columbia Hills East Limited Partnership. An unrelated limited partner owns 99.98% of partnership interest and an unrelated special limited partner owns the remaining .01% of partnership interest. On June 2, 2016, assets comprising land and site improvements were transferred to the partnership. The project is a high-rise building consisting of 97 units, located in Arlington County, Virginia.

Columbia Hills West Development Corporation and Columbia Hills West Limited Partnership - Columbia Hills West Limited Partnership was formed on January 21, 2015. Columbia Hills West Development Corporation, a wholly-owned subsidiary, is the .01% general partner in Columbia Hills West Limited Partnership. An unrelated limited partner owns 99.98% of partnership interest and an unrelated special limited partner owns the remaining .01% of partnership interest. On June 2, 2016, assets comprising land and site improvements were transferred to the partnership. The project is a high-rise building consisting of 132 units, located in Arlington County, Virginia.

Courthouse Crossings Development Corporation and Courthouse Crossings Limited Partnership - Courthouse Crossings Limited Partnership was formed on February 27, 2006. Courthouse Crossings Development Corporation, a wholly-owned subsidiary, is the .01% general partner in Courthouse Crossings Limited Partnership. An unrelated limited partner owns 99.98% of partnership interest, and an unrelated special limited partner owns the remaining .01% of partnership interest. Courthouse Crossings is a 112-unit low-rise apartment complex located in Arlington County, Virginia. The property was purchased on June 1, 2006.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

Fisher House Development Corporation - The Corporation formerly owned a 33-unit, garden style, four-building complex located in Arlington County, Virginia. The property was contributed to Fisher House Limited Partnership on June 5, 2006.

FHDC Corporation and Fisher House Limited Partnership - On June 5, 2006, Fisher House Development Corporation contributed Fisher House Apartments, a 33-unit, garden style, four-building complex located in Arlington County, Virginia to Fisher House Limited Partnership. FHDC Corporation, a wholly-owned subsidiary, was the .01% general partner in Fisher House Limited Partnership. An unrelated special limited partner owned 1.00% of partnership interest. An unrelated limited partner owned the remaining 98.99% of partnership interest. Effective March 18, 2019, the unrelated special limited partner assigned all of their partnership interests to FHDC Corporation.

Gilliam Place, LLC - Gilliam Place, LLC, a wholly-owned subsidiary, was formed on January 15, 2016 for the purpose of acquiring, owning, leasing, and disposing of real estate. On July 28, 2016, Gilliam Place, LLC, acquired land and an existing structure, from an unrelated third party. On June 22, 2017, ground lease agreements were entered into with Gilliam Place East Limited Partnership and Gilliam Place West Limited Partnership, as more fully described in Note 6.

Gilliam Place East Development Corporation and Gilliam Place East Limited Partnership - Gilliam Place East Limited Partnership was formed on January 27, 2016. Gilliam Place East Development Corporation, a wholly-owned subsidiary, is the .01% general partner in Gilliam Place East Limited Partnership and an unrelated limited partner owns the remaining 99.99% of partnership interest. The project is a mid-rise building consisting of 83 units, located in Arlington County, Virginia.

Gilliam Place West Development Corporation and Gilliam Place West Limited Partnership - Gilliam Place West Limited Partnership was formed on January 27, 2016. Gilliam Place West Development Corporation, a wholly-owned subsidiary, is the .01% general partner in Gilliam Place West Limited Partnership and an unrelated limited partner owns the remaining 99.99% of partnership interest. The project is a mid-rise building consisting of 90 units, located in Arlington County, Virginia.

Gilliam Retail, LLC - Gilliam Retail, LLC was formed on May 16, 2017 and is a wholly-owned subsidiary. The purpose of the company is to lease and sublease commercial space at the rental housing complex owned by Gilliam Place East Limited Partnership.

Lorcom Arms Development Corporation and Lorcom Arms Limited Partnership - During 2000, Lorcom Arms Development Corporation was formed as a wholly-owned subsidiary, which is structured as a corporation, to act as general partner with a .01% ownership interest in Lorcom Arms Limited Partnership. An unrelated limited partner owned the remaining 99.99% of partnership interest. The property was purchased on March 2, 2000. Operating under the name of Leckey Gardens Apartments, the project is a 40-unit, garden-style apartment building, located in Arlington County, Virginia. On June 30, 2016, the limited partner assigned their entire limited partner interest to APAH.

Oakwood North Four Development LLC and Oakwood North Four Limited Partnership - Oakwood North Four Limited Partnership was formed on December 12, 2019. Oakwood North Four Development LLC, a wholly-owned subsidiary, is the .01% general partner in Oakwood North Four Limited Partnership. APAH is the Limited Partner.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

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Oakwood South Nine Development LLC and Oakwood South Nine Limited Partnership - Oakwood South Nine Limited Partnership was formed on December 12, 2019. Oakwood South Nine Development LLC, a wholly-owned subsidiary, is the .01% general partner in Oakwood South Nine Limited Partnership. APAH is the Limited Partner.

Post East Four Development Corporation and Post East Four Limited Partnership - Post East Four Limited Partnership was formed on January 23, 2019. Post East Four Development Corporation, a wholly-owned subsidiary, was formed on January 17, 2019 and is the .01% general partner in Post East Four Limited Partnership. APAH is the Limited Partner.

Post West Nine Development Corporation and Post West Nine Limited Partnership - Post West Nine Limited Partnership was formed on January 23, 2019. Post West Nine Development Corporation, a wholly-owned subsidiary, was formed on January 17, 2019 and is the .01% general partner in Post West Nine Limited Partnership. NEF Assignment Corporation is the Limited Partner.

Queen's Court Development Corporation - Queen's Court Development Corporation owned and operated Queen's Court Apartments, a 39-unit, garden-style, three-building complex, located in Arlington County, Virginia, purchased on August 7, 1995. On April 9, 2019, Queen's Court Development Corporation sold assets comprising of land and site improvements of the project to Queens North Four Limited Partnership and Queens South Nine Limited Partnership (see Note 4).

Queens North Four Development Corporation and Queens North Four Limited Partnership - Queens North Four Limited Partnership was formed on November 13, 2017. Queens North Four Development Corporation, a wholly-owned subsidiary, is the .01% general partner in Queens North Four Limited Partnership. An unrelated investor limited partner owns 99.99% of partnership interest. An unrelated special limited partner owns 0% of partnership interest. On April 9, 2019, assets comprised of land and site improvements were sold to the partnership. The project is a high-rise building consisting of 159 units, located in Arlington County, Virginia. As of December 31, 2019, the building is under construction.

Queens South Nine Development Corporation and Queens South Nine Limited Partnership - Queens South Nine Limited Partnership was formed on November 13, 2017. Queens South Nine Development Corporation, a wholly-owned subsidiary, is the .01% general partner in Queens South Nine Limited Partnership. An unrelated investor limited partner owns 99.99% of partnership interest. An unrelated special limited partner owns 0% of partnership interest. On April 9, 2019, assets comprised of land and site improvements were sold to the partnership. The project is a high-rise building consisting of 90 units, located in Arlington County, Virginia. As of December 31, 2019, the building is under construction.

Rosslyn Ridge Development Corporation, Marbella Development Limited Liability Company, AVV Apartments Limited Liability Company and Post East Four Development Corporation - APAH purchased a 22-unit, garden-style building, located in Arlington County, Virginia, on May 12, 1994. The Corporation contributed the property to Rosslyn Ridge Apartments, LP on December 14, 2006.

On June 9, 2011, Marbella Development LLC was formed as a limited liability company. The sole member is Rosslyn Ridge Development Corporation. On June 17, 2011, the company acquired a 134-unit garden apartment complex, located in Arlington County, Virginia, and is currently operating under the name of Marbella Apartments.

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AVV Apartments, LLC was formed as a limited liability company on October 28, 2013. The sole member is Rosslyn Ridge Development Corporation. On February 28, 2014, the company acquired a 101-unit, garden style, three-building complex, located in Arlington County, Virginia and is currently operating under the name Arna Valley View Apartments.

On January 23, 2019, Post East Four Development Corporation was formed as a Virginia corporation. The sole member is Rosslyn Ridge Development Corporation.

The Springs Development Corporation and The Springs Apartments Limited Partnership - The Springs Apartments Limited Partnership was formed on February 24, 2014. The Springs Development Corporation, a wholly-owned subsidiary, is the .01% general partner in The Springs Apartments Limited Partnership. An unrelated limited partner owns 99.98% of partnership interest and an unrelated special limited partner owns the remaining .01% of partnership interest. The Springs Apartments is a five-story 104-unit project located in the Ballston neighborhood. In connection with the project, a commercial office space was constructed and subdivided into a condominium owned by APAH Commercial LLC.

Joint venture

On March 4, 2019, APAH entered into a joint venture agreement with Edmondson & Gallagher Property Services, LLC, an unrelated third party, to jointly develop, construct, finance, operate, and manage an affordable senior housing complex containing approximately 98 units in Loudoun County, Virginia.

Net asset classification

APAH and its subsidiaries 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 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.

Use of estimates

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

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

Accounts receivable and bad debts

Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. U.S. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Bad debt expense for the year ended December 31, 2019 was \$107,924.

Pledges receivable

Pledges receivable consist of unconditional promises to give. Unconditional pledges receivable that are expected to be collected within a year are recorded at their net realizable value when the donor makes the promise. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The current and future pledges receivable balances as of December 31, 2019, approximate their net present value and the present value of their estimated future cash flows, respectively.

Grant and contribution revenue

Grant and 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.

Rental income

All leases with tenants are considered to be operating leases. Rental income is recognized when earned. Rents received in advance are deferred to the period in which the rents are earned.

Property and equipment

Property and equipment are recorded at cost or at the estimated fair value at the date of the gift or business combination. Depreciation is computed on the straight-line method over the estimated service lives of the respective assets. The depreciable lives are as follows:

Buildings and improvements	27.5 - 40 years
Furniture and equipment	5 - 7 years

Management reviews its real estate for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the properties are less than their carrying amount, management compares the carrying amount of the properties to their fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the assets' carrying value over their estimated fair value. No impairment loss has been recognized for the year ended December 31, 2019.

Construction in progress

Construction in progress consists primarily of predevelopment and development costs incurred in connection with redeveloping various properties. Such costs will be reclassified to buildings and improvements, furniture and equipment when the projects are placed in service. Costs associated with redevelopment projects that are not deemed probable are expensed.

Functional allocation of expenses

The costs relating to the various programs and other activities of APAH and its subsidiaries have been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. The financial statements report certain categories of expenses that are

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology and property administrative expenses, which are allocated on the basis of estimates of time and effort.

Debt issuance costs

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

Income taxes

APAH and its subsidiaries, Cameron Commons Development Corporation, Carlyn Springs/Foxcroft Terrace Development Corporation, Fisher House Development Corporation, Queen's Court Development Corporation, and Rosslyn Ridge Development Corporation have applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code. Due to their tax-exempt status, APAH and its subsidiaries are not subject to income taxes, except for taxes on unrelated business income. APAH did not have unrelated business income for the year ended December 31, 2019. APAH and its subsidiaries are required to file and do file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes for APAH and its exempt subsidiaries and they have no other tax positions which must be considered for disclosure. Each of the organizations except APAH Commercial LLC, APAH Oakwood LLC, APAH Sterling 4 LLC, APAH Sterling 9 LLC, APAH Snowden, LLC, APAH Westover LLC, AVV Apartments, LLC, The Barkalow LLC, Ballston East Four GP LLC, Ballston West Nine GP LLC, Buchanan Gardens II, LLC, Gilliam Place, LLC, Gilliam Retail LLC, Marbella Development LLC, Oakwood North Four Development LLC, and Oakwood South Nine Development LLC, file separate tax returns.

APAH Commercial LLC, APAH Oakwood LLC, APAH Sterling 4 LLC, APAH Sterling 9 LLC, APAH Snowden, LLC, APAH Westover LLC, AVV Apartments, LLC, The Barkalow LLC, Ballston East Four GP LLC, Ballston West Nine GP LLC, Buchanan Gardens II, LLC, Gilliam Place, LLC, Gilliam Retail LLC, Marbella Development LLC, Oakwood North Four Development LLC, and Oakwood South Nine Development LLC are single member Limited Liability Companies which are not recognized for federal income tax purposes. APAH Commercial LLC, APAH Oakwood LLC, APAH Sterling 4 LLC, APAH Sterling 9 LLC, APAH Snowden, LLC, APAH Westover LLC, The Barkalow LLC, Ballston East Four GP LLC, Ballston West Nine GP LLC, Buchanan Gardens II, LLC, Gilliam Place LLC, Gilliam Retail LLC, Oakwood North Four Development LLC, and Oakwood South Nine Development LLC's activities are reported on APAH's income tax return. AVV Apartments LLC, Marbella Development LLC, and Post East Four Development Corporation's activities are reported on Rosslyn Ridge Development Corporation's tax return.

Columbia Grove, Inc. is a corporation and accounts for income taxes using the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying and tax basis of assets and liabilities. A valuation allowance is recorded if, based upon the evidence available, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Columbia Grove, Inc. evaluates its uncertain tax positions in accordance with the applicable guidance. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. The

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

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amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Income tax returns filed by Columbia Grove, Inc. are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2016 remain open.

Arlington Mill Limited Partnership, APAH Snowden Limited Partnership, APAH Westover Apartments Limited Partnership, Ballston East Four Limited Partnership, Ballston West Nine Limited Partnership, Buchanan Gardens Limited Partnership, Calvert Manor Limited Partnership, Columbia Grove Apartments Limited Partnership, Columbia Hills East Limited Partnership, Columbia Hills West Limited Partnership, Courthouse Crossings Limited Partnership, Fisher House Limited Partnership, Gilliam Place East Limited Partnership, Gilliam Place West Limited Partnership, Lorcom Arms Limited Partnership, Oakwood North Four Limited Partnership, Oakwood South Nine Limited Partnership, Post East Four Limited Partnership, Post West Nine Limited Partnership, Queens North Four Limited Partnership, Queens South Nine Limited Partnership, Rosslyn Ridge Apartments Limited Partnership, North Pierce Associates Limited Partnership, and The Springs Apartments Limited Partnership have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by their owners on their respective income tax returns. The Limited Partnerships' federal tax statuses as pass-through entities are based on their legal status as partnerships. Accordingly, the Limited Partnerships are not required to take any tax positions in order to qualify as a pass-through entity. The Limited Partnerships are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes for the Limited Partnerships and they have no other tax positions which must be considered for disclosure. Income tax returns filed by the Limited Partnerships are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2016 remain open.

Cash equivalents

APAH and its subsidiaries consider money market funds and all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Noncontrolling interest in limited partnerships and limited liability company

This amount represents the aggregate balances of the Limited Partner or Noncontrolling Member's equity interests in the nonwholly-owned limited partnerships and limited liability companies, respectively, that are included in unrestricted noncontrolling net assets in the consolidated financial statements. The net loss of the limited partnerships and limited liability company attributable to the noncontrolling interest is reflected under unrestricted net assets attributable to noncontrolling interest on the statement of activities. Contributions and syndication costs attributable to the noncontrolling interest, if any, are reflected in the statement of changes in net assets.

Intangibles

In connection with the business combination during a prior year, AVV Apartments, LLC allocated a portion of the total purchase price of the property acquisition to an intangible asset, in-place leases. The in-place leases in the amount of \$485,801 are amortized over the average tenancy of 7.5 years. During 2019, amortization expense was \$64,773, and accumulated amortization was \$377,843 as of December 31, 2019. Estimated amortization expense for each of the ensuing years through December 31, 2021 is \$64,773 and \$43,185, respectively.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

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In connection with an asset acquisition during the year ended December 31, 2019, APAH Snowden Limited Partnership allocated a portion of the total purchase price of the property acquisition to an intangible asset, in-place leases. The in-place leases in the amount of \$44,207 are amortized over a period of one year. During 2019, amortization expense was \$20,411, and accumulated amortization was \$20,411 as of December 31, 2019. Estimated amortization expense for 2020 is \$23,796.

Development fees

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, as units are delivered or based on the external construction costs incurred as a percentage of the total external construction costs expected, and concluding with the application for final allocation of tax credits. Any portion of the development fee not expected to be paid using contributions from the equity partner, such as out of cash flow from operations, represents variable consideration.

Management 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.
- APAH's experience with similar types of agreements.
- Whether APAH 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 project's estimate of the variable consideration using available information at the reporting date.

Advertising

Advertising costs are expensed as incurred.

Derivative instruments

On June 21, 2017, Gilliam Place East Limited Partnership entered into an interest rate cap agreement effective July 1, 2017, to manage the interest rate risk on its variable interest rate loan and carries its derivative instrument at fair value as either assets or liabilities on the consolidated balance sheet. The accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether the partnership has designated it as a hedging instrument, whether it qualifies as part of a hedging relationship, and on the type of hedging relationship. The

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

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partnership has not designated any of its derivative activities as hedging instruments and, therefore, the partnership recognizes the gain or loss associated with the change in the fair value in current earnings during the period of the change. At December 31, 2019, the fair value of the interest rate cap was \$0.

On April 12, 2019, Queens South Nine Limited Partnership entered into an interest rate cap agreement effective June 1, 2019, to manage the interest rate risk on its variable interest rate loan and carries its derivative instrument at fair value as either assets or liabilities on the consolidated balance sheet. The accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether the partnership has designated it as a hedging instrument, whether it qualifies as part of a hedging relationship, and on the type of hedging relationship. The partnership has not designated any of its derivative activities as hedging instruments and, therefore, the partnership recognizes the gain or loss associated with the change in the fair value in current earnings during the period of the change. At December 31, 2019, the fair value of the interest rate cap was \$0.

Fair value measures

The accounting guidance for fair value measurement and disclosure establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are inputs that the market participants would use in pricing the asset or liability based on market data obtained from sources independent of APAH. Unobservable inputs are inputs that reflect APAH's assumptions that the assumed market participants would use in pricing the asset or liability based on the best information available under the circumstances. The hierarchy is measured in three levels based on the reliability of inputs:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the assets or liability.
- Level 3 - Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes private portfolio investments that are supported by little or no market activity.

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2019.

Derivative instrument - On a recurring basis, APAH will measure derivative instruments at their estimated fair values. In determining the fair value of the derivative instruments, APAH will use the present value of expected cash flows based on market observable interest rate yield curve commensurate with the term of the instrument. APAH will incorporate credit valuation adjustments to appropriately reflect the partnerships nonperformance risk and that of the respective counterparty

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

in the fair value measurement. The credit valuation adjustments utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by either the respective counterparty or the partnerships. However, the impact of the credit valuation adjustments is not expected to be significant to the overall valuation of the derivative instruments. As a result, the fair values of the derivative instruments will be considered to be based primarily on Level 2 inputs. As of December 31, 2019, the fair value of the interest rate cap for Gilliam Place East Limited Partnership and Queens South Nine Limited Partnership was \$0 and \$0, respectively.

Change in accounting principles

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* in May 2014, providing new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers reflect the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. APAH and its subsidiaries early adopted the new revenue recognition guidance as of January 1, 2019 using the modified retrospective method of transition for all contracts that were not completed as of that date. APAH and its subsidiaries' revenue for reporting periods ending after December 31, 2018 are presented under the new guidance. APAH and its subsidiaries have not experienced significant changes to the pattern of revenue recognition for its contracts, the identification of contracts and performance obligations or the measurement of variable consideration. The net cumulative adjustment of adopting the new revenue recognition guidance was a \$2,717,005 increase to consolidated net assets as of January 1, 2019, of which \$1,415,488 related to the year ended December 31, 2018. This adjustment related to development fee.

In November 2016, FASB issued Accounting Standards Update 2016-8 *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its consolidated statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents, and restricted cash between the consolidated statement of financial position and the consolidated statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended December 31, 2019. Consequently, ending cash, cash equivalents, and restricted cash as of December 31, 2018 was increased from \$15,685,609 to \$21,992,091.

During the year ended December 31, 2019, the Company adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transaction and determining whether a contribution is conditional. The Company adopted the provisions of ASU 2018-08 on January 1, 2019 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. There is no effect on consolidated net assets in connection with the implementation of ASU 2018-08.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

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Note 2 - Liquidity and availability

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

Cash and cash equivalents - unrestricted	\$ 17,061,365
Grants and pledges receivable	354,789
Accounts receivable	532,601
Development fee receivable - affiliate	<u>5,674,016</u>
Total financial assets	23,622,771
Less amounts not available to be used within one year	
Amounts restricted by donor with time or purpose restrictions	<u>(2,322,077)</u>
Financial assets available to meet general expenditures over the next twelve months:	<u>\$ 21,300,694</u>

Additionally, APAH has access to undrawn lines of credit amounting to \$7,271,000 which can be drawn upon at the discretion of management for operating and development needs (see Note 3).

APAH and its subsidiaries 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, APAH and its subsidiaries operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. APAH and its subsidiaries has various sources of liquidity at its disposal including cash, a steady revenue stream from rental revenue from its properties and developer fees.

Note 3 - Notes and mortgages payable

Arlington Partnership for Affordable Housing ("APAH")

On August 2, 2016, APAH (the "Borrower"), entered into a Loan Agreement with Atlantic Union Bank in the original amount of \$5,000,000. On November 8, 2018, APAH executed a First Amendment to Loan Agreement with Atlantic Union Bank to increase the original amount to \$10,000,000. Pursuant to the terms of the First Amendment to Loan Agreement, the loan proceeds may be advanced as either working capital up to \$2,000,000 or nonworking capital up to \$10,000,000, as defined in the Loan Agreement, but may not exceed \$10,000,000. The Barkalow LLC and APAH Commercial LLC, collectively are the Guarantors. As a condition to the loan, the Borrower funded an account with the lender in the amount of \$1,000,000, as additional security for the lender. The account is required to maintain a minimum balance of \$1,000,000 for the duration of the loan agreement. The Borrower shall maintain a minimum Debt Service Coverage Ratio of not less than 1.0. The Debt Service Coverage Ratio shall be measured annually upon receipt of the audited financial statements of APAH by the lender. The loan bears interest at a fluctuating rate per annum of 0.4% above the daily Wall Street Journal Prime Rate, as defined, and is due in full upon maturity on September 30, 2023.

On June 22, 2017, in conjunction with the Gilliam Place East Limited Partnership closing, a letter of credit in the amount of \$2,229,000 was executed against the line of credit. On December 15, 2017, in conjunction with the APAH Westover Apartments Limited Partnership closing, a letter of credit in the amount of \$500,000 was executed against the line of credit. In June 2020, VHDA released the letters of credit (see Note 18).

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

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At December 31, 2019, the remaining maximum credit amount available of the loan with Atlantic Union Bank is \$7,271,000. During 2019, interest charged to operations was \$9,521 and consists of amortization of debt issuance costs.

Debt issuance costs, net of accumulated amortization, totaled \$36,681 as of December 31, 2019 and are related to the above note. Debt issuance costs on the above note are being amortized using an imputed rate of 4.82%.

On June 2, 2016, APAH entered into an Affordable Housing Program Agreement in the original amount of \$500,000 with the Federal Home Loan Bank of Atlanta. The proceeds from the note were loaned to Columbia Hills East Limited Partnership under a separate promissory note further described below. The loan is noninterest-bearing. The Note shall be deemed satisfied upon the expiration of 15 years of operations of the project as more fully defined in the AHP Regulations and Recapture Agreement. At December 31, 2019, the outstanding principal balance amounted to \$500,000.

On October 31, 2018, APAH entered into an Affordable Housing Program Agreement in the original amount of \$500,000 with the Federal Home Loan Bank of Atlanta. The proceeds from the note are to be loaned to Queens South Nine Limited Partnership under a separate promissory note further described below. The loan is noninterest-bearing. The Note shall be deemed satisfied upon the expiration of 15 years of operations of the project as more fully defined in the AHP Regulations and Recapture Agreement. At December 31, 2019, no proceeds have been received.

On May 28, 2019, APAH entered into an Affordable Housing Program Agreement in the original amount of \$500,000 with the Federal Home Loan Bank of Atlanta. The proceeds from the note were loaned to Gilliam Place East Limited Partnership under a separate promissory note further described below. Beginning November 22, 2019, the loan bears interest at a rate of 8%, compounding annually. During the year ended December 31, 2019, interest expense amounted to \$23,890. At December 31, 2019, the outstanding principal balance and accrued interest amounted to \$500,000 and \$23,890, respectively.

On April 9, 2019, in conjunction with the Queens North Four Limited Partnership, APAH entered into a commercial loan agreement with the Bank of Charles Town in the amount of \$5,900,000. The interest rate on the note shall be 7.5% per annum through the maturity date of October 9, 2021. The Bank of Charles Town issued a letter of credit to VHDA in the amount of \$5,900,000 on behalf of the partnership. As of December 31, 2019, no proceeds have been advanced on the note. The letter of credit is secured by cash of \$5,953,377, which is included in restricted cash on the consolidated statement of financial position.

APAH Snowden Limited Partnership

On July 12, 2019, the partnership entered into a credit line deed of trust note with Atlantic Union Bank in the amount of \$16,000,000. The note is secured by a deed of trust on the rental property, the assignment of leases and rents, and a security agreement. Commencing on August 12, 2019, monthly interest-only payments of 5% per annum shall be made. The note matures on July 12, 2022, at which time the outstanding principal balance, together with all accrued interest, shall be due and payable in full. During the year ended December 31, 2019, proceeds totaling \$16,000,000 were received. As of December 31, 2019, outstanding principal and accrued interest thereon totaled \$16,000,000 and \$26,667, respectively. During the year ended December 31, 2019, interest expense totaled \$366,667.

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The partnership shall curtail the loan on June 30 and December 31, each year of the loan, with curtailment payments due on July 31 and January 31, respectively. The curtailment payment shall be 75% of Borrower's net cash flow during the previous six-month period, in excess of the combined interest loan payments made to the lender and Montgomery County. The lender may extend the December 31 curtailment upon notice to Borrower.

As more fully described in the Loan Agreement, the partnership has debt service coverage requirements. For the fiscal year ending December 31, 2019 (calculated not later than September 15, 2020) and for each fiscal year ending on December 31 thereafter, the Borrower and any Guarantor shall maintain a minimum Debt Service Coverage Ratio of not less than 1.10 to 1.00. The Debt Service Coverage Ratio shall be measured annually upon receipt of the audited financial statements. The Debt Service Coverage Ratio shall be calculated by dividing the earnings before interest, taxes, depreciation and amortization ("EBITDA") of Borrower, Guarantor, and all of Guarantor's subsidiary entities (together, the "APAH Entities"), by all interest payments to the lender under this loan.

Debt issuance costs, net of accumulated amortization, totaled \$105,943 as of December 31, 2019 and are related to the first mortgage. Amortization of debt issuance costs totaled \$17,007 for the year ended December 31, 2019, and is included in interest expense on the statement of operations. Debt issuance costs on the above note are being amortized using an imputed rate of 6.1%.

On July 12, 2019, the partnership entered into a second deed of trust note with Montgomery County, Maryland (the "County") in the amount of \$1,250,000, from proceeds of the County's Housing Initiative Fund ("HIF"). In connection with the note, the partnership entered into a Regulatory Agreement with Montgomery County, Maryland whereby restricting the affordability of the project. The project shall be operated and maintained within an 87-unit residential facility, 84 units must be affordable to households earning no more than 60% of AMI and the other 3 units will be unrestricted, except as regulated by the Borrower's Section 8 HAP contract. Commencing on November 1, 2019, monthly interest-only payments of 3% per annum shall be made. The note matures on July 11, 2022, at which time the entire unpaid principal balance is due in full, and is secured by the deed of trust. During the year ended December 31, 2019, proceeds totaling \$1,250,000 were received. As of December 31, 2019, outstanding principal and accrued interest thereon totaled \$1,250,000 and \$3,125, respectively. During the year ended December 31, 2019, interest expense totaled \$11,458, including amortization of debt issuance costs in the amount of \$2,083.

Debt issuance costs, net of accumulated amortization, totaled \$10,417 as of December 31, 2019 and are related to the HIF note. Amortization of debt issuance costs totaled \$2,083 for the year ended December 31, 2019, and is included in interest expense on the statement of operations. Debt issuance costs on the above note are being amortized using an imputed rate of 3.4%.

On July 12, 2019, the partnership entered into a third deed of trust note with the County in the amount of \$1,500,000, from proceeds of the County's allocation of Community Development Block Grant ("CDBG") funds. In connection with the note, the Partnership entered into a Regulatory Agreement with Montgomery County, Maryland whereby restricting the affordability of the project. The Project shall be operated and maintained within an 87-unit residential facility, 84 units must be affordable to households earning no more than 60% of AMI and the other 3 units will be unrestricted, except as regulated by the Borrower's Section 8 HAP contract. Commencing on November 1, 2019, monthly interest-only payments of 1% per annum shall be made. The note matures on July 11, 2022, at which time the entire unpaid principal balance is due in full, and is secured by the deed of trust. During the year ended December 31, 2019, proceeds totaling

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\$1,500,000 were received. As of December 31, 2019, outstanding principal and accrued interest thereon totaled \$1,500,000 and \$1,250, respectively. During the year ended December 31, 2019, interest expense totaled \$6,250, including amortization of debt issuance costs in the amount of \$2,500.

Debt issuance costs, net of accumulated amortization, totaled \$12,500 as of December 31, 2019 and are related to the CDBG mortgage. Amortization of debt issuance costs totaled \$2,500 for the year ended December 31, 2019, and is included in interest expense on the statement of operations. Debt issuance costs on the above note are being amortized using an imputed rate of 3.4%.

APAH Westover, LLC

On February 9, 2017, the County Board of Arlington County, Virginia, provided financing from the AHIF program in the original amount of \$10,998,494, of which loan proceeds of \$10,573,982 were advanced to APAH Westover, LLC. The note was secured by a deed of trust, and matured on August 1, 2018. The note bore interest at a rate of 1% per annum. Beginning June 1, 2018, 50% of residual receipts from the previous calendar year shall be paid by APAH Westover, LLC in arrears as an annual payment on the outstanding principal and accrued interest on the note. In conjunction with the closing on December 19, 2017, the loan with County Board of Arlington County, Virginia, was amended and restated. A payment of \$4,323,871 was made on the outstanding principal and accrued interest. Following the payment, the outstanding balance on the loan amounted to \$6,261,710. The amended and restated loan bears interest at 0.43% and is secured by the Amended and Restated AHIF Deed of Trust. No payments shall be due until June 1, 2019, at which time payments will be made from the disbursements of residual receipts. Pursuant to the Loan Agreement, APAH Westover, LLC shall disburse an amount equal to the residual receipts from the previous calendar year received from APAH Westover Apartments Limited Partnership on the outstanding principal and accrued interest. If residual receipts are insufficient, then payments are deferred with interest accruing. The loan matures on December 1, 2049, at which time all principal and interest shall be paid in full. As of December 31, 2019, the outstanding principal balance and accrued interest was \$6,261,710 and \$54,859, respectively. During 2019, interest charged to operations totaled \$27,045.

APAH Westover Apartments Limited Partnership

On December 19, 2017, the partnership entered into a mortgage note with the Virginia Housing Development Authority ("VHDA") in the original amount of \$6,530,000. Commencing December 19, 2017, the note bears interest at a rate of 2.659% per annum through February 13, 2019, and thereafter bears interest at a rate of 3.095% per annum. Interest-only is due through May 19, 2019, after which monthly payments of principal and interest are due through the maturity date, December 19, 2047. The mortgage is secured by a first deed of trust and an assignment of leases and rents on the rental property and holds the first priority lien on the property. During 2019, the partnership received proceeds on the loan totaling \$4,917,231 and made a principal payment of \$100,250. As of December 31, 2019, outstanding principal and accrued interest totaled \$6,429,750 and \$16,248, respectively. During 2019, interest incurred totaled \$156,187, of which \$1,435 was capitalized to the rental property and \$154,752 was charged to operations, which includes amortization of debt issuance costs of \$6,498.

Debt issuance costs, net of accumulated amortization, totaled \$191,485 as of December 31, 2019 and are related to the first mortgage. Debt issuance costs in the above note are being amortized using an imputed rate of 3.095%.

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On December 19, 2017, the partnership entered into a Gap Loan Deed of Trust Note with VHDA in the original amount of \$5,500,000. Commencing December 19, 2017, the note is secured by a deed of trust. The interest rate on the note is 2.81% per annum and interest only is payable on the first day of each month until the maturity date, December 1, 2019, at which time all outstanding principal plus accrued interest shall be due and payable. On November 25, 2019, the Partnership entered into an Amendment to the Gap Loan Deed of Trust Note with VHDA extending the maturity date to March 1, 2020. On February 21, 2020, the partnership entered into a second amendment to the Gap Loan Deed of Trust Note with VHDA extending the maturity date to April 1, 2020. On March 17, 2020, the partnership entered into a third amendment to the Gap Loan Deed of Trust Note with VHDA extending the maturity date to May 1, 2020. On April 30, 2020, the Gap loan was repaid (see Note 18). As of December 31, 2019, outstanding principal and accrued interest totaled \$5,500,000 and \$12,879, respectively. During the year ended December 31, 2019, interest incurred amounted to \$193,082, of which \$168,839 of interest was expensed (which includes amortization of debt issuance costs of \$33,731 and \$24,243 was capitalized to the rental property).

Debt issuance costs, net of accumulated amortization, totaled \$21,269 as of December 31, 2019 and are related to the Gap Loan. Debt issuance costs in the above note are being amortized using an imputed rate of 2.81%.

On December 19, 2017, the County Board of Arlington County, Virginia, provided subordinated financing from the Affordable Housing Investment Fund ("AHIF") program in the original amount of \$4,323,871. The note is noninterest-bearing and is secured by the AHIF deed of trust and is junior in lien priority to the VHDA permanent loan. No payments shall be due until June 1, 2019, at which time payments will be made from the disbursements of residual receipts as defined in the loan agreement. Cost savings shall be shared between the County Board and the borrower. The County Board shall receive 50% and the borrower shall receive 50% of the excess proceeds. The County Board shall apply 100% of its remitted excess proceeds toward payment on the outstanding balance of the AHIF loan. Excess proceeds shall not be distributed until the VHDA Gap Loan has been fully repaid. Beginning June 1, 2019, the borrower shall disburse to the lender five percent (5%) of residual receipts from the previous calendar year as an annual payment on the outstanding principal balance. If residual receipts are insufficient, then payments are deferred. The loan matures on December 1, 2049, at which time all principal shall be paid in full. As of December 31, 2019, the outstanding principal balance was \$4,323,871.

On December 19, 2017, the partnership entered into a sponsor loan agreement with APAH in the amount of \$1,007,600, with a maturity date of December 19, 2050. The loan is secured by a deed of trust and is recorded as a subordinate lien against the Property. Interest shall accrue at a rate of 2.6% per annum, compounding annually. Commencing May 1, 2020, principal and interest shall be due and payable annually from distributions of available Cash Flow, as defined in the Partnership Agreement. The loan may also be paid from capital proceeds, as defined in the Partnership Agreement. During the year ended December 31, 2019, the partnership received loan proceeds totaling \$751,079. During the year ended December 31, 2019, interest of \$5,948 was incurred. As of December 31, 2019, the outstanding principal balance and accrued interest was \$753,332 and \$5,948, respectively. The note is eliminated in consolidation (see Note 6).

Arlington Mill Limited Partnership

On August 29, 2012, the partnership entered into a mortgage note with the VHDA in the original amount of \$8,870,000. The note bore interest at a rate of 2.746% through August 1, 2014, and thereafter bears interest at a rate of 5.532%. Interest-only was due through October 1, 2014, after which monthly payments of principal and interest are due through maturity on October 1, 2044. The mortgage is secured by a first deed of trust and an assignment of leases and rents on the rental

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property. The partnership is required under agreements with VHDA to make monthly escrow deposits for taxes, insurance and replacement of project assets, and is subject to restrictions as to operating policies, rental charges, operating expenditures and distributions to partners. During the year ended December 31, 2019, interest incurred on the note was \$470,206, including \$13,213 of amortization expense related to the debt issuance costs. Accrued interest payable at December 31, 2019 was \$40,802. As of December 31, 2019, the outstanding principal balance was \$8,179,234.

Debt issuance costs, net of accumulated amortization, totaled \$285,147 as of December 31, 2019 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 5.91%.

AVV Apartments, LLC

VHDA has provided financing to AVV Apartments, LLC in the form of an \$8,420,000 Deed of Trust Note. The note bears interest at the rate of 4.868% per annum. Beginning in April 2014, monthly principal and interest payments in the amount of \$44,524 are payable through the maturity date, March 1, 2044. The note is secured by a deed of trust and an assignment of leases and rents on the property. As of December 31, 2019, outstanding principal amounted to \$7,596,490. Accrued interest outstanding at December 31, 2019 totaled \$30,816. During 2019, interest charged to operations on the note totaled \$377,793, including \$6,697 of amortization expense related to the debt issuance costs.

Debt issuance costs, net of accumulated amortization, totaled \$127,699 as of December 31, 2019 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 5.04%.

The County Board of Arlington County, Virginia provided a note to AVV Apartments, LLC under the AHIF program in the original amount of \$4,502,199. Interest accrues on outstanding principal at a rate of 2% per annum, compounded annually as defined in the loan agreement. At December 31, 2019, \$1,350,000 has not been disbursed to the Borrower, which will be used to fund the Long Term Capital Improvement Reserve for capital expenditures approved by the lender as defined in the agreement. Interest will not accrue on any County AHIF Loan proceeds used to fund the Long Term Capital Improvement Reserve until proceeds to fund such reserve are disbursed to the Borrower. Any loan proceeds not disbursed by February 28, 2034 will be returned to the County. Beginning June 1, 2015, annual payments are required on the note from residual receipts. On or before June 1, 2015 and each subsequent year ending June 1, 2029, 25% of the residual receipts from the previous calendar year shall be paid by the Borrower in arrears as an annual payment on the outstanding principal and accrued interest on the AHIF note. During the year ended December 31, 2019, \$35,976 was paid from 2018 surplus cash and applied to accrued interest. Beginning June 1, 2030 and subsequent years, 37.5% of the residual receipts from the previous calendar year shall be applied as the annual payment on the outstanding principal balance and accrued interest on the AHIF Note. If residual receipts are insufficient, then payments are deferred with interest accruing. The loan matures on February 28, 2044, at which time all principal and interest shall be paid in full. The outstanding principal balance and accrued interest thereon at December 31, 2019 is \$3,152,199 and \$240,041, respectively. During 2019, interest charged to operations on the note totaled \$66,779.

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The County Board of Arlington County, Virginia provided a note to AVV Apartments, LLC under the HOME Investment Partnership ("HOME") program in the original amount of \$2,800,000. The note is noninterest-bearing. The outstanding principal balance is due on February 28, 2044, the maturity date. The outstanding principal balance at December 31, 2019 is \$2,800,000.

The County Board of Arlington County, Virginia has provided a note to AVV Apartments, LLC under the Community Development Block Grant ("CDBG") program in the original amount of \$1,000,000. The note bears interest at a rate of 2% per annum, compounded annually. Beginning June 1, 2015, annual payments are required on the note from residual receipts. On or before June 1, 2015 and each subsequent year ending June 1, 2029, 25% of the residual receipts from the previous calendar year shall be paid by the Borrower in arrears as an annual payment on the outstanding principal and accrued interest on the note. During the year ended December 31, 2019, a payment in the amount of \$35,976 was made from 2018 surplus cash, of which \$16,583 was applied to principal and \$19,393 was applied to accrued interest, respectively. Beginning June 1, 2030 and for subsequent years, 37.5% of the residual receipts from the previous calendar year shall be applied as the annual payment on the outstanding principal balance and accrued interest on the note. If residual receipts are insufficient, then payments are deferred with interest accruing. The loan matures on February 28, 2044, the maturity date, at which time all principal and interest shall be paid in full. The outstanding principal balance and accrued interest thereon at December 31, 2019 is \$964,075 and \$11,992, respectively. During 2019, interest charged to operations on the note totaled \$19,403.

Buchanan Gardens Limited Partnership

On April 30, 2013, the partnership entered into a mortgage note with the VHDA in the original amount of \$7,690,000. The note bears interest at a rate of 6.383%. Beginning June 1, 2013, monthly payments of principal and interest in the amount of \$48,016 are due through maturity on May 1, 2043. The mortgage is secured by a first deed of trust and an assignment of leases and rents on the rental property. In accordance with the mortgage note, the partnership has agreed not to pay the outstanding mortgage note or any part thereof prior to the prepayment date which is 10 years after the date of the note or April 30, 2023. Subsequent to the prepayment date, the partnership shall have the right to prepay the mortgage note subject to a prepayment fee, as defined in the mortgage note. As of December 31, 2019, the outstanding principal balance and accrued interest payable was \$6,993,994 and \$37,202, respectively. During 2019, interest charged to operations was \$453,449, including amortization of debt issuance costs of \$3,312.

Debt issuance costs, net of accumulated amortization, totaled \$65,947 as of December 31, 2019 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 6.50%.

The County Board of Arlington County, Virginia has provided subordinated financing in the form of an AHIF loan dated April 25, 2011 in the original amount of \$11,712,603. The note bears interest at a rate of 2% per annum, compounded annually. The note is secured by a deed of trust. Annual payments are due no later than April 30th of each year beginning no later than April 30, 2014, from the disbursement of residual receipts pursuant to the loan agreement. The Borrower shall disburse to the lender fifty percent (50%) of all residual receipts generated by the property from the previous calendar year as annual payments on the outstanding principal balance and accrued interest thereon. If residual receipts are insufficient, then payments are deferred with interest accruing. The loan matures on May 1, 2046, at which time all principal and interest shall be paid in full regardless of the amount of net residual receipts in earlier years. During 2019, a payment in the amount of \$113,611 was made from 2018 residual receipts and applied to accrued interest. The note was recorded by the partnership at its fair value in the amount of \$8,784,570 at April 25, 2011. The fair

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value of the debt does not represent the value for which the debt could be settled with the lender. The fair value adjustment is accreted over the remaining term of the note using the effective yield method. The outstanding principal balance and accrued interest on the loan at face value at December 31, 2019 was \$11,712,603 and \$1,091,231, respectively. The carrying value, including accrued interest of \$1,270,564, was \$10,055,134. During 2019, interest charged to operations was \$279,015, which includes the accretion of fair value catchup adjustment of \$27,260.

Calvert Manor Limited Partnership

On November 7, 2013, the partnership entered into a deed of trust note in the amount of \$2,225,143, payable to VHDA. The note bears interest at a rate of 3.309% per annum and is payable in monthly installments of principal and interest based upon a 30-year amortization schedule and matures on June 1, 2044. Beginning on June 14, 2014, the partnership began paying interest-only at the permanent financing interest rate of 3.309%. Commencing in April 2015, the partnership converted the loan from construction financing to permanent financing and began paying monthly installments of principal and interest. At December 31, 2019, the outstanding principal and accrued interest thereon totaled \$1,963,471 and \$587, respectively. During 2019, interest charged to operations amounted to \$67,925, including \$2,032 of amortization expense related to the debt issuance costs.

Debt issuance costs, net of accumulated amortization, totaled \$32,797 as of December 31, 2019 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 3.47%.

The partnership entered into a deed of trust note, dated September 24, 1997, in the amount of \$500,000, payable to Arlington County, Virginia, under the Housing Fund Contingent/Home Program Agreement. This loan is subordinate to the VHDA Note. The note bears interest at the rate of 4.00%, and was payable from cash flow in annual installments beginning September 24, 1999, in a fixed amount of \$28,915 to the extent of residual receipts as defined in the Agreement. Per the First Amendment to the Housing Fund Contingent/Home Program Agreement entered into on October 31, 2013, the partnership shall begin making annual payments of outstanding principal and interest on or before September 24, 2015, consisting of 50% of the residual receipts from the previous calendar year. The note matures on September 24, 2027. During the year ended December 31, 2019, a payment in the amount of \$11,538 was made from 2018 residual receipts and applied to accrued interest. As of December 31, 2019, the outstanding principal balance and accrued interest were \$415,573 and \$117,128, respectively. During 2019, interest charged to operations amounted to \$20,461.

Cameron Commons Limited Liability Company

On July 3, 2008, Cameron Commons, LLC assumed a VHDA deed of trust note with a principal balance of \$1,424,577, dated May 23, 2006, in connection with the contribution of Cameron Commons Apartments (see Note 4). The note bore interest at the rate of 4.05% and required 300 equal payments of principal and interest of \$7,959 through maturity in June 2031. Upon receipt of capital contributions from Doorways Cameron, LLC, the VHDA loan principal balance was paid down in the amount of \$243,287 on July 3, 2008, \$200,000 in December 2009 and \$320,160 in February 2011. The note was modified in March 2011 after the February 2011 principal payment. The note bears interest at the rate of 4.05% and requires 282 monthly installments of principal and interest of \$3,351 until maturity on July 1, 2033. Under agreements with VHDA, the Corporation is required to make monthly escrow deposits for taxes, insurance and replacement of project assets. The mortgage is secured by a deed of trust and an assignment of leases and rents on the property. As of December 31, 2019, the outstanding principal balance and accrued interest were \$419,573 and \$1,770, respectively. During 2019, interest incurred on the note was \$18,385, including \$891 of amortization expense related to the debt issuance costs.

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Debt issuance costs, net of accumulated amortization, totaled \$9,605 as of December 31, 2019 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 4.59%.

On July 3, 2008, Cameron Commons, LLC assumed a Virginia Community Capital, Inc. \$25,000 promissory note dated December 9, 2003, secured by the rental property, in connection with the contribution of Cameron Commons Apartments (see Note 4). This note is noninterest-bearing unless an event of default, as defined in the promissory note, occurs. Principal-only payments of \$83 are payable monthly commencing February 1, 2004 and continuing until fully paid. The loan matures on the earlier of the maturity date of any permanent financing on the property, January 1, 2029, or upon transfer, sale or conveyance of the property. As of December 31, 2019, the outstanding principal balance was \$9,082.

On July 3, 2008, Cameron Commons, LLC assumed a Virginia Foundation for Housing Preservation \$25,000 grant agreement, dated December 9, 2003, in connection with the contribution of Cameron Commons Apartments (see Note 4). The grant requires no payments of principal or interest unless an event of default, as defined in the grant agreement, occurs. The grant will be forgiven in November 2028 if the foundation determines that the proceeds of the grant have been applied in compliance with the grant agreement. The grant is secured by the rental property. As of December 31, 2019, the \$25,000 grant balance is included in notes payable.

On July 3, 2008, Cameron Commons, LLC assumed subordinated financing by The County Board of Arlington County, Virginia in the form of a County Loan in the amount of \$242,000, a Bridge Loan in the amount of \$197,000 and an Additional County Loan in the amount of \$609,000 in connection with the contribution of Cameron Commons Apartments (see Note 4). The notes bore interest at a rate of 3.5% per annum, compounded annually. The County Loan was payable in 30 annual principal and interest payments of \$13,158. The first payment on the County Loan was due June 1, 2002, in an amount equal to the accrued interest-only on the County Loan for the period August 1, 2001 through December 31, 2001. The first principal and interest payment of \$13,158 was due June 1, 2003. The annual principal and interest payments are to be made from residual receipts (as defined in the note). If residual receipts are insufficient, then payments can be deferred with interest accruing. The County Loan matures on June 1, 2032, at which time all principal and interest shall be paid in full regardless of the amount of net residual receipts in earlier years. The entire amount of the Bridge Loan including accrued interest is due on June 1, 2032. The Additional County Loan is payable to the extent of residual receipts. The first payment on the Additional County Loan was due June 1, 2004. If residual receipts are insufficient, then payments can be deferred with interest accruing. The Additional County loan matures on June 1, 2033, at which time all principal and interest shall be paid in full regardless of the amount of net residual receipts in earlier years. The loans are secured by a second deed of trust. In March 2016, the Arlington County Board reduced the interest rate on the Cameron Commons Arlington County loan. The interest rate was reduced from 3.5% to 1.5% per annum, compounded annually, and applied retroactively, with an effective date of January 1, 2015 and accrued interest of \$30,403 was forgiven. During the year ended December 31, 2019, a payment in the amount of \$25,783 was applied to accrued interest. As of December 31, 2019, the outstanding principal balance and accrued interest were \$1,048,000 and \$504,285, respectively. During 2019, interest incurred on the note was \$23,131.

Columbia Grove Apartments Limited Partnership

VHDA has provided financing to the partnership in the form of a \$14,755,000 deed of trust note dated October 28, 2008. The note bears interest at the rate of 7.403%. Interest-only payments are payable in monthly installments for the first 14 months following the date of this agreement. Beginning June 1, 2010, monthly principal and interest payments in the amount of \$98,464 are

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payable through maturity in May 2045. The mortgage is secured by a deed of trust and an assignment of leases and rents on the property. As of December 31, 2019, the outstanding principal balance and accrued interest were \$13,515,019 and \$83,376, respectively. During 2019, interest on the note was \$1,014,455, including \$7,956 of amortization expense related to the debt issuance costs.

Debt issuance costs, net of accumulated amortization, totaled \$195,243 as of December 31, 2019 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 7.78%.

On October 30, 2008, the partnership assumed subordinated financing in the form of an AHIF/HOME and CDBG loan provided by The County Board of Arlington County, Virginia. The note is secured by a deed of trust. The assumed debt included a principal balance of \$4,649,720 and accrued interest of \$903,721. The note bears interest at a rate of 4% per annum, compounded annually. Annual payments are payable commencing June 1, 2009, in the amount of 50% of residual receipts for each calendar year through the maturity date. If residual receipts are insufficient, then payments can be deferred with interest accruing. The loan matures on June 1, 2033, at which time all principal and interest shall be paid in full regardless of the amount of net residual receipts in earlier years. During 2019, a payment in the amount of \$192,379 was made from residual receipts and applied to accrued interest. The note, including accrued interest, was recorded by the partnership at its fair value in the amount of \$1,400,000 at October 30, 2008. The fair value of the debt does not represent the value for which the debt could be settled with the lender. The fair value adjustment is accreted over the remaining term of the note using the effective yield method. The outstanding balance and accrued interest on the loan at face value at December 31, 2019 was \$4,649,720 and \$2,207,582, respectively. The carrying value, including accrued interest of \$627,525, was \$2,027,525 at December 31, 2019. During 2019, interest charged to operations was \$208,722, which includes the accretion of fair value catch up adjustment of \$62,420.

The County Board of Arlington County, Virginia has provided subordinated financing in the form of an AHIF loan dated October 28, 2008 in the amount of \$3,000,000 to the partnership. The note bears interest at a rate of 2% per annum, compounded annually. The note is secured by a deed of trust. No payments shall be due on this loan until the existing AHIF/Home and CDBG loan has been paid in full. Once the existing loan is paid off, annual installments are payable beginning May 1st following the first operating year after the payoff of the existing loan and in an amount equal to 50% of the previous year's residual receipts through the maturity date. If residual receipts are insufficient, then payments are deferred with interest accruing. The loan matures on May 1, 2044, at which time all principal and interest shall be paid in full regardless of the amount of net residual receipts in earlier years. As of December 31, 2019, the outstanding principal balance and accrued interest were \$3,000,000 and \$743,425, respectively. During 2019, interest charged to operations was \$73,404.

Columbia Hills East Limited Partnership

On June 2, 2016, the partnership entered into a construction to permanent loan agreement with VHDA in the original amount of \$7,861,492. The note is secured by a deed of trust. The interest rate on the note shall be 2.689% per annum during the construction period. The loan converted to permanent financing on October 3, 2019. After conversion to permanent financing, the interest rate on the note increased to 4.171%. Monthly estimated principal and interest payments of \$38,365 began accruing on January 1, 2019, with the January through November 2019 payments submitted at loan conversion. The maturity date of the note is December 1, 2048, at which time the full amount of outstanding principal and accrued interest is due in full. During 2019, proceeds in the

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amount of \$747,238 were received on the loan. At December 31, 2019, outstanding principal and accrued interest amounted to \$7,727,112 and \$26,858, respectively. During 2019, interest charged to operations amounted to \$318,182, which includes amortization of debt issuance costs of \$12,752.receipts.

Debt issuance costs net of accumulated amortization totaled \$315,568 as of December 31, 2019 and are related to the first mortgage. Debt issuance costs in the above note are amortized using an imputed interest rate of 4.50%.

On June 2, 2016, the County Board of Arlington County, Virginia, provided subordinated financing from the AHIF in the amount of \$7,706,429. The note bears interest at 1.40% per annum, commencing on June 1, 2023. The note is secured by the AHIF deed of trust. No payments shall be due until June 1, 2019, at which time payments will be made from the disbursements of residual receipts. Pursuant to the Loan Agreement, the Borrower shall disburse forty-five percent (45%) of the residual receipts from the previous calendar year as an annual payment on the outstanding principal and accrued interest. If residual receipts are insufficient, then payments are deferred with interest accruing. The loan matures on June 1, 2046, at which time all principal and interest shall be paid in full. As of December 31, 2019, the outstanding balance was \$7,706,429.

On June 2, 2016, the partnership entered into a sponsor loan agreement with APAH in the amount of \$289,741. The note is eliminated in consolidation (see Note 6).

On June 2, 2016, APAH entered into an Affordable Housing Program Agreement whereby the Federal Home Loan Bank of Atlanta provided a loan in the original amount of \$500,000. APAH and the partnership have executed a promissory note on June 2, 2016, to disburse the proceeds to be received from the Federal Home Loan Bank of Atlanta to be used to fund hard construction costs related to the project. The note is noninterest-bearing and shall be deemed satisfied upon the expiration of 15 years of operation of the project as more fully defined in the AHP Regulations and Recapture Agreement. At December 31, 2019, the outstanding principal balance amounted to \$500,000 and is eliminated in consolidation.

On June 2, 2016, the partnership entered into a commitment for a deferred loan with the Virginia Housing Trust Fund ("VHTF") for an amount of \$750,000. The interest rate on the loan shall be 1.5% per annum, which requires monthly interest-only payments. The loan matures after 20 years, at which time the project may extend for an additional 10 years; however, VHTF will agree to forgive one tenth of the outstanding principal balance and any deferred accumulated interest associated with the original deferred loan upon each annual anniversary of the completion of the VHTF affordability period, as defined in the commitment letter. During the year ended December 31, 2019, the Partnership received proceeds of \$750,000. Interest incurred on the loan amounted to \$2,593. The outstanding principal balance and accrued interest amounted to \$750,000 and \$937, respectively.

Columbia Hills West Limited Partnership

On June 2, 2016, the partnership entered into a construction to permanent loan agreement with VHDA in the original amount of \$12,450,000. The note is secured by a deed of trust. The interest rate on the note is 3.644% per annum. The loan converted to permanent financing on October 3, 2019. Monthly estimated principal and interest payments of \$56,912 began accruing on January 1, 2019 with the January through November 2019 payments submitted at loan conversion. The maturity date of the note is December 1, 2048, at which time the full amount of outstanding principal and accrued interest is due in full. During 2019, proceeds in the amount of \$3,111,269 were received on the loan. At December 31, 2019, outstanding principal and accrued interest amounted

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to \$12,216,871 and \$37,099, respectively. During 2019, interest charged to operations amounted to \$400,087, which includes amortization of debt issuance costs of \$16,386.

Debt issuance costs, net of accumulated amortization, totaled \$364,371 as of December 31, 2019 and are related to the VHDA construction to permanent loan. Debt issuance costs in the above note are being amortized using an imputed interest rate of 3.89%.

On June 2, 2016, The County Board of Arlington County, Virginia, provided subordinated financing from the AHIF in the amount of \$10,786,665. The note bears interest at 1.40% per annum, commencing on June 1, 2023. The note is secured by the AHIF deed of trust. No payments shall be due until June 1, 2019, at which time payments will be made from the disbursements of residual receipts. Pursuant to the loan agreement, the borrower shall disburse fifty-five percent (55%) of the residual receipts from the previous calendar year as an annual payment on the outstanding principal and accrued interest. If residual receipts are insufficient, then payments are deferred with interest accruing. The loan matures on June 1, 2046 at which time all principal and interest shall be paid in full. As of December 31, 2019, the outstanding balance was \$10,786,665.

On June 2, 2016, the partnership entered into a sponsor loan agreement with APAH in the amount of \$10,046,401, of which \$3,500,000 funded the acquisition costs, with a maturity date of June 2, 2049. Interest shall accrue at a rate of 1.0% per annum, compounding annually beginning June 2, 2018. Beginning in 2019, principal and interest shall be due and payable annually from distributions of available net cash flow in order of priority in accordance with the Amended and Restated Limited Partnership Agreement. The loan may also be paid from capital proceeds, as defined in the Partnership Agreement. During the year ended December 31, 2019, the partnership received loan proceeds totaling \$176,795. During the year ended December 31, 2019, interest of \$92,998 was incurred, of which \$57,895 was charged to operations and \$35,103 was recorded as a component of General Partner equity. As of December 31, 2019, the outstanding principal balance and accrued interest was \$9,293,764 and \$144,997, respectively. The note is eliminated in consolidation (see Note 6).

Courthouse Crossings Limited Partnership

On March 20, 2008, the partnership entered into a mortgage note with the VHDA in the original amount of \$8,600,000. The note bears interest at a rate of 5.847%. Beginning May 1, 2008, monthly payments of principal and interest in the amount of \$48,156 are due through maturity on April 1, 2043. The mortgage is secured by a first deed of trust and an assignment of leases and rents on the rental property. As of December 31, 2019, the outstanding principal balance and accrued interest were \$7,349,070 and \$38,378, respectively. During 2019, interest incurred on the note was \$442,655, including \$8,367 of amortization on the debt issuance costs.

Debt issuance costs, net of accumulated amortization, totaled \$167,237 as of December 31, 2019 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 6.10%.

In connection with the acquisition of the property on June 1, 2006, the partnership assumed an AHIF loan in the amount of \$4,678,635. On October 5, 2006, the partnership entered into a promissory note agreement with Arlington County in the amount of \$9,139,988. This loan agreement includes the assumed loan of \$4,729,988, which includes the accrued loan interest on the assumed loan for the period June 1, 2006 through October 5, 2006, and new loan funds in the amount of \$2,987,000 from Arlington County AHIF funds, and \$1,423,000 from Arlington County HRF funds. The new \$9,139,988 note bears interest at a rate of 4% compounded annually. Annual payments are due equal to 10% of residual receipts for each calendar year beginning with 2013 and

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ending on the earlier to occur of December 31, 2020 or December 31st of the year in which the development fee payable to the developer is paid in full. The development fee payable was paid in

full in 2012. Beginning in 2013, annual installments shall be payable in an amount equal to 50% of residual receipts for each calendar year through 2043. Any unpaid principal and interest are due on May 1, 2044. The note is secured by a deed of trust on the rental property which is subordinate to the VHDA note. During 2019, payments in the amount of \$133,431 were made and applied to accrued interest. As of December 31, 2019, the outstanding principal balance and accrued interest were \$9,139,988 and \$5,305,142, respectively. During 2019, interest charged to operations was \$552,772, including \$1,124 of amortization on debt issuance costs.

Debt issuance costs related to the above note, net of accumulated amortization, totaled \$28,501 as of December 31, 2019. Debt issuance costs on the above note are being amortized using an imputed rate of 4.08%.

Fisher House Limited Partnership

On January 3, 2007, the partnership entered into a mortgage note with the VHDA. The note provided for a maximum principal sum of \$3,295,000 bearing interest at 4.71% through January 2008, at which time the interest rate increased to 4.813%. Interest-only was payable through February 2008. The principal balance of the permanent loan totaled \$2,729,911. Beginning March 1, 2008, monthly payments of principal and interest of \$14,344 are due through maturity on February 1, 2038. The note is secured by a first deed of trust and an assignment of leases and rents on the rental property. As of December 31, 2019, the outstanding principal balance and accrued interest were \$2,075,980 and \$8,878, respectively. During 2019, interest charged to operations was \$106,411, including \$4,646 of amortization expense of debt issuance costs.

Debt issuance costs, net of accumulated amortization, totaled \$51,792 as of December 31, 2019 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 5.18%.

On January 3, 2007, the partnership entered into a mortgage note with Arlington County in the principal amount of \$795,000, which bears interest at a rate of 4%, compounded annually. Payments on the note commence March 31, 2009 in an amount equal to 50% of Residual Receipts, as defined in the promissory note, from the date of completion through December 31, 2008. Subsequent annual payments shall be payable beginning on March 31, 2009, in an amount equal to 50% of Residual Receipts for each calendar year through December 31, 2038. The final payment equal to all unpaid principal and accrued interest is due March 31, 2039. The note is secured by a second deed of trust and an assignment of leases and rents on the rental property. During 2019, a payment of \$20,525 was made from 2018 residual receipts, and applied to accrued interest. As of December 31, 2019, the outstanding principal balance and accrued interest were \$795,000 and \$317,516, respectively. During 2019, interest charged to operations was \$43,145.

Gilliam Place, LLC

In connection with the acquisition of the property on July 28, 2016, the company entered into a promissory note in the original amount of \$8,568,716 to fund the acquisition of Arlington Presbyterian Church ("APC"). The note was noninterest-bearing and was secured by the county deed of trust on the property and was due upon maturity, July 1, 2018. On June 22, 2017, the promissory note was amended and restated. The amended and restated promissory note bears interest at a rate of 1.25% per annum, commencing on July 1, 2019 through maturity, July 1, 2049. The amended and restated promissory note is secured by the Amended and Restated AHIF Deed of Trust conveying the Borrower's interest in the Gilliam Place property, including all improvements

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thereon. No payments shall be due until June 1, 2020, at which time payments will be made from the annual cash flow received pursuant to the Gilliam Place East and West ground leases from the

previous calendar year. During 2019, the company made a \$500,000 payment applied to the principal and interest on the loan, which was made from capitalized ground lease proceeds received from Gilliam Place East Limited Partnership, as described in Note 6. Interest incurred in 2019 amounted to \$53,501. As of December 31, 2019, the outstanding principal balance and accrued interest balance was \$8,118,602 and \$3,614, respectively.

Gilliam Place East Limited Partnership

On June 22, 2017, the partnership entered into a construction loan agreement with Capital One, National Association in the original amount of \$26,068,803. The loan bears interest at the annual rate equal to the London Interbank Offered Rate daily floating rate ("LIBOR") plus 2.25% (3.94113% at December 31, 2019). Commencing on June 22, 2017, and continuing on the first day of each succeeding calendar month thereafter, monthly payments of interest-only are due until the maturity date of October 22, 2019. The entire unpaid principal and accrued interest thereon shall be due and payable on the maturity date. The note is secured by a deed of trust on the property. On October 22, 2019, the Partnership entered into an allonge and amendment to promissory note which extended the maturity date until April 22, 2020. The construction loan was paid off in full on April 17, 2020 (see Note 18). During 2019, proceeds of \$12,966,051 were received on the loan. Interest incurred in 2019 amounted to \$658,417, of which \$298,472 was capitalized to the rental property and \$359,945 was expensed. As of December 31, 2019, the outstanding principal balance and accrued interest was \$23,489,130 and \$79,897, respectively.

Pursuant to a loan agreement with Capital One, National Association, the partnership entered into an interest rate cap agreement, effective July 1, 2017. The interest rate cap will limit the partnership's LIBOR exposure on a notional amount of up to \$26,068,803. At December 31, 2019, the fair value of the interest rate cap was \$0.

Debt issuance costs related to the above note totaled \$639,894 as of December 31, 2019. Amortization of debt issuance costs during the year totaled \$495,695, of which \$439,234 was capitalized to the rental property and \$56,461 was expensed. Debt issuance costs were amortized using the imputed interest rate of 5.02%.

On June 22, 2017, the County Board of Arlington County, Virginia, provided subordinated financing from the AHIF in the amount of \$2,767,953. From July 1, 2017 to June 30, 2019, the loan shall be noninterest-bearing. Beginning on July 1, 2019 and through maturity, the note bears interest at 1.50% per annum, compounding annually. The note is secured by the AHIF deed of trust. No payments shall be due until June 1, 2020, at which time payments will be made from the disbursements of residual receipts. Pursuant to the Loan Agreement, the Borrower shall disburse twenty percent (20%) of the residual receipts from the previous calendar year as an annual payment on the outstanding principal and accrued interest on the AHIF loan and twenty-two percent (22%) of the residential receipts from the previous calendar year to the Ground Lessor as an annual ground lease payment. If residual receipts are insufficient, then payments are deferred with interest accruing. The loan matures on July 1, 2049, at which time all principal and interest shall be paid in full. As of December 31, 2019, the outstanding principal balance and accrued interest was \$2,767,953 and \$20,817, respectively. During 2019, interest totaling \$20,817 was expensed.

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Debt issuance costs related to the above note totaled \$15,995 as of December 31, 2019. Amortization of debt issuance costs during 2019 totaled \$2,250, of which \$1,000 was capitalized to the rental property and \$1,250 was expensed. Debt issuance costs were amortized using the imputed interest rate of 1.52%.

On November 11, 2019, the Partnership entered into a mortgage note with VHDA in the original amount of \$7,874,000. Commencing November 11, 2019, the note bears interest at a rate of 4.877% per annum. The loan matures on November 11, 2049. The mortgage is secured by a deed of trust. As of December 31, 2019, no proceeds on the loan have been received.

Debt issuance costs related to the above note totaled \$266,128 as of December 31, 2019. Amortization of the debt issuance costs will commence upon the loan commencement date. The debt issuance costs on the VHDA loan are included in other assets on the balance sheet.

On May 28, 2019, APAH entered into an Affordable Housing Program Agreement whereby the Federal Home Loan Bank of Atlanta will provide a loan in the original amount of \$500,000. APAH and the partnership have executed a promissory note on June 22, 2019, to disburse the proceeds to be received from the Federal Home Loan Bank of Atlanta to be used to fund hard construction costs related to the project. Principal and interest shall be due and payable annually from distributions of available cash flow, as defined in the Partnership Agreement. The loan is to mature on June 22, 2050, at which time the entire unpaid balance of principal and accrued interest is due. During 2019, proceeds totaling \$500,000 were received. At December 31, 2019, the outstanding principal balance and accrued interest was \$500,000 and \$4,167, respectively, all of which was eliminated in consolidation. During 2019, interest expense totaled \$4,167, all of which was eliminated in consolidation.

On June 22, 2017, APAH entered into a commitment with the Virginia Housing Trust Fund ("VHTF") on behalf of the project for a deferred loan and sponsor loan to the project ("sponsor loan"). The deferred loan shall be the lesser of \$700,000 or an amount, when combined with the amount of the deferred loan and other financing for the development, does not exceed the total development costs, as defined in the Second Amended and Restated Deferred Mortgage Loan Commitment ("the commitment letter"). The interest rate on the deferred loan shall be 1% per annum. The loan is expected to mature after 20 years at which time the project may extend for an additional 10 years where the project must remain affordable, however, VHTF will agree to forgive one tenth of the outstanding principal and any deferred accumulated interest associated with the original deferred loan upon each anniversary of the completion of the VHTF affordability period, as defined in the commitment letter, through May 1, 2050 when the entire debt will be forgiven. As of December 31, 2019, no funds have been advanced on this note.

On June 22, 2017, the partnership entered into a sponsor loan agreement with APAH in the amount of \$1,120,380. As of December 31, 2019, the outstanding balance and accrued interest were \$1,120,380 and \$9,577, respectively. The note is eliminated in consolidation (see Note 6).

Gilliam Place West Limited Partnership

On June 22, 2017, the partnership entered into a construction to permanent loan agreement with VHDA in the aggregate amount of \$6,740,000. The note is secured by a deed of trust. As of December 31, 2018, no proceeds have been received on this note. The interest rate on the loan is 3.096% per annum. Monthly interest-only payments are due on the first day of each month until March 1, 2020, at which time monthly interest and principal payments are due until February 1, 2050, the maturity date. During 2019, proceeds of \$4,922,741 were received on the loan. As of December 31, 2019, the outstanding principal balance and accrued interest was \$4,922,741 and

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\$12,693, respectively. During 2019, interest incurred amount to \$73,929, of which \$24,390 was capitalized to the rental property and \$49,539 was expensed.

Debt issuance costs related to the above note totaled \$110,750. Amortization of debt issuance costs during 2019 totaled \$5,264, of which \$4,341 was capitalized to the rental property and \$923 was expensed. Debt issuance costs were amortized using the imputed interest rate of 3.16%.

On June 22, 2017, the partnership entered into a gap loan deed of trust note with VHDA in the original amount of \$7,430,000. The note is secured by a deed of trust. The interest rate on the note shall be 2.63% per annum, and is payable on the first day of each month until December 22, 2019, the maturity date, at which time all outstanding principal, plus accrued interest shall be due and payable. The note is secured by a deed of trust. On November 25, 2019, the Partnership entered into an agreement and amendment to the promissory note which extended the maturity date until May 1, 2020. The gap loan was paid in full on April 30, 2020 (see Note 18). Proceeds received on the gap loan during the year ended December 31, 2019 totaled \$3,872,072. During the year ended December 31, 2019, interest totaling \$173,569 was incurred, of which \$127,588 was capitalized to the rental property and \$65,136 was expensed. As of December 31, 2019, the outstanding principal balance and accrued interest were \$7,430,000 and \$16,284, respectively.

Debt issuance costs related to the above note totaled \$309,572. Amortization of debt issuance costs during 2019 totaled \$228,659, of which \$197,702 was capitalized to the rental property and \$30,957 was expensed. Debt issuance costs were amortized using the imputed interest rate of 4.29%.

On June 22, 2017, the County Board of Arlington County, Virginia, provided subordinated financing from the AHIF in the amount of \$6,799,795. From July 1, 2017 to June 30, 2019, the loan shall be noninterest-bearing. Beginning on July 1, 2019 and through maturity, the note bears interest at 1.00% per annum, compounding annually. The note is secured by the AHIF deed of trust. No payments shall be due until June 1, 2020, at which time payments will be made from the disbursements of residual receipts. Pursuant to the Loan Agreement, the Borrower shall disburse forty percent (40%) of the residual receipts from the previous calendar year as an annual payment on the outstanding principal and accrued interest on the AHIF loan and twenty-two (22%) of the residential receipts from the previous calendar year to the Ground Lessor as an annual ground lease payment. If residual receipts are insufficient, then payments are deferred with interest accruing. The loan matures on July 1, 2049, at which time all principal and interest shall be paid in full. As of December 31, 2019, the outstanding principal balance and accrued interest were \$6,799,795 and \$34,278, respectively. During the year ended December 31, 2019, interest totaling \$34,278 was expensed.

Debt issuance costs related to the above note totaled \$11,583 as of December 31, 2019. Amortization of debt issuance costs during 2019 totaled \$1,279, of which \$374 was capitalized to the rental property and \$905 was expensed. Debt issuance costs were amortized using the imputed interest rate of 1.01%.

On June 22, 2017, the partnership entered into a loan agreement with APAH in the amount of \$1,674,007. During 2019, proceeds totaling \$339,371 were received on this note. As of December 31, 2019, the outstanding balance and accrued interest were \$1,016,056 and \$1,086, respectively. The note is eliminated in consolidation (see Note 6).

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Lorcom Arms Limited Partnership

The partnership entered into a construction loan payable with Atlantic Union Bank in the original amount up to \$2,600,000 on December 8, 2017. Proceeds from the construction loan were used to pay off the existing VHDA and VHPRF notes and the remaining amount were used to finance the renovation of the improvements located on the property. The note bears interest at a rate of 4.8% per annum. During the initial period (as defined), the note was payable in monthly installments of interest only. The initial period was January 8, 2018 through December 8, 2018. Upon conclusion of the initial period, the remaining balance shall be amortized over twenty years and shall be due and payable in equal monthly installments of principal and interest. The note shall be due and payable in full with accrued interest on June 8, 2028. The note is secured by a credit line deed of trust and assignment of leases and rents. As of December 31, 2019, the outstanding principal and accrued interest were \$2,430,069 and \$7,437, respectively. During the year ended December 31, 2019, the partnership incurred interest totaling \$125,768, including \$5,491 of amortization expense related to debt issuance costs.

Debt issuance costs, net of accumulated amortization, totaled \$46,327 as of December 31, 2019 and are related to the construction loan. Debt issuance costs on the above note are amortized using an imputed rate of 5.021%.

The County Board of Arlington County, Virginia has provided subordinated financing from the Affordable Housing Investment Fund in the form of an \$803,000 promissory note, originally dated April 7, 2000, and amended on January 18, 2002. The note bore interest at the rate of 3.5% per annum, compounded annually, on the outstanding balance of the note. The first payment on the note was due May 1, 2001, in an amount equal to the lesser of residual receipts (as defined in the note) or the amount of accrued interest from inception through May 1, 2001. Twenty-nine annual payments were due and payable, beginning May 1, 2002, in an amount equal to the lesser of Residual Receipts (as defined in the note) or the amount of principal and interest due based on a 30-year amortization. On December 1, 2017, the Partnership entered into the Amended and Restated Affordable Housing Investment Fund Promissory Note, decreasing the interest rate from 3.5% to 1% per annum, compounded annually, on the outstanding balance of the note, commencing January 1, 2017. Annual loan payments are due no later than June 1st of each year, beginning June 1, 2018 until June 1, 2030, in the form of 50% of the previous year's residual receipts. The note matures on June 1, 2031, at which time all principal and interest shall be paid in full regardless of the amount of net residual receipts generated in earlier years. The note is secured by an Affordable Housing Investment Fund Deed of Trust and cash flows from the property. During the year ended December 31, 2019, a payment totaling \$82,915 was made and applied to accrued interest from available residual receipts. As of December 31, 2019, the outstanding principal and accrued interest were \$803,000 and \$528,559, respectively. During the year ended December 31, 2019, interest charged to operations totaled \$14,504, including \$1,008 of amortization expense related to debt issuance costs.

Debt issuance costs, net of accumulated amortization, totaled \$11,505 as of December 31, 2019 and are related to the Arlington County loan. Debt issuance costs on the above note are amortized using an imputed rate of 1.07%.

Marbella Development Limited Liability Company

VHDA has provided financing to the company in the form of a \$10,080,000 deed of trust note. The note bears interest at the rate of 5.738%. Beginning in August 2011, monthly principal and interest payments in the amount of \$55,713 were payable through maturity in July 2046. During a prior year, a payment in the amount of \$552,000 was made and applied to principal from proceeds of grant income. After this payment was applied, the loan was amortized over its remaining term by VHDA.

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Effective November 1, 2013, monthly payments in the amount of \$52,598 are payable through maturity on July 1, 2046. The mortgage is secured by a deed of trust and an assignment of leases and rents on the property. As of December 31, 2019, the outstanding principal balance and accrued interest were \$8,598,173 and \$44,451, respectively. During 2019, interest charged to operations on the note was \$502,211, including \$4,659 of amortization expense related to the debt issuance costs.

Debt issuance costs, net of accumulated amortization, totaled \$112,125 as of December 31, 2019 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 5.86%.

The County Board of Arlington County, Virginia has provided subordinated financing in the form of an AHIF and HOME loan dated June 17, 2011 in the amount of \$4,031,000 to the company. The AHIF/HOME loan was funded with proceeds in the amount of \$1,255,292 from the AHIF loan program and \$2,775,708 from the HOME loan program. The note bears interest at a rate of 2.5% per annum, compounded annually. The note is secured by a deed of trust. Beginning June 1, 2012, annual payments are required on the note from residual receipts. On or before June 1, 2012, 50% of the residual receipts from the previous calendar year shall be paid by the borrower in arrears as an annual payment on the outstanding principal and accrued interest. If residual receipts are insufficient, then payments are deferred with interest accruing. The loan matures on June 1, 2041, at which time all principal and interest shall be paid in full regardless of the amount of net residual receipts in earlier years. During 2019, a payment in the amount of \$128,281 was made from 2018 residual receipts, and was applied to accrued interest. As of December 31, 2019, the outstanding principal balance and accrued interest were \$3,723,150 and \$130,630, respectively. During 2019, interest charged to operations was \$95,167.

Queen's Court Development Corporation

United Bank provided financing in the form of a \$2,300,000 note dated January 26, 2006. The note bore interest at a rate of 6.5% through January 2011. Commencing January 2011, the note bore interest at a rate of 4.51%, the prevailing interest rate plus 250 basis points. The note was payable in monthly principal and interest installments based on a 30-year amortization schedule. On April 9, 2013, the existing mortgage was converted to a secured revolving line of credit in the maximum principal amount of \$3,375,000. The note bore interest at the LIBOR Rate plus 325 basis points and was payable monthly. Principal curtailments were required to be made annually on the anniversary date of the note so that the maximum principal amount outstanding on the first anniversary is \$3,290,000, \$3,200,000 on the second anniversary, \$3,110,000 on the third anniversary, and \$3,015,000 on the fourth anniversary. The entire outstanding principal balance plus accrued interest was due and payable on April 9, 2019. During 2013, APAH contributed cash in the amount of \$500,000 to Queen's Court Development Corporation to repay a portion of the outstanding principal balance. During July 2015, APAH contributed cash in the amount of \$1,560,562 to Queen's Court Development Corporation to repay the remaining principal balance. The line of credit was closed on February 20, 2019.

Queens North Four Limited Partnership

On April 9, 2019, the partnership entered into a construction to permanent loan agreement with VHDA in the aggregate amount of \$19,320,000. The note is secured by a deed of trust. As of December 31, 2019, no proceeds have been received on this note. The interest rate on the loan is 3.159% per annum through September 26, 2021, and thereafter at the rate of 3.425% per annum. Monthly interest-only payments are due on the first of each month beginning March 1, 2022, at which time monthly principal and interest payments are due through the maturity date of February 9, 2057.

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On April 9, 2019, the partnership entered into a gap loan deed of trust note with VHDA in the original amount of \$16,410,000. The note is secured by a deed of trust. The interest rate on the note shall be 2.99% per annum, and is payable on the first day of each month until October 1, 2021, the maturity date, at which time all outstanding principal, plus accrued interest shall be due and payable. During the year ended December 31, 2019, proceeds of \$2,452,791 were received. As of December 31, 2019, the outstanding principal balance was \$2,452,791. During 2019, interest capitalized to construction in progress was \$5,422.

Debt issuance costs, net of accumulated amortization, related to the above note totaled \$93,713 as of December 31, 2019. Amortization of debt issuance costs during 2019 totaled \$116,287, all of which was capitalized to the rental property. Debt issuance costs were amortized using the imputed interest rate of 4.74%.

On April 9, 2019, the County Board of Arlington County, Virginia, provided subordinated financing from the AHIF in the amount of \$8,800,000. From April 9, 2019 through the placed-in service date, but no later than October 1, 2021, the loan shall be noninterest-bearing. Following this date through maturity on October 1, 2056, the note bears interest at 1.25% per annum, compounding annually. No payments shall be due until June 1, 2022, at which time payments will be made from the disbursements of residual receipts pursuant to the loan agreement. As of December 31, 2019, proceeds of \$8,800,000 have been received. As of December 31, 2019, the outstanding principal balance was \$8,800,000.

Debt issuance costs, net of accumulated amortization, related to the above note totaled \$28,893 as of December 31, 2019. Amortization of debt issuance costs during 2019 totaled \$590, all of which was capitalized to the rental property. Debt issuance costs were amortized using the imputed interest rate of 1.26%.

On April 9, 2019, the partnership entered into a loan agreement with APAH in the original amount of \$15,555,000. As of December 31, 2019, proceeds of \$6,663,357 have been advanced under the loan. As of December 31, 2019, the outstanding principal balance was \$6,663,357. The note is eliminated in consolidation (see Note 6).

Queens South Nine Limited Partnership

On April 9, 2019, the partnership entered into a promissory note for a construction loan with Bank of America, N.A. in the original amount of \$26,680,000. The note is secured by a deed of trust. The interest rate on the note shall be equal to the LIBOR Daily Floating Rate for that day plus 225 basis points per annum, and is payable on the first day of each month commencing May 1, 2019 until February 9, 2022, the maturity date, at which time all outstanding principal, plus accrued interest shall be due and payable. During the year ended December 31, 2019, proceeds of \$3,910,192 were received. As of December 31, 2019, the outstanding principal balance was \$3,910,192. During 2019, interest capitalized to construction in progress was \$29,721.

Debt issuance costs, net of accumulated amortization, related to the above note totaled \$253,789 as of December 31, 2019. Amortization of debt issuance costs during 2019 totaled \$139,374, all of which was capitalized to the rental property. Debt issuance costs were amortized using the imputed interest rate of 3.56%.

On April 9, 2019, the County Board of Arlington County, Virginia, provided subordinated financing from the AHIF in the amount of \$7,900,000. From April 9, 2019 through the In-Service Date, as defined, but no later than October 1, 2021, the loan shall be noninterest-bearing. Following this date through the maturity date of October 1, 2056, as defined, the note bears interest at 1.25% per

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Notes to Consolidated Financial Statements December 31, 2019

annum, compounding annually. No payments shall be due until June 1, 2022, at which time payments will be made from the disbursements of residual receipts pursuant to the loan agreement. As of December 31, 2019, proceeds of \$7,900,000 have been received. As of December 31, 2019, the outstanding principal balance was \$7,900,000.

Debt issuance costs, net of accumulated amortization, related to the above note totaled \$25,777 as of December 31, 2019. Amortization of debt issuance costs during 2019 totaled \$706, all of which was capitalized to the rental property. Debt issuance costs were amortized using the imputed interest rate of 1.26%.

On April 9, 2019, the partnership entered into a loan agreement with APAH in the original amount of \$385,000. As of December 31, 2019, proceeds of \$385,000 have been advanced under the loan. As of December 31, 2019, the outstanding principal balance was \$385,000. The note is eliminated in consolidation (see Note 6).

On October 31, 2018, APAH entered into an Affordable Housing Program Agreement whereby the Federal Home Loan Bank of Atlanta will provide a loan in the original amount of \$500,000. APAH and the partnership executed a promissory note on April 9, 2019, to disburse the proceeds to be received from the Federal Home Loan Bank of Atlanta to be used to fund hard construction costs related to the project. Interest shall accrue at the rate of 1.25% compounding annually. Principal and interest shall be due and payable annually from distributions of available cash flow beginning in 2037, as defined in the Partnership Agreement. The loan is to mature on April 9, 2057, at which time the entire unpaid balance of principal and accrued interest is due. As of December 31, 2019, no proceeds have been received on the loan.

On March 9, 2019, the partnership entered into a commitment for a deferred loan with the Virginia Housing Trust Fund ("VHTF") for an amount of \$700,000. The interest rate on the loan shall be 3% per annum, which requires monthly interest-only payments for 20 years. The loan matures after 20 years, at which time the project may extend for an additional 10 years; however, VHTF will agree to forgive the initial outstanding principal balance on a pro-rated annual basis and any deferred accumulated interest associated with the original deferred loan upon each annual anniversary of the completion of the VHTF affordability period, as defined in the commitment letter. As of December 31, 2019, no proceeds have been received on the loan.

Rosslyn Ridge Apartments Limited Partnership

The partnership has a mortgage, collateralized by a deed of trust on the rental property, with VHDA in the original amount of \$46,250,000. On June 14, 2013, the partnership entered into a mortgage loan increase deed of trust note to increase the mortgage loan in the amount of \$3,050,000. Under the agreement, the mortgage loan bears interest at the rate of 5.706% per annum. Beginning July 1, 2013, monthly payments of \$272,327 of principal and interest are due until maturity on March 1, 2044. The liability of the partnership under the mortgage note is the underlying value of the real estate collateral plus other amounts deposited with the lender. In accordance with the mortgage note, the partnership has agreed not to pay the outstanding mortgage note or any part thereof prior to the prepayment date which is 10 years after the date of the note or June 14, 2023. Subsequent to the prepayment date, the partnership shall have the right to prepay the mortgage note subject to a prepayment fee, as defined in the mortgage note. As of December 31, 2019, the outstanding principal balance and accrued interest were \$42,869,470 and \$223,658, respectively. During 2019, interest incurred on the note was \$2,505,937, including \$34,959 of amortization expense of debt issuance costs.

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Debt issuance costs, net of accumulated amortization, totaled \$773,297 as of December 31, 2019 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 5.98%.

The partnership entered into a note payable with Arlington County in the original amount of \$1,800,000. The note bore interest at a rate of 4%, compounded annually, on any outstanding principal. Annual installments were payable in an amount equal to 50% of the previous year's residual receipts through the maturity date. If residual receipts were insufficient, then payments were deferred with interest accruing. On December 20, 2017, the partnership entered into the Amended and Restated Base Loan Promissory Note ("Base Loan"), decreasing the interest rate to 2.5% per annum, compounded annually, on the outstanding balance of the note, commencing January 1, 2017. Annual loan payments are due no later than June 1st of each year, beginning June 1, 2018 in the form of 50% of the previous year's residual receipts. The note matures on June 1, 2037, at which time all principal and interest shall be paid in full regardless of the amount of net residual receipts generated in earlier years. The note is secured by an Original County Deed of Trust and cash flows from the property. During the year ended December 31, 2019, no proceeds on the note were received. There was no payment made in 2019 from available residual receipts at December 31, 2018. At December 31, 2019, the principal balance is \$1,791,444 and accrued interest is \$370,142. During 2019, the partnership incurred interest totaling \$52,802.

The partnership entered into a note payable with Arlington County in the original amount of \$5,230,400. The note bore interest at a rate of 4%, compounded annually, on any outstanding principal. No payments were due on this loan until the existing Arlington County loan with an original amount of \$1,800,000 had been paid in full. Once the existing loan was paid off, annual installments were payable in an amount equal to 50% of the previous year's residual receipts through the maturity date. All outstanding principal and accrued interest was due on April 1, 2037. On December 20, 2017, the partnership entered into the Amended and Restated Density Loan Promissory Note, decreasing the interest rate to 2.5% per annum, compounded annually, on the outstanding balance of the note, commencing January 1, 2017. Once the Base Loan is paid off, annual loan payments are due no later than June 1st of each year, in the form of 50% of the previous year's residual receipts. The note matures on June 1, 2037, at which time all principal and interest shall be paid in full regardless of the amount of net residual receipts generated in earlier years. The note is secured by an Original County Deed of Trust and cash flows from the property. During the year ended December 31, 2019, no proceeds on the note were received. At December 31, 2019, the principal balance is \$5,230,400 and accrued interest is \$3,125,156. During 2019, the partnership incurred interest totaling \$204,966, including amortization of debt issuance costs of \$1,172.

Debt issuance costs, net of accumulated amortization, totaled \$20,461 as of December 31, 2019 and are related to the Amended and Restated Density Loan Promissory Note. Debt issuance costs on the above note are being amortized using an imputed rate of 2.4531%.

The Springs Apartments Limited Partnership

On January 30, 2015, the partnership entered into a construction to permanent loan agreement with VHDA in the original amount of \$8,565,000. The loan bore interest at 2.554% per annum from February 1, 2015 through January 9, 2017, and bears interest at 4.342% per annum from January 9, 2017 through the maturity date of September 1, 2046. Commencing on February 1, 2015, and continuing on the first day of each succeeding calendar month through September 30, 2016, monthly payments of interest-only were due until the maturity date. Commencing on September 30, 2016, and continuing on the first day of each succeeding calendar month, monthly payments of principal and interest are due until the maturity date. The note is secured by the first deed of trust.

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As of December 31, 2019, the outstanding principal balance and accrued interest were \$8,079,805 and \$29,235, respectively. During the year ended December 31, 2019, interest charged to operations was \$366,412, including amortization of debt issuance costs totaling \$12,446.

Debt issuance costs, net of accumulated amortization, totaled \$266,051 as of December 31, 2019 and are related to the first mortgage. Debt issuance costs in the above note are being amortized using an imputed interest rate of 4.342%.

The County Board of Arlington County, Virginia provided subordinated financing in the form of an AHIF loan dated January 30, 2015 in the original amount of \$7,827,700. The note bears interest at a rate of 2% per annum, compounded annually. The note is secured by a deed of trust. Annual payments are due no later than June 1st of each year beginning no later than June 1, 2018, from the disbursement of residual receipts pursuant to the loan agreement. Beginning June 1, 2018, the borrower shall disburse to the lender fifty percent (50%) of all residual receipts generated by the property from the previous calendar year as annual payments on the outstanding principal balance and accrued interest thereon. If residual receipts are insufficient, then payments are deferred with interest accruing. The loan matures on January 1, 2045, at which time all principal and interest shall be paid in full regardless of the amount of net residual receipts in earlier years. During 2019, residual receipts payment on accrued interest totaling \$65,191 were made from 2018 surplus cash. The outstanding principal balance and accrued interest on the loan at December 31, 2019 was \$7,170,648 and \$298,184, respectively. During the year ended December 31, 2019, interest charged to operations totaled \$146,927.

On January 30, 2015, the partnership entered into a promissory note with Bank of America, N.A., for the amount of \$550,000. The note is noninterest-bearing and shall be due in full on January 30, 2033, the maturity date. The note is secured by a Deed of Trust, Assignment of Leases and Security Agreement. Provided no event of default has occurred and is continuing, and provided further that the property is and has during the entire term of the loan been in compliance with the Affordable Land Use Restriction, the principal amount then unpaid and all accrued and unpaid interest, if any, shall be deemed paid in full on the earlier of the maturity date, sale of the property to a bona fide third party not affiliated with the partnership or refinance of the property. As of December 31, 2019, the outstanding principal balance was \$550,000.

Aggregate annual maturities

Aggregate annual maturities of the notes payable for APAH and its subsidiaries for the next five years and thereafter following December 31, 2019 are as follows:

Year ending December 31, 2020	\$	2,880,283
2021		3,041,943
2022		4,700,446
2023		3,367,673
2024		3,543,833
Thereafter		<u>299,807,170</u>
Total		317,341,348
Unamortized debt issuance costs		<u>(3,501,618)</u>
Total	\$	<u><u>313,839,730</u></u>

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Note 4 - Contribution/sale of multifamily rental properties

On July 3, 2008, Cameron Commons Development Corporation contributed Cameron Commons Apartments to Cameron Commons, LLC. The contribution of the property was recorded at a value of \$2,496,971, which equals Cameron Commons Development Corporation's book value at July 3, 2008.

On October 30, 2008, Columbia Grove, Inc. contributed Columbia Grove Apartments to Columbia Grove Apartments Limited Partnership. The contribution of the property was recorded at its fair value of \$19,130,844 at the date of contribution. The excess of the fair value over the book value of the assets contributed in the amount of \$2,041,621 is reflected as a deferred gain by Columbia Grove, Inc. The deferred gain is eliminated in consolidation.

On June 5, 2006, Fisher House Development Corporation contributed Fisher House Apartments to APAH, who contributed the property to FHDC Corporation, who contributed the property to Fisher House Limited Partnership. The contribution of the property was recorded at a value of \$3,041,123, which equals Fisher House Development Corporation's book value of \$1,486,126 plus an additional property contribution made by FHDC Corporation of \$1,555,000. The additional property contribution was eliminated in consolidation.

On December 14, 2006, Rosslyn Ridge Development Corporation contributed the land for Rosslyn Ridge Apartments to APAH Rosslyn Ridge Inc., who contributed the property to North Pierce Associates Limited Partnership, who contributed the property to Rosslyn Ridge Apartments Limited Partnership. The contribution of the property was recorded at a value of \$10,379,899, which equals Rosslyn Ridge Development Corporation's book value of \$4,374,899 plus an additional property contribution made by APAH Rosslyn Ridge Inc. of \$6,000,000. The excess of the fair value over the book value of the assets contributed in the amount of \$6,000,000 is reflected as a deferred gain by APAH Rosslyn Ridge Inc. On June 14, 2013, North Pierce Associates Limited Partnership assigned .0092% of its interest in Rosslyn Ridge Apartments Limited Partnership to the limited partner, which resulted in a reduction of \$5,520,000 on the investment North Pierce Associates Limited Partnership and deferred gain. The deferred gain is eliminated in consolidation.

On April 25, 2011, Buchanan Gardens II, LLC sold Buchanan Gardens Apartments to Buchanan Gardens Limited Partnership. The property was recorded by Buchanan Gardens Limited Partnership at its fair value of \$10,200,000 at the date of sale. The excess of the liabilities repaid over the book value of the assets sold in the amount of \$1,421,838 is reflected as a deferred gain by Buchanan Gardens II, LLC. The deferred gain is eliminated in consolidation.

On February 5, 2015, Carlyn Springs/Foxcroft Terrace Development Corporation sold land to The Springs Apartments Limited Partnership and to APAH for the APAH office condo. Pursuant to accounting guidance and professional standards for acquisitions between entities under common control, the transaction was recorded at the net book value of the land of Carlyn Springs at the date of sale in the amount of \$292,800. The difference of the net purchase price and the net book value of the land that transferred is recorded as a component of equity for The Springs Apartments Limited Partnership and Carlyn Springs/Foxcroft Terrace Development Corporation in the amount of \$4,341,963 and was eliminated in consolidation.

On June 2, 2016, Columbia Grove Apartments Limited Partnership transferred assets comprised of land and site improvements of the project, in connection with the Donation Agreement executed February 1, 2015. The partnership consolidates into APAH and as a result, this is considered to be a transaction between entities under common control. In accordance with the accounting guidance

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under common control, the acquired assets are transferred at their respective net book values at the date of the transfer as reflected on the partnership's books. The difference of the net purchase price and net book value is recorded as a component of equity for Columbia Grove Apartments Limited Partnership in the amount of \$1,131,131 and is eliminated in consolidation. On June 2, 2016, APAH formed a land condominium with two land units and the land units were sold to Columbia Hills East Limited Partnership and Columbia Hills West Limited Partnership for a combined purchase price of \$10,400,000, of which \$5,134,207 was allocated to Columbia Hills East Limited Partnership and \$5,265,793 was allocated to Columbia Hills West Limited Partnership. The acquired assets were transferred at their respective net book values at the date of the transfer. The excess is recorded as a component of equity for Columbia Hills East Limited Partnership in the amount of \$4,575,768 and for Columbia Hills West Limited Partnership in the amount of \$4,693,101 and is eliminated in consolidation.

On December 19, 2017, APAH Westover LLC transferred assets comprised of buildings and site improvements of the project in a transaction with APAH Westover Apartments Limited Partnership. The partnership consolidates into APAH and as a result, this is considered to be a transaction between entities under common control. In accordance with the accounting guidance under common control, the acquired assets are transferred at their respective net book values at the date of the transfer as reflected on the partnership's books. The difference of the net purchase price and net book value is recorded as a component of equity for APAH Westover LLC and APAH Westover Apartments Limited Partnership in the amount of \$1,845,544 and is eliminated in consolidation.

On April 9, 2019, Queen's Court Development Corporation transferred land and site improvements of the project in a transaction with Queens North Four Limited Partnership. The partnership consolidates into APAH and as a result, this is considered to be a transaction between entities under common control. In accordance with the accounting guidance under common control, the acquired assets are transferred at their respective net book values at the date of the transfer as reflected on the partnership's books. The difference of the net purchase price and net book value is recorded as a component of equity for Queen's Court Development Corporation and Queens North Four Limited Partnership in the amount of \$9,302,118 and is eliminated in consolidation.

On April 9, 2019, Queen's Court Development Corporation transferred land and site improvements of the project in a transaction with Queens South Nine Limited Partnership. The partnership

consolidates into APAH and as a result, this is considered to be a transaction between entities under common control. In accordance with the accounting guidance under common control, the acquired assets are transferred at their respective net book values at the date of the transfer as reflected on the partnership's books. The difference of the net purchase price and net book value is recorded as a component of equity for Queen's Court Development Corporation and Queens South Nine Limited Partnership in the amount of \$5,752,882 and is eliminated in consolidation.

Note 5 - Contingent liabilities

APAH Westover Apartments Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of the APAH Westover Apartments Limited Partnership, which received tax credit equity financing for the purpose of developing, constructing, maintaining, operating, leasing, and mortgaging the 68-unit APAH Westover Apartments. APAH jointly and severally guarantees the prompt payment and performance of all of the obligations of the General Partner to the partnership under the Partnership Agreement pursuant to terms further described in the Guaranty Agreement. No payments have been required as a result of these guarantees.

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APAH is obligated by the Partnership Agreement to pay all excess development costs and operating deficits through breakeven operations without reimbursement. In the event that APAH fails to pay any excess development costs, any remaining unpaid installments of the development fee will be applied by the partnership to meet the obligations. As of December 31, 2019, no costs were funded under this guaranty.

Columbia Grove Apartments Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of the Columbia Grove Limited Partnership, which received tax credit equity financing for the purpose of the acquisition and rehabilitation of the 208-unit Columbia Grove Apartments. APAH has made credit delivery guarantees related to the low-income housing tax credits only, with a maximum liability of \$1,400,000. No payments have been required as a result of this guarantee.

Columbia Hills East Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of the Columbia Hills East Limited Partnership, which received tax credit equity financing for the purpose of developing, constructing, maintaining, operating, leasing, and mortgaging the 97-unit Columbia Hills East Apartments. APAH jointly and severally guarantees the prompt payment and performance of all of the obligations of the General Partner to the partnership under the Partnership Agreement pursuant to terms further described in the Guaranty Agreement. No payments have been required as a result of these guarantees.

Upon the later of the Operating Deficit Loan Commencement Date or the Project achieving a debt service ratio of at least 1.15 over the preceding six consecutive calendar months, for a period of 36 months thereafter, APAH shall be obligated to pay all operating deficits of the project limited to an amount not to exceed \$598,416. Any operating deficit loans shall be noninterest-bearing and repaid in accordance with the Partnership Agreement. As of December 31, 2019, no loans have been made under this guaranty.

Columbia Hills West Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of the Columbia Hills West Limited Partnership, which received tax credit equity financing for the purpose of developing, constructing, maintaining, operating, leasing, and mortgaging the 132-unit Columbia Hills West Apartments.

APAH jointly and severally guarantees the prompt payment and performance of all of the obligations of the General Partner to the partnership under the Partnership Agreement pursuant to terms further described in the Guaranty Agreement. No payments have been required as a result of these guarantees.

Upon the later of the Operating Deficit Loan Commencement Date or the Project achieving a debt service ratio of at least 1.15 over the preceding six consecutive calendar months, for a period of 36 months thereafter, APAH shall be obligated to pay all operating deficits of the project limited to an amount not to exceed \$834,284. Any operating deficit loans shall be noninterest-bearing and repaid in accordance with the Partnership Agreement. As of December 31, 2019, no loans have been made under this guaranty.

Courthouse Crossings Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of the Courthouse Crossings Limited Partnership, which received tax credit equity financing for the purpose of the acquisition and rehabilitation of the 112-unit Courthouse Crossings Apartments. APAH has made credit delivery guarantees related to the low-income housing tax credits only with a maximum liability of \$2,850,000. No payments have been required as a result of this guarantee.

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Gilliam Place East Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of the Gilliam Place East Limited Partnership, which received tax credit equity financing for the purpose of developing, constructing, maintaining, operating, leasing, and mortgaging the 83-unit Gilliam Place East Apartments. APAH jointly and severally guarantees the prompt payment and performance of all of the obligations of the General Partner to the partnership under the Partnership Agreement pursuant to terms further described in the Guaranty Agreement. No payments have been required as a result of these guarantees.

APAH has guaranteed completion of the construction activities and guarantees that the project will be placed into service no later than December 31, 2019. APAH guarantees payment of all development costs, as more fully described in the Amended and Restated Partnership Agreement. At December 31, 2019, the project was placed in service, construction was substantially complete, and no costs were funded under this guaranty.

Upon the later of the Operating Deficit Loan Commencement Date or the Project achieving a debt service ratio of at least 1.15 over the preceding six consecutive calendar months, for a period of 36 months thereafter, the General Partner shall be obligated to pay all operating deficits of the project limited to an amount not to exceed \$580,420. Any operating deficit loans shall be noninterest-bearing and repaid in accordance with the Partnership Agreement. As of December 31, 2019, no loans have been made under this guaranty.

On June 22, 2017, APAH entered into a Guaranty of Lease agreement with Gilliam Place East Limited Partnership, whereby APAH guarantees full, complete, and timely base rent payments due to Gilliam Place East Limited Partnership as described in the Commercial Master Lease Agreement (see Note 7).

APAH has guaranteed the full and prompt payment of 100% of the outstanding principal, interest, all sums that may become due and owing under the construction loan and any enforcement costs to Capital One, N.A., as defined. APAH guarantees the prompt, full and complete performance of all obligations under each and every covenant, as more fully described in the loan agreement. As of December 31, 2019, no costs were funded under this guaranty.

Gilliam Place West Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of the Gilliam Place West Limited Partnership, which received tax credit equity financing for the purpose of developing constructing, maintaining, operating, leasing, and mortgaging the 90-unit Gilliam Place West Apartments. APAH jointly and severally guarantees the prompt payment and performance of all of the obligations of the General Partner to the partnership under the Partnership Agreement pursuant to terms further described in the Guaranty Agreement. No payments have been required as a result of these guarantees.

APAH has guaranteed completion of the construction activities and guarantees that the project will be placed into service no later than December 31, 2019. APAH guarantees payment of all development costs, as more fully described in the Partnership Agreement. At December 31, 2019, the project was place in service, construction was substantially complete, and no costs were funded under this guaranty.

Upon the later of the Operating Deficit Loan Commencement Date or the Project achieving a debt service ratio of at least 1.15 over the preceding six consecutive calendar months, for a period of 36 months thereafter, the General Partner shall be obligated to pay all operating deficits of the project

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limited to an amount not to exceed \$518,990. Any operating deficit loans shall be noninterest-bearing and repaid in accordance with the Partnership Agreement. As of December 31, 2019, no loans have been made under this guaranty.

Queens North Four Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of the Queens North Four Limited Partnership, which received tax credit equity financing for the purpose of developing, constructing, maintaining, and operating the 159-unit Queens Court North. APAH jointly and severally guarantees the prompt payment and performance of all of the obligations of the General Partner to the partnership under the Partnership Agreement pursuant to terms further described in the Guaranty Agreement. No payments have been required as a result of these guarantees.

APAH has guaranteed completion of the construction activities and guarantees that the project will be placed into service no later than December 31, 2021. APAH guarantees payment of all development costs, as more fully described in the Amended and Restated Partnership Agreement. At December 31, 2019, the project was under construction.

Upon the later of the Development Obligation Date or the Project achieving a debt service ratio of at least 1.15 for a period of six consecutive calendar months, commencing after final closing, the General Partner shall be obligated to pay all operating deficits of the project limited to an amount not to exceed \$1,128,000. Any operating expense loans shall be noninterest-bearing and repaid in accordance with the Partnership Agreement. As of December 31, 2019, no loans have been made under this guaranty.

Queens South Nine Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of the Queens South Nine Limited Partnership, which received tax credit equity financing for the purpose of developing, constructing, maintaining, and operating the 90-unit Queens Court South. APAH jointly and severally guarantees the prompt payment and performance of all of the obligations of the General Partner to the partnership under the Partnership Agreement pursuant to terms further described in the Guaranty Agreement. No payments have been required as a result of these guarantees.

APAH has guaranteed completion of the construction activities and guarantees that the project will be placed into service no later than December 31, 2021. APAH guarantees payment of all development costs, as more fully described in the Amended and Restated Partnership Agreement. At December 31, 2019, the project was under construction.

Upon the later of the Development Obligation Date or the Project achieving a debt service ratio of at least 1.15 for a period of six consecutive calendar months, commencing after final closing, the General Partner shall be obligated to pay all operating deficits of the project limited to an amount not to exceed \$636,000. Any operating expense loans shall be noninterest-bearing and repaid in accordance with the Partnership Agreement. As of December 31, 2019, no loans have been made under this guaranty.

Rosslyn Ridge Apartments Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of the Rosslyn Ridge Apartments Limited Partnership, which received tax credit equity financing for the purpose of the acquisition and rehabilitation of the 238-unit Parc Rosslyn Apartments. APAH has made operating deficit guarantees related to the low-income housing tax credits. No payments have been required as a result of this guarantee. Rosslyn Ridge Apartments Limited Partnership maintains an operating reserve in the amount of \$780,938 as of December 31, 2019.

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The Springs Apartments Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of The Springs Apartments Limited Partnership, which received tax credit equity financing for the purpose of the acquisition and rehabilitation of the 104-unit Springs Apartments. APAH jointly and severally guarantees the prompt payment and performance of all of the obligations of the General Partner to the partnership under the Partnership Agreement pursuant to terms further described in the Guaranty Agreement. In addition, APAH is obligated to fund operating deficits until 36 months after the later of the operating deficit loan commencement date or the project receiving a debt service coverage ratio of at least 1.15 for each month over the preceding six-month period as defined. APAH has a maximum liability of \$663,858. The partnership maintains an operating deficit reserve in the amount of \$664,003 as of December 31, 2019. No payments have been required as a result of these guarantees.

Note 6 - Related party transactions

On May 31, 2006, Courthouse Crossings Limited Partnership entered into a deed of trust note with APAH in the amount of \$2,600,000. The note bears interest at a rate of 5% compounded annually. The note is secured by a third deed of trust on the rental property. Payments of principal and interest are due from net cash flow, as defined in the partnership agreement. The entire unpaid principal and interest balance is due on May 31, 2047. Payments made in 2019 in the amount of \$145,103 were made from surplus cash and applied to accrued interest. During 2019, interest charged to operations on the note was \$144,825, which was eliminated in these consolidated financial statements. The outstanding principal and accrued interest on the note at December 31, 2019, which was eliminated in these consolidated financial statements, was \$2,600,000 and \$332,121, respectively.

During 2010, Calvert Manor Limited Partnership entered into a promissory note with APAH in the amount of \$78,584. The note bears interest at a rate of 3.88% per annum, compounded annually. Payments of principal and interest shall be deferred until the note matures on December 31, 2027. Payments made in 2019 in the amount of \$21,842 were made from surplus cash and applied to accrued interest. During 2019, interest charged to operations on the note was \$4,030, which was eliminated in these consolidated financial statements. The outstanding principal and accrued interest on the note at December 31, 2019, which was eliminated in these consolidated financial statements, was \$78,584 and \$7,474, respectively.

On June 2, 2016, Columbia Hills East Limited Partnership entered into a loan agreement with APAH in the amount of \$289,741. The note bears interest at 2.24% per annum, compounding annually. Interest shall accrue on the outstanding balance beginning June 2, 2018. Beginning in 2019, principal and interest shall be due and payable annually from distributions of available net cash flow in order of priority in accordance with the Partnership Agreement. The note matures on June 2, 2049, at which time the entire unpaid balance of the note and accrued interest thereon shall be due in full. During 2019, interest charged to operations amounted to \$6,557, which was eliminated in these consolidated financial statements. The outstanding principal and accrued interest on the note at December 31, 2019, which was eliminated in these consolidated financial statements, was \$289,741 and \$10,344, respectively.

On June 2, 2016, Columbia Hills West Limited Partnership entered into a loan agreement with APAH in the amount of \$10,046,401. The note bears interest at 1.0%, compounding annually. Interest shall accrue on the outstanding balance beginning June 2, 2018. Beginning in 2019, principal and interest shall be due and payable annually from distributions of available net cash flow in order of priority in accordance with the Partnership Agreement. The note matures on June 2, 2049, at which time the entire unpaid balance of the note and accrued interest thereon shall be due

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

in full. During 2019, proceeds of \$176,795 were received. During 2019, interest incurred amounted to \$92,998, of which \$57,895 was charged to operations and eliminated in these consolidated financial statements, and \$35,103 was recorded as a component of General Partner Equity. The outstanding principal and accrued interest on the note at December 31, 2019, which was eliminated in these consolidated financial statements, amounted to \$9,293,764 and \$144,997, respectively.

During a prior year, APAH advanced funds to Columbia Grove Development Corporation in the amount of \$1,749,174. The advances are noninterest-bearing and due on demand. The outstanding advances at December 31, 2019 totaled \$1,749,174, which was eliminated in these consolidated financial statements.

On June 22, 2017, Gilliam Place East Limited Partnership entered into two loan agreements with APAH in the amounts of \$1,120,380 and \$500,000. The notes bear interest at 8.0%, compounding annually. Interest shall accrue on the outstanding balances beginning November 22, 2019. Beginning in 2020, principal and interest shall be due and payable annually from distributions of available net cash flow in order of priority in accordance with the Partnership Agreement. The notes mature on June 22, 2050, at which time the entire unpaid balances of the notes and accrued interest thereon shall be due in full. During 2019, interest incurred on the \$1,120,380 and \$500,000 loans amounted to \$9,577 and \$4,167, respectively, which was eliminated in these consolidated financial statements. As of December 31, 2019, the outstanding principal balances on the \$1,120,380 and \$500,000 loans were \$1,120,380 and \$500,000, respectively, and accrued interest balances were \$9,577 and \$4,167, respectively, and were eliminated in these consolidated financial statements.

On June 22, 2017, Gilliam Place West Limited Partnership entered into a loan agreement with APAH in the amount of \$1,674,007. The note bears interest at 1.0%, compounding annually. Interest shall accrue on the outstanding balance beginning November 22, 2019. Beginning in 2020, principal and interest shall be due and payable annually from distributions of available net cash flow in order of priority in accordance with the Amended and Restated Limited Partnership Agreement. The note matures on June 22, 2050, at which time the entire unpaid balance of the note and

accrued interest thereon shall be due in full. During 2019, interest incurred amounted to \$1,086, which was eliminated in these consolidated financial statements. As of December 31, 2019, the outstanding principal balance and accrued interest was \$1,016,056 and \$1,086, respectively, and was eliminated in these consolidated financial statements.

On December 19, 2017, APAH Westover Apartments Limited Partnership entered into a sponsor loan agreement with APAH in the amount of \$1,007,600. The note bears interest at 2.6%, compounding annually. Beginning in 2020, principal and interest shall be due and payable annually from distributions of available net cash flow in order of priority in accordance with the Partnership Agreement. The note matures on December 19, 2050, at which time the entire unpaid balance of the note and accrued interest thereon shall be due in full. During 2019, proceeds on the sponsor loan totaled \$751,079. During 2019, interest of \$5,948 was incurred, which was eliminated in these consolidated financial statements. As of December 31, 2019, the outstanding principal balance and accrued interest was \$753,332 and \$5,948, respectively, and was eliminated in these consolidated financial statements.

On April 9, 2019, Queens North Four Limited Partnership entered into a loan agreement with APAH in the amount of \$15,555,000. The note bears interest at 3.5%, compounding annually. Interest shall accrue on the outstanding balance beginning October 9, 2021. Beginning in 2021, principal and interest shall be due and payable annually from distributions of available net cash flow in order

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Notes to Consolidated Financial Statements December 31, 2019

of priority in accordance with the Amended and Restated Limited Partnership Agreement. The note matures on April 9, 2057, at which time the entire unpaid balance of the note and accrued interest thereon shall be due in full. During the year ended December 31, 2019, proceeds totaling \$6,663,357 were received. As of December 31, 2019, the outstanding principal balance was \$6,663,357, which was eliminated in these consolidated financial statements.

On April 9, 2019, Queens South Nine Limited Partnership entered into a loan agreement with APAH in the amount of \$385,000. The note bears interest at 3.5%, compounding annually. Interest shall accrue on the outstanding balance beginning October 9, 2021. Beginning in 2021, principal and interest shall be due and payable annually from distributions of available net cash flow in order of priority in accordance with the Amended and Restated Limited Partnership Agreement. The note matures on April 9, 2057, at which time the entire unpaid balance of the note and accrued interest thereon shall be due in full. During the year ended December 31, 2019, proceeds totaling \$385,000 were received. As of December 31, 2019, the outstanding principal balance was \$385,000, which was eliminated in these consolidated financial statements.

Pursuant to a Development Services Agreement, APAH shall earn a development fee in connection with developing Rosslyn Ridge Apartments Limited Partnership. The agreement calls for aggregate fees to APAH of \$7,295,000. The full development fee of \$7,295,000 was capitalized into the rental property as of December 31, 2008. The fee is payable from capital contributions and cash flow. Development fees payable from cash flow of the project are eliminated in these consolidated financial statements.

Pursuant to a Development Fee Agreement, APAH shall earn a development fee in connection with the development of The Springs Apartments Limited Partnership. The agreement calls for aggregate fees to APAH of \$3,250,550. The full development fee was capitalized into the rental property in a prior year. The fee is payable from capital contributions and cash flow. Development fees payable from cash flow of the project are eliminated in these consolidated financial statements.

Pursuant to a Development Services Agreement, APAH shall earn a development fee in connection with the development of Columbia Hills East Limited Partnership. The agreement calls for aggregate fees to APAH of \$3,262,284. The full development fee was incurred and capitalized into the rental property in a prior year. The fee is payable from capital contributions and cash flow. Development fees payable from cash flow of the project are eliminated in these consolidated financial statements.

Pursuant to a Development Services Agreement, APAH shall earn a development fee in connection with the development of Columbia Hills West Limited Partnership. The agreement calls for aggregate fees to APAH of \$4,085,676. The full development fee was incurred and capitalized into the rental property in a prior year. The fee is payable from capital contributions and cash flow. Development fees payable from cash flow of the project are eliminated in these consolidated financial statements.

Pursuant to a Development Services Agreement, APAH shall earn a development fee in connection with the development of Gilliam Place East Limited Partnership. The agreement calls for aggregate fees to APAH of \$2,776,661. As of December 31, 2019, the full development fee was incurred and capitalized into the rental property. The fee is payable from capital contributions and cash flow. Development fees payable from cash flow of the project are eliminated in these consolidated financial statements.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2019

Pursuant to a Development Services Agreement, APAH shall earn a development fee in connection with the development of Gilliam Place West Limited Partnership. The agreement calls for aggregate fees to APAH of \$3,173,106. As of December 31, 2019, the full development fee was incurred and capitalized into the rental property. The fee is payable from capital contributions and cash flow. Development fees payable from cash flow of the project are eliminated in these consolidated financial statements.

Pursuant to a Development Services Agreement, APAH shall earn a development fee in connection with the development of APAH Westover Apartments Limited Partnership. The agreement calls for aggregate fees to APAH of \$3,200,000. The development fee was voluntarily reduced to \$2,910,000 due to development cost overruns. As of December 31, 2019, the full development fee was incurred and capitalized into the rental property. The fee is payable from capital contributions and cash flow. Development fees payable from cash flow of the project are eliminated in these consolidated financial statements.

Pursuant to a Development Services Agreement, APAH shall earn a development fee in connection with the development of Queens North Four Limited Partnership. The agreement calls for aggregate fees to APAH of \$4,000,000. As of December 31, 2019, \$891,113 has been capitalized into the rental property. The fee is payable from capital contributions and cash flow. Development fees payable from cash flow of the project are eliminated in these consolidated financial statements.

Pursuant to a Development Services Agreement, APAH shall earn a development fee in connection with the development of Queens South Nine Limited Partnership. The agreement calls for aggregate fees to APAH of \$3,000,000. As of December 31, 2019, \$670,657 has been capitalized into the rental property. The fee is payable from capital contributions and cash flow. Development fees payable from cash flow of the project are eliminated in these consolidated financial statements.

Development fees incurred as of and for the year ended December 31, 2019 are as follows:

<u>Entity</u>	<u>Development fee income</u>	<u>Development fee receivable</u>	<u>Deferred development fee</u>
Columbia Hills East Limited Partnership	\$ -	\$ 1,304,958	\$ -
Columbia Hills West Limited Partnership	-	2,655,688	-
Rosslyn Ridge Apartments Limited Partnership	-	3,277,321	3,277,321
The Springs Apartments Limited Partnership	5,494	556,390	540,889
Gilliam Place East Limited Partnership	700,797	832,999	-
Gilliam Place West Limited Partnership	934,304	1,688,020	-
APAH Westover Apartments Limited Partnership	578,252	1,318,969	-
Queens South Nine Limited Partnership	1,302,394	402,394	-
Queens North Four Limited Partnership	1,579,223	979,223	-
	<u>5,100,464</u>	<u>13,015,962</u>	<u>3,818,210</u>
Total			
Eliminations	<u>(1,421,156)</u>	<u>(7,341,946)</u>	<u>(3,818,210)</u>
Consolidated balance	<u>\$ 3,679,308</u>	<u>\$ 5,674,016</u>	<u>\$ -</u>

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**Notes to Consolidated Financial Statements
December 31, 2019**

The adoption of ASC 606 affected the following line item in the financial statements:

	As Reported - ASC 606 December 31, 2019	Impact of Adopting ASC 606	As Reported - Prior to ASC 606 December 31, 2019
Development fee income	\$ -	\$ (2,717,005)	\$ 2,717,005

On June 22, 2017, Gilliam Place East Limited Partnership (the "Tenant") entered into a ground lease with Gilliam Place, LLC (the "Landlord"). Pursuant to the terms of the agreement, rent under the ground lease shall be \$197,554, per annum, payable from twenty-two percent (22%) of the Tenant's available cash flow, in accordance with the Partnership Agreement. Beginning on June 22, 2017, interest shall accrue on all unpaid amounts at a rate of 2.68%, compounded annually. The term of the ground lease is 75 years. The partnership shall pay the Landlord a capitalized ground lease payment of \$500,000 upon substantial completion of the project, which will be amortized over the term of the lease using the straight-line method and eliminated in consolidation. During 2019, the partnership made a capitalized ground lease payment to Gilliam Place, LLC totaling \$500,000 which is amortized over the term of the lease. At December 31, 2019, ground lease rent of \$405,823, which includes accrued interest of \$10,715, is payable from the Tenant to the Landlord, and eliminated in consolidation.

On June 22, 2017, Gilliam Place West Limited Partnership (the "Tenant") entered into a ground lease with Gilliam Place, LLC (the "Landlord"). Pursuant to the terms of the agreement, rent under the ground lease shall be \$216,000, per annum, payable from twenty-two percent (22%) of the Tenant's available cash flow. Beginning on June 22, 2017, interest shall accrue on all unpaid amounts at a rate of 2.68%, compounded annually. The term of the ground lease is seventy-five years. At December 31, 2019, ground lease rent of \$443,717, which includes accrued interest of \$11,717, is payable from the Tenant to the Landlord. Amounts recorded on this agreement are eliminated in consolidation.

On December 19, 2017, APAH Westover Apartments Limited Partnership (the "Tenant") entered into a ground lease with APAH Westover, LLC (the "Landlord"). Pursuant to the terms of the agreement, rent under the ground lease shall be \$162,000, per annum, payable from forty-five percent (45%) of annual residual receipts, as defined in the AHIF loan agreement. If there is insufficient cash flows, unpaid rent shall be accrued at an interest rate of 3.25%, compounded annually. The term of the ground lease is seventy-five years. At December 31, 2019, ground lease rent of \$329,251, which includes accrued interest of \$5,251, is payable from the Tenant to the Landlord. Amounts recorded on this agreement are eliminated in consolidation.

Note 7 - Commercial lease

On June 22, 2017, Gilliam Place East Limited Partnership ("Landlord") entered into a Commercial Master Lease Agreement with Gilliam Retail, LLC ("Tenant"). The Landlord leases to the Tenant 8,982 rentable square feet of commercial space. The term of the lease commences on the date of receipt of a temporary certificate of occupancy and continues for a period of fifteen (15) years. The Tenant has the right to renew the lease for up to six, five-year option periods. The Tenant will pay the Landlord base rent amounting to \$56,138 per year which escalates 2% per annum. During the year ended December 31, 2019, retail income totaled \$24,447, and was eliminated in consolidation.

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Notes to Consolidated Financial Statements December 31, 2019

Note 8 - Concentration of credit risk

APAH maintains its cash balances in several accounts in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2019.

Note 9 - Asset management fee income

APAH receives asset management fees, financial oversight fees and incentive management fees from certain of the subsidiary entities which are eliminated in these consolidating financial statements.

Note 10 - Supervised Residential Program Agreements

As part of the Cameron Commons Limited Liability Company Agreement dated June 30, 2009, \$25,000 of the initial contribution by Doorways Cameron LLC is required to be deposited into a tenant reserve account. The funds are to be used to subsidize the rents payable by tenants renting initial Doorways Units, as defined in the agreement. In the event of default under the agreement, Doorways may lose the right to refer residents to the property and to designate units for Doorways. The reserve balance at December 31, 2019 is \$2,730 and is included in restricted cash and cash equivalents.

Note 11 - Restricted cash

A tenant reserve in the amount of \$2,730 is maintained by Cameron Commons, LLC for the purpose outlined in the agreement (see Note 10).

In connection with the APAH Line of Credit, APAH, the guarantor, shall maintain a minimum operating account of at least \$1,000,000 with the lender to be measured quarterly and continuing for the duration of the loan. As of December 31, 2019, the amount maintained in this account was \$1,000,527.

As described in Note 3, the Bank of Charles Town issued a letter of credit to VHDA on behalf of APAH, which is secured by cash of \$5,953,377 as of December 31, 2019.

Note 12 - Retirement plan

Beginning on the first day of employment, employees of APAH may elect to contribute to a 401(k) retirement account. Employees are automatically vested in their own contributions. APAH will match dollar for dollar up to 3% of each employee's salary. Then, APAH will match 50 cents for every dollar up to 5% of each employee's salary. Retirement plan expense for the year ended December 31, 2019 was \$91,611 and is included in salaries expense.

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**Notes to Consolidated Financial Statements
December 31, 2019**

Note 13 - Income taxes - contingency

Deferred income taxes reflect the net tax effects of (i) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (ii) operating and capital losses. Significant components of the deferred tax assets as of December 31, 2019 are:

Net operating loss carryforward	\$	593,896
Valuation allowance		<u>(593,896)</u>
Net deferred tax asset	\$	<u><u>-</u></u>

During 2003, APAH acquired the stock interests of Columbia Grove, Inc. The acquisition resulted in an initial carrying amount of fixed assets for financial reporting purposes of \$17,427,684 and an initial carrying amount of fixed assets for income tax purposes of \$3,362,428. At December 31, 2007, the carrying amount of the fixed assets for financial reporting purposes and income tax purposes is \$17,021,038 and \$2,943,364, respectively. The tax which would be due on the difference in the carrying amount is \$3,800,972. On October 30, 2008, Columbia Grove Inc. contributed Columbia Grove Apartments to Columbia Grove LP. The contribution of Columbia Grove Apartments to the Limited Partnership did not trigger the income tax payment. A sale of Columbia Grove Apartments out of Columbia Grove Apartments Limited Partnership would trigger the income tax. APAH's intent is to continue to own Columbia Grove Apartments in a manner which will not trigger the payment of the income tax.

As of December 31, 2019, Columbia Grove, Inc. had net operating loss carryforwards of approximately \$1,541,500 for income tax purposes. Operating loss carryforwards (carrybacks) of \$1,212,903, \$122,587, \$46,156, \$32,512, \$110,052, \$15,120, \$48, \$48, \$1,118 and \$830 expire in 2023, 2024, 2027, 2028, 2029, 2031, 2032, 2033, 2034 and 2035, respectively.

In a prior year, APAH had no assurance that future taxable income would be sufficient to fully utilize the net operating loss carryforwards in the future. Consequently, APAH determined that a valuation allowance of \$593,896 was necessary at December 31, 2019.

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**Notes to Consolidated Financial Statements
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Note 14 - Net assets with donor restrictions

APAH received the following grants which are included in net assets with donor restrictions at December 31, 2019 for either time restrictions or restrictions related to specific program services:

Grantor	Restriction	2019
Local Initiatives Support Corporation	American Legion	\$ 25,000
Gannett Foundation	Resident services	2,835
Capital One	American Legion	50,000
Washington Forrest Foundation	Resident services	12,895
Washington Forrest Foundation	Community Progress Network	1,251
Enterprise	American Legion	25,000
VHDA Community Impact Grant	American Legion	250,000
Local Initiatives Support Corporation	American Legion	35,000
Local Initiatives Support Corporation	American Legion	30,000
Booz Allen Hamilton	American Legion	25,000
Arlington Community Foundation	American Legion	10,000
Arlington County - AHIF	Resident services	7,352
Arlington County - AHIF	Resident services	6,301
Arlington County - TIF	Arlington Digital Inclusion Initiative	1,071
Arlington Community Foundation	American Legion	10,000
Wells Fargo Foundation	American Legion	200,000
The Morris and Gwendolyn Cafritz Foundation	American Legion	250,000
Various	Backpack drive	267
Various	Holiday gift drive	1,615
Various	Community leaders crisis funding	1,600
Various	Resident services	1,000
Various	Child and education	20,000
Various	Veterans services	7,500
Amazon - Arlington Community Foundation	American Legion	1,000,000
Various	American Legion	348,390
		<u>\$ 2,322,077</u>

Note 15 - Construction contracts

On June 2, 2016, Columbia Hills East Limited Partnership entered into a construction contract with Bozzuto Construction Company, an unrelated party, to perform general contractor services in connection with the construction of Columbia Hills East Apartments. The construction contract amounted to \$24,982,399, including change orders of \$1,156,252. The entire contract was incurred and capitalized to the rental property in a prior year. At December 31, 2019, the construction contract was paid in full.

On June 2, 2016, Columbia Hills West Limited Partnership entered into a construction contract with Bozzuto Construction Company, an unrelated party, to perform general contractor services in connection with the construction of Columbia Hills West Apartments. The construction contract

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Notes to Consolidated Financial Statements December 31, 2019

amounted to \$32,223,909, including change orders of \$1,527,981. The entire contract was incurred and capitalized to the rental property in a prior year. At December 31, 2019, the construction contract was paid in full.

The Springs Apartments Limited Partnership entered into a construction contract with Bozzuto Construction Company, an unrelated party, to perform general contractor services in connection with the construction of The Springs Apartments. The construction contract associated with the residential portion of the building amounted to \$23,575,087, including change orders of \$659,572. The entire contract was incurred and capitalized to the rental property in a prior year. During the year ended December 31, 2019, construction and development costs payable totaling \$108,265 were written off to miscellaneous income in connection with an agreement with the construction contractor, and the remaining construction costs payable of \$103,249 were paid in 2019. At December 31, 2019, the construction contract was paid in full.

On June 1, 2017, Gilliam Place East Limited Partnership entered into a construction contract with Donohoe Construction Company, an unrelated party, to perform general contractor services in connection with the construction of Gilliam Place East Apartments. The construction contract amounted to \$23,989,976, including change orders of \$1,201,937. As of December 31, 2019, the entire contract was incurred and capitalized to the rental property. At December 31, 2019, \$1,290,407 remains payable and is included in construction and development costs payable on the accompanying consolidated statement of financial position.

On June 1, 2017, Gilliam Place West Limited Partnership entered into a construction contract with Donohoe Construction Company, an unrelated party, to perform general contractor services in connection with the construction of Gilliam Place West Apartments. The construction contract amounted to \$17,373,093, including change orders of \$871,409. As of December 31, 2019, the entire contract was incurred and capitalized to the rental property. At December 31, 2019, \$912,371 remains payable and is included in construction and development costs payable on the accompanying consolidated statement of financial position.

APAH Westover Apartments Limited Partnership entered into a construction contract with Whiting-Turner Construction Company, an unrelated party, to perform general contractor services in connection with the construction of the project. The construction contract amounted to \$9,504,978, including change orders of \$2,428,880. As of December 31, 2019, the entire contract was incurred and capitalized to the rental property. At December 31, 2019, the construction contract was paid in full.

On July 24, 2018, Queens South Nine Limited Partnership entered into a construction contract with Donohoe Construction Company, an unrelated party, in connection with the Queens Court - Phase 1 work. The construction contract amounted to \$522,934, including change orders of \$38,379. The entire contract was incurred and capitalized to construction in progress at December 31, 2019. At December 31, 2019, the construction contract was paid in full.

On February 14, 2019, Queens North Four Limited Partnership entered into a construction contract with Donohoe Construction Company, an unrelated party, to perform general contractor services in connection with the construction of the project. The construction contract amounted to \$41,105,806, including change orders of \$369,482, of which \$9,286,160 has been incurred and capitalized to construction in progress at December 31, 2019. At December 31, 2019, \$1,857,495 remains payable and is included in construction and development costs payable on the accompanying consolidated statement of financial position.

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On February 14, 2019, Queens South Nine Limited Partnership entered into a construction contract with Donohoe Construction Company, an unrelated party, to perform general contractor services in connection with the construction of the project. The construction contract amounted to \$23,262,824, including change orders of \$209,101, of which \$5,273,119 has been incurred and capitalized to construction in progress at December 31, 2019. At December 31, 2019, \$1,054,351 remains payable and is included in construction and development costs payable on the accompanying consolidated statement of financial position.

Note 16 - Ground leases (unrelated party)

On August 29, 2012, Arlington Mill Limited Partnership entered into a ground lease with the County Board of Arlington County, Virginia. The lease agreement requires rent of \$1,550,000. The lease term commenced on August 29, 2012 and expires on August 28, 2087, with a 25-year extension option. During 2012, Arlington Mill Limited Partnership prepaid the rent in its entirety. The total lease payment is amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the lessor. The partnership is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. Amortization for the year ended December 31, 2019 amounted to \$20,667, and is included in depreciation and amortization expense on the consolidated statement of functional expenses. Accumulated amortization as of December 31, 2019 is \$130,891 and is included in other assets on the consolidated statement of financial position. Estimated amortization expense for each of the ensuing years through December 31, 2024 is \$20,667.

Note 17 - Consolidated statement of cash flows

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statement of financial position as of December 31, 2019 that sum to the total of the same such amounts in the consolidated statement of cash flows:

Cash and cash equivalents	\$ 24,017,999
Restricted cash	
Residents' security deposits	927,348
Replacement reserves	303,481
Other reserves	<u>6,029,684</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u><u>\$ 31,278,512</u></u>

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the property and replacement reserves and other reserves as required by the entities' Partnership Agreements and Operating Agreements.

Note 18 - Subsequent events

Events that occur after the consolidated statement of financial position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of 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

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Notes to Consolidated Financial Statements December 31, 2019

existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of APAH and Subsidiaries through September 8, 2020 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements, except as described below.

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to APAH and Subsidiaries' financial position, results of operations, and cash flows. APAH and Subsidiaries is not able to reliably estimate the length or severity of this outbreak and the related financial impact.

On January 30, 2020, Post West Nine Limited Partnership entered into an early start construction contract with CBG Building Company, LLC, an unrelated party, to perform general contractor services as documented in the scope of work in connection with the construction of the Post West Nine Apartments. The construction contract amounted to \$277,368.

On March 3, 2020, Post West Nine Limited Partnership entered into a construction contract with CBG Building Company, LLC, an unrelated party, to perform general contractor services in connection with the construction of the Post West Nine Apartments. The construction contract amounted to \$24,433,430.

On March 3, 2020, Post East Four Limited Partnership entered into a construction contract with CBG Building Company, LLC, an unrelated party, to perform general contractor services in connection with the construction of the Post East Four Apartments. The construction contract amounted to \$22,011,104.

On April 17, 2020, Gilliam Place East Limited Partnership paid off its outstanding principal balance on the construction loan in the amount of \$24,084,126 from proceeds of Limited Partner capital contributions, VHDA loan, and VHTF loan.

On April 23, 2020, APAH entered into a loan with MainStreet Bank for a loan totaling \$390,900 pursuant to the terms of the Paycheck Protection Program authorized by the Coronavirus Aid, Relief, and Economic Security Act ("CARES"). The loan bears interest at a fixed rate of 1% per annum, and is interest-only for the initial 6 month period during which interest will accrue. No payments of principal or interest will be required to be made until the end of the 6 month period. After such six-month deferral period and after taking into account any loan forgiveness applicable as more fully described in the Note, the balance of any remaining principal and accrued interest will be due and payable at the end of the second year. The loan matures on April 23, 2022.

On April 30, 2020, APAH Westover Apartments Limited Partnership paid off its outstanding principal balance on the gap loan in the amount of \$5,500,000 from proceeds of Limited Partner and State Limited Partner capital contributions.

On April 30, 2020, Gilliam Place West Limited Partnership paid off its outstanding principal balance on the gap loan in the amount of \$7,430,000 from proceeds of Limited Partner capital contributions, APAH Sponsor loan, and Bond loan.

On May 1, 2020, the County Board of Arlington County, Virginia entered into Limited Waiver Agreements with Buchanan Gardens Limited Partnership, Calvert Manor Limited Partnership,

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**Notes to Consolidated Financial Statements
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Cameron Commons LLC, Columbia Grove Apartments Limited Partnership, Columbia Hills East Limited Partnership, Courthouse Crossings Limited Partnership, Fisher House Limited Partnership, Lorcom Arms Limited Partnership, Marbella Development LLC, and The Springs Apartments Limited Partnership. Per the terms of these agreements, the County Board of Arlington County, Virginia will waive 2020 residual receipts payments on the AHIF loans for the aforementioned entities as long as these funds are expended for purposes of direct rental assistance, operating deficits, or other emergency needs related to the COVID-19 pandemic. In addition, the aforementioned entities shall suspend all late fees and eviction-related actions for non-payment of rent by tenants due to pandemic related loss of income until December 31, 2020.

On May 7, 2020, Post West Nine Limited Partnership and Post East Four Limited Partnership acquired property from an unrelated third party in the amount of \$8,786,150.

On June 25, 2020, APAH entered into a General Partner Administration Agreement with APAH Westover Development Corporation. Beginning January 1, 2020, APAH Westover Development Corporation shall pay APAH a general partner administration fee of \$80,000 per annum.

In June 2020, VHDA released the letters of credit (Note 3) related to the \$2,229,000 Gilliam Place East Limited Partnership closing and \$500,000 APAH Westover Apartments Limited Partnership closing.

Supplementary Information

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2019**

	APA Organization	APA Westover Dev. Corp.	APA Westover, LLC	APA Westover Apartments, LP	APA Rosslyn Ridge, Inc.	APA Snowden, LP	APA Snowden Dev. Corp.	Arlington Mill, LP
Assets								
Cash and cash equivalents, including \$6,956,634 of restricted cash	\$ 17,817,510	\$ -	\$ 13,884	\$ 136,192	\$ -	\$ 139,701	\$ -	\$ 316,365
Grants and pledges receivable	354,789	-	-	-	-	-	-	-
Accounts receivable - residents	-	-	-	12,143	-	7,639	-	4,270
Accounts receivable - other	987,956	-	329,294	5,672	-	1,000	-	-
Development fee receivable	13,015,962	-	-	-	-	-	-	-
Prepaid expenses	484,248	-	-	8,680	-	41,958	-	23,168
Prepaid development fee	-	-	-	-	-	-	-	-
Prepaid ground lease	-	-	-	-	-	-	-	1,419,109
Deposits	2,885	-	-	-	-	-	-	58,734
Mortgage escrow deposits	-	-	-	-	-	-	-	53,425
Replacement and redevelopment reserve	-	-	-	15,300	-	87,078	-	115,833
Other reserves	-	-	-	37,027	-	97,963	-	1,434,248
Property and equipment, net	1,558,964	-	7,585,610	21,237,883	-	19,388,250	-	22,428,250
Construction in progress	4,061,131	-	-	92,881	-	-	-	-
Notes receivable - related party	20,406,315	-	-	-	-	-	-	-
Interest receivable - related party	456,482	-	-	-	-	-	-	-
Funded residents' security deposits	-	-	-	54,215	-	24,599	-	60,665
Investment in Fisher House Limited Partnership	-	-	-	-	-	-	-	-
Investment in Arlington Mill Limited Partnership	427,163	-	-	-	-	-	-	-
Investment in North Pierce Associates	3,268,871	-	-	-	479,242	-	-	-
Investment in Courthouse Crossing Limited Partnership	(1,172)	-	-	-	-	-	-	-
Investment in Calvert Manor Limited Partnership	341,918	-	-	-	-	-	-	-
Investment in Lorcom Arms Limited Partnership	(974,480)	-	-	-	-	-	-	-
Investment in Cameron Commons LLC	-	-	-	-	-	-	-	-
Investment in Columbia Grove Limited Partnership	(93,091)	-	-	-	-	-	-	-
Investment in Columbia Grove Development Corp	(15,930)	-	-	-	-	-	-	-
Investment in Buchanan Gardens, LP	310,820	-	-	-	-	-	-	-
Investment in Buchanan Gardens Development Corp	-	-	-	-	-	-	-	-
Investment in Rosslyn Ridge Development Corp	(257,006)	-	-	-	-	-	-	-
Investment in Marbella Development LLC	-	-	-	-	-	-	-	-
Investment in Barkalow LLC	997,765	-	-	-	-	-	-	-
Investment in Arna Valley	(994,726)	-	-	-	-	-	-	-
Investment in The Springs LP	-	-	-	-	-	-	-	-
Investment in stock	125,000	-	-	-	-	-	-	-
In place leases	-	-	-	-	-	23,796	-	-
Other assets	-	-	-	(15,666)	-	-	-	93,586
Total assets	\$ 62,281,374	\$ -	\$ 7,928,788	\$ 21,584,327	\$ 479,242	\$ 19,811,984	\$ -	\$ 26,007,653

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
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	APA Organization	APA Westover Dev. Corp.	APA Westover, LLC	APA Westover Apartments, LP	APA Rosslyn Ridge, Inc.	APA Snowden, LP	APA Snowden Dev. Corp.	Arlington Mill, LP
<u>Liabilities and Net Assets</u>								
Liabilities								
Accounts payable and accrued expenses	\$ 392,629	\$ -	\$ -	\$ 16,094	\$ -	\$ 28,819	\$ -	\$ 31,841
Accrued interest	23,890	-	54,859	40,326	-	31,042	-	40,802
Related party payable/(receivable)	(5,243,071)	195,934	-	1,074,074	14,819	1,303,502	775	104,964
Development fee payable	-	-	-	1,610,000	-	-	-	-
Deferred development fee	3,818,210	-	-	-	-	-	-	-
Deferred gain	2,600,000	-	-	-	480,000	-	-	-
Prepaid rents	-	-	-	10,057	-	18,830	-	3,738
Residents' security deposits	-	-	-	54,215	-	25,663	-	60,665
Notes payable	963,319	-	6,261,710	16,794,199	-	18,621,140	-	7,894,087
Construction and development costs payable	190,379	-	-	6,650	-	-	-	-
Other liabilities	-	-	-	324,000	-	-	-	-
Total liabilities	2,745,356	195,934	6,316,569	19,929,615	494,819	20,028,996	775	8,136,097
Net assets without donor restrictions								
Unrestricted controlling	57,213,941	(195,934)	1,612,219	1,654,712	(15,577)	(217,012)	(775)	17,871,556
Unrestricted noncontrolling	-	-	-	-	-	-	-	-
Total net assets without donor restrictions	57,213,941	(195,934)	1,612,219	1,654,712	(15,577)	(217,012)	(775)	17,871,556
With donor restrictions	2,322,077	-	-	-	-	-	-	-
Total net assets	59,536,018	(195,934)	1,612,219	1,654,712	(15,577)	(217,012)	(775)	17,871,556
Total liabilities and net assets	\$ 62,281,374	\$ -	\$ 7,928,788	\$ 21,584,327	\$ 479,242	\$ 19,811,984	\$ -	\$ 26,007,653

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
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	Arlington Mill Dev. Corp.	AVV Apartments, LLC	Barkalow, LLC	Buchanan Gardens II, LLC	Buchanan Gardens Dev. Corp.	Buchanan Gardens, LP	Calvert Manor, LP	Cameron Commons Dev. Corp.
<u>Assets</u>								
Cash and cash equivalents, including \$6,956,634 of restricted cash	\$ -	\$ 221,932	\$ 45,386	\$ -	\$ -	\$ 348,247	\$ 38,138	\$ -
Grants and pledges receivable	-	-	-	-	-	-	-	-
Accounts receivable - residents	-	7,800	6,189	-	-	21,165	2,627	-
Accounts receivable - other	-	-	-	-	-	-	-	-
Development fee receivable	-	-	-	-	-	-	-	-
Prepaid expenses	-	18,719	2,161	-	-	21,400	3,916	-
Prepaid development fee	-	-	-	-	-	-	-	-
Prepaid ground lease	-	-	-	-	-	-	-	-
Deposits	-	2,149	-	13,770	-	-	-	-
Mortgage escrow deposits	-	34,063	28,705	-	-	27,357	5,973	-
Replacement and redevelopment reserve	-	379,467	-	-	-	100,914	36,694	-
Other reserves	-	-	-	-	-	658,412	-	-
Property and equipment, net	-	12,949,727	900,841	-	-	22,018,074	2,917,186	-
Construction in progress	-	-	-	-	-	-	-	-
Notes receivable - related party	-	-	-	-	-	-	-	-
Interest receivable - related party	-	-	-	-	-	-	-	-
Funded residents' security deposits	-	44,451	14,275	-	-	84,569	14,156	-
Investment in Fisher House Limited Partnership	-	-	-	-	-	-	-	-
Investment in Arlington Mill Limited Partnership	-	-	-	-	-	-	-	-
Investment in North Pierce Associates	-	-	-	-	-	-	-	-
Investment in Courthouse Crossing Limited Partnership	-	-	-	-	-	-	-	-
Investment in Calvert Manor Limited Partnership	-	-	-	-	-	-	-	-
Investment in Lorcom Arms Limited Partnership	-	-	-	-	-	-	-	-
Investment in Cameron Commons LLC	-	-	-	-	-	-	-	(410,718)
Investment in Columbia Grove Limited Partnership	-	-	-	-	-	-	-	-
Investment in Columbia Grove Development Corp	-	-	-	-	-	-	-	-
Investment in Buchanan Gardens, LP	-	-	-	-	11,647	-	-	-
Investment in Buchanan Gardens Development Corp	-	-	-	-	-	-	-	-
Investment in Rosslyn Ridge Development Corp	-	-	-	-	-	-	-	-
Investment in Marbella Development LLC	-	-	-	-	-	-	-	-
Investment in Barkalow LLC	-	-	-	-	-	-	-	-
Investment in Arna Valley	-	-	-	-	-	-	-	-
Investment in The Springs LP	-	-	-	-	-	-	-	-
Investment in stock	-	-	-	-	-	-	-	-
In place leases	-	107,958	-	-	-	-	-	-
Other assets	-	-	-	-	-	44,893	-	-
Total assets	\$ -	\$ 13,766,266	\$ 997,557	\$ 13,770	\$ 11,647	\$ 23,325,031	\$ 3,018,690	\$ (410,718)

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

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	Arlington Mill Dev. Corp.	AVV Apartments, LLC	Barkalow, LLC	Buchanan Gardens II, LLC	Buchanan Gardens Dev. Corp.	Buchanan Gardens, LP	Calvert Manor, LP	Cameron Commons Dev. Corp.
<u>Liabilities and Net Assets</u>								
Liabilities								
Accounts payable and accrued expenses	\$ -	\$ 26,168	\$ 1,869	\$ -	\$ -	\$ 19,745	\$ 3,648	\$ 800
Accrued interest	-	282,849	-	-	-	1,307,766	125,189	-
Related party receivable/(payables)	35,980	16,746	8,716	8,005	15,194	95,008	182,264	7,375
Development fee payable	-	-	-	-	-	-	-	-
Deferred development fee	-	-	-	-	-	-	-	-
Deferred gain	-	-	-	1,421,838	-	-	-	-
Prepaid rents	-	5,710	4,911	-	-	26,708	5,058	-
Residents' security deposits	-	44,451	13,239	-	-	84,569	14,156	-
Notes payable	-	14,385,065	-	-	-	15,712,617	2,346,247	-
Construction and development costs payable	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	35,980	14,760,989	28,735	1,429,843	15,194	17,246,413	2,676,562	8,175
Net assets without donor restrictions								
Unrestricted controlling	(35,980)	(994,723)	968,822	(1,416,073)	(3,547)	6,078,618	342,128	(418,893)
Unrestricted noncontrolling	-	-	-	-	-	-	-	-
Total net assets without donor restrictions	(35,980)	(994,723)	968,822	(1,416,073)	(3,547)	6,078,618	342,128	(418,893)
With donor restrictions	-	-	-	-	-	-	-	-
Total net assets	(35,980)	(994,723)	968,822	(1,416,073)	(3,547)	6,078,618	342,128	(418,893)
Total liabilities and net assets	\$ -	\$ 13,766,266	\$ 997,557	\$ 13,770	\$ 11,647	\$ 23,325,031	\$ 3,018,690	\$ (410,718)

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
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	Cameron Commons, LLC	Carlyn Springs Dev. Corp.	Columbia Grove Apartments, LP	Columbia Grove Inc.	Columbia Grove Dev. Corp.	Columbia Hills East Dev. Corp.	Columbia Hills East, LP	Columbia Hills West Dev. Corp.
<u>Assets</u>								
Cash and cash equivalents, including \$6,956,634 of restricted cash	\$ 77,428	\$ -	\$ 394,089	\$ 60,010	\$ -	\$ -	\$ 434,596	\$ -
Grants and pledges receivable	-	-	-	-	-	-	-	-
Accounts receivable - residents	925	-	55,037	-	-	-	27,998	-
Accounts receivable - other	-	-	-	-	-	-	-	-
Development fee receivable	-	-	-	-	-	-	-	-
Prepaid expenses	2,571	-	36,454	-	-	-	32,010	-
Prepaid development fee	-	-	-	-	-	-	-	-
Prepaid ground lease	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Mortgage escrow deposits	4,339	-	62,661	-	-	-	50,569	-
Replacement and redevelopment reserve	15,350	-	468,692	-	-	-	126,167	-
Other reserves	-	-	350,000	-	-	-	681,737	-
Property and equipment, net	1,826,042	-	19,218,004	-	-	-	31,945,497	-
Construction in progress	-	-	-	-	-	-	-	-
Notes receivable - related party	-	-	-	-	-	-	-	-
Interest receivable - related party	-	-	-	-	-	-	-	-
Funded residents' security deposits	10,053	-	139,951	-	-	-	51,879	-
Investment in Fisher House Limited Partnership	-	-	-	-	-	-	-	-
Investment in Arlington Mill Limited Partnership	-	-	-	-	-	-	-	-
Investment in North Pierce Associates	-	-	-	-	-	-	-	-
Investment in Courthouse Crossing Limited Partnership	-	-	-	-	-	-	-	-
Investment in Calvert Manor Limited Partnership	-	-	-	-	-	-	-	-
Investment in Lorcom Arms Limited Partnership	-	-	-	-	-	-	-	-
Investment in Cameron Commons LLC	-	-	-	-	-	-	-	-
Investment in Columbia Grove Limited Partnership	-	-	-	394,935	1,656,321	-	-	-
Investment in Columbia Grove Development Corp	-	-	-	-	-	-	-	-
Investment in Buchanan Gardens, LP	-	-	-	-	-	-	-	-
Investment in Buchanan Gardens Development Corp	-	-	-	-	-	-	-	-
Investment in Rosslyn Ridge Development Corp	-	-	-	-	-	-	-	-
Investment in Marbella Development LLC	-	-	-	-	-	-	-	-
Investment in Barkalow LLC	-	-	-	-	-	-	-	-
Investment in Arna Valley	-	-	-	-	-	-	-	-
Investment in The Springs LP	-	-	-	-	-	-	-	-
Investment in stock	-	-	-	-	-	-	-	-
In place leases	-	-	-	-	-	-	-	-
Other assets	-	-	9,358	-	-	-	135,838	-
Total assets	\$ 1,936,708	\$ -	\$ 20,734,246	\$ 454,945	\$ 1,656,321	\$ -	\$ 33,486,291	\$ -

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

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	Cameron Commons, LLC	Carlyn Springs Dev. Corp.	Columbia Grove Apartments, LP	Columbia Grove Inc.	Columbia Grove Dev. Corp.	Columbia Hills East Dev. Corp.	Columbia Hills East, LP	Columbia Hills West Dev. Corp.
<u>Liabilities and Net Assets</u>								
Liabilities								
Accounts payable and accrued expenses	\$ 5,275	\$ -	\$ 35,761	\$ 14,999	\$ -	\$ -	\$ 22,645	\$ -
Accrued interest	506,055	-	1,454,326	-	-	-	38,139	-
Related party receivable/(payables)	12,316	5,519	69,226	32,661	250,245	2,725	95,083	3,025
Development fee payable	-	-	-	-	-	-	1,631,187	-
Deferred development fee	-	-	-	-	-	-	-	-
Deferred gain	-	-	-	2,041,621	-	-	-	-
Prepaid rents	1,416	-	24,721	-	-	-	5,882	-
Residents' security deposits	10,053	-	139,879	-	-	-	51,979	-
Notes payable	1,492,050	-	17,719,776	-	1,749,174	-	16,657,714	-
Construction and development costs payable	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	<u>2,027,165</u>	<u>5,519</u>	<u>19,443,689</u>	<u>2,089,281</u>	<u>1,999,419</u>	<u>2,725</u>	<u>18,502,629</u>	<u>3,025</u>
Net assets without donor restrictions								
Unrestricted controlling	(90,457)	(5,519)	1,290,557	(1,634,336)	(343,098)	(2,725)	14,983,662	(3,025)
Unrestricted noncontrolling	-	-	-	-	-	-	-	-
Total net assets without donor restrictions	<u>(90,457)</u>	<u>(5,519)</u>	<u>1,290,557</u>	<u>(1,634,336)</u>	<u>(343,098)</u>	<u>(2,725)</u>	<u>14,983,662</u>	<u>(3,025)</u>
With donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>(90,457)</u>	<u>(5,519)</u>	<u>1,290,557</u>	<u>(1,634,336)</u>	<u>(343,098)</u>	<u>(2,725)</u>	<u>14,983,662</u>	<u>(3,025)</u>
Total liabilities and net assets	<u>\$ 1,936,708</u>	<u>\$ -</u>	<u>\$ 20,734,246</u>	<u>\$ 454,945</u>	<u>\$ 1,656,321</u>	<u>\$ -</u>	<u>\$ 33,486,291</u>	<u>\$ -</u>

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

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	Columbia Hills West, LP	Courthouse Crossings, LP	Fisher House Dev. Corp.	FHDC Corporation	Fisher House, LP	Gilliam Place, LLC	Gilliam Place East Dev. Corp.	Gilliam Place West Dev. Corp.
<u>Assets</u>								
Cash and cash equivalents, including \$6,956,634 of restricted cash	\$ 352,457	\$ 425,547	\$ -	\$ -	\$ 212,797	\$ 337,635	\$ -	\$ -
Grants and pledges receivable	-	-	-	-	-	-	-	-
Accounts receivable - residents	28,598	35,692	-	-	9,160	-	-	-
Accounts receivable - other	-	-	-	-	72	-	-	-
Development fee receivable	-	-	-	-	-	-	-	-
Prepaid expenses	34,469	20,547	-	-	7,423	3,210	-	-
Prepaid development fee	-	-	-	-	-	-	-	-
Prepaid ground lease	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Mortgage escrow deposits	58,792	26,461	-	-	10,184	-	-	-
Replacement and redevelopment reserve	171,694	133,432	-	-	32,081	-	-	-
Other reserves	89,250	-	-	-	210,013	-	-	-
Property and equipment, net	40,707,544	24,463,517	-	-	6,071,008	8,771,188	-	-
Construction in progress	-	-	-	-	-	-	-	-
Notes receivable - related party	-	-	-	-	-	827,108	-	-
Interest receivable - related party	-	-	-	-	-	22,432	-	-
Funded residents' security deposits	59,277	68,500	-	-	19,684	-	-	-
Investment in Fisher House Limited Partnership	-	-	-	1,224,432	-	-	-	-
Investment in Arlington Mill Limited Partnership	-	-	-	-	-	-	-	-
Investment in North Pierce Associates	-	-	-	-	-	-	-	-
Investment in Courthouse Crossing Limited Partnership	-	-	-	-	-	-	-	-
Investment in Calvert Manor Limited Partnership	-	-	-	-	-	-	-	-
Investment in Lorcom Arms Limited Partnership	-	-	-	-	-	-	-	-
Investment in Cameron Commons LLC	-	-	-	-	-	-	-	-
Investment in Columbia Grove Limited Partnership	-	-	-	-	-	-	-	-
Investment in Columbia Grove Development Corp	-	-	-	-	-	-	-	-
Investment in Buchanan Gardens, LP	-	-	-	-	-	-	-	-
Investment in Buchanan Gardens Development Corp	-	-	-	-	-	-	-	-
Investment in Rosslyn Ridge Development Corp	-	-	-	-	-	-	-	-
Investment in Marbella Development LLC	-	-	-	-	-	-	-	-
Investment in Barkalow LLC	-	-	-	-	-	-	-	-
Investment in Arna Valley	-	-	-	-	-	-	-	-
Investment in The Springs LP	-	-	-	-	-	-	-	-
Investment in stock	-	-	-	-	-	-	-	-
In place leases	-	-	-	-	-	-	-	-
Other assets	89,527	10,748	-	-	2,761	-	-	-
Total assets	\$ 41,591,608	\$ 25,184,444	\$ -	\$ 1,224,432	\$ 6,575,183	\$ 9,961,573	\$ -	\$ -

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
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	Columbia Hills West, LP	Courthouse Crossings, LP	Fisher House Dev. Corp.	FHDC Corporation	Fisher House, LP	Gilliam Place, LLC	Gilliam Place East Dev. Corp.	Gilliam Place West Dev. Corp.
<u>Liabilities and Net Assets</u>								
Liabilities								
Accounts payable and accrued expenses	\$ 18,998	\$ 21,614	\$ 800	\$ -	\$ 10,250	\$ 246	\$ -	\$ -
Accrued interest	127,031	5,675,641	-	-	326,394	3,614	-	-
Related party receivable/(payables)	107,090	6	3,877	4,901	25,666	1,054	2,275	2,275
Development fee payable	3,064,256	-	-	-	-	-	-	-
Deferred development fee	-	-	-	-	-	-	-	-
Deferred gain	-	-	-	1,555,000	-	-	-	-
Prepaid rents	4,290	29,075	-	-	3,053	-	-	-
Residents' security deposits	60,027	68,500	-	-	19,684	-	-	-
Notes payable	28,432,929	18,893,320	-	-	2,819,188	8,118,602	-	-
Construction and development costs payable	-	-	-	-	1,038	-	-	-
Other liabilities	-	-	-	-	-	483,333	-	-
Total liabilities	31,814,621	24,688,156	4,677	1,559,901	3,205,273	8,606,849	2,275	2,275
Net assets without donor restrictions								
Unrestricted controlling	9,776,987	496,288	(4,677)	(335,469)	3,369,910	1,354,724	(2,275)	(2,275)
Unrestricted noncontrolling	-	-	-	-	-	-	-	-
Total net assets without donor restrictions	9,776,987	496,288	(4,677)	(335,469)	3,369,910	1,354,724	(2,275)	(2,275)
With donor restrictions	-	-	-	-	-	-	-	-
Total net assets	9,776,987	496,288	(4,677)	(335,469)	3,369,910	1,354,724	(2,275)	(2,275)
Total liabilities and net assets	\$ 41,591,608	\$ 25,184,444	\$ -	\$ 1,224,432	\$ 6,575,183	\$ 9,961,573	\$ -	\$ -

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
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	Gilliam Retail, LLC	Gilliam Place East, LP	Gilliam Place West, LP	Lorcom Arms, LP	Marbella Development, LLC	Queen's Court Dev. Corp.	Queens North Four LP	Queens North Four Dev. Corp.
<u>Assets</u>								
Cash and cash equivalents, including \$6,956,634 of restricted cash	\$ -	\$ 170,038	\$ 116,443	\$ 62,375	\$ 293,133	\$ -	\$ 123,555	\$ -
Grants and pledges receivable	-	-	-	-	-	-	-	-
Accounts receivable - residents	-	15,562	-	8,043	12,480	-	-	-
Accounts receivable - other	-	-	-	-	-	-	-	-
Development fee receivable	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	7,751	17,258	-	-	-
Prepaid development fee	-	-	-	-	-	-	-	-
Prepaid ground lease	-	(20,041)	(1,753)	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Mortgage escrow deposits	-	-	-	46,158	23,419	-	-	-
Replacement and redevelopment reserve	-	-	-	129,010	124,545	-	-	-
Other reserves	-	-	-	-	-	-	-	-
Property and equipment, net	-	31,471,259	23,386,561	3,010,716	11,701,904	-	237,882	-
Construction in progress	-	-	55,423	-	-	-	15,655,949	-
Notes receivable - related party	-	-	-	-	-	-	-	-
Interest receivable - related party	-	-	-	-	-	-	-	-
Funded residents' security deposits	-	39,013	-	20,757	89,741	-	-	-
Investment in Fisher House Limited Partnership	-	-	-	-	-	-	-	-
Investment in Arlington Mill Limited Partnership	-	-	-	-	-	-	-	-
Investment in North Pierce Associates	-	-	-	-	-	-	-	-
Investment in Courthouse Crossing Limited Partnership	-	-	-	-	-	-	-	-
Investment in Calvert Manor Limited Partnership	-	-	-	-	-	-	-	-
Investment in Lorcom Arms Limited Partnership	-	-	-	-	-	-	-	-
Investment in Cameron Commons LLC	-	-	-	-	-	-	-	-
Investment in Columbia Grove Limited Partnership	-	-	-	-	-	-	-	-
Investment in Columbia Grove Development Corp	-	-	-	-	-	-	-	-
Investment in Buchanan Gardens, LP	-	-	-	-	-	-	-	-
Investment in Buchanan Gardens Development Corp	-	-	-	-	-	-	-	-
Investment in Rosslyn Ridge Development Corp	-	-	-	-	-	-	-	-
Investment in Marbella Development LLC	-	-	-	-	-	-	-	-
Investment in Barkalow LLC	-	-	-	-	-	-	-	-
Investment in Arna Valley	-	-	-	-	-	-	-	-
Investment in The Springs LP	-	-	-	-	-	-	-	-
Investment in stock	-	-	-	-	-	-	-	-
In place leases	-	-	-	-	-	-	-	-
Other assets	-	145,852	5,698	-	-	-	-	-
Total assets	\$ -	\$ 31,821,683	\$ 23,562,372	\$ 3,284,810	\$ 12,262,480	\$ -	\$ 16,017,386	\$ -

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2019**

	Gilliam Retail, LLC	Gilliam Place East, LP	Gilliam Place West, LP	Lorcom Arms, LP	Marbella Development, LLC	Queen's Court Dev. Corp.	Queens North Four LP	Queens North Four Dev. Corp.
<u>Liabilities and Net Assets</u>								
Liabilities								
Accounts payable and accrued expenses	\$ -	\$ 44,581	\$ 15,749	\$ 10,085	\$ 8,983	\$ -	\$ 15,512	\$ -
Accrued interest	-	125,173	76,058	535,996	175,081	-	-	-
Related party receivable/(payables)	8,159	448,996	362,043	501,388	25,342	-	100,172	775
Development fee payable	-	1,110,663	2,005,258	-	-	-	291,113	-
Deferred development fee	-	-	-	-	-	-	-	-
Deferred gain	-	-	-	-	-	-	-	-
Prepaid rents	5,667	56,164	-	7,601	11,139	-	-	-
Residents' security deposits	-	39,013	-	20,757	89,741	-	-	-
Notes payable	-	27,453,391	19,971,889	3,175,237	12,209,198	-	16,349,131	-
Construction and development costs payable	-	1,324,782	950,228	-	-	-	1,903,692	-
Other liabilities	-	395,108	432,000	-	-	-	-	-
Total liabilities	13,826	30,997,871	23,813,225	4,251,064	12,519,484	-	18,659,620	775
Net assets without donor restrictions								
Unrestricted controlling	(13,826)	823,812	(250,853)	(966,254)	(257,004)	-	(2,642,234)	(775)
Unrestricted noncontrolling	-	-	-	-	-	-	-	-
Total net assets without donor restrictions	(13,826)	823,812	(250,853)	(966,254)	(257,004)	-	(2,642,234)	(775)
With donor restrictions								
Total net assets	(13,826)	823,812	(250,853)	(966,254)	(257,004)	-	(2,642,234)	(775)
Total liabilities and net assets	\$ -	\$ 31,821,683	\$ 23,562,372	\$ 3,284,810	\$ 12,262,480	\$ -	\$ 16,017,386	\$ -

See Independent Auditor's Report.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2019**

	Queens South Nine LP	Queens South Nine Dev. Corp	Rosslyn Ridge Dev. Corp.	Rosslyn Ridge Apartments, LP	The Springs Apartments, LP	The Springs Dev. Corp.	Eliminations	Total
<u>Assets</u>								
Cash and cash equivalents, including \$6,956,634 of restricted cash	\$ 116,971	\$ -	\$ -	\$ 820,261	\$ 943,309	\$ -	\$ -	\$ 24,017,999
Grants and pledges receivable	-	-	-	-	-	-	-	354,789
Accounts receivable - residents	-	-	-	8,642	23,050	-	-	287,020
Accounts receivable - other	-	-	-	4,170	-	-	(1,082,583)	245,581
Development fee receivable	-	-	-	-	-	-	(7,341,946)	5,674,016
Prepaid expenses	229,343	-	-	45,298	28,580	-	-	1,069,164
Prepaid development fee	-	-	-	-	-	-	-	-
Prepaid ground lease	-	-	-	-	-	-	21,794	1,419,109
Deposits	-	-	-	-	480	-	-	78,018
Mortgage escrow deposits	-	-	-	68,742	27,622	-	-	528,470
Replacement and redevelopment reserve	-	-	-	751,326	96,787	-	-	2,784,370
Other reserves	-	-	-	1,791,086	739,081	-	-	6,088,817
Property and equipment, net	147,118	-	-	52,017,927	30,054,099	-	(15,380,783)	380,634,268
Construction in progress	9,048,205	-	-	-	-	-	-	28,913,589
Notes receivable - related party	-	-	-	-	-	-	(21,233,423)	-
Interest receivable - related party	-	-	-	-	-	-	(478,914)	-
Funded residents' security deposits	-	-	-	75,353	56,210	-	-	927,348
Investment in Fisher House Limited Partnership	-	-	-	-	-	-	(1,224,432)	-
Investment in Arlington Mill Limited Partnership	-	-	-	-	-	-	(427,163)	-
Investment in North Pierce Associates	-	-	-	-	-	-	(3,748,113)	-
Investment in Courthouse Crossing Limited Partnership	-	-	-	-	-	-	1,172	-
Investment in Calvert Manor Limited Partnership	-	-	-	-	-	-	(341,918)	-
Investment in Lorcom Arms Limited Partnership	-	-	-	-	-	-	974,480	-
Investment in Cameron Commons LLC	-	-	-	-	-	-	410,718	-
Investment in Columbia Grove Limited Partnership	-	-	-	-	-	-	(1,958,165)	-
Investment in Columbia Grove Development Corp	-	-	-	-	-	-	15,930	-
Investment in Buchanan Gardens, LP	-	-	-	-	-	-	(322,467)	-
Investment in Buchanan Gardens Development Corp	-	-	-	-	-	-	-	-
Investment in Rosslyn Ridge Development Corp	-	-	-	-	-	-	257,006	-
Investment in Marbella Development LLC	-	-	(257,005)	-	-	-	257,005	-
Investment in Barkalow LLC	-	-	-	-	-	-	(997,765)	-
Investment in Arna Valley	-	-	-	-	-	-	994,726	-
Investment in The Springs LP	-	-	-	-	-	294	(294)	-
Investment in stock	-	-	-	-	-	-	(125,000)	-
In place leases	-	-	-	-	-	-	-	131,754
Other assets	-	-	-	13,637	129,834	-	(13,637)	652,429
Total assets	\$ 9,541,637	\$ -	\$ (257,005)	\$ 55,596,442	\$ 32,099,052	\$ 294	\$ (51,743,772)	\$ 453,806,741

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2019**

	Queens South Nine LP	Queens South Nine Dev. Corp	Rosslyn Ridge Dev. Corp.	Rosslyn Ridge Apartments, LP	The Springs Apartments, LP	The Springs Dev. Corp.	Eliminations	Total
<u>Liabilities and Net Assets</u>								
Liabilities								
Accounts payable and accrued expenses	\$ 14,770	\$ -	\$ 4,000	\$ 30,222	\$ 9,593	\$ -	\$ -	\$ 805,696
Accrued interest	-	-	-	3,718,956	327,419	-	(2,697,714)	12,298,892
Related party receivable/(payables)	100,098	775	13,614	11,690	207,796	2,750	(95,842)	125,985
Development fee payable	-	-	-	3,289,586	544,558	-	(13,203,427)	343,194
Deferred development fee	-	-	-	-	-	-	-	3,818,210
Deferred gain	-	-	-	-	-	-	(8,098,459)	-
Prepaid rents	-	-	-	50,762	16,318	-	-	291,100
Residents' security deposits	-	-	-	75,437	55,571	-	-	927,599
Notes payable	11,915,626	-	-	49,097,556	15,534,402	-	(20,727,837)	313,839,730
Construction and development costs payable	1,089,709	-	-	-	-	-	-	5,466,478
Other liabilities	-	-	-	325,236	-	-	(1,634,441)	325,236
Total liabilities	<u>13,120,203</u>	<u>775</u>	<u>17,614</u>	<u>56,599,445</u>	<u>16,695,657</u>	<u>2,750</u>	<u>(46,457,720)</u>	<u>338,242,120</u>
Net assets without donor restrictions								
Unrestricted controlling	(3,578,566)	(775)	(274,619)	(1,003,003)	15,403,395	(2,456)	(88,948,132)	29,580,464
Unrestricted noncontrolling	-	-	-	-	-	-	83,662,080 (a)	83,662,080
Total net assets without donor restrictions	<u>(3,578,566)</u>	<u>(775)</u>	<u>(274,619)</u>	<u>(1,003,003)</u>	<u>15,403,395</u>	<u>(2,456)</u>	<u>(5,286,052)</u>	<u>113,242,544</u>
With donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,322,077</u>
Total net assets	<u>(3,578,566)</u>	<u>(775)</u>	<u>(274,619)</u>	<u>(1,003,003)</u>	<u>15,403,395</u>	<u>(2,456)</u>	<u>(5,286,052)</u>	<u>115,564,621</u>
Total liabilities and net assets	<u>\$ 9,541,637</u>	<u>\$ -</u>	<u>\$ (257,005)</u>	<u>\$ 55,596,442</u>	<u>\$ 32,099,052</u>	<u>\$ 294</u>	<u>\$ (51,743,772)</u>	<u>\$ 453,806,741</u>

(a) Allocation of non-controlling interest

See Independent Auditor's Report.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Activities
Year Ended December 31, 2019**

	APA Organization	APA Westover Dev. Corp.	APA Westover, LLC	APA Westover Apartments, LP	APA Rossllyn Ridge, Inc.	APA Snowden, LP	APA Snowden Dev. Corp.	Arlington Mill, LP
Revenue and other support								
Rental revenue - net	\$ -	\$ -	\$ 162,000	\$ 776,466	\$ -	\$ 635,575	\$ -	\$ 1,873,781
Grants and contributions	3,109,255	-	-	-	-	-	-	14,119
Development fee income	5,100,464	-	-	-	-	-	-	-
Interest income	341,888	-	5,429	49	-	183	-	9,983
Loss from equity investment in partnership interest	183,375	-	-	-	(4)	-	-	-
Other income	1,157,018	-	-	13,172	-	12,579	-	75,370
Special events revenue, net of expenses	522,473	-	-	-	-	-	-	-
Total revenue	10,414,473	-	167,429	789,687	(4)	648,337	-	1,973,253
Expenses								
Administrative	3,296,964	195,184	51	176,435	677	33,734	675	381,519
Operations and maintenance	-	-	-	146,619	-	121,810	-	357,205
Utilities	11,642	-	-	42,418	-	47,819	-	139,622
Insurance	77,790	-	-	13,805	-	29,200	-	61,561
Taxes	-	-	-	70,816	100	14,657	100	206,222
Interest	33,411	-	27,045	334,790	-	401,382	-	470,206
Depreciation and amortization	120,597	-	-	500,921	-	216,747	-	759,834
Land lease expense	-	-	-	162,000	-	-	-	-
Grant expense	14,040	-	-	-	-	-	-	-
Total expenses	3,554,444	195,184	27,096	1,447,804	777	865,349	775	2,376,169
Excess of revenue over expenses (expenses over revenue)	6,860,029	(195,184)	140,333	(658,117)	(781)	(217,012)	(775)	(402,916)
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue) attributable to APAH	<u>\$ 6,860,029</u>	<u>\$ (195,184)</u>	<u>\$ 140,333</u>	<u>\$ (658,117)</u>	<u>\$ (781)</u>	<u>\$ (217,012)</u>	<u>\$ (775)</u>	<u>\$ (402,916)</u>

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Activities
Year Ended December 31, 2019**

	Arlington Mill Dev. Corp.	AVV Apartments, LLC	Barkalow, LLC	Buchanan Gardens II, LLC	Buchanan Gardens Dev. Corp.	Buchanan Gardens, LP	Calvert Manor, LP	Cameron Commons Dev. Corp.
Revenue and other support								
Rental revenue - net	\$ -	\$ 1,432,753	\$ 260,432	\$ -	\$ -	\$ 1,694,910	\$ 305,541	\$ -
Grants and contributions	-	-	-	-	-	-	-	-
Development fee income	-	-	-	-	-	-	-	-
Interest income	-	11,275	203	-	-	5,724	1,071	-
Loss from equity investment in partnership interest	-	-	-	-	-	-	-	(18,102)
Other income	91,907	16,075	11,380	-	73,848	26,809	12,863	-
Special events revenue, net of expenses	-	-	-	-	-	-	-	-
Total revenue	91,907	1,460,103	272,015	-	73,848	1,727,443	319,475	(18,102)
Expenses								
Administrative	80,675	181,234	61,779	-	80,675	345,547	59,371	595
Operations and maintenance	-	307,561	41,024	-	-	290,923	49,544	-
Utilities	-	86,570	15,397	-	-	89,877	19,342	-
Insurance	-	57,203	6,438	-	-	51,018	10,972	-
Taxes	100	141,118	29,936	50	25	123,692	30,592	-
Interest	-	464,016	8	-	-	732,464	92,416	-
Depreciation and amortization	-	258,172	43,895	-	-	614,759	108,324	-
Land lease expense	-	-	-	-	-	-	-	-
Grant expense	-	-	-	-	-	-	-	-
Total expenses	80,775	1,495,874	198,477	50	80,700	2,248,280	370,561	595
Excess of revenue over expenses (expenses over revenue)	11,132	(35,771)	73,538	(50)	(6,852)	(520,837)	(51,086)	(18,697)
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue) attributable to APAH	<u>\$ 11,132</u>	<u>\$ (35,771)</u>	<u>\$ 73,538</u>	<u>\$ (50)</u>	<u>\$ (6,852)</u>	<u>\$ (520,837)</u>	<u>\$ (51,086)</u>	<u>\$ (18,697)</u>

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Activities
Year Ended December 31, 2019**

	Cameron Commons, LLC	Carlyn Springs Dev. Corp.	Columbia Grove Apartments, LP	Columbia Grove Inc.	Columbia Grove Dev. Corp.	Columbia Hills East Dev. Corp.	Columbia Hills East, LP	Columbia Hills West Dev. Corp.
Revenue and other support								
Rental revenue - net	\$ 216,278	\$ -	\$ 3,132,312	\$ -	\$ -	\$ -	\$ 1,417,194	\$ -
Grants and contributions	-	-	-	-	-	-	-	-
Development fee income	-	-	-	-	-	-	-	-
Interest income	543	-	8,587	538	-	-	1,135	-
Loss from equity investment in partnership interest	-	-	-	(30)	(30)	-	-	-
Other income	7,170	-	70,381	-	138,063	-	57,515	-
Special events revenue, net of expenses	-	-	-	-	-	-	-	-
Total revenue	223,991	-	3,211,280	508	138,033	-	1,475,844	-
Expenses								
Administrative	48,402	570	429,713	650	80,675	675	325,093	675
Operations and maintenance	42,486	-	528,124	-	-	-	231,345	-
Utilities	18,057	-	247,621	-	-	-	170,488	-
Insurance	7,584	-	82,863	-	-	-	55,785	-
Taxes	20,817	25	332,474	100	100	25	158,545	100
Interest	41,516	-	1,296,581	-	-	-	327,332	-
Depreciation and amortization	71,364	-	597,169	-	-	-	931,391	-
Land lease expense	-	-	-	-	-	-	-	-
Grant expense	-	-	-	-	-	-	-	-
Total expenses	250,226	595	3,514,545	750	80,775	700	2,199,979	775
Excess of revenue over expenses (expenses over revenue)	(26,235)	(595)	(303,265)	(242)	57,258	(700)	(724,135)	(775)
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue) attributable to APAH	\$ (26,235)	\$ (595)	\$ (303,265)	\$ (242)	\$ 57,258	\$ (700)	\$ (724,135)	\$ (775)

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Activities
Year Ended December 31, 2019**

	Columbia Hills West, LP	Courthouse Crossings, LP	Fisher House Dev. Corp.	FHDC Corporation	Fisher House, LP	Gilliam Place, LLC	Gilliam Place East Dev. Corp.	Gilliam Place West Dev. Corp.
Revenue and other support								
Rental revenue - net	\$ 1,267,609	\$ 1,816,169	\$ -	\$ -	\$ 497,658	\$ -	\$ -	\$ -
Grants and contributions	-	-	-	-	-	-	-	-
Development fee income	-	-	-	-	-	-	-	-
Interest income	738	6,544	-	-	2,203	16,206	-	-
Loss from equity investment in partnership interest	-	-	-	(1,141)	-	-	-	-
Other income	40,188	73,752	9	-	20,921	430,221	-	-
Special events revenue, net of expenses	-	-	-	-	-	-	-	-
Total revenue	1,308,535	1,896,465	9	(1,141)	520,782	446,427	-	-
Expenses								
Administrative	344,433	197,504	570	675	114,056	-	775	775
Operations and maintenance	275,056	279,605	-	-	76,723	29,400	-	-
Utilities	167,242	119,923	-	-	27,152	-	-	-
Insurance	78,913	51,182	-	-	15,552	8,611	-	-
Taxes	188,151	194,000	25	200	49,426	-	-	-
Interest	457,982	1,140,252	-	-	149,565	53,501	-	-
Depreciation and amortization	1,188,420	633,959	-	-	201,303	-	-	-
Land lease expense	-	-	-	-	-	-	-	-
Grant expense	-	-	-	-	-	-	-	-
Total expenses	2,700,197	2,616,425	595	875	633,777	91,512	775	775
Excess of revenue over expenses (expenses over revenue)	(1,391,662)	(719,960)	(586)	(2,016)	(112,995)	354,915	(775)	(775)
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue) attributable to APAH	<u>\$ (1,391,662)</u>	<u>\$ (719,960)</u>	<u>\$ (586)</u>	<u>\$ (2,016)</u>	<u>\$ (112,995)</u>	<u>\$ 354,915</u>	<u>\$ (775)</u>	<u>\$ (775)</u>

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Activities
Year Ended December 31, 2019**

	Gilliam Retail, LLC	Gilliam Place East, LP	Gilliam Place West, LP	Lorcom Arms, LP	Marbella Development, LLC	Queen's Court Dev. Corp.	Queens North Four LP	Queens North Four Dev. Corp.
Revenue and other support								
Rental revenue - net	\$ -	\$ 197,475	\$ -	\$ 568,570	\$ 1,823,646	\$ (2,524)	\$ -	\$ -
Grants and contributions	-	-	-	-	-	-	-	-
Development fee income	-	-	-	-	-	-	-	-
Interest income	-	81	1	330	6,346	33	153	-
Loss from equity investment in partnership interest	-	-	-	-	-	-	-	-
Other income	11,333	(218,049)	91	19,468	32,655	6,142	-	-
Special events revenue, net of expenses	-	-	-	-	-	-	-	-
Total revenue	11,333	(20,493)	92	588,368	1,862,647	3,651	153	-
Expenses								
Administrative	712	162,167	118,480	165,699	223,952	64,588	1	675
Operations and maintenance	24,447	71,205	56,731	92,896	297,291	3,155	-	-
Utilities	-	29,499	28,413	35,795	174,897	2,889	-	-
Insurance	-	47,711	49,507	20,162	49,540	3,370	-	-
Taxes	-	54,194	33,454	53,260	181,372	40,616	-	100
Interest	-	457,638	188,752	163,316	597,378	205	-	-
Depreciation and amortization	-	341,989	240,954	187,803	176,520	276,141	-	-
Land lease expense	-	197,554	216,000	-	-	-	-	-
Grant expense	-	-	-	-	-	-	-	-
Total expenses	25,159	1,361,957	932,291	718,931	1,700,950	390,964	1	775
Excess of revenue over expenses (expenses over revenue)	(13,826)	(1,382,450)	(932,199)	(130,563)	161,697	(387,313)	152	(775)
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue) attributable to APAH	<u>\$ (13,826)</u>	<u>\$ (1,382,450)</u>	<u>\$ (932,199)</u>	<u>\$ (130,563)</u>	<u>\$ 161,697</u>	<u>\$ (387,313)</u>	<u>\$ 152</u>	<u>\$ (775)</u>

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Activities
Year Ended December 31, 2019**

	Queens South Nine LP	Queens South Nine Dev. Corp	Rosslyn Ridge Dev. Corp.	Rosslyn Ridge Apartments, LP	The Springs Apartments, LP	The Springs Dev. Corp.	Eliminations	Consolidated
Revenue and other support								
Rental revenue - net	\$ -	\$ -	\$ -	\$ 5,532,293	\$ 1,523,970	\$ -	\$ (162,000)	\$ 24,970,108
Grants and contributions	-	-	-	-	-	-	-	3,123,374
Development fee income	-	-	-	-	-	-	(1,421,156)	3,679,308
Interest income	132	-	-	13,076	3,809	-	(269,592)	166,668
Loss from equity investment in partnership interest	-	-	161,697	-	-	63	(325,828)	-
Other income	1	-	17,837	298,724	267,472	-	(1,899,670)	865,245
Special events revenue, net of expenses	-	-	-	-	-	-	-	522,473
Total revenue	133	-	179,534	5,844,093	1,795,251	63	(4,078,246)	33,327,176
Expenses								
Administrative	-	675	146,328	651,291	318,327	675	(1,284,242)	7,009,684
Operations and maintenance	-	-	-	589,851	264,454	-	(24,447)	4,153,008
Utilities	-	-	-	178,202	148,677	-	-	1,801,542
Insurance	-	-	-	95,426	73,281	-	-	947,474
Taxes	-	100	26	734,155	165,113	25	-	2,823,811
Interest	-	-	-	2,763,705	518,833	-	(443,570)	10,268,724
Depreciation and amortization	-	-	-	1,559,452	941,061	-	(477,779)	9,492,996
Land lease expense	-	-	-	-	-	-	(575,554)	-
Grant expense	-	-	-	-	-	-	-	14,040
Total expenses	-	775	146,354	6,572,082	2,429,746	700	(2,805,592)	36,511,279
Excess of revenue over expenses (expenses over revenue)	133	(775)	33,180	(727,989)	(634,495)	(637)	(1,272,654)	(3,184,103)
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	-	-	(8,702,299) (a)	(8,702,299)
Excess of revenue over expenses (expenses over revenue) attributable to APAH	\$ 133	\$ (775)	\$ 33,180	\$ (727,989)	\$ (634,495)	\$ (637)	\$ 7,429,645	\$ 5,518,196

(a) Allocation of non-controlling interest

See Independent Auditor's Report.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019**

Federal Agency/ (Pass-through Agency)/ Program Title	Federal CFDA Number	Other Award Number	Expenditures		Total Expenditures	Passed through to Subrecipients
			From Pass-through Awards	From Direct Awards		
U.S. Department of Housing and Urban Development						
Arlington County, VA - HUD Home Program	14.239	N/A				
Marbella Development LLC			\$ 2,775,708	\$ -	\$ 2,775,708	\$ - *
AVV Apartments LLC			2,800,000	-	2,800,000	- *
Total HUD Home Program			<u>5,575,708</u>	<u>-</u>	<u>5,575,708</u>	<u>-</u>
CDBG Entitlement Grants Cluster						
Arlington County, VA - Community Development Block Grants	14.218	N/A				
APAH Snowden Limited Partnership			1,500,000	-	1,500,000	-
AVV Apartments LLC			980,658	-	980,658	- **
Total Community Development Block Grants Program/Cluster			<u>2,480,658</u>	<u>-</u>	<u>2,480,658</u>	<u>-</u>
Total			<u>\$ 8,056,366</u>	<u>\$ -</u>	<u>\$ 8,056,366</u>	<u>\$ -</u>

* Note: This program represents a loan for which no proceeds were received and no payments were made during the year ended December 31, 2019.

** Note: This program represents a loan for which no proceeds were received and principal payments totaling \$16,583 were made during the year ended December 31, 2019. The loan balance at December 31, 2019 is \$964,075.

See Notes to Schedule of Expenditures of Federal Awards.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2019

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes federal award activity of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries under various programs of the federal government for the year ended December 31, 2019. The financial statements of certain subsidiaries included in the consolidated financial statements were not audited in accordance with *Government Audit Standards* as they are not subject to the requirements under *Uniform Guidance, "Audits of State, Local Governments, and Non-Profit Organizations"*. 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 Arlington Partnership for Affordable Housing, Inc. and Subsidiaries, it is not intended to and does not present the consolidated financial position, statement of activities, functional expenses, changes in net assets, or cash flows of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries.

The accounting policies of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

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, as applicable, the cost principles contained in OMB Circular A-122, "Cost principles for Non-Profit Organizations" and the cost principles contained in the Uniform Guidance.

Arlington Partnership for Affordable Housing, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

During 2019, there was no non-cash assistance or federal insurance.

As of December 31, 2019, there were three loan programs outstanding in the total amount of \$8,039,783.

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

To the Board of Directors
Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

We have audited, in accordance with the 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 Arlington Partnership for Affordable Housing, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2020. The financial statements of certain subsidiaries included in the consolidated financial statements were not audited in accordance with *Government Audit Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these subsidiaries and affiliates.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' internal control over financial reporting ("internal control") to determine 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 Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of the Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' 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 determination of financial statement amounts. 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Boston, Massachusetts
September 8, 2020

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

To the Board of Directors
Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Report on Compliance for each Major Federal Program

We have audited Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' major federal programs for the year ended December 31, 2019. Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' compliance.

Opinion on the Major Federal Program

In our opinion, Arlington Partnership for Affordable Housing, Inc. and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' internal control over compliance.

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 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.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
September 8, 2020

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Summary of Findings, Questioned Costs and Recommendations
December 31, 2019**

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries, were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies related to the audit of the consolidated financial statements were reported in the 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*. No material weaknesses were reported.
3. No instances of noncompliance material to the consolidated financial statements of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award program were disclosed in the Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses were reported.
5. The auditor's report on compliance for the major federal award program for Arlington Partnership for Affordable Housing, Inc. and Subsidiaries expresses an unmodified opinion.
6. There are no audit findings required to be reported in accordance with 2 CFR section 200.516(a) in this Schedule.
7. The program tested as a major program was:
 - a. CFDA 14.239 HUD Home Program
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Arlington Partnership for Affordable Housing, Inc. and Subsidiaries was determined to be a low-risk auditee.

B. Findings - Consolidated Financial Statements Audit

None

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

None



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