

**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, 2020

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, 2020, 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 of Arlington Partnership for Affordable Housing, Inc. were not audited in accordance with *Government Auditing Standards*.

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, 2020, 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 Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 51 to 71 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 August 27, 2021 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
August 27, 2021

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidated Statement of Financial Position
December 31, 2020**

Assets

Current assets

Cash and cash equivalents, including \$7,514,544 of restricted cash		\$ 33,225,814
Grants and pledges receivable		91,900
Accounts receivable		
Residents	\$ 913,877	
Other	<u>318,143</u>	1,232,020
Development fee receivable - affiliate		4,384,129
Prepaid expenses		1,527,868
Prepaid ground lease, current portion		29,385
Deposits		85,053
Mortgage escrow deposits		<u>650,317</u>
 Total current assets		 <u>41,226,486</u>

Property and equipment

Land		76,357,963
Buildings, furniture and equipment		365,669,847
Construction in progress		<u>102,900,534</u>
		544,928,344
Less accumulated depreciation		<u>59,332,431</u>
 Total property and equipment		 <u>485,595,913</u>

Other assets

Investment in limited liability companies		-
Residents' security deposits		1,006,733
In-place leases, net of accumulated amortization of \$486,823		43,185
Replacement reserves		2,580,388
Other reserves		14,275,242
Note receivable - related party		322,423
Prepaid ground lease, net of current portion		1,369,057
Other assets		<u>761,223</u>
 Total other assets		 <u>20,358,251</u>
 Total assets		 <u>\$ 547,180,650</u>

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidated Statement of Financial Position
December 31, 2020**

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	\$ 1,138,816
Accrued interest, current portion	1,054,058
Accounts payable - related party	124,415
Prepaid rents	697,577
Notes payable, current maturities	3,333,488
Construction and development costs payable	14,131,838
Development fee payable	<u>4,052,439</u>
Total current liabilities	<u>24,532,631</u>
Other liability	
Residents' security deposits	<u>1,007,239</u>
Total other liability	<u>1,007,239</u>
Long-term liabilities	
Notes payable, less current maturities and unamortized debt issuance costs (see Note 3)	349,241,513
Accrued interest, less current portion	13,134,645
Other liabilities	<u>1,256,902</u>
Total long-term liabilities	<u>363,633,060</u>
Total liabilities	<u>389,172,930</u>
Net assets	
Without donor restrictions	
Unrestricted controlling	27,066,240
Unrestricted noncontrolling (see Note 1)	<u>127,391,444</u>
Total net assets without donor restrictions	154,457,684
With donor restrictions (see Note 14)	<u>3,550,036</u>
Total net assets	<u>158,007,720</u>
Total liabilities and net assets	<u>\$ 547,180,650</u>

See Notes to Consolidated Financial Statements.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidated Statement of Activities
Year Ended December 31, 2020**

	Without donor restrictions	With donor restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Revenue and other support			
Grants and contributions	\$ 381,269	\$ 2,458,450	\$ 2,839,719
Rental revenue - net	29,270,280	-	29,270,280
Development fee income	6,401,728	-	6,401,728
Interest income	255,649	-	255,649
Other income	1,333,341	-	1,333,341
Special events, net of expenses of \$8,664	441,789	-	441,789
Net assets released from restrictions	1,230,491	(1,230,491)	-
	<u>39,314,547</u>	<u>1,227,959</u>	<u>40,542,506</u>
 Total revenues and other support			
Expenses			
Program services (including interest expense of \$11,287,666 and depreciation and amortization of \$10,450,997)	38,374,462	-	38,374,462
Supporting services			
Management and general (including interest expense of \$66,908 and depreciation of \$152,748)	2,541,989	-	2,541,989
Fundraising	208,342	-	208,342
	<u>41,124,793</u>	<u>-</u>	<u>41,124,793</u>
 Total expenses			
Excess of revenue over expenses (expenses over revenue)	(1,810,246)	1,227,959	(582,287)
Excess of expenses over revenue attributable to noncontrolling interests	<u>(6,671,194)</u>	<u>-</u>	<u>(6,671,194)</u>
Excess of revenue over expenses (expenses over revenue) attributable to APAH	<u>\$ 4,860,948</u>	<u>\$ 1,227,959</u>	<u>\$ 6,088,907</u>

See Notes to Consolidated Financial Statements.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2020**

	Program services			Management and general	Fundraising	Total
	Rental properties	Real estate development	Subtotal			
Interest expense	\$ 11,287,666	\$ -	\$ 11,287,666	\$ 66,908	\$ -	\$ 11,354,574
Salaries	1,396,915	1,577,968	2,974,883	1,510,597	168,924	4,654,404
Depreciation and amortization	10,450,997	-	10,450,997	152,748	-	10,603,745
Utilities	2,080,795	-	2,080,795	9,537	-	2,090,332
Property operating and maintenance	4,402,819	-	4,402,819	27,853	-	4,430,672
Licenses and taxes	3,174,501	-	3,174,501	57,477	-	3,231,978
Management fee	974,617	-	974,617	-	-	974,617
Property administrative expenses	1,596,995	120,634	1,717,629	292,213	33,483	2,043,325
Auditing and accounting	230,723	-	230,723	41,700	-	272,423
Insurance	840,337	-	840,337	103,577	-	943,914
Telephone	175,964	-	175,964	17,583	-	193,547
Legal	63,531	-	63,531	27,738	-	91,269
Development and consulting services	-	-	-	79,303	-	79,303
Printing and copying	-	-	-	10,522	-	10,522
Supplies	-	-	-	9,042	-	9,042
Postage and delivery	-	-	-	52,969	5,935	58,904
Training	-	-	-	26,124	-	26,124
Travel	-	-	-	2,428	-	2,428
Sponsorships and subscriptions	-	-	-	53,670	-	53,670
Fundraising direct costs for events	-	-	-	-	8,664	8,664
Total expense by function	36,675,860	1,698,602	38,374,462	2,541,989	217,006	41,133,457
Less expenses included with revenues on statement of activities						
Fundraising direct costs for events	-	-	-	-	(8,664)	(8,664)
Less expenses included in the expense section on the statement of activities	<u>\$ 36,675,860</u>	<u>\$ 1,698,602</u>	<u>\$ 38,374,462</u>	<u>\$ 2,541,989</u>	<u>\$ 208,342</u>	<u>\$ 41,124,793</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, 2020**

	Without donor restrictions			With donor restrictions	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Net assets, December 31, 2019	\$ 29,580,464	\$ 83,662,080	\$ 113,242,544	\$ 2,322,077	\$ 115,564,621
Capital contributions from noncontrolling interests	-	45,437,082	45,437,082	-	45,437,082
Distributions to noncontrolling interests	-	(2,326,340)	(2,326,340)	-	(2,326,340)
Noncontrolling interests' syndication costs	-	(85,356)	(85,356)	-	(85,356)
Transfer of noncontrolling interest	(7,375,172)	7,375,172	-	-	-
Excess of expenses over revenue attributable to noncontrolling interests	-	(6,671,194)	(6,671,194)	-	(6,671,194)
Excess of revenue over expenses attributable to controlling interests	4,860,948	-	4,860,948	1,227,959	6,088,907
Net assets, December 31, 2020	<u>\$ 27,066,240</u>	<u>\$ 127,391,444</u>	<u>\$ 154,457,684</u>	<u>\$ 3,550,036</u>	<u>\$ 158,007,720</u>

See Notes to Consolidated Financial Statements.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidated Statement of Cash Flows
Year Ended December 31, 2020**

Cash flows from operating activities	
Excess of expenses over revenue	\$ (582,287)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	10,415,937
Amortization	187,808
Amortization of debt issuance costs	430,312
Bad debt	122,946
Loss on debt extinguishment	80,083
Change in fair value of derivative instruments	(187,366)
Accretion of loan fair value adjustment	83,024
Decrease in grants and pledges receivable	262,889
Increase in residents' accounts receivable	(749,803)
Increase in accounts receivable - other	(72,562)
Decrease in development fee receivable	1,289,887
Increase in mortgage escrow deposits	(121,847)
Increase in prepaid expenses	(458,704)
Increase in deposits	(7,035)
Increase in accounts payable and accrued expenses	333,120
Increase in accrued interest	1,757,883
Increase in prepaid rents	406,477
Increase in other liabilities	931,666
Increase in residents' security deposits	79,640
	14,202,068
Net cash provided by operating activities	
Cash flows from investing activities	
Net purchases of land, property and equipment, construction in progress and development in progress	(78,442,976)
Increase in replacement and redevelopment reserves	(66,854)
Increase in other reserves	(7,520,402)
Notes receivable advances - related party	(322,423)
	(86,352,655)
Net cash used in investing activities	

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidated Statement of Cash Flows
Year Ended December 31, 2020**

Cash flows from financing activities	
Proceeds from notes payable	96,413,886
Repayment of notes payable	(55,857,490)
Capital contributions received from noncontrolling interests	45,437,082
Distributions paid to noncontrolling interests	(2,326,340)
Syndication costs paid	(85,356)
Repayment of advances from affiliates	(1,570)
Debt issuance costs paid	<u>(1,747,238)</u>
Net cash provided by financing activities	<u>81,832,974</u>
Net increase in cash, cash equivalents and restricted cash	9,682,387
Cash, cash equivalents and restricted cash, beginning	<u>31,278,512</u>
Cash, cash equivalents and restricted cash, end	<u><u>\$ 40,960,899</u></u>
Supplemental disclosure of cash flow information	
Cash paid for interest during the year, net of amount capitalized	<u><u>\$ 9,083,355</u></u>
Supplemental schedule of noncash investing activities	
Costs incurred for rental property during the year	\$ (87,305,967)
Amortization of debt issuance costs capitalized	257,692
Construction and development costs payable	
Beginning of the period	(5,466,478)
End of the period	14,131,838
Amounts included in accrued interest payable	
Beginning of the period	-
End of the period	48,904
Development fee payable	
Beginning of the period	(4,161,404)
End of the period	<u>4,052,439</u>
Payments for rental property	<u><u>\$ (78,442,976)</u></u>

See Notes to Consolidated Financial Statements.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

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, Braddock Four Limited Partnership, Braddock Nine 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 Fort Totten 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, Braddock Four Development LLC, Braddock Nine Development 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

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

Development LLC, 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.

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 Fort Totten LLC - APAH Fort Totten LLC was formed on December 23, 2020 for the purpose of acquiring, owning, leasing, and disposing of real estate in the District of Columbia. APAH is the sole member.

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, was the .01% general partner and APAH Snowden, LLC was the limited partner and owned 99.99% in APAH Snowden Limited Partnership.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

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. On December 21, 2020, the Partnership Agreement was amended to remove APAH Snowden, LLC as the Limited Partner and admit TCC Snowden's Ridge, LLC as the Investor Limited Partner with a 99.99% partnership interest. In addition, CDC Special Limited Partner, L.L.C. was admitted as the Special Limited Partner with a 0.00% partnership interest.

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 4 LLC is the 50% co-manager of Mt. Sterling Senior 4% Manager LLC. An unrelated entity owns the remaining 50% co-manager interest in Mt. Sterling Senior 4% Manager LLC. Mt. Sterling Senior 4% Manager LLC is the 0.01% managing member in Mt Sterling Senior 4% Owner LLC, which was formed on November 20, 2018. An unrelated member owns 99.99% of member interest and an unrelated special member owns 0.00% of member interest in Mt. Sterling Senior 4% Owner LLC. The investment in Mt. Sterling Senior 4% Owner LLC is stated at cost adjusted for APAH Sterling 4 LLC's equity in income and loss and for cash distributions (the "equity method").

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. APAH Sterling 9 LLC is the 50% co-manager of Mt. Sterling Senior 9% Manager LLC. An unrelated entity owns the remaining 50% co-manager interest in Mt. Sterling Senior 9% Manager LLC. Mt. Sterling Senior 9% Manager LLC is the 0.01% managing member in Mt Sterling Senior 9% Owner LLC, which was formed on November 20, 2018. An unrelated member owns 99.99% of member interest and an unrelated special member owns 0.00% of member interest in Mt. Sterling Senior 9% Owner LLC. The investment in Mt. Sterling Senior 9% Owner LLC is stated at cost adjusted for APAH Sterling 9 LLC's equity in income and loss and for cash distributions (the "equity method").

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

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

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 owned 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.

Per the Second Amendment to Agreement of Limited Partnership, effective December 1, 2020, the unrelated Withdrawing Limited Partner of Rosslyn Ridge Apartments Limited Partnership assigned all of its limited partnership interest to APAH. In connection with the assignment of partnership interest, APAH paid the unrelated Withdrawing Limited Partner \$1,708,000.

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.

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.

Braddock Four Development LLC and Braddock Four Limited Partnership - Braddock Four Limited Partnership was formed on December 2, 2020. Braddock Four Development LLC, a wholly-owned subsidiary, was formed on December 2, 2020 and is the 0.01% general partner in Braddock Four Limited Partnership. APAH is the limited partner.

Braddock Nine Development LLC and Braddock Nine Limited Partnership - Braddock Nine Limited Partnership was formed on December 2, 2020. Braddock Nine Development LLC, a wholly-

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

owned subsidiary, was formed on December 2, 2020 and is the 0.01% general partner in Braddock Nine Limited Partnership. APAH is the limited partner.

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, 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 owned the remaining 99.98% of partnership interests.

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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.

Per the First Amendment to Agreement of Limited Partnership, effective December 1, 2020, the unrelated Withdrawing Limited Partner assigned all of its limited partnership interest in Columbia Grove Apartments Limited Partnership to APAH. In connection with the assignment of partnership interest, APAH paid the unrelated Withdrawing Limited Partner \$592,000.

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.

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

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Notes to Consolidated Financial Statements December 31, 2020

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.

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 was the limited partner. On May 7, 2020, Post

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East Four Limited Partnership acquired land from an unrelated third party. Per the Amended and Restated Limited Partnership Agreement, effective May 7, 2020, APAH assigned all of its limited partnership interest in Post East Four Limited Partnership to NEF Assignment Corporation, an unrelated third party. As of December 31, 2020, the building is under construction.

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. APAH was the limited partner. On May 7, 2020, Post West Nine Limited Partnership acquired land from an unrelated third party. Per the Amended and Restated Limited Partnership Agreement, effective May 7, 2020, APAH assigned all of its limited partnership interest in Post West Nine Limited Partnership to NEF Assignment Corporation, an unrelated third party. As of December 31, 2020, the building is under construction.

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.

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, 2020, 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, 2020, 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.

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.

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, 2020 was \$122,946.

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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, 2020, 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, 2020.

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 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.

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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, 2020. 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 Fort Totten 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, Braddock Four Development LLC, Braddock Nine Development 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 Fort Totten 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, Braddock Four Development LLC, Braddock Nine Development 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 Fort Totten 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, Braddock Four Development LLC, Braddock Nine Development 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 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

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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 2017 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, Braddock Four Limited Partnership, Braddock 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 2017 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 2020, amortization expense was \$64,773, and accumulated amortization was \$442,616 as of December 31, 2020. Estimated amortization expense for the year ended December 31, 2021 is \$43,185.

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In connection with an asset acquisition during a prior year, 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 2020, amortization expense was \$23,796. As of December 31, 2020, the in-place leases were fully amortized.

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 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,

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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, 2020, the fair value of the interest rate cap was \$0.

On May 4, 2020, Post West Nine Limited Partnership entered into an interest rate cap agreement effective July 1, 2020, 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, 2020, 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, 2020.

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 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

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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, 2020, the fair value of the interest rate cap for Queens South Nine Limited Partnership and Post West Nine Limited Partnership was \$0 and \$0, respectively.

Note 2 - Liquidity and availability

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

Cash and cash equivalents - unrestricted	\$ 25,711,270
Grants and pledges receivable	91,900
Accounts receivable	1,232,020
Development fee receivable - affiliate	<u>4,384,129</u>
 Total financial assets	 31,419,319
 Less amounts not available to be used within one year	
 Amounts restricted by donor with time or purpose restrictions	 <u>(3,550,036)</u>
 Financial assets available to meet general expenditures over the next 12 months:	 <u><u>\$ 27,869,283</u></u>

Additionally, APAH has access to undrawn lines of credit amounting to \$7,825,000, 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.

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Note 3 - Notes and mortgages payable

Notes and mortgages payable are as follows:

Debtor	Lender	Original Loan Date	Original Principal Amount	Interest Rate	Maturity Date	Annual Payments	Balance, December 31, 2020	Unamortized Debt Issuance Costs	Net Balance, December 31, 2020	Accrued Interest, December 31, 2020	Interest Expense for 2020	Amortization of Debt Issuance Costs	Debt Issuance Imputed Rate
APAH, Inc. (project: Columbia Hills East)	Federal Home Loan Bank of Atlanta	6/2/2016	\$ 500,000	N/A	(E)	N/A	\$ 500,000	\$ -	\$ 500,000	\$ -	\$ -	\$ -	N/A
APAH, Inc. (project: Gilliam Place East)	Federal Home Loan Bank of Atlanta	5/28/2019	500,000	8.00%	(E)	N/A	500,000	-	500,000	65,801	57,387	-	N/A
APAH, Inc. (project: Queens South Nine)	Federal Home Loan Bank of Atlanta	2/27/2020	500,000	N/A	(E)	N/A	500,000	-	500,000	-	-	-	N/A
APAH, Inc. (project: Oakwood)	Goodwin House Development Corporation	12/15/2020	2,000,000	2.00%	12/1/2021	Interest Only	2,000,000	-	2,000,000	1,753	-	-	N/A
APAH, Inc. (project: Mt. Sterling 4)	E&G Group II, LLC	11/19/2020	244,500	N/A	12/31/2022	N/A	244,500	-	244,500	-	-	-	N/A
APAH, Inc.	MainStreet Bank	4/23/2020	390,900	1.00%	4/23/2022	N/A	390,900	-	390,900	1,960	-	-	N/A
APAH, Inc.	Atlantic Union Bank	(H) 8/2/2016	10,000,000	0.40% above daily Wall Street Journal Prime Rate	9/30/2023	N/A	-	(F) (27,160)	(27,160)	-	-	9,521	N/A
APAH, Inc. (project: Mt. Sterling 4)	Atlantic Union Bank	2/20/2020	158,600	Rate	On Demand	N/A	-	-	-	-	-	-	N/A
APAH, Inc. (project: Post East Four)	Atlantic Union Bank	4/20/2020	2,175,000	6.00%	On Demand	N/A	-	-	-	-	-	-	N/A
APAH, Inc. (project: Queens North Four)	Bank of Charles Town	(G) 4/9/2019	5,900,000	7.50%	10/9/2021	N/A	-	(F) -	-	-	-	-	N/A
APAH Snowden, LP	Atlantic Union Bank	7/12/2019	16,000,000	5.00%	7/12/2022	Interest Only	-	(D) -	-	-	803,460	39,861	6.10%
APAH Snowden, LP	Administration	12/21/2020	21,100,000	3.33%	1/1/2038	955,224	21,100,000	(683,423)	20,416,577	-	21,469	1,077	3.97%
APAH Snowden, LP	Montgomery County, MD - Housing Initiative Fund Note	7/12/2019	1,250,000	3.00%	7/11/2022	Interest Only	-	(D) -	-	-	39,229	4,053	3.40%
APAH Snowden, LP	Montgomery County, MD - Community Development Block Grant Note	7/12/2019	1,500,000	1.00%	7/11/2022	Interest Only	-	(D) -	-	-	15,000	4,863	3.40%
APAH Snowden, LP	Montgomery County, MD - Community Development Block Grant Note	12/21/2020	1,500,000	N/A	6/1/2062	N/A	1,500,000	-	1,500,000	-	-	-	N/A
APAH Snowden, LP	Montgomery County, MD - County HIF Loan	12/21/2020	5,000,000	N/A	6/1/2062	(B)	5,000,000	-	5,000,000	-	-	-	N/A
APAH Snowden, LP	Community Development Administration - RHW Loan	12/21/2020	2,500,000	N/A	6/1/2062	(B)	1,250,000	(49,968)	1,200,032	-	-	32	4.00%
APAH Westover, LLC	Arlington County, VA - AHIF Loan	2/9/2017	10,998,494	0.43%	12/1/2049	(A)	6,261,710	-	6,261,710	82,095	27,236	-	N/A
APAH Westover Apartments, LP	Virginia Housing	12/19/2017	6,530,000	3.095%	4/1/2049	334,397	6,304,023	(184,987)	6,119,036	16,248	197,053	6,498	3.095%
APAH Westover Apartments, LP	Arlington County, VA - AHIF Loan	12/19/2017	4,323,871	N/A	12/1/2049	(A)	4,323,871	-	4,323,871	-	-	-	N/A
APAH Westover Apartments, LP	Virginia Housing - GAP Loan	12/19/2017	5,500,000	2.81%	4/30/2020	(D)	-	-	-	-	51,517	21,269	2.81%
Arlington Mill, LP	Virginia Housing	8/29/2012	8,870,000	5.532%	10/1/2044	157,984	8,021,250	(271,710)	7,749,540	40,802	448,509	13,437	5.91%
AVV Apartments, LLC	Virginia Housing	2/26/2014	8,420,000	4.866%	3/1/2044	534,288	7,428,285	(120,947)	7,307,338	30,135	365,396	6,752	5.04%
AVV Apartments, LLC	Arlington County, VA - AHIF Loan	2/28/2014	4,502,199	2.00%	2/28/2044	(A)	3,152,199	-	3,152,199	308,072	68,031	-	N/A
AVV Apartments, LLC	Arlington County, VA - HOME Loan	2/28/2014	2,800,000	N/A	2/28/2044	N/A	2,800,000	-	2,800,000	-	-	-	N/A
AVV Apartments, LLC	Arlington County, VA - CDBG Loan	2/28/2014	1,000,000	2.00%	2/28/2044	(A)	964,075	-	964,075	31,567	19,575	-	N/A
Buchanan Gardens, LP	Virginia Housing	4/30/2013	7,690,000	6.363%	5/1/2043	576,192	6,860,366	(62,562)	6,797,804	36,491	441,851	3,385	6.4958%
Buchanan Gardens, LP	Arlington County, VA - AHIF Loan	4/25/2011	11,712,603	2.00%	5/1/2043	(A)	8,784,570	-	8,784,570	1,556,404	285,840	-	N/A
Calvert Manor, LP	Virginia Housing	11/7/2013	2,225,143	3.309%	6/1/2044	117,074	1,910,571	(30,779)	1,879,792	587	64,174	2,018	3.47%
Calvert Manor, LP	Arlington County, VA - AHIF Loan	9/24/1997	500,000	4.00%	9/24/2027	(A)	415,573	-	415,573	138,292	21,164	-	N/A
Cameron Commons, LLC	Virginia Housing	5/23/2006	1,424,577	4.05%	7/1/2033	40,212	395,919	(8,714)	387,205	1,770	16,557	891	4.59%
Cameron Commons, LLC	Arlington County, VA	6/1/2002	1,048,000	1.50%	6/1/2032	(A)	1,048,000	-	1,048,000	527,508	23,223	-	N/A
Cameron Commons, LLC	Virginia Community Capital, Inc.	12/9/2003	25,000	N/A	1/1/2029	-	996	-	33,082	-	-	-	N/A
Columbia Grove Apartments, LP	Virginia Housing	10/28/2008	14,755,000	7.403%	5/1/2045	1,181,568	13,327,696	(187,007)	13,140,689	82,220	993,090	8,236	7.78%
Columbia Grove Apartments, LP	Arlington County, VA - AHIF/HOME and CDBG loan	10/30/2008	4,649,720	4.00%	6/1/2033	(A)	1,400,000	-	1,400,000	837,942	210,417	-	N/A
Columbia Grove Apartments, LP	Arlington County, VA - AHIF Loan	10/28/2008	3,000,000	2.00%	5/1/2044	(A)	3,000,000	-	3,000,000	818,502	75,077	-	N/A
Columbia Hills East, LP	Virginia Housing	6/2/2016	7,861,492	4.171%	12/1/2048	460,380	7,587,019	(301,905)	7,285,114	26,371	319,153	13,663	4.50%
Columbia Hills East, LP	Arlington County, VA - AHIF Loan	6/2/2016	7,706,429	1.40%	6/1/2046	(A)	7,598,379	-	7,598,379	-	-	-	N/A
Columbia Hills East, LP	Virginia Housing Trust Fund	6/2/2016	750,000	1.50%	5/28/2036	Interest Only	750,000	-	750,000	937	11,250	-	N/A
Columbia Hills West, LP	Virginia Housing	6/2/2016	12,450,000	3.644%	12/1/2048	682,944	11,975,103	(347,934)	11,627,169	36,364	440,436	16,437	3.89%
Columbia Hills West, LP	Arlington County, VA - AHIF Loan	6/2/2016	10,786,665	1.40%	6/1/2046	(A)	10,266,675	-	10,266,675	-	-	-	N/A
Courthouse Crossings, LP	Virginia Housing	3/20/2008	8,600,000	5.847%	4/1/2043	577,872	7,196,864	(158,729)	7,038,135	38,378	425,664	8,508	6.10%
Courthouse Crossings, LP	Arlington County, VA - AHIF Loan	10/5/2006	9,139,988	4.00%	5/1/2044	(A)	9,139,988	(27,374)	9,112,614	5,880,303	575,161	1,127	4.08%
Fisher House, LP	Virginia Housing	1/3/2007	3,295,000	4.813%	2/1/2038	172,128	2,002,150	(47,171)	1,954,979	8,878	98,302	4,621	5.18%
Fisher House, LP	Arlington County, VA	1/3/2007	795,000	4.00%	3/31/2039	(A)	795,000	-	795,000	362,201	44,685	-	N/A
Gilliam Place, LLC	Arlington County, VA - AHIF Loan	7/28/2016	8,568,716	1.25%	7/1/2049	(A)	8,118,602	-	8,118,602	105,717	102,103	-	N/A
Gilliam Place East, LP	Capital One, N.A	6/22/2017	26,068,803	LIBOR + 2.25%	4/22/2020	(D)	-	-	-	-	259,650	144,199	5.02%
Gilliam Place East, LP	Virginia Housing	11/11/2019	7,874,000	4.877%	11/11/2049	500,148	7,805,421	(258,042)	7,547,379	31,723	269,834	8,086	4.96%

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2020**

Debtor	Lender	Original Loan Date	Original Principal Amount	Interest Rate	Maturity Date	Annual Payments	Balance, December 31, 2020	Unamortized Debt Issuance Costs	Net Balance, December 31, 2020	Accrued Interest, December 31, 2020	Interest Expense for 2020	Amortization of Debt Issuance Costs	Debt Issuance Imputed Rate
Gilliam Place East, LP	Arlington County, VA - AHIF Loan	6/22/2017	2,767,953	1.50%	7/1/2049	(A)	2,767,953	(13,245)	2,754,708	6,538	41,898	500	1.52%
Gilliam Place East, LP	Virginia Housing Trust Fund	6/22/2017	700,000	1.00%	5/1/2050	(B)	700,000	-	700,000	-	-	-	N/A
Gilliam Place West, LP	Virginia Housing - GAP Loan	6/22/2017	7,430,000	2.63%	5/1/2020	(D)	-	-	-	-	65,136	80,913	4.29%
Gilliam Place West, LP	Virginia Housing - Bond Loan	6/22/2017	6,740,000	3.096%	2/1/2050	345,204	6,624,899	(100,449)	6,524,450	17,092	190,201	5,037	3.15%
Gilliam Place West, LP	Arlington County, VA - AHIF Loan	6/22/2017	6,799,795	1.00%	7/1/2049	(A)	6,799,795	(9,942)	6,789,853	102,626	68,348	362	1.01%
Lorcom Arms, LP	Atlantic Union Bank	12/8/2017	2,600,000	4.80%	6/8/2028	196,317	2,350,579	(40,836)	2,309,743	7,437	116,827	5,491	5.021%
Lorcom Arms, LP	Arlington County, VA - AHIF Loan	4/7/2000	803,000	1.00%	6/1/2031	(A)	803,000	(10,497)	792,503	541,914	13,355	1,008	1.07%
Marbella Development, LLC	Virginia Housing	8/1/2011	10,080,000	5.738%	7/31/2046	631,176	8,456,683	(107,370)	8,349,313	44,451	489,681	4,755	5.86%
Marbella Development, LLC	Arlington County, VA - AHIF/HOME Loan	6/17/2011	4,031,000	2.50%	6/1/2041	(A)	3,723,150	-	3,723,150	227,238	96,608	-	N/A
Post East Four, LP	Virginia Housing - GAP Loan	5/7/2020	7,250,000	2.22%	5/1/2057	Interest Only	-	(202,123)	(202,123)	-	-	-	N/A
Post East Four, LP	Virginia Housing	5/7/2020	11,910,000	2.786%	5/1/2057	(C)	-	(341,378)	(341,378)	-	-	-	N/A
Post East Four, LP	Arlington County, VA - AHIF Loan	5/7/2020	5,730,000	(I)	5/1/2057	(A)	2,481,305	(38,391)	2,442,914	-	-	-	0.01%
Post East Four, LP	Arlington County, VA - HOME Loan	5/7/2020	2,445,000	(I)	5/1/2057	(A)	2,445,000	-	2,445,000	-	-	-	N/A
Post West Nine, LP	Virginia Housing	5/7/2020	7,930,000	3.448%	5/1/2054	(C)	-	(225,550)	(225,550)	-	-	-	N/A
Post West Nine, LP	Capital One	5/7/2020	26,295,000	2.25%	11/30/2022	Interest Only	-	(275,826)	(275,826)	-	-	-	N/A
Post West Nine, LP	Arlington County, VA - AHIF Loan	5/7/2020	5,790,000	(J)	5/1/2057	(A)	5,124,629	(16,435)	5,108,194	-	-	-	0.01%
Post West Nine, LP	American Legion Seller Note	5/7/2020	2,000,000	3.75%	5/7/2058	(B)	2,000,000	-	2,000,000	48,904	-	-	N/A
Queens North Four, LP	Virginia Housing	4/9/2019	19,320,000	(K)	2/9/2057	(L)	14,749,181	(630,428)	14,118,753	-	-	-	0.54%
Queens North Four, LP	Virginia Housing - GAP Loan	4/9/2019	16,410,000	2.99%	10/1/2021	Interest Only	16,410,000	(49,873)	16,360,127	-	-	-	4.74%
Queens North Four, LP	Arlington County, VA - AHIF Loan	4/9/2019	8,800,000	1.25%	10/1/2056	(A)	8,800,000	(77,885)	8,722,115	-	-	-	1.26%
Queens South Nine, LP	Bank of America	4/9/2019	26,680,000	LIBOR + 2.25%	2/9/2022	Interest Only	19,999,950	(114,415)	19,885,535	-	-	-	3.56%
Queens South Nine, LP	Arlington County, VA - AHIF Loan	4/9/2019	7,900,000	1.25%	10/1/2056	(A)	7,900,000	(26,888)	7,873,112	-	-	-	1.26%
Rosslyn Ridge Apartments, LP	Virginia Housing	6/14/2013	46,250,000	5.706%	3/1/2044	3,267,924	42,025,845	-	42,025,845	223,658	2,424,296	-	5.9802%
Rosslyn Ridge Apartments, LP	Arlington County, VA - Density Loan	12/8/2006	5,230,400	2.50%	6/1/2037	(A)	3,948,899	(19,289)	3,929,610	1,121,011	194,805	1,172	2.4531%
Rosslyn Ridge Apartments, LP	Arlington County, VA - Base Loan	12/8/2006	1,800,000	2.50%	6/1/2037	(A)	1,498,204	-	1,498,204	302,175	(65,200)	-	N/A
The Springs Apartments, LP	Virginia Housing	1/30/2015	8,565,000	4.342%	9/1/2046	511,168	7,916,233	(253,511)	7,662,722	28,668	347,028	12,540	4.342%
The Springs Apartments, LP	Arlington County, VA - AHIF Loan	1/30/2015	7,827,700	2.00%	1/1/2045	(A)	7,170,648	-	7,170,648	447,970	149,786	-	N/A
The Springs Apartments, LP	Bank of America	1/30/2015	550,000	N/A	1/30/2033	N/A	550,000	-	550,000	-	-	-	N/A
Total consolidated							\$ 357,897,744	\$ (5,322,743)	\$ 352,575,001	\$ 14,188,703	\$ 10,924,262	\$ 430,312	

- (A) Payable from residual receipts.
- (B) Payable from cash flow, surplus cash, or other noted events.
- (C) To be determined upon date of loan proceeds.
- (D) Loan was paid in full during 2020.
- (E) The note shall be deemed satisfied upon the expiration of 15 years of operations of the project that the proceeds are to be loaned to.
- (F) No proceeds have been advanced as of December 31, 2020.
- (G) Letter of credit is secured by cash of \$6,022,732, which is included in restricted cash on the consolidated statement of financial position.
- (H) At December 31, 2020, the remaining maximum credit amount available of the loan is \$7,271,000.
- (I) 0% interest through October 1, 2022, after which interest shall accrue at a rate of 1.25% per annum.
- (J) 0% interest through October 1, 2022, after which interest shall accrue at a rate of 0.50% per annum.
- (K) 3.159% interest per annum through September 26, 2021, and thereafter at the rate of 3.425% per annum.
- (L) Interest-only through March 1, 2022, after which monthly principal and interest payments are due.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

Of the total notes and mortgages payable at December 31, 2020, \$355,506,844 is collateralized by investment in real estate and \$2,390,900 is unsecured.

During the year ended December 31, 2020, interest capitalized to construction in progress totaled \$749,928. During the year ended December 31, 2020, amortization of debt issuance costs capitalized to construction in progress totaled \$257,692.

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, 2020 are as follows:

Year ending December 31, 2021	\$	3,333,488
2022		3,523,755
2023		3,704,239
2024		3,892,289
2025		4,095,016
Thereafter		<u>339,348,957</u>
Total		357,897,744
Unamortized debt issuance costs		<u>(5,322,743)</u>
Total	\$	<u><u>352,575,001</u></u>

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 \$1,486,123 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 \$4,379,899 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

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

.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 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

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

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 Snowden Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of the APAH Snowden Limited Partnership, which received tax credit equity financing for the purpose of developing, constructing, maintaining, operating, leasing, and mortgaging the 87-unit Snowden's Ridge. 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 guarantees that if the Partnership requires funds to pay Project Expenses, it shall furnish to the Partnership the funds so required during or in respect of the period commencing on the Admission Date and ending on the third anniversary of the date of payment of the Sixth Installment occurs provided that the Partnership has achieved a Debt Service Coverage Ratio of at least 1.15 for the most recent fiscal year of the Partnership (the "Operating Deficit Obligation Period"); provided, however, that if the balance in the Working Capital Reserve at the end of the operating Deficit Obligation Period is less than the Minimum Working Capital Reserve Amount, the Operating Deficit Obligation Period shall be extended until such time as the Working Capital Reserve equals at least the Minimum Working Capital Reserve Amount. Amounts so furnished to fund Project Expenses incurred prior to the due date for payment of the Sixth Installment shall be deemed Special Capital Contributions; amounts so furnished incurred on or after the due date for payment of the Sixth Installment shall constitute Negative Cash Flow Loans. From and after the due date for payment of the Sixth Instalment, APAH shall not be obligated to make Negative Cash Flow Loans exceeding \$834,698 outstanding at any one time (the "Minimum Operating Deficit Obligation"). Upon expiration of the Operating Deficit Obligation Period and, to the extent any funds have been withdrawn from the Working Capital Reserve prior to such time, replenishment of the Working Capital Reserve up to at least the Minimum Working Capital Reserve Amount, the General Partner shall be automatically released from its obligation to fund Negative Cash Flow Loans. Any Negative Cash Flow Loans shall be noninterest-bearing and repaid in accordance with the Partnership Agreement. As of December 31, 2020, no loans have been made under this guaranty.

APAH has guaranteed completion of the Repairs as described on the Repair Schedule of Work, free and clear of liens in accordance with the scope of work and/or plans and specifications provided by Borrower and within the period required by and according to the terms and condition of the Continuing Covenant Agreement. Should the Borrower fail to perform these actions, the Guarantor, APAH, is obligated by the Continuing Covenant Agreement to construct the Repairs and complete construction, remove any lien arising from the construction, make payment in full to all laborers, subcontractors and materialmen, and pay all costs and expenses incurred with these actions and the expenses incurred by the Funding Lender in enforcing its rights.

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Notes to Consolidated Financial Statements December 31, 2020

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.

APAH guarantees that if the Partnership requires funds to pay Project Expenses, it shall furnish to the Partnership the funds so required during or in respect of the period commencing on the Admission Date and ending on the third anniversary of the date of payment of the Fourth Installment occurs provided that the Partnership has achieved a Debt Service Coverage Ratio of at least 1.15 for the most recent fiscal year of the Partnership (the "Operating Deficit Obligation Period"); provided, however, that if the balance in the Working Capital Reserve at the end of the operating Deficit Obligation Period is less than 50% of the Minimum Working Capital Reserve Amount, the Operating Deficit Obligation Period shall be extended until such time as the Working Capital Reserve equals at least 50% of the Minimum Working Capital Reserve Amount. Amounts so furnished to fund Project Expenses incurred prior to the due date for payment of the Fourth Installment shall be deemed Special Capital Contributions; amounts so furnished incurred on or after the due date for payment of the Fourth Installment shall constitute Negative Cash Flow Loans. From and after the due date for payment of the Fourth Installment, APAH shall not be obligated to make Negative Cash Flow Loans exceeding \$424,350 outstanding at any one time (the "Maximum Operating Deficit Obligation"). Upon expiration of the Operating Deficit Obligation Period and, to the extent any funds have been withdrawn from the Working Capital Reserve prior to such time, replenishment of the Working Capital Reserve up to at least 50% of the Minimum Working Capital Reserve Amount, the General Partner shall be automatically released from its obligation to fund Negative Cash Flow Loans. Any Negative Cash Flow Loans shall be noninterest-bearing and repaid in accordance with the Partnership Agreement. As of December 31, 2020, no loans have been made under this guaranty.

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, 2020, no loans have been made under this guaranty.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

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, 2020, 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.

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.

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, 2020, 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).

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.

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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 \$518,990. Any operating deficit loans shall be noninterest-bearing and repaid in accordance with the Partnership Agreement. As of December 31, 2020, no loans have been made under this guaranty.

Mt. Sterling Senior 4% Owner LLC

APAH and its co-manager in Mt. Sterling Senior 4% Manager LLC have jointly entered into a Guaranty Agreement for the benefit of Mt. Sterling Senior 4% Owner LLC, which received tax credit equity financing for the purpose of developing, constructing, maintaining, and operating the 50-unit Mt. Sterling Senior Apartments (4%). APAH and its co-manager in Mt. Sterling Senior 4% Manager LLC jointly and severally guarantee the prompt payment and performance of all of the obligations of the Managing Member to the company under the Amended and Restated Operating Agreement pursuant to terms further described in the Guaranty Agreement. No payments have been required as a result of these guarantees.

APAH and its co-manager in Mt. Sterling Senior 4% Manager LLC have guaranteed completion of the construction activities and guarantees that the project will be placed into service no later than December 31, 2023. APAH and its co-manager in Mt. Sterling Senior 4% Manager LLC guarantee payment of all development costs, as more fully described in the Amended and Restated Operating Agreement. At December 31, 2020, the project was under construction.

APAH guarantees that if the Managing Member requires funds to pay Project Expenses, it shall furnish to the Managing Member the funds so required during or in respect of the period commencing on the Admission Date and ending on the third anniversary of the date of payment of the Fourth Installment occurs provided that the Managing Member has achieved a Debt Service Coverage Ratio of at least 1.15 for the most recent fiscal year of the Partnership (the "Operating Deficit Obligation Period"); provided, however, that if the balance in the Working Capital Reserve at the end of the operating Deficit Obligation Period is less than the Minimum Working Capital Reserve Amount, the Operating Deficit Obligation Period shall be extended until such time as the Working Capital Reserve equals at least the Minimum Working Capital Reserve Amount. Amounts so furnished to fund Project Expenses incurred prior to the due date for payment of the Fourth Installment shall be deemed Special Capital Contributions; amounts so furnished incurred on or after the due date for payment of the Fourth Instalment shall constitute Negative Cash Flow Loans. From and after the due date for payment of the Fourth Instalment, APAH shall not be obligated to make Negative Cash Flow Loans exceeding \$339,076 outstanding at any one time (the "Minimum Operating Deficit Obligation"). Upon expiration of the Operating Deficit Obligation Period and, to the extent any funds have been withdrawn from the Working Capital Reserve prior to such time, replenishment of the Working Capital Reserve up to at least the Minimum Working Capital Reserve Amount, the Managing Member shall be automatically released from its obligation to fund Negative Cash Flow Loans. Any Negative Cash Flow Loans shall be noninterest-bearing and repaid in accordance with the Partnership Agreement. As of December 31, 2020, no loans have been made under this guaranty.

Mt. Sterling Senior 9% Owner LLC

APAH and its co-manager in Mt. Sterling Senior 9% Manager LLC have jointly entered into a Guaranty Agreement for the benefit of Mt. Sterling Senior 9% Owner LLC, which received tax credit equity financing for the purpose of developing, constructing, maintaining, and operating the 48-unit Mt. Sterling Senior Apartments (9%). APAH and its co-manager in Mt. Sterling Senior 9% Manager LLC jointly and severally guarantee the prompt payment and performance of all of the obligations of

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

the Managing Member to the company under the Amended and Restated Operating Agreement pursuant to terms further described in the Guaranty Agreement. No payments have been required as a result of these guarantees.

APAH and its co-manager in Mt. Sterling Senior 9% Manager LLC have guaranteed completion of the construction activities and guarantees that the project will be placed into service no later than December 31, 2023. APAH and its co-manager in Mt. Sterling Senior 9% Manager LLC guarantee payment of all development costs, as more fully described in the Amended and Restated Operating Agreement. At December 31, 2020, the project was under construction.

APAH guarantees that if the Managing Member requires funds to pay Project Expenses, it shall furnish to the Managing Member the funds so required during or in respect of the period commencing on the Admission Date and ending on the third anniversary of the date of payment of the Fourth Installment occurs provided that the Managing Member has achieved a Debt Service Coverage Ratio of at least 1.15 for the most recent fiscal year of the Partnership (the "Operating Deficit Obligation Period"); provided, however, that if the balance in the Working Capital Reserve at the end of the operating Deficit Obligation Period is less than the Minimum Working Capital Reserve Amount, the Operating Deficit Obligation Period shall be extended until such time as the Working Capital Reserve equals at least the Minimum Working Capital Reserve Amount. Amounts so furnished to fund Project Expenses incurred prior to the due date for payment of the Fourth Installment shall be deemed Special Capital Contributions; amounts so furnished incurred on or after the due date for payment of the Fourth Installment shall constitute Negative Cash Flow Loans. From and after the due date for payment of the Fourth Instalment, APAH shall not be obligated to make Negative Cash Flow Loans exceeding \$278,595 outstanding at any one time (the "Minimum Operating Deficit Obligation"). Upon expiration of the Operating Deficit Obligation Period and, to the extent any funds have been withdrawn from the Working Capital Reserve prior to such time, replenishment of the Working Capital Reserve up to at least the Minimum Working Capital Reserve Amount, the Managing Member shall be automatically released from its obligation to fund Negative Cash Flow Loans. Any Negative Cash Flow Loans shall be noninterest-bearing and repaid in accordance with the Partnership Agreement. As of December 31, 2020, no loans have been made under this guaranty.

Post East Four Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of the Post East Four Limited Partnership, which received tax credit equity financing for the purpose of developing, constructing, maintaining, operating, managing, and leasing the 80-unit Post East Four 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, including delivery of the Post Unit to the Legion, as defined, and guarantees that the project will be placed into service no later than July 31, 2022. APAH guarantees payment of all development costs, as more fully described in the Amended and Restated Partnership Agreement. At December 31, 2020, the project was under construction.

Upon the project achieving a debt service ratio of at least 1.2 for a period of two consecutive years, commencing on or after the first anniversary of Stabilized Occupancy, the General Partner shall be obligated, after the reduction of the Operating Reserve to zero, to provide funds as needed in an aggregate amount up to \$594,955, for operating deficits occurring during the Operating Deficit

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Guaranty Period. Any operating expense loans shall be noninterest-bearing and repaid in accordance with the Partnership Agreement. As of December 31, 2020, no loans have been made under this guaranty.

Post West Nine Limited Partnership

APAH has entered into a Guaranty Agreement for the benefit of the Post West Nine Limited Partnership, which received tax credit equity financing for the purpose of developing, constructing, maintaining, operating, managing, and leasing the 80-unit Post West Nine 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, including delivery of the Post Unit to the Legion, as defined, and guarantees that the project will be placed into service no later than July 31, 2022. APAH guarantees payment of all development costs, as more fully described in the Amended and Restated Partnership Agreement. At December 31, 2020, the project was under construction.

Upon the project achieving a debt service ratio of at least 1.2 for a period of two consecutive years, commencing on or after the first anniversary of Stabilized Occupancy, the General Partner shall be obligated, after the reduction of the Operating Reserve to zero, to pay all operating deficits of the project limited to an amount not to exceed \$519,794. Any operating expense loans shall be noninterest-bearing and repaid in accordance with the Partnership Agreement. As of December 31, 2020, 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, 2020, 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, 2020, no loans have been made under this guaranty.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

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, 2020, 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, 2020, no loans have been made under this guaranty.

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.

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. During 2020, interest charged to operations on the note was \$146,606, which was eliminated in these consolidated financial statements. The outstanding principal and accrued interest on the note at December 31, 2020, which was eliminated in these consolidated financial statements, was \$2,600,000 and \$478,727, 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. During 2020, interest charged to operations on the note was \$3,339, which was eliminated in these consolidated financial statements. The outstanding principal and accrued interest on the note at December 31, 2020, which was eliminated in these consolidated financial statements, was \$78,584 and \$10,813, respectively.

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Notes to Consolidated Financial Statements December 31, 2020

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. 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 2020, payments on outstanding principal and accrued interest totaling \$90,955 and \$17,095, respectively, were made from proceeds of limited partner capital contributions. During 2020, interest charged to operations amounted to \$6,751, which was eliminated in these consolidated financial statements. The outstanding principal and accrued interest on the note at December 31, 2020, which was eliminated in these consolidated financial statements, was \$198,786 and \$0, respectively.

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 Columbia Hills East Limited 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, 2020, the outstanding principal balance amounted to \$500,000 and is eliminated in consolidation.

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. 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 2020, proceeds of \$752,637 were received. During 2020, interest incurred amounted to \$97,649, of which \$62,098 was charged to operations and eliminated in these consolidated financial statements, and \$35,551 was recorded as a component of General Partner Equity and eliminated in these consolidated financial statements. The outstanding principal and accrued interest on the note at December 31, 2020, which was eliminated in these consolidated financial statements, amounted to \$10,046,401 and \$242,646, 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, 2020 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 2020, payments of \$56,177 were made from development sources and applied to accrued interest of the \$1,120,380 loan. During 2020, interest incurred on the \$1,120,380 and \$500,000 loans amounted to \$90,306 and \$61,634, respectively, which was eliminated in these consolidated financial statements. As of December 31, 2020, 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 \$43,706 and \$65,801, respectively, and were eliminated in these consolidated financial statements.

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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 2020, proceeds on the sponsor loan totaled \$657,951. During 2020, interest incurred amounted to \$14,539, which was eliminated in these consolidated financial statements. As of December 31, 2020, the outstanding principal balance and accrued interest was \$1,674,007 and \$15,625, 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 2020, proceeds on the sponsor loan totaled \$254,268. During 2020, interest of \$23,901 was incurred, which was eliminated in these consolidated financial statements. As of December 31, 2020, the outstanding principal balance and accrued interest was \$1,007,600 and \$29,849, 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 of priority in accordance with the Amended and Restated Limited Partnership Agreement. The note matures on April 9, 2058, at which time the entire unpaid balance of the note and accrued interest thereon shall be due in full. During 2020, proceeds totaling \$113,287 were received. As of December 31, 2020, the outstanding principal balance was \$6,776,644, 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, 2058, at which time the entire unpaid balance of the note and accrued interest thereon shall be due in full. As of December 31, 2020, the outstanding principal balance was \$385,000, which was eliminated in these consolidated financial statements.

On April 9, 2019, 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 Queens South Nine Limited Partnership have 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. The note bears interest at 1.25%, compounding annually. Interest shall accrue on the outstanding balance beginning April 9, 2019. Beginning in 2037, 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, 2058, at which time the entire unpaid balance of the note and accrued interest thereon shall be due in full. During 2020, proceeds totaling \$500,000 were

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Notes to Consolidated Financial Statements December 31, 2020

received. During 2020, interest of \$5,086 was incurred, which was eliminated in these consolidated financial statements. As of December 31, 2020, the outstanding principal balance and accrued interest was \$500,000 and \$5,086, respectively, and was eliminated in these consolidated financial statements.

On May 7, 2020, Post East Four Limited Partnership entered into a loan agreement with APAH in the amount of \$1,689,490. The note bears interest at 2.5% compounding annually. Interest shall accrue on the outstanding balance beginning May 7, 2020. Beginning with the cash flows attributable to 2022, 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 May 7, 2058, at which time the entire unpaid balance of the note and accrued interest thereon shall be due in full. During 2020, proceeds totaling \$1,689,490 were received. During 2020, interest of \$27,541 was incurred, which was eliminated in these consolidated financial statements. As of December 31, 2020, the outstanding principal balance and accrued interest was \$1,689,490 and \$27,541, respectively, and was eliminated in these consolidated financial statements.

On May 7, 2020, Post East Four Limited Partnership entered into a loan agreement with APAH in the amount of \$1,800,000. The note bears interest at 1.0% compounding annually. Interest shall accrue on the outstanding balance beginning May 7, 2020. Beginning with the cash flows attributable to 2022, 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 May 7, 2058, at which time the entire unpaid balance of the note and accrued interest thereon shall be due in full. During 2020, proceeds totaling \$360,406 were received. During 2020, interest of \$2,213 was incurred, which was eliminated in these consolidated financial statements. As of December 31, 2020, the outstanding principal balance and accrued interest was \$360,406 and \$2,213, respectively, and was eliminated in these consolidated financial statements.

On May 7, 2020, Post West Nine Limited Partnership entered into a loan agreement with APAH in the amount of \$2,425,000. The note bears interest at 7.0% compounding annually. Interest shall accrue on the outstanding balance beginning May 7, 2020. Beginning with the cash flows attributable to 2022, 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 May 7, 2058, at which time the entire unpaid balance of the note and accrued interest thereon shall be due in full. During 2020, proceeds totaling \$2,425,000 were received. During 2020, interest of \$110,686 was incurred, which was eliminated in these consolidated financial statements. As of December 31, 2020, the outstanding principal balance and accrued interest was \$2,425,000 and \$110,686, respectively, and was eliminated in these consolidated financial statements.

On November 20, 2020, Mt. Sterling Senior 4% Owner LLC entered into a loan agreement with APAH in the amount of \$450,000. The note bears interest at 0.0% annually. Interest shall accrue on the outstanding balance beginning November 20, 2020. Payments of interest-only will be made annually from and to the extent of cash flow of Borrower in order of priority in accordance with the Amended and Restated Operating Agreement. The note matures on November 20, 2058, at which time the entire unpaid balance of the note and accrued interest thereon shall be due in full. During 2020, proceeds totaling \$322,423 were received. As of December 31, 2020, the outstanding principal balance was \$322,423.

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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. The full development 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 West Limited Partnership. The agreement calls for aggregate fees to APAH of \$3,173,106. 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 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. 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 Queens North Four Limited Partnership. The agreement calls for aggregate fees to APAH of \$4,000,000. As of December 31, 2020, \$3,877,148 has been capitalized into the rental property. The fee is payable from capital contributions and cash flow. Development fees

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

payable from cash flow of the project are eliminated in these consolidated financial statements while development fees payable from investor capital contributions of \$1,757,002 are included in development fee payable at December 31, 2020.

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, 2020, \$2,913,920 has been capitalized into the rental property. The fee is payable from capital contributions and cash flow. Development fees payable from investor capital contributions of \$2,013,920 are included in development fee payable at December 31, 2020.

Pursuant to a Development Services Agreement, APAH shall earn a development fee in connection with the development of Post East Four Limited Partnership. The agreement calls for aggregate fees to APAH of \$2,800,000. As of December 31, 2020, \$663,432 has been capitalized into the rental property. The fee is payable from capital contributions and cash flow. Development fees payable from investor capital contributions of \$130,932 are included in development fee payable at December 31, 2020.

Pursuant to a Development Services Agreement, APAH shall earn a development fee in connection with the development of Post West Nine Limited Partnership. The agreement calls for aggregate fees to APAH of \$3,200,000. As of December 31, 2020, \$776,366 has been capitalized into the rental property. The fee is payable from capital contributions and cash flow. Development fees payable from investor capital contributions of \$150,585 are included in development fee payable at December 31, 2020.

Pursuant to a Development Services Agreement, APAH shall earn a development fee in connection with the development of APAH Snowden Limited Partnership. The agreement calls for aggregate fees to APAH of \$3,388,925. As of December 31, 2020, \$786,362 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 Mt. Sterling Senior 4% Owner LLC. The fee is divided between APAH and the co-member, an unrelated party, in accordance with the Development Services Agreement. The agreement calls for total aggregate fees of \$1,550,000 and aggregate fees to APAH of \$737,500. As of December 31, 2020, \$192,366 has been capitalized into the rental property. The fee is payable from capital contributions and cash flow.

Pursuant to a Development Services Agreement, APAH shall earn a development fee in connection with the development of Mt. Sterling Senior 9% Owner LLC. The fee is divided between APAH and the co-member, an unrelated party, in accordance with the Development Services Agreement. The agreement calls for total aggregate fees of \$1,450,000 and aggregate fees to APAH of \$912,500. As of December 31, 2020, \$273,750 has been capitalized into the rental property. The fee is payable from capital contributions and cash flow.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2020**

Development fees incurred as of and for the year ended December 31, 2020 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	\$ 326,229	\$ -	\$ -
Columbia Hills West Limited Partnership	417,424	2,031,704	-
Rosslyn Ridge Apartments Limited Partnership	-	3,277,321	3,277,321
The Springs Apartments Limited Partnership	5,564	561,954	540,889
Gilliam Place East Limited Partnership	277,664	-	-
Gilliam Place West Limited Partnership	317,238	1,006,793	-
APAH Westover Apartments Limited Partnership	291,031	310,000	-
Queens South Nine Limited Partnership	1,345,958	1,748,352	-
Queens North Four Limited Partnership	1,940,923	2,920,146	-
Post East Four Limited Partnership	1,131,231	598,731	-
Post West Nine Limited Partnership	1,172,687	546,906	-
APAH Snowden Limited Partnership	822,180	35,818	-
Mt. Sterling Senior 4% Owner LLC	192,366	28,072	-
Mt. Sterling Senior 9% Owner LLC	273,750	26,250	-
	<u>8,514,245</u>	<u>13,092,047</u>	<u>3,818,210</u>
Total			
Eliminations	<u>(2,112,517)</u>	<u>(8,707,918)</u>	<u>(3,818,210)</u>
Consolidated balance	<u>\$ 6,401,728</u>	<u>\$ 4,384,129</u>	<u>\$ -</u>

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 seventy-five years. In a prior year, the Tenant made a capitalized ground lease payment to the Landlord totaling \$500,000 which is amortized over the term of the lease using the straight-line method and is eliminated in consolidation. During the year ended December 31, 2020, base rent and interest totaling \$197,554 and \$10,876, respectively, was incurred. At December 31, 2020, ground lease rent of \$614,253, which includes accrued interest of \$21,591, is payable from the Tenant to the Landlord. Amounts recorded on this agreement are 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. During the year ended December 31, 2020, base rent and interest totaling \$216,000 and \$11,892, respectively, was incurred. At December 31, 2020, ground lease rent of \$671,609, which includes accrued interest of \$23,609, is payable from the Tenant to the Landlord. Amounts recorded on this agreement are eliminated in consolidation.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

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. During the year ended December 31, 2020, base rent and interest totaling \$162,000 and \$10,701, respectively, was incurred. At December 31, 2020, ground lease rent of \$501,952, which includes accrued interest of \$15,952, 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, 2020, retail income totaled \$62,128, and was eliminated in consolidation.

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, 2020.

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, 2020 is \$2,731 and is included in restricted cash and cash equivalents.

Note 11 - Restricted cash

A tenant reserve in the amount of \$2,731 is maintained by Cameron Commons, LLC for the purpose outlined in the agreement (see Note 10).

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

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, 2020, the amount maintained in this account was \$1,000,004.

In conjunction with the Mt. Sterling Senior 4% Owner LLC project, APAH secured cash collateral totaling \$489,077 as of December 31, 2020. The cash collateral will be released upon completion of the construction project and conversion to permanent financing.

As described in Note 3, the Bank of Charles Town issued a letter of credit to VHDA on behalf of APAH for the Queens Court North project, which is secured by cash of \$6,022,732 as of December 31, 2020.

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, 2020 was \$107,271 and is included in salaries expense.

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, 2020 are:

Net operating loss carryforward	\$ 593,896
Valuation allowance	<u>(593,896)</u>
Net deferred tax asset	<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, 2020, 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, \$1,244 and \$830 expire in 2023, 2024, 2027, 2028, 2029, 2031, 2032, 2033, 2034 and 2035, respectively.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2020**

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, 2020.

Note 14 - Net assets with donor restrictions

APAH received the following grants which are included in net assets with donor restrictions at December 31, 2020 for either time restrictions or restrictions related to specific program services:

Grantor	Restriction	2020
Home Depot	Terwilliger Place	\$ 400,000
Arlington County Foundation	Rental subsidy grant	68,750
Washington Forrest Foundation	Resident services	22,000
Arlington County - AHIF	Resident services	23,000
Arlington County - AHIF	Tech prosperity	7,000
Various	Backpack drive	7,355
Various	Holiday gift drive	2,155
Various	Community leaders crisis funding	1,275
Various	Veterans services	33,500
Amazon - Arlington Community Foundation	Terwilliger Place	1,000,000
Terwilliger Family Foundation	Terwilliger Place	1,500,000
Various	Terwilliger Place	289,490
Various	Resident emergency fund	195,511
		<u>\$ 3,550,036</u>

Note 15 - Commitments

On December 8, 2020, APAH Snowden Limited Partnership entered into a construction contract with Harkins Builders, Inc., an unrelated party, to perform general contractor services in connection with the rehabilitation of the project. The construction contract amounted to \$9,995,445. Total costs incurred under the contract and capitalized to construction in progress at December 31, 2020 were \$158,156. As of December 31, 2020, no amount remains payable.

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. The entire contract was incurred and capitalized to the rental property in a prior year. At December 31, 2020, \$14,750 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. The entire contract was incurred and capitalized to the rental property in a prior year. At December 31, 2020, the construction contract was paid in full.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

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 \$41,254,026 including change orders of \$517,702, of which \$39,994,959 has been incurred and capitalized to construction in progress at December 31, 2020. At December 31, 2020, \$4,767,911 remains payable and is included in construction and development costs payable on the accompanying consolidated statement of financial position.

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 \$23,346,706, including change orders of \$292,983, of which \$22,680,730 has been incurred and capitalized to construction in progress at December 31, 2020. At December 31, 2020, \$2,715,215 remains payable and is included in construction and development costs payable on the accompanying consolidated statement of financial position.

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 \$22,111,177, including change orders of \$100,073, of which \$5,315,385 has been incurred and capitalized to construction in progress at December 31, 2020. At December 31, 2020, \$2,773,528 remains payable and is included in construction and development costs payable on the accompanying consolidated statement of financial position.

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 \$24,605,135, including change orders of \$171,705, of which \$5,899,804 has been incurred and capitalized to construction in progress at December 31, 2020. At December 31, 2020, \$3,098,482 remains payable and is included in construction and development costs payable on the accompanying consolidated statement of financial position.

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. The entities Mt. Sterling Senior 4% Owner LLC and Mt. Sterling Senior 9% Owner LLC were formed on behalf of the affordable senior housing complex.

Land donation

On November 2, 2020, APAH entered into a donation agreement with Woodleigh Chase, LLC, an unrelated party, to receive, for no consideration, a portion of land located in Fairfax County, Virginia for the development and operation of no less than 80 affordable housing units to be occupied with households having at least one member who is 62 years old or older. Under the donation agreement, the agreement will be consummated at settlement, which is expected to occur no later than March 1, 2023.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

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, 2020 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, 2020 is \$151,558 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, 2025 is \$20,667.

On October 19, 2020, APAH entered into an Agreement to Ground Lease with the Trustees for Central United Methodist Church ("CUMC"), for a property located in Arlington, Virginia. APAH intends to develop the property as a mixed-use project which will be subjected to a land condominium pursuant to a declaration of land condominium (the "Condominium Declaration"), and which will include one or more units for the exclusive use of CUMC, as defined, and residential components consisting of approximately 144 residential units, amenity space, parking areas, the loading dock, sidewalks, exterior improvements and appurtenances. The Agreement to Ground Lease requires a nonrefundable deposit of \$260,000 to be paid to the escrow agent. During 2020, the deposit was paid.

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, 2020 that sum to the total of the same such amounts in the consolidated statement of cash flows:

Cash and cash equivalents	\$ 33,225,814
Restricted cash	
Residents' security deposits	1,006,733
Replacement reserves	32,645
Other reserves	<u>6,695,707</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	<u>\$ 40,960,899</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.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

Note 18 - Investment in limited liability companies

APAH is a co-manager with a 50% interest in the managing member of the following liability companies: Mt. Sterling Senior 4% Owner LLC and Mt. Sterling Senior 9% Owner LLC (Real Estate Entities). Certain financial information with respect to the investment in the limited liability companies at December 31, 2020 and the year then ended, is as follows:

Net investment in real estate	\$	6,433,618
Total assets		7,912,807
Permanent financing (including accrued interest)		5,547,423
Total liabilities		5,591,529
Limited members' equity (deficit)		2,324,257
Managing members' equity (deficit)		-
Revenue		-
Expenses		-
Net income (loss)		-

As of December 31, 2020, the investment balance is \$0 and is included in investment in liability companies on the accompanying consolidated statement of financial position. As a co-manager of the managing member of the Real Estate Entities, APAH is entitled to receive their respective percentages of all profits and losses and cash flow, after payment of certain priority items, from capital transactions of the entities. As of December 31, 2020, equity in losses was \$0.

Note 19 - Limited Waiver Agreements

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, 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 nonpayment of rent by tenants due to pandemic related loss of income until December 31, 2020. On March 1, 2021, the aforementioned entities entered into a First Amendment to the Arlington County Affordable Housing Multifamily Revolving Loan Fund Limited Waiver Agreement (see Note 21).

Note 20 - Contingency

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. As of December 31, 2020, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Organization.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2020

Note 21 - Subsequent events

Events that occur after the consolidated statement of financial position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of APAH and Subsidiaries through August 27, 2021 (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.

On March 1, 2021, the County Board of Arlington County, Virginia entered into First Amendment to the Arlington County Affordable Housing Multifamily Revolving Loan Fund Limited Waiver Agreements with Buchanan Gardens Limited Partnership, Calvert Manor Limited Partnership, 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 2021 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 nonpayment of rent by tenants due to pandemic related loss of income until December 31, 2021.

On May 25, 2021, APAH Fort Totten LLC entered into a Contribution Agreement with an unrelated third party, whereby the unrelated third party agrees to contribute the property, as defined.

On May 28, 2021, APAH entered into a Real Estate Purchase and Sales Agreement with an unrelated third party, for purchase of property related to a project in Fairfax County, Virginia, as defined.

APAH submitted its application for PPP loan forgiveness subsequent to December 31, 2020 and received notice from its lender on July 2, 2021 that the SBA approved forgiveness of the full amount of the PPP loan and the related interest thereon. Accordingly, APAH will derecognize the PPP loan and recognize a corresponding gain on debt forgiveness, which will be included in other income for the year ending December 31, 2021. There is a six-year period during which the SBA can review APAH's forgiveness calculation.

On July 16, 2021, APAH entered into an Initial Development Agreement with the Fairfax County Redevelopment and Housing Authority, in connection with the development of a project in Fairfax County, Virginia.

Supplementary Information

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

	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>Assets</u>								
Cash and cash equivalents, including \$7,514,544 of restricted cash	\$ 23,707,784	\$ -	\$ 13,874	\$ 134,978	\$ -	\$ 241,292	\$ -	\$ 547,848
Grants and pledges receivable	91,900	-	-	-	-	-	-	-
Accounts receivable - residents	-	-	-	37,305	-	33,566	-	83,473
Accounts receivable - other	1,177,903	-	501,952	-	-	81,772	-	9,800
Development fee receivable	13,092,047	-	-	-	-	-	-	-
Prepaid expenses	995,992	-	-	13,546	-	39,744	-	34,422
Prepaid development fee	-	-	-	-	-	-	-	-
Prepaid ground lease	-	-	-	-	-	-	-	1,398,442
Deposits	9,920	-	-	-	-	-	-	58,734
Mortgage escrow deposits	-	-	-	32,332	-	-	-	26,441
Replacement and redevelopment reserve	-	-	-	34,086	-	87,138	-	131,655
Other reserves	-	-	-	430,756	-	7,693,522	-	1,423,119
Property and equipment, net	1,930,316	-	7,585,610	20,679,223	-	18,959,832	-	21,770,100
Construction in progress	3,569,382	-	-	-	-	2,361,276	-	-
Notes receivable - related party	27,227,509	-	-	-	-	-	-	-
Interest receivable - related party	942,077	-	-	-	-	-	-	-
Funded residents' security deposits	-	-	-	57,370	-	24,834	-	60,752
Investment in Fisher House Limited Partnership	-	-	-	-	-	-	-	-
Investment in Arlington Mill Limited Partnership	427,123	-	-	-	-	-	-	-
Investment in North Pierce Associates	3,268,871	-	-	-	479,238	-	-	-
Investment in Courthouse Crossing Limited Partnership	(1,237)	-	-	-	-	-	-	-
Investment in Calvert Manor Limited Partnership	321,996	-	-	-	-	-	-	-
Investment in Lorcom Arms Limited Partnership	(1,069,737)	-	-	-	-	-	-	-
Investment in Cameron Commons LLC	-	-	-	-	-	-	-	-
Investment in Columbia Grove Limited Partnership	(262,967)	-	-	-	-	-	-	-
Investment in Columbia Grove Development Corp	(15,930)	-	-	-	-	-	-	-
Investment in Buchanan Gardens, LP	310,764	-	-	-	-	-	-	-
Investment in Buchanan Gardens Development Corp	-	-	-	-	-	-	-	-
Investment in Rosslyn Ridge Development Corp	(81,374)	-	-	-	-	-	-	-
Investment in Marbella	-	-	-	-	-	-	-	-
Investment in Barkalow LLC	1,120,975	-	-	-	-	-	-	-
Investment in Arna Valley	(1,019,591)	-	-	-	-	-	-	-
Investment in The Springs LP	-	-	-	-	-	-	-	-
Investment in stock	125,000	-	-	-	-	-	-	-
In place leases	-	-	-	-	-	-	-	-
Other assets	-	-	-	64,683	-	51,675	-	83,187
Total assets	\$ 75,868,723	\$ -	\$ 8,101,436	\$ 21,484,279	\$ 479,238	\$ 29,574,651	\$ -	\$ 25,627,973

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

<u>Liabilities and Net Assets</u>	<u>APA H Organization</u>	<u>APA Westover Dev. Corp.</u>	<u>APA Westover, LLC</u>	<u>APA Westover Apartments, LP</u>	<u>APA Rosslyn Ridge, Inc.</u>	<u>APA Snowden, LP</u>	<u>APA Snowden Dev. Corp.</u>	<u>Arlington Mill, LP</u>
Liabilities								
Accounts payable and accrued expenses	\$ 878,491	\$ -	\$ -	\$ 6,371	\$ -	\$ 1,298	\$ -	\$ 5,242
Accrued interest	69,514	-	82,095	62,049	-	-	-	40,802
Related party payable/(receivable)	(4,883,133)	299,234	-	958,206	15,919	60,753	1,875	230,348
Development fee payable	-	-	-	310,000	-	-	-	-
Deferred development fee	3,818,210	-	-	-	-	-	-	-
Deferred gain	2,600,000	-	-	-	480,000	-	-	-
Prepaid rents	-	-	-	17,703	-	18,941	-	82,122
Residents' security deposits	-	-	-	57,370	-	24,830	-	60,752
Notes payable	4,108,240	-	6,261,710	11,450,507	-	28,116,609	-	7,749,540
Construction and development costs payable	426,573	-	-	-	-	47,605	-	-
Other liabilities	68,750	-	-	486,000	-	-	-	-
Total liabilities	7,086,645	299,234	6,343,805	13,348,206	495,919	28,270,036	1,875	8,168,806
Net assets without donor restrictions								
Unrestricted controlling	65,232,042	(299,234)	1,757,631	8,136,073	(16,681)	1,304,615	(1,875)	17,459,167
Unrestricted noncontrolling	-	-	-	-	-	-	-	-
Total net assets without donor restrictions	65,232,042	(299,234)	1,757,631	8,136,073	(16,681)	1,304,615	(1,875)	17,459,167
With donor restrictions	3,550,036	-	-	-	-	-	-	-
Total net assets	68,782,078	(299,234)	1,757,631	8,136,073	(16,681)	1,304,615	(1,875)	17,459,167
Total liabilities and net assets	\$ 75,868,723	\$ -	\$ 8,101,436	\$ 21,484,279	\$ 479,238	\$ 29,574,651	\$ -	\$ 25,627,973

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

	Arlington Mill Dev. Corp.	AVV Apartments, LLC	Barkalow, LLC	Buchanan Gardens II, LLC	Buchanan Gardens Dev. Corp.	Buchanan Gardens, LP	Calvert Manor, LP	Cameron Common Dev. Corp.
<u>Assets</u>								
Cash and cash equivalents, including \$7,514,544 of restricted cash	\$ -	\$ 372,927	\$ 210,484	\$ -	\$ -	\$ 556,171	\$ 87,921	\$ -
Grants and pledges receivable	-	-	-	-	-	-	-	-
Accounts receivable - residents	-	19,370	3,192	-	-	53,091	2,640	-
Accounts receivable - other	-	-	-	-	-	-	-	-
Development fee receivable	-	-	-	-	-	-	-	-
Prepaid expenses	-	24,307	3,439	-	-	30,587	6,049	-
Prepaid development fee	-	-	-	-	-	-	-	-
Prepaid ground lease	-	-	-	-	-	-	-	-
Deposits	-	2,149	-	13,770	-	-	-	-
Mortgage escrow deposits	-	22,537	34,279	-	-	22,455	5,853	-
Replacement and redevelopment reserve	-	319,633	-	-	-	107,452	41,399	-
Other reserves	-	-	-	-	-	659,250	-	-
Property and equipment, net	-	12,839,424	862,788	-	-	21,459,112	2,812,036	-
Construction in progress	-	-	-	-	-	-	-	-
Notes receivable - related party	-	-	-	-	-	-	-	-
Interest receivable - related party	-	-	-	-	-	-	-	-
Funded residents' security deposits	-	46,881	12,700	-	-	82,745	14,261	-
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	-	-	-	-	-	-	-	(424,086)
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	-	-	-	-	-	-	-	-
Investment in Barkalow LLC	-	-	-	-	-	-	-	-
Investment in Arma Valley	-	-	-	-	-	-	-	-
Investment in The Springs LP	-	-	-	-	-	-	-	-
Investment in stock	-	-	-	-	-	-	-	-
In place leases	-	43,185	-	-	-	-	-	-
Other assets	-	-	-	-	-	38,908	-	-
Total assets	\$ -	\$ 13,690,413	\$ 1,126,882	\$ 13,770	\$ 11,647	\$ 23,009,771	\$ 2,970,159	\$ (424,086)

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

<u>Liabilities and Net Assets</u>	<u>Arlington Mill Dev. Corp.</u>	<u>AVV Apartments, LLC</u>	<u>Barkalow, LLC</u>	<u>Buchanan Gardens II, LLC</u>	<u>Buchanan Gardens Dev. Corp.</u>	<u>Buchanan Gardens, LP</u>	<u>Calvert Manor, LP</u>	<u>Cameron Common Dev. Corp.</u>
Liabilities								
Accounts payable and accrued expenses	\$ -	\$ -	\$ 489	\$ -	\$ -	\$ 23,010	\$ 11	\$ 800
Accrued interest	-	369,774	-	-	-	1,592,895	149,692	-
Related party receivable/(payables)	117,180	33,788	17,432	8,055	96,219	183,365	182,262	7,990
Development fee payable	-	-	-	-	-	-	-	-
Deferred development fee	-	-	-	-	-	-	-	-
Deferred gain	-	-	-	1,421,838	-	-	-	-
Prepaid rents	-	35,946	4,229	-	-	32,122	6,362	-
Residents' security deposits	-	46,881	12,700	-	-	82,745	14,261	-
Notes payable	-	14,223,612	-	-	-	15,582,374	2,295,365	-
Construction and development costs payable	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	117,180	14,710,001	34,850	1,429,893	96,219	17,496,511	2,647,953	8,790
Net assets without donor restrictions								
Unrestricted controlling	(117,180)	(1,019,588)	1,092,032	(1,416,123)	(84,572)	5,513,260	322,206	(432,876)
Unrestricted noncontrolling	-	-	-	-	-	-	-	-
Total net assets without donor restrictions	(117,180)	(1,019,588)	1,092,032	(1,416,123)	(84,572)	5,513,260	322,206	(432,876)
With donor restrictions	-	-	-	-	-	-	-	-
Total net assets	(117,180)	(1,019,588)	1,092,032	(1,416,123)	(84,572)	5,513,260	322,206	(432,876)
Total liabilities and net assets	\$ -	\$ 13,690,413	\$ 1,126,882	\$ 13,770	\$ 11,647	\$ 23,009,771	\$ 2,970,159	\$ (424,086)

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

	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 \$7,514,544 of restricted cash	\$ 139,215	\$ -	\$ 858,963	\$ 60,284	\$ -	\$ -	\$ 650,314	\$ -
Grants and pledges receivable	-	-	-	-	-	-	-	-
Accounts receivable - residents	2,540	-	142,590	-	-	-	63,737	-
Accounts receivable - other	-	-	-	-	-	-	-	-
Development fee receivable	-	-	-	-	-	-	-	-
Prepaid expenses	4,034	-	48,620	-	-	-	39,201	-
Prepaid development fee	-	-	-	-	-	-	-	-
Prepaid ground lease	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Mortgage escrow deposits	3,161	-	46,273	-	-	-	54,028	-
Replacement and redevelopment reserve	14,969	-	192,659	-	-	-	155,901	-
Other reserves	-	-	33,000	-	-	-	675,011	-
Property and equipment, net	1,757,782	-	18,727,497	-	-	-	31,116,365	-
Construction in progress	-	-	-	-	-	-	-	-
Notes receivable - related party	-	-	-	-	-	-	-	-
Interest receivable - related party	-	-	-	-	-	-	-	-
Funded residents' security deposits	10,360	-	156,511	-	-	-	50,604	-
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	1,500,833	-	-	-
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	-	-	-	-	-	-	-	-
Investment in Barkalow LLC	-	-	-	-	-	-	-	-
Investment in Arma Valley	-	-	-	-	-	-	-	-
Investment in The Springs LP	-	-	-	-	-	-	-	-
Investment in stock	-	-	-	-	-	-	-	-
In place leases	-	-	-	-	-	-	-	-
Other assets	-	-	6,917	-	-	-	126,018	-
Total assets	\$ 1,932,061	\$ -	\$ 20,213,030	\$ 455,219	\$ 1,500,833	\$ -	\$ 32,931,179	\$ -

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

	Cameron Commons, LLC	Carltn 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	\$ 3,749	\$ -	\$ 39,151	\$ 14,999	\$ -	\$ -	\$ 4,402	\$ -
Accrued interest	529,278	-	1,738,664	-	-	-	27,308	-
Related party receivable/(payables)	25,125	6,134	122,022	33,761	331,345	3,750	164,769	4,125
Development fee payable	-	-	-	-	-	-	-	-
Deferred development fee	-	-	-	-	-	-	-	-
Deferred gain	-	-	-	2,041,621	-	-	-	-
Prepaid rents	5,093	-	94,852	-	-	-	28,563	-
Residents' security deposits	10,360	-	156,511	-	-	-	50,854	-
Notes payable	1,468,287	-	17,540,689	-	1,749,174	-	16,332,279	-
Construction and development costs payable	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	2,041,892	6,134	19,691,889	2,090,381	2,080,519	3,750	16,608,175	4,125
Net assets without donor restrictions								
Unrestricted controlling	(109,831)	(6,134)	521,141	(1,635,162)	(579,686)	(3,750)	16,323,004	(4,125)
Unrestricted noncontrolling	-	-	-	-	-	-	-	-
Total net assets without donor restrictions	(109,831)	(6,134)	521,141	(1,635,162)	(579,686)	(3,750)	16,323,004	(4,125)
With donor restrictions								
Total net assets	(109,831)	(6,134)	521,141	(1,635,162)	(579,686)	(3,750)	16,323,004	(4,125)
Total liabilities and net assets	\$ 1,932,061	\$ -	\$ 20,213,030	\$ 455,219	\$ 1,500,833	\$ -	\$ 32,931,179	\$ -

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

	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 \$7,514,544 of restricted cash	\$ 285,932	\$ 913,100	\$ -	\$ -	\$ 279,941	\$ 339,012	\$ -	\$ -
Grants and pledges receivable	-	-	-	-	-	-	-	-
Accounts receivable - residents	101,712	54,646	-	-	42,383	-	-	-
Accounts receivable - other	-	-	-	-	-	-	-	-
Development fee receivable	-	-	-	-	-	-	-	-
Prepaid expenses	43,635	29,917	-	-	10,224	-	-	-
Prepaid development fee	-	-	-	-	-	-	-	-
Prepaid ground lease	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Mortgage escrow deposits	44,044	26,286	-	-	8,159	-	-	-
Replacement and redevelopment reserve	212,156	136,331	-	-	32,568	-	-	-
Other reserves	918,153	-	-	-	191,397	-	-	-
Property and equipment, net	39,538,315	23,875,268	-	-	5,877,177	8,771,187	-	-
Construction in progress	-	-	-	-	-	-	-	-
Notes receivable - related party	-	-	-	-	-	1,240,662	-	-
Interest receivable - related party	-	-	-	-	-	45,200	-	-
Funded residents' security deposits	61,174	68,005	-	-	20,492	-	-	-
Investment in Fisher House Limited Partnership	-	-	-	1,223,261	-	-	-	-
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	-	-	-	-	-	-	-	-
Investment in Barkalow LLC	-	-	-	-	-	-	-	-
Investment in Arna Valley	-	-	-	-	-	-	-	-
Investment in The Springs LP	-	-	-	-	-	-	-	-
Investment in stock	-	-	-	-	-	-	-	-
In place leases	-	-	-	-	-	-	-	-
Other assets	83,132	5,371	-	-	1,383	-	-	-
Total assets	\$ 41,288,253	\$ 25,108,924	\$ -	\$ 1,223,261	\$ 6,463,724	\$ 10,396,061	\$ -	\$ -

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

	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	\$ 4,216	\$ 16,593	\$ 800	\$ -	\$ 8,682	\$ -	\$ -	\$ -
Accrued interest	188,394	6,397,408	-	-	371,079	105,717	-	-
Related party receivable/(payables)	189,720	-	4,492	6,001	48,249	-	3,375	3,375
Development fee payable	2,022,848	-	-	-	-	-	-	-
Deferred development fee	-	-	-	-	-	-	-	-
Deferred gain	-	-	-	1,555,000	-	-	-	-
Prepaid rents	17,993	31,654	-	-	10,203	-	-	-
Residents' security deposits	61,424	68,005	-	-	20,492	-	-	-
Notes payable	28,440,245	18,750,749	-	-	2,749,979	8,118,602	-	-
Construction and development costs payable	-	-	-	-	1,038	-	-	-
Other liabilities	-	-	-	-	-	476,666	-	-
Total liabilities	30,924,840	25,264,409	5,292	1,561,001	3,209,722	8,700,985	3,375	3,375
Net assets without donor restrictions								
Unrestricted controlling	10,363,413	(155,485)	(5,292)	(337,740)	3,254,002	1,695,076	(3,375)	(3,375)
Unrestricted noncontrolling	-	-	-	-	-	-	-	-
Total net assets without donor restrictions	10,363,413	(155,485)	(5,292)	(337,740)	3,254,002	1,695,076	(3,375)	(3,375)
With donor restrictions								
Total net assets	10,363,413	(155,485)	(5,292)	(337,740)	3,254,002	1,695,076	(3,375)	(3,375)
Total liabilities and net assets	\$ 41,288,253	\$ 25,108,924	\$ -	\$ 1,223,261	\$ 6,463,724	\$ 10,396,061	\$ -	\$ -

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

	Gilliam Retail, LLC	Gilliam Place East, LP	Gilliam Place West, LP	Lorcom Arms, LP	Marbella Development, LLC	Post East Four Dev. Corp.	Post East Four LP	Post West Nine Dev. Corp.
<u>Assets</u>								
Cash and cash equivalents, including \$7,514,544 of restricted cash	\$ 49,053	\$ 462,291	\$ 246,911	\$ 149,904	\$ 558,722	\$ -	\$ 99,531	\$ -
Grants and pledges receivable	-	-	-	-	-	-	-	-
Accounts receivable - residents	-	49,869	57,291	13,259	31,660	-	-	-
Accounts receivable - other	-	-	54,442	-	-	-	-	-
Development fee receivable	-	-	-	-	-	-	-	-
Prepaid expenses	4,867	30,634	32,378	11,547	25,918	-	-	-
Prepaid development fee	-	-	-	-	-	-	-	-
Prepaid ground lease	-	(28,058)	(2,454)	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Mortgage escrow deposits	-	92,765	43,126	56,515	31,182	-	-	-
Replacement and redevelopment reserve	-	14,529	22,507	146,232	124,800	-	-	-
Other reserves	-	920,132	515,400	-	-	-	-	-
Property and equipment, net	-	30,820,822	22,777,458	2,831,526	11,591,888	-	3,570,544	-
Construction in progress	-	-	-	-	-	-	8,990,613	-
Notes receivable - related party	-	-	-	-	-	-	-	-
Interest receivable - related party	-	-	-	-	-	-	-	-
Funded residents' security deposits	-	46,256	42,185	22,086	94,331	-	-	-
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	-	-	-	-	-	-	-	-
Investment in Barkalow LLC	-	-	-	-	-	-	-	-
Investment in Arna Valley	-	-	-	-	-	-	-	-
Investment in The Springs LP	-	-	-	-	-	-	-	-
Investment in stock	-	-	-	-	-	-	-	-
In place leases	-	-	-	-	-	-	-	-
Other assets	-	129,437	51,728	-	-	-	-	-
Total assets	\$ 53,920	\$ 32,538,677	\$ 23,840,972	\$ 3,231,069	\$ 12,458,501	\$ -	\$ 12,660,688	\$ -

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

<u>Liabilities and Net Assets</u>	Gilliam Retail, LLC	Gilliam Place East, LP	Gilliam Place West, LP	Lorcom Arms, LP	Marbella Development, LLC	Post East Four Dev. Corp.	Post East Four LP	Post West Nine Dev. Corp.
Liabilities								
Accounts payable and accrued expenses	\$ -	\$ 20,543	\$ 953	\$ 4,946	\$ 1,703	\$ -	\$ -	\$ -
Accrued interest	-	169,359	158,952	549,351	271,689	-	29,754	-
Related party receivable/(payables)	46,955	91,337	468,074	599,800	51,430	1,000	91,413	1,000
Development fee payable	-	-	1,006,793	-	-	-	-	-
Deferred development fee	-	-	-	-	-	-	130,932	-
Deferred gain	-	-	-	-	-	-	-	-
Prepaid rents	-	38,145	23,113	14,151	48,257	-	-	-
Residents' security deposits	-	46,256	42,185	22,086	94,331	-	-	-
Notes payable	-	12,622,467	14,988,310	3,102,246	12,072,463	-	6,394,309	-
Construction and development costs payable	-	-	-	-	-	-	2,878,765	-
Other liabilities	-	592,662	648,000	-	-	-	-	-
Total liabilities	46,955	13,580,769	17,336,380	4,292,580	12,539,873	1,000	9,525,173	1,000
Net assets without donor restrictions								
Unrestricted controlling	6,965	18,957,908	6,504,592	(1,061,511)	(81,372)	(1,000)	3,135,515	(1,000)
Unrestricted noncontrolling	-	-	-	-	-	-	-	-
Total net assets without donor restrictions	6,965	18,957,908	6,504,592	(1,061,511)	(81,372)	(1,000)	3,135,515	(1,000)
With donor restrictions								
Total net assets	-	-	-	-	-	-	-	-
Total net assets	6,965	18,957,908	6,504,592	(1,061,511)	(81,372)	(1,000)	3,135,515	(1,000)
Total liabilities and net assets	\$ 53,920	\$ 32,538,677	\$ 23,840,972	\$ 3,231,069	\$ 12,458,501	\$ -	\$ 12,660,688	\$ -

See Independent Auditor's Report.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

	Post West Nine LP	Queens North Four LP	Queens North Four Dev. Corp.	Queens South Nine LP	Queens South Nine Dev. Corp.	Rosslyn Ridge Dev. Corp.	Rosslyn Ridge Apartments, LP
<u>Assets</u>							
Cash and cash equivalents, including \$7,514,544 of restricted cash	\$ 114,079	\$ 63,544	\$ -	\$ 100,471	\$ -	\$ -	\$ 753,968
Grants and pledges receivable	-	-	-	-	-	-	-
Accounts receivable - residents	-	-	-	-	-	-	52,719
Accounts receivable - other	-	-	-	-	-	-	1,826
Development fee receivable	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	61,251
Prepaid development fee	-	-	-	-	-	-	-
Prepaid ground lease	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Mortgage escrow deposits	-	-	-	-	-	-	76,433
Replacement and redevelopment reserve	-	-	-	-	-	-	699,206
Other reserves	-	-	-	-	-	-	82,297
Property and equipment, net	5,215,606	237,882	-	147,118	-	-	50,746,715
Construction in progress	10,157,921	49,830,972	-	29,650,957	-	-	-
Notes receivable - related party	-	-	-	-	-	-	-
Interest receivable - related party	-	-	-	-	-	-	-
Funded residents' security deposits	-	-	-	-	-	-	80,984
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	-	-	-	-	-	(81,373)	-
Investment in Barkalow LLC	-	-	-	-	-	-	-
Investment in Arna Valley	-	-	-	-	-	-	-
Investment in The Springs LP	-	-	-	-	-	-	-
Investment in stock	-	-	-	-	-	-	-
In place leases	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	10,229
Total assets	\$ 15,487,606	\$ 50,132,398	\$ -	\$ 29,898,546	\$ -	\$ (81,373)	\$ 52,565,628

See Independent Auditor's Report

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

	Post West Nine LP	Queens North Four LP	Queens North Four Dev. Corp.	Queens South Nine LP	Queens South Nine Dev. Corp.	Rosslyn Ridge Dev. Corp.	Rosslyn Ridge Apartments, LP
<u>Liabilities and Net Assets</u>							
Liabilities							
Accounts payable and accrued expenses	\$ -	\$ 54,879	\$ -	\$ 31,517	\$ -	\$ 4,000	\$ 5,109
Accrued interest	159,590	-	-	-	-	-	3,982,116
Related party receivable/(payables)	145,261	64,492	1,875	67,325	1,875	15,799	12,008
Development fee payable	-	3,277,148	-	-	-	-	3,289,586
Deferred development fee	150,585	-	-	2,013,920	-	-	-
Deferred gain	-	-	-	-	-	-	-
Prepaid rents	-	-	-	-	-	-	162,886
Residents' security deposits	-	-	-	-	-	-	80,994
Notes payable	9,031,818	44,533,228	-	28,643,647	-	-	48,290,062
Construction and development costs payable	3,218,095	4,844,637	-	2,720,211	-	-	-
Other liabilities	386,250	-	-	-	-	-	325,236
Total liabilities	13,091,599	52,774,384	1,875	33,476,620	1,875	19,799	56,147,997
Net assets without donor restrictions							
Unrestricted controlling	2,396,007	(2,641,986)	(1,875)	(3,578,074)	(1,875)	(101,172)	(3,582,369)
Unrestricted noncontrolling	-	-	-	-	-	-	-
Total net assets without donor restrictions	2,396,007	(2,641,986)	(1,875)	(3,578,074)	(1,875)	(101,172)	(3,582,369)
With donor restrictions							
	-	-	-	-	-	-	-
Total net assets	2,396,007	(2,641,986)	(1,875)	(3,578,074)	(1,875)	(101,172)	(3,582,369)
Total liabilities and net assets	\$ 15,487,606	\$ 50,132,398	\$ -	\$ 29,898,546	\$ -	\$ (81,373)	\$ 52,565,628

(a) Allocation of non-controlling interest

See Independent Auditor's Report.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

	The Springs Apartments, LP	The Springs Dev. Corp.	Eliminations	Total
<u>Assets</u>				
Cash and cash equivalents, including \$7,514,544 of restricted cash	\$ 1,227,300	\$ -	\$ -	\$ 33,225,814
Grants and pledges receivable	-	-	-	91,900
Accounts receivable - residents	68,834	-	-	913,877
Accounts receivable - other	-	-	(1,509,552)	318,143
Development fee receivable	-	-	(8,707,918)	4,384,129
Prepaid expenses	42,423	-	(4,867)	1,527,868
Prepaid development fee	-	-	-	-
Prepaid ground lease	-	-	30,512	1,398,442
Deposits	480	-	-	85,053
Mortgage escrow deposits	24,448	-	-	650,317
Replacement and redevelopment reserve	107,167	-	-	2,580,388
Other reserves	733,205	-	-	14,275,242
Property and equipment, net	29,130,420	-	(12,936,632)	382,695,379
Construction in progress	-	-	(1,660,587)	102,900,534
Notes receivable - related party	-	-	(28,145,748)	322,423
Interest receivable - related party	-	-	(987,277)	-
Funded residents' security deposits	54,202	-	-	1,006,733
Investment in Fisher House Limited Partnership	-	-	(1,223,261)	-
Investment in Arlington Mill Limited Partnership	-	-	(427,123)	-
Investment in North Pierce Associates	-	-	(3,748,109)	-
Investment in Courthouse Crossing Limited Partnership	-	-	1,237	-
Investment in Calvert Manor Limited Partnership	-	-	(321,996)	-
Investment in Lorcom Arms Limited Partnership	-	-	1,069,737	-
Investment in Cameron Commons LLC	-	-	424,086	-
Investment in Columbia Grove Limited Partnership	-	-	(1,632,801)	-
Investment in Columbia Grove Development Corp	-	-	15,930	-
Investment in Buchanan Gardens, LP	-	-	(322,411)	-
Investment in Buchanan Gardens Development Corp	-	-	-	-
Investment in Rosslyn Ridge Development Corp	-	-	81,374	-
Investment in Marbella	-	-	81,373	-
Investment in Barkalow LLC	-	-	(1,120,975)	-
Investment in Arna Valley	-	-	1,019,591	-
Investment in The Springs LP	-	362	(362)	-
Investment in stock	-	-	(125,000)	-
In place leases	-	-	-	43,185
Other assets	118,784	-	(10,229)	761,223
	<u>\$ 31,507,263</u>	<u>\$ 362</u>	<u>\$ (60,161,008)</u>	<u>\$ 547,180,650</u>
Total assets				

See Independent Auditor's Report.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Financial Position
December 31, 2020**

<u>Liabilities and Net Assets</u>	<u>The Springs Apartments, LP</u>	<u>The Springs Dev. Corp.</u>	<u>Eliminations</u>	<u>Total</u>
Liabilities				
Accounts payable and accrued expenses	\$ 6,862	\$ -	\$ -	\$ 1,138,816
Accrued interest	476,638	-	(3,333,415)	14,188,703
Related party receivable/(payables)	290,096	3,775	(104,836)	124,415
Development fee payable	544,558	-	(6,398,494)	4,052,439
Deferred development fee	-	-	(6,113,647)	-
Deferred gain	-	-	(8,098,459)	-
Prepaid rents	25,242	-	-	697,577
Residents' security deposits	54,202	-	-	1,007,239
Notes payable	15,383,370	-	(27,424,880)	352,575,001
Construction and development costs payable	-	-	(5,086)	14,131,838
Other liabilities	-	-	(1,726,662)	1,256,902
	<u>16,780,968</u>	<u>3,775</u>	<u>(53,205,479)</u>	<u>389,172,930</u>
Net assets without donor restrictions				
Unrestricted controlling	14,726,295	(3,413)	(134,346,973)	27,066,240
Unrestricted noncontrolling	-	-	127,391,444	127,391,444
	<u>14,726,295</u>	<u>(3,413)</u>	<u>(6,955,529)</u>	<u>154,457,684</u>
With donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,550,036</u>
Total net assets	<u>14,726,295</u>	<u>(3,413)</u>	<u>(6,955,529)</u>	<u>158,007,720</u>
Total liabilities and net assets	<u>\$ 31,507,263</u>	<u>\$ 362</u>	<u>\$ (60,161,008)</u>	<u>\$ 547,180,650</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, 2020**

	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
Revenue and other support								
Rental revenue - net	\$ -	\$ -	\$ 162,000	\$ 1,004,170	\$ -	\$ 1,351,933	\$ -	\$ 1,909,536
Grants and contributions	2,822,919	-	-	-	-	-	-	16,800
Development fee income	8,514,245	-	-	-	-	-	-	-
Interest income	726,218	-	10,741	169	-	137	-	4,717
Loss from equity investment in partnership interest	(11,239)	-	-	-	(4)	-	-	-
Other income	1,132,022	-	-	21,061	-	76,367	-	59,312
Special events revenue, net of expenses	441,789	-	-	-	-	-	-	-
Total revenue	13,625,954	-	172,741	1,025,400	(4)	1,428,437	-	1,990,365
Expenses								
Administrative	4,117,896	103,300	93	349,066	1,000	125,002	1,000	400,316
Operations and maintenance	-	-	-	163,032	-	349,530	-	329,303
Utilities	9,537	-	-	47,721	-	90,665	-	185,707
Insurance	98,760	-	-	22,463	-	42,577	-	64,555
Taxes	25,000	-	-	97,172	100	30,902	100	215,726
Interest	66,908	-	27,236	310,939	-	929,044	-	461,946
Depreciation and amortization	152,748	-	-	594,160	-	452,214	-	731,877
Land lease expense	-	-	-	162,000	-	-	-	-
Grant expense	-	-	-	-	-	-	-	-
Total expenses	4,470,849	103,300	27,329	1,746,553	1,100	2,019,934	1,100	2,389,430
Excess of revenue over expenses (expenses over revenue)	9,155,105	(103,300)	145,412	(721,153)	(1,104)	(591,497)	(1,100)	(399,065)
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue) attributable to APAH	\$ 9,155,105	\$ (103,300)	\$ 145,412	\$ (721,153)	\$ (1,104)	\$ (591,497)	\$ (1,100)	\$ (399,065)

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Activities
Year Ended December 31, 2020**

	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	\$ -	\$ 1,480,056	\$ 276,565	\$ -	\$ -	\$ 1,764,210	\$ 339,234	\$ -
Grants and contributions	-	-	-	-	-	-	-	-
Development fee income	-	-	-	-	-	-	-	-
Interest income	-	3,038	100	-	-	2,047	313	-
Loss from equity investment in partnership interest	-	-	-	-	-	-	-	(13,368)
Other income	-	(4,188)	3,638	-	-	25,103	3,602	-
Special events revenue, net of expenses	-	-	-	-	-	-	-	-
Total revenue	-	1,478,906	280,303	-	-	1,791,360	343,149	(13,368)
Expenses								
Administrative	81,000	173,387	38,579	-	81,000	348,089	47,910	615
Operations and maintenance	-	288,144	29,337	-	-	288,101	50,296	-
Utilities	-	126,647	11,721	-	-	166,633	22,822	-
Insurance	-	44,322	6,459	-	-	50,999	11,155	-
Taxes	200	142,426	30,140	50	25	137,777	32,646	-
Interest	-	459,754	-	-	-	731,076	90,695	-
Depreciation and amortization	-	269,091	40,857	-	-	628,551	107,547	-
Land lease expense	-	-	-	-	-	-	-	-
Grant expense	-	-	-	-	-	-	-	-
Total expenses	81,200	1,503,771	157,093	50	81,025	2,351,226	363,071	615
Excess of revenue over expenses (expenses over revenue)	(81,200)	(24,865)	123,210	(50)	(81,025)	(559,866)	(19,922)	(13,983)
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue) attributable to APAH	<u>\$ (81,200)</u>	<u>\$ (24,865)</u>	<u>\$ 123,210</u>	<u>\$ (50)</u>	<u>\$ (81,025)</u>	<u>\$ (559,866)</u>	<u>\$ (19,922)</u>	<u>\$ (13,983)</u>

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Activities
Year Ended December 31, 2020**

	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	\$ 219,046	\$ -	\$ 3,271,850	\$ -	\$ -	\$ -	\$ 1,472,452	\$ -
Grants and contributions	-	-	-	-	-	-	-	-
Development fee income	-	-	-	-	-	-	-	-
Interest income	164	-	2,303	274	-	-	4,035	-
Loss from equity investment in partnership interest	-	-	-	-	(155,488)	-	-	-
Other income	5,378	-	50,441	-	-	-	84,785	-
Special events revenue, net of expenses	-	-	-	-	-	-	-	-
Total revenue	224,588	-	3,324,594	274	(155,488)	-	1,561,272	-
Expenses								
Administrative	45,743	590	479,269	1,000	81,000	1,000	280,392	1,000
Operations and maintenance	38,701	-	461,925	-	-	-	215,732	-
Utilities	17,183	-	244,073	-	-	-	149,382	-
Insurance	7,536	-	85,466	-	-	-	63,457	-
Taxes	22,214	25	336,765	100	100	25	164,508	100
Interest	40,671	-	1,286,820	-	-	-	350,817	-
Depreciation and amortization	71,914	-	600,168	-	-	-	936,583	-
Land lease expense	-	-	-	-	-	-	-	-
Grant expense	-	-	-	-	-	-	-	-
Total expenses	243,962	615	3,494,486	1,100	81,100	1,025	2,160,871	1,100
Excess of revenue over expenses (expenses over revenue)	(19,374)	(615)	(169,892)	(826)	(236,588)	(1,025)	(599,599)	(1,100)
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue) attributable to APAH	\$ (19,374)	\$ (615)	\$ (169,892)	\$ (826)	\$ (236,588)	\$ (1,025)	\$ (599,599)	\$ (1,100)

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Activities
Year Ended December 31, 2020**

	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	\$ 1,987,107	\$ 1,876,173	\$ -	\$ -	\$ 501,177	\$ -	\$ -	\$ -
Grants and contributions	-	-	-	-	-	-	-	-
Development fee income	-	-	-	-	-	-	-	-
Interest income	2,814	1,831	-	-	709	24,194	-	-
Loss from equity investment in partnership interest	-	-	-	(1,171)	-	-	-	-
Other income	137,410	65,021	-	-	21,607	420,221	-	-
Special events revenue, net of expenses	-	-	-	-	-	-	-	-
Total revenue	2,127,331	1,943,025	-	(1,171)	523,493	444,415	-	-
Expenses								
Administrative	335,138	187,333	590	1,000	111,615	-	1,100	1,100
Operations and maintenance	254,264	240,492	-	-	82,937	-	-	-
Utilities	152,766	125,808	-	-	29,658	-	-	-
Insurance	68,967	46,437	-	-	15,691	1,960	-	-
Taxes	219,657	198,671	25	100	49,926	-	-	-
Interest	527,827	1,157,066	-	-	147,608	102,103	-	-
Depreciation and amortization	1,195,647	638,991	-	-	201,966	-	-	-
Land lease expense	-	-	-	-	-	-	-	-
Grant expense	-	-	-	-	-	-	-	-
Total expenses	2,754,266	2,594,798	615	1,100	639,401	104,063	1,100	1,100
Excess of revenue over expenses (expenses over revenue)	(626,935)	(651,773)	(615)	(2,271)	(115,908)	340,352	(1,100)	(1,100)
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue) attributable to APAH	\$ (626,935)	\$ (651,773)	\$ (615)	\$ (2,271)	\$ (115,908)	\$ 340,352	\$ (1,100)	\$ (1,100)

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Activities
Year Ended December 31, 2020**

	Gilliam Retail, LLC	Gilliam Place East, LP	Gilliam Place West, LP	Lorcom Arms, LP	Marbella Development, LLC	Post East Four Dev. Corp.	Post East Four LP	Post West Nine Dev. Corp.
Revenue and other support								
Rental revenue - net	\$ -	\$ 1,343,713	\$ 990,189	\$ 595,268	\$ 1,872,762	\$ -	\$ -	\$ -
Grants and contributions	-	-	-	-	-	-	-	-
Development fee income	-	-	-	-	-	-	-	-
Interest income	-	442	150	222	1,881	-	-	-
Loss from equity investment in partnership interest	-	-	-	-	-	-	-	-
Other income	124,465	161,340	26,928	20,062	31,359	-	-	-
Special events revenue, net of expenses	-	-	-	-	-	-	-	-
Total revenue	124,465	1,505,495	1,017,267	615,552	1,906,002	-	-	-
Expenses								
Administrative	1,461	465,236	361,394	158,037	234,820	1,000	(3)	1,000
Operations and maintenance	67,052	191,183	187,691	100,261	315,674	-	-	-
Utilities	-	78,997	83,288	32,047	168,532	-	-	-
Insurance	4,817	30,578	32,364	20,858	51,071	-	-	-
Taxes	30,344	164,314	124,959	57,426	188,887	-	-	-
Interest	-	825,349	436,428	158,334	591,044	-	-	-
Depreciation and amortization	-	926,159	681,253	183,846	180,342	-	-	-
Land lease expense	-	197,554	216,000	-	-	-	-	-
Grant expense	-	-	-	-	-	-	-	-
Total expenses	103,674	2,879,370	2,123,377	710,809	1,730,370	1,000	(3)	1,000
Excess of revenue over expenses (expenses over revenue)	20,791	(1,373,875)	(1,106,110)	(95,257)	175,632	(1,000)	3	(1,000)
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue) attributable to APAH	<u>\$ 20,791</u>	<u>\$ (1,373,875)</u>	<u>\$ (1,106,110)</u>	<u>\$ (95,257)</u>	<u>\$ 175,632</u>	<u>\$ (1,000)</u>	<u>\$ 3</u>	<u>\$ (1,000)</u>

See Independent Auditor's Report.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Activities
Year Ended December 31, 2020**

	Post West Nine LP	Queens North Four LP	Queens North Four Dev. Corp.	Queens South Nine LP	Queens South Nine Dev. Corp.	Rosslyn Ridge Dev. Corp.	Rosslyn Ridge Apartments, LP
Revenue and other support							
Rental revenue - net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,405,209
Grants and contributions	-	-	-	-	-	-	-
Development fee income	-	-	-	-	-	-	-
Interest income	-	248	-	491	-	-	8,354
Loss from equity investment in partnership interest	-	-	-	-	-	175,632	-
Other income	1	-	-	1	-	150,607	316,447
Special events revenue, net of expenses	-	-	-	-	-	-	-
Total revenue	1	248	-	492	-	326,239	5,730,010
Expenses							
Administrative	-	-	1,000	-	1,000	152,767	660,206
Operations and maintenance	-	-	-	-	-	-	563,345
Utilities	-	-	-	-	-	-	198,797
Insurance	-	-	-	-	-	-	104,410
Taxes	-	-	100	-	100	25	777,580
Interest	-	-	-	-	-	-	2,723,587
Depreciation and amortization	-	-	-	-	-	-	1,573,451
Land lease expense	-	-	-	-	-	-	-
Grant expense	-	-	-	-	-	-	-
Total expenses	-	-	1,100	-	1,100	152,792	6,601,376
Excess of revenue over expenses (expenses over revenue)	1	248	(1,100)	492	(1,100)	173,447	(871,366)
Excess of expenses over revenue attributable to noncontrolling interest	-	-	-	-	-	-	-
Excess of revenue over expenses (expenses over revenue) attributable to APAH	\$ 1	\$ 248	\$ (1,100)	\$ 492	\$ (1,100)	\$ 173,447	\$ (871,366)

(a) Allocation of noncontrolling interest

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Consolidating Statement of Activities
Year Ended December 31, 2020**

	The Springs Apartments, LP	The Springs Dev. Corp.	Eliminations	Consolidated
Revenue and other support				
Rental revenue - net	\$ 1,609,630	\$ -	\$ (162,000)	\$ 29,270,280
Grants and contributions	-	-	-	2,839,719
Development fee income	-	-	(2,112,517)	6,401,728
Interest income	3,160	-	(543,103)	255,649
Loss from equity investment in partnership interest	-	68	5,570	-
Other income	149,058	-	(1,748,707)	1,333,341
Special events revenue, net of expenses	-	-	-	441,789
Total revenue	1,761,848	68	(4,560,757)	40,542,506
Expenses				
Administrative	309,695	1,000	(1,273,025)	8,471,711
Operations and maintenance	270,933	-	(57,261)	4,430,672
Utilities	148,348	-	-	2,090,332
Insurance	69,012	-	-	943,914
Taxes	181,605	25	-	3,229,845
Interest	514,918	-	(585,596)	11,354,574
Depreciation and amortization	944,437	-	(508,057)	10,603,745
Land lease expense	-	-	(575,554)	-
Grant expense	-	-	-	-
Total expenses	2,438,948	1,025	(2,999,493)	41,124,793
Excess of revenue over expenses (expenses over revenue)	(677,100)	(957)	(1,561,264)	(582,287)
Excess of expenses over revenue attributable to noncontrolling interest	-	-	(6,671,194)	(6,671,194)
Excess of revenue over expenses (expenses over revenue) attributable to APAH	\$ (677,100)	\$ (957)	\$ 5,109,930	\$ 6,088,907

(a) Allocation of noncontrolling interest

See Independent Auditor's Report.

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020**

Federal Agency/ (Pass-through Agency)/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures		Total Expenditures	Passed through to Subrecipients
			From Pass-through Awards	From Direct Awards		
U.S. Department of Housing and Urban Development						
HOME Investment Partnership Program						
Passed-through from the County Board of Arlington County, Virginia						
Arlington County, VA - HUD Home Program						
Marbella Development LLC	14.239	N/A	\$ 2,775,708	\$ -	\$ 2,775,708	\$ -
AVV Apartments LLC	14.239	N/A	2,800,000	-	2,800,000	-
Total HOME Investment Partnership Program			5,575,708	-	5,575,708	-
Community Development Block Grants - Entitlement Grants Cluster						
Passed-through from the County Board of Arlington County, Virginia						
Arlington County, VA - Community Development Block Grants						
AVV Apartments LLC	14.218	N/A	964,075	-	964,075	-
Total Community Development Block Grants - Entitlement Grants Cluster			964,075	-	964,075	-
Total U.S. Department of Housing and Urban Development			6,539,783	-	6,539,783	-
Total expenditures of federal awards.			\$ 6,539,783	\$ -	\$ 6,539,783	\$ -

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, 2020

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, 2020. 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, changes in net assets, or cash flows of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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

Note 3 - U.S. Department of Housing and Urban Development loan program

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries have received loans funded by programs of U.S. Department of Housing and Urban Development. The loan balances outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. Arlington Partnership for Affordable Housing, Inc. and Subsidiaries received no additional loans during the year ended December 31, 2020. The balance of the loans outstanding at December 31, 2020 consists of:

<u>Federal CFDA Number</u>	<u>Program Name</u>	<u>Year-end Outstanding Balance</u>
	U.S. Department of Housing and Urban Development	
14.218	Community Development Block Grants	\$ 964,075
14.239	Home Investment Partnership Program	2,775,708
14.239	Home Investment Partnership Program	<u>2,800,000</u>
	Total	<u>\$ 6,539,783</u>

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, 2020, 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 financial statements, and have issued our report thereon dated August 27, 2021. The financial statements of certain subsidiaries 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 certain subsidiaries.

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") as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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
August 27, 2021

Independent Auditor's Report on Compliance for
Each 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, 2020. 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 programs 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 each major federal program. However, our audit does not provide a legal determination of Arlington Partnership for Affordable Housing, Inc. and Subsidiaries' compliance.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2020.

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 each 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 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
August 27, 2021

Arlington Partnership for Affordable Housing, Inc. and Subsidiaries

**Schedule of Findings and Questioned Costs
December 31, 2020**

A. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/ Entitlement Grants Cluster
14.239	HOME Investment Partnership Program

Dollar threshold used to distinguish between type A and B programs \$750,000

Auditee qualified as low-risk auditee? yes no

B. Findings - Consolidated Financial Statements Audit

None

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

None



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