

Coalition For a Better Acre, Inc. and Affiliates

Consolidated Financial Statements and Supplementary Information

For the Years Ended December 31, 2017 and 2016

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Independent Auditors' Report

To the Board of Directors Coalition for a Better
Acre, Inc. and Affiliates:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Coalition for a Better Acre, Inc. (a Massachusetts nonprofit corporation) and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial position of Coalition for a Better Acre, Inc. (a Massachusetts nonprofit corporation) and Affiliates as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying statements of financial position, activities, and cash flows are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, change in net assets and cash flows of the individual companies, and it 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 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.

Novogrudac & Company LLP

June 25, 2018
Boston, Massachusetts

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
Consolidated Statements of Financial Position
December 31, 2017

ASSETS	CBA & Affiliates	Real Estate Entities	General Partners & Managing Members	Subtotal	Eliminations	2017 Total
Current assets						
Cash and cash equivalents						
Operating	\$ 522,141	\$ 1,824,704	\$ -	\$ 2,346,845	\$ -	\$ 2,346,845
Development	-	12,984	-	12,984	-	12,984
Accounts receivable	119,666	109,852	-	229,518	(5,963)	223,555
Tenant security deposits	37,813	168,064	-	205,877	-	205,877
Prepaid expenses	17,940	99,174	-	117,114	-	117,114
Predevelopment costs	1,412,185	-	-	1,412,185	-	1,412,185
Total current assets	<u>2,109,745</u>	<u>2,214,778</u>	<u>-</u>	<u>4,324,523</u>	<u>(5,963)</u>	<u>4,318,560</u>
Property and equipment, at cost						
Land and land improvements	2,221,061	3,517,286	-	5,738,347	-	5,738,347
Buildings	11,291,930	70,776,826	-	82,068,756	(9,352,627)	72,716,129
Furniture and fixtures	429,056	2,245,131	-	2,674,187	-	2,674,187
Total	<u>13,942,047</u>	<u>76,539,243</u>	<u>-</u>	<u>90,481,290</u>	<u>(9,352,627)</u>	<u>81,128,663</u>
Less: accumulated depreciation	<u>(4,260,903)</u>	<u>(17,270,312)</u>	<u>-</u>	<u>(21,531,215)</u>	<u>2,433,944</u>	<u>(19,097,271)</u>
Net property and equipment	<u>9,681,144</u>	<u>59,268,931</u>	<u>-</u>	<u>68,950,075</u>	<u>(6,918,683)</u>	<u>62,031,392</u>
Other assets						
Mortgagee escrow deposits	86,736	200,263	-	286,999	-	286,999
Reserve for replacement	345,089	1,268,025	-	1,613,114	-	1,613,114
Operating reserve	133,602	2,250,252	-	2,383,854	-	2,383,854
Endowment fund - GLCF	152,199	-	-	152,199	-	152,199
Endowment fund - Enterprise Bank	698,948	-	-	698,948	-	698,948
Investment in corporation	2,131,008	-	1,969,607	4,100,615	(3,473,277)	627,338
Loans and notes receivable	14,965,535	-	-	14,965,535	(14,912,790)	52,745
Due from related parties	2,396,301	-	729,556	3,125,857	(3,114,968)	10,889
Deferred charges, net of accumulated amortization	-	78,587	-	78,587	-	78,587
Total other assets	<u>20,909,418</u>	<u>3,797,127</u>	<u>2,699,163</u>	<u>27,405,708</u>	<u>(21,501,035)</u>	<u>5,904,673</u>
TOTAL ASSETS	<u>\$ 32,700,307</u>	<u>\$ 65,280,836</u>	<u>\$ 2,699,163</u>	<u>\$ 100,680,306</u>	<u>\$ (28,425,681)</u>	<u>\$ 72,254,625</u>

See accompanying notes to consolidated financial statements

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
Consolidated Statements of Financial Position (continued)
December 31, 2017

LIABILITIES AND NET ASSETS	CBA & Affiliates	Real Estate Entities	General Partners & Managing Members	Subtotal	Eliminations	2017 Total
Current liabilities						
Accounts payable						
Trade	\$ 55,563	\$ 139,104	\$ -	\$ 194,667	\$ -	\$ 194,667
Development	9,996	36,157	-	46,153	-	46,153
Accrued expenses	136,231	360,871	-	497,102	-	497,102
Prepaid rent	3,134	45,637	-	48,771	-	48,771
Current portion of deferred revenue	254,426	-	-	254,426	-	254,426
Security deposits	36,056	162,975	-	199,031	-	199,031
Accrued mortgage interest	5,565	80,285	-	85,850	-	85,850
Line of credit	-	-	-	-	-	-
Current portion of mortgages payable	52,849	472,598	-	525,447	-	525,447
Total current liabilities	<u>553,820</u>	<u>1,297,627</u>	<u>-</u>	<u>1,851,447</u>	<u>-</u>	<u>1,851,447</u>
Long-term liabilities						
Mortgages payable, net of current portion and unamortized debt issuance costs	978,615	16,407,635	-	17,386,250	-	17,386,250
Notes payable and accrued interest	7,299,971	27,773,182	-	35,073,153	(13,272,922)	21,800,231
Deferred revenue	508,854	-	-	508,854	-	508,854
Total long-term liabilities	<u>8,787,440</u>	<u>44,180,817</u>	<u>-</u>	<u>52,968,257</u>	<u>(13,272,922)</u>	<u>39,695,335</u>
Other liabilities						
Development fee payable and accrued interest	261,734	585,765	-	847,499	(683,525)	163,974
Accrued fees	-	1,423,385	-	1,423,385	(1,267,385)	156,000
Due to related parties	62,171	50,803	2,804,705	2,917,679	(2,917,679)	-
Interest rate swap contract	-	2,363,556	-	2,363,556	-	2,363,556
Total other liabilities	<u>323,905</u>	<u>4,423,509</u>	<u>2,804,705</u>	<u>7,552,119</u>	<u>(4,868,589)</u>	<u>2,683,530</u>
Total liabilities	<u>9,665,165</u>	<u>49,901,953</u>	<u>2,804,705</u>	<u>62,371,823</u>	<u>(18,141,511)</u>	<u>44,230,312</u>
Net Assets						
Unrestricted	21,042,238	(1,981,231)	(105,542)	18,955,465	(10,284,170)	8,671,295
Board restricted	1,161,453	-	-	1,161,453	-	1,161,453
Temporarily restricted	131,451	-	-	131,451	-	131,451
Permanently restricted	700,000	-	-	700,000	-	700,000
Noncontrolling interest in consolidated subsidiaries	-	17,360,114	-	17,360,114	-	17,360,114
Total net assets	<u>23,035,142</u>	<u>15,378,883</u>	<u>(105,542)</u>	<u>38,308,483</u>	<u>(10,284,170)</u>	<u>28,024,313</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 32,700,307</u>	<u>\$ 65,280,836</u>	<u>\$ 2,699,163</u>	<u>\$ 100,680,306</u>	<u>\$ (28,425,681)</u>	<u>\$ 72,254,625</u>

See accompanying notes to consolidated financial statements

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
Consolidated Statement of Financial Position
December 31, 2016

ASSETS	CBA & Affiliates	Real Estate Entities	General Partners & Managing Members	Subtotal	Eliminations	2016 Total
Current assets						
Cash and cash equivalents						
Operating	\$ 642,376	\$ 1,694,896	\$ -	\$ 2,337,272	\$ -	\$ 2,337,272
Development	-	13,237	-	13,237	-	13,237
Accounts receivable	171,580	102,123	-	273,703	-	273,703
Tenant security deposits	24,431	180,765	-	205,196	-	205,196
Prepaid expenses	9,853	86,769	-	96,622	-	96,622
Predevelopment costs	253,603	-	-	253,603	-	253,603
Total current assets	<u>1,101,843</u>	<u>2,077,790</u>	<u>-</u>	<u>3,179,633</u>	<u>-</u>	<u>3,179,633</u>
Property and equipment, at cost						
Land and land improvements	2,106,942	3,631,405	-	5,738,347	-	5,738,347
Buildings	5,821,475	75,976,866	-	81,798,341	(9,352,627)	72,445,714
Furniture and fixtures	244,049	2,228,678	-	2,472,727	-	2,472,727
Total	8,172,466	81,836,949	-	90,009,415	(9,352,627)	80,656,788
Less: accumulated depreciation	(1,833,882)	(17,305,154)	-	(19,139,036)	2,191,656	(16,947,380)
Net property and equipment	<u>6,338,584</u>	<u>64,531,795</u>	<u>-</u>	<u>70,870,379</u>	<u>(7,160,971)</u>	<u>63,709,408</u>
Other assets						
Mortgagee escrow deposits	90,339	252,736	-	343,075	-	343,075
Reserve for replacement	304,853	1,421,266	-	1,726,119	-	1,726,119
Operating reserve	94,029	2,072,017	-	2,166,046	-	2,166,046
Endowment fund - GLCF	132,715	-	-	132,715	-	132,715
Endowment fund - Enterprise Bank	572,390	-	-	572,390	-	572,390
Investment in corporation	1,975,154	-	1,969,607	3,944,761	(3,473,277)	471,484
Loans and notes receivable	14,745,506	-	-	14,745,506	(14,692,761)	52,745
Due from related parties	2,355,887	-	727,041	3,082,928	(3,074,039)	8,889
Deferred charges, net of accumulated amortization	-	88,649	-	88,649	-	88,649
Total other assets	<u>20,270,873</u>	<u>3,834,668</u>	<u>2,696,648</u>	<u>26,802,189</u>	<u>(21,240,077)</u>	<u>5,562,112</u>
TOTAL ASSETS	<u>\$ 27,711,300</u>	<u>\$ 70,444,253</u>	<u>\$ 2,696,648</u>	<u>\$ 100,852,201</u>	<u>\$ (28,401,048)</u>	<u>\$ 72,451,153</u>

See accompanying notes to consolidated financial statements

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
Consolidated Statements of Financial Position (continued)
December 31, 2016

LIABILITIES AND NET ASSETS	CBA & Affiliates	Real Estate Entities	General Partners & Managing Members	Subtotal	Eliminations	2016 Total
Current liabilities						
Accounts payable						
Trade	\$ 11,913	\$ 138,416	\$ -	\$ 150,329	\$ -	\$ 150,329
Development	9,996	40,686	-	50,682	-	50,682
Accrued expenses	167,353	361,328	-	528,681	-	528,681
Prepaid rent	1,547	35,275	-	36,822	-	36,822
Current portion of deferred revenue	254,427	-	-	254,427	-	254,427
Security deposits	23,454	176,574	-	200,028	-	200,028
Accrued mortgage interest	3,340	85,104	-	88,444	-	88,444
Line of credit	182,757	-	-	182,757	-	182,757
Current portion of mortgages payable	29,513	465,160	-	494,673	-	494,673
Total current liabilities	<u>684,300</u>	<u>1,302,543</u>	<u>-</u>	<u>1,986,843</u>	<u>-</u>	<u>1,986,843</u>
Long-term liabilities						
Mortgages payable, net of current portion and unamortized debt issuance costs	569,962	17,292,961	-	17,862,923	-	17,862,923
Notes payable and accrued interest	2,175,450	31,207,700	-	33,383,150	(13,173,085)	20,210,065
Deferred revenue	763,281	-	-	763,281	-	763,281
Total long-term liabilities	<u>3,508,693</u>	<u>48,500,661</u>	<u>-</u>	<u>52,009,354</u>	<u>(13,173,085)</u>	<u>38,836,269</u>
Other liabilities						
Development fee payable and accrued interest	-	825,049	-	825,049	(658,959)	166,090
Accrued fees	-	1,307,174	-	1,307,174	(1,151,174)	156,000
Due to related parties	60,215	44,476	2,787,101	2,891,792	(2,891,792)	-
Interest rate swap contract	-	2,765,402	-	2,765,402	-	2,765,402
Total other liabilities	<u>60,215</u>	<u>4,942,101</u>	<u>2,787,101</u>	<u>7,789,417</u>	<u>(4,701,925)</u>	<u>3,087,492</u>
Total liabilities	<u>4,253,208</u>	<u>54,745,305</u>	<u>2,787,101</u>	<u>61,785,614</u>	<u>(17,875,010)</u>	<u>43,910,604</u>
Net Assets						
Unrestricted	21,564,639	(2,658,811)	(90,453)	18,815,375	(10,526,038)	8,289,337
Board restricted	861,453	-	-	861,453	-	861,453
Temporarily restricted	32,000	-	-	32,000	-	32,000
Permanently restricted	1,000,000	-	-	1,000,000	-	1,000,000
Noncontrolling interest in consolidated subsidiaries	-	18,357,759	-	18,357,759	-	18,357,759
Total net assets	<u>23,458,092</u>	<u>15,698,948</u>	<u>(90,453)</u>	<u>39,066,587</u>	<u>(10,526,038)</u>	<u>28,540,549</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,711,300</u>	<u>\$ 70,444,253</u>	<u>\$ 2,696,648</u>	<u>\$ 100,852,201</u>	<u>\$ (28,401,048)</u>	<u>\$ 72,451,153</u>

See accompanying notes to consolidated financial statements

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
Consolidated Statements of Activities and Changes in Net Assets
For the year ended December 31, 2017

	CBA & Affiliates	Real Estate Entities	Noncontrolling Interest in Real Estate Entities	General Partners & Managing Members	Subtotal	Eliminations	2017 Total
Revenue and support							
Grants and contributions	\$ 835,725	\$ -	\$ -	\$ -	\$ 835,725	\$ -	\$ 835,725
Capital grants	-	-	-	-	-	-	-
Development fees	-	-	-	-	-	-	-
Partnership management and investor service fees	53,992	-	-	6,327	60,319	(34,327)	25,992
Rental income, net of vacancies and concessions	983,363	6,577,800	-	-	7,561,163	(52,941)	7,508,222
Ground lease income	260,048	-	-	-	260,048	(260,048)	-
Interest income	631,872	26,819	-	-	658,691	(629,782)	28,909
Income (loss) from endowment funds	123,015	-	-	-	123,015	-	123,015
Income from investment in corporation	150,184	-	-	-	150,184	-	150,184
Sale of state tax credits	254,427	-	-	-	254,427	-	254,427
Miscellaneous revenue	29,710	108,226	-	-	137,936	-	137,936
Debt forgiveness	274,837	-	-	-	274,837	(274,837)	-
Total revenue and support	<u>3,597,173</u>	<u>6,712,845</u>	<u>-</u>	<u>6,327</u>	<u>10,316,345</u>	<u>(1,251,935)</u>	<u>9,064,410</u>
Expenditures							
Organizing	440,870	-	-	-	440,870	-	440,870
Real estate-development	312,187	-	-	-	312,187	-	312,187
Real estate-homeowner	156,568	-	-	-	156,568	-	156,568
General and administrative	593,469	-	-	21,416	614,885	(180,699)	434,186
Rentals and property management	1,616,932	8,837,734	-	-	10,454,666	(1,314,719)	9,139,947
Total expenditures	<u>3,120,026</u>	<u>8,837,734</u>	<u>-</u>	<u>21,416</u>	<u>11,979,176</u>	<u>(1,495,418)</u>	<u>10,483,758</u>
Increase (decrease) in net assets before interest rate swap contract	<u>477,147</u>	<u>(2,124,889)</u>	<u>-</u>	<u>(15,089)</u>	<u>(1,662,831)</u>	<u>243,483</u>	<u>(1,419,348)</u>
Change in value of interest rate swap	<u>-</u>	<u>401,846</u>	<u>-</u>	<u>-</u>	<u>401,846</u>	<u>-</u>	<u>401,846</u>
Increase (decrease) in net assets before taxes	<u>477,147</u>	<u>(1,723,043)</u>	<u>-</u>	<u>(15,089)</u>	<u>(1,260,985)</u>	<u>243,483</u>	<u>(1,017,502)</u>
Unrelated business tax	<u>3,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,960</u>	<u>-</u>	<u>3,960</u>
Increase (decrease) in net assets before noncontrolling interest in losses of consolidated subsidiaries	<u>473,187</u>	<u>(1,723,043)</u>	<u>-</u>	<u>(15,089)</u>	<u>(1,264,945)</u>	<u>243,483</u>	<u>(1,021,462)</u>
Noncontrolling interest in loss of consolidated subsidiaries	<u>-</u>	<u>1,504,486</u>	<u>(1,504,486)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer of interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, beginning of year	<u>23,458,092</u>	<u>(2,658,811)</u>	<u>18,357,759</u>	<u>(90,453)</u>	<u>39,066,587</u>	<u>(10,527,653)</u>	<u>28,538,934</u>
Acquisition of noncontrolling interest in Middlesex	<u>(896,137)</u>	<u>896,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, beginning of year	<u>22,561,955</u>	<u>(1,762,674)</u>	<u>18,357,759</u>	<u>(90,453)</u>	<u>39,066,587</u>	<u>(10,527,653)</u>	<u>28,538,934</u>
Current year capital contributions	<u>-</u>	<u>-</u>	<u>506,841</u>	<u>-</u>	<u>506,841</u>	<u>-</u>	<u>506,841</u>
Net assets, end of year	<u>\$ 23,035,142</u>	<u>\$ (1,981,231)</u>	<u>\$ 17,360,114</u>	<u>\$ (105,542)</u>	<u>\$ 38,308,483</u>	<u>\$ (10,284,170)</u>	<u>\$ 28,024,313</u>

See accompanying notes to consolidated financial statements

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
Consolidated Statements of Activities and Changes in Net Assets
For the year ended December 31, 2016

	CBA & Affiliates	Real Estate Entities	Noncontrolling Interest in Real Estate Entities	General Partners & Managing Members	Subtotal	Eliminations	2016 Total
Revenue and support							
Grants and contributions	\$ 755,631	\$ -	\$ -	\$ -	\$ 755,631	\$ -	\$ 755,631
Capital grants	25,000	-	-	-	25,000	-	25,000
Development fees	99,680	-	-	-	99,680	(99,680)	-
Partnership management and investor service fees	30,000	-	-	6,083	36,083	(34,083)	2,000
Rental income, net of vacancies and concessions	626,619	6,804,432	-	-	7,431,051	(52,941)	7,378,110
Ground lease income	255,529	-	-	-	255,529	(255,529)	-
Interest income	571,235	12,033	-	-	583,268	(568,942)	14,326
Income (loss) from endowment funds	49,500	-	-	-	49,500	-	49,500
Income from investment in corporation	47,552	-	-	-	47,552	-	47,552
Sale of state tax credits	254,427	-	-	-	254,427	-	254,427
Miscellaneous revenue	118,908	147,491	-	-	266,399	(58,000)	208,399
Debt forgiveness	3,765,737	-	-	-	3,765,737	(3,765,737)	-
Total revenue and support	<u>6,599,818</u>	<u>6,963,956</u>	<u>-</u>	<u>6,083</u>	<u>13,569,857</u>	<u>(4,834,912)</u>	<u>8,734,945</u>
Expenditures							
Organizing	431,258	-	-	-	431,258	-	431,258
Real estate-development	324,419	-	-	-	324,419	-	324,419
Real estate-homeowner	199,643	-	-	-	199,643	-	199,643
General and administrative	474,567	-	-	17,098	491,665	(43,425)	448,240
Rentals and property management	4,436,823	9,215,509	-	-	13,652,332	(4,859,651)	8,792,681
Total expenditures	<u>5,866,710</u>	<u>9,215,509</u>	<u>-</u>	<u>17,098</u>	<u>15,099,317</u>	<u>(4,903,076)</u>	<u>10,196,241</u>
Increase (decrease) in net assets before interest rate swap contract	<u>733,108</u>	<u>(2,251,553)</u>	<u>-</u>	<u>(11,015)</u>	<u>(1,529,460)</u>	<u>68,164</u>	<u>(1,461,296)</u>
Change in value of interest rate swap	<u>-</u>	<u>419,260</u>	<u>-</u>	<u>-</u>	<u>419,260</u>	<u>-</u>	<u>419,260</u>
Increase (decrease) in net assets before taxes	<u>733,108</u>	<u>(1,832,293)</u>	<u>-</u>	<u>(11,015)</u>	<u>(1,110,200)</u>	<u>68,164</u>	<u>(1,042,036)</u>
Unrelated business tax	<u>3,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,968</u>	<u>-</u>	<u>3,968</u>
Increase (decrease) in net assets before noncontrolling interest in losses of consolidated subsidiaries	<u>729,140</u>	<u>(1,832,293)</u>	<u>-</u>	<u>(11,015)</u>	<u>(1,114,168)</u>	<u>68,164</u>	<u>(1,046,004)</u>
Noncontrolling interest in loss of consolidated subsidiaries	-	1,603,661	(1,603,661)	-	-	-	-
Transfer of interest	-	(793,946)	793,946	-	-	-	-
Net assets, beginning of year	22,728,952	(1,636,233)	17,284,731	(79,438)	38,298,012	(10,594,202)	27,703,810
Current year capital contributions	<u>-</u>	<u>-</u>	<u>506,841</u>	<u>-</u>	<u>506,841</u>	<u>-</u>	<u>506,841</u>
Net assets, end of year	<u>\$ 23,458,092</u>	<u>\$ (2,658,811)</u>	<u>\$ 16,981,857</u>	<u>\$ (90,453)</u>	<u>\$ 37,690,685</u>	<u>\$ (10,526,038)</u>	<u>\$ 27,164,647</u>

See accompanying notes to consolidated financial statements

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES

Consolidated Statements of Functional Expenses

For the year ended December 31, 2017

	<u>Organizing</u>	<u>Real Estate Development</u>	<u>Home Preservation</u>	<u>General and Administrative</u>	<u>Rentals and Property Management</u>	<u>2017 Total</u>
Salaries	\$ 350,337	\$ 234,251	\$ 104,837	\$ 185,577	\$ 1,261,363	\$ 2,136,365
Payroll taxes and benefits	34,783	62,412	33,930	143,941	260,973	536,039
Management fees	-	-	-	-	342,253	342,253
Professional fees	-	-	-	53,652	42,254	95,906
Contracted services	19,994	740	1,002	24,677	592,309	638,722
Operating and maintenance	-	-	-	-	369,353	369,353
Utilities	-	-	2,235	8,093	1,026,806	1,037,134
Office supplies and expense	-	1,054	920	24,145	108,195	134,314
Occupancy	-	-	6,400	-	-	6,400
Advertising and renting	-	-	-	-	17,575	17,575
Program supplies and expense	28,339	5,431	2,744	33,850	-	70,364
Telephone	1,507	-	1,674	9,717	23,620	36,518
Meetings and travel	1,040	2,281	427	8,183	-	11,931
Staff training	4,870	6,018	300	3,370	290	14,848
Real estate taxes	-	-	-	-	703,735	703,735
Insurance	-	-	-	3,639	221,571	225,210
Interest	-	-	-	19,832	1,641,619	1,661,451
Depreciation	-	-	-	-	2,149,889	2,149,889
Amortization	-	-	-	-	10,710	10,710
Collection allowance	-	-	-	-	12,138	12,138
Grants contributed	-	-	-	-	-	-
Ground lease	-	-	-	-	884	884
Miscellaneous	-	-	2,099	(84,490)	354,410	272,019
	<u>\$ 440,870</u>	<u>\$ 312,187</u>	<u>\$ 156,568</u>	<u>\$ 434,186</u>	<u>\$ 9,139,947</u>	<u>\$ 10,483,758</u>

See accompanying notes to consolidated financial statements

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
Consolidated Statements of Functional Expenses
For the year ended December 31, 2016

	<u>Organizing</u>	<u>Real Estate Development</u>	<u>Home Preservation</u>	<u>General and Administrative</u>	<u>Rentals and Property Management</u>	<u>2016 Total</u>
Salaries	\$ 327,544	\$ 239,768	\$ 145,732	\$ 88,174	\$ 1,243,946	\$ 2,045,164
Payroll taxes and benefits	34,462	77,278	25,939	99,331	245,622	482,632
Management fees	-	-	-	-	331,703	331,703
Professional fees	-	-	-	56,670	21,078	77,748
Contracted services	18,832	2,432	1,440	21,685	528,900	573,289
Operating and maintenance	-	-	-	-	308,806	308,806
Utilities	-	-	3,287	7,510	995,095	1,005,892
Office supplies and expense	313	887	1,707	40,290	108,921	152,118
Occupancy	-	-	12,800	-	-	12,800
Advertising and renting	-	-	-	-	15,025	15,025
Program supplies and expense	38,024	1,301	2,757	11,689	-	53,771
Telephone	-	-	3,051	7,197	24,315	34,563
Meetings and travel	1,229	1,013	339	6,969	-	9,550
Staff training	10,854	1,740	1,125	1,700	519	15,938
Real estate taxes	-	-	-	-	661,724	661,724
Insurance	-	-	-	2,870	211,087	213,957
Interest	-	-	-	22,424	1,686,716	1,709,140
Depreciation	-	-	-	-	2,143,439	2,143,439
Amortization	-	-	-	-	10,062	10,062
Collection allowance	-	-	-	-	23,711	23,711
Grants contributed	-	-	-	32,951	-	32,951
Ground lease	-	-	-	-	884	884
Miscellaneous	-	-	1,466	48,780	231,128	281,374
	<u>\$ 431,258</u>	<u>\$ 324,419</u>	<u>\$ 199,643</u>	<u>\$ 448,240</u>	<u>\$ 8,792,681</u>	<u>\$ 10,196,241</u>

See accompanying notes to consolidated financial statements

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,021,462)	\$ (1,046,004)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Debt issuance cost amortization	46,271	54,998
Depreciation and amortization	2,160,599	2,153,501
Income from investment in corporation	(150,184)	(47,552)
Unrealized gain on investment	(98,716)	(36,477)
Change in value of interest rate swap	(401,846)	(419,260)
Accrued interest not currently payable	7,534	15,577
Changes in:		
Accounts receivable	50,148	(76,743)
Prepaid expenses	(20,492)	(5,169)
Accounts payable - trade	44,338	61,033
Accrued expenses	(31,579)	139,533
Accrued mortgage interest	(2,594)	(2,074)
Prepaid rent	11,949	4,016
Deferred revenue	(254,428)	1,017,708
Tenant security deposits, net	(1,678)	445
Accrued fees	-	18,000
Net cash provided by operating activities	<u>337,860</u>	<u>1,831,532</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for fixed assets	(471,875)	(375,385)
Cash paid for deferred charges	(648)	(72,449)
Mortgagee escrow deposits, withdrawals and interest earned, net	56,076	39,891
Reserve for replacement deposits, withdrawals and interest earned, net	113,005	(253,328)
Operating reserve deposits, withdrawals and interest earned, net	(217,808)	(270,004)
Receipts from (funding of) endowment fund - Enterprise Bank	(47,326)	532
Distribution from investment in corporation	5,670	30,567
Predevelopment costs	(1,158,582)	(149,766)
Loans and notes receivable	-	(375)
Net cash (used in) investing activities	<u>(1,732,828)</u>	<u>(1,050,317)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage principal advances (repayments), net	(495,084)	701,016
Repayments on line of credit, net	(182,757)	-
Proceeds (Repayment) advances on notes payable and accrued interest, net	1,582,632	(3,833,555)
(Repayment) advances from related parties, net	(2,000)	417
Development fee and accrued interest, net	(2,116)	21,011
Cash paid for finance costs	-	(7,797)
Accounts payable - development	(3,228)	(153,450)
Non-controlling interest capital contributions	506,841	1,882,743
Net cash (used in) provided by financing activities	<u>1,404,288</u>	<u>(1,389,615)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,320	(608,400)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,350,509</u>	<u>2,958,909</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,359,829</u>	<u>\$ 2,350,509</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest, net of capitalized portion of \$0 and \$68,543, respectively	<u>\$ 1,161,811</u>	<u>\$ 1,161,811</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. Organization

The Coalition for a Better Acre, Inc. (CBA) (the "Corporation") is a membership based community development corporation dedicated to resident empowerment and sustainable community revitalization for current and future residents of Lowell Massachusetts. CBA promotes healthy, vibrant neighborhoods by developing resident leaders, affordable housing and economic opportunities, and by responding to community needs through collective action.

CBA is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501 (c)(3) of the Internal Revenue Code. Contributions made to CBA are deductible by donors within the requirements of the Internal Revenue Code.

The consolidated financial statements include the accounts of CBA and all the controlled affiliates ("Corporation and Affiliates") as detailed below which are wholly-owned subsidiaries, majority-owned subsidiaries or minority-owned subsidiaries.

Acre Triangle Community Development Corporation (ATCDC) (a Massachusetts corporation, not-for-profit) is related to CBA by common Board membership. ATCDC develops affordable housing in the Acre neighborhood of Lowell, Massachusetts. Due to the common Board membership, this entity is included in the accompanying consolidated financial statements.

North Canal Housing Trust, Inc. (NCHT) (a Massachusetts for-profit corporation, 60% owned by ATCDC) is the former general partner (1% ownership interest) of Lowell North Canal Limited Partnership (LNCLP). The general partnership interest was transferred in December 2005 and the Partnership sold its building (excluding its underlying land), reserve for replacements and other operating assets in 2005.

Acre Merrimack, Inc. (ACRE) (a Massachusetts for-profit corporation, 77% owned by ATCDC) is the former general partner (1% ownership interest) of Merrimack Street Housing Limited Partnership (MSHLP). The general partnership interest was transferred January 1, 2006 and MSHLP sold its building (excluding its underlying land), reserve for replacements and other operating assets on August 26, 2006.

Triangle Rental, Inc. (TRI) (a Massachusetts for-profit corporation, 70% owned by CBA) is the general partner (0.01% ownership interest) of Triangle Rental Limited Partnership (TRLP).

Triangle Rental Limited Partnership (TRLP) (a Massachusetts limited partnership, .01% owned by TRI) was formed in November 1996. TRLP operates twenty-six units of low-income housing and three commercial units in four buildings located in Lowell, Massachusetts, known as Triangle Rental Properties (the Project). Phase I consists of three buildings (twenty units) and Phase II consists of one building (six units). The investor limited partner had contributed \$2,448,435 for a 99.99% interest in the income, losses, distributions and tax credits. Effective January 1, 2013, the original limited partner assigned its 99.99% interest, right, and title to CBA.

CBA Affordable Housing, LLC (CBAAH) (a Massachusetts limited liability company, 100% owned by CBA) organized to acquire the Lowell North Canal Housing project. The property was held for the period January 1, 2006 to June 30, 2006 and then sold to New North Canal LLC (NNCLLC) (excluding its underlying land). CBAAH maintains the land related to the project and holds a ground lease.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. Organization (continued)

Moody Street Center, Inc. (MSCI) (a Massachusetts for-profit corporation, 79% owned by CBA) is the general partner (0.01 % ownership interest) of Moody Street Center Limited Partnership (MSCLP).

Moody Street Center Limited Partnership (MSCLP) (a Massachusetts limited partnership, .01% owned by MSCI) was formed on September 20, 2000. The Partnership owned and operated a building consisting of four commercial units located in Lowell, Massachusetts. The investor limited partner had contributed \$581,218 for a 99.99% interest in the income, losses, distributions and tax credits. On September 30, 2009 the original investor limited partner assigned its 99.99% interest, right and title in the partnership to CBA.

Liberty Square Housing, Inc. (LSHI) (a Massachusetts for-profit corporation, 50% owned by CBA) is the general partner (0.01% ownership interest) of Liberty Square Housing Limited Partnership (LSHLP).

Liberty Square Housing Limited Partnership (LSHLP) (a Massachusetts limited partnership, .01% owned by LSHI) which was organized to acquire, develop, rehabilitate, and operate four rental buildings of which one building has been designated as a historic building. The project consists of 33 units and five commercial spaces located in Lowell, Massachusetts. Rehabilitation work was completed on one building in June 2004 and on the remaining three buildings in December 2004. The investor limited partner has contributed \$4,098,067 for a 99.99% interest in the income, losses, distributions and tax credits. The special limited partner has agreed to contribute \$10.

New North Canal Housing Trust, Inc. (NNCHT) (a Massachusetts for-profit corporation, 60% owned by CBA) is the managing member (.01% ownership interest) of New North Canal LLC (NNCLLC).

New North Canal LLC (NNCLLC) (a Massachusetts limited liability company, .01% owned by NNCHT) was formed on March 23, 2006 to own and operate the North Canal Apartments, consisting of 267 low and moderate income: apartments in Lowell, Massachusetts. The project is regulated by Department of Housing and Urban Development (HUD) as to rent charges and operating methods. The Company receives significant rent subsidies from HUD. Annual distributions are subject to HUD regulations and are limited to \$164,837 per annum, subject to availability of sufficient surplus cash at year-end. The investor member agreed to contribute \$13,211,300 for a 99.99% interest in the income, losses and tax credits. The investor member has contributed \$13,370,691. Distributions shall be allocated in accordance with the operating agreement.

New Acre Merrimack, Inc. (NACRE) (a Massachusetts for-profit corporation, 79% owned by CBA) is the managing member (.01% ownership interest) of New Merrimack Street Housing LLC (NMSHLLC) and general partner (1% ownership interest) of Merrimack Street Housing Limited Partnership (MSHLP).

New Merrimack Street Housing LLC (NMSHLLC) (a Massachusetts limited liability company, .01% owned by NACRE) was formed on May 8, 2006 to own and operate twelve low to moderate income housing units and 6,048 square feet of commercial space located on Merrimack Street in Lowell, Massachusetts. NMSHLLC purchased the building (excluding its underlying land), reserve for replacements and other operating assets on August 26, 2006. Rehabilitation of the building was completed in January 2007. The investor member had agreed to contribute \$979,000 for a 99.99% interest in the income, losses, and tax credits. The investor member has contributed \$967,010. During 2008 the investor member required contribution, which was paid in full, was reduced by \$11,990 due to a downward adjuster. Distributions shall be allocated in accordance with the operating agreement.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. Organization (continued)

Merrimack Street Housing Limited Partnership (MSHLP) (a Massachusetts limited partnership, 99% owned by CBA) operated a rental property consisting of twelve low to moderate income housing units and 6,048 square feet of commercial space (the development). As described above, MSHLP sold its building (excluding its underlying land), reserve for replacements and other operating assets on August 26, 2006 at which point CBA purchased the 99% limited partner interest. MSHLP maintains the land related to the project and holds a ground lease.

Call PP Limited Liability Company (Call) (a Massachusetts limited liability company) is the general partner (.01% ownership interest) of Middlesex Street Limited Partnership (MSLP). On September 28, 2006, CBA was admitted as the .01% member of Call. CBA has control over Call and therefore, this entity is included in the accompanying consolidated financial statements.

Middlesex Street Housing Limited Partnership (MSLP) (a Massachusetts limited partnership, .01% owned by Call) was formed on September 28, 2000 for the purpose of constructing and operating two residential apartment buildings containing 24 residential units and approximately 7,000 square feet of commercial space, located in Lowell, Massachusetts. The limited partner had contributed \$3,126,894 for a 99.99% interest in the income, losses and tax credits. Effective December 31, 2016, the original investor limited partner assigned its 99.99% interest, right and title in the partnership to CBA.

St. Joseph's MM LLC (SJMMLLC) (a Massachusetts limited liability company, 79% owned by CBA) is the managing member of St. Joseph's Apartments LLC (SJLLC).

St. Joseph's Apartments LLC (SJLLC) (a Massachusetts limited liability company, .01% owned by SJMMLLC) was formed on April 2, 2007 for the purpose of rehabilitating and operating one residential apartment building containing 15 residential units located in Lowell, Massachusetts. The investor member has agreed to contribute \$2,934,000 for a 99.99% interest in the income, losses, and tax credits. The investor member has contributed \$2,967,878. The special member has agreed to contribute \$10. Distributions shall be allocated in accordance with the operating agreement.

Acre High School MM Two LLC (AHSMM2LLC) (a Massachusetts limited liability company, 79% owned by CBA) is the managing member of Acre High School LLC (AHSLLC).

Acre High School LLC (AHSLLC) (a Massachusetts limited liability company, .01% owned by AHSMM2LLC) was formed on June 23, 2008 for the purpose of rehabilitating and operating one residential apartment building containing 22 residential units located in Lowell, Massachusetts. The investor member has agreed to contribute \$4,009,624 for a 99.99% interest in the income, losses, and tax credits. The investor member has contributed \$4,010,114. Distributions shall be allocated in accordance with the operating agreement.

Unity Place MM LLC (UPMMLLC) (a Massachusetts limited liability company, 79% owned by CBA) is the managing member of Unity Place LLC (UPLLC).

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. Organization (continued)

Unity Place LLC (UPLLC) (a Massachusetts limited liability company, .01% owned by UPMMLLC) was formed on April 10, 2009 for the purpose of rehabilitating and operating one residential apartment building containing 23 residential units located in Lowell, Massachusetts. The investor member has agreed to contribute \$3,517,609 for a 99.99% interest in the income, losses, and tax credits. As of December 31, 2017 and 2016, the investor member has contributed \$3,517,599. Distributions shall be allocated in accordance with the operating agreement.

Gorham Street MM LLC (GSMMLLC) (a Massachusetts limited liability company, 79% owned by CBA) is the managing member of Gorham Street LLC (GSLLC).

Gorham Street LLC (GSLLC) (a Massachusetts limited liability company, .01% owned by GSMMLLC) was formed on May 2, 2013 for the purpose of rehabilitating and operating one residential apartment building containing 24 residential units located in Lowell, Massachusetts. The investor member has agreed to contribute \$4,045,000 for a 99.99% interest in the income, losses, and tax credits. As of December 31, 2017 and 2016, the investor member has contributed \$4,137,341 and \$3,640,500, respectively. Distributions shall be allocated in accordance with the operating agreement.

Welcome Home Housing MM LLC (WHHMMLLC) (a Massachusetts limited liability company, 79% owned by CBA) is the managing member of Welcome Home Housing LLC (WHHLLC).

Welcome Home Housing LLC (WHHLLC) (a Massachusetts limited liability company, .01% owned by WHHMMLLC) was formed on May 1, 2014 for the purpose of rehabilitating and operating three residential apartment building containing 27 residential units located in Haverhill, Massachusetts. The investor member has agreed to contribute \$2,494,551 for a 99.99% interest in the income, losses, and tax credits. As of December 31, 2017 and 2016, the investor member has contributed \$2,502,951 and \$2,492,951, respectively. Distributions shall be allocated in accordance with the operating agreement.

CBA NMTC LLC (NMTC) (a Massachusetts limited liability company, 100% owned by CBA) was formed on September 8, 2011 for the purpose of making an investment of \$53,443 for a 5% interest in LCHC QALICB LLC.

2. Summary of significant accounting policies and nature of operations

Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and Affiliates, which have been consolidated under FASB ASC 810-10. All significant intercompany accounts and transactions are eliminated in consolidation. Non-controlling interest is recorded for the portion of net assets attributable to the ownership by unaffiliated entities.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

2. Summary of significant accounting policies and nature of operations (continued)

Use of estimates

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

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for refunds of tenant security deposits, funding of operating deficits, repairs or improvements to the buildings which extend their useful lives, and annual insurance and property tax payments.

Concentrations of credit risk

The Corporation and Affiliates place their temporary cash investments with high credit quality financial institutions. At times, the account balances may exceed the institutions' federally insured limits. The Corporation and affiliates have not experienced any losses in such accounts.

Basis of presentation

The accompanying financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Corporation and Affiliates have classified their net assets for accounting and reporting purposes into the following three net asset categories according to externally (donor) imposed restrictions:

Unrestricted net assets: Net assets that are not subject to donor-imposed restrictions and Board Designated Revolving Loan funds, which the Board of Directors of CBA has restricted to provide technical assistance in the development, operation, management, and expansion of small businesses through small business loans.

Temporarily restricted net assets: Net assets subject to donor-imposed restrictions that will be met either by actions of the Corporation and Affiliates and/or the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed restrictions that must be maintained permanently by the Corporation and Affiliates.

Derivative financial instruments

All derivative financial instruments are recognized as either assets or liabilities at their fair value in the statement of financial position with the changes in the fair value reported in current-period earnings. These instruments are classified on the consolidated statement of financial position as interest rate swap contract and the change in the fair value is recorded on the statement of activities as change in value of interest rate swap. For the years ended December 31, 2017 and 2016, a real estate affiliate, New North Canal LLC, recognized a gain of \$401,846 and \$419,260, respectively, on these instruments.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

2. Summary of significant accounting policies and nature of operations (continued)

Fixed assets and depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value at the time of donation. Depreciation is provided using the straight-line method over the following estimated useful lives.

Land improvements	20 years
Buildings	40 years
Furniture and fixtures	5 -10 years
Vehicles	5 years
Computer equipment	5 years
Furniture and fixtures	5 -10 years

Expenditures for maintenance and repairs are charged to expense as incurred; expenditures for renewals and betterments, which add to the value of the related assets or materially extend the life of the assets are capitalized. When sold, retired, or otherwise disposed of, the costs of assets and related accumulated depreciation will be removed from the accounts and any gain or loss credited or charged to income.

Investments in corporations

The Corporation accounts for its investments in corporations using the equity method of accounting. Under the equity method, the investments are carried at cost, adjusted for the Corporations' share of income or losses of the corporations, additional investments and for cash distributions from the corporations. The Corporation's exposure to economic and financial statement loss is limited to its investments in the corporations.

The Corporation has no obligation to fund liabilities of the corporations beyond their investments, including committed investment amounts, and investments in corporations will not be carried below zero. To the extent that equity losses are incurred when the corporations' respective asset values have been reduced to a zero balance, the losses will be suspended to be used against future income.

Accounts receivable

Accounts receivable consists of balances due from tenants and others. The Corporation and Affiliates have elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Loans and notes receivable

Loans and notes receivable, including accrued interest thereon, are carried at unpaid principal balances, less an allowance for loan losses. Management periodically evaluates the adequacy of the allowance. Loans and notes are allowed for if full principal or interest payments are not anticipated in accordance with the contractual terms. Interest on notes is recognized over the term of the note and is calculated using the simple-interest method on principal amounts outstanding. As of December 31, 2017 and 2016, there are no allowances for loan losses.

Property held for development

Property held for development is recorded at cost and consists of acquisition and pre development costs related to projects currently under development. In October 2017, the Corporation purchased the Cross Street and Lowell House properties, both of which are being held for development.

Deferred charges

Deferred charges consist of tax credit fees. Tax credit fee are amortized using the straight-line method over the tax credit compliance period of 15 years.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

2. Summary of significant accounting policies and nature of operations (continued)

Revenue recognition

Revenues from service contracts are recorded over the term of the contract as services are provided and costs are incurred. The Corporation reports gifts of cash and other assets with no donor restrictions as an increase in unrestricted net assets when received. Sale of state tax credits, development fees and partnership management fees are recorded as revenues when earned based on the terms of the various agreements.

Grants expected to be received within one year are recorded at their net realizable value. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated services. Multi-year grants are recorded into income as the conditions for earning the grants are met. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. The Corporation uses the allowance method to determine uncollectible grants receivable. The allowance is based on prior years' experience and management's analysis of specific grants made. Management has decided that an allowance was not necessary as of December 31, 2017 and 2016.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Corporation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. During the years ended December 31, 2017 and 2016, there was no unconditional promise to give recognized as revenue.

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other income includes fees for late payments, cleaning, damages, laundry facilities and other charges and is recorded when earned.

The Corporation conducts special events in which a portion of gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Corporation. The direct costs of the special events, which ultimately benefit the donor rather than the Corporation are recorded as exchange transaction revenue and exchange transaction expense. All the proceeds received in excess of the direct costs are recorded as grants and contributions in the accompanying consolidated statement of activities. During the years ended December 31, 2017 and 2016, the Corporation reported special events revenue of \$40,290 and \$54,932, respectively which is included in grants and contributions in the accompanying statements of activities and changes in net assets.

Functional allocation of expenses

Expenses related directly to a program or activities are allocated to that program or activity, while other expenses are allocated based upon management's estimate of the percentage attributable to each program or activity.

Compensated absences

Employees of CBA are entitled to paid vacation and paid sick leave, depending on job classification and length of service. The financial statements reflect a liability and expense for compensated vacation absences of the employees for vested time at their current pay rate.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

2. Summary of significant accounting policies and nature of operations (continued)

Retirement plan

CBA provides a qualified retirement plan under Internal Revenue Code Section 401(k) covering all employees meeting certain eligibility requirements. The plan allows for employees to contribute pre-tax income, as defined and limited by the Internal Revenue Code. Discretionary contributions may be made as determined by CBA's Board of Directors. Discretionary contributions made during the years ended December 31, 2017 and 2016, were \$36,749 and \$41,760, respectively.

Low-income housing tax credits

Ten of the entities consolidated (Triangle Rental Limited Partnership, Liberty Square Housing Limited Partnership, New Merrimack Street Housing LLC, New North Canal LLC, Middlesex Street Housing Limited Partnership, St. Joseph's Apartments LLC, Acre High School LLC, Unity Place LLC, Welcome Home Housing, LLC and Gorham Street LLC), (collectively, the projects) are or were eligible to receive federal low income housing tax credits. The credits are calculated at varying rates (between 3.29% and 9%) of the acquisition and qualified construction / rehabilitation costs and may be claimed each year for ten years. The annual allocation for the entities is subject to adjustment. The tax credit periods began in years ranging between 1997 and 2016 and tax credits were prorated in the first year of occupancy. Additionally, the projects will have entered into various agreements requiring compliance with federal low income housing regulations for a minimum of 30 years.

Historic tax credits

Three of the entities consolidated (Liberty Square Housing Limited Partnership, Moody Street Center Limited Partnership, and St. Joseph's Apartments LLC) qualified for the federal historic tax credits. The credit was calculated at 20% of qualified rehabilitation costs. Recapture of a portion of the credits would occur if the building is sold or taken out of service within five years of being placed in service.

State tax credits

Two of the entities consolidated (St Joseph's Apartments LLC and Acre High School LLC) have received state historic tax credit awards, which were assigned to CBA and sold to private equity investors. Gorham Street LLC has received state low income housing tax credits which were assigned to CBA and sold to private equity investors. During 2016, total state tax credits assigned to CBA and sold to private equity investors totaled \$1,272,135. State tax credits sales revenue recognized during 2017 and 2016 totaled \$254,427 each year, and deferred state tax credit revenue totaled \$763,280 and \$1,017,708, respectively, as of December 31, 2017 and 2016.

Impairment of long-lived assets

The Corporation and Affiliates review their long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. For the years ended December 31, 2017, and 2016, no impairment losses were recognized.

Impairment of equity method investments

The Corporation has implemented policies and practices for assessing impairments in the value of its investments in corporations. Impairments occur when the book value of the investment exceeds the current estimated value of the investment. If impairment exists, a provision to reduce the asset to fair value, as calculated based primarily on remaining tax benefits, is recorded in the Corporations' financial statements. For the years ended December 31, 2017, and 2016, no impairment losses were recognized.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

2. Summary of significant accounting policies and nature of operations (continued)

Economic concentrations

The operating partnerships/companies own and operate property in Massachusetts. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in the federal low-income housing subsidies or the demand for such housing. In addition, the operating partnerships/companies operate in a heavily regulated environment. The operations of the operating partnerships/companies are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Concentrations of credit risk

The Corporation and Affiliates place their temporary cash investments with high quality financial institutions. At times the account balance may exceed the institutions' federally insured limits. The Corporation and Affiliates have not experienced any losses in such accounts.

Income taxes

No provision has been made for income taxes since the Corporation was formed as a tax exempt organization and has been granted Section 501(C) (3) status by the Internal Revenue Service. The Internal Revenue Service has ruled that CBA and ATCDC, are tax-exempt organizations as defined under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies to receive charitable contributions and has been classified as an organization other than a private foundation.

ATCDC has a lease for an antenna on its roof which is subject to tax on unrelated business income. As of December 31, 2017, and 2016, ATCDC has recorded a tax liability of \$3,960 and \$3,968, respectively, on this unrelated business activity.

CBAAH and NMTC are single member limited liability companies owned 100% by CBA. As such they are "disregarded entities" for tax purposes and their profit or losses are recorded by CBA.

NCHT, ACRE, TRI, MSCI, LSHI, NNCHT, and NACRE are for-profit corporations and have not generated significant taxable income since inception. As such, no provision for federal income taxes has been recorded in the consolidated financial statements.

TRLP, MSCLP, LSHLP, MSHLP, and MSLP are organized as limited partnerships. NNCLLC, NMSHLLC, SJLLC, AHSLLC, UPLLC, GSLLC, WHHLLC, are limited liability companies that have elected to be taxed as partnerships. Partnership income is levied on the partners at the partner level. Accordingly, all profits and losses of the partnerships are recognized by each partner on its respective tax return.

Call, SJMMLLC, AHSMM2LLC, UPMMLLC, GSMMLLC, and WHHMMLLC, are for-profit limited liability companies and have not generated significant taxable income since inception. As such, no provision for federal income taxes has been recorded in the consolidated financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation and Affiliates to report information regarding its exposure to various tax positions taken by the Corporation and Affiliates. The Corporation and Affiliates have determined whether any tax positions have met the recognition threshold and have measured the Corporation and Affiliates' exposure to those tax positions. Management believes that the Corporation and Affiliates have adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Corporation and Affiliates are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

2. Summary of significant accounting policies and nature of operations (continued)

Fair value measurements

The Corporation and Affiliates apply the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost). A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Corporation and Affiliates' own assumptions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the valuation methods are determined to be appropriate and consistent within the industry, the use of different methodologies or assumptions to determine the fair value of certain assets and liabilities could result in a different estimate of fair value at the reporting date.

The table below presents amounts at December 31, 2017 and 2016 for significant items measured at fair value on a recurring basis. The fair value of our interest rate swap liability is based on notional amounts, interest rates, maturity date and other contract terms. The fair value of interest rate swap contract is valued using a third-party. The interest rate swap is classified as a Level 2 measurement.

	<u>Level 2</u>	
	2017	2016
Interest rate swap liability	\$ 2,363,556	\$ 2,765,402

3. Operating leases

CBA entered into a lease agreement to lease office space from MSCLP, which commenced in January 2009 for a term of three years through December 2011. The lease is extended through December 31, 2019 with the same terms as the original lease. Lease payments totaling \$52,941 for the years ended December 31, 2017 and 2016 each year have been eliminated in the consolidated financial statements.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

4. Notes, predevelopment costs and development fees receivable and accrued interest

Notes and development fees receivable and accrued interest consists of the following from entities that are included in the consolidated financial statements and have therefore been eliminated in the accompanying statement of financial position:

	2017	2016
<u>Note receivable from TRLP</u>		
The note is to finance a portion of the acquisition of the project, due in full at the maturity date of February 2027, together with interest at 9% per annum, simple. A portion of the loan, \$130,000, is partially reflected as permanently restricted due to Neighborworks America (NWA) requirements. On January 23, 2014, this note was refinanced with interest at 1.15% per annum, due in full at the maturity date of February 2037. The note principal of \$25,000 was forgiven in 2014 and recorded as a capital contribution and the note was reduced to \$155,000, \$238,535 of accrued interest additionally was forgiven in 2014 and recorded as a capital contribution. As of December 31, 2017 and 2016, the note balance of \$155,000 and accrued interest of \$38,090 and \$35,895, respectively, have been eliminated in the accompanying consolidated financial statements.	\$ 193,090	\$ 190,895
<u>Mortgage note receivable from NMSHLLC</u>		
The note is due in full upon the sale or refinancing of the property or at the maturity date of August 2036, together with interest at 5.36%, compounded annually. As of December 31, 2017 and 2016, the note balance of \$713,000 each year and accrued interest of \$575,374 and \$509,830, respectively, have been eliminated in the accompanying consolidated financial statements.	1,288,374	1,222,830
<u>Mortgage note receivable from NMSHLLC</u>		
The note is due in full upon the sale or refinancing of the property or at the maturity date of August 2036 and is non-interest bearing. The note is secured by the property and is permanently restricted due to NWA requirements. As of December 31, 2017 and 2016, the note balance of \$30,000 has been eliminated in the accompanying consolidated financial statements for both years.	30,000	30,000
<u>Note receivable from LSHLP</u>		
The note is due only to the extent of cash flow available in any year pursuant to the partnership agreement. Interest accrues at 5.7% per annum, compounded annually. The loan is secured by a second mortgage on the property. All accrued and unpaid interest and principal is due at maturity, September 2033. As of December 31, 2017 and 2016, the note balance of \$500,000 each year and accrued interest of \$532,405 and \$485,732, respectively, have been eliminated in the accompanying consolidated financial statements.	1,032,405	985,732

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

4. Notes, predevelopment costs and development fees receivable and accrued interest (continued)

	2017	2016
<u>Note receivable from LSHLP</u>		
The note is due only to the extent of cash flow available in any year pursuant to the partnership agreement. Interest accrues at 5% per annum, compounded annually. The loan is secured by a third mortgage on the property. All accrued and unpaid interest and principal is due at maturity, September 2033. This loan is reflected as permanently restricted due to NWA requirements. As of December 31, 2017 and 2016, the note balance of \$165,000 each year and accrued interest of \$157,133 and \$141,793, respectively, have been eliminated in the accompanying consolidated financial statements.	\$ 322,133	\$ 306,793
<u>Development note receivable from LSHLP</u>		
Interest on the note accrues at 5.77% per annum. This fee and accrued interest are payable only from the proceeds of sale or refinancing but not later than the tenth anniversary of the completion date. As of December 31, 2017 and 2016, the note balance of \$101,109 each year and accrued interest of \$16,008 and \$9,619, respectively, have been eliminated in the accompanying consolidated financial statements.	117,117	110,728
<u>Development note receivable from NNCLLC</u>		
Note receivable in the amount of \$1,369,029 (amended during 2007 to \$1,437,480). The note was increased by \$477,500 in 2011. The note is due in full upon the sale or refinancing of the property or at the maturity of June 2036, together with interest at 5.32% per annum, compounded annually. As of December 31, 2017 and 2016, the note balance of \$1,914,980 each year and accrued interest of \$1,270,739 and \$1,109,820, respectively, have been eliminated in the accompanying consolidated financial statements.	3,185,719	3,024,800
<u>Development note receivable from MSLP</u>		
The loan is non-interest bearing and unsecured and is due no later than December 31, 2018. As of December 31, 2017 and 2016, the note balance of \$261,734 each year has been eliminated in the accompanying consolidated financial statements.	261,734	261,734

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Notes, predevelopment costs and development fees receivable and accrued interest (continued)

	2017	2016
<u>Note receivable from MSLP</u>		
Neighborworks note receivable in the amount of \$210,600 as of December 31, 2017 and 2016, which has been eliminated in the accompanying consolidated financial statements. The loan is noninterest bearing and is payable from available cash flow or at maturity, April 24, 2031.	\$ 210,600	\$ 210,600
City of Lowell note receivable in the amount of \$67,193 as of December 31, 2017 and 2016, which has been eliminated in the accompanying consolidated financial statements. The loan is noninterest bearing and is payable from available cash flow or at maturity, April 24, 2031.	67,193	67,193
Ground lease (Note 6)	238,138	211,929
<u>Note receivable from SJLLC</u>		
City of Lowell Home Funds note receivable in the amount of \$165,000. The note is due in full at maturity, August 2037, together with interest at 6% per annum, compounded annually. As of December 31, 2017 and 2016, the note balance of \$165,000 each year and accrued interest of \$132,457 and \$115,620, respectively, have been eliminated in the accompanying consolidated financial statements.	297,457	280,620
<u>Note receivable from SJLLC</u>		
Neighborworks note receivable in the amount of \$75,000. The note is due in full at maturity, August 2037, together with interest at 8% per annum, compounded annually. This loan is reflected as permanently restricted due to NWA requirements. As of December 31, 2017 and 2016, the note balance of \$75,000 each year and accrued interest of \$92,666 and \$80,246, respectively, have been eliminated in the accompanying consolidated financial statements.	167,666	155,246
<u>Note receivable from SJLLC</u>		
City of Lowell Lead Funds note receivable in the amount of \$120,000. The note is due in full at maturity, August 2037, together with interest at 6% per annum, compounded annually. As of December 31, 2017 and 2016, the note balance of \$120,000 each year and accrued interest of \$87,807 and \$76,044, respectively, have been eliminated in the accompanying consolidated financial statements.	207,807	196,044

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

4. Notes, predevelopment costs and development fees receivable and accrued interest (continued)

	2017	2016
<u>Note receivable from SJLLC</u>		
HTC note receivable in the amount of \$259,500. The note, which is secured by the property, bears interest at 8% per annum, compounded annually, with principal and interest due at maturity, August 2037. As of December 31, 2017 and 2016, the note balance of \$259,500 each year and accrued interest of \$259,242 and \$220,817, respectively, have been eliminated in the accompanying consolidated financial statements.	\$ 518,742	\$ 480,317
CBA sold state tax credits generated from SJLLC for \$259,500 and loaned the proceeds of the sale to SJLLC.		
<u>Note receivable from AHSLLC</u>		
Note receivable in the amount of \$920,000. The note is due in full at maturity, December 2039, together with interest at 5% per annum, compounded annually. This loan is partially reflected as permanently restricted due to NWA requirements. As of December 31, 2017 and 2016, the note balance of \$920,000 each year and accrued interest of \$353,199 and \$292,570, respectively, have been eliminated in the accompanying consolidated financial statements.	1,273,199	1,212,570
CBA sold state tax credits generated from AHSLLC for \$820,000 and loaned \$810,000 of the proceeds from the sale to AHSLLC. Additionally, NWA Funds of \$110,000 were combined with the \$810,000 in the form of a note totaling \$920,000.		
<u>Note receivable from AHSLLC</u>		
HOME Funds note receivable in the amount of \$165,000. The note is due in full at maturity, December 2039, together with interest at 1% per annum, compounded annually. As of December 31, 2017 and 2016, the note balance of \$165,000 each year and accrued interest of \$12,257 and \$10,502, respectively, have been eliminated in the accompanying consolidated financial statements.	177,257	175,502
<u>Note receivable from AHSLLC</u>		
CDBG Funds note receivable in the amount of \$33,325. The note is due in full at maturity, December 2039, together with interest at 1% per annum, compounded annually. As of December 31, 2017 and 2016, the note balance of \$33,325 each year and accrued interest of \$2,672 and \$2,316, respectively, have been eliminated in the accompanying consolidated financial statements.	35,997	35,641

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Notes, predevelopment costs and development fees receivable and accrued interest (continued)

	2017	2016
<u>Note receivable from UPLLC</u>		
NWA Funds note receivable in the amount of \$184,000. The note is due in full at maturity, December 2040, is non-interest bearing. This loan is partially reflected as permanently restricted due to NWA requirements. As of December 31, 2017 and 2016, the note balance of \$184,000 each year has been eliminated in the accompanying consolidated financial statements.	\$ 184,000	\$ 184,000
<u>Note receivable from UPLLC</u>		
Note receivable in the amount of \$50,000 funded from CDBG proceeds. The note is due in full at maturity, December 2040, is non-interest bearing. As of December 31, 2017 and 2016, the note balance of \$50,000 each year has been eliminated in the accompanying consolidated financial statements.	50,000	50,000
<u>Note receivable from GSLLC</u>		
NWA Funds note receivable in the amount of \$192,000. The note is due in full at maturity, July 2054 and bears interest at a rate of 3.14% per annum. This loan is partially reflected as permanently restricted due to NWA requirements. As of December 31, 2017 and 2016, the note balance of \$192,000 each year and accrued interest of \$21,867 and \$15,356, respectively, have been eliminated in the accompanying consolidated financial statements.	213,867	207,356
Construction advances receivable, which shall be repaid only from capital contributions of the investor member and the proceeds of sale or refinancing and bear no interest. As of December 31, 2017 and 2016, the advances balance of \$304,673 and \$286,496, respectively, have been eliminated in the accompanying consolidated financial statements.	304,673	286,496
<u>Development note receivable from GSLLC</u>		
This fee and accrued interest are payable only from capital contributions of the investor member and the proceeds of sale or refinancing but not later than the thirteenth anniversary of the completion date. As of December 31, 2017 and 2016, the note balances of \$102,390 and \$600,382, respectively have been eliminated in the accompanying consolidated financial statements.	102,390	600,382

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Notes, predevelopment costs and development fees receivable and accrued interest (continued)

	2017	2016
<u>Note receivable from GSLLC</u>		
Note receivable in the maximum amount of \$1,297,009. The note is due in full at maturity, July 3, 2054, bears interest at 3.14% per annum. As of December 31, 2017 and 2016, the note balance of \$1,272,135 each year and accrued interest of \$60,601 and \$20,027, respectively, have been eliminated in the accompanying consolidated financial statements.	\$ 1,332,736	\$ 1,292,162
 CBA sold state tax credits generated from GSLLC for \$1,272,135 and loaned the proceeds of the sale to GSLLC.		
<u>Note receivable from WHHLLC</u>		
Note receivable in the amount of \$50,000. The note is due in full at maturity, December 2064, bears interest at 1% per annum. As of December 31, 2017 and 2016, the note balance of \$50,000 each year and accrued interest of \$1,303 and \$795, respectively, have been eliminated in the accompanying consolidated financial statements.	51,303	50,795
 <u>Note receivable from CBAAH</u>		
Note receivable from NNCLLC in the amount of \$1,284,393. The note is due in full upon the sale or refinancing of the property or at the maturity of June 2036, together with interest at 5.32% per annum compounded annually. As of December 31, 2017 and 2016, the note balance of \$1,284,393 each year and accrued interest of \$1,047,553 and \$929,760, respectively, have been eliminated in the accompanying consolidated financial statements.	2,331,946	2,214,153
 Ground lease (Note 6)	717,247	648,243

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

4. Notes, predevelopment costs and development fees receivable and accrued interest (continued)

	2017	2016
Notes receivable and accrued interest also consists of the following from unrelated entities that are included in the consolidated financial statements and have therefore not been eliminated in the accompanying statement of financial position.		
<u>Loan Receivable – LCLF</u>		
On October 9, 2009 CBA agreed to loan \$50,000 to Lowell Community Loan Fund Inc. The loan called for interest of the Applicable Federal Rate (AFR). Effective January 1, 2017, the loan was amended to carry a 0% interest rate. The principal is repayable on demand, and as of December 31, 2017 and 2016, \$50,000 has been drawn on this loan each year and accrued interest totaled \$2,745 and \$2,745, respectively.	\$ 52,745	\$ 52,745
Subtotal CBA and affiliates	14,965,535	14,745,506
Less – amounts eliminated	(14,912,790)	(14,692,761)
Total notes predevelopment costs & development fees receivable & accrued interest	\$ 52,745	\$ 52,745

5. Due to/from related parties

The Corporation and Affiliates periodically advance funds to, or holds funds for, several related entities. At December 31, 2017 and 2016, aggregate amounts due from related parties after elimination of intercompany balances totaled \$10,889 and \$8,889, respectively. At December 31, 2017 and 2016, aggregate amounts due to related parties after elimination of intercompany balances totaled \$0 both years.

ATCDC had advanced funds to CBA totaling \$2,159,841. During 2016, \$2,159,841 of advanced funds have been forgiven and the cancellation of debt has been eliminated in the accompanying consolidated financial statements.

CBAAH had advanced funds to CBA totaling \$1,605,896. During 2016, \$1,605,896 of advanced funds have been forgiven and the cancellation of debt has been eliminated in the accompanying consolidated financial statements.

6. Ground leases

CBAAH entered into a ground lease agreement with NNCLLC. The land is subject to a 99 year lease dated June 28, 2006, which runs through December 31, 2105. The lease calls for annual base rent of \$191,800 for the first five years subject to increases every five years to reflect CPI increases through December 31, 2021. Payments are due only to the extent of available cash flow. Unpaid base rent shall accrue at 5.32% per annum, compounded annually. During 2017 and 2016, ground lease receipts of \$164,837 were paid from surplus cash for each year. During 2017 and 2016, ground lease rents of \$208,122 each year and interest of \$25,717 and \$22,232, respectively, were earned. At December 31, 2017 and 2016, ground lease rents of \$621,799 and \$578,512 and accrued interest of \$95,448 and \$69,731, respectively, were due and are included in the total of loans and notes receivable, notes payable and accrued interest in the consolidated statements of financial position. These transactions have been eliminated in the accompanying consolidated financial statements.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

6. Ground leases (continued)

MSHLP entered into a ground lease agreement with NMSHLLC. The land is subject to a 75 year lease dated August 25, 2006, which runs through December 31, 2081. The lease calls for annual base rent of \$15,750 for the first five years subject to increases every five years to reflect CPI increases. Payments are due only to the extent of available cash flow. Unpaid base rent shall accrue at 4.9% per annum, compounded annually. During 2017 and 2016, no payments were received. During 2017 and 2016, ground lease rents of \$16,784 and \$15,750 and interest of \$9,425 each year, were earned. At December 31, 2017 and 2016, ground lease rents of \$185,829 and \$169,045 and accrued interest of \$52,309 and \$42,884, respectively, were due and are included in the total of loans and notes receivable, notes payable and accrued interest in the consolidated statements of financial position. These transactions have been eliminated in the accompanying consolidated financial statements.

7. Development and other fees

CBA provided development services to TRLP totaling \$422,624. During 2014, \$404,292 of the outstanding principal and \$249,212 of the outstanding accrued interest were forgiven and recorded as a capital contribution. These transactions have been eliminated in the accompanying consolidated financial statements.

CBA provided development services to MSCLP totaling \$523,198. During 2014, the outstanding principal of \$381,954 and accrued interest balance of \$303,919 were forgiven and recorded as a capital contribution.

CBA provided development services to LSHLP totaling \$294,788, which represents 40% of the total development fee and overhead reimbursement of \$736,970. Lowell Restoration Inc. (LRI) earned the remaining \$442,182. A portion of the fee totaling \$20,000 to CBA has been deferred and accrues interest at 5.77% per annum, compounded annually. The remaining portion of the CBA fee of \$94,109 is non-interest bearing. The fee and accrued interest are payable on or before the earlier to occur on the 10th anniversary of the completion date or the liquidation date (maturity date) of the partnership or from cash flow or from the proceeds of sale or refinancing. As of December 31, 2017 and 2016, the remaining balance of \$101,109 of development fee each year, and accrued interest of \$16,008 and \$9,619, respectively, were due to CBA. These transactions have been eliminated in the accompanying consolidated financial statements. The remaining balance of \$163,974 and \$166,090 as of December 31, 2017 and 2016, respectively, of development fee and interest due LRI is presented as development fee payable in the accompanying consolidated financial statements.

CBA provided development services to MSLP totaling \$271,734. This fee is in the form of a note receivable and \$261,734 was due at December 31, 2017 and 2016 each year. These transactions have been eliminated in the accompanying consolidated financial statements.

CBA provided development services to AHSHLLC totaling \$375,752. As of December 31, 2017 and 2016, \$375,752 has been earned and paid on this fee. These transactions have been eliminated in the accompanying consolidated financial statements.

CBA provided development services to UPLLC totaling \$368,848. As of December 31, 2017 and 2016, \$368,848 has been earned and paid on this fee. These transactions have been eliminated in the accompanying consolidated financial statements.

CBA provided development services to GSLLC totaling \$883,000. Deferred developer fee of \$102,390 and \$600,382, respectively, was due to CBA at December 31, 2017 and 2016. These transactions have been eliminated in the accompanying consolidated financial statements.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

7. Development and other fees (continued)

CBA provided development services to WHHLLC totaling \$440,000. During 2016, additional development fee of \$99,680 was paid to CBA. As of December 31, 2017 and 2016, \$539,680 has been earned and paid. These transactions have been eliminated in the accompanying consolidated financial statements.

Development fees are summarized as follows:

	2017		
	Total Fee	Current Income	Current Receivable
TRLP	\$ 422,624	\$ -	\$ -
MSCLP	523,198	-	-
LSHLP (40 % CBA, 60% LRI)	736,970	-	101,109
MSLP	271,734	-	261,734
AHSLLC	375,752	-	-
UPLLC	368,848	-	-
GSLLC	883,000	497,992	102,390
WHHLLC	539,680	-	-
	\$ 4,121,806	497,992	465,233
Less – amounts eliminated		(497,992)	(465,233)
		\$ -	\$ -
		2016	
	Total Fee	Current Income	Current Receivable
TRLP	\$ 422,624	\$ -	\$ -
MSCLP	523,198	-	-
LSHLP (40 % CBA, 60% LRI)	736,970	-	101,109
MSLP	271,734	-	261,734
AHSLLC	375,752	-	-
UPLLC	368,848	-	-
GSLLC	883,000	-	600,382
WHHLLC	539,980	99,680	-
	\$ 4,121,806	99,680	963,225
Less – amounts eliminated		(99,680)	(963,225)
		\$ -	\$ -

Other fees - LSHLP

In accordance with the Partnership Management and Investor Services Agreement between CBA and LSHLP, CBA earns an annual partnership management fee of 70% of \$10,000 payable from operations (or \$7,000 annually), an annual supplemental partnership management fee of 70% of \$25,000 payable from available cash flow (or \$17,500 annually) and an annual investor service fee of 70% of \$5,000 payable from available cash flow (or \$3,500). The remaining 30% of the annual partnership management fee, supplemental partnership management fee and annual investor service fee totaling \$12,000 annually is earned by LRI. The balance due CBA as of December 31, 2017 and 2016 of \$312,000 and \$291,000, respectively, and fees earned during 2017 and 2016 of \$28,000 each year have been eliminated in the consolidated financial statements. The balance due LRI as December 31, 2017 and 2016 of \$168,000 and \$156,000, respectively, of which \$12,000 was incurred and accrued in the current year, is presented as a component of accrued fees in the accompanying consolidated financial statements.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

7. Development and other fees (continued)

Other fees – LSHLP (continued)

Other fees are summarized as follows:

	2017		
	Total Annual Fee	Current Income	Current Receivable
LSHLP:			
Partnership management fee	\$ 10,000	\$ 7,000	\$ 70,444
Supplemental partnership management fee	25,000	17,500	206,334
Investor service fee	5,000	3,500	35,222
	<u>40,000</u>	<u>28,000</u>	<u>312,000</u>
Less: amounts eliminated	(28,000)	(28,000)	(312,000)
	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ -</u>
	2016		
	Total Annual Fee	Current Income	Current Receivable
LSHLP:			
Partnership management fee	\$ 10,000	\$ 7,000	\$ 67,444
Supplemental partnership management fee	25,000	17,500	189,834
Investor service fee	5,000	3,500	33,722
	<u>40,000</u>	<u>28,000</u>	<u>291,000</u>
Less: amounts eliminated	(28,000)	(28,000)	(291,000)
	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ -</u>

8. Notes payable and development fee payable

The Corporation and Affiliates have notes payable and accrued interest to entities included in the consolidated financial statements and third parties. The notes payable and accrued interest relating to entities included in the consolidated financial statements have been eliminated in the accompanying statements of financial position.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

8. Notes payable and development fee payable (continued)

Outstanding notes payable and accrued interest are as follows:

	2017	2016
<u>CBA</u>		
Note payable to City of Lowell in the amount of \$500,000 and bears simple interest at 3% per annum. The loan and accrued interest is due on maturity date, September 24, 2033. As of December 31, 2017 and 2016, the note balance was \$500,000 each year and accrued interest totaled \$201,000 and \$195,000, respectively. During 2017, \$9,000 of interest was paid. Interest incurred during 2017 and 2016 totaled \$16,534 and \$15,577, respectively.	\$ 701,000	\$ 695,000
 Note payable to CEDAC in the maximum amount of \$400,000 and bears simple interest at 7% per annum. The loan and accrued interest is due on maturity date, which is the date any funds are first disbursed to or for the benefit of the development under any financing arrangement. As of December 31, 2017 and 2016, the note balance was \$269,297 and \$138,807, respectively, and accrued interest totaled \$26,138 and \$7,287. Interest incurred during 2017 and 2016 totaled \$18,851 and \$7,287, respectively.	 295,435	 146,094
 Note payable to CEDAC in the maximum amount of \$15,000 and bears simple interest at 7% per annum. The loan and accrued interest is due on maturity date, which is the date any funds are first disbursed to or for the benefit of the development under any financing arrangement. As of December 31, 2017 and 2016, the note balance was \$15,000 and \$0, respectively, and accrued interest totaled \$613 and \$0. Interest incurred during 2017 and 2016 totaled \$613 and \$0, respectively.	 15,613	 -
 Note payable to Live Initiative in the maximum amount of \$900,000 and bears interest at 5% for acquisition costs and 6% for predevelopment costs per annum. The loan and accrued interest is due on maturity date, which is the date any funds are first disbursed to or for the benefit of the development under any financing arrangement. The total loan amount is distributed between the Cross Street and Lowell House developments. As of December 31, 2017 and 2016, Cross Street note balance was \$213,032 and \$0, respectively. Interest incurred during 2017 and 2016 totaled \$1,446 and \$0, respectively, and accrued interest totaled \$1,446 and \$0, respectively. As of December 31, 2017 and 2016, the Lowell House note balance was \$686,968 and \$0, respectively. Interest incurred during 2017 and 2016 totaled \$4,663 and \$0, respectively, and accrued interest totaled \$4,663 and \$0, respectively.	 906,109	 -
Subtotal CBA	1,918,157	841,094

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

8. Notes payable and development fee payable (continued)

<u>TRLP</u>	<u>2017</u>	<u>2016</u>
<p>Note payable to the City of Lowell under the HOME loan program in the amount of \$400,000. The note bore interest at 8.5% per annum, compounded annually, with principal and interest initially due February 27, 2017. The loan is secured by a second mortgage on the buildings. On January 23, 2014, the note was refinanced with interest at 1.15% per annum, due in full at the maturity date in February 2037. Accrued interest of \$964,486 was forgiven and recorded as debt forgiveness income during 2014. At December 31, 2017 and 2016, the adjusted note balance was \$333,300 each year and accrued interest totaled \$92,813 and \$88,980, respectively. Interest incurred during 2017 and 2016 totaled \$3,833 each year.</p>	\$ 426,113	\$ 422,280
<p>Note payable to the DHCD under the HOME Investments Partnership Program (the HOME program) in the amount of \$440,000. The note bore interest at 8.5% per annum, compounded annually, with principal and interest due February 27, 2037. On January 23, 2014, the note was refinanced with interest at 1.15% per annum, due in full at the maturity date of February 2037. Accrued interest of \$1,102,086 was forgiven and recorded as debt forgiveness income during 2014. The loan is secured by a second mortgage on the buildings. At December 31, 2017 and 2016, the note balance was \$406,700 each year and accrued interest totaled \$103,932 and \$99,255, respectively. Interest incurred during 2017 and 2016 totaled \$4,677 each year.</p>	510,632	505,955
<p>Note payable to CEDAC in the amount of \$108,000. Principal and interest are due annually if certain cash flow benchmarks, as defined in the agreement, are achieved. Interest accrues for only the first twenty years of the note term. No interest accrues after this period. All unpaid principal and interest is due in full in February 2027. CEDAC has the option to extend the maturity date for an additional period of up to ten years. The note bears interest at a simple rate of 5% per annum. The loan is secured by a third mortgage lien and security interest on the buildings and assignment of certain contractual rights. At December 31, 2017 and 2016, the note balance was \$108,000 each year and accrued interest totaled \$113,168 and \$107,768, respectively. Interest incurred during 2017 and 2016 totaled \$5,400 each year.</p>	221,168	215,768
<p>Note Payable to CBA (Note 4)</p>	192,135	190,353
Subtotal TRLP	<u>1,350,048</u>	<u>1,334,356</u>

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

8. Notes payable and development fee payable (continued)

NMSHLLC

	2017	2016
<p>Note payable to Lowell Development and Financial Corporation (LDFC) in the amount of \$172,000. The note is due in full upon the sale or refinancing of the property or at maturity, August 2036, together with interest at 5.36%, compounded annually. As of December 31, 2017 and 2016, the note balance was \$172,000 each year and accrued interest totaled \$139,013 and \$123,191, respectively. Interest incurred during 2017 and 2016 totaled \$15,822 and \$15,017, respectively.</p>	\$ 311,013	\$ 295,191
Mortgage note payable to CBA (Note 4)	30,000	30,000
Mortgage note payable to CBA (Note 4)	1,288,374	1,222,830
Subtotal NMSHLLC	1,629,387	1,548,021

LSHLP

<p>Note payable to DHCD under the HOME program in the amount of \$500,000. The note requires interest at 5.7% per annum or the applicable federal rate (AFR) in effect on the date of each receipt, compounded annually. Interest only is payable annually within fifteen days of the anniversary of the final loan disbursement to the extent of cash flow up to a maximum of \$15,000 per year. All accrued and unpaid interest and principal is due at maturity, September 2034. The loan is secured by a co-second mortgage on the property. As of December 31, 2017 and 2016, the note balance was \$500,000 each year and accrued interest totaled \$548,648 and \$492,098, respectively. Interest incurred during 2017 and 2016 totaled \$56,550 and \$53,500, respectively.</p>	1,048,648	992,098
Note payable to the Affordable Housing Trust Fund (AHTF) through DHCD in the amount of \$700,000. The note bears interest at 5% per annum, compounded annually. All accrued and unpaid interest and principal is due at maturity, September 2034. The loan is secured by a co-second mortgage on the property. As of December 31, 2017 and 2016, the note balance was \$700,000 each year and accrued interest totaled \$702,453 and \$635,669, respectively. Interest incurred during 2017 and 2016 totaled \$66,784 and \$63,603, respectively.	1,402,453	1,335,669
Note Payable to CBA (Note 4)	1,032,405	985,732
Note Payable to CBA (Note 4)	322,133	306,793
Development fee payable to CBA and LRI (Note 7)	281,091	276,818
Subtotal LSHLP	4,086,730	3,897,110

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

8. Notes payable and development fee payable (continued)

<u>NNCLLC</u>	2017	2016
Note payable to CBA (Note 4)	\$ 3,185,719	\$ 3,024,800
Note payable to CBAAH (Note 4)	2,331,946	2,214,153
Subtotal NNCLLC	5,517,665	5,238,953

MSLP

<p>Note payable to the City of Lowell under the HOME loan program in the amount of \$400,000. The note bears simple interest at 7.25% per annum, with principal and interest due at maturity, February 2030. The loan is secured by a second mortgage on the property. As of December 31, 2017 and 2016, the note balance was \$400,000 each year and accrued interest totaled \$518,266 and \$489,266, respectively. Interest incurred during 2017 and 2016 totaled \$29,000 each year.</p>	918,266	889,266
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<p>Note payable to DHCD under the HOME program in the amount of \$440,000. The note bears interest at 5.58% per annum, compounded annually, with principal and interest due at maturity, April 2031. The loan is secured by a third mortgage on the property. As of December 31, 2017 and 2016, the note balance was \$440,000 each year and accrued interest totaled \$623,202 and \$567,011, respectively. Interest incurred during 2017 and 2016 totaled \$56,191 and \$53,221, respectively.</p>	1,063,202	1,007,011
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<p>Note payable to the Cambodian American League of Lowell, Inc. (CALL Inc.) in the amount of \$180,000 for lead removal. The note carries a variable interest rate based on the AFR, with principal and interest due at maturity, December 2017. The loan is secured by a seventh mortgage on the property. As of December 31, 2017 and 2016, the note balance was \$180,000 each year and accrued interest totaled \$192,628 and \$179,853, respectively. Interest incurred during 2017 and 2016 totaled \$12,775 and \$12,337, respectively.</p>	372,628	359,853
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<p>Note payable to CALL Inc. in the amount of \$337,842. The note bears interest at 9% per annum, compounded annually, with principal and interest due at maturity, April 2031. During 2016, \$19,497 of principal on the loan was forgiven. The loan is secured by a seventh mortgage on the property. As of December 31, 2017 and 2016, the note balance was \$318,345, each year, and accrued interest totaled \$1,081,532 and \$965,946, respectively. Interest incurred during 2017 and 2016 totaled \$115,586 and \$107,652, respectively.</p>	1,399,877	1,284,291
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COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

8. Notes payable and development fee payable (continued)

<u>MSLP (continued)</u>	2017	2016
Note payable to CBA – Neighborworks Loan (Note 4)	\$ 210,600	\$ 210,600
Note payable to CBA – City of Lowell (Note 4)	67,193	67,193
Development note payable to CBA (Note 4 and Note 7)	261,734	261,734
Subtotal MSLP	4,293,500	4,079,948

SJLLC

<p>Note payable to the Massachusetts Housing Partnership Fund (MHP) under the Housing Stabilization Fund program in the amount of \$350,000. The note bears simple interest at 3% per annum, with principal and interest due at maturity, August 2056. The loan is secured by the property. As of December 31, 2017 and 2016, the note balance was \$350,000 each year and accrued interest totaled \$105,121 and \$94,621, respectively. Interest incurred during 2017 and 2016 totaled \$10,500, each year.</p>	455,121	444,621
<p>Note payable to DHCD under the AHTF program in the amount of \$250,000. The note bears simple interest at 3% per annum, with principal and interest due at maturity, August 2038. The loan is secured by the property. As of December 31, 2017 and 2016, the note balance was \$250,000 each year and accrued interest totaled \$76,872 and \$69,372, respectively. Interest incurred during 2017 and 2016 totaled \$7,500 each year.</p>	326,872	319,372
<p>Note payable to CEDAC under the Facilities Consolidation Fund (“FCF”) program in the amount of \$230,000. The note bears simple interest at 3% per annum, with principal and interest due at maturity, August 2038. The loan is secured by the property. As of December 31, 2017 and 2016, the note balance was \$230,000 each year with accrued interest of \$67,807 and \$60,907, respectively. Interest incurred during 2017 and 2016 totaled \$6,900 each year.</p>	297,807	290,907
<p>Note payable to CEDAC under the Community-Based Housing Fund program in the amount of \$150,000. The note bears simple interest at 3% per annum, with principal and interest due at maturity, August 2038. The loan is secured by the property. As of December 31, 2017 and 2016, the note balance was \$150,000 each year and accrued interest totaled \$45,796 and \$41,296, respectively. Interest incurred during 2017 and 2016 totaled \$4,500 each year.</p>	195,796	191,296

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

8. Notes payable and development fee payable (continued)

SJLLC (continued)

	2017	2016
Note payable to CBA – HTC Funds (Note 4)	\$ 518,742	\$ 480,317
Note payable to CBA – City of Lowell Home Funds (Note 4)	297,457	280,620
Note payable to CBA – City of Lowell Lead Funds (Note 4)	207,807	196,044
Note payable to CBA – Neighborworks Loan (Note 4)	167,666	155,246
Subtotal SJLLC	2,467,268	2,358,423

AHSLLC

Note payable to the MassHousing under the Affordable Housing Trust Fund program in the amount of \$900,000. The note is non-interest bearing with principal due at maturity, February 2041. The loan is secured by the property. As of December 31, 2017 and 2016, the note balance was \$900,000 each year.

900,000 900,000

Note payable to DHCD under the Housing Stabilization Fund program in the amount of \$750,000. The note is non-interest bearing with principal due at maturity, February 2061. The loan is secured by the property. As of December 31, 2017 and 2016, the note balance was \$750,000 each year.

750,000 750,000

Note payable to CEDAC under the FCF program in the amount of \$501,690. The note is non-interest bearing with principal due at maturity, February 2041. The loan is secured by the property. As of December 31, 2017 and 2016, the note balance was \$501,690 each year.

501,690 501,690

Note payable to CBA – Neighborworks Loan (Note 4)

1,273,199 1,212,570

Note payable to CBA – HOME Loan (Note 4)

177,257 175,502

Note payable to CBA – CDBG Funds Loan (Note 4)

35,997 35,641

Subtotal AHSLLC

3,638,143 3,575,403

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

8. Notes payable and development fee payable (continued)

	2017	2016
<u>UPLLC</u>		
Note payable to the MassHousing under the Affordable Housing Trust Fund program in the amount of \$1,300,000. The note bears simple interest at 1% per annum, with principal and interest due at maturity, September 2041. The loan is secured by the property. As of December 31, 2017 and 2016, the note balance was \$1,264,797 each year and accrued interest totaled \$84,997 and \$72,349, respectively. Interest incurred during 2017 and 2016 totaled \$12,648 each year.	\$ 1,349,794	\$ 1,337,146
 Note payable to the City of Lowell under the Neighborhood Stabilization Program in the amount of \$300,000. The note bears simple interest at 4.25% per annum, with principal and interest due at maturity, April 2030. The loan is secured by the property. As of December 31, 2017 and 2016, the note balance was \$300,000 each year and accrued interest totaled \$89,731 and \$76,981, respectively. Interest incurred during 2017 and 2016 totaled \$12,750 each year.	 389,731	 376,981
 Note payable to CEDAC derived under the Housing Innovation Fund Program in the amount of \$450,000. The loan bears simple interest at 1% per annum and principal and interest are due on maturity, September 2041. As of December 31, 2017 and 2016, the note balance was \$438,093 each year and accrued interest totaled \$25,587 and \$21,206, respectively. Interest incurred during 2017 and 2016 totaled \$4,381 each year.	 463,680	 459,299
 Note payable to DHCD under the HOME program in the amount of \$138,000. The note bears interest at 4.25% per annum, compounded annually, with principal and interest due at maturity, September 2041. The loan is secured by the property. As of December 31, 2017 and 2016, the note balance was \$133,341 each year and accrued interest totaled \$40,280 and \$33,201, respectively. Interest incurred during 2017 and 2016 totaled \$7,079 and \$6,789, respectively.	 173,621	 166,542
 Note payable to CBA – Neighborworks Loan (Note 4)	 184,000	 184,000
 Note payable to CBA – CDBG Funds Loan (Note 4)	 50,000	 50,000
Subtotal UPLLC	2,610,826	2,537,986

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

8. Notes payable and development fee payable (continued)

	2017	2016
<u>GSLLC</u>		
Commonwealth of Massachusetts, acting by and through DHCD with the MassHousing as administrator, provided financing for the Property through a mortgage loan of \$1,000,000 through funds derived under the Affordable Housing Trust Fund Program (the "AHTF Loan"). The AHTF Loan bears interest at 1.40% per annum. Total principal is due and payable on maturity date of July 2045. The project is required to repay any excess principal advances for development in an amount equal to 50% of the excess of development sources over development uses. As of December 31, 2017 and 2016, the loan outstanding was \$1,000,000 each year and accrued interest was \$42,904 and \$28,505, respectively. Interest incurred during 2017 and 2016 was \$14,399 and \$14,200, respectively.	\$ 1,042,904	\$ 1,028,505
 Note payable to CEDAC derived under the Housing Innovation Fund Program in the amount of \$1,050,000. The loan bears interest at 1.4% per annum and principal and interest are due on maturity, July 2045. The project is required to repay any excess principal advances for development in an amount equal to 50% of the excess of development sources overdevelopment uses. As of December 31, 2017 and 2016, the loan outstanding was \$1,050,000 each year and accrued interest totaled \$48,462 and \$33,296, respectively. Interest incurred during 2017 and 2016 was \$15,166 and \$14,957, respectively.	 1,098,462	 1,083,296
 Note payable to CEDAC derived under the Community Based Housing Program (the "CBH" loan) in the amount of \$185,000. The loan bears interest at 1.4% per annum and principal and interest are due on maturity, July 2045. The project is required to repay any excess principal advances for development in an amount equal to 50% of the excess of development sources overdevelopment uses. As of December 31, 2017 and 2016, the loan outstanding was \$185,000 each year and accrued interest totaled \$8,178 and \$5,511, respectively. Interest incurred during 2017 and 2016 was \$2,667 and \$2,630, respectively.	 193,178	 190,511

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

8. Notes payable and development fee payable (continued)

	2017	2016
<u>GSLLC (continued)</u>		
Commonwealth of Massachusetts, acting by and through DHCD with the MassHousing as administrator, provided financing for the Property through a mortgage loan of \$350,000 through funds derived under the Commercial Area Transit Node Housing Program (the "CATNHP Loan"). The CATNHP Loan bears interest at 1.40% per annum. Total principal is due and payable on the maturity date of July 2045. As of December 31, 2017 and 2016, the loan outstanding was \$350,000 each year and accrued interest was \$13,311 and \$8,295, respectively. Interest incurred during 2017 and 2016 was \$5,016 and \$4,947, respectively.	\$ 363,311	\$ 358,295
Note payable to CBA – Neighborworks Loan (Note 4)	213,867	207,356
Note payable to CBA –State Tax Credit (Note 4)	1,332,736	1,292,162
Development fee payable to CBA – (Note 4)	102,390	600,382
Construction advances payable to CBA – (Note 4)	304,673	286,496
Subtotal GSLLC	4,651,521	5,047,003
<u>WHLLC</u>		
Note payable to Veterans Northeast Outreach Center (the "VNOC Sponsor Note") in the amount of \$50,000. The loan bears simple interest at 2.74% per annum and principal and interest are due on maturity, December 2064. As of December 31, 2017 and 2016, total outstanding loan was \$50,000 each year and accrued interest totaled \$4,344 and \$2,895, respectively. Interest incurred during 2017 and 2016 was \$1,449 and \$1,411, respectively.	54,344	52,895
Note payable to CEDAC derived under the Housing Preservation and Stabilization Trust Fund Statute Program (the "HPSTFS" loan) in the amount of \$920,000. The loan bears interest at 1.0% per annum and principal and interest are due on maturity, December 2045. The project is required to repay any excess principal advances for development in an amount equal to 50% of the excess of development sources overdevelopment uses. As of December 31, 2017 and 2016, the outstanding loan was \$894,503, each year, and accrued interest totaled \$27,610 and \$18,310, respectively. Interest incurred during 2017 and 2016 was \$9,300 and \$8,842, respectively.	922,113	912,813

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

8. Notes payable and development fee payable (continued)

	2017	2016
<u>WHHLLC (continued)</u>		
Note payable to CEDAC in the amount of \$1,299,875 (the "CEDAC" loan). The loan bears interest at 1.0% per annum and principal and interest are due at maturity, December 2045. The loan is secured by the property. As of December 31, 2017 and 2016, the outstanding loan was \$1,263,860, each year, and accrued interest totaled \$36,897 and \$24,018, respectively. Interest incurred during 2017 and 2016 was \$12,879 and \$12,464, respectively.	\$ 1,300,757	\$ 1,287,878
Commonwealth of Massachusetts, acting by and through DHCD with the MassHousing as administrator, provided financing for the Property through a mortgage loan of \$1,127,772 through funds derived under the Housing Stabilization and Investment Trust Fund Statute, M.G.L. c. 121F (the "HSITF Loan"). The HSITF Loan bears interest at 1.0% per annum. Total principal is due and payable on the maturity date of December 2065. As of December 31, 2017 and 2016, the loan outstanding was \$1,096,534, each year, and accrued interest was \$28,152 and \$17,187, respectively. Interest incurred during 2017 and 2016 was \$10,965 and \$10,212, respectively.	1,124,686	1,113,721
Financing was provided by The North Shore HOME Consortium, acting through The City of Haverhill, MA in the maximum amount of \$54,281 (the "City HOME Note"). The loan accrues interest at 1.0% per annum and all principal and accrued interest, if not paid sooner, is due and payable at maturity, December 2035. The loan is secured by the property. As of December 31, 2017 and 2016, the loan outstanding was \$54,281 and \$48,853, respectively, and accrued interest was \$1,190 and \$695, respectively. Interest incurred during 2017 and 2016 was \$495 and \$491, respectively.	55,471	49,548

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

8. Notes payable and development fee payable (continued)

	2017	2016
<u>WHHLLC (continued)</u>		
Financing was provided by The North Shore HOME Consortium in the maximum amount of \$250,000 (the "North Shore HOME Note"). The loan accrues interest at 1.0% per annum and all principal and accrued interest, if not paid sooner, is due and payable at maturity, December 2035. The loan is secured by the property. As of December 31, 2017 and 2016, the loan outstanding was \$243,073, each year and accrued interest was \$5,660 and \$3,197, respectively. Interest incurred during 2017 and 2016 was \$2,463 and \$2,259, respectively.	\$ 248,733	\$ 246,270
Note payable to CBA – (Note 4)	51,303	50,795
Subtotal WHHLLC	3,757,407	3,713,920
Subtotal	35,920,652	34,208,199
Less: amounts eliminated in consolidation	(13,956,447)	(13,832,044)
Total notes payable, development fee and accrued interest	\$ 21,964,205	\$ 20,376,155

9. Mortgages payable

Mortgages payable consist of the following:

	2017	2016
<u>TRLP</u>		
Permanent financing is provided by Enterprise Bank in the form of a loan totaling \$360,000. The loan bears interest at 5.25% per annum and is secured by the property. The mortgage requires monthly principal and interest payments of \$2,005 until maturity, February 2044. As of December 31, 2017 and 2016, accrued interest totaled \$4,049 and \$1,560, respectively. Interest incurred during 2017 and 2016 was \$29,407 and \$18,559, respectively.	\$ 339,350	\$ 345,173
<u>NMSHLLC</u>		
Financing is provided by MHP from the proceeds of tax-exempt bonds totaling \$1,600,000 issued by the Massachusetts Development Finance Agency (MDFA). The loan bears interest at 4.5% per annum and requires interest payments only until it is converted to permanent financing. During 2008, the loan principal balance was paid down to \$1,350,000 and requires monthly payments of \$6,840 for principal and interest. Unpaid principal and interest are due in full on March 27, 2026, the maturity date. As of December 31, 2017 and 2016, accrued interest totaled \$4,148 and \$4,266, respectively. Interest incurred during 2017 and 2016 was \$50,428 and \$51,818, respectively.	1,106,051	1,137,588

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. Mortgages payable (continued)

	2017	2016
<u>LSHLP</u>		
Permanent financing is provided by MHP in the form of a loan totaling \$1,072,000. The loan bears interest at an annual rate of 6.76% per annum and is secured by the property. The mortgage requires monthly principal and interest payments of \$6,960 for a period of 20 years, maturing in 2025. Additional monthly remittances of \$4,581 are required to fund the real estate tax, insurance and water and sewer escrow. Monthly remittances of \$1,320 are required to fund the replacement reserve. As of December 31, 2017 and 2016, accrued interest totaled \$4,833 and \$4,971, respectively. Interest incurred during 2017 and 2016 was \$58,765 and \$60,378, respectively.	\$ 857,877	\$ 882,495
<u>MSCLP</u>		
Permanent financing is provided by MDFA in the form of a loan totaling \$500,000. The loan bore interest at 7% per annum. The mortgage required monthly principal and interest payments of \$3,565 based on a twenty-five year amortization with a balloon payment of \$435,436 due on January 1, 2009. On June 29, 2009, the mortgage note was refinanced with interest at 5.5% annum, due in equal monthly payments of \$3,163 of principal and interest. The monthly installments are based on an eighteen year amortization. The loan was again refinanced on February 1, 2017. The refinanced loan bears interest at 4% per annum, requires monthly payment of principal and interest of \$3,020 amortized over 10 years. All principal and interest become due and payable on January 31, 2027, the maturity date. This note is secured by a first mortgage on the development and an assignment of all leases and rents. As of December 31, 2017 and 2016, accrued interest totaled \$1,516 and \$1,516, respectively. Interest incurred during 2017 and 2016 was \$12,448 and \$17,321, respectively.	275,727	299,945
<u>MSLP</u>		
Permanent financing is provided by Enterprise Bank in the form of a first mortgage totaling \$400,000. The loan bears interest at an annual rate of 8% per annum and is secured by the property. The mortgage requires monthly principal and interest payments of \$2,999 until maturity, May 2031. As of December 31, 2017 and 2016, accrued interest totaled \$1,596 and \$1,669, respectively. Interest incurred during 2017 and 2016 was \$19,197 and \$20,079, respectively.	285,208	298,127

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. Mortgages payable (continued)

	2017	2016
<u>MSLP (continued)</u>		
Permanent financing is provided by LDFC in the form of a second mortgage totaling \$250,000. The loan bears interest at an annual rate of 6% per annum and is secured by the property. The mortgage requires monthly principal and interest payments of \$1,499 until maturity, March 2022. As of December 31, 2017 and 2016, accrued interest totaled \$917 and \$952, respectively. Interest incurred during 2017 and 2016 was \$11,201 and \$11,596, respectively.	\$ 183,562	\$ 190,313
<u>NNCLLC</u>		
Permanent financing is provided by MHP in the form of tax-exempt bonds totaling \$16,000,000 issued by MDFA. The loan bears interest at an adjustable rate equal to 69% of the LIBOR rate, plus 5.91% at December 31, 2010 and requires monthly principal payments and interest payments of \$96,570. Additionally, monthly remittances include \$35,331 to fund mortgage insurance, property insurance, and real estate tax escrows, and \$14,962 to fund the reserve for replacements. Unpaid principal and interest are due in full on March 31, 2026, the maturity date. As described above the bond bears interest at a variable rate. To minimize the effect of changes in the interest rate on the note, NNCLLC entered into an interest rate swap agreement with a private financial institution under which NNCLLC pays interest at a fixed rate of 5.91% and the financial institution pays the interest on the note at a variable rate. The result is that NNCLLC pays interest at a fixed effective rate. Valued separately, the interest rate swap agreement represents a liability in the amount of \$2,363,556 and \$2,765,402 as of December 31, 2017 and 2016, respectively. This value represents the fair value of the current difference in the interest paid and received under the swap agreement over the remaining term of the agreement. As of December 31, 2017 and 2016, accrued interest on this loan totaled \$66,543 and \$68,300, respectively. Interest incurred during 2017 and 2016 was \$793,032 and \$815,398, respectively.	13,075,364	13,420,700
<u>UPLLC</u>		
Permanent financing is provided by MHP in the form of a first mortgage totaling \$450,000. The loan bears interest of 6.19% per annum and is secured by the property. Payments for principal and interest are due monthly based on a thirty year amortization until maturity. As of December 31, 2017 and 2016, accrued interest on this loan totaled \$2,143 and \$2,180, respectively. Interest incurred during 2017 and 2016 was \$25,925 and \$26,351, respectively.	415,535	422,612

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

9. Mortgages payable (continued)

	2017	2016
<u>UPLLC (continued)</u>		
MHP provided additional financing of \$300,000 derived under the Home Funders Program (the "Home Funders Loan"). The loan bears interest at 2% per annum and is secured by the property. Total principal and interest are due and payable on maturity, September 30, 2041. As of December 31, 2017 and 2016, there was no accrued interest payable on this loan. Interest incurred during 2017 and 2016 was \$6,000 for both years.	\$ 300,000	\$ 300,000
<u>SJLLC</u>		
Financing was provided by Enterprise Bank in the form of a revolving loan up to \$613,000 to be converted to permanent financing upon completion of the project. The construction loan called for payments of interest only at 6.5% per annum and was secured by the property. During 2009, the Company converted the construction loan to permanent financing. The permanent loan of \$328,493 calls for monthly payments of principal and interest of \$2,497 with interest at 6.5% per annum. The loan is secured by the property and will be amortized over a thirty year period until the maturity date, August 2028. As of December 31, 2017 and 2016, accrued interest on this loan totaled \$1,341 and \$1,467, respectively. Interest incurred during 2017 and 2016 was \$15,678 and \$16,763, respectively.	231,362	245,526
<u>AHSLLC</u>		
Permanent financing is being provided by Enterprise Bank in the form of a first mortgage totaling \$250,000. The loan bears interest at an annual rate of 6.5% per annum and is secured by the property. The mortgage requires monthly principal and interest payments of \$1,596 until maturity, March 2030. As of December 31, 2017 and 2016, accrued interest on this loan totaled \$1,277 and \$1,299, respectively. Interest incurred during 2017 and 2016 was \$15,153 and \$15,430, respectively.	228,058	232,035
<u>GSLLC</u>		
Permanent financing is being provided by Enterprise Bank and Trust Company in the maximum amount of \$1,000,000. The loan bears interest at 5.50% per annum and has a twenty year term with payments of \$5,738 due on the first day of each month. Interest incurred during 2017 and 2016 was \$52,768 and \$8,891, respectively. There was no accrued interest at December 31, 2017 and 2016.	983,689	997,753

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9. Mortgages payable (continued)

	2017	2016
<u>WHHLLC</u>		
Permanent financing is being provided by Pentucket Bank in the maximum amount of \$150,000. The loan bears interest at a rate of 4.85% per annum. Monthly principal and interest payments of \$982 are due on the first of each month, with outstanding principal and interest due on the maturity date, August 9, 2036. As of December 31, 2017 and 2016, there was no accrued interest payable on this loan. Interest incurred during 2017 and 2016 was \$7,190 and \$38,493, respectively.	\$ 143,741	\$ 148,341
Total	\$ 18,425,524	\$ 18,920,608

The individual effective interest rates approximate the stated interest rates for each mortgage.

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

2018	\$ 525,447
2019	556,299
2020	588,705
2021	625,805
2022	663,500
Thereafter	15,465,768
	18,425,524
Net of unamortized debt issuance costs	(513,827)
Total outstanding, net	\$ 17,911,697

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
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10. Investment in Unwrapped

CBA has purchased common stock of Unwrapped, Inc. for \$75,000, which represents a 21% equity interest in the corporation. During 2017 and 2016, income earned from the investment totaled \$150,184 and \$47,552, respectively. As of December 31, 2017 and 2016, the investment balance totaled \$542,955 and \$415,837, respectively. The investment in common stock is recognized under the equity method and is presented as investment in corporation on the accompanying consolidated statements of financial position.

11. Predevelopment costs

All costs related to properties held for rehabilitation and resale have been capitalized. These costs include the acquisition price, real estate taxes, rehabilitation costs, architect fees and other costs incurred prior to the properties receiving occupancy certificates. As of December 31, 2017 and 2016, the Cross Street Building and the Lowell House are being held for rehabilitation and costs incurred totaled \$1,024,606 and \$31,019, respectively, which are included on the Predevelopment costs line on the accompanying consolidated statements of financial position.

12. Commitments

Certain entities included in the accompanying consolidated financial statements may be required to advance funds to other entities to fund operating deficits and/or development cost overruns. These advances are based on the terms of respective partnership agreements and would be eliminated in the consolidated financial statements in the period when such advances are made.

TRLP has granted CBA continuing right of first refusal to purchase the property of TRLP in the event TRLP proposes to sell, transfer, assign or ground lease substantially all of its interest therein. The purchase price under this agreement shall be the lesser of: a) the price offered by a bona fide third party purchaser; or b) the greater of 1) the sum of principal indebtedness secured by the Property (other than indebtedness incurred within the five year period ending on the date of any sale to the Sponsor) including all taxes on the sale or 2) the sum of the principal amount of indebtedness secured by the Property. CBA's rights under this agreement are assignable and are subordinate to the rights of the lenders to the property.

13. Temporarily restricted net assets

Temporarily restricted net assets are restricted for the following purposes:

	2017	2016
Jobs for Lowell Program	\$ 5,000	\$ 5,000
Capital grant for Smith Family Foundation	27,000	27,000
Working cities challenge	99,451	-
Total	\$ 131,451	\$ 32,000
Release from temporary restrictions	\$ 143,349	\$ 26,000

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
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14. Permanently restricted net assets

Permanently restricted net assets are available for the following purposes:

	2017	2016
Liberty Square	\$ -	\$ 31,442
Unity Place LLC	61,900	184,000
New North Canal LLC Solar	427,500	427,500
Middlesex Street Housing LP	210,600	210,600
Gorham Street	-	21,458
Welcome Home	-	50,000
Haverhill II	-	75,000
	<u>\$ 700,000</u>	<u>\$ 1,000,000</u>
Release from permanent restrictions	<u>\$ 300,000</u>	<u>\$ 235,600</u>

15. Board restricted net assets

Board restricted net assets are available for the following purposes:

	2017	2016
Pre-development expenses related to either acquisition or development of affordable housing units	\$ 271,400	\$ 271,400
Neighborworks release from permanent restriction, restricted by board	890,053	590,053
	<u>\$ 1,161,453</u>	<u>\$ 861,453</u>
Total	<u>\$ 1,161,453</u>	<u>\$ 861,453</u>

16. Commercial rental income

The following entities have rental income under commercial leases:

TRLP: Three commercial units are being rented to tenants at will. NMSHLLC: Six commercial units are being rented pursuant to lease agreements. LSHLP: Four commercial units are being rented pursuant to lease agreements expiring 2018 through 2022. MSCLP: One commercial unit is being rented pursuant to 2 lease agreement expiring in 2019 and three commercial units are being rented to tenants at will. MSLP: One commercial unit is being rented to a tenant at will. ATCDC: Nine commercial units are being rented pursuant to lease agreements expiring in 2021 and a rooftop space is being rented under lease agreement in effect commencing in February 2014 for initial period of five years, subject to four extensions of five years each unless terminated sooner.

Minimum future lease payments under non-cancelable operating leases are as follows:

2018	\$ 418,968
2019	394,768
2020	274,026
2021	146,857
2022	36,354
Total	<u>\$ 1,270,973</u>

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
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17. Reserves

The Corporation and Affiliates are required to fund and maintain certain replacement and operating reserves as required in each entity's respective partnership or operating agreements.

A summary of balances in these reserves as of December 31, 2017 is as follows:

	<u>Reserve for Replacements</u>	<u>Operating Reserve</u>
TRLP	\$ 66,727	\$ 55,659
NMSHLLC	143,861	56,052
LSHLP	60,851	67,836
MSCLP	131,554	38,436
NNCLLC	861,743	1,441,414
MSLP	5,955	39,507
SJLLC	51,121	72,825
ATCDC	140,853	-
AHSHLLC	52,367	121,255
UPLLC	61,221	137,786
GSHLLC	17,264	141,068
WHHLLC	19,597	212,016
	<u>\$ 1,613,114</u>	<u>\$ 2,383,854</u>

A summary of balances in these reserves as of December 31, 2016 is as follows:

	<u>Reserve for Replacements</u>	<u>Operating Reserve</u>
TRLP	\$ 50,302	\$ 55,631
NMSHLLC	140,215	55,045
LSHLP	41,932	67,093
MSCLP	127,109	38,398
NNCLLC	940,655	1,369,346
MSLP	1,634	39,468
SJLLC	46,558	72,680
ATCDC	127,442	-
AHSHLLC	41,509	121,134
UPLLC	49,817	135,296
GSHLLC	149,489	-
WHHLLC	9,457	210,955
	<u>\$ 1,726,119</u>	<u>\$ 2,166,046</u>

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
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18. Noncontrolling interest in consolidated subsidiaries

The following is the summary of the activity of the noncontrolling interest in consolidated subsidiaries at December 31, 2017 and 2016:

	2017	2016
Noncontrolling interest in consolidated subsidiaries at beginning of year	\$ 18,357,759	\$ 17,284,731
Noncontrolling interest in losses	(1,504,486)	(1,603,661)
Transfer of noncontrolling interest in Consolidated subsidiaries	-	793,946
Capital contributions, net of distributions	506,841	1,882,743
Noncontrolling interest in consolidated subsidiaries at end of year	\$ 17,360,114	\$ 18,357,759

The noncontrolling interest in consolidated subsidiaries at December 31, 2017 and 2016 consists of the following:

	2017	2016
Liberty Square Housing, L.P.	\$ (179,164)	\$ 140,126
New Merrimack Street Housing, LLC	(148,301)	(23,389)
New North Canal, LLC	5,579,884	5,703,696
St. Joseph's Apartments, LLC	1,223,402	1,429,548
Acre High School LLC	2,781,404	2,965,191
Unity Place LLC	2,636,103	2,797,868
Gorham Street LLC	3,453,412	3,207,318
Welcome Home Housing LLC	2,145,413	2,263,177
North Canal Housing Trust Inc.	(66,936)	(66,154)
Acre Merrimack Inc.	(10,267)	(9,818)
Triangle Rental Inc.	(5,916)	(5,329)
Moody Street Center Inc.	(13,881)	(13,470)
Liberty Square Housing Inc.	(10,392)	(9,414)
New North Canal Housing Inc.	(7,499)	(6,716)
New Acre Merrimack Inc.	(3,958)	(3,547)
Call PP LLC	(13,335)	(11,379)
St. Joseph's MM LLC	(2,992)	(2,581)
Unity Place MM LLC	(1,928)	(1,517)
Acre High School MM Two LLC	5,037	4,149
	\$ 17,360,114	\$ 18,357,759

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
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19. Guarantees

Tax Credit Guarantees

As the sponsor or the developer of certain properties financed in part by federal and/or state tax credit allocations, CBA has made certain guarantees to investors as to the tax credits and other benefits to be derived from the properties. These guarantees generally cover the tax compliance periods of fifteen years after initial lease-up. A payment under such a guarantee could result in a cash distribution from an affiliate's operating cash flow to the investor limited partner. In the opinion of management, compliance with tax regulations and careful monitoring of the properties should preclude these contingent liabilities from materializing. To date, CBA has not experienced any calls on these guarantees.

Construction Completion Guarantees

CBA and affiliates provide repayment guarantees to construction loan lenders for amounts borrowed to develop properties. CBA and affiliates also provide unlimited construction completion guarantees to fund the development and lease-up of a project, should the project not receive expected permanent financing, or should the cost of the development exceed available development sources. A payment under such a guarantee would result in the transfer of cash resources from the guarantor to a consolidated affiliate that is obligated to complete a development. There are no significant completion delays in CBA and affiliates' current developments. To date, CBA and affiliates have not experienced non-completion of a project, nor has it been called on for any loan repayment guarantee.

Other Guarantees

CBA and its affiliates have made the following note guarantees:

Liberty Square Housing Limited Partnership:

The general partner is required to fund operating deficits through the end of the compliance period as defined in the partnership agreement. Amounts furnished to fund operating deficits incurred prior to the development obligation date shall be deemed special capital contributions and amounts furnished to fund operating deficits incurred after the development obligation date shall constitute operating expense loans.

Affiliates of the general partner are entitled to an annual cumulative supplemental management fee payable from cash flow. If any amount is not paid by the eighth anniversary on which the fees were accrued, the general partner will be required to make a capital contribution to the Partnership to pay such unpaid fees. At December 31, 2017 and 2016, unpaid fees totaled \$156,000, each year.

Middlesex Street Limited Partnership

Any operating deficits shall be first funded from the Operating Reserve account. Any amounts in excess of the balance of the operating reserve account are required to be funded by the General Partner in the form of Operating Deficit Capital Contributions. Notwithstanding the foregoing, the General Partner shall not be required to make operating deficit capital contributions to pay principal on the permanent loan, or interest in excess of 20% of the total interest accruing under the permanent loan.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
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19. Guarantees (continued)

New Merrimack Street Housing LLC

The managing member is required to provide operating expense loans if required. Amounts so furnished to fund operating expenses incurred prior to the development obligation date shall be deemed special capital contributions. Amounts furnished to fund operating expenses incurred on or after the development obligation date shall constitute non-interest bearing operating expense loans. As of December 31, 2017 and 2016, no loans are outstanding.

New North Canal LLC

The managing member is required to provide operating expense loans if required. Amounts so furnished to fund operating expenses incurred prior to the development obligation date shall be deemed special capital contributions. Amounts furnished to fund operating expenses incurred on or after the development obligation date shall constitute non-interest bearing operating expense loans.

St. Joseph's Apartments LLC

The managing member is required to provide operating expense loans if required. Amounts so furnished to fund operating expenses incurred prior to the development obligation date shall be deemed special capital contributions. Amounts furnished to fund operating expenses incurred on or after the development obligation date shall constitute non-interest bearing operating expense loans.

Triangle Rental Limited Partnership

CBA and ATCDC have agreed to advance funds as unsecured loans, to the General Partner for the purpose of making capital contributions to the Partnership to fund operating deficits to the extent that funds are not available in the operating reserve account. In no event shall obligations under this agreement exceed \$385,388.

Gorham Street Limited Liability Company

Any operating deficits shall be first funded from the Operating Reserve account. If the company experiences operating deficits in excess of funds in the Operating Reserve, the Managing Member shall make additional capital contributions ("Operating Deficit Capital Contributions") to the company to fund these operating deficits. The Managing Member shall not be required to make operating deficit capital contributions to pay principal on the permanent loan, or interest in excess of 20% of the total accrued interest balance.

Welcome Home Housing Limited Liability Company

Any operating deficits shall be first funded from the Operating Reserve account. If the company experiences operating deficits in excess of funds in the Operating Reserve, the Managing Member shall make additional capital contributions ("Operating Deficit Capital Contributions") to the company to fund these operating deficits. The Managing Member shall not be required to make operating deficit capital contributions to pay principal on the permanent loan, or interest in excess of 20% of the total accrued interest balance.

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
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December 31, 2017 and 2016

20. Investments

CBA determines the fair market values of its financial assets and liabilities, as well as non-financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis, based on the fair value hierarchy established in accordance with Accounting Standards Codification 820, *Fair Value Measurements*.

Level 1: Quoted prices in active markets for identical assets or liabilities. The Corporation and Affiliates' Level 1 assets include short term and long term investments which are measured at fair value on a recurring basis.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Corporation and Affiliates' Level 2 asset includes the discount rate used to measure the present value of notes receivable. The Corporation and Affiliates currently have Level 2 assets or liabilities that are measured at fair value on a recurring basis.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation. The Corporation and Affiliates currently have no Level 3 assets or liabilities that are measured at fair value on a recurring basis.

Investments are carried at market value measured at Level 1 and consist of the following at:

	December 31, 2017	
	Endowment Fund - GLCF	Endowment Fund - Enterprise
Beginning balance	\$ 132,715	\$ 572,390
Contributions	500	
Interest and dividends	3,228	13,424
Unrealized gains (losses)	26,419	72,297
Realized gains (losses)	-	7,468
Transfers	(8,036)	40,000
Account fees	(2,627)	(6,811)
Ending balance	<u>\$ 152,199</u>	<u>\$ 698,948</u>

These investments are comprised of the following:

	December 31, 2017	
	Endowment Fund - GLCF	Endowment Fund - Enterprise
Available for sale		
Cash and equivalent	\$ -	\$ 30,974
Equities	-	437,263
Held to maturity		
Fixed income	-	230,711
Pooled fund investments	152,199	-
Total fair value	<u>\$ 152,199</u>	<u>\$ 698,948</u>

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20. Investments (continued)

Investments are carried at market value measured at Level 1 and consist of the following at:

	December 31, 2016	
	Endowment Fund - GLCF	Endowment Fund - Enterprise
Beginning balance	\$ 134,421	\$ 534,739
Interest and dividends	3,205	6,205
Unrealized gains (losses)	5,165	31,312
Realized gains (losses)	349	3,264
Transfers	(7,951)	-
Account fees	(2,474)	(3,130)
Ending balance	<u>\$ 132,715</u>	<u>\$ 572,390</u>

These investments are comprised of the following:

	December 31, 2016	
	Endowment Fund - GLCF	Endowment Fund - Enterprise
Available for sale		
Cash and equivalent	\$ -	\$ 31,290
Equities	-	325,952
Held to maturity		
Fixed income	-	215,148
Pooled fund investments	132,715	-
Total fair value	<u>\$ 132,715</u>	<u>\$ 572,390</u>

21. Letter of credit

On June 18, 2015, the Corporation obtained an open line of credit with Enterprise Bank in the maximum amount of \$305,000 evidenced by a promissory note. The note had a variable interest rate of 2.0% over the index and is collateralized by a certificate of deposit. The line of credit was payable on demand. During 2017, the outstanding balance on the line of credit was paid in full and closed. As of December 31, 2017 and 2016, the outstanding balance on the line of credit totaled \$0 and \$182,757, respectively.

22. Subsequent events

Subsequent events have been evaluated through June 25, 2018, which is the date the financial statements were available to be issued and there are no subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
Statements of Financial Position
Coalition for a Better Acre and Wholly Owned Subsidiaries
December 31, 2017 and 2016

ASSETS	CBA	ATCDC	CBAAH	MSHLP	MSCLP	NMTC	TR LP	MSLP	2017 Total	2016 Total
Current assets										
Cash and cash equivalents										
Operating	\$ 277,398	\$ 106,323	\$ -	\$ -	\$ 33,281	\$ -	\$ 69,251	\$ 35,888	\$ 522,141	\$ 642,376
Accounts receivable	106,248	-	-	-	-	-	4,226	9,192	119,666	171,580
Tenant security deposits	-	2,083	-	-	4,361	-	18,020	13,349	37,813	24,431
Prepaid expenses	4,747	3,151	-	-	1,957	-	4,108	3,977	17,940	9,853
Predevelopment costs	1,412,185	-	-	-	-	-	-	-	1,412,185	253,603
Total current assets	<u>1,800,578</u>	<u>111,557</u>	<u>-</u>	<u>-</u>	<u>39,599</u>	<u>-</u>	<u>95,605</u>	<u>62,406</u>	<u>2,109,745</u>	<u>1,101,843</u>
Property and equipment, at cost										
Land and land improvements	-	76,886	1,725,415	148,997	49,674	-	105,970	114,119	2,221,061	2,106,942
Buildings	-	577,519	-	-	3,183,771	-	2,072,185	5,458,455	11,291,930	5,821,475
Furniture and fixtures	120,669	67,810	-	-	29,772	-	41,135	169,670	429,056	244,049
Total	120,669	722,215	1,725,415	148,997	3,263,217	-	2,219,290	5,742,244	13,942,047	8,172,466
Less: accumulated depreciation	(120,669)	(278,940)	-	-	(1,376,355)	-	(224,791)	(2,260,148)	(4,260,903)	(1,833,882)
Net property and equipment	<u>-</u>	<u>443,275</u>	<u>1,725,415</u>	<u>148,997</u>	<u>1,886,862</u>	<u>-</u>	<u>1,994,499</u>	<u>3,482,096</u>	<u>9,681,144</u>	<u>6,338,584</u>
Other assets										
Mortgagee escrow deposits	-	53,146	-	-	-	-	33,590	-	86,736	90,339
Reserve for replacement	-	140,853	-	-	131,554	-	66,727	5,955	345,089	304,853
Operating reserve	-	-	-	-	38,436	-	55,659	39,507	133,602	94,029
Endowment fund - GLCF	152,199	-	-	-	-	-	-	-	152,199	132,715
Endowment fund - Enterprise Bank	698,948	-	-	-	-	-	-	-	698,948	572,390
Investment in corporations	2,077,125	160	-	-	-	53,723	-	-	2,131,008	1,975,154
Loans and notes receivable	11,678,204	-	3,049,193	238,138	-	-	-	-	14,965,535	14,745,506
Due from related parties	1,009,591	1,376,610	-	-	-	10,100	-	-	2,396,301	2,355,887
Total other assets	<u>15,616,067</u>	<u>1,570,769</u>	<u>3,049,193</u>	<u>238,138</u>	<u>169,990</u>	<u>63,823</u>	<u>155,976</u>	<u>45,462</u>	<u>20,909,418</u>	<u>20,270,873</u>
TOTAL ASSETS	<u>\$ 17,416,645</u>	<u>\$ 2,125,601</u>	<u>\$ 4,774,608</u>	<u>\$ 387,135</u>	<u>\$ 2,096,451</u>	<u>\$ 63,823</u>	<u>\$ 2,246,080</u>	<u>\$ 3,589,964</u>	<u>\$ 32,700,307</u>	<u>\$ 27,711,300</u>

See independent auditors' report

COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
Statements of Financial Position (Continued)
Coalition for a Better Acre and Wholly Owned Subsidiaries
December 31, 2017 and 2016

LIABILITIES AND NET ASSETS	CBA	ATCDC	CBAAH	MSHLP	MSCLP	NTMC	TR LP	MSLP	2017 Total	2016 Total
Current liabilities										
Accounts payable										
Trade	\$ 35,975	\$ 11,841	\$ -	\$ -	\$ 4,147	\$ -	\$ 1,000	\$ 2,600	\$ 55,563	\$ 11,913
Development	-	-	-	-	9,996	-	-	-	9,996	9,996
Accrued expenses	87,056	5,265	-	-	1,306	-	18,636	23,968	136,231	167,353
Prepaid rent	-	41	-	-	-	-	274	2,819	3,134	1,547
Current portion of deferred revenue	254,426	-	-	-	-	-	-	-	254,426	254,427
Security deposits	-	2,021	-	-	4,355	-	17,369	12,311	36,056	23,454
Accrued mortgage interest	-	-	-	-	1,516	-	1,534	2,515	5,565	3,340
Line of credit	-	-	-	-	-	-	-	-	-	182,757
Current portion of mortgages payable	-	-	-	-	25,721	-	6,149	20,979.00	52,849	29,513
Total current liabilities	<u>377,457</u>	<u>19,168</u>	<u>-</u>	<u>-</u>	<u>47,041</u>	<u>-</u>	<u>44,962</u>	<u>65,192</u>	<u>553,820</u>	<u>684,300</u>
Long-term liabilities										
Mortgages payable, net of current portion and unamortized debt issuance costs	-	-	-	-	247,846	-	292,224	438,545	978,615	569,962
Notes payable and accrued interest	1,918,157	-	-	-	-	-	1,350,048	4,031,766	7,299,971	2,175,450
Deferred revenue	508,854	-	-	-	-	-	-	-	508,854	763,281
Total long-term liabilities	<u>2,427,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,846</u>	<u>-</u>	<u>1,642,272</u>	<u>4,470,311</u>	<u>8,787,440</u>	<u>3,508,693</u>
Other liabilities										
Development fee payable and accrued interest	-	-	-	-	-	-	-	261,734	261,734	-
Due to related parties	688	60	-	-	-	61,423	-	-	62,171	60,215
Total other liabilities	<u>688</u>	<u>60</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,423</u>	<u>-</u>	<u>261,734</u>	<u>323,905</u>	<u>60,215</u>
Total liabilities	<u>2,805,156</u>	<u>19,228</u>	<u>-</u>	<u>-</u>	<u>294,887</u>	<u>61,423</u>	<u>1,687,234</u>	<u>4,797,237</u>	<u>9,665,165</u>	<u>4,253,208</u>
Net Assets										
Unrestricted	12,618,585	2,106,373	4,774,608	387,135	1,801,564	2,400	558,846	(1,207,273)	21,042,238	21,564,639
Board restricted	1,161,453	-	-	-	-	-	-	-	1,161,453	861,453
Temporarily restricted	131,451	-	-	-	-	-	-	-	131,451	32,000
Permanently restricted	700,000	-	-	-	-	-	-	-	700,000	1,000,000
Total net assets	<u>14,611,489</u>	<u>2,106,373</u>	<u>4,774,608</u>	<u>387,135</u>	<u>1,801,564</u>	<u>2,400</u>	<u>558,846</u>	<u>(1,207,273)</u>	<u>23,035,142</u>	<u>23,458,092</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,416,645</u>	<u>\$ 2,125,601</u>	<u>\$ 4,774,608</u>	<u>\$ 387,135</u>	<u>\$ 2,096,451</u>	<u>\$ 63,823</u>	<u>\$ 2,246,080</u>	<u>\$ 3,589,964</u>	<u>\$ 32,700,307</u>	<u>\$ 27,711,300</u>

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COALITION FOR A BETTER ACRE, INC. AND AFFILIATES
Statements of Activities and Change in Net Assets
Coalition for a Better Acre and Wholly Owned Subsidiaries
For the years ended December 31, 2017 and 2016

	CBA			ATCDC	CBAAH	MSHLP	MSLCP	NMTC	TR LP	MSLP	Total			2017	2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	TOTAL	
Revenue and support																
Grants and contributions	\$ 592,925	\$ 242,800	\$ -	\$ 835,725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 592,925	\$ 242,800	\$ -	\$ 835,725	\$ 755,631
Capital grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,000
Development fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	99,680
Developer overhead	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Partnership management and investor service fees	51,992	-	-	51,992	-	-	-	-	2,000	-	-	-	-	-	53,992	30,000
Rental income, net of vacancies and concessions	-	-	-	-	185,580	-	-	152,856	-	328,553	316,374	-	-	-	983,363	626,619
Ground lease income	-	-	-	-	-	233,839	26,209	-	-	-	-	-	-	-	260,048	255,529
Interest income	513,687	-	-	513,687	137	117,793	-	107	-	104	44	-	-	-	631,872	571,235
Income (loss) from endowment funds	123,015	-	-	123,015	-	-	-	-	-	-	-	-	-	-	123,015	49,500
Income from investment in corporation	150,184	-	-	150,184	-	-	-	-	-	-	-	-	-	-	150,184	47,552
Sale of state tax credits	254,427	-	-	254,427	-	-	-	-	-	-	-	-	-	-	254,427	254,427
Miscellaneous revenue	3,310	-	-	3,310	26,400	-	-	-	-	-	-	-	-	-	29,710	118,908
Debt forgiveness	274,837	-	-	274,837	-	-	-	-	-	-	-	-	-	-	274,837	3,765,737
Net assets released from restrictions	443,349	(143,349)	(300,000)	-	-	-	-	-	-	-	-	443,349	(143,349)	(300,000)	-	-
Total revenue and support	2,407,726	99,451	(300,000)	2,207,177	212,117	351,632	26,209	152,963	2,000	328,657	316,418	3,797,722	99,451	(300,000)	3,597,173	6,599,818
Expenditures																
Salaries	875,002	-	-	875,002	18,810	-	-	21,822	-	71,521	26,441	1,013,596	-	-	1,013,596	898,558
Payroll taxes and benefits	275,066	-	-	275,066	4,531	-	-	3,515	-	19,280	5,938	308,330	-	-	308,330	262,191
Management fees	-	-	-	-	8,510	-	-	6,114	-	17,011	19,400	51,035	-	-	51,035	29,778
Professional fees	37,252	-	-	37,252	313	-	-	3,124	-	5,448	21,369	67,506	-	-	67,506	53,686
Contracted services	46,413	-	-	46,413	32,166	-	-	24,892	-	43,600	48,290	195,361	-	-	195,361	119,715
Utilities	10,328	-	-	10,328	19,019	-	-	20,243	-	42,670	55,177	147,437	-	-	147,437	85,564
Office supplies and expense	26,119	-	-	26,119	2,810	-	-	1,972	-	4,872	3,211	38,984	-	-	38,984	64,636
Occupancy	59,341	-	-	59,341	-	-	-	-	-	-	-	59,341	-	-	59,341	65,741
Program supplies and expense	70,364	-	-	70,364	-	-	-	-	-	-	-	70,364	-	-	70,364	53,771
Telephone	12,898	-	-	12,898	1,532	-	-	1,278	-	651	2,598	18,957	-	-	18,957	13,733
Meetings and travel	11,931	-	-	11,931	-	-	-	-	-	-	-	11,931	-	-	11,931	9,550
Staff training	14,558	-	-	14,558	26	-	-	10	-	70	184	14,848	-	-	14,848	15,938
Real estate taxes	-	-	-	-	39,830	-	-	23,295	-	34,039	36,656	133,820	-	-	133,820	94,480
Insurance	3,639	-	-	3,639	10,467	-	-	4,843	-	12,021	10,345	41,315	-	-	41,315	32,132
Interest	19,832	-	-	19,832	-	-	-	12,688	-	36,168	243,950	312,638	-	-	312,638	76,504
Depreciation	-	-	-	-	21,442	-	-	86,682	-	58,749	149,705	316,578	-	-	316,578	166,251
Amortization	-	-	-	-	-	-	-	-	-	-	648	648	-	-	648	-
Collection allowance	-	-	-	-	-	-	-	-	-	2,210	3,642	5,852	-	-	5,852	3,765,737
Grant contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,951
Unrelated business tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,968
Miscellaneous	34,694	-	-	34,694	3,960	164,835	-	-	1,956	65,000	-	3,960	-	-	3,960	-
Total expenditures	1,497,437	-	-	1,497,437	208,416	164,835	-	210,478	1,956	413,310	627,554	3,123,986	-	-	3,123,986	5,870,678
Increase (decrease) in net assets	910,289	99,451	(300,000)	709,740	3,701	186,797	26,209	(57,515)	44	(84,653)	(311,136)	673,736	99,451	(300,000)	473,187	729,140
Net assets, beginning of year	12,869,749	32,000	1,000,000	13,901,749	2,102,672	4,587,811	360,926	1,859,079	2,356	643,499	(896,137)	21,529,955	32,000	1,000,000	22,561,955	22,728,952
Current year capital contributions, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets, end of year	\$ 13,780,038	\$ 131,451	\$ 700,000	\$ 14,611,489	\$ 2,106,373	\$ 4,774,608	\$ 387,135	\$ 1,801,564	\$ 2,400	\$ 558,846	\$ (1,207,273)	\$ 22,203,691	\$ 131,451	\$ 700,000	\$ 23,035,142	\$ 23,458,092

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COALITION FOR A BETTER ACRE, INC. AND AFFILIATES

Statements of Cash Flows

Coalition for a Better Acre and Wholly Owned Subsidiaries

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 473,187	\$ 729,140
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Debt issuance cost amortization	888	240
Depreciation and amortization	317,226	166,251
Income from investment in corporations	(150,184)	(47,552)
Unrealized gain on investments	(98,716)	(36,477)
Accrued interest not currently payable	16,534	15,577
Interest not currently receivable	(639,773)	(584,536)
Changes in:		
Accounts receivable	69,424	(51,510)
Prepaid expenses	(4,790)	3,402
Accounts payable - trade	43,074	(20,566)
Accrued expenses	(54,890)	61,422
Accrued mortgage interest	(396)	(25)
Prepaid rent	(663)	235
Deferred revenue	(254,428)	1,017,708
Tenant security deposits, net	(612)	505
Net cash (used in) provided by operating activities	<u>(284,119)</u>	<u>1,253,814</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for fixed assets	(40,984)	(20,055)
Mortgagee escrow deposits, withdrawals and interest earned, net	3,603	(4,229)
Reserve for replacements deposits, withdrawals and interest earned, net	(38,602)	(29,505)
Operating reserve deposits, withdrawals and interest earned, net	(105)	(66)
Change in endowment fund, net	(47,326)	532
Distribution from (contribution to) Investment in corporation	5,670	30,567
Change in due from related party	(40,414)	3,556,387
Predevelopment costs	(1,158,582)	(149,766)
Change in loans receivable	419,744	(1,103,574)
Net cash (used in) provided by investing activities	<u>(896,996)</u>	<u>2,280,291</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in mortgage principal	(48,093)	(23,843)
Repayments on line of credit, net	(182,757)	-
Changes in note payable and accrued interest	1,289,774	161,210
Changes in due to related parties	1,956	(3,657,044)
Net cash provided by (used in) financing activities	<u>1,060,880</u>	<u>(3,519,677)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(120,235)	14,428
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>642,376</u>	<u>627,948</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 522,141</u>	<u>\$ 642,376</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 25,935	\$ 25,935
Cash paid taxes	\$ -	\$ -

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