Asian Americans for Equality, Inc.
and Subsidiaries

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2018 and 2017
ASIAN AMERICANS FOR EQUALITY, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors’ Report)

YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS’ REPORT

The Board of Directors
Asian Americans for Equality, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Asian Americans for Equality, Inc. and Subsidiaries (collectively, the “Agency”), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the 2018 and 2017 financial statements of Hardesty Renaissance Economic Development Corporation, Inc. (“Hardesty”), a subsidiary, which statements reflect total assets of $3,070,091 and $3,257,678 as of December 31, 2018 and 2017, respectively, and total revenues of $36,791 and $349,080, respectively, for the years then ended. We also did not audit the financial statements for the years ended December 31, 2018 and December 31, 2017 of One Hardesty, LLC D/B/A Hardesty Storage (“One Hardesty”), a subsidiary, which statements reflect total assets of $6,188,806 and $6,524,883 as of December 31, 2018 and 2017, respectively, and total revenues of $1,112,989 and $1,080,603, respectively. We also did not audit the financial statements of Norfolk Apartments Limited Partnership (“Norfolk”), a subsidiary of Asian American Housing Development Fund Company, Inc. (“AAHDFC”), which statements reflect total assets of $2,545,613 and $2,604,429 as of December 31, 2018 and 2017, respectively, and operating revenue amounting to $331,179 and $316,571, respectively. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Asian Americans for Equality, Inc. and Subsidiaries as of December 31, 2018 and 2017, 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.
Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, during the year ended December 31, 2018, the Agency adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information (shown on pages 35-38) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, net assets, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements 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 when considered in relation to the consolidated financial statements as a whole.

New York, NY
June 26, 2019
# ASIAN AMERICANS FOR EQUALITY, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**AS OF DECEMBER 31, 2018 AND 2017**

<table>
<thead>
<tr>
<th>Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (Notes 2B and 18A)</td>
<td>$15,245,796</td>
<td>$16,801,454</td>
</tr>
<tr>
<td>Investments (Notes 2B, 2O and 19)</td>
<td>803,149</td>
<td>2,794,461</td>
</tr>
<tr>
<td>Grants and contributions receivable, net (Notes 2D and 4)</td>
<td>1,872,567</td>
<td>2,031,119</td>
</tr>
<tr>
<td>Rents and other receivables, net (Note 2M)</td>
<td>232,477</td>
<td>245,330</td>
</tr>
<tr>
<td>Loans receivable, net (Notes 2E, 2N, 5 and 17B)</td>
<td>9,134,107</td>
<td>8,992,215</td>
</tr>
<tr>
<td>Due from affiliates</td>
<td>1,633,446</td>
<td>1,605,818</td>
</tr>
<tr>
<td>Real estate held for sale, at cost (Notes 2F and 6)</td>
<td>9,788,302</td>
<td>6,978,750</td>
</tr>
<tr>
<td>Investments in affiliates (Note 7)</td>
<td>1,507,089</td>
<td>1,456,023</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>1,669,094</td>
<td>1,858,927</td>
</tr>
<tr>
<td>Reimbursable developer's fees (Note 9)</td>
<td>-</td>
<td>190,000</td>
</tr>
<tr>
<td>Refundable project advance (Note 8)</td>
<td>-</td>
<td>47,500</td>
</tr>
<tr>
<td>Recoverable development costs (Notes 2I and 9)</td>
<td>-</td>
<td>3,843,030</td>
</tr>
<tr>
<td>Restricted reserve accounts (Notes 11 and 19)</td>
<td>9,598,539</td>
<td>8,790,316</td>
</tr>
<tr>
<td>Property and equipment, net (Notes 2G and 10)</td>
<td>65,567,407</td>
<td>65,819,338</td>
</tr>
<tr>
<td>Loan loss reserve (Notes 5, and 18A)</td>
<td>2,580,873</td>
<td>2,623,458</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$119,632,846</td>
<td>$124,077,739</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$3,139,609</td>
<td>$2,152,252</td>
</tr>
<tr>
<td>Refundable advances (Note 2K)</td>
<td>323,684</td>
<td>125,197</td>
</tr>
<tr>
<td>Loans payable, net (Notes 2H, 2Q and 12)</td>
<td>23,792,541</td>
<td>27,559,003</td>
</tr>
<tr>
<td>Mortgages payable, net (Notes 2H and 14)</td>
<td>57,514,177</td>
<td>57,993,927</td>
</tr>
<tr>
<td>Bank lines of credit (Note 13)</td>
<td>4,018,611</td>
<td>3,874,902</td>
</tr>
<tr>
<td>Deferred rent obligation and other payables (Note 2J)</td>
<td>694,507</td>
<td>739,423</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>89,483,129</td>
<td>92,444,704</td>
</tr>
</tbody>
</table>

## COMMITMENTS AND CONTINGENCIES (Note 17)

## NET ASSETS (Note 2C)

<table>
<thead>
<tr>
<th>Without donor restrictions:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undesignated</td>
<td>17,444,486</td>
<td>17,890,362</td>
</tr>
<tr>
<td>Designated for lending activities</td>
<td>11,057,437</td>
<td>11,707,624</td>
</tr>
<tr>
<td>Total net assets without donor restrictions</td>
<td>28,501,923</td>
<td>29,597,986</td>
</tr>
<tr>
<td>With donor restrictions (Notes 2C and 15)</td>
<td>1,647,794</td>
<td>2,035,049</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td>30,149,717</td>
<td>31,633,035</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>TOTAL LIABILITIES AND NET ASSETS</strong></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>$119,632,846</td>
<td>$124,077,739</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
# ASIAN AMERICANS FOR EQUALITY, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF ACTIVITIES
### FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contributions and grants</strong></td>
<td>$765,037</td>
<td>$684,875</td>
</tr>
<tr>
<td><strong>Grants from government agencies (Note 2K)</strong></td>
<td>3,461,137</td>
<td>-</td>
</tr>
<tr>
<td><strong>Interest on loans and investments (Notes 2E and 5)</strong></td>
<td>606,190</td>
<td>-</td>
</tr>
<tr>
<td><strong>Management, consulting, and marketing fees</strong></td>
<td>262,015</td>
<td>-</td>
</tr>
<tr>
<td><strong>Rent (net of vacancy loss of $142,134 in 2018 and $193,600 in 2017)</strong></td>
<td>7,862,417</td>
<td>-</td>
</tr>
<tr>
<td><strong>Program service, incentives and fees (Note 16)</strong></td>
<td>1,011,447</td>
<td>-</td>
</tr>
<tr>
<td><strong>Special event income</strong></td>
<td>244,004</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>4,128</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions (Note 15)</strong></td>
<td>1,072,130</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL PUBLIC SUPPORT, REVENUE AND OTHER</strong></td>
<td>16,502,638</td>
<td>(387,255)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program services:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community outreach and education</td>
<td>1,749,433</td>
<td>-</td>
</tr>
<tr>
<td>Housing, immigration and social services</td>
<td>2,410,023</td>
<td>-</td>
</tr>
<tr>
<td>Planning and development</td>
<td>1,954,112</td>
<td>-</td>
</tr>
<tr>
<td>Homeownership loans</td>
<td>179,877</td>
<td>-</td>
</tr>
<tr>
<td>Homeownership counseling</td>
<td>336,747</td>
<td>-</td>
</tr>
<tr>
<td>Single family housing development</td>
<td>248,728</td>
<td>-</td>
</tr>
<tr>
<td>Small business technical assistance and education</td>
<td>818,404</td>
<td>-</td>
</tr>
<tr>
<td>Affordable housing program services</td>
<td>5,829,658</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL PROGRAM SERVICES</strong></td>
<td>14,668,401</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supporting services:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>2,554,527</td>
<td>-</td>
</tr>
<tr>
<td>Fundraising</td>
<td>375,773</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>17,598,701</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>(1,096,063)</td>
<td>(387,255)</td>
</tr>
<tr>
<td><strong>Net assets - beginning of year</strong></td>
<td>29,597,986</td>
<td>2,035,049</td>
</tr>
<tr>
<td><strong>NET ASSETS - END OF YEAR</strong></td>
<td>$28,501,923</td>
<td>$1,647,794</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
The accompanying notes are an integral part of these consolidated financial statements.
<table>
<thead>
<tr>
<th>Program Services</th>
<th>Community Outreach and Education</th>
<th>Housing, Immigration, and Social Services</th>
<th>Planning and Development</th>
<th>Single Family Housing Development</th>
<th>Homeownership Counseling</th>
<th>Small Business Technical Assistance and Education</th>
<th>Small Business Loans</th>
<th>Affordable Housing Program Services</th>
<th>Total Program Services</th>
<th>Management and General Services</th>
<th>Fundraising</th>
<th>Consolidating Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 818,555</td>
<td>$ 984,245</td>
<td>$ 485,103</td>
<td>$ -</td>
<td>$ 95,534</td>
<td>$ 242,817</td>
<td>$ 577,733</td>
<td>$ 318,669</td>
<td>$ 781,958</td>
<td>$ 4,304,814</td>
<td>$ 1,045,146</td>
<td>$ 147,861</td>
<td>$ -</td>
</tr>
<tr>
<td>Payroll taxes and employee benefits (Note 20)</td>
<td>$ 225,305</td>
<td>$ 247,167</td>
<td>$ 89,845</td>
<td>$ -</td>
<td>$ 23,671</td>
<td>$ 62,103</td>
<td>$ 116,169</td>
<td>$ 76,070</td>
<td>$ 245,779</td>
<td>$ 1,061,465</td>
<td>$ 332,005</td>
<td>$ 31,588</td>
<td>$ 47,720</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,043,860</td>
<td>$ 1,231,412</td>
<td>$ 574,955</td>
<td>$ -</td>
<td>$ 197,206</td>
<td>$ 245,988</td>
<td>$ 693,902</td>
<td>$ 394,045</td>
<td>$ 1,027,736</td>
<td>$ 5,568,296</td>
<td>$ 1,267,201</td>
<td>$ 170,019</td>
<td>$ (47,720)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
## ASIAN AMERICANS FOR EQUALITY, INC. AND SUBSIDIARIES
### CONSOLIDATED STATEMENTS OF CASH FLOWS
#### FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

### CASH FLOWS FROM OPERATING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$(1,483,318)</td>
<td>$(299,350)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,856,465</td>
<td>1,828,027</td>
</tr>
<tr>
<td>Amortization of deferred financing costs</td>
<td>36,756</td>
<td>20,321</td>
</tr>
<tr>
<td>Bad debt</td>
<td>332,405</td>
<td>522,625</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>742,308</strong></td>
<td><strong>2,071,623</strong></td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contributions receivable</td>
<td>148,700</td>
<td>110,138</td>
</tr>
<tr>
<td>Rents and other receivables</td>
<td>247</td>
<td>(145,421)</td>
</tr>
<tr>
<td>Due from affiliates</td>
<td>(27,628)</td>
<td>554,940</td>
</tr>
<tr>
<td>Investments in affiliates</td>
<td>(51,066)</td>
<td>(299,737)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>189,833</td>
<td>267,131</td>
</tr>
<tr>
<td>Reimbursable developer's fees</td>
<td>190,000</td>
<td>(126,668)</td>
</tr>
<tr>
<td>Refundable project advance</td>
<td>-</td>
<td>7,400</td>
</tr>
<tr>
<td>Recoverable development costs</td>
<td>3,843,030</td>
<td>(179,022)</td>
</tr>
<tr>
<td>Restricted reserve accounts</td>
<td>(808,223)</td>
<td>235,994</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>987,357</td>
<td>362,172</td>
</tr>
<tr>
<td>Refundable advances</td>
<td>198,487</td>
<td>34,551</td>
</tr>
<tr>
<td>Deferred rent obligation and other payables</td>
<td>(44,916)</td>
<td>48,479</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Operating Activities</strong></td>
<td><strong>5,415,629</strong></td>
<td><strong>2,934,180</strong></td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM INVESTING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection of loans receivables</td>
<td>3,400,692</td>
<td>3,517,567</td>
</tr>
<tr>
<td>Disbursement of loans</td>
<td>(3,852,531)</td>
<td>(4,419,500)</td>
</tr>
<tr>
<td>Sales of Investments</td>
<td>2,008,000</td>
<td>3,746,740</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(16,688)</td>
<td>(2,232,368)</td>
</tr>
<tr>
<td>Loan loss reserve</td>
<td>42,585</td>
<td>248,574</td>
</tr>
<tr>
<td>Acquisition of real estate held for sale</td>
<td>(2,809,552)</td>
<td>(3,761,094)</td>
</tr>
<tr>
<td><strong>Net Cash Used in Investing Activities</strong></td>
<td><strong>(2,832,028)</strong></td>
<td><strong>(10,638,994)</strong></td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM FINANCING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from loans</td>
<td>4,631,583</td>
<td>6,997,871</td>
</tr>
<tr>
<td>Repayments of loans</td>
<td>(8,410,630)</td>
<td>(1,540,000)</td>
</tr>
<tr>
<td>(Repayments of) proceeds from bank lines of credit</td>
<td>143,709</td>
<td>950,000</td>
</tr>
<tr>
<td>Proceeds from mortgages payable</td>
<td>18,778</td>
<td>2,914,287</td>
</tr>
<tr>
<td>Repayments of mortgages payable</td>
<td>(522,699)</td>
<td>(423,115)</td>
</tr>
<tr>
<td><strong>Net Cash (Used in) Provided by Financing Activities</strong></td>
<td><strong>(4,139,259)</strong></td>
<td><strong>8,899,043</strong></td>
</tr>
</tbody>
</table>

### NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1,555,658)</td>
<td>1,194,229</td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents - beginning of year</strong></td>
<td>16,801,454</td>
<td>15,607,225</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS - END OF YEAR</strong></td>
<td><strong>$15,245,796</strong></td>
<td><strong>$16,801,454</strong></td>
</tr>
</tbody>
</table>

### Supplemental Disclosure of Cash Flow Information:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid during the year (capitalized - $244,016 in 2018 and $52,354 in 2017)</td>
<td>$1,178,454</td>
<td>$1,148,419</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The consolidated financial statements include the accounts of Asian Americans for Equality, Inc. (“AAFE”) and subsidiaries (collectively, the “Agency”) by consolidating the following entities in which AAFE is the sole shareholder or member and/or has a controlling interest maintained through the right to appoint a majority of the entities’ Boards of Directors:

- AAFE Community Development Fund, Inc. (“AAFE CDF”)
- Asian American Housing Development Fund Company, Inc. and Affiliate (“AAHDFC”)
- Chinatown Preservation Housing Development Fund Company, Inc. (“CPHDFC”)
- Community Homes Housing Development Fund Company, Inc. and Affiliate (“CHHDFC”)
- Queens Housing and Immigration Center Corporation, Inc. (“QHICC”)
- Renaissance Economic Development Corporation, Inc. (“REDC”)
- Rivington Housing Development Fund Company, Inc. (“Rivington HDFC”)
- Stanton Norfolk, Inc. (“Stanton”)
- East Chinatown Housing Development Fund Company, Inc. (“ECHDFC”)
- Hardesty Renaissance Economic Development Corporation, Inc. (“Hardesty”)
- Community Renewal Housing Development Fund Company, Inc. (“CRHDFC”)
- Morningside Realty Development, Inc. (“MRD”)
- Montgomery Housing Development Fund Company, Inc. (“MHDFC”)
- One Hardesty, LLC D/B/A Hardesty Storage (“One Hardesty”)
- Harmony 106 Corporation (“Harmony”)
- Flushing 106, LLC (“Flushing”)
- El Caribe Housing Development Fund Company, Inc. (“El Caribe”)
- Madison Street Housing Development Fund Corporation, Inc. (“Madison”)
- Lower East Side Housing Development Fund Company, Inc. (“LESHDFC”)
- Golden Allen, LLC (“Golden”)
- AAFE New American Opportunity Fund (“AAFE NAOF”)
- 4 NYC Housing, Inc. (“4 NYC”)
- AAFE Fair Housing Center, Inc. (“AAFE Fair Housing”)

Upon consolidation, all significant intercompany balances and transactions are eliminated.

Founded in 1974, AAFE is a 501(c)(3) organization (exempt from federal, state and local taxes) that advances the rights of Asian Americans and all those in need through advocacy for civil rights, affordable housing and economic development. AAFE seeks to empower the communities it serves and strives to foster understanding and unity among diverse communities through building coalitions and the formation of collaborations.

As a nonprofit organization, the Agency works in partnership with public and private sectors to provide services and programs that cater to the needs of its targeted communities and achieve its mission by:

- Providing immigrant assistance, education related support and social services to minority and low-income communities;
- Planning, developing and managing affordable housing for low-to-moderate income families;
- Providing financial assistance and counseling for minority, immigrant, and low to moderate-income individuals in the areas of home ownership and business ownership;
NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- Advocating for greater representation and financial support for immigrants and low-income constituents on the issues that most greatly affect those communities; and
- Providing economic development in low-income/high immigrant areas to meet community needs and create jobs.

Descriptions of the Agency’s major programs are as follows:

- **Community Outreach and Education** – The Agency empowers community residents, stakeholders and supporters by providing education and information that encourages civic participation by registering voters and mobilizing the Asian American community city-wide to speak out on immigrant housing and quality of life issues. Other program opportunities for ages ranging from elementary school youth to seniors include college readiness initiatives, open access to computers; service learning; computer classes in English, Mandarin, Cantonese, and Spanish; and social activities that bring community members together.

- **Housing, Immigration and Social Services** – Housing, immigration and social services form the backbone of the Agency to the community. Available at storefront locations in Chinatown/Lower East Side and Flushing, these services include housing legal assistance and representation, immigration assistance and naturalization preparation, healthcare access, public assistance benefits counseling, and other services that assist low-income immigrant clients to stabilize their lives.

- **Planning and Development** – AAFE began developing affordable housing in 1986 with the construction of New York City’s first Low-Income Housing Tax Credit project called Equality Houses. Since then, the Planning and Development team has leveraged close to $100 million in financing to produce over six hundred units of housing for low-income residents. AAFE successfully continues to work at revitalizing New York City neighborhoods through the preservation of existing low to moderate-income housing stock. In 2012, the program was extended to include economic development.

- **Homeownership Loans** – The Agency provides an affordable loan program to first time homebuyers throughout New York City, which lowers the loan-to-value ratio of their primary mortgage. Other products offered include: Emergency Repair Loan, which enables low and moderate-income families, seniors, the disabled and families living with the disabled, to complete emergency repairs on their homes in a timely and affordable manner, thereby preventing them from becoming predatory lending targets; Rehabilitation Loan, which allows homeowners to complete the rehabilitation of dilapidated and deteriorated homes; and Conversion Loan, which allows homeowners to convert single-family dwellings into legal, safe two and three family dwellings.

- **Homeownership Counseling** – Offering Full-Cycle Homeownership Counseling, AAFE CDF enhances homeownership opportunities for low and moderate-income Asian American, immigrant residents and other minorities in New York City. Among the services offered are: first-time homebuyers training; mortgage referral and origination; homeownership retention; landlord counseling; mortgage delinquency and default resolution; and foreclosure prevention and counseling.

- **Single Family Housing Development** – This program was created to increase and improve New York City’s affordable housing stock, while promoting and advancing homeownership to minority, immigrant, low and moderate-income and underserved populations. The Agency initially acquired 36 properties from the City of New York in 2000 and continues to rehabilitate or build new one-to-four family homes. With a strong belief that homeownership will help families build equity as well as generate wealth in the communities, the homes are targeted to be sold to families earning at or below the median income in the area.

- **Small Business Technical Assistance and Education** – REDC offers technical assistance to low-income, minority, women and immigrant entrepreneurs, both in concert with, and independent of, its small business loan program. Through individual counseling, group seminars and workshops, and counseling clinics with legal and financial professionals, REDC provides technical assistance on issues such as small business management, financial recordkeeping, marketing, taxation and contract procurement. Over the course of its history, REDC has trained or assisted more than 3,000 clients; the vast majority being minority or women entrepreneurs.
NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- **Small Business Loans** – This loan program provides affordable loans to low-income, minority, women and immigrant entrepreneurs and small business owners to help them overcome traditional impediments to business growth and success. It specializes in serving businesses in its target markets that banks and government programs cannot reach, including startup, thinly capitalized enterprises, whose owners are often hobbled by poor or nonexistent English skills and are unfamiliar with the banking system in this country.

- **Affordable Housing Program Services** – This program comprises the preservation, maintenance, and management of real estate acquired to provide affordable rental accommodation in New York City. These include essential capital improvements to apartment buildings, high quality and timely maintenance of properties, tenant support services, and effective asset management resulting in providing safe, stable, and good quality homes to AAFE rental clients.

The following subsidiaries are exempt organizations pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code, accordingly the Agency does not pay income taxes.

- **AAFE Community Development Fund, Inc. (“AAFE CDF”)** – a community-based development financial institution that provides targeted technical assistance and affordable second mortgage loans to enhance homeownership opportunities for low and moderate-income Asian American and other minority and immigrant residents of New York City.

- **Asian American Housing Development Fund Company, Inc. (“AAHDFC”)** – set up for the purposes of affordable housing development and preservation. This is achieved by AAHDFC becoming the replacement partner once the investor limited partners (“ILP”) exit from certain limited partnerships with 15-year low-income housing tax credit projects. Subsequent to becoming the replacement partner, AAHDFC enters into agreements with government agencies to reposition the former tax-credit projects: transferring limited partnership assets and liabilities to the direct ownership of AAHDFC and extending affordability periods out for the long-term. On December 31, 2014, the Limited Partner of Norfolk transferred its 99.9% interest to AAHDFC, a related entity of the General Partner.

- **Chinatown Preservation Housing Development Fund Company, Inc. (“CPHDFC”)** – was incorporated in 2006 for the purpose of developing and preserving affordable housing projects. CPHDFC was initially organized upon the approval of the New York City Department of Housing Preservation and Development (“HPD”) for a project under the Lower Manhattan Development Corporation’s (“LMDC”) Chinatown/Lower East Side Acquisition Program. Under this program, buildings are purchased at market price for improvement and stabilization as long-term affordable rental housing.

- **Community Homes Housing Development Fund Company, Inc. (“CHHDFC”)** – seeks to increase and improve New York City’s affordable housing stock, while promoting and advancing homeownership for minority, immigrant, low and moderate-income, and underserved populations. In 2008, CHHDFC purchased two affordable rental buildings located in East Elmhurst, New York. As of December 31, 2013, CHHDFC has commenced steps to implement its plan of selling these two buildings, either through a condominium conversion process or an outright sale.

- **Queens Housing and Immigration Center Corporation, Inc. (“QHICC”)** – provides immigrant housing and social services to the Asian American community and other minority and immigrant groups in Queens, New York.

- **Montgomery Housing Development Fund Company, Inc. (“MHDFC”)** – A property (lot) was acquired in Brooklyn, NY for the purpose of creating affordable housing. Potential rehabilitation is being explored to determine the best course of action.

- **Renaissance Economic Development Corporation, Inc. (“REDC”)** – works to provide affordable loans and targeted technical assistance to low-income entities, minority, women and immigrant entrepreneurs and small business owners in New York City to help them overcome traditional impediments to business growth and success. REDC is a community development financial institution through the U.S. Department of Treasury’s Community Development Financial Institutions Fund and is a Small Business Administration-approved (“SBA”) Micro-Lender. REDC is also in the SBA Community Advantage Program.
NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- **Rivington Housing Development Fund Company, Inc.** (“Rivington HDFC”) – was incorporated in 2006, with AAFE being the sole member, for the purpose of developing a housing project for low-income families. Rivington HDFC was organized by AAFE in anticipation of its designation as the owner and developer of a property on 87 Rivington Street, New York through HPD’s Third Party Transfer Program (“TPT”). The purpose of the City program is to take abandoned or neglected buildings on the City’s lien list and transfer them to responsible housing developers. As conditions of the transfer, AAFE has performed a gut-rehabilitation of the physical structure and afterwards maintained affordable rents for the existing tenants. Rivington HDFC received a final certificate of occupancy in October 2012 and currently has commercial and residential tenants.

- **Stanton Norfolk, Inc.** (“Stanton”) – manages the Agency’s entire affordable housing portfolio. Currently, Stanton oversees in excess of 500 affordable housing units located in Lower Manhattan and Queens. AAFE’s subsidiaries have entered into several property management agreements with Stanton to provide for, among other matters, tenant services, property administration and rental management and building maintenance.

- **East Chinatown Housing Development Fund Company, Inc.** (“ECHDFC”) – was established to provide low-income housing in New York City and promote affordable housing by assisting tenants to obtain and maintain qualification for government and private housing assistance programs, acting as liaison between tenants and building owners, and crafting solutions to allow tenants with financial or other problems to avoid eviction. The buildings consist of 60 residential units.

- **Hardesty Renaissance Economic Development Corporation, Inc.** (“Hardesty”) – is a Missouri nonprofit corporation formed in 2011. The overarching vision is to complete a long-term development of a former Federal Complex at Hardesty and Independence Avenues, Kansas City, Missouri, that will meet the needs of the community and create jobs.

- **Community Renewal Housing Development Fund Company, Inc.** (“CRHDFC”) – was incorporated on December 11, 2012 and started operations on January 1, 2013, with AAFE being the sole member, for the purpose of rehabilitating and conversion to cooperative ownership, on a non-profit basis, a housing project for persons of low-income.

- **Morningside Realty Development, Inc.** (“MRD”) – was incorporated in August 2011 as a New York State corporation by AAFE in support of its affording housing management and development activities. MRD has remained inactive since its incorporation and is expected to be dissolved in 2019.

- **One Hardesty, LLC D/B/A Hardesty Storage** (“One Hardesty”) – is a Missouri Limited Liability Company formed in 2016. It purchased the land, building and equipment, as well as the storage business, at Hardesty and Independence Avenues in Kansas City, MO on June 30, 2016. It began operations D/B/A as Hardesty Storage, a month-to-month storage rental operation and a U-Haul rental business on July 1, 2016.

- **Harmony 106 Corporation** (“Harmony”) – was established as a New York for-profit C corporation for the purpose of renovating a Flushing, New York property that was transferred in by CHHDFC, the owner of all the issued common shares of Harmony. The property was sold to Flushing 106, LLC on December 21, 2017.

- **Flushing 106, LLC** (“Flushing”) – was established on November 29, 2017 under Section 203 of the Limited Liability Company Law for the purpose of being the transferee/grantee entity of the property from Harmony. Flushing is a single member LLC and is 100% owned by CHHDFC. Flushing will continue the renovation of the transferred property and supports the housing development projects run by CHHDFC.

- **El Caribe Housing Development Fund Company, Inc.** (“El Caribe”) – was formed in February 2016 as a New York not-for-profit corporation duly organized as a housing development fund company. El Caribe acquired from a partnership a low-income project consisting of five buildings with 49 residential rental dwellings and six commercial units.
NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- Madison Street Housing Development Fund Company, Inc. ("Madison") – was formed in February 2016 as a New York not-for-profit corporation duly organized as a housing development fund company. On August 17, 2016, AAHDFC, a related party, transferred the rights of 81 Madison Street. The building is comprised of 20 residential rental dwellings.

- Lower East Side Housing Development Fund Company, Inc. ("LESHDFC") – was formed in May 2016 as a New York not-for-profit corporation duly organized as a housing development fund company.

- Golden Allen, LLC ("Golden") – was formed in November 2016 as a New York Limited Liability Company. The purpose of the organization is to acquire the 2nd floor condominium at 2 Allen Street in New York City.

- AAFE New American Opportunity Fund ("AAFE NAOF") – was established in November 2016 to promote common good and welfare and economic development in New York.

- 4 NYC Housing, Inc. ("4 NYC") – was established in May 2017 to promote common good and welfare and economic development in New York.

- AAFE Fair Housing Center, Inc ("AAFE Fair Housing") – is a 501(c)(3) not-for-profit corporation that was formed in 1998 to lease office space in the Jackson Heights neighborhood of Queens.

AAFE is also the general partner in three limited partnership for-profit entities through ownership of the following subsidiaries: El Caribe II Development Corp., Norfolk Apartments Development Corp. and Norfolk Apartments II Development Corp. Each entity is the general partner in a limited partnership. The general partner's ownership in these limited partnerships is 0.01%. The limited partnerships are as follows: El Caribe Limited Partnership, Norfolk Apartments Limited Partnership, and Norfolk Apartments II Limited Partnership. These limited partnerships were formed for the purposes of constructing and rehabilitating buildings to provide affordable housing along with commercial and community spaces, low to moderate-income families. The projects managed by each limited partnership qualify for the Low-Income Housing Tax Credit established by the Tax Reform Act of 1986. In 2014, AAHDFC became the replacement Limited Partner for the Norfolk Apartments Limited Partnership and since the Agency now owns 100%, Norfolk Apartments has been included in the consolidation. In 2016, El Caribe Limited Partnership transferred its limited partner's interest to El Caribe HDFC, a subsidiary of the Agency, and is included in the consolidation. El Caribe II Development Corp. and Norfolk Apartments II are accounted for by the equity method of accounting, in contrast to consolidating these limited partnerships, since the limited partners have certain special rights, which diminish the Agency’s control. The limited partnerships’ total assets and liabilities amounted to approximately $5,277,000 and $2,191,000, respectively, as of December 31, 2018, and $5,487,000 and $2,243,000, respectively, as of December 31, 2017. Their total revenues and expenses amounted to approximately $693,000 and $749,000, respectively, for the year ended December 31, 2018 and $585,000 and $749,000, respectively, for the year ended December 31, 2017, and were not included in the accompanying consolidated financial statements since they did not meet the criteria for consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Basis of Accounting and Use of Estimates** – The Agency’s consolidated financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") as established by the Financial Accounting Standards Board (the "FASB"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. **Cash and Cash Equivalents / Investments** – The Agency considers all liquid debt instruments purchased with maturities of three months or less to be cash equivalents. Investments consist of bank certificates of deposit with maturities beyond three months, U.S. Treasury Bills and government bonds, and they are carried at cost, which approximates fair value because of their short-term nature.
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. **Net Assets** – Net assets and revenues are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

(i) **Net Assets Without Donor Restrictions** – represents resources available for support of the Agency’s operations over which the Board of Directors (the “Board”) has discretionary control and not subject to donor (or certain grantor) restrictions. The Board of AAFE CDF and REDC has designated an amount for lending activities or future operating deficits and other projects.

(ii) **Net Assets With Donor Restrictions** – represents net assets resulting from contributions and other inflows of assets whose use by the Agency is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Agency pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reported in the consolidated statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the gift is received, the Agency reports the support as without donor restrictions.

D. **Contributions and Grants and Allowance for Uncollectible Amounts** – Unconditional promises to give are recorded as income when the Agency is formally notified of the grants or contributions by the respective donors. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value, while those that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met. As of December 31, 2018 and 2017, the Agency determined that an allowance of approximately $124,000 and $139,000, respectively, was necessary for grants and contributions receivable, as well as fees receivable from affiliates. Such estimate is based on management’s evaluation of the creditworthiness of its donors, government and other sources, as well as current economic conditions and historical information.

E. **Loans Receivable** – AAFE CDF and REDC report loans receivable at their outstanding unpaid principal balances, reduced by an allowance for doubtful accounts. AAFE CDF and REDC determine the allowance based on a combination of factors, such as historical bad debt experience and factors related to specific borrowers’ ability to pay, through management’s performance of ongoing credit evaluations and evaluations for potential credit losses. REDC maintains an allowance for doubtful accounts of approximately 5% -7% of the total loan portfolio (this amounted to $459,061 and $483,088, as of December 31, 2018 and 2017, respectively). In addition, AAFE CDF maintains an allowance for doubtful accounts of approximately $40,000, as of December 31, 2018 and 2017. The estimated allowance for doubtful accounts is based on the following assumptions: an appreciable percentage of REDC’s outstanding loan portfolio is comprised of loans that are larger than its previous loans; a significant portion of the borrowers are located in lower Manhattan south of 14th Street, constituting some geographical risk; a portion of the portfolio is comprised of loans to small businesses that are fairly new with limited repayment histories. In addition, REDC has increased the deployment of its Emergency Loan Fund to assist businesses impacted by local disasters where these borrowers may require deferment of their loan repayments.

Furthermore, AAFE CDF and REDC perform ongoing credit evaluations of their borrowers and an evaluation for potential credit losses. AAFE CDF and REDC write-off loans receivable against the allowance when a balance is determined to be uncollectible. Interest on loans is computed using the effective interest method. Interest earned on loans is considered without donor restrictions revenue and can be used for general operations.

Loans receivable are considered past due starting 30 days after the payment due date. AAFE CDF and REDC discontinue their accrual of interest on loans that are 90 days or more past due and are forwarded to lawyers for appropriate legal action. AAFE CDF and REDC apply payments received on past due loans not yet written off against the outstanding loan balances and resume its accrual of interest. Payments on loans already written off are recorded as other income upon receipt. Interest on loans is computed using the effective interest method. Interest earned on loans is considered without donor restrictions revenue and can be used for general operations.
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. **Real Estate Held for Sale** – Real estate held for sale is stated at the lower of cost or fair value less selling costs and is not depreciated. Rehabilitation costs are capitalized directly to each property. Interest costs on acquisition/construction loans are capitalized and included as cost of real estate held for sale. Interest costs incurred after the completion of construction/rehabilitation of property are recognized as expenses. The sale of properties is recognized when title passes to the buyer and all of the following conditions are met: (a) a sale is consummated, (b) a significant down payment is received, (c) the earnings process is complete, and (d) the collection of any remaining receivables is reasonably assured. Buyers typically finance their purchases with loans from third party financial institutions.

G. **Property and Equipment** – Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The Agency capitalizes all owned property and equipment having a useful life of greater than one year and a cost ranging from $1,000 to $5,000 (for various consolidated entities). There may be instances where certain expenditures for property and equipment are included in the consolidated financial statements as expenses because the cost of these items was reimbursed by certain governmental funding sources and the contractual agreement specifies that title to these assets rests with the funding sources rather than the Agency. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease.

The Agency reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There are no assets considered impaired as of December 31, 2018 and 2017.

H. **Deferred Financing Costs** – The costs incurred to obtain financing and fees, as well as certain closing costs, have been deferred. Deferred costs amounting to $566,688 and $603,444 as of December 31, 2018 and 2017, respectively, are amortized using the straight-line method ranging from ten to thirty-five years, which is not materially different from the interest method. For the years ended December 31, 2018 and 2017, amortization of debt issuance costs of $36,756 and $20,321, respectively, is reported as interest expense in the accompanying consolidated financial statements and is amortized on the straight-line basis.

I. **Development and Other Fees** – Development and other fees are recognized as revenue in the period in which the underlying services are provided or the fees are earned. Development costs are recognized based on construction progress and actual costs incurred.

CRHDFC may enter site development and management agreements to manage/develop operations of the property and to conduct and to manage redevelopment of the property as the owner’s representative. Certain agreements may create contingencies that could significantly reduce the maximum possible fees ultimately earned by CRHDFC, as further described in Note 9.

J. **Deferred Rent** – The Agency leases real property under operating leases, expiring at various dates in the future. If material, the deferred rent obligation is recorded based on the straight-lining of rent.

K. **Government Grants** – Government grants are recorded as revenues to the extent that the expenses have been incurred for the purposes certified by grantors. To the extent amounts received exceed amounts spent on certain government grants, the Agency establishes a refundable advances account.

L. **Functional Allocation of Expenses** – The costs of providing the various programs and other activities have been summarized on a functional basis. The consolidated statements of functional expenses represent the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited as determined by management. Expenses that can be identified with a specific program are charged directly to the particular program according to their natural expense classification. AAFE uses a step-by-step methodology to allocate costs. First, indirect costs that benefit all program services, but cannot be charged directly to a particular program are pooled together and allocated to AAFE’s various programs based on each program’s proportionate share of direct costs.
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Through several years of experience, a general and administrative rate has been determined for all expense categories which when combined total approximately 50 percent. Thus, 50 percent of pooled general and administrative costs are allocated to the program services and fundraising functions based on each function's proportionate share of the total of direct costs and indirect costs allocated in the first step. Finally, audit expenses are allocated among the administrative and general, program services, and fundraising functions based on each function's proportionate share of costs after performing the first two steps.

M. Rental Income – Rental income is recognized for apartment rentals as it accrues, reduced by an allowance for doubtful accounts, amounting to approximately $5,000 and $7,000 for the years ended December 31, 2018 and 2017, respectively. The Agency estimates the allowance for bad debt based on historical uncollectible rents, factors related to specific tenants' ability to pay and current economic trends. The Agency writes off rents and other receivables against the allowance when a balance is determined to be uncollectible. Advance receipts of rentals are deferred and classified as liabilities until earned.

N. Related-Party Transactions – Certain subsidiaries receive and make loans with stated rates of interest that are lower than the prevailing market rates for commercial loans. The Agency accounts for these loans at the stated rates. U.S. GAAP requires that loans with below market interest rates be restated for financial reporting purposes at amounts that reflect the expected cash flows discounted at market rates, with certain exceptions. The management of the Agency believes that certain exceptions are applicable to the Agency, and accordingly, interest rates have not been restated.

O. Fair Value Measurements – Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 19.

P. Interest Rate Swaps – The Agency is subject to risk from adverse fluctuations in interest rates affecting its payments under the mortgage payable at a variable rate. The Agency manages this risk by the use of derivative financial instruments, primarily an interest rate swap. The counterparty to this contract is a financial institution. The Agency is exposed to credit loss in the event of nonperformance by the counterparty. The Agency does not use derivative instruments for trading or speculative purposes. If material, the Agency records the interest rate swap agreement at fair value in the consolidated statements of financial position with the related gain or loss reflected in the consolidated statements of activities (see Note 14).

Q. Eliminations – In preparation of the accompanying consolidated financial statements, all material inter-entity accounts and transactions have been eliminated.

R. Reclassification – Certain line items in the 2017 consolidated financial statements were reclassified to conform to the 2018 presentation. Such reclassification did not have an impact on net assets.

S. Change in Accounting Principle – FASB Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities Topic 958 Presentation of Financial Statements of Not-for-Profit Entities, was adopted for the year ended December 31, 2018. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquidity resources and functional expense allocation. These changes had no impact on the change in net assets for the year ended December 31, 2018. As a result of implementing ASU 2016-14, the Agency reports net assets in two classes (see Note 2C) and provides additional information about liquidity (see Note 3) and the methodologies used to allocate expenses by function (see Note 2L).
NOTE 3 – LIQUIDITY AND AVAILABILITY

AAFE regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. AAFE has various sources of liquidity at its disposal, including cash and cash equivalents and lines of credit that provide funding for operations and capital expenditures as needed.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, AAFE considers all expenditures related to its ongoing activities. In addition to financial assets available to meet general expenditures over the next 12 months, AAFE expects to operate at a surplus and anticipates collecting sufficient revenue to cover general expenditures.

As of December 31, 2018, the financial assets available to meet general expenditures over the next 12 months were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$15,245,796</td>
</tr>
<tr>
<td>Less: (designated for lending activities)</td>
<td>(5,178,970)</td>
</tr>
<tr>
<td>Rents and other receivables</td>
<td>232,477</td>
</tr>
<tr>
<td>Less: (designated for security deposits)</td>
<td>(11,744)</td>
</tr>
<tr>
<td>Investments</td>
<td>803,149</td>
</tr>
<tr>
<td>Less: (designated for loan loss reserve)</td>
<td>335,410</td>
</tr>
<tr>
<td>Due from affiliates (current portion)</td>
<td>136,554</td>
</tr>
<tr>
<td>Grants and other receivables</td>
<td>1,872,567</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13,435,239</strong></td>
</tr>
</tbody>
</table>

In addition, the Agency has lines of credit totaling $6,675,000 with financial institutions, which can be drawn upon if needed (see Note 13).

NOTE 4 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consisted of the following as of December 31:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal grants</td>
<td>$298,893</td>
<td>$300,635</td>
</tr>
<tr>
<td>New York State grants</td>
<td>626,810</td>
<td>492,915</td>
</tr>
<tr>
<td>New York City grants</td>
<td>94,494</td>
<td>214,904</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>976,809</td>
<td>1,161,854</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,997,006</td>
<td>2,170,308</td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td>(124,439)</td>
<td>(139,189)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,872,567</td>
<td>$2,031,119</td>
</tr>
</tbody>
</table>

All grants and contributions receivable are due in full within one year.
NOTE 5 – LOANS RECEIVABLE, NET

The outstanding loans receivable as of December 31 were funded as follows:

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AAFF</td>
<td>CDF</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital One NA (formerly Green Point Community Development Corp.)</td>
<td>233,086</td>
<td>299,582</td>
</tr>
<tr>
<td>TD Bank NA</td>
<td>26,650</td>
<td>53,788</td>
</tr>
<tr>
<td>East West Bank</td>
<td>194,103</td>
<td>222,580</td>
</tr>
<tr>
<td>Federal - Community Development Financial Institutions Fund (&quot;CDFI&quot;)</td>
<td>338,256</td>
<td>401,547</td>
</tr>
<tr>
<td>Bank of America Emergency Repair Loan</td>
<td>3,767</td>
<td>29,684</td>
</tr>
<tr>
<td>NeighborWorks Lending Fund</td>
<td>981,913</td>
<td>848,996</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>-</td>
<td>12,635</td>
</tr>
<tr>
<td>State Bank of India</td>
<td>385,342</td>
<td>711,921</td>
</tr>
<tr>
<td>BNB</td>
<td>359,399</td>
<td>-</td>
</tr>
<tr>
<td>Empire State Development Corp.</td>
<td>1,573,482</td>
<td>1,735,789</td>
</tr>
<tr>
<td>Financial Institutions Fund (&quot;CDFI&quot;)</td>
<td>53,103</td>
<td>73,719</td>
</tr>
<tr>
<td>Gross loans receivable</td>
<td>9,236,374</td>
<td>9,253,241</td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td>499,384</td>
<td>523,411</td>
</tr>
</tbody>
</table>

AAFE CDF loans range from $5,000 to $64,000 and carry interest rates ranging from 2% to 7.5%. AAFE CDF holds a second lien position on the property held as collateral for these loans. The average loan size for REDC is approximately $26,400 and the maximum loan size is $250,000 with interest rates ranging from 4% to 8%. Repayment terms on these loans range from 24 to 60 months.

Personal guarantees from business owners who have significant ownership in the businesses and a security interest in the customer’s business assets are held as security for the loans.

Aging of loan receivables as well as the credit risk exposure, based on payment activity, as of December 31, are as follows:
NOTE 5 – LOANS RECEIVABLE, NET (Continued)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>$ 9,627,326</td>
<td>$ 9,469,405</td>
</tr>
<tr>
<td>31-60 days</td>
<td>2,562</td>
<td>-</td>
</tr>
<tr>
<td>61-90 days</td>
<td></td>
<td>6,292</td>
</tr>
<tr>
<td></td>
<td>9,629,888</td>
<td>9,475,697</td>
</tr>
<tr>
<td>Nonperforming</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 90 days</td>
<td>3,603</td>
<td>39,929</td>
</tr>
<tr>
<td></td>
<td>$ 9,633,491</td>
<td>$ 9,515,626</td>
</tr>
</tbody>
</table>

The Agency had no loans on nonaccrual status as of December 31, 2018 and 2017. As of December 31, 2018 and 2017, the Agency had nine and fifteen loans over 90 days past due, respectively, that are still accruing interest. The past due balances on such loans amounted to $3,603 and $39,929 as of December 31, 2018 and 2017, respectively.

An analysis of the allowance for doubtful accounts as of December 31 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>$ 523,411</td>
<td>$ 443,982</td>
</tr>
<tr>
<td>Provisions for loan losses</td>
<td>305,866</td>
<td>361,464</td>
</tr>
<tr>
<td>Less: loans written off</td>
<td>(329,893)</td>
<td>(282,035)</td>
</tr>
<tr>
<td></td>
<td>$ 499,384</td>
<td>$ 523,411</td>
</tr>
</tbody>
</table>

As required by certain lenders, loan loss reserves equivalent to 10% to 25% of the outstanding loans receivable balances are maintained in separate cash accounts by AAFE CDF. REDC is also required to set aside as an escrow, a portion of funds for its inter-partnership loan. As of December 31, 2018 and 2017, the loan loss reserve fund (including the amount held in escrow) for AAFE CDF amounted to $183,705 and $187,821, respectively, and for REDC amounted to $2,397,168 and $2,435,637, respectively. Such amounts are included as loan loss reserve in the accompanying consolidated statements of financial position.

Loans receivable are due as follows for the years ending after December 31, 2018:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 3,020,169</td>
</tr>
<tr>
<td>2020</td>
<td>2,604,762</td>
</tr>
<tr>
<td>2021</td>
<td>1,962,639</td>
</tr>
<tr>
<td>2022</td>
<td>830,705</td>
</tr>
<tr>
<td>2023</td>
<td>518,195</td>
</tr>
<tr>
<td>Thereafter</td>
<td>697,021</td>
</tr>
<tr>
<td></td>
<td>9,633,491</td>
</tr>
</tbody>
</table>

Less: allowance for doubtful accounts (499,384)

$ 9,134,107

NOTE 6 – SALES AND REAL ESTATE HELD FOR SALE

In 2000, HPD designated CHHDFC as a qualified sponsor to undertake its Urban Development Action Area Project, and entered into an agreement to sell 36 homes to CHHDFC at $38,000 each. CHHDFC’s responsibilities were to repair and/or rehabilitate the properties, and then offer any existing tenants of the properties a grace period of at least two years to decide whether they wish to prepare to purchase the property, or utilize CHHDFC’s help in relocating to another rental property. However, one unit was condemned by the City of New York in 2006. From 2000 to 2008, CHHDFC sold 27 of these units. None were sold in 2009, 2010, 2013, 2015 and 2016, 4 were sold in 2011, 1 sold in 2012, and 1 sold in 2014. In 2008, CHHDFC also acquired two properties with a total cost of $304,451. One of the property lots was split into three tax lots. There were no sales in 2018 or 2017.
NOTE 6 – SALES AND REAL ESTATE HELD FOR SALE (Continued)

In September 2008, CHHDFC purchased two buildings located in Flushing, New York, comprised of 62 residential units. In connection with the purchase, CHHDFC obtained mortgage financing from a third-party financial institution (See Note 14). As of December 31, 2016, CHHDFC sold both buildings.

The properties that were sold in 2016 had an aggregate selling price of $9,805,000. Total acquisition, rehabilitation and other costs of the sold properties amounted to $6,704,385 in 2016, and were reported as the costs of real estate sales in the accompanying consolidated statements of activities.

CHHDFC's real estate held for sale consisted of the acquisition and rehabilitation costs-in-progress of six properties in 2018 and 2017, which are in various stages of completion. These properties have a total carrying value of $9,788,302 and $6,978,750 as of December 31, 2018 and 2017, respectively.

On December 21, 2017, Harmony 106 Corporation transferred 32-56 106th Street Queens, New York to Flushing 106, LLC. The property is being renovated and developed as an affordable housing project for individuals with low to moderate income. Carrying value as of December 31, 2018 and 2017 amounted to $8,848,833 and $6,039,281, respectively. As of the date of this report the project has been completed and a certificate of occupancy is expected to be received by end of 2019. The project is also awaiting approval from the New York State Attorney General’s office for the offering plan which is anticipated to be received by July-August 2019, at which point the units will be offered for sale.

NOTE 7 – INVESTMENTS IN AFFILIATES

Investments in limited partnerships consisted of the following as of December 31:

<table>
<thead>
<tr>
<th>Limited Partnership</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norfolk Apartments II Limited Partnership</td>
<td>$102,318</td>
<td>$102,318</td>
</tr>
<tr>
<td>One Flushing NP, LLC</td>
<td>717,733</td>
<td>709,500</td>
</tr>
<tr>
<td>Ocean Bay Retail Project</td>
<td>695,979</td>
<td>628,146</td>
</tr>
<tr>
<td>NeighborWorks America</td>
<td>-</td>
<td>25,000</td>
</tr>
<tr>
<td>El Caribe Limited Partnership</td>
<td>(8,941)</td>
<td>(8,941)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,507,089</td>
<td>$1,456,023</td>
</tr>
</tbody>
</table>

NOTE 8 – REFUNDABLE PROJECT ADVANCE

Pursuant to the requirements of the Low Income Investment Fund (“LIIF”) loan, CRHDFC had made an equity contribution towards the project cost amounting to $47,500 refundable to the extent funds are available after the LIIF loan is paid off in full upon cooperative ownership conversion and CRHDFC is not otherwise in default. Such amount was recorded as refundable project advance in the accompanying consolidated statements of financial position as of December 31, 2017, and was recovered after the LIIF loan was repaid in full upon cooperative ownership conversion as of December 31, 2018.

NOTE 9 – RECOVERABLE DEVELOPMENT COSTS

Recoverable development costs amounted to $0 and $3,843,030 as of December 31, 2018 and 2017, respectively, which consisted of redevelopment costs associated with the rehabilitation and conversion to cooperative ownership of a property located at 244-46 Elizabeth Street, New York, NY (the “Property”). The project began in August 2013 and was completed in 2016.

CRHDFC has signed a Site Development and Management Agreement (the “Agreement”) with Restoring Communities Housing Development Fund Corporation (“RCHDFC”), an unaffiliated not-for-profit organization, under the City of New York’s Affordable Neighborhood Cooperative Program administered by HPD. Under the Agreement, CRHDFC will function as the sponsor and developer for the rehabilitation and conversion to cooperative ownership of the Property owned by RCHDFC.

The project is being funded by two construction loans secured by CRHDFC from the LIIF and HPD (See Note 12). Development costs will be recovered partly from the proceeds of the cooperative ownership conversion and partly from a permanent loan refinancing provided by HPD.
NOTE 9 – RECOVERABLE DEVELOPMENT COSTS (Continued)

Under the Agreement, CRHDFC is entitled to a developer’s fee, not to exceed a total of $190,000 ($10,000 per apartment developed), earned in stages commencing when the construction reaches 50% completion. CRHDFC is also entitled to a developer’s incentive fee up to $50,000 to the extent there are project cost savings and after the construction loan is paid off in full. Both the developer’s fee and the developer’s incentive fee are payable to CRHDFC only to the extent funds are available after certain specified contingencies are met and CRHDFC is not otherwise in default. As of December 31, 2016, 100% of the project is considered complete and the developer’s fee was fully recognized as revenue during the year ended December 31, 2017. During the year ended December 31, 2018, CRHDFC recognized as revenue the $50,000 developer’s incentive fee per the agreement discussed above.

NOTE 10 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>Estimated Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$10,177,415</td>
<td>$8,459,099</td>
<td></td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>$64,288,206</td>
<td>$65,247,734</td>
<td>27½ - 40 Years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>$695,875</td>
<td>$693,875</td>
<td>5-10 Years</td>
</tr>
<tr>
<td>Lease assignment</td>
<td>$55,000</td>
<td>$55,000</td>
<td>3 Years</td>
</tr>
<tr>
<td>Computers</td>
<td>$49,046</td>
<td>$25,679</td>
<td>5 Years</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>$935,768</td>
<td>$840,972</td>
<td>5-7 Years</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>$4,955,533</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$81,156,843</td>
<td>$79,552,309</td>
<td></td>
</tr>
</tbody>
</table>

Less: accumulated depreciation and amortization

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$(15,589,436)</td>
<td>$(13,732,971)</td>
</tr>
</tbody>
</table>

Net book value

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$65,567,407</td>
<td>$65,819,338</td>
</tr>
</tbody>
</table>

Depreciation and amortization expense amounted to $1,856,465 and $1,828,027 for the years ended December 31, 2018 and 2017, respectively.

NOTE 11 – RESTRICTED RESERVE ACCOUNTS

As provided for in the mortgage agreements, the Agency is required to maintain certain escrow deposits and reserve funds. The reserve requirements have been funded in accordance with the mortgage agreements for the years ended December 31, 2018 and 2017. The balances of these reserves as of December 31 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replacement reserve</td>
<td>$4,057,927</td>
<td>$4,172,470</td>
</tr>
<tr>
<td>Operating reserve</td>
<td>$4,631,678</td>
<td>$4,011,030</td>
</tr>
<tr>
<td>Mortgage escrow</td>
<td>$908,934</td>
<td>$606,816</td>
</tr>
<tr>
<td></td>
<td>$9,598,539</td>
<td>$8,790,316</td>
</tr>
</tbody>
</table>
### Note 12 – Loans Payable

Loans payable consist of the following as of December 31, 2018 and 2017:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>Annual Interest Rate</th>
<th>Year of Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Global Bank. The loan is secured by AAFE’s assets with interest payable monthly. The principal payment is due in full at maturity in July 2024.</td>
<td>$753,612</td>
<td>$775,895</td>
<td>4.25%</td>
<td>2024</td>
</tr>
<tr>
<td>To Enterprise Community Partners, Inc. This loan is unsecured and due in full at maturity in December 2019.</td>
<td>12,284</td>
<td>12,284</td>
<td>N/A</td>
<td>2019</td>
</tr>
<tr>
<td>To Enterprise Community Partners, Inc. This loan is unsecured and due in full at maturity in December 2019.</td>
<td>441,287</td>
<td>441,287</td>
<td>N/A</td>
<td>2019</td>
</tr>
<tr>
<td>To Popular Community Bank. This loan is unsecured, and interest is payable monthly. Interest is paid monthly with the balance due at maturity in July 2019.</td>
<td>5,276,146</td>
<td>2,816,570</td>
<td>6.25%</td>
<td>2019</td>
</tr>
<tr>
<td>To TD Bank NA. This loan is a demand line of credit with a maximum drawing limit of $1,000,000. Accrued interest is payable quarterly in arrears. Subsequent to year end, this loan was extended to September 2019 with an interest rate of 4.25%.</td>
<td>168,500</td>
<td>168,500</td>
<td>4.25%</td>
<td>2019</td>
</tr>
<tr>
<td>To East West Bank (formerly United Commercial Bank). This loan is unsecured, and interest is payable quarterly. The principal payment is due in full at maturity. Subsequent to year end, this loan was extended to February 2020 with an interest rate of 3.75%.</td>
<td>500,000</td>
<td>500,000</td>
<td>3.75%</td>
<td>2020</td>
</tr>
<tr>
<td>To Capital One Bank. This loan is unsecured, and interest is payable quarterly. The principal was due in full at maturity date. This loan was paid off on March 26, 2018.</td>
<td>-</td>
<td>350,000</td>
<td>2%</td>
<td>2018</td>
</tr>
<tr>
<td>To Cathay Bank. This loan is secured by the AAFE CDF’s property located in New York, NY with interest and principal due monthly. The loan is amortized using a twenty-five-year amortization schedule over a ten-year period. The outstanding principal and any unpaid interest is due at maturity in February 2023.</td>
<td>1,546,476</td>
<td>1,587,088</td>
<td>4.5%</td>
<td>2023</td>
</tr>
<tr>
<td>To Capital One Bank. This loan is unsecured, and interest is payable quarterly. The principal payment is due in full at maturity in January 2019.</td>
<td>-</td>
<td>650,000</td>
<td>3%</td>
<td>2019</td>
</tr>
<tr>
<td>To the Small Business Administration. This loan is secured by REDC’s assets and its restricted cash for loan loss reserve and its security interest in funds held in a microloan revolving fund. Principal and interest payments of $7,031 are due monthly.</td>
<td>1,170,921</td>
<td>1,250,000</td>
<td>1.125%</td>
<td>2020</td>
</tr>
<tr>
<td>To the Small Business Administration. These loans are secured by REDC’s assets and its restricted cash for loan loss reserve and its security interest in funds held in a microloan revolving fund. Principal and interest payments of $7,031 were due monthly. The loan was paid off on March 9, 2018.</td>
<td>-</td>
<td>7,721</td>
<td>1.625%</td>
<td>2018</td>
</tr>
</tbody>
</table>
### NOTE 12 – LOANS PAYABLE (Continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>Annual Interest Rate</th>
<th>Year of Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>To the Small Business Administration. These loans are secured by REDC’s assets and its restricted cash for loan loss reserve and its security interest in funds held in a microloan revolving fund. Principal and interest payments of $7,089 are due monthly. The loan was repaid in 2018.</td>
<td>$</td>
<td>$ 194,145</td>
<td>1.125%</td>
<td>2020</td>
</tr>
<tr>
<td>To the Small Business Administration. No principal or interest payments were required during the first 12 months from the date of the loan. These loans are secured by REDC’s assets and its restricted cash for loan loss reserve and its security interest in funds held in a microloan revolving fund. Principal and interest payments of $7,041 are due monthly. The loan was repaid in 2018.</td>
<td>-</td>
<td>306,773</td>
<td>2.25%</td>
<td>2021</td>
</tr>
<tr>
<td>To the Small Business Administration. No principal or interest payments were required during the first six months from the date of the loan. These loans are secured by REDC’s assets and its restricted cash for loan loss reserve and its security interest in funds held in a microloan revolving fund. Principal and interest payments of $6,944 are due monthly.</td>
<td>291,667</td>
<td>375,000</td>
<td>1%</td>
<td>2022</td>
</tr>
<tr>
<td>To the Community Development Financial Institutions Fund. This loan is unsecured, and interest is payable semi-annually. The principal payment is due in three equal installments on the 5th, 6th and 7th anniversary of the date of the loan.</td>
<td>107,100</td>
<td>214,200</td>
<td>1%</td>
<td>2019</td>
</tr>
<tr>
<td>To the Small Business Administration. No principal or interest payments were required during the first 12 months from the date of the loan. These loans are secured by REDC’s assets and its restricted cash for loan loss reserve and its security interest in funds held in a microloan revolving fund. Principal and interest payments of $3,125 are due monthly.</td>
<td>149,991</td>
<td>187,489</td>
<td>1%</td>
<td>2022</td>
</tr>
<tr>
<td>To Valley National Bank. This loan is secured by the Agency’s mortgaged property located in Brooklyn, NY. Principal and interest payments of $4,762 are due monthly.</td>
<td>746,923</td>
<td>763,355</td>
<td>4.42%</td>
<td>2033</td>
</tr>
<tr>
<td>To Valley National Bank. This is a revolving line of credit in which requests for drawdowns will be reviewed and approved case by case. The interest rate and the amount of the monthly payment will be adjusted on the first day of every month after the initial payment date based on index (Wall Street Prime Rate).</td>
<td>-</td>
<td>1,000,000</td>
<td>4.25%</td>
<td>2020</td>
</tr>
</tbody>
</table>
## NOTE 12 – LOANS PAYABLE (Continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>Annual Interest Rate</th>
<th>Year of Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>To the Small Business Administration at an interest rate of 0.75%. No principal or interest payments were due during the first twelve months. During the first through twelfth month interest will be reduced so that interest will be accrued on the outstanding balance of the loan at 0.0%. In the ninth month, if the average size of the microloans made by REDC is equal to $10,000 or less, interest accrues at a rate of 0.75%. If the average size of the microloans made by REDC exceeds $10,000, interest will accrue at 0.0%. Recalculation of interest will take place, as described above, at regular intervals on the twenty-first month and annually thereafter and will become effective on the twenty-fifth month and annually thereafter. The loan is secured by REDC’s assets and its restricted cash for loan loss reserve and its security interest in funds held in a microloan revolving fund.</td>
<td>$ 659,722</td>
<td>$ 798,611</td>
<td>0% - 0.75%</td>
<td>2023</td>
</tr>
<tr>
<td>To the Small Business Administration at an interest rate of 1.50%. No principal or interest payments are due during the first 12 months. The monthly principal payment is $6,944, with a balance due at maturity. The loan is secured by REDC’s assets and its restricted cash for loan loss reserve and its security interest in funds held in a microloan revolving fund.</td>
<td>530,025</td>
<td>612,661</td>
<td>1.50%</td>
<td>2025</td>
</tr>
<tr>
<td>To the Small Business Administration at an interest rate of 1.25%. No principal or interest payments are due during the first 12 months. The monthly principal payment is $11,574, with a balance due at maturity. The loan is secured by REDC’s assets and its restricted cash for loan loss reserve and its security interest in funds held in a microloan revolving fund.</td>
<td>1,041,667</td>
<td>1,180,556</td>
<td>1.25%</td>
<td>2026</td>
</tr>
<tr>
<td>To Empire State Development Corporation at an interest rate of 1.00%. This revolving loan is unsecured with the principal payment due based on the amount of collections on loans receivable.</td>
<td>250,000</td>
<td>250,000</td>
<td>1.00%</td>
<td>2022</td>
</tr>
<tr>
<td>To PNC Bank at an interest rate of the daily LIBOR rate plus 2.00%. Interest shall be due and payable monthly, commencing the first month from the date of the loan and continuing each month thereafter until the maturity date, at which time a final installment shall be payable in an amount equal to the remaining outstanding principal balance. Any outstanding principal and accrued interest shall be due and payable in full.</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>LIBOR +2%</td>
<td>2021</td>
</tr>
<tr>
<td>To Low Income Investment Fund. A construction loan of $2,008,007 was provided and requires monthly payments of interest. The outstanding principal amount of the loan is expected to be repaid partly from the proceeds of the cooperative ownership conversion and partly from a permanent loan refinancing provided by HPD. The loan was paid off on September 12, 2018.</td>
<td>-</td>
<td>1,842,903</td>
<td>6%</td>
<td>2018</td>
</tr>
</tbody>
</table>
NOTE 12 – LOANS PAYABLE (Continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>Annual Interest Rate</th>
<th>Year of Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>To HPD. A construction loan of $1,702,210 was provided and requires monthly payments of interest. The outstanding principal amount of the loan is expected to be repaid partly from the proceeds of the cooperative ownership conversion and partly from a permanent loan refinancing provided by HPD. The loan was transferred to Elizabeth Street HDFC.</td>
<td>-</td>
<td>$ 1,702,210</td>
<td>1.25%</td>
<td>2018</td>
</tr>
<tr>
<td>To City of Kansas City. The loan is repayable in 60 equal installments commencing with the Cleanup Completion. The loan is noninterest-bearing through the maturity date, which is sixty months after the Cleanup Completion date. After the maturity date, or in the event of default, interest accrues at the per annum rate otherwise in effect, plus 2%. Repayments of the loan began in November 2016 with principal payments of $5,000 per month.</td>
<td>704,853</td>
<td>1,032,973</td>
<td>0%</td>
<td>2021</td>
</tr>
<tr>
<td>To the Empire State Development Corporation. This revolving loan is unsecured with the principal payment due based on the amount of collections on loans receivable.</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>1%</td>
<td>2022</td>
</tr>
<tr>
<td>To BNB Bank at an interest rate of 2.50%. 17 quarterly consecutive interest payments beginning August 18, 2018 with final payment due on August 18, 2022 for all principal and accrued interest not yet paid.</td>
<td>1,000,000</td>
<td>-</td>
<td>2.5%</td>
<td>2022</td>
</tr>
<tr>
<td>To Deutsche Bank. These loans are unsecured and noninterest-bearing with the principal payment due at maturity dates.</td>
<td>80,000</td>
<td>40,000</td>
<td>N/A</td>
<td>2020-2022</td>
</tr>
<tr>
<td>To NeighborWorks Capital Corporation. One loan of $5,400,000 and is secured by building and equipment. The second loan of $500,000 is unsecured. Interest is at 5.25% compounded quarterly. In addition to the quarterly interest payment, One Hardesty is to pay $37,500 towards principal.</td>
<td>5,389,000</td>
<td>5,539,000</td>
<td>5.25%</td>
<td>2019</td>
</tr>
<tr>
<td>Less: deferred financing costs</td>
<td>(27,633)</td>
<td>(40,218)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 23,792,541</td>
<td>$ 27,559,003</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Future approximate annual principal repayments are as follows for the years ending after December 31, 2018:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 12,173,000</td>
</tr>
<tr>
<td>2020</td>
<td>2,392,000</td>
</tr>
<tr>
<td>2021</td>
<td>2,721,000</td>
</tr>
<tr>
<td>2022</td>
<td>2,823,000</td>
</tr>
<tr>
<td>2023</td>
<td>2,047,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,664,000</td>
</tr>
<tr>
<td></td>
<td>$ 23,820,000</td>
</tr>
</tbody>
</table>

The proceeds from these loans enabled the Agency to make loans to individuals and businesses and expand the Agency’s activities. The Agency is required to adhere to certain financial covenants.
NOTE 13 – BANK LINES OF CREDIT

The State Bank of India provided REDC with a $1,000,000 unsecured revolving credit line for purposes of lending to small businesses in targeted economic areas. The line is considered unsecured, although the underlying loans are collateralized by REDC’s own borrowers. The line bears interest at the fixed rate of 3% per annum. In June 2016, the line of credit was increased to $3,000,000. As of December 31, 2018 and 2017, the outstanding borrowings on the credit line amounted to $3,000,000, respectively. The line of credit matures on June 28, 2021.

Valley National Bank provided REDC with a $1,000,000 line of credit. The line bears interest at a per annum rate equal to the Wall Street Journal Rate. As of December 31, 2018 and 2017, the outstanding borrowings on the credit line amounted to $0. The line of credit matured on January 31, 2017 and was subsequently renewed with the same terms and a new maturity date of January 31, 2020.

Global Bank provided AAFE with a $1,000,000 line of credit. The line bears interest at the fixed rate of 4.5% per annum. As of December 31, 2018 and 2017, the outstanding borrowings on the credit line amounted to $0 and $700,000, respectively. The line of credit matured on October 25, 2018.

Local Initiatives Support Corporation provided AAFE with a $175,000 line of credit. The line bears interest at the fixed rate of 4.5% per annum. As of December 31, 2018 and 2017, the outstanding borrowings on the credit line amounted to $174,902. The line of credit will mature on February 1, 2020.

Enterprise Community Loan Fund, Inc provided AAFE with a line of credit. The line to be disbursed through sub-loans based on borrower’s request and the aggregate principal amount of all outstanding sub-loans cannot exceed $2,500,000. The line mature 36 months after the origination date or December 15, 2021. However each sub-loan has a 24 months term period. The interest rate for all sub-loans will accrue at a fixed rate of 6% per annum until the outstanding balance reached $1,000,000. The interest rate for all disbursements exceeding $1,000,000 will accrue at a fixed rate of 5.75% per annum. Outstanding balance as of December 31, 2018 amounted to $843,709.

NOTE 14 – MORTGAGES PAYABLE

Mortgages payable as of December 31, 2018 and 2017 consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>Annual Interest Rate</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Valley National Bank. This is secured by a mortgage of property with monthly principal and interest payments of $11,659. The interest rate is variable, revised every five years based on the Index of Federal Home Loan Bank plus 2%. As of December 31, 2018, the rate is 4.25%.</td>
<td>$1,076,292</td>
<td>$1,166,190</td>
<td>Variable</td>
<td>2028</td>
</tr>
<tr>
<td>To New York City Housing Development Corporation (“HDC”). Note requires no monthly payment of principal until the note becomes due in 2046. Interest is due and payable in equal monthly installments commencing on July 1, 2016. A service fee in the amount of .25% of the principal amount or $60 monthly is also due and payable commencing on July 1, 2016.</td>
<td>287,091</td>
<td>287,091</td>
<td>1.25%</td>
<td>2046</td>
</tr>
</tbody>
</table>
### NOTE 14 – MORTGAGES PAYABLE (Continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>Annual Interest Rate</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Housing Trust Fund Corporation (“HTFC”). The note requires no monthly amortization of principal until the note becomes due. Interest is payable annually on the principal balance advanced and outstanding, commencing on the 30th day of June 2011, and continuing annually thereafter until June 30, 2046. Interest payments shall be due and payable on an annual basis solely to the extent of net cash flow as defined in the promissory note.</td>
<td>$ 2,290,000</td>
<td>$ 2,290,000</td>
<td>1%</td>
<td>2046</td>
</tr>
<tr>
<td>To HPD. Mortgage with interest and service fee payable on a monthly basis. Principal is due at maturity. Initial maturity date can be extended for additional 15 years plus additional 3 years based on compliance with regulatory agreement, making possible future maturity in 2038.</td>
<td>3,102,418</td>
<td>3,102,418</td>
<td>1.25%</td>
<td>2020</td>
</tr>
<tr>
<td>To HPD. Equal monthly installments of interest only in the amount of $1,583 commencing on the first installment date, January 1, 2009, and continuing to the maturity date. The principal amount and any and all other amounts of the indebtedness are due on maturity.</td>
<td>2,223,623</td>
<td>2,223,623</td>
<td>1%</td>
<td>2039</td>
</tr>
<tr>
<td>Building Loan from HPD – the note requires no monthly payments of principal or interest, and will be forgiven at the end of the term provided there have been no defaults thereunder and the project has met all applicable requirements.</td>
<td>334,332</td>
<td>334,332</td>
<td>0%</td>
<td>2046</td>
</tr>
<tr>
<td>To HPD. Second mortgage with monthly principal and interest payments of $421. Annual minimum principal repayments are $10, and the balance is due in full at the maturity date. Initial maturity date can be extended for additional 15 years plus additional 3 years based on compliance with regulatory agreement, making possible future maturity in 2038.</td>
<td>503,968</td>
<td>503,984</td>
<td>1%</td>
<td>2020</td>
</tr>
<tr>
<td>To HTFC Third mortgage payable in full at the maturity date plus accrued interest. Accrued interest payable as of December 31, 2018 and 2017 amounted to $73,446. AAHDFC began to pay the interest in 2010. Initial maturity date can be extended for additional 15 years plus additional 3 years based on compliance with regulatory agreement, making possible future maturity in 2038.</td>
<td>545,440</td>
<td>545,440</td>
<td>1%</td>
<td>2020</td>
</tr>
<tr>
<td>To Community Preservations Corporations (“CPC”). Principal and interest of $1,802 is due monthly commencing on the first installment due date, February 1, 2012, and continuing to the maturity date.</td>
<td>244,168</td>
<td>248,225</td>
<td>7.13%</td>
<td>2042</td>
</tr>
<tr>
<td>To Bellwether Enterprise Real Estate Capital, LLC. This loan is secured by the real property of the Agency. Principal and an interest payment of $57,094 is due monthly, with any outstanding balance due in full at maturity.</td>
<td>13,332,941</td>
<td>13,617,477</td>
<td>2.97%</td>
<td>2048</td>
</tr>
</tbody>
</table>
NOTE 14 – MORTGAGES PAYABLE (Continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>Annual Interest Rate</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>To HPD. Equal monthly installments of interest only in the amount of $1,583 commencing on the first installment date, January 1, 2009, and continuing to the maturity date. The principal amount and any and all other amounts of the indebtedness are due on maturity.</td>
<td>$ 1,384,685</td>
<td>$ 1,384,685</td>
<td>1.25%</td>
<td>2039</td>
</tr>
<tr>
<td>To HPD. Second mortgage consisting of four separate mortgages that require no payment of principal or interest. Will be deemed satisfied at maturity if CPHDFC is in compliance with the terms and conditions of the regulatory agreement.</td>
<td>14,250,000</td>
<td>14,250,000</td>
<td>0%</td>
<td>2036</td>
</tr>
<tr>
<td>To HPD. Third mortgage requiring monthly interest accrual only. Will be deemed satisfied at maturity if CPHDFC is in compliance with the terms and conditions of the regulatory agreement.</td>
<td>667,748</td>
<td>667,748</td>
<td>0.25%</td>
<td>2024</td>
</tr>
<tr>
<td>To United International Bank. This first mortgage is secured by two of CHHDFC’s properties located in Jackson Heights, New York. The mortgage is amortized based on a 25-year amortization schedule with monthly principal and interest payments of $9,933 and a balloon payment due at maturity.</td>
<td>1,349,918</td>
<td>1,380,548</td>
<td>6.39%</td>
<td>2019</td>
</tr>
<tr>
<td>To United International Bank. Second mortgage is secured by two of CHHDFC’s properties located in Jackson Heights, New York. The mortgage is amortized based on a 25-year amortization schedule with monthly principal and interest payments of $1,830 and a balloon payment due at maturity.</td>
<td>294,320</td>
<td>301,294</td>
<td>Prime + 1.25%</td>
<td>2019</td>
</tr>
<tr>
<td>To HPD. Third mortgage with interest and principal payable in full at maturity date. Will be deemed satisfied at maturity if CPHDFC is in compliance with the terms and conditions of the regulatory agreement.</td>
<td>831,950</td>
<td>831,950</td>
<td>0.25%</td>
<td>2026</td>
</tr>
<tr>
<td>To HTF. Pursuant to an agreement with the State of New York, acting through its Division of Housing and Community Renewal (“DHCR”) and HTFC. HTFC has committed to provide a loan to finance the construction of Norfolk's building. The interest rate for the loan is 1%. Interest payment is due annually and will be paid from excess income as defined in the mortgage agreement.</td>
<td>1,800,000</td>
<td>1,800,000</td>
<td>1.00%</td>
<td>2030</td>
</tr>
<tr>
<td>To North Fork Community Development Corp. This is a non-interest-bearing mortgage loan and shall be deemed satisfied upon the expiration of the 15 years of operating the project.</td>
<td>282,282</td>
<td>282,282</td>
<td>0.00%</td>
<td>2019</td>
</tr>
<tr>
<td>To CPC – First mortgage loan with principal and interest payable monthly commencing July 2014 and on the first day of each and every month thereafter until maturity.</td>
<td>916,741</td>
<td>939,188</td>
<td>7.44%</td>
<td>2037</td>
</tr>
<tr>
<td>To HPD – A monthly installment of principal and interest in the amount of $417 was due on February 1, 2012 and continuing to the maturity date.</td>
<td>645,542</td>
<td>648,921</td>
<td>0.25%</td>
<td>2042</td>
</tr>
</tbody>
</table>
NOTE 14 – MORTGAGES PAYABLE (Continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>Annual Interest Rate</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>To HPD. No regular payments of principal or interest. At the end of the term, the principal amount shall be reduced in its entirety and deemed satisfied if the Mortgager is in compliance with the terms and conditions of the Regulatory Agreement.</td>
<td>$ 212,291 $ 184,819</td>
<td>0% 2027</td>
</tr>
<tr>
<td>To HPD – Second mortgage loan. The first installment of interest was due on June 1, 2014. Beginning on July 1, 2014, an installment of principal and interest in the amount of approximately $880 is due, and a like installment is due on the first day of each month thereafter until and including June 1, 2037. Beginning July 1, 2037, installment of principal and interest in the amount of approximately $8,510 is due, and a like installment is due on the first day of each month thereafter until and including June 1, 2042.</td>
<td>597,770 602,322</td>
<td>1.00% 2042</td>
</tr>
<tr>
<td>First mortgage to the Enterprise Community – the borrower shall make principal and an interest payment of $7,017 due the first date of each month until maturity.</td>
<td>1,209,621 1,228,892</td>
<td>5.25% 2043</td>
</tr>
<tr>
<td>Second mortgage to HPD – No payments of principal or interest. At the end of the term, the principal amount shall be reduced in its entirety and deemed satisfied if the mortgagor is in compliance with the terms of the Regulatory Agreement.</td>
<td>2,000,000 2,000,000</td>
<td>N/A 2042</td>
</tr>
<tr>
<td>Third mortgage to HPD – the borrower shall make interest payments of 1% inclusive of a 0.25% servicing fee. No payments of principal shall be payable by the Borrower. Monthly interest payments in the amount of $685 are payable by the borrower. The principal balance and any accrued interest will be due upon maturity.</td>
<td>822,505 822,505</td>
<td>2.18% 2046</td>
</tr>
<tr>
<td>Fourth mortgage to HPD – the borrower shall have no payments of principal. Servicing fee shall be payable at 0.25%. This loan is forgivable if the mortgagor is in compliance with the terms and conditions of the Regulatory Agreement.</td>
<td>170,000 170,000</td>
<td>0.00% 2046</td>
</tr>
<tr>
<td>To Neighborhood Partnership Housing Development Fund Company, Inc. This is a standing loan that does not bear interest or require the payment of installments. The principal balance is due in full at maturity.</td>
<td>495,000 495,000</td>
<td>0.00% 2044</td>
</tr>
<tr>
<td>First mortgage to HPD – The loan shall be due and payable on December 1, 2045. No interest shall be due or payable on the loan.</td>
<td>1,754,543 1,754,543</td>
<td>0.00% 2045</td>
</tr>
<tr>
<td>Second mortgage to HPD – The loan shall be due and payable on December 1, 2045. No interest shall be due and payable on the CDBG Loan.</td>
<td>210,000 210,000</td>
<td>0.00% 2045</td>
</tr>
</tbody>
</table>
### NOTE 14 – MORTGAGES PAYABLE (Continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>Annual Interest Rate</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fourth mortgage to HDC – The Article 8 Loan shall be due and payable on May 31, 2028. Interest on the Article 8 Loan shall be payable at the rate of 0.75% per annum in equal monthly installments of interest only in the amount of $18,305 on the first day of each and every month, together with a servicing fee in the amount of 0.25% per annum on the Article 8 Loan payable monthly in the amount of $61.</td>
<td>$ 292,885</td>
<td>$ 292,885</td>
<td>1%</td>
<td>2028</td>
</tr>
<tr>
<td>To HPD – No payments of principal or interest. At the end of the term, the principal amount shall be reduced in its entirety and deemed satisfied if the Mortgager is in compliance with the terms and conditions of the regulatory agreement.</td>
<td>527,000</td>
<td>527,000</td>
<td>0%</td>
<td>2044</td>
</tr>
<tr>
<td>Third mortgage to HDC – The Article 8 Loan shall be due and payable on September 25, 2029. Interest on the Article 8 Loan shall be payable at the rate of 0.75% per annum in equal monthly installments of interest only in the amount of $385 on the first day of each and every month, together with a servicing fee in the amount of 0.25% per annum on the Article 8 Loan and payable monthly in the amount of $128.</td>
<td>716,100</td>
<td>716,100</td>
<td>1.0%</td>
<td>2029</td>
</tr>
<tr>
<td>To TD Bank. This mortgage is secured by the real property located at 2 Allen Street, New York, NY, with monthly principal and interest payments of $18,763.</td>
<td>$ 2,682,058</td>
<td>$ 2,747,692</td>
<td>4.10%</td>
<td>2027</td>
</tr>
</tbody>
</table>

Less: unamortized debt issuance costs

| | 58,053,232 | 58,557,154 |
| | (539,055) | (563,227) |

| | $ 57,514,177 | $ 57,993,927 |

Golden Allen, LLC entered into a derivative transaction ("swap") with a notional amount that changes over time to correspond to the outstanding principal based on the agreed schedule for the mortgage. The notional amount of the derivative is the basis for calculating the volume of the transactions and does not represent the amount at risk. The market values of the swap can vary depending on movements in interest rates. The transaction creates off-balance sheet risk in that Golden Allen, LLC could potentially lose more on the swaps than the amounts at which these instruments are carried in the statements of financial position. The transaction had not been designated as a hedge. The counterparty is a New York financial institution. Golden Allen, LLC is obligated to pay an effective fixed interest rate of 3.11% on the notional amount (same as the principal balance). When taken together with the mortgage payable, the effect of the derivative transaction is to substantially convert variable rate (subject to the risk of going to a level higher than the current fixed rate) to a fixed rate mortgage payable that is subject to a 4.2% maximum rate.

As of December 31, 2018, the estimated fair value of the swap agreement amounted to $11,209 which was deemed immaterial to the consolidated financial statements taken as a whole. Accordingly, the accompanying consolidated financial statements did not reflect such amounts.
NOTE 14 – MORTGAGES PAYABLE (Continued)

Future approximate mortgage repayments for the years ending after December 31, 2018 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$2,111,000</td>
</tr>
<tr>
<td>2020</td>
<td>765,000</td>
</tr>
<tr>
<td>2021</td>
<td>501,000</td>
</tr>
<tr>
<td>2022</td>
<td>519,000</td>
</tr>
<tr>
<td>2023</td>
<td>537,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>53,620,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$58,053,000</strong></td>
</tr>
</tbody>
</table>

As of December 31, 2018 and 2017, accrued interest on these loans amounted to $390,147 and $386,398, respectively, and is included under accounts payable and accrued expenses in the accompanying consolidated statements of financial position. The total interest expense for loans payable, bank lines of credit and mortgages payable amounted to $2,592,892 and $2,311,400 for the years ended December 31, 2018 and 2017, respectively.

NOTE 15 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of December 31:

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>With donor restrictions:</td>
<td></td>
</tr>
<tr>
<td>Small business grant reserve program</td>
<td>$101,737</td>
</tr>
<tr>
<td>Housing development and related activities</td>
<td>278,196</td>
</tr>
<tr>
<td>LES housing development</td>
<td>95,000</td>
</tr>
<tr>
<td>Technical assistance</td>
<td>165,207</td>
</tr>
<tr>
<td>Immigrant and LMI entrepreneurs and business owners’ program</td>
<td>-</td>
</tr>
<tr>
<td>Immigrant small business outreach program</td>
<td>-</td>
</tr>
<tr>
<td>Spectrum Digital Education Grant</td>
<td>40,000</td>
</tr>
<tr>
<td>Strategic IT plan design/implementation</td>
<td>69,375</td>
</tr>
<tr>
<td>Other programs</td>
<td>898,279</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,647,794</strong></td>
</tr>
</tbody>
</table>

During the years ended December 31, 2018 and 2017, net assets with donor restrictions which amounted to $1,072,130 $2,424,956, respectively, were released from donor restrictions by incurring expenses (or the passage of time), thus satisfying the donor restrictions.

The Agency’s net assets with donor restrictions include funds received from NeighborWorks America (“NWA”) restricted for use as a revolving loan and capital projects fund:

- In July 2009, NWA provided AAFE with capital lending funds in the amount of $75,000 that are intended to help complete neighborhood revitalization and community development projects. It is the intent of NWA that capital lending funds be used to create loans and fund capital projects that cannot be adequately financed with conventional resources. AAFE redirected this fund as an investment to AAFE CDF, which provides such services to its clients.

- In 2010, AAFE received $382,000 of restricted capital grant funds from NWA. These funds are intended to assist in the rehabilitation of existing residential multifamily rental buildings. As such, AAFE redirected these funds to CPHDFC and Rivington HDFC amounting to $282,000 and $99,924, respectively.

- In 2011, AAFE received a total of $575,000 of restricted capital grant funds from NWA. These funds consisted of $200,000 intended for capital lending, $50,000 for real estate development and $325,000 for the rehabilitation of existing limited partnership owned portfolio residential rental property. AAFE redirected two of the grants to AAFE CDF and CHHDFC amounting to $200,000 and $50,000, respectively.
NOTE 15 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

- In 2012, AAFE received a total of $678,000 of restricted capital grant funds from NWA. These funds consisted of $373,000 intended for capital lending, $55,000 for real estate development and $250,000 for the rehabilitation of existing limited partnership owned portfolio residential rental property. AAFE redirected two of the grants to AAFE CDF and Stanton amounting to $373,000 and $250,000, respectively.

- In 2013, AAFE received a total of $375,000 restricted capital grant funds from NWA. These funds are restricted to be used to create loans and fund capital projects. AAFE redirected one grant to AAFE CDF in the amount of $100,000.

- In 2014, AAFE received a total of $437,769 restricted capital grant funds from NWA. These funds are restricted to be used to create loans and fund capital projects.

- In 2015, AAFE received a total of $240,000 restricted funds from NWA. These funds are restricted to be used to create loans.

- In 2018, 2017, 2016 and 2015, AAFE applied for a capital funds conversion to have $204,718, $485,481, $165,000 and $354,546, respectively, reclassified to net assets without donor restrictions. A conversion was granted by NWA, and in the years ended December 31, 2018, 2017, 2016 and 2015, the amounts were released from net assets with donor restrictions and recognized as net assets without donor restrictions.

The investment of funds received from NWA is governed by the NeighborWorks America Investment and Grant Agreement (the “Agreement”). Under the Agreement, the restricted capital grant funds shall be used for purposes that will build assets for the Agency and the community in which it operates. As noted above, the funds received from NWA were used as capital lending funds and for the rehabilitation of residential multifamily rental buildings. Interest on loans as well as proceeds on capital projects in excess of the total amount of restricted capital grant funds provided by NWA invested or otherwise used to fund such projects may be transferred to net assets without donor restrictions, to be used for purposes of furthering the Agency’s mission. Cash from any restricted capital funds provided by NWA, and not expended according to the terms of the agreement, shall be fully invested in securities either of the United States government or that are guaranteed by the United States government, or exclusively deposited in federally insured or state insured accounts. For the years ended December 31, 2018 and 2017, the unspent capital funds of $0 and $373,004, respectively, were deposited in a federally insured bank account and such funds are not subject to the endowment spending provisions of the New York Prudent Management of Institutional Funds Act (“NYPMIFA”).

NOTE 16 – RELATED-PARTY TRANSACTIONS

AAFE, being the general partner in the limited partnerships, receives management and incentive fees from the limited partnerships. The total management and incentive fees received for the years ended December 31, 2018 and 2017, amounted to $166,845 and $189,839, respectively, and are included under program service, incentives and fees in the accompanying consolidated statements of activities. There were no outstanding receivables as of December 31, 2018 and 2017.

Due from affiliates amounted to $1,633,446 and 1,605,818 as of December 31, 2018 and 2017, respectively and represents amounts due from various unconsolidated affiliates for services provided and loans extended by AAFE. Based on agreements in place the balance is to be collected with one to three years.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

A. Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying consolidated financial statements.

B. REDC is involved in several legal actions to recover monetary losses resulting from the default on loans by certain borrowers. No amounts for estimated recoveries have been included in the accompanying consolidated financial statements. REDC will recognize other income in the event any recoveries are made.
NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

C. CHHDFC is a party to various legal proceedings involved in the ordinary course of business. Management is of the opinion that such legal actions will not result in a material loss to the Agency.

D. As permitted under the transfer agreement with HPD, CHHDFC leased portions of certain properties to commercial tenants in the interest of neighborhood revitalization and stabilization of local businesses. As of December 31, 2018, CHHDFC had such lease agreements with four commercial tenants, of which the lease agreements for one tenant will expire in 2019, two in 2020, and one indefinitely.

E. As the sponsor of the general partners in three limited partnerships (see Note 1), AAFE is obligated under certain guarantees associated with the operations of these partnerships.

F. In December 2015, REDC guaranteed a $3,075,000 loan by BankUnited to the Downtown Manhattan Community Development Corporation ("DMCDC"), a sponsored entity. The loan is also collateralized by a property known as 1 Pike Street a/k/a 109-111 Division Street, New York, New York. REDC has not accrued a liability on this guarantee as the fair value of the guarantee is deemed immaterial.

G. The Agency believes it had no uncertain income tax positions as of December 31, 2018 and 2017 in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

H. The Agency is obligated, pursuant to various lease agreements, to make the approximate future minimum annual lease payments for the years ending after December 31, 2018 as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Real Property</th>
<th>Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$216,000</td>
<td>$189,000</td>
<td>$27,000</td>
</tr>
<tr>
<td>2020</td>
<td>31,000</td>
<td>31,000</td>
<td>-</td>
</tr>
<tr>
<td>2021</td>
<td>33,000</td>
<td>33,000</td>
<td>-</td>
</tr>
<tr>
<td>2022</td>
<td>34,000</td>
<td>34,000</td>
<td>-</td>
</tr>
<tr>
<td>2023</td>
<td>36,000</td>
<td>36,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$350,000</td>
<td>$323,000</td>
<td>$27,000</td>
</tr>
</tbody>
</table>

Rent expense for each of the years ended December 31, 2018 and 2017 amounted to approximately $225,000.

I. The Agency subleases real property to tenants at 176-180 Eldridge Street, 111 Norfolk Street, 133-04 39th Avenue and 108 Norfolk Street in New York City. The approximate future minimum annual rentals to be received under these subleases for the years ending after December 31, 2018 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>176 Eldridge</th>
<th>180 Eldridge</th>
<th>108 Norfolk</th>
<th>CHHDFC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$417,000</td>
<td>$50,000</td>
<td>$64,000</td>
<td>$16,000</td>
<td>$287,000</td>
</tr>
<tr>
<td>2020</td>
<td>293,000</td>
<td>51,000</td>
<td>66,000</td>
<td>-</td>
<td>176,000</td>
</tr>
<tr>
<td>2021</td>
<td>219,000</td>
<td>53,000</td>
<td>68,000</td>
<td>-</td>
<td>98,000</td>
</tr>
<tr>
<td>2022</td>
<td>102,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>102,000</td>
</tr>
<tr>
<td></td>
<td>$1,031,000</td>
<td>$154,000</td>
<td>$198,000</td>
<td>$16,000</td>
<td>$663,000</td>
</tr>
</tbody>
</table>

Rental income from subleases amounted to $199,910 and $217,493 for the years ended December 31, 2018 and 2017, respectively.

NOTE 18 – CONCENTRATIONS

A. Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately $11,229,000 and $11,828,000 as of December 31, 2018 and 2017, respectively. Cash accounts with participating banks are insured up to $250,000 per depositor.
NOTE 18 – CONCENTRATIONS (Continued)

B. REDC lends money to small businesses in its target communities. Many of these small business borrowers operate businesses in the retail, wholesale, restaurant and certain personal service industries with their primary business operations located in Manhattan, Queens and Brooklyn. Funding for these loans is obtained by REDC in the form of loans, grants and credit lines from various organizations.

C. For the years ended December 31, 2018 and 2017, ECHDFC received revenue from 16 of its residential units in the form of Section 8 subsidies and the Senior Citizen Rent Increase Exemption program (“SCRIE”) subsidies administered by HPD and the New York City Department of Finance, respectively. The balance of the rent is received from tenants, many of whom receive public assistance.

D. For the years ended December 31, 2018 and 2017, AAHDFC received approximately 24% and 26%, respectively, of its residential income in the form of Section 8 subsidies and the Senior Citizen Rent Increase Exemption program (“SCRIE”) subsidies administered by HPD and the New York City Department of Finance, respectively. The balance of the rent is received from tenants, many of whom receive public assistance.

E. For the years ended December 31, 2018 and 2017, the Company received approximately 22% and 21%, respectively, of its residential income in the form of Section 8 subsidies and the Senior Citizen Rent Increase Exemption program (“SCRIE”) subsidies administered by HPD and the New York City Department of Finance, respectively. The balance of the rent is received from tenants, many of whom receive public assistance.

NOTE 19 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit</td>
<td>$276,770</td>
<td>$1,556,626</td>
</tr>
<tr>
<td>Government money market funds</td>
<td>467,739</td>
<td>1,180,080</td>
</tr>
<tr>
<td>U.S. Treasury bills</td>
<td>58,640</td>
<td>57,755</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$803,149</strong></td>
<td><strong>$2,794,461</strong></td>
</tr>
</tbody>
</table>

The fair value hierarchy defines three levels as follows:

- **Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

- **Level 2:** Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

- **Level 3:** Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Financial assets carried at fair value at December 31, 2018 and 2017 consisted of U.S. Treasury Bills that were held as reserves by HPD amounting to approximately $8,004,000 and $7,401,000, respectively, and were classified as Level 1. The rest of the reserves are held in cash as of December 31, 2018 and 2017.

Investments, measured at fair value on a recurring basis, are classified as Level 1 and amounted to $58,640 and $57,755 as of December 31, 2018 and 2017, respectively.

Investments are subject to market volatility that could substantially change their carrying values in the near term.

In determining fair value, AAFE CDF utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.
NOTE 20 – PENSION PLAN

In 2016, the Agency established a 403(b) plan (the “Plan”). All employees over age 21 of the Agency with three months of service are eligible to participate. The Plan has a discretionary match, which was a maximum of 2% for those employees contributing a minimum of 2% to the Plan for 2018 and 2017. For the years ended December 31, 2018 and 2017, total employer contributions amounted to $84,325 and $82,714, respectively. Matching contributions are made to participant accounts each pay period.

NOTE 21 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through June 26, 2019, the date the consolidated financial statements were available to be issued.
## ASSETS

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$741,519</td>
<td>$5,445,560</td>
<td>$1,355,511</td>
<td>$257,548</td>
<td>$1,785</td>
<td>$21,236</td>
<td>$190,996</td>
<td>$4,426</td>
</tr>
<tr>
<td>Investments</td>
<td>$335,410</td>
<td>$335,410</td>
<td>$335,410</td>
<td>$335,410</td>
<td>$335,410</td>
<td>$335,410</td>
<td>$335,410</td>
<td>$335,410</td>
</tr>
<tr>
<td>Grants and contributions receivable, net</td>
<td>$422,264</td>
<td>$8,328</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Rents and other receivables, net</td>
<td>$260</td>
<td>$260</td>
<td>$260</td>
<td>$260</td>
<td>$260</td>
<td>$260</td>
<td>$260</td>
<td>$260</td>
</tr>
<tr>
<td>Loans receivable, net</td>
<td>$7,856,371</td>
<td>$1,507,422</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Due from affiliates</td>
<td>$4,100</td>
<td>$4,100</td>
<td>$4,100</td>
<td>$4,100</td>
<td>$4,100</td>
<td>$4,100</td>
<td>$4,100</td>
<td>$4,100</td>
</tr>
<tr>
<td>Real estate held for sale, at cost</td>
<td>$8,347,280</td>
<td>$1,110,262</td>
<td>$3,161</td>
<td>$3,161</td>
<td>$3,161</td>
<td>$3,161</td>
<td>$3,161</td>
<td>$3,161</td>
</tr>
<tr>
<td>Investments in affiliates</td>
<td>$9,788,362</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>$30,104</td>
<td>$21,145</td>
<td>$6,899</td>
<td>$6,899</td>
<td>$6,899</td>
<td>$6,899</td>
<td>$6,899</td>
<td>$6,899</td>
</tr>
<tr>
<td>Reimbursable developer's fees</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Reimbursable project advance</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Recoverable development costs</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Restricted reserve accounts</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$1,458,448</td>
<td>$1,452,210</td>
<td>$3,490,501</td>
<td>$4,048,096</td>
<td>$-</td>
<td>$3,043,160</td>
<td>$1,252,789</td>
<td>$162,550</td>
</tr>
<tr>
<td>Loan loss reserve</td>
<td>$2,367,166</td>
<td>$183,753</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$25,541,386</td>
<td>$4,310,508</td>
<td>$3,070,091</td>
<td>$1,449,785</td>
<td>$182,016</td>
<td>$99,994</td>
<td>$584,669</td>
<td>$18,963,675</td>
</tr>
</tbody>
</table>

## LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$345,239</td>
<td>$127,208</td>
<td>$44,390</td>
<td>$57,611</td>
<td>$-</td>
<td>$6,574</td>
<td>$409,964</td>
<td>$1,000</td>
</tr>
<tr>
<td>Due to affiliates</td>
<td>$612,372</td>
<td>$90,000</td>
<td>$182,801</td>
<td>$5,315,433</td>
<td>$3,183</td>
<td>$3,945,507</td>
<td>$1,060,291</td>
<td>$189,638</td>
</tr>
<tr>
<td>Refundable advances</td>
<td>$216,300</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Loans payable</td>
<td>$1,423,737</td>
<td>$8,302,383</td>
<td>$3,214,976</td>
<td>$-</td>
<td>$704,853</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Mortgages payable</td>
<td>$382,282</td>
<td>$1,076,242</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Bank lines of credit</td>
<td>$1,018,611</td>
<td>$3,000,000</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Deferred rent obligation and other payables</td>
<td>$18,347</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$7,964,036</td>
<td>$4,310,508</td>
<td>$3,070,091</td>
<td>$1,449,785</td>
<td>$182,016</td>
<td>$99,994</td>
<td>$584,669</td>
<td>$18,963,675</td>
</tr>
</tbody>
</table>

## NET ASSETS:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions</td>
<td>$10,208,884</td>
<td>$7,964,036</td>
<td>$3,070,091</td>
<td>$1,449,785</td>
<td>$182,016</td>
<td>$99,994</td>
<td>$584,669</td>
<td>$18,963,675</td>
</tr>
<tr>
<td>Designated for lending activities</td>
<td>$6,399,424</td>
<td>$14,270</td>
<td>$404,200</td>
<td>$231,761</td>
<td>$584,669</td>
<td>$18,963,675</td>
<td>$6,387,655</td>
<td>$18,963,675</td>
</tr>
<tr>
<td>Total net assets without donor restrictions</td>
<td>$5,809,440</td>
<td>$6,188,805</td>
<td>$4,651,886</td>
<td>$1,118,024</td>
<td>$187,638</td>
<td>$432,015</td>
<td>$3,399,000</td>
<td>$11,576,020</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>$7,389,424</td>
<td>$10,208,884</td>
<td>$7,964,036</td>
<td>$3,070,091</td>
<td>$1,449,785</td>
<td>$182,016</td>
<td>$99,994</td>
<td>$584,669</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td>$10,208,884</td>
<td>$7,964,036</td>
<td>$3,070,091</td>
<td>$1,449,785</td>
<td>$182,016</td>
<td>$99,994</td>
<td>$584,669</td>
<td>$18,963,675</td>
</tr>
</tbody>
</table>

See independent auditors' report.
# ASIAN AMERICANS FOR EQUALITY, INC. AND SUBSIDIARIES

## CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

### AS OF DECEMBER 31, 2018

### (WITH COMPARATIVE TOTALS FOR 2017)

#### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>60,488</td>
<td>1,471,014</td>
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<tr>
<td>Investments</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Grants and contributions receivable, net</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rents and other receivables, net</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loans receivable, net</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Due from affiliates</td>
<td>11,800</td>
<td>1,647,395</td>
</tr>
<tr>
<td>Real estate held for sale, at cost</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments in affiliates</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reimbursable developer's fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Refundable project advances</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Recoverable development costs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restricted reserve accounts</td>
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<tr>
<td>Property and equipment, net</td>
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<td>321,355</td>
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<tr>
<td></td>
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<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>4,188,005</td>
<td>3,312,664</td>
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#### LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>112,497</td>
<td>298,624</td>
</tr>
<tr>
<td>Due to affiliates</td>
<td>1,855,909</td>
<td>9,930</td>
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<tr>
<td>Refundable advances</td>
<td>-</td>
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</tr>
<tr>
<td>Loans payable</td>
<td>-</td>
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<tr>
<td>Mortgages payable</td>
<td>2,682,059</td>
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<tr>
<td>Bank lines of credit</td>
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</tr>
<tr>
<td>Deferred rent obligation and other payables</td>
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<td>1,410</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>4,460,482</td>
<td>309,954</td>
</tr>
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</table>

#### NET ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>1,707,523</td>
<td>3,002,700</td>
</tr>
</tbody>
</table>

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See independent auditors' report.

- 36 -
### Changes in Net Assets Without Donor Restrictions:

**Public Support and Revenue:**

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Program service, incentives and fees</td>
<td>$1,398,855</td>
<td>$1,415</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Special event income</td>
<td>$244,004</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Loan fees</td>
<td>-</td>
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<tr>
<td>Loan fees</td>
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<tr>
<td>Loan fees</td>
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<tr>
<td>Loan fees</td>
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<td>-</td>
</tr>
<tr>
<td>Developer's fees</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>$137,069</td>
<td>$103,041</td>
<td>$10,601</td>
<td>$20</td>
<td>$789</td>
<td>$5,044</td>
<td>$244,664</td>
<td>$15,212</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>$784,574</td>
<td>$13,156</td>
<td>$33,300</td>
<td>-</td>
<td>-</td>
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<tr>
<td>TOTAL PUBLIC SUPPORT, REVENUE AND OTHER</td>
<td>$2,456,641</td>
<td>$472,488</td>
<td>$309,504</td>
<td>$91,026</td>
<td>$92,414</td>
<td>$506,760</td>
<td>$1,112,840</td>
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</table>

**Expenses:**

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</tr>
</thead>
<tbody>
<tr>
<td>Community outreach and education</td>
<td>$1,746,553</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Housing, navigation and social services</td>
<td>$2,887,830</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Housing and Development</td>
<td>$2,177,394</td>
<td>$267,077</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Homeownership counseling</td>
<td>-</td>
<td>$276,077</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Single family housing development</td>
<td>-</td>
<td>$782,025</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Small business technical assistance and education</td>
<td>-</td>
<td>$1,221,015</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Affordable housing program services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>$2,435,920</td>
<td>$654,180</td>
<td>$304,417</td>
<td>$252</td>
<td>$222,300</td>
<td>$35,085</td>
<td>$6,502</td>
<td>$1,562</td>
</tr>
</tbody>
</table>

**Supporting Services:**

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Management and general</td>
<td>$720,883</td>
<td>$380,276</td>
<td>$1,936</td>
<td>$6,926</td>
<td>$252</td>
<td>$222,300</td>
<td>$35,085</td>
<td>$6,502</td>
</tr>
<tr>
<td>Fundraising</td>
<td>$1,085,728</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>$4,681,602</td>
<td>$2,062,454</td>
<td>$299,831</td>
<td>$287,017</td>
<td>$454,856</td>
<td>$240,000</td>
<td>$304,223</td>
<td>$1,022,306</td>
</tr>
</tbody>
</table>

**Change in Net Assets Without Donor Restrictions:**

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</tr>
</thead>
<tbody>
<tr>
<td>Change in bond portfolio's interest</td>
<td>($180,514)</td>
<td>$2,721</td>
<td>($791,982)</td>
<td>($354,199)</td>
<td>($252)</td>
<td>($9,156,542)</td>
<td>($35,085)</td>
<td>($4,922)</td>
</tr>
<tr>
<td>Change in bond portfolio's interest</td>
<td>($20,721)</td>
<td>($3,065,108)</td>
<td>($213,218)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Assets Without Donor Restrictions - Beginning of year</td>
<td>$6,500,852</td>
<td>$6,876,025</td>
<td>($1,368,593)</td>
<td>($1,789,471)</td>
<td>($35,685)</td>
<td>($149,538)</td>
<td>($149,538)</td>
<td>($198,850)</td>
</tr>
</tbody>
</table>

**Change in Net Assets with Donor Restrictions:**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$287,475</td>
<td>$184,182</td>
<td>$212,216</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Net assets released from restrictions</td>
<td>$784,643</td>
<td>($195,030)</td>
<td>($203,945)</td>
<td>($22,220)</td>
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<td>-</td>
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</tr>
<tr>
<td>TOTAL NET ASSETS - END OF YEAR</td>
<td>$6,500,852</td>
<td>$6,571,880</td>
<td>($1,368,593)</td>
<td>($1,789,471)</td>
<td>($35,685)</td>
<td>($149,538)</td>
<td>($149,538)</td>
<td>($198,850)</td>
</tr>
</tbody>
</table>

See independent auditors' report.
## CONSOLIDATING SCHEDULE OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

### CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and grants</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Grants from government agencies</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest on loans and investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management, consulting, and marketing fees</td>
<td>1,389,807</td>
<td>1,085,807</td>
</tr>
<tr>
<td>Other revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services, incentives and fees</td>
<td>229,224</td>
<td>772,076</td>
</tr>
<tr>
<td>Operating income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Public Support, Revenue, and Other</td>
<td>2,429,241</td>
<td>1,358,807</td>
</tr>
</tbody>
</table>

### EXPENSES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing, immigration and social services</td>
<td>223,224</td>
<td>220,000</td>
</tr>
<tr>
<td>Planning and development</td>
<td>526,041</td>
<td>520,876</td>
</tr>
<tr>
<td>Homeownership loans</td>
<td>703,407</td>
<td>703,407</td>
</tr>
<tr>
<td>Homeownership counseling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single family housing development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affordable housing program services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total expenses</td>
<td>1,453,662</td>
<td>1,444,477</td>
</tr>
</tbody>
</table>

### CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>2,196,146</td>
<td>2,120,601</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total net assets - end of year</td>
<td>2,669,105</td>
<td>2,554,527</td>
</tr>
</tbody>
</table>

### Appendix

See independent auditors' report.