



AND AFFILIATES

**CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

JUST-A-START CORPORATION AND AFFILIATES

Contents
December 31, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors of
Just-A-Start Corporation and Affiliates:

Report on the Consolidating Financial Statements

We have audited the accompanying consolidating financial statements of Just-A-Start Corporation (a Massachusetts corporation, not for profit) (JAS) and Affiliates (collectively, the Agency), which comprise the consolidating statements of financial position as of December 31, 2018 and 2017, and the related consolidating statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidating financial statements based on our audits. We did not audit the financial statements of the Rental Properties of the Agency, with the exception of JAS Properties (see page 18) and Next Step Housing Corporation, which we audited as of and for the years ended December 31, 2018 and 2017, and St. Patricks Place Limited Partnership, Putnam Place Limited Partnership and Churchill Court Limited Partnership, which we audited as of and for the year ended December 31, 2018, and month ended December 31, 2017. The remainder of the financial statements of the Rental Properties were audited by other auditors, whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for the Rental Properties, 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 audits to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating 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 reports of the other auditors, the consolidating financial statements referred to on page one present fairly, in all material respects, the consolidating financial position of Just-A-Start Corporation and Affiliates as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years the ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The supplementary information shown on pages 48 through 52 is presented for purposes of additional analysis and is not a required part of the consolidating 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 consolidating financial statements. The information related to JAS Properties and Next Step Housing Corporation as of and for the years ended December 31, 2018 and 2017, and the information related to St. Patricks Place Limited Partnership, Putnam Place Limited Partnership and Churchill Court Limited Partnership as of and for the year ended December 31, 2018, and month ended December 31, 2017, has been subjected to auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating 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 related to this entity is fairly stated in all material respects to the consolidating financial statements as a whole. In our opinion, the supplementary information which insofar as it relates to the Rental Properties of the Agency, aside from JAS Properties and Next Step Housing Corporation as of and for the years ended December 31, 2018 and 2017, and St. Patricks Place Limited Partnership, Putnam Place Limited Partnership and Churchill Court Limited Partnership as of and for the year ended December 31, 2018, and month ended December 31, 2017, is based on the reports of other auditors, is fairly stated in all material respects to the consolidating financial statements as a whole.



Boston, Massachusetts
June 19, 2019

JUST-A-START CORPORATION AND AFFILIATES

Consolidating Statements of Financial Position
December 31, 2018 and 2017

| Assets | 2018 | | | | 2017 | | | |
|---|---------------|-------------------------------|----------------|----------------|---------------|-------------------------------|----------------|----------------|
| | Just-A-Start | | Eliminations | Total | Just-A-Start | | Eliminations | Total |
| | Operating | Rental Properties (Exhibit A) | | | Operating | Rental Properties (Exhibit A) | | |
| Current Assets: | | | | | | | | |
| Cash and cash equivalents | \$ 3,445,844 | \$ 2,936,786 | \$ - | \$ 6,382,630 | \$ 2,769,776 | \$ 3,102,484 | \$ - | \$ 5,872,260 |
| Rent receivable | - | 633,846 | - | 633,846 | - | 201,722 | - | 201,722 |
| Escrows | - | 272,447 | - | 272,447 | - | 251,940 | - | 251,940 |
| Accounts and grants receivable | 1,392,434 | - | - | 1,392,434 | 1,289,310 | - | - | 1,289,310 |
| Current portion of notes receivable | 231,441 | - | - | 231,441 | 355,551 | - | - | 355,551 |
| Current portion of due from affiliates | 1,131,964 | - | (1,131,964) | - | 2,624,870 | 623,624 | (3,248,494) | - |
| Prepaid expenses and other | 100,660 | 133,591 | - | 234,251 | 57,087 | 81,563 | - | 138,650 |
| Current portion of projects under development | 2,297,817 | - | - | 2,297,817 | 2,360,785 | - | - | 2,360,785 |
| Total current assets | 8,600,160 | 3,976,670 | (1,131,964) | 11,444,866 | 9,457,379 | 4,261,333 | (3,248,494) | 10,470,218 |
| Other Assets: | | | | | | | | |
| Restricted deposits | 6,189,886 | 4,522,942 | - | 10,712,828 | 5,750,451 | 2,248,235 | - | 7,998,686 |
| Investments in marketable securities | 3,837,331 | - | - | 3,837,331 | - | - | - | - |
| Due from affiliates, net of current portion | 131,533 | 4,728,616 | (4,860,149) | - | 271,702 | 4,622,435 | (4,894,137) | - |
| Investment in affiliates | 48,855 | - | (48,855) | - | 83,920 | - | (83,920) | - |
| Notes receivable, net of current portion | 3,214,725 | - | - | 3,214,725 | 3,412,056 | - | - | 3,412,056 |
| Notes and interest receivable - affiliates, net current portion and valuation allowance | 460,000 | - | (460,000) | - | 460,000 | - | (460,000) | - |
| Projects under development, net of current portion | 1,239,158 | 13,121,292 | - | 14,360,450 | 1,092,662 | 3,129,678 | - | 4,222,340 |
| Capitalized costs, net | - | 644,500 | - | 644,500 | - | 655,041 | - | 655,041 |
| Total other assets | 15,121,488 | 23,017,350 | (5,369,004) | 32,769,834 | 11,070,791 | 10,655,389 | (5,438,057) | 16,288,123 |
| Property and Equipment, net | 808,183 | 85,209,129 | (1,268,529) | 84,748,783 | 911,516 | 76,967,683 | - | 77,879,199 |
| Total assets | \$ 24,529,831 | \$ 112,203,149 | \$ (7,769,497) | \$ 128,963,483 | \$ 21,439,686 | \$ 91,884,405 | \$ (8,686,551) | \$ 104,637,540 |
| Liabilities, Net Assets and Non-Controlling Interests | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Current portion of long-term debt | \$ 1,557,565 | \$ 417,541 | \$ - | \$ 1,975,106 | \$ 1,900,121 | \$ 7,969,381 | \$ - | \$ 9,869,502 |
| Current portion of contingent debt | - | 112,381 | - | 112,381 | - | 359,422 | - | 359,422 |
| Current portion of accounts payable, accrued expenses and other | 716,240 | 4,750,099 | - | 5,466,339 | 479,277 | 1,540,031 | - | 2,019,308 |
| Current portion of due to affiliates | - | 1,131,964 | (1,131,964) | - | 435,131 | 2,813,363 | (3,248,494) | - |
| Total current liabilities | 2,273,805 | 6,411,985 | (1,131,964) | 7,553,826 | 2,814,529 | 12,682,197 | (3,248,494) | 12,248,232 |
| Long-term Liabilities: | | | | | | | | |
| Accounts payable, accrued expenses and other, net of current portion | - | 1,657,229 | - | 1,657,229 | - | - | - | - |
| Long-term debt, net | 259,305 | 50,931,006 | - | 51,190,311 | 959,426 | 33,569,496 | - | 34,528,922 |
| Contractual advances | 3,530,201 | - | - | 3,530,201 | 3,507,124 | - | - | 3,507,124 |
| Due to affiliates, net of current portion | 4,728,615 | 703,090 | (5,431,705) | - | 4,622,435 | 941,048 | (5,563,483) | - |
| Contingent debt and deferred interest, net of current portion | 460,000 | 40,970,892 | (10,842,866) | 30,588,026 | 460,000 | 37,080,991 | (9,193,796) | 28,347,195 |
| Total long-term liabilities | 8,978,121 | 94,262,217 | (16,274,571) | 86,965,767 | 9,548,985 | 71,591,535 | (14,757,279) | 66,383,241 |
| Total liabilities | 11,251,926 | 100,674,202 | (17,406,535) | 94,519,593 | 12,363,514 | 84,273,732 | (18,005,773) | 78,631,473 |
| Net Assets and Non-Controlling Interests: | | | | | | | | |
| Without donor restrictions: | | | | | | | | |
| Operating | 8,963,889 | 4,629,335 | - | 13,593,224 | 6,321,736 | 3,616,781 | - | 9,938,517 |
| Loan capital | 476,566 | - | - | 476,566 | - | - | - | - |
| Real estate development | 1,676,402 | - | - | 1,676,402 | 857,002 | - | - | 857,002 |
| Property and equipment | 808,183 | 6,899,612 | (6,357,481) | 1,350,314 | 911,516 | 3,993,892 | 3,698,357 | 8,603,765 |
| Total without donor restrictions | 11,925,040 | 11,528,947 | (6,357,481) | 17,096,506 | 8,090,254 | 7,610,673 | 3,698,357 | 19,399,284 |
| With donor restrictions | 1,352,865 | - | - | 1,352,865 | 985,918 | - | - | 985,918 |
| Total Just-A-Start and Affiliates' net assets | 13,277,905 | 11,528,947 | (6,357,481) | 18,449,371 | 9,076,172 | 7,610,673 | 3,698,357 | 20,385,202 |
| Non-controlling interests | - | - | 15,994,519 | 15,994,519 | - | - | 5,620,865 | 5,620,865 |
| Total net assets and non-controlling interests | 13,277,905 | 11,528,947 | 9,637,038 | 34,443,890 | 9,076,172 | 7,610,673 | 9,319,222 | 26,006,067 |
| Total liabilities, net assets and non-controlling interests | \$ 24,529,831 | \$ 112,203,149 | \$ (7,769,497) | \$ 128,963,483 | \$ 21,439,686 | \$ 91,884,405 | \$ (8,686,551) | \$ 104,637,540 |

The accompanying notes are an integral part of these consolidating statements.

JUST-A-START CORPORATION AND AFFILIATES

Consolidating Statements of Activities
For the Years Ended December 31, 2018 and 2017

| | 2018 | | | | 2017 | | | |
|---|--------------|-------------------------------|----------------|---------------|--------------|-------------------------------|--------------|--------------|
| | Just-A-Start | Rental Properties (Exhibit B) | Eliminations | Total | Just-A-Start | Rental Properties (Exhibit B) | Eliminations | Total |
| | Operating | | | | Operating | | | |
| Net Assets Without Donor Restrictions: | | | | | | | | |
| Operating revenues: | | | | | | | | |
| Rental income | \$ - | \$ 10,774,685 | \$ - | \$ 10,774,685 | \$ - | \$ 9,776,610 | \$ - | \$ 9,776,610 |
| Contracts | 2,461,436 | - | - | 2,461,436 | 2,685,786 | - | - | 2,685,786 |
| Grants and contributions | 916,532 | - | - | 916,532 | 653,582 | - | - | 653,582 |
| Developer and other service fees | 2,563,086 | - | (1,823,994) | 739,092 | 2,796,720 | - | (701,424) | 2,095,296 |
| Interest income and other | 115,931 | 134,600 | (190,958) | 59,573 | 398,820 | 244,291 | (144,364) | 498,747 |
| Net assets released from purpose restriction | 81,642 | - | - | 81,642 | 149,314 | - | - | 149,314 |
| Total operating revenues | 6,138,627 | 10,909,285 | (2,014,952) | 15,032,960 | 6,684,222 | 10,020,901 | (845,788) | 15,859,335 |
| Operating expenses: | | | | | | | | |
| Education and training | 2,131,934 | - | - | 2,131,934 | 2,034,890 | - | - | 2,034,890 |
| Housing resources | 1,282,577 | - | - | 1,282,577 | 1,078,088 | - | - | 1,078,088 |
| Real estate development | 901,679 | - | - | 901,679 | 992,098 | - | - | 992,098 |
| Rental housing | - | 8,014,914 | (555,465) | 7,459,449 | - | 7,694,323 | (556,984) | 7,137,339 |
| General and administrative | 1,029,692 | - | - | 1,029,692 | 918,768 | - | - | 918,768 |
| Fundraising | 375,930 | - | - | 375,930 | 252,835 | - | - | 252,835 |
| Total operating expenses before interest - amortization and depreciation and amortization | 5,721,812 | 8,014,914 | (555,465) | 13,181,261 | 5,276,679 | 7,694,323 | (556,984) | 12,414,018 |
| Interest - amortization | - | 93,651 | - | 93,651 | - | 120,281 | - | 120,281 |
| Depreciation and amortization | 145,283 | 3,013,361 | - | 3,158,644 | 127,623 | 2,395,057 | - | 2,522,680 |
| Total operating expenses | 5,867,095 | 11,121,926 | (555,465) | 16,433,556 | 5,404,302 | 10,209,661 | (556,984) | 15,056,979 |
| Changes in net assets without donor restrictions from operations | 271,532 | (212,641) | (1,459,487) | (1,400,596) | 1,279,920 | (188,760) | (288,804) | 802,356 |
| Other income (expense): | | | | | | | | |
| Net assets released from capital restriction | 50,000 | - | - | 50,000 | - | - | - | - |
| Gain on involuntary conversion | - | - | - | - | - | 870,908 | - | 870,908 |
| Donated property | - | - | - | - | 251,400 | - | - | 251,400 |
| Recovery of notes and developer fees receivable | 97,770 | - | (97,770) | - | 86,016 | - | (86,016) | - |
| Loss on non-recoverable capitalized costs | - | - | - | - | (20,363) | - | - | (20,363) |
| Other non-operating expenses | - | - | - | - | - | (180,524) | - | (180,524) |
| Reserve for uncollectible interest receivable | - | - | - | - | (1,006,572) | - | 1,006,572 | - |
| Investment loss | (157,730) | - | - | (157,730) | - | - | - | - |
| Deferred interest | - | (1,074,451) | 524,346 | (550,105) | - | (691,321) | 288,075 | (403,246) |
| Total other income (expense) | (9,960) | (1,074,451) | 426,576 | (657,835) | (689,519) | (937) | 1,208,631 | 518,175 |
| Changes in net assets without donor restrictions from continuing operations | 261,572 | (1,287,092) | (1,032,911) | (2,058,431) | 590,401 | (189,697) | 919,827 | 1,320,531 |
| Loss on Discontinued Operations | - | - | - | - | (49,141) | - | - | (49,141) |
| Changes in net assets without donor restrictions | 261,572 | (1,287,092) | (1,032,911) | (2,058,431) | 541,260 | (189,697) | 919,827 | 1,271,390 |
| Net Assets With Donor Restrictions: | | | | | | | | |
| Grants and contributions | 498,589 | - | - | 498,589 | 101,227 | - | - | 101,227 |
| Net assets released from purpose restrictions | (131,642) | - | - | (131,642) | (149,314) | - | - | (149,314) |
| Changes in net assets with donor restrictions | 366,947 | - | - | 366,947 | (48,087) | - | - | (48,087) |
| Changes in net assets | 628,519 | (1,287,092) | (1,032,911) | (1,691,484) | 493,173 | (189,697) | 919,827 | 1,223,303 |
| Changes in Net Assets Attributable to Non-Controlling Interests | - | 1,033,428 | - | 1,033,428 | - | 839,550 | - | 839,550 |
| Changes in net assets attributable to Just-A-Start Corporation | \$ 628,519 | \$ (253,664) | \$ (1,032,911) | \$ (658,056) | \$ 493,173 | \$ 649,853 | \$ 919,827 | \$ 2,062,853 |

The accompanying notes are an integral part of these consolidating statements.

JUST-A-START CORPORATION AND AFFILIATES

Consolidating Statements of Changes in Net Assets
For the Years Ended December 31, 2018 and 2017

| | Just-A-Start and Consolidated Entities' Net Assets | | | | | |
|--------------------------------------|---|--|------------------------------|-----------------------------|--|-----------------------------|
| | Operating | Rental Properties (Exhibit C) | Eliminations | Total | Non- Controlling Interest | Total |
| Net Assets, December 31, 2016 | \$ 8,612,999 | \$ 17,567,885 | \$ (3,463,505) | \$ 22,717,379 | \$ 6,526,998 | \$ 29,244,377 |
| Syndication of JAS Consolidated | (30,000) | (9,593,646) | 5,228,616 | (4,395,030) | - | (4,395,030) |
| Changes in net assets | 493,173 | (189,697) | 1,759,377 | 2,062,853 | (839,550) | 1,223,303 |
| Syndication costs | - | (53,798) | 53,798 | - | (53,798) | (53,798) |
| Distributions | - | (120,071) | 120,071 | - | (12,785) | (12,785) |
| Net Assets, December 31, 2017 | 9,076,172 | 7,610,673 | 3,698,357 | 20,385,202 | 5,620,865 | 26,006,067 |
| Capital contributions | - | 11,464,731 | (11,464,731) | - | 11,464,731 | 11,464,731 |
| Changes in net assets | 628,519 | (1,287,092) | 517 | (658,056) | (1,033,428) | (1,691,484) |
| Net asset transfer | 419,724 | (419,724) | - | - | - | - |
| Syndication of TCBLCC | 2,780,257 | (5,352,244) | 1,294,212 | (1,277,775) | 56,513 | (1,221,262) |
| Syndication costs | - | (97,417) | 97,417 | - | (97,417) | (97,417) |
| Distributions | 373,233 | (389,980) | 16,747 | - | (16,745) | (16,745) |
| Net Assets, December 31, 2018 | <u>\$ 13,277,905</u> | <u>\$ 11,528,947</u> | <u>\$ (6,357,481)</u> | <u>\$ 18,449,371</u> | <u>\$ 15,994,519</u> | <u>\$ 34,443,890</u> |

The accompanying notes are an integral part of these consolidating statements.

JUST-A-START CORPORATION AND AFFILIATES

Consolidating Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

| | 2018 | | | | 2017 | | | |
|--|--------------|-------------------|----------------|----------------|--------------|-------------------|----------------|---------------|
| | Just-A-Start | | Eliminations | Total | Just-A-Start | | Eliminations | Total |
| | Operating | Rental Properties | | | Operating | Rental Properties | | |
| Cash Flows from Operating Activities: | | | | | | | | |
| Changes in net assets | \$ 628,519 | \$ (1,287,092) | \$ (1,032,911) | \$ (1,691,484) | \$ 493,173 | \$ (189,697) | \$ 919,827 | \$ 1,223,303 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | | | | | | | |
| Interest - amortization | - | 93,651 | - | 93,651 | - | 120,281 | - | 120,281 |
| Depreciation and amortization | 145,283 | 3,013,361 | - | 3,158,644 | 127,623 | 2,395,057 | - | 2,522,680 |
| Bad debts | 11,926 | 1,150 | - | 13,076 | 9,188 | 14,901 | - | 24,089 |
| Gain on involuntary conversion | - | - | - | - | - | (870,908) | - | (870,908) |
| Recovery of notes and developer fees receivable | (97,770) | - | 97,770 | - | (86,016) | - | 86,016 | - |
| Donated property | - | - | - | - | (251,400) | - | - | (251,400) |
| Loss on non-recoverable capitalized costs | - | - | - | - | 20,363 | - | - | 20,363 |
| Deferred interest | - | 1,074,451 | (524,346) | 550,105 | - | 691,321 | (288,075) | 403,246 |
| Net realized and unrealized loss on investments | 168,529 | - | - | 168,529 | - | - | - | - |
| Reserve for uncollectible interest receivable | - | - | - | - | 1,006,572 | - | (1,006,572) | - |
| Changes in operating assets and liabilities: | | | | | | | | |
| Rent receivable | - | (433,274) | - | (433,274) | - | (128,073) | - | (128,073) |
| Escrows | - | (20,507) | - | (20,507) | - | (52,384) | - | (52,384) |
| Accounts and grants receivable | (115,050) | - | - | (115,050) | (595,834) | - | - | (595,834) |
| Due from affiliates | 1,633,075 | 97,719 | (1,730,794) | - | (141,461) | 311,507 | (170,046) | - |
| Prepaid expenses and other | (43,573) | (52,028) | - | (95,601) | 72,285 | 18,804 | - | 91,089 |
| Accounts payable, accrued expenses and other | 236,963 | 3,214,566 | - | 3,451,529 | 105,024 | 256,179 | - | 361,203 |
| Due to affiliates | 90,773 | (1,919,357) | 1,828,584 | - | - | 78,100 | (78,100) | - |
| Net cash provided by operating activities | 2,658,675 | 3,782,640 | (1,361,697) | 5,079,618 | 759,517 | 2,645,088 | (536,950) | 2,867,655 |
| Cash Flows from Investing Activities: | | | | | | | | |
| Purchase of property and equipment | (41,950) | (11,079,534) | 1,268,529 | (9,852,955) | (30,498) | (13,530,431) | - | (13,560,929) |
| Proceeds from sale of property | - | - | - | - | 920,857 | - | - | 920,857 |
| Proceeds from sale of investments | 229,795 | - | - | 229,795 | - | - | - | - |
| Investment in affiliate | 35,065 | - | (35,065) | - | - | - | - | - |
| Cash recovery of notes and developer fees receivable - affiliate | 97,770 | - | (97,770) | - | 231,328 | - | (231,328) | - |
| Expenditures related to involuntary conversion | - | - | - | - | - | (78,569) | - | (78,569) |
| Purchase of projects under development | (83,528) | (9,991,614) | - | (10,075,142) | (904,172) | (3,129,678) | - | (4,033,850) |
| Purchase of investments | (4,235,655) | - | - | (4,235,655) | - | - | - | - |
| Net change in notes receivable | 321,441 | - | - | 321,441 | 180,331 | - | - | 180,331 |
| (Increase) decrease in restricted deposits | (439,435) | (2,274,707) | - | (2,714,142) | (4,303,717) | 995,237 | - | (3,308,480) |
| Due to/from affiliates | - | - | - | - | 3,196,452 | (3,696,452) | 500,000 | - |
| Transaction costs for syndication of the Close Building LLC | - | (221,262) | - | (221,262) | - | - | - | - |
| Transaction costs for syndication of JAS Consolidated | - | - | - | - | - | (354,147) | - | (354,147) |
| Net cash used in investing activities | (4,116,497) | (23,567,117) | 1,135,694 | (26,547,920) | (709,419) | (19,794,040) | 268,672 | (20,234,787) |
| Cash Flows from Financing Activities: | | | | | | | | |
| Proceeds from long-term debt and contingent debt | 109,191 | 22,708,340 | (1,124,724) | 21,692,807 | 661,243 | 19,094,337 | - | 19,755,580 |
| Collection of insurance proceeds | - | - | - | - | - | 4,805,901 | - | 4,805,901 |
| Debt issuance costs | - | (445,675) | - | (445,675) | - | (217,207) | - | (217,207) |
| Increase in contractual advance | 23,077 | - | - | 23,077 | 25,993 | - | - | 25,993 |
| Principal payments of long-term debt and contingent debt | (1,151,868) | (7,998,695) | - | (9,150,563) | (1,156,339) | (4,142,087) | 122,312 | (5,176,114) |
| Capitalized costs | - | - | - | - | - | (602,266) | - | (602,266) |
| Syndication costs | - | (97,417) | - | (97,417) | - | (53,798) | - | (53,798) |
| Advance from investor member | - | 1,643,707 | - | 1,643,707 | - | - | - | - |
| Capital contributions | - | 9,329,481 | - | 9,329,481 | - | - | - | - |
| Distributions - CBALP | 2,780,257 | (5,130,982) | 1,350,725 | (1,000,000) | - | - | - | - |
| Distributions | 373,233 | (389,980) | 2 | (16,745) | - | (549,843) | 145,966 | (403,877) |
| Net cash provided by (used in) financing activities | 2,133,890 | 19,618,779 | 226,003 | 21,978,672 | (469,103) | 18,335,037 | 268,278 | 18,134,212 |
| Net Change in Cash and Cash Equivalents | 676,068 | (165,698) | - | 510,370 | (419,005) | 1,186,085 | - | 767,080 |
| Cash and Cash Equivalents: | | | | | | | | |
| Beginning of year | 2,769,776 | 3,102,484 | - | 5,872,260 | 3,188,781 | 1,916,399 | - | 5,105,180 |
| End of year | \$ 3,445,844 | \$ 2,936,786 | \$ - | \$ 6,382,630 | \$ 2,769,776 | \$ 3,102,484 | \$ - | \$ 5,872,260 |
| Supplemental Disclosure of Cash Flow Information: | | | | | | | | |
| Cash paid for interest | \$ 220 | \$ 1,438,286 | \$ - | \$ 1,438,506 | \$ 5,293 | \$ 1,435,545 | \$ - | \$ 1,440,838 |
| Supplemental Disclosure of Non-Cash Investing and Financing Transactions: | | | | | | | | |
| Note issuance on sale of real estate | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,685,343 | \$ (4,685,343) | \$ - |
| Contingent debt assigned as part of sale of property | \$ - | \$ - | \$ - | \$ - | \$ 630,000 | \$ - | \$ - | \$ 630,000 |
| Long-term debt converted to equity | \$ - | \$ 2,135,250 | \$ - | \$ 2,135,250 | \$ - | \$ - | \$ - | \$ - |
| Projects under development placed in service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 18,549,479 | \$ - | \$ 18,549,479 |

The accompanying notes are an integral part of these consolidating statements.

JUST-A-START CORPORATION AND AFFILIATES

 Consolidating Statement of Functional Expenses
 For the Year Ended December 31, 2018

| | Just-A-Start | | | | | Total | Rental Properties (Exhibit B) | Eliminations | Total |
|--|---------------------------------------|------------------------------|------------------------------------|---------------------------------------|--------------------|---------------------|--|---------------------|----------------------|
| | Program Services | | | Supporting Services | | | | | |
| | Education and Training | Housing Resources | Real Estate Development | General and Administrative | Fundraising | | | | |
| Personnel and Related: | | | | | | | | | |
| Salaries | \$ 1,310,358 | \$ 559,719 | \$ 605,252 | \$ 378,520 | \$ 144,488 | \$ 2,998,337 | \$ - | \$ - | \$ 2,998,337 |
| Contract labor | 57,295 | 27,250 | - | 732 | - | 85,277 | 1,613,810 | - | 1,699,087 |
| Employee benefits | 166,400 | 77,556 | 79,471 | 83,023 | 16,883 | 423,333 | - | - | 423,333 |
| Payroll taxes | 116,281 | 51,419 | 52,028 | 46,110 | 14,315 | 280,153 | - | - | 280,153 |
| Total personnel and related | 1,650,334 | 715,944 | 736,751 | 508,385 | 175,686 | 3,787,100 | 1,613,810 | - | 5,400,910 |
| Occupancy: | | | | | | | | | |
| Interest | - | 220 | - | - | - | 220 | 1,438,286 | - | 1,438,506 |
| Utilities | 15,800 | 3,461 | 546 | 3,808 | - | 23,615 | 1,258,075 | - | 1,281,690 |
| Contracted services | - | - | - | - | - | - | 1,413,736 | (433,877) | 979,859 |
| Repairs and maintenance | 5,142 | 24 | 506 | 4,511 | - | 10,183 | 362,615 | - | 372,798 |
| Insurance | 14,449 | - | 790 | 21,710 | - | 36,949 | 329,989 | - | 366,938 |
| Real estate taxes | - | - | - | - | - | - | 323,078 | - | 323,078 |
| Rents | 91,115 | 6,462 | 37,495 | 9,343 | 900 | 145,315 | 4,386 | - | 149,701 |
| Total occupancy | 126,506 | 10,167 | 39,337 | 39,372 | 900 | 216,282 | 5,130,165 | (433,877) | 4,912,570 |
| Other Expenses: | | | | | | | | | |
| Professional fees | 31,186 | 63,315 | 70,911 | 314,169 | 47,942 | 527,523 | 305,556 | - | 833,079 |
| Program and client expenses | 121,079 | 430,075 | - | - | 621 | 551,775 | - | - | 551,775 |
| Management fees | - | - | - | - | - | - | 656,970 | (121,588) | 535,382 |
| Office and other | 51,798 | 13,613 | 7,237 | 55,930 | 132,575 | 261,153 | 149,903 | - | 411,056 |
| Miscellaneous | 30,566 | 19,306 | 20,131 | 47,936 | 18,107 | 136,046 | 97,477 | - | 233,523 |
| Telephone and communications | 57,329 | 21,305 | 15,386 | 63,900 | 99 | 158,019 | 59,883 | - | 217,902 |
| Grant expense | 33,400 | 8,852 | - | - | - | 42,252 | - | - | 42,252 |
| Vehicle | 29,736 | - | - | - | - | 29,736 | - | - | 29,736 |
| Bad debts | - | - | 11,926 | - | - | 11,926 | 1,150 | - | 13,076 |
| Total other expenses | 355,094 | 556,466 | 125,591 | 481,935 | 199,344 | 1,718,430 | 1,270,939 | (121,588) | 2,867,781 |
| Total expenses before interest - amortization and depreciation and amortization | 2,131,934 | 1,282,577 | 901,679 | 1,029,692 | 375,930 | 5,721,812 | 8,014,914 | (555,465) | 13,181,261 |
| Interest - Amortization | - | - | - | - | - | - | 93,651 | - | 93,651 |
| Depreciation and Amortization | 86,287 | - | - | 58,996 | - | 145,283 | 3,013,361 | - | 3,158,644 |
| Total expenses | \$ 2,218,221 | \$ 1,282,577 | \$ 901,679 | \$ 1,088,688 | \$ 375,930 | \$ 5,867,095 | \$ 11,121,926 | \$ (555,465) | \$ 16,433,556 |

The accompanying notes are an integral part of these consolidating statements.

JUST-A-START CORPORATION AND AFFILIATES

 Consolidating Statement of Functional Expenses
 For the Year Ended December 31, 2017

| | Just-A-Start | | | | | Total | Rental Properties (Exhibit B) | Eliminations | Total |
|---|------------------------------|----------------------|----------------------------|-------------------------------|-------------|--------------|-------------------------------------|--------------|---------------|
| | Program Services | | | Supporting Services | | | | | |
| | Education and Training | Housing Resources | Real Estate Development | General and Administrative | Fundraising | | | | |
| Personnel and Related: | | | | | | | | | |
| Salaries | \$ 1,221,630 | \$ 550,762 | \$ 603,315 | \$ 522,236 | \$ 136,025 | \$ 3,033,968 | \$ - | \$ - | \$ 3,033,968 |
| Contract labor | 7,202 | - | - | - | - | 7,202 | 1,479,680 | - | 1,486,882 |
| Employee benefits | 111,411 | 79,980 | 91,944 | 71,247 | 18,303 | 372,885 | - | - | 372,885 |
| Payroll taxes | 101,206 | 45,628 | 49,982 | 43,265 | 11,269 | 251,350 | - | - | 251,350 |
| Total personnel and related | 1,441,449 | 676,370 | 745,241 | 636,748 | 165,597 | 3,665,405 | 1,479,680 | - | 5,145,085 |
| Occupancy: | | | | | | | | | |
| Interest | 5,293 | - | - | - | - | 5,293 | 1,435,545 | - | 1,440,838 |
| Utilities | 16,507 | 1,939 | 712 | 4,592 | 594 | 24,344 | 1,055,167 | - | 1,079,511 |
| Contracted services | - | - | - | - | - | - | 1,340,062 | (400,911) | 939,151 |
| Repairs and maintenance | 5,489 | - | - | 11,177 | - | 16,666 | 412,069 | - | 428,735 |
| Insurance | 23,744 | 5,224 | 5,413 | 14,421 | 1,256 | 50,058 | 301,953 | - | 352,011 |
| Real estate taxes | - | - | - | - | - | - | 406,224 | - | 406,224 |
| Rents | 106,430 | 20,799 | 30,754 | 20,053 | 2,066 | 180,102 | 4,439 | - | 184,541 |
| Total occupancy | 157,463 | 27,962 | 36,879 | 50,243 | 3,916 | 276,463 | 4,955,459 | (400,911) | 4,831,011 |
| Other Expenses: | | | | | | | | | |
| Professional fees | 108,026 | 78,825 | 147,490 | 140,919 | 43,343 | 518,603 | 245,277 | - | 763,880 |
| Program and client expenses | 99,074 | 212,158 | 228 | 1,897 | 878 | 314,235 | - | - | 314,235 |
| Management fees | - | - | - | - | - | - | 653,750 | (156,073) | 497,677 |
| Office and other | 91,522 | 23,850 | 23,853 | 65,496 | 15,749 | 220,470 | 136,422 | - | 356,892 |
| Miscellaneous | 10,696 | 31,689 | 7,936 | 5,507 | 15,969 | 71,797 | 159,561 | - | 231,358 |
| Telephone and communications | 59,141 | 26,928 | 21,083 | 17,939 | 7,383 | 132,474 | 49,273 | - | 181,747 |
| Grant expense | 35,125 | - | - | - | - | 35,125 | - | - | 35,125 |
| Vehicle | 32,394 | 306 | 200 | 19 | - | 32,919 | - | - | 32,919 |
| Bad debts | - | - | 9,188 | - | - | 9,188 | 14,901 | - | 24,089 |
| Total other expenses | 435,978 | 373,756 | 209,978 | 231,777 | 83,322 | 1,334,811 | 1,259,184 | (156,073) | 2,437,922 |
| Total expenses before interest - amortization and depreciation and amortization | 2,034,890 | 1,078,088 | 992,098 | 918,768 | 252,835 | 5,276,679 | 7,694,323 | (556,984) | 12,414,018 |
| Interest - Amortization | - | - | - | - | - | - | 120,281 | - | 120,281 |
| Depreciation and Amortization | 93,921 | - | - | 33,702 | - | 127,623 | 2,395,057 | - | 2,522,680 |
| Total expenses | \$ 2,128,811 | \$ 1,078,088 | \$ 992,098 | \$ 952,470 | \$ 252,835 | \$ 5,404,302 | \$ 10,209,661 | \$ (556,984) | \$ 15,056,979 |

The accompanying notes are an integral part of these consolidating statements.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

1. OPERATIONS AND NONPROFIT STATUS

Operations

Founded in 1968, Just-A-Start Corporation (JAS) is a Massachusetts nonprofit community development corporation dedicated to building the housing security and economic stability of low- to moderate-income people in Cambridge, Massachusetts (Cambridge) and nearby communities. Through innovative, comprehensive, and integrated programs, JAS provides and preserves affordable housing, offers education and workforce training for youth and adults, and builds community engagement. JAS's vision is a better future for all of its constituents - a secure home, a sustaining career, and engagement in the community.

JAS's goals are for all of its constituents to have access to:

A Secure Home: Increase housing stability for low- to moderate-income individuals and families. JAS is committed to expanding housing opportunities as a developer and owner of quality affordable housing. JAS also seeks to help local families stabilize and sustain affordable housing and enhance housing safety and quality for long-term housing security.

A Sustainable Career: Build economic resiliency and mobility for low- to moderate-income individuals and families. JAS helps people develop knowledge and marketable skills to take advantage of opportunities for a better future and attain economic stability.

An Engaged Community: Expand leadership opportunities and community engagement for low- to moderate-income individuals and families. JAS empowers people to use their voices and capabilities to strengthen their communities.

JAS is governed by a seventeen-member volunteer Board of Directors. The vast majority of Board members are residents of communities served by JAS, including residents of JAS housing and graduates of JAS education and training programs. JAS's operations are managed by an Executive Director with extensive experience in nonprofit leadership, including strategic planning for new services, facilities, and programs; advocacy, community relations, and financial management. JAS employs approximately forty-five staff members working in Cambridge. JAS's skilled staff includes teachers, case managers, licensed social workers, attorneys, trained mediators, construction managers, and project managers. Approximately thirty volunteers serve JAS each year, primarily in its YouthBuild program and its VITA tax site. JAS is supported by funding from a variety of public and private sources, grants, contracts, and fees.

JAS operates the following programs:

Rental Housing

Affordable Rental Housing and Resident Services

JAS develops, maintains, and owns 598 units of affordable rental housing for low- to moderate-income tenants in Cambridge and Somerville.

Real Estate Development

Asset Management

While the portfolio is managed by third-party property management companies, JAS has established an asset management department. This department is responsible for overseeing the property management companies to insure the physical and financial health of the portfolio and corporate facilities.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Operations (Continued)

Real Estate Development (Continued)

Homeownership Development

JAS develops homes, usually condominiums, for sale to first-time homebuyers. These units are generally affordable to families earning 60% to 80% of the area median income. All of these units are sold under an Affordable Housing Agreement with the City of Cambridge (the City), allowing the City to repurchase the units at the time of a future sale at a restricted resale price.

Condo Resale Program

There are more than 500 homeownership units in the City currently subject to Affordable Housing restrictions, including many developed by JAS. JAS manages the preservation, rehab, and resale when an owner decides to sell their unit. New buyers are selected from the Homeownership Resale Pool, which is administered by the City's Housing Division.

Education and Training

JAS YouthBuild

A comprehensive education, training, and service program for 17 to 24 year old youth who have dropped out of high school, providing the opportunity for them to earn their high school diploma or HiSET and gain leadership and workforce skills. Youth spend half their time in educational programs, including counseling and leadership development activities and half of their time learning construction skills working on professionally supervised housing renovation projects that benefit their community.

Biomedical Careers Program

This free, nine-month training prepares low- to moderate-income adults for entry-level jobs in the biotechnology, life sciences, and medical research industries. Training includes chemistry, biology, medical terminology, computers, and laboratory skills. Students also receive job readiness training and job search support. Graduates may be eligible to receive college credits through a partnership with Bunker Hill Community College.

IT Careers Program

This new workforces development program trains adults for careers in information technology (IT) in IT user support roles. The nine-month training includes classroom and internship experience.

Youth Programs

These programs provide high school youth and recent graduates with awareness of and preparation for future sustainable career pathways. By increasing the career readiness of youth, the programs impact academic performance by connecting the importance of education to future success and youth community involvement through direct service to the community and other local nonprofit organizations.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Operations (Continued)

Housing Resources

Home Improvement Program

Provides technical and financial assistance to Cambridge homeowners of one to four unit properties looking to renovate their house, condominium, or small rental property. JAS's experienced rehab specialists guide clients through the entire process, from application to completion. Financial assistance is limited to those earning up to 120% of area median income.

Housing Stabilization Services

Work with at-risk tenants, landlords, and low-income condo owners to support housing stability and prevent homelessness through mediation, emergency financial assistance, and legal services. JAS also provides workshops for tenants and landlords and agency trainings for skills development to support homelessness prevention.

Resident Services

Resident services for tenants of JAS's affordable rental properties include community activities, education and supportive services (such as ESOL and computer classes and support groups), and referral services to tenants and assists property management in addressing resident issues.

Financial Opportunity Program

Financial capability education and services are integrated into the JAS work with residents, community members and YouthBuild students.

Nonprofit Status

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

2. SIGNIFICANT ACCOUNTING POLICIES

JAS prepares its consolidating financial statements in accordance with generally accepted accounting standards (U.S. GAAP) and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Consolidation

The accompanying consolidating financial statements include the accounts of JAS, its wholly-owned and majority-owned subsidiaries, and certain controlled limited partnerships (LPs), limited liability corporations (LLCs), and nonprofit organizations (NPOs) that own and operate real estate developments sponsored by JAS (see Note 3). All significant intercompany balances and transactions have been eliminated in the accompanying consolidating financial statements. The related organizations are collectively referred to as the Affiliates in the accompanying consolidating financial statements and notes.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of consolidating financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidating financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the consolidating statements of cash flows, management considers all cash and unrestricted, highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents, except those amounts that are included in the JAS's investments in marketable securities (see Note 6).

Pursuant to the seller reserve loan note agreement, Close Building Associates Limited Partnership (see page 19) will advance \$226,000 of rehabilitation loan proceeds to The Close Building LLC (CBALP) (see page 20). As of December 31, 2018, JAS held this cash but will transfer it to CBALP upon the financing. The amounts are included in cash and cash equivalents and accounts payable, accrued expenses and other in the accompanying 2018 consolidating statement of financial position.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any (see Notes 3 and 5).

Investments in Marketable Securities

Investments in marketable securities are recorded in the consolidating financial statements at fair value using Level 1 and 2 inputs (see page 15 and Note 6). Investment income consists of interest, dividends and realized and unrealized gains and losses on investments, net of investment fees (see Note 6). Realized gains and losses on investment transactions are recorded based on the average cost method. Unrealized gains and losses are recognized based on market value changes during the period. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date.

Projects Under Development

All real estate and project-related costs incurred during construction are capitalized for developments currently owned by JAS or its Affiliates. These include construction, soft costs, interest, and other project-related costs and are reflected in projects under development (see Note 7) in the accompanying consolidating statements of financial position. Project-related costs paid for by JAS or its Affiliates for developments owned by other entities are included within due from affiliates (see Note 3) in the accompanying consolidating statements of financial position.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred (see Note 8).

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

Depreciation is calculated using the straight-line method over the following estimated useful lives:

| | |
|----------------------------|---------------|
| Buildings and improvements | 10 - 40 years |
| Equipment and furniture | 3 - 10 years |
| Vehicles | 3 - 5 years |

JAS and Affiliates account for the carrying value of their long-lived assets in accordance with standards pertaining to *Accounting for the Impairment or Disposal of Long-Lived Assets* under U.S. GAAP. The carrying value is evaluated annually for impairment and no impairment loss was recognized during 2018 and 2017.

Capitalized Costs and Amortization

Capitalized costs consist of deferred tax credit and leasing fees which have been capitalized and are amortized on the straight-line basis over the term of the tax credit compliance period or lease term, as applicable.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding and amortization is computed using an imputed interest rate on the related loan. Unamortized debt issuance costs are reported as a reduction of the corresponding obligation (see Notes 11 and 22).

Net Asset Classifications

Net Assets Without Donor Restriction

Net assets without donor restrictions consist of the following activities:

Operating net assets represent amounts that have no restrictions and are available as working capital for general operations. This category of net assets also includes net resources from real estate developments expected to be realized in the near term.

Loan Capital net assets represent amounts available for JAS's lending programs. Certain loans under JAS's HIP program that were previously funded by a line of credit are now funded by JAS, as JAS paid off the line of credit during 2018 (see Note 11).

Real Estate Development net assets represent that portion of assets invested in real estate development projects, net of related debt, which are expected to be realized in greater than one year.

Property and Equipment net assets represent that portion of resources, net of related liabilities, invested into long-term productive property and equipment.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Net Assets With Donor Restrictions

JAS receives grants and contributions which are designated by donors for specific purposes. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes. Capital restricted net assets include restricted grant funds that have been invested into the projects under development which are in process (see Note 7). To achieve an appropriate matching of revenues with related costs and expenses, it is JAS's policy to release these net assets from donor restriction, not when initially spent on project costs, but upon placement in service or final sale or disposition of the particular project.

Included in net assets with donor restrictions is restricted loan capital, which consists of capital resources available as revolving lending capital for JAS's City of Cambridge lending program. Interest earned on donor restricted loan capital increases the available capital balance while write-offs of uncollectible loan receivable balances reduce the available loan capital balance.

Net assets with donor restrictions consist of the following at December 31:

| | <u>2018</u> | <u>2017</u> |
|--------------------------|---------------------|-------------------|
| Loan capital | \$ 900,670 | \$ 841,954 |
| Other purpose restricted | 452,195 | 93,964 |
| Capital | <u>-</u> | <u>50,000</u> |
| | <u>\$ 1,352,865</u> | <u>\$ 985,918</u> |

Non-Controlling Interest

Non-controlling interest represents the equity interests in the syndicated rental properties (see Note 3) which are owned by unrelated investors.

Consolidating Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of affordable housing and program-related services are reported as operating revenues and operating expenses in the accompanying consolidating statements of activities. Other revenues (expenses) include capital and investment activity.

Revenue Recognition

Contracts are recognized over the term of the contract as services are provided. Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Grants and contributions with donor restrictions are recorded as donor restricted revenues and net assets when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in net assets without donor restrictions.

Project management and developer fees are recorded as earned based on the terms and timing stated in each developer fee agreement. Revenue recognition is limited for projects that are still in the predevelopment stage to distinguish them from projects that have secured financing. Due to the contingent nature of certain developer fees, some are discounted or not recognized until received or when collection is assured.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Rental income is recorded pro-rata over the life of the related leases and is shown net of vacancies and concessions. Interest income is recognized when earned. All other revenue is recognized when earned.

Donated Services and Property

During 2018, JAS received \$6,000 of donated services for its programs. These donations are reflected in the accompanying consolidating financial statements based upon the estimated value assigned by management and are included in grants and contributions and program and client expenses for the year ended December 31, 2018. JAS did not receive any donated services during 2017.

During 2017, JAS received a donation of a house from an unaffiliated third-party (see Note 7), which was recorded at its fair value of \$251,400. This amount is reflected as donated property in the accompanying consolidating statement of activities for the year ended December 31, 2017. Additional costs related to the renovation of this house have been capitalized and are included in projects under development in the accompanying consolidating statements of financial position.

Expense Allocation

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

The consolidating statements of functional expenses contain certain categories of expenses that are attributable to program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, payroll taxes, occupancy, and other costs, which are allocated based on an estimate of time and level of effort spent on JAS's programs and supporting functions.

Advertising Costs

JAS and Affiliates expense advertising costs as they are incurred.

Discontinued Operations

During April 2016, JAS's Board of Directors voted to discontinue operations of the Just-A-Start House Teen Parent Program (Just-A-Start House) effective April 30, 2016. As a result, management sold Just-A-Start House during 2017. The loss on property held for sale is reflected as loss from discontinued operations in the accompanying 2017 consolidating statement of activities.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

JAS and Affiliates follow the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that JAS and Affiliates would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

JAS and Affiliates use a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of JAS and Affiliates. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments in Marketable Securities

Investments in marketable securities are recorded in the consolidating financial statements at fair value. If an investment is directly held by JAS and an active market with quoted prices exists, the market price of an identical security is used to report fair value (Level 1 inputs). Values of bonds and government securities are determined using other observable inputs such as prevailing interest rates, the market demand for such securities, and the dates of maturity and purchase (Level 2 inputs).

Subsequent Events

Subsequent events have been evaluated through June 19, 2019, which is the date the consolidating financial statements were available to be issued. See Notes 3, 21, 22 and 23 for events that met the criteria for recognition and disclosure in the consolidating financial statements.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

As described in Note 1, JAS is exempt from income taxes under Section 501(c)(3) of the IRC. Certain affiliates of JAS are also exempt from income taxes under Sections 501(c)(3) and 501(c)(4) of the IRC (see Note 3). JAS has for-profit corporate affiliates (see Note 3) that are subject to income taxation at the Federal and state levels. The corporate affiliates had, for Federal income tax purposes, net operating loss carryforwards of approximately \$177,000 and \$176,000 available to offset future taxable income as of December 31, 2018 and 2017, respectively. The corporate affiliates had, for state income tax purposes, net operating loss carryforwards of approximately \$110,000 and \$109,000 available to offset future taxable income as of December 31, 2018 and 2017, respectively. The value of the deferred tax assets associated with net operating loss carryforwards has been reserved due to the uncertainty of their future use. No income tax provision has been included in the consolidating financial statements for for-profit affiliates taxed as partnerships, as the income, loss and credits are reported by the partners on their respective income tax returns.

JAS and Affiliates account for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidating financial statements regarding a tax position taken or expected to be taken in a tax return. JAS and Affiliates have determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidating financial statements at December 31, 2018 and 2017. JAS and Affiliates believe that they have appropriate support for the positions taken on their information and tax returns. However, JAS and Affiliates are generally subject to audit by tax authorities for the most recent three years.

3. RELATED PARTY TRANSACTIONS

Consolidated Entities

JAS and Affiliates' consolidating financial statements include the following entities:

Operating:

JAS Affordable Housing LLC (JAS Affordable), a Massachusetts limited liability company, formed during February 2012 to acquire and develop affordable housing projects. JAS is the sole member of JAS Affordable, which has elected to be disregarded as a separate entity from JAS for tax purposes. Costs associated with predevelopment activity are recorded in JAS Affordable and are generally recovered once the property is sold to a new ownership entity controlled by JAS.

JAS Homeownership LLC (JAS Homeownership), a Massachusetts limited liability company, formed in April 2014 to acquire deed-restricted condominiums in Cambridge under an agreement with the City. JAS is the sole member of JAS Homeownership, which has elected to be disregarded as a separate entity from JAS for tax purposes. The units are purchased and rehabilitated with funds advanced by the City and resold to qualified buyers provided by the City. JAS earns a predetermined fee per property for this service (see page 23 and Note 7).

Squirrelwood JAS LLC, a Massachusetts limited liability company, to acquire, hold, develop, manage, operate, invest in interests in real property, including projects located in Cambridge, in its capacity as a member or partner in any limited liability company or limited partnership organized. JAS owns 100% of Squirrelwood JAS LLC.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

3. RELATED PARTY TRANSACTIONS (Continued)

Consolidated Entities (Continued)

Operating: (Continued)

Squirrelwood LLC, a Massachusetts limited liability company, to acquire, hold, develop, manage, operate, invest in interests in real property, including projects located in Cambridge, in its capacity as a member or partner in any limited liability company or limited partnership organized. Squirrelwood JAS LLC is the sole member of Squirrelwood LLC.

Broadway Park Apartments LLC, a Massachusetts limited liability company, to acquire, hold, develop, manage, operate, invest in interests in real property, including projects located in Cambridge, in its capacity as a member or partner in any limited liability company or limited partnership organized. Next Step (see page 21) is the sole member of Broadway Park Apartments LLC.

Just-A-Start Holdings LLC, a Massachusetts limited liability company, to acquire, hold, develop, manage, operate, invest in, and deal with interests in real property, including projects located in Cambridge, in its capacity as a member or partner in any limited liability company or limited partnership organized. JAS owns 100% of Just-A-Start Holdings LLC.

General Partner Entities

General Partner Entities - JAS has other combined wholly-owned and majority-owned subsidiaries that serve as the general partners and managing members of the LPs and LLCs, which operate various low-income and subsidized housing projects, which were developed by JAS.

The following wholly-owned and majority-owned general partners of JAS are included in the consolidating financial statements:

- **St. Patricks/JAS, Inc.**, general partner of St. Patricks Place Limited Partnership.
- **Putnam/JAS, Inc.**, general partner of Putnam Place Limited Partnership.
- **Churchill/JAS, Inc.**, general partner of Churchill Court Limited Partnership.
- **JASDCDC, Inc.**, co-general partner of Close Building Associates Limited Partnership.
- **Squirrel/JAS, Inc.**, general partner of Squirrel Brand Limited Partnership.
- **Elm Place/JAS, Inc.**, general partner of Elm Place/JAS Limited Partnership.
- **Bishop Allen JAS, LLC**, managing member of Bishop Allen Apartments LLC.
- **Rindge Tower Apartments JAS, LLC**, managing member of Rindge Tower Apartments LLC.
- **JAS Consolidated MM LLC**, managing member of JAS Consolidated Properties LLC.
- **The Close Building MM LLC**, managing member of The Close Building LLC.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

3. RELATED PARTY TRANSACTIONS (Continued)

Consolidated Entities (Continued)

Rental Properties:

JAS Properties consists of thirty units of affordable residential housing that JAS owns directly. During 2017, fifty-eight units were sold to JAS Consolidated Properties LLC (see Note 18).

Directly Owned Limited Partnerships

St. Patricks Place Limited Partnership (St. Patricks), a Massachusetts limited partnership, which operated thirty-two units of affordable residential apartments in Cambridge. JAS controls 100% of St. Patricks' equity interests by 50% ownership as the limited partner and 50% as the general partner, St. Patricks/JAS, Inc. (see page 17). During 2017, substantially all real estate assets and related restricted deposits of St. Patricks were sold to the newly formed JAS Consolidated Properties LLC (see page 20 and Note 18).

Putnam Place Limited Partnership (Putnam Place), a Massachusetts limited partnership, which operated twelve units of affordable residential apartments located in Cambridge. The property was being operated pursuant to an Affordable Housing Agreement with the City. Putnam Place also entered into a Tax Credit Regulatory Agreement and Declaration of Restrictive Covenants with the Department of Housing and Community Development (DHCD). JAS controls 100% of Putnam Place's equity interests by 99% ownership as the limited partner and 1% as the general partner, Putnam/JAS, Inc. (see page 17). During 2017, substantially all real estate assets and related restricted deposits of Putnam Place were sold to JAS Consolidated Properties LLC (see page 20 and Note 18).

Churchill Court Limited Partnership (Churchill Court), a Massachusetts limited partnership, which owned and operated twelve units of affordable residential apartments in Cambridge. The property was being operated pursuant to an Affordable Housing Restriction Agreement with DHCD. Churchill Court also entered into a Tax Credit Regulatory Agreement and Declaration of Restrictive Covenants with DHCD. JAS controls 100% of Churchill Court's equity interests by 99.99% ownership as the limited partner and 0.01% as the general partner, Churchill/JAS, Inc. (see page 17). During 2017, substantially all real estate assets and related restricted deposits of Churchill Court were sold to JAS Consolidated Properties LLC (see page 20 and Note 18).

Squirrel Brand Limited Partnership (Squirrel Brand), a Massachusetts limited partnership, which operates twenty units of affordable residential apartments located in Cambridge. The property is being operated pursuant to an Affordable Housing Restriction Agreement with DHCD. The property is also being operated pursuant to an Affordable Housing Restriction Agreement with the City. Squirrel Brand entered into a Tax Credit Regulatory Agreement and Declaration of Restrictive Covenants with DHCD. JAS controls 100% of Squirrel Brand's equity interests by 99.99% ownership as the limited partner and 0.01% as the general partner, Squirrel/JAS, Inc. (see page 17).

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

3. RELATED PARTY TRANSACTIONS (Continued)

Consolidated Entities (Continued)

Rental Properties: (Continued)

Directly Owned Limited Partnerships (Continued)

Close Building Associates Limited Partnership (CBALP), a Massachusetts limited partnership, which operated sixty-one units of residential apartments located in Cambridge for low- and moderate-income families/individuals (the Close Building). Prior to December 31, 2016, JAS owned 8.43% of CBALP's equity interests, but controlled CBALP's managing general partner, JASDC, Inc. (see page 17). Effective December 31, 2016, the limited partner assigned its 91% interest to JAS. In connection with the transfer of interest, CBALP also authorized the distribution of \$429,772 to partners in proportion to interests prior to the donation, which was recorded as a deemed dividend in 2016 and paid during 2017. During 2018, CBALP sold its real estate assets to The Close Building LLC (see page 20 and Note 19) and subsequently entered into a seventy-five-year ground lease with The Close Building LLC.

Syndicated Rental Properties

JAS owns less than 1% equity interest in each of the syndicated rental properties but controls each through its general partner entity (see page 17).

Elm Place/JAS Limited Partnership (Elm Place), a Massachusetts limited partnership, which operates nineteen units of affordable residential apartments and one commercial unit located in Cambridge. The property is being operated pursuant to a MassDocs Affordable Housing Restriction Agreement with the Massachusetts Housing Partnership Fund Board (MHP), as agent on behalf of itself and on behalf of the Commonwealth of Massachusetts, acting by and through DHCD and Community Economic Development Assistance Corporation (CEDAC). The property is also being operated pursuant to an Affordable Housing Covenant with the City and the Cambridge Affordable Housing Trust (CAHT). In addition, the property has a MassDocs Tax Credit Regulatory Agreement and Declaration of Restrictive Covenants with DHCD.

Bishop Allen Apartments LLC (Bishop Allen), a Massachusetts limited liability company, which was formed during 2012 to purchase, own and rehabilitate thirty-two units of residential apartments located in Cambridge. The property was financed using 4% Low Income Tax Credits and Tax Exempt Bond financing through MassDevelopment, as well as Massachusetts Historic Rehabilitation Tax Credits. The Investor Members have committed and paid a total of \$3,728,527 of capital contributions.

Bishop Allen Land LLC (Land LLC), a Massachusetts limited liability company, which was organized in May 2014 to acquire land. Land LLC acquired the land for the Bishop Allen project and subsequently entered into a ninety-year ground lease with Bishop Allen. Bishop Allen is the sole member of Land LLC.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

3. RELATED PARTY TRANSACTIONS (Continued)

Consolidated Entities (Continued)

Rental Properties: (Continued)

Syndicated Rental Properties (Continued)

Rindge Tower Apartments LLC (Rindge Tower), a Massachusetts limited liability company, which was formed during 2014 to purchase, own and rehabilitate 273 units of residential apartments located in Cambridge. The property, an occupied rehabilitation, is being financed using 4% Low Income Housing Tax Credits, and bridge and permanent financing through MassHousing, as well as through a seller note to JAS (see page 22). JAS is the sponsor and developer of the project and will earn developer fee and overhead. The Investor Member has committed a total of \$11,000,000 of capital contributions, due in five installments. As a result of provisions in the operating agreement, the capital contributions committed decreased by \$20,519. As of December 31, 2018 and 2017, the Investor Member has contributed \$10,979,481 and \$1,650,000, respectively, to Rindge Tower.

JAS Consolidated Properties LLC (JAS Consolidated), a Massachusetts limited liability company, which was formed in 2017 to acquire, rehabilitate and operate 112 residential units and one commercial unit in twenty buildings across Cambridge. On November 30, 2017, JAS Consolidated acquired certain assets of St. Patricks, Putnam Place, Churchill Court and select properties directly owned by JAS (see Note 18). The Investor Members have committed a total of \$14,325,000 of capital contributions, due in three installments. As of December 31, 2018, the Investor Member has contributed \$2,135,250, which was through an investor loan converting into the first installment capital contribution. There were no capital contributions received as of December 31, 2017. The installments are due as specified in the operating agreement. JAS is the sponsor and developer of the project and will earn developer fee and overhead.

The Close Building LLC (TCBLLC), a Massachusetts limited liability company, which was formed in 2018 to acquire, hold, develop, manage, operate, invest in interests in real property, including projects located in Cambridge, in its capacity as a member or partner in any limited liability company or limited partnership organized. The Investor Member has committed a total of \$10,958,044 of capital contributions, due in five installments. As of December 31, 2018, the Investor Member has made an equity advance of \$1,643,707, which is included in long-term accounts payable, accrued expenses and other in the accompanying 2018 consolidating statement of financial position. This equity advance converted to equity as the first installment in January 2019. The installments are due as specified in the operating agreement. JAS is the sponsor and developer on the project and will earn a developer fee and overhead. The property is being financed using 4% Low Income Housing Tax Credits and Tax Exempt Bond financing. During 2018, TCBLLC purchased the real estate, related personal property and certain assets from CBALP (see page 19) for \$12,921,000. On December 31, 2018, the operating agreement was amended and restated to reflect the admission of the Investor Member and Special Investor Member.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

3. RELATED PARTY TRANSACTIONS (Continued)

Consolidated Entities (Continued)

Rental Properties: (Continued)

Non-Profit Rental Properties

Wellington-Harrington Development Corporation (Wellington-Harrington), a Massachusetts not-for-profit corporation (under Section 501(c)(4) of the IRC), which operates forty-five units of rental housing named Linwood Court and is located in Cambridge, of which 25% or twelve units must be rented to low-income tenants. The project is regulated by Massachusetts Housing Finance Agency (MassHousing) as to rent charges, operating methods, and equity owner's distributions. The property is being operated pursuant to an Affordable Housing Restriction Agreement with the City and the CAHT. Wellington-Harrington and JAS are commonly controlled through common directors and management. Subsequent to December 31, 2018, Wellington-Harrington merged with JAS.

Next Step Housing Corporation (Next Step), a Massachusetts not-for-profit corporation, which operates three units of transitional housing and three units of affordable housing located in Somerville, Massachusetts. Residents are subject to income limitations as prescribed by the lenders. Next Step and JAS are commonly controlled through common directors and management.

Transactions among consolidating entities include:

Rights of First Refusal

JAS has been granted a continuing right of first refusal with certain syndicated rental properties to purchase the respective properties in the event that a syndicated rental property proposes to sell, transfer, or assign the property. JAS would be required to continue to maintain the properties as low-income housing under these agreements.

Notes and Interest Receivable from Affiliates

Project development notes and accrued interest receivable from Affiliates are generally subordinate to mortgages held by banks or government entities on the Affiliates' properties. JAS's ability to realize these assets is dependent on the ability of each Affiliate to generate sufficient cash flow from operations or from the sale or refinancing by the respective partnership. Due to the long-term nature of expected realization, JAS has established valuation allowances against most of these balances, including accrued interest, to reflect these assets at expected realizable values.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

3. RELATED PARTY TRANSACTIONS (Continued)

Notes and Interest Receivable from Affiliates (Continued)

The balance consisted of the following as of December 31, 2018:

| <u>Borrower</u> | <u># of Notes</u> | <u>Interest Rate</u> | <u>Principal Balance</u> | <u>Accrued Interest</u> | <u>Final Maturity</u> |
|---|-------------------|----------------------|--------------------------|-------------------------|-----------------------|
| Rindge Tower* | 1 | 3.75% | \$ 21,781,600 | \$ 2,228,965 | July 2058 |
| TCBLLC* | 1 | 7.66% | 7,819,591 | 306,146 | January 2070 |
| JAS Consolidated | 1 | 4.00% | 5,228,616 | 227,271 | December 2067 |
| JAS Consolidated* | 1 | 4.00% | 4,685,343 | 203,656 | December 2067 |
| Bishop Allen | 2 | 3.14% | 1,223,000 | 119,220 | June 2054 |
| TCBLLC | 1 | 7.66% | 1,124,725 | 44,034 | January 2070 |
| Squirrel Brand | 1 | 8.5% | 660,000 | 2,216,000 | May 2021 |
| | | | <u>42,522,875</u> | <u>5,345,292</u> | |
| Less - amounts characterized as equity* | | | 34,286,534 | 2,738,767 | |
| Less - valuation allowances | | | <u>7,776,341</u> | <u>2,606,525</u> | |
| | | | <u>\$ 460,000</u> | <u>\$ -</u> | |

The balance consisted of the following as of December 31, 2017:

| <u>Borrower</u> | <u># of Notes</u> | <u>Interest Rate</u> | <u>Principal Balance</u> | <u>Accrued Interest</u> | <u>Final Maturity</u> |
|---|-------------------|----------------------|--------------------------|-------------------------|-----------------------|
| Rindge Tower* | 1 | 3.75% | \$ 21,781,600 | \$ 1,711,348 | July 2058 |
| JAS Consolidated | 1 | 4.00% | 5,228,616 | 17,429 | December 2067 |
| JAS Consolidated* | 1 | 4.00% | 4,685,343 | 15,618 | December 2067 |
| Bishop Allen | 2 | 3.14% | 1,223,000 | 80,757 | June 2054 |
| Squirrel Brand | 1 | 8.5% | 660,000 | 1,983,994 | May 2021 |
| | | | <u>33,578,559</u> | <u>3,809,146</u> | |
| Less - amounts characterized as equity* | | | 26,466,943 | 1,726,966 | |
| Less - valuation allowances | | | <u>6,651,616</u> | <u>2,082,180</u> | |
| | | | <u>\$ 460,000</u> | <u>\$ -</u> | |

* Because these instruments were created among JAS Affiliates in controlled transfers, principal and accrued interest on the seller notes for Rindge Tower, JAS Consolidated and TCBLLC have been characterized as equity in the accompanying supplementary consolidating statements of financial position.

For the years ended December 31, 2018 and 2017, interest earned by JAS on the affiliate notes above, excluding the notes characterized as equity, totaled \$524,346 and \$288,075, respectively, all of which was reserved. As of December 31, 2018 and 2017, all of the notes receivable and accrued interest between JAS and its Affiliates have been eliminated in the accompanying consolidating financial statements.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

3. RELATED PARTY TRANSACTIONS (Continued)

Developer and Other Service Fees

JAS receives certain resident service fees, management fees and other program service fees from its rental projects. Fees earned during the years ended December 31, 2018 and 2017, totaled \$638,766 and \$586,984, respectively. The resident services are recorded when earned and management fees are recognized when paid based on prior year cash flow for annual services provided by JAS. The resident service fees and management fees are included in contracted services and management fees, respectively, in the accompanying consolidating statements of functional expenses.

JAS, in its role as sponsor and developer, earns developer fees from each project undergoing rehabilitation. JAS earned developer fees totaling \$1,924,320 and \$2,209,736 during the years ended December 31, 2018 and 2017, respectively, from the projects noted below, which are included in developer and other service fees in the accompanying consolidated statements of activities and are shown net of reserves. There were no amounts reserved in 2018 and 2017.

| | <u>2018</u> | <u>2017</u> |
|---|--------------------|---------------------|
| Developer fees: | | |
| TBCLLC | \$ 1,407,015 | \$ - |
| JAS Consolidated | 459,305 | 632,983 |
| Condo Repurchase Program (see Note 7) | 58,000 | 61,000 |
| Rindge Tower | <u>-</u> | <u>1,515,753</u> |
| Total developer fees | 1,924,320 | 2,209,736 |
| Management, resident service and other fees | <u>638,766</u> | <u>586,984</u> |
| | 2,563,086 | 2,796,720 |
| Less - eliminations | <u>(1,823,994)</u> | <u>(701,424)</u> |
| | <u>\$ 739,092</u> | <u>\$ 2,095,296</u> |

Developer fees and other receivables were as follows as of December 31, 2018:

| <u>Due From</u> | <u>Developer Fees</u> | <u>Other</u> | <u>Total</u> |
|----------------------------|-----------------------|---------------------|---------------------|
| JAS | \$ - | \$ 4,728,615 | \$ 4,728,615 |
| TBCLLC | 718,555 | 31,302 | 749,857 |
| Squirrel Brand | - | 544,303 | 544,303 |
| Bishop Allen* | 252,727 | 12,966 | 265,693 |
| JAS Consolidated | 183,094 | - | 183,094 |
| JAS Properties | - | 72,964 | 72,964 |
| Elm Place | <u>-</u> | <u>19,143</u> | <u>19,143</u> |
| | 1,154,376 | 5,409,293 | 6,563,669 |
| Less - valuation allowance | <u>158,786</u> | <u>412,770</u> | <u>571,556</u> |
| | 995,590 | 4,996,523 | 5,992,113 |
| Less - current portion | <u>995,590</u> | <u>136,374</u> | <u>1,131,964</u> |
| | <u>\$ -</u> | <u>\$ 4,860,149</u> | <u>\$ 4,860,149</u> |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

3. RELATED PARTY TRANSACTIONS (Continued)

Developer and Other Service Fees (Continued)

Developer fees and other receivables were as follows as of December 31, 2017:

| <u>Due From</u> | <u>Developer Fees</u> | <u>Other</u> | <u>Total</u> |
|----------------------------|-----------------------|---------------------|---------------------|
| JAS | \$ - | \$ 5,057,566 | \$ 5,057,566 |
| Rindge Tower | 2,142,870 | - | 2,142,870 |
| Squirrel Brand | - | 586,055 | 586,055 |
| Bishop Allen* | 371,776 | 12,589 | 384,365 |
| JAS Consolidated | 183,090 | 133,174 | 316,264 |
| JAS Properties | - | 135,689 | 135,689 |
| St. Patricks | - | 97,558 | 97,558 |
| Churchill Court | - | 62,896 | 62,896 |
| Elm Place | - | 18,275 | 18,275 |
| Putnam Place | - | 10,439 | 10,439 |
| | <u>2,697,736</u> | <u>6,114,241</u> | <u>8,811,977</u> |
| Less - valuation allowance | <u>256,576</u> | <u>412,770</u> | <u>669,346</u> |
| | <u>2,441,160</u> | <u>5,701,471</u> | <u>8,142,631</u> |
| Less - current portion | <u>2,270,943</u> | <u>977,551</u> | <u>3,248,494</u> |
| | <u>\$ 170,217</u> | <u>\$ 4,723,920</u> | <u>\$ 4,894,137</u> |

* In 2016, interest began accruing at 3.14% on the developer fee payable. The developer fee includes \$9,024 and \$12,789 of accrued interest as of December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the developer fees and other receivables included in due to and from related parties between JAS and Affiliates have been eliminated from the accompanying consolidating financial statements.

Investment in Affiliates

Investments in LPs and LLCs are accounted for using the cost method, but are generally eliminated in consolidation. Investments in LPs and LLCs consist of amounts invested by JAS into various LPs and LLCs through JAS's general partner subsidiaries (see page 17) as support for development projects carried on by those LPs and LLCs.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

3. RELATED PARTY TRANSACTIONS (Continued)

Non-Controlling Interest

The following is a summary of the activity related to the non-controlling interests (see Note 2) of syndicated rental properties for the years ended December 31:

| | 2018 | | | | | | Balance December 31, 2018 |
|------------------|---------------------------------|--|----------------------|--------------------------|-----------------------|---------------------|---------------------------------|
| | Balance December 31, 2017 | Investor Share of Net Income (Loss) | Syndication Costs | Capital Contributions | Distributions | Transfer to JAS | |
| Elm Place | \$ 1,159,636 | \$ (151,726) | \$ - | \$ - | \$ (16,745) | \$ - | \$ 991,165 |
| Bishop Allen | 2,722,710 | (315,291) | - | - | - | - | 2,407,419 |
| CBALP | (56,608) | 95 | - | - | (1,000,000) | 1,056,513 | - |
| TCBLLC | - | - | (97,417) | - | - | - | (97,417) |
| Rindge Tower | 1,883,451 | (195,663) | - | 9,329,481 | - | - | 11,017,269 |
| JAS Consolidated | <u>(88,324)</u> | <u>(370,843)</u> | <u>-</u> | <u>2,135,250</u> | <u>-</u> | <u>-</u> | <u>1,676,083</u> |
| | <u>\$ 5,620,865</u> | <u>\$ (1,033,428)</u> | <u>\$ (97,417)</u> | <u>\$ 11,464,731</u> | <u>\$ (1,016,745)</u> | <u>\$ 1,056,513</u> | <u>\$ 15,994,519</u> |

| | 2017 | | | | | Balance December 31, 2017 |
|------------------|---------------------------------|--|----------------------|--------------------|----------|---------------------------------|
| | Balance December 31, 2016 | Investor Share of Net Income (Loss) | Syndication Costs | Distributions | | |
| Elm Place | \$ 1,319,175 | \$ (146,754) | \$ - | \$ (12,785) | | \$ 1,159,636 |
| Bishop Allen | 3,001,498 | (278,788) | - | - | | 2,722,710 |
| CBALP | (57,081) | 473 | - | - | | (56,608) |
| Rindge Tower | 2,263,406 | (379,955) | - | - | | 1,883,451 |
| JAS Consolidated | <u>-</u> | <u>(34,526)</u> | <u>(53,798)</u> | <u>-</u> | <u>-</u> | <u>(88,324)</u> |
| | <u>\$ 6,526,998</u> | <u>\$ (839,550)</u> | <u>\$ (53,798)</u> | <u>\$ (12,785)</u> | | <u>\$ 5,620,865</u> |

4. RESTRICTED DEPOSITS AND ESCROWS

Restricted deposits consist of the following as of December 31, 2018 and 2017:

| | 2018 | | |
|--|---------------------|----------------------|----------------------|
| | Operating | Rental Properties | Total |
| Real estate and insurance escrows | <u>\$ -</u> | <u>\$ 272,447</u> | <u>\$ 272,447</u> |
| Restricted deposits: | | | |
| Construction escrow | \$ 4,728,615 | \$ - | \$ 4,728,615 |
| Operating reserves | - | 2,611,445 | 2,611,445 |
| Replacement reserves | - | 1,737,873 | 1,737,873 |
| Home Improvement Program funds (see Note 5) | 1,461,271 | - | 1,461,271 |
| Other reserves | <u>-</u> | <u>173,624</u> | <u>173,624</u> |
| Total restricted deposits | <u>\$ 6,189,886</u> | <u>\$ 4,522,942</u> | <u>\$ 10,712,828</u> |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

4. RESTRICTED DEPOSITS AND ESCROWS (Continued)

| | 2017 | | |
|--|---------------------|------------------------------|---------------------|
| | <u>Operating</u> | <u>Rental Properties</u> | <u>Total</u> |
| Real estate and insurance escrows | \$ - | \$ 251,940 | \$ 251,940 |
| Restricted deposits: | | | |
| Construction escrow | \$ 4,622,435 | \$ - | \$ 4,622,435 |
| Operating reserves | - | 980,263 | 980,263 |
| Replacement reserves | - | 1,267,972 | 1,267,972 |
| Home Improvement Program funds (see Note 5) | <u>1,128,016</u> | <u>-</u> | <u>1,128,016</u> |
| Total restricted deposits | <u>\$ 5,750,451</u> | <u>\$ 2,248,235</u> | <u>\$ 7,998,686</u> |

Under the provisions of mortgage and partnership agreements (see Note 11), JAS and Affiliates are required to maintain operating reserves to fund potential future operating deficits and maintain replacement reserves to fund future capital improvements. Real estate and insurance escrows are maintained by the properties to ensure timely payment of all real estate taxes and insurance premiums.

The construction escrow includes cash and highly liquid investments with initial maturities of three months or less and a short-term certificate of deposit (CD). As of December 31, 2017, JAS had one short-term CD that earned interest at 1.35% per annum and matured in November 2018. JP Morgan Chase Bank required that JAS hold these funds at the bank under the terms of the financing the bank provided to JAS Consolidated. At December 31, 2017, the value was \$1,900,000, which is included in construction escrow above. In December 2018, JAS transferred the matured CD to a money market account.

5. NOTES RECEIVABLE

Home Improvement Program

JAS, in collaboration with the City and Cambridge Savings Bank (CSB), operates the Home Improvement Program (HIP) where JAS provides low-interest (servicing notes) and deferred payment home improvement loans to income-eligible homeowners to make necessary repairs to their homes. During 2018, JAS ended the CSB relationship in relation to this program.

As of December 31, 2018 and 2017, JAS had the following notes receivable outstanding under HIP:

| <u>Type</u> | <u>Interest Rates</u> | <u>2018</u> | | <u>2017</u> | |
|------------------------|---------------------------|-----------------------|------------------------------|-----------------------|------------------------------|
| | | <u># of Notes</u> | <u>Principal Balance</u> | <u># of Notes</u> | <u>Principal Balance</u> |
| City of Cambridge: | | | | | |
| Servicing notes | 0% - 3% | 76 | \$ 1,995,466 | 83 | \$ 2,175,274 |
| Deferred payment | 0% | 60 | <u>974,134</u> | 64 | <u>1,050,042</u> |
| | | | 2,969,600 | | 3,225,316 |
| Other servicing notes | 0% - 3% | 28 | 425,835 | 30 | 491,330 |
| Interest receivable | | | 32,556 | | 32,786 |
| Other | | | <u>18,175</u> | | <u>18,175</u> |
| Total notes receivable | | | 3,446,166 | | 3,767,607 |
| Less - current portion | | | <u>231,441</u> | | <u>355,551</u> |
| | | | <u>\$ 3,214,725</u> | | <u>\$ 3,412,056</u> |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

5. NOTES RECEIVABLE (Continued)

Home Improvement Program (Continued)

Servicing notes require monthly payments of principal and interest ranging from \$13 to \$1,036 and are typically required to be repaid over a term of thirty years. Deferred payment loans do not require monthly payments and are due in full upon the sale or transfer of the homeowners' property. These notes are secured by the homeowners' properties. Some notes are cross-collateralized with the advances provided by the City and the CSB line of credit (see Notes 11 and 12).

Estimated maturities of notes receivable over the next five years are as follows:

| | |
|------|------------|
| 2019 | \$ 231,441 |
| 2020 | \$ 171,959 |
| 2021 | \$ 138,808 |
| 2022 | \$ 111,927 |
| 2023 | \$ 116,030 |

Allowance for Loan Losses

JAS considers an allowance for potential loan losses of the loan portfolio. The allowance is based on JAS's assessment of the collectability of individual notes receivable. There were no allowances for loan losses recorded at December 31, 2018 or 2017, since there are no significant anticipated losses based on management's assessment of underlying collateral.

Contractual Advances

As of December 31, 2018 and 2017, contractual advances consist of \$3,530,201 and \$3,507,124, respectively, which represents the aggregate amount of home improvement loan pool funds advanced by and subject to recall by the City. Advances from the City are not formal loans, however, JAS and the City mutually agree that this funding represents a liability. Proceeds from these advances are used to fund homeowner loans under HIP. There are no formal repayment terms and payments are not typically made in the event a homeowner loan is paid in full.

6. INVESTMENTS IN MARKETABLE SECURITIES

The following is a summary of the fair value of JAS's investments in marketable securities as of December 31, 2018:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|---------------------|-------------------|----------------|---------------------|
| Money market funds | \$ 1,328,513 | \$ - | \$ - | \$ 1,328,513 |
| Fixed income - government | 826,963 | - | - | 826,963 |
| Fixed income - corporate bonds | - | 248,365 | - | 248,365 |
| Equities: | | | | |
| Information technology | 350,976 | - | - | 350,976 |
| Health care | 233,488 | - | - | 233,488 |
| Financials | 172,695 | - | - | 172,695 |
| Consumer staples | 149,297 | - | - | 149,297 |
| Industrials | 143,995 | - | - | 143,995 |
| Consumer discretionary | 136,066 | - | - | 136,066 |
| Mutual Funds | 125,813 | - | - | 125,813 |
| Other | <u>121,160</u> | <u>-</u> | <u>-</u> | <u>121,160</u> |
| Total investments in marketable securities | <u>\$ 3,588,966</u> | <u>\$ 248,365</u> | <u>\$ -</u> | <u>\$ 3,837,331</u> |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

6. INVESTMENTS IN MARKETABLE SECURITIES (Continued)

Investments are not insured and are subject to on-going market fluctuations.

The following is a summary of the investment loss of the portfolio for the year ended December 31, 2018:

| | |
|------------------------------------|---------------------|
| Dividend and interest income | \$ 18,784 |
| Net realized losses on investments | (131) |
| Investment fees | (7,985) |
| Unrealized losses on investments | <u>(168,398)</u> |
| Investment loss | <u>\$ (157,730)</u> |

Investments in marketable securities include funds held by JAS for long-term purposes and generally are not used for operations. Accordingly, these investments in marketable securities have been classified as non-current assets in the accompanying consolidating statements of financial position regardless of maturity or liquidity.

7. PROJECTS UNDER DEVELOPMENT

Following is a summary of amounts included in projects under development as presented in the accompanying consolidating statements of financial position. These include development costs for condos that JAS acquires and develops for sale to individual homeowners and other development costs related to rehabilitation of rental projects (see page 29). Costs considered to be recoverable are capitalized. Recoverable costs expected to be realized within one year from the consolidating statements of financial position date are classified as current. Other recoverable costs are classified as non-current. Non-recoverable costs are expensed as incurred. At December 31, 2018 and 2017, projects under development consist of the following:

| | <u>2018</u> | <u>2017</u> |
|----------------------------------|----------------------|---------------------|
| Current: | | |
| Condo Repurchase Program | \$ 1,731,604 | \$ 2,061,004 |
| Fifth Street Property | <u>566,213</u> | <u>299,781</u> |
| Total current | <u>2,297,817</u> | <u>2,360,785</u> |
| Long-term: | | |
| JAS Consolidated | 7,529,796 | 3,129,678 |
| Close Building | 5,591,496 | 345,062 |
| Condo Repurchase Program | 309,357 | 455,932 |
| Squirrelwood | 860,147 | 271,388 |
| Other Projects | <u>69,654</u> | <u>20,280</u> |
| Total long-term | <u>14,360,450</u> | <u>4,222,340</u> |
| Total projects under development | <u>\$ 16,658,267</u> | <u>\$ 6,583,125</u> |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

7. PROJECTS UNDER DEVELOPMENT (Continued)

Management of JAS has capitalized the costs on page 28 related to various projects, some of which have uncertain financing, because they believe the costs are recoverable from the future development and/or sale of the project. There is a risk that if financing for specific projects is not obtained, sales proceeds are insufficient, or projects become unfeasible, that JAS will need to write-down the value of the affected assets in future consolidating financial statements.

The following projects were under development during the years ended December 31, 2018 and 2017:

Condo Repurchase Program

JAS and JAS Homeownership, in collaboration with the City, buy and sell deed-restricted condominium units located throughout Cambridge. These condominiums are deed-restricted to be purchased by low- to moderate-income residents. JAS and JAS Homeownership purchase condominium units, rehabilitate the units as deemed necessary, and sell the units to qualified residents. The City determines the sale price and reimburses JAS and JAS Homeownership for rehabilitation costs incurred. As of December 31, 2018, JAS Homeownership held ten units totaling \$2,040,961. As of December 31, 2017, JAS and JAS Homeownership held twelve units totaling \$2,516,936. These units are secured by debt held by the City (see Note 11).

In connection with the Condo Repurchase Program, JAS is entitled to receive a developer fee ranging between \$4,000 and \$10,000 for each condominium unit that is purchased and sold. For the years ended December 31, 2018 and 2017, JAS recognized developer fees under the Condo Repurchase Program totaling \$58,000 and \$61,000, respectively (see Note 3).

Fifth Street Property

During 2017, JAS received a donation of a house from an unaffiliated third-party (see Note 2). JAS entered into a loan agreement with the City (see Note 11) to rehabilitate the house. The project is expected to be completed in 2019. Upon completion of the project, the house will be sold to a qualified homebuyer.

Close Building

During 2018 and 2017, JAS incurred predevelopment costs for the refinance and renovation of the Close Building, a sixty-one-unit property. During 2018, TCBLLC closed on the acquisition of the real estate and related personal property of the CBALP and commenced its principal operations and the rehabilitation of the project. The project is being financed with 4% Low Income Housing Tax Credits and Tax Exempt Bond financing. Closing and construction started in late spring 2018. At December 31, 2018 and 2017, development costs of \$5,591,496 and \$345,062, respectively, have been incurred and capitalized and are included in the long-term portion of projects under development in the accompanying consolidating statements of financial position.

JAS Consolidated

During 2017, JAS Consolidated closed on the acquisition of the real estate and related personal property of certain JAS rental properties and commenced its principal operations and the rehabilitation of the project. At December 31, 2018 and 2017, development costs of \$7,529,796 and \$3,129,678, respectively, have been incurred and capitalized and are included in the long-term portion of projects under development in the accompanying consolidating statements of financial position.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

7. PROJECTS UNDER DEVELOPMENT (Continued)

Squirrelwood

During 2018 and 2017, JAS incurred predevelopment costs in connection with combining two existing JAS projects for the rehabilitation of sixty-five units and construction of twenty-three new units of affordable housing. The intent is to create economies of scale within the operation and management of the properties while leveraging available land for the creation of new units. The refinance will include 4% Low Income Housing Tax Credits, tax-exempt bond financing, and subordinate financing provided by City and Commonwealth of Massachusetts funds. Management closed on the financing in May 2019 (see Note 21) and construction is expected to commence soon thereafter. All project-related costs have been capitalized. At December 31, 2018 and 2017, development costs of \$860,147 and \$271,388, respectively, have been incurred and capitalized and are included in the long-term portion of the projects under development in the accompanying consolidating statements of financial position.

8. PROPERTY AND EQUIPMENT

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

| | 2018 | | | |
|---------------------------------|-------------------|--------------------------|-----------------------|----------------------|
| | <u>Operating</u> | <u>Rental Properties</u> | <u>Eliminations</u> | <u>Total</u> |
| Land | \$ 26,528 | \$ 11,899,574 | \$ - | \$ 11,926,102 |
| Buildings and improvements | 1,852,330 | 105,219,018 | (1,268,529) | 105,802,819 |
| Equipment and furniture | 271,116 | 2,636,497 | - | 2,907,613 |
| Vehicles | 27,250 | - | - | 27,250 |
| | <u>2,177,224</u> | <u>119,755,089</u> | <u>(1,268,529)</u> | <u>120,663,784</u> |
| Less - accumulated depreciation | <u>1,369,041</u> | <u>34,545,960</u> | <u>-</u> | <u>35,915,001</u> |
| | <u>\$ 808,183</u> | <u>\$ 85,209,129</u> | <u>\$ (1,268,529)</u> | <u>\$ 84,748,783</u> |
| | | 2017 | | |
| | <u>Operating</u> | <u>Rental Properties</u> | <u>Total</u> | |
| Land | \$ 26,528 | \$ 10,918,285 | \$ 10,944,813 | |
| Buildings and improvements | 1,810,380 | 94,738,255 | 96,548,635 | |
| Equipment and furniture | 271,116 | 2,860,750 | 3,131,866 | |
| Vehicles | 27,250 | - | 27,250 | |
| | <u>2,135,274</u> | <u>108,517,290</u> | <u>110,652,564</u> | |
| Less - accumulated depreciation | <u>1,223,758</u> | <u>31,549,607</u> | <u>32,773,365</u> | |
| | <u>\$ 911,516</u> | <u>\$ 76,967,683</u> | <u>\$ 77,879,199</u> | |

Depreciation expense for the years ended December 31, 2018 and 2017, totaled \$3,148,213 and \$2,512,139, respectively.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

9. CAPITALIZED COSTS AND AMORTIZATION

Capitalized costs consist of costs related to tax credit fees related to certain rental properties as well as debt issuance costs related to debt which has not been drawn as of December 31:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------|-------------------|-------------------|
| Debt issuance costs | \$ 548,498 | \$ 548,498 |
| Tax credit fees | <u>131,622</u> | <u>131,622</u> |
| | 680,120 | 680,120 |
| Less - accumulated amortization | <u>35,620</u> | <u>25,079</u> |
| Total capitalized costs, net | <u>\$ 644,500</u> | <u>\$ 655,041</u> |

Amortization expense for the years ended December 31, 2018 and 2017, was \$10,541. Amortization expense for the next five years is expected to be as follows:

| | |
|------|-----------|
| 2019 | \$ 11,214 |
| 2020 | \$ 9,077 |
| 2021 | \$ 7,555 |
| 2022 | \$ 7,555 |
| 2023 | \$ 7,555 |

10. MANAGEMENT AGREEMENTS

JAS has agreements with two independent management companies to carry on the day-to-day operations of the rental properties. These management companies receive management fees ranging from 4% to 6% of total residential collections, as defined in the agreements. The agreements can be terminated by either party with ninety days written notice. JAS paid management fees totaling \$535,382 and \$497,677 for the years ended December 31, 2018 and 2017, respectively, which are reflected as management fees in the accompanying consolidating statements of functional expenses.

11. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

| Operating | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|
| <i>Condo Repurchase Program</i> | | |
| Non-interest bearing notes payable to the City. No payments are required until the sale of the mortgaged property (see Note 5) or until maturity. These notes mature at various dates through November 2022 and are secured by mortgages on the properties. | \$ 1,707,679 | \$ 2,320,661 |
| <i>Fifth Street Property</i> | | |
| Non-interest bearing note payable to the City, which allows for borrowings up to \$360,000. No payments are required until the sale of the property or December 21, 2019. The repayment may be limited to the amount of the sales price that exceeds \$215,000 if the property is sold to an eligible household, as defined in the agreement. The note is secured by a first mortgage on the property. | 109,191 | - |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

11. LONG-TERM DEBT (Continued)

| Operating (Continued) | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| <i>Home Improvement Program</i> | | |
| Revolving line of credit with CSB, which allowed for borrowings up to \$1,000,000. Interest was payable monthly at a rate of 3%. The proceeds from the line of credit were to be used to provide capital under JAS's HIP (see Note 5). Payments of principal were due upon the sale of the property securing the principal balance. The note was secured by the property under JAS's HIP program. The line of credit was paid in full and closed during 2018 (see page 12). | - | 538,886 |
| Total Operating | 1,816,870 | 2,859,547 |
| Total Rental Properties (see Note 22) | <u>51,348,547</u> | <u>41,538,877</u> |
| Total JAS and Affiliates | 53,165,417 | 44,398,424 |
| Less - current portion | <u>1,975,106</u> | <u>9,869,502</u> |
| | <u>\$ 51,190,311</u> | <u>\$ 34,528,922</u> |

Aggregate maturities of long-term debt over the next five years are as follows:

| | <u>Operating</u> | <u>Rental</u> | <u>Total</u> |
|------|------------------|---------------|--------------|
| 2019 | \$ 1,557,565 | \$ 417,541 | \$ 1,975,106 |
| 2020 | \$ 259,305 | \$ 459,018 | \$ 718,323 |
| 2021 | \$ - | \$ 479,142 | \$ 479,142 |
| 2022 | \$ - | \$ 472,502 | \$ 472,502 |
| 2023 | \$ - | \$ 493,225 | \$ 493,225 |

The above notes have certain financial and non-financial covenants with which JAS and Affiliates must comply. As of December 31, 2018 and 2017, JAS and Affiliates were in compliance with applicable debt covenants.

Debt issuance costs related to the various notes payable totaling \$1,436,002 and \$1,209,047 are shown net of accumulated imputed interest of \$319,228 and \$323,599 as of December 31, 2018 and 2017, respectively. During 2018 and 2017, interest - amortization of debt issuance costs of \$120,698 and \$9,134, respectively, was capitalized and is included in projects under development. Net debt issuance costs are reported in the consolidating statements of financial position as a direct reduction of the face amount of the related long-term debt (see Note 2). Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed rate on the related loan.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

12. CONTINGENT DEBT AND DEFERRED INTEREST

JAS and Affiliates have received contingent loans from various organizations to help in the development of its housing and other projects. These loans generally are not required to be repaid unless the project fails to maintain its status as low-income housing or JAS and Affiliates fail to comply with other conditions. It is the intention of the Board of Directors and the management of JAS and Affiliates to maintain these properties as low-income housing and to meet other conditions.

Certain contingent loans state that interest shall accrue from the date of disbursement through maturity, at which point the entire principal balance and accrued interest shall be forgiven provided the underlying property is maintained as affordable housing. For contingent notes where the accrued interest will be forgiven at maturity, no deferred interest has been recorded as management intends to maintain the properties as affordable housing, with the exception of the deferred interest on the contingent debt related to certain properties, which was recognized and transferred to JAS Consolidated as part of the sale of those respective properties. As of December 31, 2018 and 2017, unrecorded deferred interest on forgivable contingent loans totaled approximately \$5,479,000 and \$5,165,000, respectively.

Contingent debt and deferred interest consist of the following at December 31:

| Operating | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| <i>Real Estate Development</i> | | |
| 8% note payable to the City. No payments are due provided the property is maintained as affordable housing. The note matures in April 2051, at which time the outstanding principal and accrued interest shall be forgiven. This note is secured by JAS's note receivable with Squirrel Brand (see Note 3). | \$ 460,000 | \$ 460,000 |
| Total Rental Properties (see Note 23) | <u>41,083,273</u> | <u>37,440,413</u> |
| Total contingent debt and deferred interest before eliminations | 41,543,273 | 37,900,413 |
| Less - eliminations | <u>10,842,866</u> | <u>9,193,796</u> |
| Total JAS and Affiliates | 30,700,407 | 28,706,617 |
| Less - current portion | <u>112,381</u> | <u>359,422</u> |
| | <u>\$ 30,588,026</u> | <u>\$ 28,347,195</u> |

The above notes have certain financial and non-financial covenants with which JAS and Affiliates must comply. JAS and Affiliates were in compliance with these covenants as of December 31, 2018 and 2017.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

13. COMMITMENTS AND CONTINGENCIES

General Partner and Sponsor Obligations

As discussed in Note 3, JAS has acted as sponsor and developer for various low-income and affordable housing developments. Most of these developments have received various forms of funding through JAS from Federal, state, and local sources. The terms of these funding agreements generally require that the projects maintain affordable housing and low-income eligibility status, as defined. If such status is not maintained, JAS may be obligated to remedy any defaults in the requirements and may be liable to repay certain amounts to the funders.

JAS, as the sponsor of various projects, has, in some cases, agreed to advance funds to the partnerships as a guarantor of the general partners' obligation to fund operating deficits, Housing Assistance Payment contract shortfalls, development cost overruns, payments for reduced tax benefits to limited partner investors, and other circumstances affecting the partnerships, as defined in the partnership agreements. As of the date of this report, JAS is not obligated for any specific amount.

Lease Commitments

JAS leases commercial space under a lease agreement that originally expired in February 2019. During 2018, this lease was extended and expires in February 2022. Monthly base rent under this lease was \$3,040 and \$2,951 for 2018 and 2017, respectively.

JAS also leases program space under a lease agreement set to expire in April 2020, with an option to extend the term of the lease for an additional three-year period. Monthly base rent under this lease was \$6,487 and \$6,329 for 2018 and 2017, respectively, and will escalate by approximately 2.5% each year. JAS is responsible for its proportionate share of condominium fees and real estate taxes.

Future minimum lease payments under the lease agreements described above are as follows:

| | |
|------|------------|
| 2019 | \$ 123,855 |
| 2020 | \$ 74,817 |
| 2021 | \$ 50,456 |
| 2022 | \$ 8,427 |

14. CONCENTRATION OF CREDIT RISK

JAS and Affiliates maintain their cash balances in various banks in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. Cash balances at certain banks are also insured in excess of FDIC limits under the Depositors Insurance Fund. At certain times during the year, cash balances exceeded the insured amounts. JAS and Affiliates have not experienced any losses in such accounts. JAS and Affiliates believe they are not exposed to any significant credit risk on cash.

15. RETIREMENT PLAN

JAS maintains a 401K retirement plan. New employees are subject to a six-month waiting period. JAS will contribute 3% of the employee's salary regardless of whether the employee contributes to the plan. JAS's contributions totaled \$79,041 and \$79,186 for the years ended December 31, 2018 and 2017, respectively, which are included in employee benefits in the accompanying consolidating statements of functional expenses.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

16. GAIN ON INVOLUNTARY CONVERSION

In December 2016, St. Patricks suffered significant damages from a fire which destroyed one building containing sixteen units and significantly damaged a second building. St. Patricks maintained replacement costs coverage under its insurance policy and recovered all damages, net of its policy deductible of \$10,000.

During 2017, St Patricks recognized a gain from the involuntary conversion of \$870,908, which was recognized due to an upward revision of the insurance claim and which is net of additional costs incurred of \$78,569.

St. Patricks assigned its remaining rights under the claim to JAS. The total insurance proceeds of \$5,305,901 have been received by JAS and are reflected as a distribution of \$107,285, related to the business interruption insurance, and \$5,198,616 included in Syndication of JAS Consolidated, respectively, in the accompanying 2017 consolidating statement of changes in net assets (see Note 18).

The \$5,198,616, along with a grant of \$30,000, totaling \$5,228,616, was then loaned to JAS Consolidated as a sponsor note. JAS fully reserved the balance of the loan, which is included in Syndication of JAS Consolidated in the accompanying 2017 consolidating statement of changes in net assets (see Note 18).

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 2), within one year of the consolidating statement of financial position date, comprise the following at December 31, 2018:

| | <u>Operating</u> | <u>Rental Properties</u> |
|---|---------------------|------------------------------|
| Cash and cash equivalents | \$ 3,445,844 | \$ 2,936,786 |
| Escrows | - | 272,447 |
| Investments in marketable securities | 3,837,331 | - |
| Current portion of due from affiliates - developer fees | 995,590 | - |
| Accounts and grants receivable | 1,392,434 | - |
| Rent receivable | - | 633,846 |
| | <u>9,671,199</u> | <u>3,843,079</u> |
| Total financial assets | | |
| Less - assets held for others | 226,000 | - |
| Less - security deposits | - | 328,257 |
| Less - net assets with donor restrictions | <u>452,195</u> | <u>-</u> |
| | | |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 8,993,004</u> | <u>\$ 3,514,822</u> |

As of December 31, 2018, the Agency has operating financial assets equal to approximately eleven months of operating expenses (excluding non-cash expenses) and the Rental Properties have operating financial assets equal to approximately five months of operating expenses (excluding non-cash expenses). The Agency has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses including real estate development activities and lending commitments. The goal also applies to the normal operating expenses and capital expenditures of the Agency's Rental Properties.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

18. SYNDICATION OF JAS CONSOLIDATED

In 2017, JAS Consolidated entered into an agreement to purchase real estate, personal property and certain assets from JAS, St. Patricks, Churchill Court, and Putnam Place (collectively, the Sellers) for \$17,600,000, plus additional payments for the acquisition of the Sellers' reserves of \$450,000. In conjunction with the sale agreement, the Sellers assigned, and JAS Consolidated assumed, all of its rights, title and interest in and to all contracts related to the use and operations of the property. In conjunction with the sale agreement, JAS Consolidated assumed the outstanding principal balance plus accrued and unpaid interest thereon of certain existing DHCD loans and City of Cambridge loans in the aggregate amounts of \$1,749,774 and \$8,139,338, respectively.

A summary of the acquisition is as follows:

Purchase Price

| | |
|------------------------------------|------------------|
| Cash paid | \$ 3,025,545 |
| Cash paid for acquired reserves | 450,000 |
| DHCD assumed debt | 1,749,774 |
| City of Cambridge assumed debt | 8,139,338 |
| Seller note (see below and Note 3) | <u>4,685,343</u> |

Contractual purchase price \$ 18,050,000

| | |
|--|---------------------|
| Contractual purchase price | \$ 18,050,000 |
| Transaction costs (see table on page 37) | 354,147 |
| Cash received - acquired reserves | <u>(450,000)</u> |
| | 17,954,147 |
| Adjustment to reduce purchase price to carryover basis | <u>(12,508,977)</u> |

Carryover basis \$ 5,445,170

Carryover Basis of Assets Acquired

| | |
|---------------------------------|--------------------|
| Land | \$ 836,750 |
| Building and improvements | 12,566,960 |
| Equipment and furniture | <u>343,414</u> |
| | 13,747,124 |
| Less - accumulated depreciation | <u>(8,301,954)</u> |

Total carryover basis \$ 5,445,170

The sponsor note from JAS was funded and the proceeds placed into a construction escrow held by JAS totaling \$4,622,435, which is included in restricted deposits (see Note 4). This amount is also included in due from (to) affiliates in the accompanying 2017 consolidating statement of financial position.

The total assumed City of Cambridge debt of \$8,139,338 represent the outstanding principal balance of \$4,030,883 and accrued interest of \$4,108,455. These contingent City of Cambridge loans were originally expected to be forgiven along with any accrued interest upon maturity, provided the underlying property was maintained as affordable housing. Accordingly, no deferred interest had been recorded on these loans as management intended to maintain the properties as affordable housing. During 2017, the entire accrued interest balance of \$4,030,883 was recorded and is shown as a component of Syndication of JAS Consolidated in the accompanying 2017 consolidating statement of changes in net assets.

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

18. SYNDICATION OF JAS CONSOLIDATED (Continued)

Syndication of JAS Consolidated consists of the following:

| | <u>JAS Operating</u> | <u>St Patricks</u> | <u>Putnam Place</u> | <u>Churchill Court</u> | <u>JAS Consolidated</u> | <u>JAS Properties</u> | <u>Eliminations</u> | <u>Total</u> |
|---|--------------------------|-----------------------|-------------------------|----------------------------|-----------------------------|---------------------------|---------------------|-----------------------|
| Excess of purchase price over carryover basis | \$ - | \$ 3,454,624 | \$ 940,736 | \$ 346,655 | \$ (12,508,977) | \$ 7,412,815 | \$ - | \$ (354,147) |
| Seller note | - | (1,826,649) | - | (900,000) | 4,685,343 | (1,958,694) | - | - |
| Distribution - insurance | 5,198,616 | (5,198,616) | - | - | - | - | - | - |
| Reserve on sponsor note | (5,228,616) | - | - | - | - | - | 5,228,616 | - |
| Interest on City notes | - | - | - | - | - | (4,040,883) | - | (4,040,883) |
| Transfers | - | (700,554) | (1,183,735) | 672,382 | - | 1,211,907 | - | - |
| | <u>\$ (30,000)</u> | <u>\$ (4,271,195)</u> | <u>\$ (242,999)</u> | <u>\$ 119,037</u> | <u>\$ (7,823,634)</u> | <u>\$ 2,625,145</u> | <u>\$ 5,228,616</u> | <u>\$ (4,395,030)</u> |

19. SYNDICATION OF TCBLLC

In 2018, TCBLLC entered into an agreement to purchase real estate, personal property and certain assets from CBALP for \$12,921,000. CBALP assigned, and the TCBLLC assumed, all of its rights, title and interest in and to all contracts related to the use and operations of the property.

A summary of the acquisition is as follows:

Purchase Price

| | |
|--|----------------------|
| Cash paid | \$ 5,101,409 |
| Seller note (see below and Note 3) | <u>7,819,591</u> |
| Contractual purchase price | <u>\$ 12,921,000</u> |
| Contractual purchase price | \$ 12,921,000 |
| Transaction costs (see below table) | <u>221,262</u> |
| | 13,142,262 |
| Adjustment to reduce purchase price to carryover basis | <u>(12,596,279)</u> |
| Carryover basis | <u>\$ 545,983</u> |

Carryover Basis of Assets Acquired

| | |
|---------------------------------|--------------------|
| Building and improvements | \$ 3,016,834 |
| Equipment and furniture | <u>504,463</u> |
| | 3,521,297 |
| Less - accumulated depreciation | <u>(2,975,314)</u> |
| Total carryover basis | <u>\$ 545,983</u> |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
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19. SYNDICATION OF TCBLLC (Continued)

Syndication of The Close Building LLC consists of the following:

| | <u>JAS</u> <u>Operating</u> | <u>CBALP</u> | <u>TCBLLC</u> | <u>Elimi-</u> <u>nations</u> | <u>Total</u> |
|---|--------------------------------|---------------------|-----------------------|---------------------------------|-----------------------|
| Excess of purchase price over carryover basis | \$ - | \$ 12,375,017 | \$ (12,596,279) | \$ - | \$ (221,262) |
| Seller note | - | (7,819,591) | 7,819,591 | - | - |
| Reserve on state tax credit note | (1,124,725) | - | - | 1,124,725 | - |
| Reserve on seller reserve note | - | (226,000) | - | 226,000 | - |
| Distributions | <u>3,904,982</u> | <u>(4,904,982)</u> | <u>-</u> | <u>-</u> | <u>(1,000,000)</u> |
| | <u>\$ 2,780,257</u> | <u>\$ (575,556)</u> | <u>\$ (4,776,688)</u> | <u>\$ 1,350,725</u> | <u>\$ (1,221,262)</u> |

20. RECLASSIFICATIONS

Certain amounts in the December 31, 2017 consolidating financial statements have been reclassified to conform to the December 31, 2018 consolidating presentation.

21. SUBSEQUENT EVENTS

On May 20, 2019, Squirrelwood LLC purchased the buildings previously owned by Wellington-Harrington (prior to merger, see Note 3) and Squirrel Brand for approximately \$8,548,000 in order to rehabilitate the 65 existing units and construct 23 new units. The acquisition was financed by a combination of refinanced City, State and MassHousing existing debt, along with seller financing from JAS. The land will be leased from JAS under a long-term ground lease. Rehabilitation and new construction will be financed by equity proceeds provided by Low Income Housing Tax Credits and tax-exempt bond financing provided by MassHousing. The project is expected to take approximately 24 months to complete.

JAS entered into the following note agreements in connection with the Squirrelwood project (see page 30):

| <u>Lender</u> | <u>Amount</u> | <u>Rate</u> | <u>Term</u> <u>(Years)</u> | <u>Payment Terms</u> | <u>Security</u> |
|---------------------------------------|---------------|--------------|-------------------------------|---|------------------------|
| <u>Construction Financing:</u> | | | | | |
| MassHousing - bridge loan | 13,600,000 | 3.83% | 1 | Monthly payments of interest only with principal and accrued interest due at maturity | Shared first Mortgage |
| Santander - construction | 22,000,000 | LIBOR + 1.8% | 2 | Monthly payments of interest only with principal and accrued interest due at maturity | Shared first Mortgage |
| <u>Permanent Financing:</u> | | | | | |
| MassHousing | \$ 8,200,000 | 4.29% | 40 | Monthly payments of principal and interest | First Mortgage |
| CAHT | 4,115,457 | 2.74% | 50 | Based on net cash flow | Shared second mortgage |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

21. SUBSEQUENT EVENTS (Continued)

| <u>Lender</u> | <u>Amount</u> | <u>Rate</u> | <u>Term (Years)</u> | <u>Payment Terms</u> | <u>Security</u> |
|--|---------------|-------------|-------------------------|------------------------|------------------------|
| <u>Permanent Financing:</u> (Continued) | | | | | |
| Cambridge Redevelopment Authority | 300,000 | 2.74% | 40 | Based on net cash flow | Shared second mortgage |
| The City | 1,121,795 | 2.74% | 40 | Based on net cash flow | Shared second mortgage |
| CEDAC - CBH | 494,676 | 0% | 30 | Based on net cash flow | Shared second mortgage |
| MHP - CIPF | 4,782,500 | 0% | 40 | Based on net cash flow | Shared second mortgage |
| DHCD - HOME | 1,179,193 | 2.74% | 40 | Based on net cash flow | Shared second mortgage |
| MHP - HSF | 550,000 | 0% | 50 | Based on net cash flow | Shared second mortgage |
| MassHousing - 13A | 232,525 | 0% | 40 | Based on net cash flow | Shared second mortgage |
| MassHousing - Workforce | 1,000,000 | 0% | 40 | Based on net cash flow | Shared second mortgage |
| JAS - Seller loan | 2,661,988 | 5% | 40 | Based on net cash flow | Shared second mortgage |
| JAS - Squirrel loan | 2,174,994 | 2.74% | 40 | Based on net cash flow | Shared third mortgage |
| JAS - HTC loan | 637,000 | 5% | 50 | Based on net cash flow | Shared third mortgage |
| JAS - Sponsor loan | 140,000 | 2.74% | 40 | Based on net cash flow | Shared third mortgage |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

22. LONG-TERM DEBT - RENTAL PROPERTIES

| Lender | Interest | Security | Payment Terms | Outstanding Principal | |
|---|----------|---|---|-----------------------|------------------|
| | | | | 2018 | 2017 |
| JAS Properties | | | | | |
| <i>Hovey Street</i> | | | | | |
| MHP | 6.74% | First mortgage on the property and an assignment of rents and leases. | Due in monthly principal and interest installments of \$6,222, through maturity in February 2020. | \$ 2,732 | \$ 74,565 |
| <i>Scouting Way</i> | | | | | |
| CSB | 6.20% | First mortgage on the property and an assignment of rents and leases. | Due in monthly principal and interest installments of \$6,960, through maturity in April 2019. Subsequent to December 31, 2018, this note was refinanced for \$1,500,000 at an interest rate of 4.83% and a fifteen year term. | 702,964 | 741,000 |
| CAHT | 2.00% | Second mortgage on the property and an assignment of rents and leases. | Due in monthly principal and interest installments of \$3,335, through maturity in June 2021. Subsequent to December 31, 2018, this note was paid off with the proceeds from the refinance noted above. | 103,839 | 141,373 |
| | | | | <u>806,803</u> | <u>882,373</u> |
| Total JAS Properties | | | | <u>809,535</u> | <u>956,938</u> |
| Squirrel Brand Limited Partnership | | | | | |
| CSB | 7.25% | First mortgage on the property and an assignment of rents and leases. | Due in monthly principal and interest installments of \$6,651, through maturity on May 24, 2020. A balloon payment of approximately \$820,000 is due at maturity. Subsequent to December 31, 2018, the note was repaid as part of the Squirrelwood project financing (see Note 21). | 844,555 | 861,597 |
| Elm Place/JAS Limited Partnership | | | | | |
| CSB | 5.82% | First mortgage on the property and an assignment of rents and leases. | Due in monthly principal and interest installments of \$5,761, through maturity in December 2027. A balloon payment of \$680,561 is due at maturity. | 882,073 | 898,626 |
| CEDAC | 0% | Shared second mortgage on the property and an assignment of rents and leases. | Payments of principal are due annually to the extent that gross cash receipts exceed 105% of gross cash expenditures, as defined in the agreement. Outstanding principal is due in June 2041 and may be extended for additional ten year periods at the discretion of CEDAC. | 525,000 | 525,000 |
| | | | | <u>1,407,073</u> | <u>1,423,626</u> |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

22. LONG-TERM DEBT - RENTAL PROPERTIES (Continued)

| Lender | Interest | Security | Payment Terms | Outstanding Principal | |
|--|----------|---|--|-----------------------|-----------|
| | | | | 2018 | 2017 |
| Bishop Allen Apartments LLC | | | | | |
| Boston Private Bank and Trust Company | 3.76% | First mortgage on the property and an assignment of rents and leases. | Interest-only payments are due monthly through the repayment date, as defined in the agreement. Commencing on the repayment date, principal and interest installments of \$21,791 are due monthly through maturity on June 30, 2034. A balloon payment of approximately \$2,452,500 is due at maturity. | 4,403,620 | 4,495,384 |
| The Close Building LLC | | | | | |
| MassHousing | 3.24% | Shared second mortgage on the property and an assignment of rents and leases. | Bridge note payable with interest-only payments due monthly through maturity, at which time the unpaid principal and accrued interest are due. This note matures on July 1, 2020. | 6,500,000 | - |
| MassHousing | 4.52% | Shared second mortgage on the property and an assignment of rents and leases. | Bridge note payable which allows for borrowings up to \$1,800,000. Interest-only payments are due monthly through maturity, at which time the unpaid principal and accrued interest are due. This note matures on July 1, 2020. | 560,955 | - |
| MassHousing | 4.69% | First mortgage on the property and an assignment of rents and leases. | Allows for borrowings up to \$9,300,000. Interest-only payments are due monthly through the amortization commencement date. Monthly installments of principal and interest of approximately \$43,000 will be due through the maturity, which will be forty years from the amortization commencement date, but no later than March 1, 2060. | - | - |
| | | | | 7,060,955 | - |
| Wellington-Harrington Development Corporation | | | | | |
| The City | 2.50% | Shared second mortgage on the property and an assignment of rents and leases. | Due in monthly principal and interest installments of \$1,036, through maturity in February 2016. On December 20, 2016, the City extended the maturity to October 1, 2018. The City then extended the maturity to October 1, 2020. Subsequent to December 31, 2018, the note was repaid as part of the Squirrelwood project financing (see Note 21). | 50,238 | 60,934 |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

22. LONG-TERM DEBT - RENTAL PROPERTIES (Continued)

| <u>Lender</u> | <u>Interest</u> | <u>Security</u> | <u>Payment Terms</u> | <u>Outstanding Principal</u> | |
|--|-------------------------------|--|---|------------------------------|-------------------|
| | | | | <u>2018</u> | <u>2017</u> |
| Wellington-Harrington Development Corporation (Continued) | | | | | |
| MassHousing | 6.96%, plus 0.50% override | Shared first mortgage on the property and an assignment of rents and leases. | Due in monthly principal and interest installments of \$4,474, which was net of monthly interest subsidy of \$4,891. This note matured on March 1, 2018, and was paid in full. | - | 24,619 |
| MassHousing | 7.5%, plus 0.50% override | Shared first mortgage on the property and an assignment of rents and leases. | Due in monthly principal and interest installments of \$2,299, through maturity in February 2018. This note matured on February 1, 2018, and was paid in full. | - | 4,053 |
| | | | | <u>50,238</u> | <u>89,606</u> |
| Next Step Housing Corporation | | | | | |
| Winter Hill Bank | 4.75% | First mortgage on the property and an assignment of rents and leases. | Due in monthly principal and interest installments of \$2,165, through maturity on September 1, 2035. | 299,702 | 311,148 |
| Somerville Affordable Housing Trust | 2.50% | Second mortgage on the property and an assignment of rents and leases. | The loan is being repaid over a twenty-year term in annual installments of \$6,415. The loan matures on October 1, 2025. | 34,315 | 40,729 |
| | | | | <u>334,017</u> | <u>351,877</u> |
| Rindge Tower Apartments LLC | | | | | |
| MassHousing | 4.25% | First mortgage on the property and an assignment of rents and leases. | Interest-only payments were due monthly through July 1, 2018. Effective August 1, 2018, monthly principal and interest installments of \$91,494 are due through maturity on July 1, 2058. | 21,015,581 | 21,100,000 |
| MassHousing | 2.50% | Second mortgage on the property and an assignment of rents and leases. | Bridge note payable with interest-only payments due monthly through maturity in 2018, at which time the unpaid principal and accrued interest were paid with proceeds from the investor members' capital contribution received in 2018. | - | 7,500,000 |
| | | | | <u>21,015,581</u> | <u>28,600,000</u> |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

22. LONG-TERM DEBT - PROPERTIES (Continued)

| Lender | Interest | Security | Payment Terms | Outstanding Principal | |
|---|---|---|---|-----------------------|----------------------|
| | | | | 2018 | 2017 |
| JAS Consolidated Properties LLC | | | | | |
| JPMorgan Chase Bank | Variable (4.562% and 3.625% at December 31, 2018 and 2017, respectively) | Shared first mortgage on the property and an assignment of rents and leases. | Construction loan allows for borrowings up to \$22,600,000. Interest-only payments are due monthly through the maturity date on August 28, 2019, at which time the note may be extended for two six-month periods. This note is expected to be repaid with proceeds from the permanent loan. | 16,539,747 | 3,510,047 |
| Boston Financial Investment Management (BFIM) | 0% | Third mortgage on the property and an assignment of rents and leases. | All outstanding principal is due at maturity, which is the earlier of 1) payment date of the first installment of capital contributions from BFIM or 2) August 28, 2019, which may be extended for two three-month periods. The note was converted to capital contributions on December 28, 2018. | - | 2,135,250 |
| MassHousing | 4.67% | Shared first mortgage on the property, a conditional assignment of tax credits and a conditional pledge of capital contributions. | Allows for borrowings up to \$10,100,000. Interest-only payments will be due through the amortization commencement date. Monthly installments of principal and interest will be due through the maturity date, which will be forty years from the amortization commencement date. The permanent loan closing is currently anticipated to be in August 2019. | - | - |
| MassHousing | 2.89% | Shared first mortgage on the property, a conditional assignment of tax credits and a conditional pledge of capital contributions. | Bridge loan allows for borrowings up to \$12,500,000. Interest-only payments are due monthly through the maturity date on August 28, 2019, at which time all outstanding principal and accrued interest are due and payable. | - | - |
| | | | | <u>16,539,747</u> | <u>5,645,297</u> |
| Total long-term debt - Rental Properties | | | | 52,465,321 | 42,424,325 |
| Less - debt issuance costs | | | | <u>(1,116,774)</u> | <u>(885,448)</u> |
| Total long-term debt - Rental Properties, net (see Note 11) | | | | <u>\$ 51,348,547</u> | <u>\$ 41,538,877</u> |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

23. CONTINGENT DEBT AND DEFERRED INTEREST - RENTAL PROPERTIES

| Lender | Interest Rate | Security | Payment Terms | 2018 | | 2017 | |
|-----------------------|---------------|---|---|-----------------------|-------------------|-----------------------|-------------------|
| | | | | Outstanding Principal | Deferred Interest | Outstanding Principal | Deferred Interest |
| JAS Properties | | | | | | | |
| <i>Hovey Street</i> | | | | | | | |
| CAHT | 8%, simple | Shared second mortgage on the property and an assignment of rents and leases. | No payments are due provided the property is maintained as affordable housing. The note matures in February 2050, at which time the outstanding principal balance and accrued interest shall be forgiven. | \$ 1,129,200 | \$ - | \$ 1,129,200 | \$ - |
| The City | 0.00% | Third mortgage on the property and an assignment of rents and leases. | No payments are due provided the property is maintained as affordable housing. The note matures in February 2050, at which time the outstanding principal balance shall be forgiven. | 250,000 | - | 250,000 | - |
| MHP | 0.00% | Shared second mortgage on the property and an assignment of rents and leases. | All outstanding principal is due at maturity in February 2020. | 250,000 | - | 250,000 | - |
| | | | | <u>1,629,200</u> | <u>-</u> | <u>1,629,200</u> | <u>-</u> |
| <i>Scouting Way</i> | | | | | | | |
| The City | 8%, simple | Shared third mortgage on the property and an assignment of rents and leases. | No payments are due provided the property is maintained as affordable housing. The note matures in March 2054, at which time the outstanding principal balance and accrued interest shall be forgiven. | 650,000 | - | 650,000 | - |
| MHP | 0.00% | Shared third mortgage on the property and an assignment of rents and leases. | All outstanding principal is due in April 2054. The maturity date may be extended for an additional fifty years with the approval from MHP. | 550,000 | - | 550,000 | - |
| CAHT | 8%, simple | Shared third mortgage on the property and an assignment of rents and leases. | No payments are due provided the property is maintained as affordable housing. The note matures in May 2055, at which time the outstanding principal balance and accrued interest shall be forgiven. | 540,000 | - | 540,000 | - |
| DHCD | 0.00% | Shared third mortgage on the property and an assignment of rents and leases. | All outstanding principal is due at maturity in March 2034. | 400,000 | - | 400,000 | - |
| | | | | <u>2,140,000</u> | <u>-</u> | <u>2,140,000</u> | <u>-</u> |
| Total JAS Properties | | | | <u>3,769,200</u> | <u>-</u> | <u>3,769,200</u> | <u>-</u> |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

23. CONTINGENT DEBT AND DEFERRED INTEREST - RENTAL PROPERTIES (Continued)

| Lender | Interest Rate | Security | Payment Terms | 2018 | | 2017 | |
|---|----------------------------|---|--|-----------------------|-------------------|-----------------------|-------------------|
| | | | | Outstanding Principal | Deferred Interest | Outstanding Principal | Deferred Interest |
| Squirrel Brand Limited Partnership | | | | | | | |
| JAS | 8.5%, compounded quarterly | Mortgage interest in the real estate of the partnership. | All outstanding principal and accrued interest are due at maturity in May 2021. Subsequent to December 31, 2018, this note was refinanced as part of the Squirrelwood project financing (see Note 21). | 660,000 | 2,216,000 | 660,000 | 1,983,994 |
| DHCD | 6.00% | Shared second mortgage on the property and an assignment of rents and leases. | All outstanding principal and accrued interest are due in May 2031. The maturity date may be extended for an additional thirty years with the approval from DHCD. Subsequent to December 31, 2018, this note was refinanced as part of the Squirrelwood project financing (see Note 21). | 440,000 | 787,863 | 440,000 | 718,361 |
| | | | | <u>1,100,000</u> | <u>3,003,863</u> | <u>1,100,000</u> | <u>2,702,355</u> |
| Elm Place/JAS Limited Partnership | | | | | | | |
| CAHT | 2.25% | Shared second mortgage on the property and an assignment of rents and leases. | All outstanding principal and accrued interest are due at maturity in July 2061. | 994,872 | 414,586 | 994,872 | 388,067 |
| DHCD | 0% | Shared second mortgage on the property and an assignment of rents and leases. | Outstanding principal is due at maturity in June 2041. The maturity date may be extended for an additional thirty-one years with the approval of DHCD. | 905,828 | - | 905,828 | - |
| CAHT | 2.25% | Shared second mortgage on the property and an assignment of rents and leases. | All outstanding principal and accrued interest are due at maturity in July 2061. | 757,572 | 162,106 | 757,572 | 141,869 |
| DHCD | 0% | Shared second mortgage on the property and an assignment of rents and leases. | Outstanding principal is due at maturity in June 2061. The maturity date may be extended for an additional fifty-one years with the approval of DHCD. | 393,019 | - | 393,019 | - |
| | | | | <u>3,051,291</u> | <u>576,692</u> | <u>3,051,291</u> | <u>529,936</u> |
| Bishop Allen Apartments LLC | | | | | | | |
| CAHT | 2.61% | Shared second mortgage on the property and an assignment of rents and leases. | Outstanding principal and accrued interest are due at maturity in June 2065. | 4,244,501 | 530,962 | 4,244,501 | 407,184 |
| JAS | 3.14%, simple | Shared third mortgage on the property and an assignment of rents and leases. | Due in annual installments of principal and interest of \$80,605 subject to available cash flow, as defined in the agreement. Outstanding principal and accrued interest are due at maturity in June 2054. | 1,083,000 | 103,323 | 1,083,000 | 69,317 |
| DHCD | 0% | Shared second mortgage on the property and an assignment of rents and leases. | Outstanding principal is due at maturity in March 2055. The maturity date may be extended for an additional forty years with the approval of DHCD. | 1,000,000 | - | 1,000,000 | - |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

23. CONTINGENT DEBT AND DEFERRED INTEREST - RENTAL PROPERTIES (Continued)

| Lender | Interest Rate | Security | Payment Terms | 2018 | | 2017 | |
|--|---------------|---|--|-----------------------|-------------------|-----------------------|-------------------|
| | | | | Outstanding Principal | Deferred Interest | Outstanding Principal | Deferred Interest |
| Bishop Allen Apartments LLC (Continued) | | | | | | | |
| DHCD | 0% | Shared second mortgage on the property and an assignment of rents and leases. | Outstanding principal is due at maturity in March 2045. The maturity date may be extended for an additional thirty years with the approval of DHCD. | 1,000,000 | - | 1,000,000 | - |
| The City | 3.14% | Shared second mortgage on the property and an assignment of rents and leases. | Outstanding principal and accrued interest are due at maturity in June 2065. | 535,000 | 75,731 | 535,000 | 56,887 |
| CAHT | 3.14% | Shared second mortgage on the property and an assignment of rents and leases. | Outstanding principal and accrued interest are due at maturity in June 2065. | 265,866 | 40,531 | 265,866 | 31,203 |
| JAS | 3.14%, simple | Shared third mortgage on the property and an assignment of rents and leases. | Due in annual installments of principal and interest of \$11,486 subject to available cash flow, as defined in the agreement. Outstanding principal and accrued interest are due at maturity in June 2054. | 140,000 | 15,897 | 140,000 | 11,440 |
| | | | | <u>8,268,367</u> | <u>766,444</u> | <u>8,268,367</u> | <u>576,031</u> |
| The Close Building LLC | | | | | | | |
| JAS | 7.66% | Fifth mortgage on the property. | Allows for borrowings up to \$2,043,325. Outstanding principal and accrued interest are due at maturity on January 29, 2070. | 1,124,725 | 44,034 | - | - |
| Wellington-Harrington Development Corporation | | | | | | | |
| CAHT | 8%, simple | Shared second mortgage on the property and an assignment of rents and leases. | All outstanding principal and accrued interest are due at maturity in April 2057. | 329,000 | 261,069 | 329,000 | 234,749 |
| MassHousing | 0.00% | Unsecured. | All outstanding principal shall be payable in full upon the first of the following to occur: (i) any prepayment in full of all amounts due under the MassHousing note and mortgage; (ii) upon any sale or refinancing of the property; (iii) upon maturity of the MassHousing note. Subsequent to year-end, this agreement was modified (i) to include the obligations under the grant agreements, (ii) to terminate certain affordability restrictions related to the 45 units previously subject to such restrictions, and (iii) to extend the expiration date of the mortgage to March 1, 2020. All other terms of the grant agreements and mortgages were unchanged. Subsequent to year-end, this note was refinanced as part of the Squirrelwood project financing (see Note 21). | 281,814 | - | 359,422 | - |
| | | | | <u>610,814</u> | <u>261,069</u> | <u>688,422</u> | <u>234,749</u> |

JUST-A-START CORPORATION AND AFFILIATES

Notes to Consolidating Financial Statements
December 31, 2018 and 2017

23. CONTINGENT DEBT AND DEFERRED INTEREST - RENTAL PROPERTIES (Continued)

| Lender | Interest Rate | Security | Payment Terms | 2018 | | 2017 | |
|--|---------------|--|--|-----------------------|---------------------|-----------------------|---------------------|
| | | | | Outstanding Principal | Deferred Interest | Outstanding Principal | Deferred Interest |
| Next Step Housing Corporation | | | | | | | |
| CEDAC | 0.00% | Third mortgage, secured by the real estate and related personal property and an assignment of rents and leases. | Annual payments are required to the extent that gross cash receipts exceeds 105% of gross cash expenditures. In any event, the unpaid principal is due in full on May 12, 2034. | 562,873 | - | 562,873 | - |
| Federal Home Loan Bank/Winter Hill Bank | 0.00% | Fourth mortgage, secured by the real estate and related personal property and an assignment of rents and leases. | No payments are due provided six rental units are maintained as affordable housing. This note matures in May 2020, at which time the outstanding principal balance shall be forgiven. | 224,999 | - | 224,999 | - |
| | | | | <u>787,872</u> | <u>-</u> | <u>787,872</u> | <u>-</u> |
| Rindge Tower Apartments LLC | | | | | | | |
| MassHousing | 2.61% | Third mortgage on the property and an assignment of rents and leases. | Outstanding principal and accrued interest are due at maturity on July 1, 2058. | <u>1,505,971</u> | <u>19,815</u> | <u>13,011</u> | <u>-</u> |
| JAS Consolidated Properties LLC | | | | | | | |
| DHCD | 2.60% | Shared second mortgage on the property and an assignment of rents and leases. | Five notes payable to DHCD with combined outstanding principal of \$1,749,774. All outstanding principal and accrued interest are due at maturity in December 2059. | 1,749,774 | 53,273 | 1,749,774 | 7,582 |
| The City | 2.50% | Shared second mortgage on the property and an assignment of rents and leases. | Three notes payable to the City with combined outstanding principal of \$8,139,338. All outstanding principal and accrued interest are due at maturity in November 2067. | 8,139,338 | 239,604 | 8,139,338 | 35,270 |
| JAS | 4.00% | Fourth mortgage on the property and an assignment of rents and leases. | Annual payments of principal and interest are due from and to the extent of available cash, as defined in the operating agreement. This loan matures in December 2067, at which time all outstanding principal and accrued interest are due and payable. | 5,228,616 | 227,271 | 5,228,616 | 17,429 |
| Cambridge Redevelopment Authority | 2.60% | Seventh mortgage on the property and an assignment of rents and leases. | All outstanding principal and accrued interest are due at maturity in December 2059. | 540,000 | 15,240 | 540,000 | 1,170 |
| | | | | <u>15,657,728</u> | <u>535,388</u> | <u>15,657,728</u> | <u>61,451</u> |
| Total contingent debt and accrued interest - Rental Properties (see Note 12) | | | | <u>\$ 35,875,968</u> | <u>\$ 5,207,305</u> | <u>\$ 33,335,891</u> | <u>\$ 4,104,522</u> |

Supplementary Consolidating Statement of Financial Position - Rental Properties
December 31, 2018
(With Summarized Comparative Totals as of December 31, 2017)

| Assets | 2018 | | | | | | | | | 2017 | |
|--|---------------------|---------------------|-----------------------------|--|---|-------------------------------|-----------------------------|----------------------|---------------------|-----------------------|----------------------|
| | Squirrel Brand LP | Elm Place LP | Bishop Allen Apartments LLC | Close Building Associates/ The Close Building LLC | Wellington-Harrington Development Corporation | Next Step Housing Corporation | Rindge Tower Apartments LLC | JAS Consolidated LLC | JAS Properties | Total | Total |
| Current Assets: | | | | | | | | | | | |
| Cash and cash equivalents - operating | \$ 28,808 | \$ 145,614 | \$ 287,380 | \$ 220,540 | \$ 329,251 | \$ 8,270 | \$ 1,460,042 | \$ 342,501 | \$ 114,380 | \$ 2,936,786 | \$ 3,102,484 |
| Rent receivable | 30,954 | 9,948 | 11,736 | 495,517 | 15,310 | - | 17,448 | 48,546 | 4,387 | 633,846 | 201,722 |
| Escrows | - | - | - | 2,791 | 20,083 | - | 242,374 | - | 7,199 | 272,447 | 251,940 |
| Current portion of due from affiliates | - | - | - | - | - | - | - | - | - | - | 623,624 |
| Prepaid expenses and other | 7,805 | 4,447 | 7,791 | 12,063 | 13,508 | 1,583 | 52,018 | 28,783 | 5,593 | 133,591 | 81,563 |
| Total current assets | 67,567 | 160,009 | 306,907 | 730,911 | 378,152 | 9,853 | 1,771,882 | 419,830 | 131,559 | 3,976,670 | 4,261,333 |
| Other Assets: | | | | | | | | | | | |
| Restricted deposits | 129,732 | 269,795 | 524,926 | 173,624 | 428,759 | 69,449 | 2,708,878 | - | 217,779 | 4,522,942 | 2,248,235 |
| Due from affiliates, net of current portion | - | - | - | - | - | - | - | 4,728,616 | - | 4,728,616 | 4,622,435 |
| Projects under development | - | - | - | 5,591,496 | - | - | - | 7,529,796 | - | 13,121,292 | 3,129,678 |
| Capitalized costs, net | - | 13,229 | 15,631 | - | - | - | 57,047 | 558,593 | - | 644,500 | 655,041 |
| Total other assets | 129,732 | 283,024 | 540,557 | 5,765,120 | 428,759 | 69,449 | 2,765,925 | 12,817,005 | 217,779 | 23,017,350 | 10,655,389 |
| Property and Equipment, net | 2,072,212 | 5,672,940 | 14,622,441 | 559,341 | 611,009 | 1,023,349 | 41,443,495 | 15,869,471 | 3,334,871 | 85,209,129 | 76,967,683 |
| Total assets | \$ 2,269,511 | \$ 6,115,973 | \$ 15,469,905 | \$ 7,055,372 | \$ 1,417,920 | \$ 1,102,651 | \$ 45,981,302 | \$ 29,106,306 | \$ 3,684,209 | \$ 112,203,149 | \$ 91,884,405 |
| Liabilities and Net Assets | | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | | |
| Current portion of long-term debt | \$ 18,342 | \$ 17,542 | \$ 94,979 | \$ - | \$ 11,331 | \$ 17,503 | \$ 208,800 | \$ - | \$ 49,044 | \$ 417,541 | \$ 7,969,381 |
| Current portion of contingent debt | - | - | - | - | 112,381 | - | - | - | - | 112,381 | 359,422 |
| Current portion of accounts payable, accrued expenses and other | 71,723 | 61,576 | 101,680 | 1,404,301 | 111,592 | 23,093 | 446,702 | 2,441,976 | 87,456 | 4,750,099 | 1,540,031 |
| Current portion of due to affiliates | - | 19,143 | 106,906 | 749,857 | - | - | - | 183,094 | 72,964 | 1,131,964 | 2,813,363 |
| Total current liabilities | 90,065 | 98,261 | 303,565 | 2,154,158 | 235,304 | 40,596 | 655,502 | 2,625,070 | 209,464 | 6,411,985 | 12,682,197 |
| Long-term Liabilities: | | | | | | | | | | | |
| Accounts payable, accrued expenses and other, net of current portion | - | - | - | 1,643,707 | 13,522 | - | - | - | - | 1,657,229 | - |
| Long-term debt, net | 825,166 | 1,358,572 | 4,206,260 | 6,668,647 | 38,907 | 316,514 | 20,320,738 | 16,435,711 | 760,491 | 50,931,006 | 33,569,496 |
| Due to affiliates, net of current portion | 544,303 | - | 158,787 | - | - | - | - | - | - | 703,090 | 941,048 |
| Contingent debt and deferred interest, net of current portion | 4,103,863 | 3,627,983 | 9,034,811 | 1,168,759 | 759,502 | 787,872 | 1,525,786 | 16,193,116 | 3,769,200 | 40,970,892 | 37,080,991 |
| Total long-term liabilities | 5,473,332 | 4,986,555 | 13,399,858 | 9,481,113 | 811,931 | 1,104,386 | 21,846,524 | 32,628,827 | 4,529,691 | 94,262,217 | 71,591,535 |
| Total liabilities | 5,563,397 | 5,084,816 | 13,703,423 | 11,635,271 | 1,047,235 | 1,144,982 | 22,502,026 | 35,253,897 | 4,739,155 | 100,674,202 | 84,273,732 |
| Net Assets: | | | | | | | | | | | |
| Without donor restrictions: | | | | | | | | | | | |
| Operating | (86,311) | 241,921 | 505,588 | 407,396 | 253,038 | (13,240) | 3,358,651 | (61,485) | 23,777 | 4,629,335 | 3,616,781 |
| Property and equipment | (3,207,575) | 789,236 | 1,260,894 | (4,987,295) | 117,647 | (29,091) | 20,120,625 | (6,086,106) | (1,078,723) | 6,899,612 | 3,993,892 |
| Total net assets without donor restrictions | (3,293,886) | 1,031,157 | 1,766,482 | (4,579,899) | 370,685 | (42,331) | 23,479,276 | (6,147,591) | (1,054,946) | 11,528,947 | 7,610,673 |
| Total liabilities and net assets | \$ 2,269,511 | \$ 6,115,973 | \$ 15,469,905 | \$ 7,055,372 | \$ 1,417,920 | \$ 1,102,651 | \$ 45,981,302 | \$ 29,106,306 | \$ 3,684,209 | \$ 112,203,149 | \$ 91,884,405 |

Supplementary Consolidating Statement of Financial Position - Rental Properties
December 31, 2017

| Assets | St. Patricks Place LP | Putnam Place LP | Churchill Court LP | Squirrel Brand LP | Elm Place LP | Bishop Allen Apartments LLC | Close Building Associates | Wellington- Harrington Development Corporation | Next Step Housing Corporation | Rindge Tower Apartments LLC | JAS Consolidated LLC | JAS Properties | Total |
|---|----------------------------------|----------------------------|-------------------------------|------------------------------|-------------------------|--|--|---|--|--|-------------------------------------|---------------------------|----------------------|
| Current Assets: | | | | | | | | | | | | | |
| Cash and cash equivalents - operating | \$ 19,336 | \$ 8,542 | \$ 26,117 | \$ 85,999 | \$ 146,691 | \$ 296,518 | \$ 116,960 | \$ 229,571 | \$ 16,083 | \$ 1,859,941 | \$ 78,372 | \$ 218,354 | \$ 3,102,484 |
| Rent receivable | 4,806 | 12,455 | 971 | 6,298 | 3,539 | 11,000 | 11,975 | 7,284 | 46 | 111,177 | 16,813 | 15,358 | 201,722 |
| Escrows | - | - | - | - | - | - | 65,248 | 36,573 | - | 131,163 | - | 18,956 | 251,940 |
| Current portion of due from affiliates | - | 5,220 | - | - | - | - | - | - | - | - | 188,494 | 429,910 | 623,624 |
| Prepaid expenses and other | 6,186 | 217 | 5,748 | 3,547 | 4,218 | 7,378 | 12,279 | 9,080 | - | 4,716 | 22,292 | 5,902 | 81,563 |
| Total current assets | 30,328 | 26,434 | 32,836 | 95,844 | 154,448 | 314,896 | 206,462 | 282,508 | 16,129 | 2,106,997 | 305,971 | 688,480 | 4,261,333 |
| Other Assets: | | | | | | | | | | | | | |
| Restricted deposits | - | 1,895 | - | 135,019 | 232,667 | 503,694 | 91,643 | 359,687 | 80,364 | 639,198 | - | 204,068 | 2,248,235 |
| Due from affiliates, net of current portion | - | - | - | - | - | - | - | - | - | - | 4,622,435 | - | 4,622,435 |
| Projects under development | - | - | - | - | - | - | - | - | - | - | 3,129,678 | - | 3,129,678 |
| Capitalized costs, net | - | - | - | - | 17,961 | 17,052 | - | - | - | 61,435 | 558,593 | - | 655,041 |
| Total other assets | - | 1,895 | - | 135,019 | 250,628 | 520,746 | 91,643 | 359,687 | 80,364 | 700,633 | 8,310,706 | 204,068 | 10,655,389 |
| Property and Equipment, net | - | - | - | 2,246,270 | 5,830,894 | 14,938,350 | 598,899 | 645,236 | 1,045,608 | 42,698,829 | 5,409,956 | 3,553,641 | 76,967,683 |
| Total assets | \$ 30,328 | \$ 28,329 | \$ 32,836 | \$ 2,477,133 | \$ 6,235,970 | \$ 15,773,992 | \$ 897,004 | \$ 1,287,431 | \$ 1,142,101 | \$ 45,506,459 | \$ 14,026,633 | \$ 4,446,189 | \$ 91,884,405 |
| Liabilities and Net Assets | | | | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | | | | |
| Current portion of long-term debt | \$ - | \$ - | \$ - | \$ 17,046 | \$ 44,431 | \$ 91,432 | \$ - | \$ 81,540 | \$ 16,814 | \$ 7,569,846 | \$ - | \$ 148,272 | \$ 7,969,381 |
| Current portion of contingent debt | - | - | - | - | - | - | - | 359,422 | - | - | - | - | 359,422 |
| Accounts payable, accrued expenses and other | 1,306 | 3,053 | 2,292 | 51,986 | 47,797 | 76,518 | 161,223 | 97,456 | 9,287 | 544,789 | 464,493 | 79,831 | 1,540,031 |
| Current portion of due to affiliates | 97,558 | 10,439 | 62,896 | 61,232 | 18,275 | 140,662 | - | - | - | 2,142,870 | 143,742 | 135,689 | 2,813,363 |
| Total current liabilities | 98,864 | 13,492 | 65,188 | 130,264 | 110,503 | 308,612 | 161,223 | 538,418 | 26,101 | 10,257,505 | 608,235 | 363,792 | 12,682,197 |
| Long-term Liabilities: | | | | | | | | | | | | | |
| Long-term debt, net | - | - | - | 840,375 | 1,344,595 | 4,295,474 | - | - | 335,063 | 20,517,233 | 5,428,090 | 808,666 | 33,569,496 |
| Due to affiliates, net of current portion | - | - | - | 524,823 | - | 243,703 | - | (10,568) | - | - | 183,090 | - | 941,048 |
| Contingent debt and deferred interest, net of current portion | - | - | - | 3,802,355 | 3,581,227 | 8,844,398 | - | 563,749 | 787,872 | 13,011 | 15,719,179 | 3,769,200 | 37,080,991 |
| Total long-term liabilities | - | - | - | 5,167,553 | 4,925,822 | 13,383,575 | - | 553,181 | 1,122,935 | 20,530,244 | 21,330,359 | 4,577,866 | 71,591,535 |
| Total liabilities | 98,864 | 13,492 | 65,188 | 5,297,817 | 5,036,325 | 13,692,187 | 161,223 | 1,091,599 | 1,149,036 | 30,787,749 | 21,938,594 | 4,941,658 | 84,273,732 |
| Net Assets: | | | | | | | | | | | | | |
| Without donor restrictions: | | | | | | | | | | | | | |
| Operating | (68,536) | 14,837 | (32,352) | (85,750) | 250,540 | 538,320 | 136,882 | 195,620 | 6,842 | 1,970,510 | 164,377 | 525,491 | 3,616,781 |
| Property and equipment | - | - | - | (2,734,934) | 949,105 | 1,543,485 | 598,899 | 212 | (13,777) | 12,748,200 | (8,076,338) | (1,020,960) | 3,993,892 |
| Total net assets without donor restrictions | (68,536) | 14,837 | (32,352) | (2,820,684) | 1,199,645 | 2,081,805 | 735,781 | 195,832 | (6,935) | 14,718,710 | (7,911,961) | (495,469) | 7,610,673 |
| Total liabilities and net assets | \$ 30,328 | \$ 28,329 | \$ 32,836 | \$ 2,477,133 | \$ 6,235,970 | \$ 15,773,992 | \$ 897,004 | \$ 1,287,431 | \$ 1,142,101 | \$ 45,506,459 | \$ 14,026,633 | \$ 4,446,189 | \$ 91,884,405 |

Supplementary Consolidating Statement of Activities - Rental Properties

For the Year Ended December 31, 2018

(With Summarized Comparative Totals for the Year Ended December 31, 2017)

| | 2018 | | | | | | | | | 2017 | |
|---|-------------------|--------------|-----------------------------|---|---|-------------------------------|-----------------------------|----------------------|----------------|----------------|--------------|
| | Squirrel Brand LP | Elm Place LP | Bishop Allen Apartments LLC | Close Building Associates/ The Close Building LLC | Wellington-Harrington Development Corporation | Next Step Housing Corporation | Rindge Tower Apartments LLC | JAS Consolidated LLC | JAS Properties | Total | Total |
| Operating Revenues: | | | | | | | | | | | |
| Rental income | \$ 368,384 | \$ 381,363 | \$ 813,322 | \$ 1,183,518 | \$ 825,432 | \$ 106,234 | \$ 4,524,708 | \$ 1,988,181 | \$ 583,543 | \$ 10,774,685 | \$ 9,776,610 |
| Interest income and other | 1,159 | 14,842 | 4,895 | 4,122 | 24,487 | - | 80,473 | 2,243 | 2,379 | 134,600 | 244,291 |
| Total operating revenues | 369,543 | 396,205 | 818,217 | 1,187,640 | 849,919 | 106,234 | 4,605,181 | 1,990,424 | 585,922 | 10,909,285 | 10,020,901 |
| Operating Expenses: | | | | | | | | | | | |
| Personnel and related: | | | | | | | | | | | |
| Contract labor | 62,922 | 63,268 | 97,277 | 183,774 | 136,872 | 18,620 | 602,007 | 356,385 | 92,685 | 1,613,810 | 1,479,680 |
| Occupancy: | | | | | | | | | | | |
| Interest | 62,744 | 52,497 | 169,727 | 78,247 | 5,038 | 15,719 | 956,176 | 47,818 | 50,320 | 1,438,286 | 1,435,545 |
| Utilities | 35,335 | 23,364 | 76,271 | 156,148 | 117,448 | 14,651 | 604,182 | 172,766 | 57,910 | 1,258,075 | 1,055,167 |
| Contracted services | 61,382 | 52,344 | 82,168 | 210,002 | 102,751 | 23,689 | 496,975 | 306,735 | 77,690 | 1,413,736 | 1,340,062 |
| Repairs and maintenance | 23,117 | 17,221 | 28,704 | 58,704 | 26,609 | 5,004 | 116,801 | 65,877 | 20,578 | 362,615 | 412,069 |
| Insurance | 10,024 | 9,173 | 20,989 | 34,650 | 27,254 | 5,177 | 129,328 | 76,724 | 16,670 | 329,989 | 301,953 |
| Real estate taxes | 17,159 | 21,778 | 29,751 | 35,203 | 57,805 | 5,563 | 130,308 | 202 | 25,309 | 323,078 | 406,224 |
| Rents | - | - | - | - | - | - | 4,386 | - | - | 4,386 | 4,439 |
| Total occupancy | 209,761 | 176,377 | 407,610 | 572,954 | 336,905 | 69,803 | 2,438,156 | 670,122 | 248,477 | 5,130,165 | 4,955,459 |
| Other expenses: | | | | | | | | | | | |
| Professional fees | 13,489 | 12,963 | 24,587 | 95,449 | 28,599 | 7,327 | 51,403 | 55,038 | 16,701 | 305,556 | 245,277 |
| Management fees | 39,479 | 42,025 | 48,499 | 66,187 | 42,005 | 6,397 | 258,018 | 109,449 | 44,911 | 656,970 | 653,750 |
| Office and other | 4,424 | 5,129 | 7,420 | 25,624 | 9,395 | 1,727 | 60,770 | 29,232 | 6,182 | 149,903 | 136,422 |
| Miscellaneous | 1,437 | 1,355 | 2,360 | 13,750 | 1,811 | 104 | 22,117 | 52,234 | 2,309 | 97,477 | 159,561 |
| Telephone and communications | 4,961 | 5,351 | 2,265 | 4,280 | 3,183 | 305 | 16,071 | 19,353 | 4,114 | 59,883 | 49,273 |
| Bad debts | - | - | - | - | - | - | 1,150 | - | - | 1,150 | 14,901 |
| Total other expenses | 63,790 | 66,823 | 85,131 | 205,290 | 84,993 | 15,860 | 409,529 | 265,306 | 74,217 | 1,270,939 | 1,259,184 |
| Total operating expenses before interest - amortization and depreciation and amortization | 336,473 | 306,468 | 590,018 | 962,018 | 558,770 | 104,283 | 3,449,692 | 1,291,813 | 415,379 | 8,014,914 | 7,694,323 |
| Interest - amortization | 3,129 | 3,641 | 6,097 | 31,100 | 8,066 | - | 26,878 | 14,740 | - | 93,651 | 120,281 |
| Depreciation and amortization | 201,635 | 191,081 | 337,988 | 60,541 | 75,232 | 37,347 | 1,304,478 | 580,814 | 224,245 | 3,013,361 | 2,395,057 |
| Total operating expenses | 541,237 | 501,190 | 934,103 | 1,053,659 | 642,068 | 141,630 | 4,781,048 | 1,887,367 | 639,624 | 11,121,926 | 10,209,661 |
| Changes in net assets without donor restrictions from operations | (171,694) | (104,985) | (115,886) | 133,981 | 207,851 | (35,396) | (175,867) | 103,057 | (53,702) | (212,641) | (188,760) |
| Gain on Involuntary Conversion | - | - | - | - | - | - | - | - | - | - | 870,908 |
| Other Non-Operating Expenses | - | - | - | - | - | - | - | - | - | - | (180,524) |
| Deferred Interest | (301,508) | (46,756) | (199,437) | - | (32,998) | - | (19,815) | (473,937) | - | (1,074,451) | (691,321) |
| Changes in net assets without donor restrictions | \$ (473,202) | \$ (151,741) | \$ (315,323) | \$ 133,981 | \$ 174,853 | \$ (35,396) | \$ (195,682) | \$ (370,880) | \$ (53,702) | \$ (1,287,092) | \$ (189,697) |

Supplementary Consolidating Statement of Activities - Rental Properties
For the Year Ended December 31, 2017

| | St. Patricks Place LP | Putnam Place LP | Churchill Court LP | Squirrel Brand LP | Elm Place LP | Bishop Allen Apartments LLC | Close Building Associates | Wellington- Harrington Development Corporation | Next Step Housing Corporation | Rindge Tower Apartments LLC | JAS Consolidated LLC | JAS Properties | Total |
|--|--------------------------|--------------------|-----------------------|----------------------|---------------------|--------------------------------|---------------------------------|---|-------------------------------------|--------------------------------|----------------------------|--------------------|---------------------|
| Operating Revenues: | | | | | | | | | | | | | |
| Rental income | \$ 258,378 | \$ 233,657 | \$ 211,966 | \$ 416,964 | \$ 362,310 | \$ 817,786 | \$ 919,197 | \$ 842,157 | \$ 112,955 | \$ 3,879,718 | \$ 166,634 | \$ 1,554,888 | \$ 9,776,610 |
| Interest income and other | 46,847 | 272 | 799 | 1,106 | 13,501 | 3,173 | 7,452 | 65,203 | 9,245 | 87,898 | 245 | 8,550 | 244,291 |
| Total operating revenues | <u>305,225</u> | <u>233,929</u> | <u>212,765</u> | <u>418,070</u> | <u>375,811</u> | <u>820,959</u> | <u>926,649</u> | <u>907,360</u> | <u>122,200</u> | <u>3,967,616</u> | <u>166,879</u> | <u>1,563,438</u> | <u>10,020,901</u> |
| Operating Expenses: | | | | | | | | | | | | | |
| Personnel and related: | | | | | | | | | | | | | |
| Contract labor | 78,401 | 29,837 | 34,316 | 54,280 | 54,690 | 86,066 | 170,045 | 122,295 | 5,963 | 584,994 | 32,785 | 226,008 | 1,479,680 |
| Occupancy: | | | | | | | | | | | | | |
| Interest | 40,037 | 27,095 | 26,371 | 63,951 | 53,455 | 173,163 | - | 20,388 | 16,186 | 858,705 | - | 156,194 | 1,435,545 |
| Utilities | 17,896 | 16,072 | 11,667 | 32,741 | 21,119 | 71,662 | 134,870 | 106,429 | 12,145 | 521,426 | 12,738 | 96,402 | 1,055,167 |
| Contracted services | 54,369 | 40,384 | 27,456 | 44,487 | 44,158 | 72,428 | 201,163 | 89,752 | 11,280 | 489,046 | 19,283 | 246,256 | 1,340,062 |
| Repairs and maintenance | 9,529 | 9,815 | 14,652 | 19,368 | 17,685 | 30,718 | 83,819 | 25,975 | 11,880 | 74,395 | 2,598 | 111,635 | 412,069 |
| Insurance | 11,684 | 5,438 | 8,342 | 9,216 | 8,434 | 19,987 | 31,856 | 25,057 | 7,419 | 118,689 | 5,494 | 50,337 | 301,953 |
| Real estate taxes | 15,711 | 10,121 | 10,170 | 17,019 | 21,845 | 29,685 | 56,135 | 37,573 | 5,563 | 130,590 | 136 | 71,676 | 406,224 |
| Rents | - | - | - | - | - | - | - | - | - | 4,439 | - | - | 4,439 |
| Total occupancy | <u>149,226</u> | <u>108,925</u> | <u>98,658</u> | <u>186,782</u> | <u>166,696</u> | <u>397,643</u> | <u>507,843</u> | <u>305,174</u> | <u>64,473</u> | <u>2,197,290</u> | <u>40,249</u> | <u>732,500</u> | <u>4,955,459</u> |
| Other expenses: | | | | | | | | | | | | | |
| Professional fees | 15,640 | 16,037 | 18,248 | 13,298 | 12,966 | 17,868 | 34,494 | 26,983 | 4,348 | 43,312 | 755 | 41,328 | 245,277 |
| Management fees | 31,206 | 12,833 | 29,675 | 38,730 | 40,014 | 48,267 | 36,847 | 45,042 | 6,795 | 226,463 | 9,165 | 128,713 | 653,750 |
| Office and other | 5,655 | 2,850 | 3,133 | 5,246 | 5,309 | 6,977 | 20,803 | 9,549 | 1,013 | 56,132 | 2,578 | 17,177 | 136,422 |
| Miscellaneous | 2,567 | 3,587 | 1,616 | 2,120 | 1,940 | 3,180 | 4,008 | 2,500 | 1,673 | 127,790 | 100 | 8,480 | 159,561 |
| Telephone and communications | 1,740 | 531 | 4,451 | 4,050 | 4,635 | 1,630 | 3,113 | 2,292 | - | 15,687 | 1,239 | 9,905 | 49,273 |
| Bad debts | 6,688 | - | - | - | - | - | 6,313 | - | - | - | - | 1,900 | 14,901 |
| Total other expenses | <u>63,496</u> | <u>35,838</u> | <u>57,123</u> | <u>63,444</u> | <u>64,864</u> | <u>77,922</u> | <u>105,578</u> | <u>86,366</u> | <u>13,829</u> | <u>469,384</u> | <u>13,837</u> | <u>207,503</u> | <u>1,259,184</u> |
| Total operating expenses before interest - amortization and depreciation and amortization | 291,123 | 174,600 | 190,097 | 304,506 | 286,250 | 561,631 | 783,466 | 513,835 | 84,265 | 3,251,668 | 86,871 | 1,166,011 | 7,694,323 |
| Interest - amortization | 6,946 | - | - | 3,129 | 3,641 | 6,097 | - | 732 | - | 99,736 | - | - | 120,281 |
| Depreciation and amortization | 57,638 | 40,162 | 51,804 | 198,133 | 186,961 | 334,216 | 60,185 | 72,646 | 37,347 | 831,216 | 37,552 | 487,197 | 2,395,057 |
| Total operating expenses | <u>355,707</u> | <u>214,762</u> | <u>241,901</u> | <u>505,768</u> | <u>476,852</u> | <u>901,944</u> | <u>843,651</u> | <u>587,213</u> | <u>121,612</u> | <u>4,182,620</u> | <u>124,423</u> | <u>1,653,208</u> | <u>10,209,661</u> |
| Changes in net assets without donor restrictions from operations | (50,482) | 19,167 | (29,136) | (87,698) | (101,041) | (80,985) | 82,998 | 320,147 | 588 | (215,004) | 42,456 | (89,770) | (188,760) |
| Gain on Involuntary Conversion | 870,908 | - | - | - | - | - | - | - | - | - | - | - | 870,908 |
| Other Non-Operating Expenses | - | - | - | - | - | - | - | - | - | (164,990) | (15,534) | - | (180,524) |
| Deferred Interest | (9,388) | (1,758) | (46,344) | (278,856) | (45,728) | (197,831) | - | (43,435) | - | - | (61,451) | (6,530) | (691,321) |
| Changes in net assets without donor restrictions | <u>\$ 811,038</u> | <u>\$ 17,409</u> | <u>\$ (75,480)</u> | <u>\$ (366,554)</u> | <u>\$ (146,769)</u> | <u>\$ (278,816)</u> | <u>\$ 82,998</u> | <u>\$ 276,712</u> | <u>\$ 588</u> | <u>\$ (379,994)</u> | <u>\$ (34,529)</u> | <u>\$ (96,300)</u> | <u>\$ (189,697)</u> |

Supplementary Consolidating Statements of Changes in Net Assets - Rental Properties
For the Years Ended December 31, 2018 and 2017

| | St. Patricks Place LP | Putnam Place LP | Churchill Court LP | Squirrel Brand LP | Elm Place LP | Bishop Allen Apartments LLC | Close Building Associates/ The Close Building LLC | Wellington- Harrington Development Corporation | Next Step Housing Corporation | Rindge Tower Apartments LLC | JAS Consolidated LLC | JAS Properties | Total |
|--------------------------------------|--------------------------|--------------------|-----------------------|-----------------------|---------------------|--------------------------------|--|---|-------------------------------------|--------------------------------|----------------------------|-----------------------|----------------------|
| Net Assets, December 31, 2016 | \$ 3,498,906 | \$ 240,427 | \$ (75,909) | \$ (2,454,130) | \$ 1,359,200 | \$ 2,360,621 | \$ 652,783 | \$ (80,880) | \$ (7,523) | \$ 15,098,704 | \$ - | \$ (3,024,314) | \$ 17,567,885 |
| Syndication of JAS Consolidated | (4,271,195) | (242,999) | 119,037 | - | - | - | - | - | - | - | (7,823,634) | 2,625,145 | (9,593,646) |
| Changes in net assets | 811,038 | 17,409 | (75,480) | (366,554) | (146,769) | (278,816) | 82,998 | 276,712 | 588 | (379,994) | (34,529) | (96,300) | (189,697) |
| Syndication costs | - | - | - | - | - | - | - | - | - | - | (53,798) | - | (53,798) |
| Distributions | (107,285) | - | - | - | (12,786) | - | - | - | - | - | - | - | (120,071) |
| Net Assets, December 31, 2017 | (68,536) | 14,837 | (32,352) | (2,820,684) | 1,199,645 | 2,081,805 | 735,781 | 195,832 | (6,935) | 14,718,710 | (7,911,961) | (495,469) | 7,610,673 |
| Capital contributions | - | - | - | - | - | - | - | - | - | 9,329,481 | 2,135,250 | - | 11,464,731 |
| Syndication of TCBLLC | - | - | - | - | - | - | (5,352,244) | - | - | - | - | - | (5,352,244) |
| Syndication costs | - | - | - | - | - | - | (97,417) | - | - | - | - | - | (97,417) |
| Distributions | - | - | - | - | (16,747) | - | - | - | - | (373,233) | - | - | (389,980) |
| Net asset transfer | 68,536 | (14,837) | 32,352 | - | - | - | - | - | - | - | - | (505,775) | (419,724) |
| Changes in net assets | - | - | - | (473,202) | (151,741) | (315,323) | 133,981 | 174,853 | (35,396) | (195,682) | (370,880) | (53,702) | (1,287,092) |
| Net Assets, December 31, 2018 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (3,293,886)</u> | <u>\$ 1,031,157</u> | <u>\$ 1,766,482</u> | <u>\$ (4,579,899)</u> | <u>\$ 370,685</u> | <u>\$ (42,331)</u> | <u>\$ 23,479,276</u> | <u>\$ (6,147,591)</u> | <u>\$ (1,054,946)</u> | <u>\$ 11,528,947</u> |