

**Settlement Housing Fund, Inc., Subsidiaries and
Affiliates**

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

December 31, 2018

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

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Independent Auditor's Report

To the Board of Directors
Settlement Housing Fund, Inc., Subsidiaries and Affiliates

We have audited the accompanying consolidated and combined financial statements of Settlement Housing Fund, Inc., Subsidiaries and Affiliates, which comprise the consolidated and combined statement of financial position as of December 31, 2018, and the related consolidated and combined statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated and combined financial statements.

Management's Responsibility for the Consolidated and Combined Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of Settlement Housing Fund, Inc., Subsidiaries and Affiliates as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Guidance

As discussed in Note 3 to the financial statements, Settlement Housing Fund, Inc. Subsidiaries and Affiliates adopted the Financial Accounting Standards Board's Accounting Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958). Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The accompanying supplementary information on pages 28 through 36 is presented for purposes of additional analysis and is not a required part of the consolidated and combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements or to the consolidated and combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated and combined financial statements as a whole.

Restatement

The financial statements of Settlement Housing Fund, Inc., Subsidiaries and Affiliates for the year ended December 31, 2017, before the restatement described in Note 4, were audited by another auditor whose report dated January 9, 2019, expressed an unmodified opinion on those statements.

As part of our audit of the December 31, 2018 consolidated and combined financial statements, we also audited the adjustments described in Note 4 that were applied to restate the 2017 consolidated and combined financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 consolidated and combined financial statements of the entities other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 consolidated and combined financial statements as a whole.



New York, New York
December 31, 2019

Settlement Housing Fund, Inc., Subsidiaries and Affiliates
Consolidated and Combined Statement of Financial Position
December 31, 2018

Assets

Current assets	
Cash and cash equivalents	\$ 5,444,310
Tenant security deposits - held in trust	884,864
Investments	1,368,380
Grants and contributions receivables	2,785,327
Due from affiliates - operations	20,743
Rents and other receivables, net	1,341,121
Commercial lease receivables, net	12,446
Subsidy receivables	390,907
Prepaid expenses	831,835
Predevelopment costs	85,098
Developer fee receivable	5,189,490
Other assets	93,209
	<hr/>
Total current assets	18,447,730
	<hr/>
Property and equipment	
Land	812,661
Land improvements	457,514
Buildings and improvements	196,301,150
Furniture, fixtures and equipment	9,181,228
Construction in process	2,805,597
	<hr/>
Total property and equipment	209,558,150
Less accumulated depreciation	(47,890,998)
	<hr/>
Total property and equipment, net	161,667,152
	<hr/>
Other assets	
Fees receivables	99,000
Escrows and reserves	23,878,785
Utility deposit	175,045
Notes receivable	700,000
Other receivables	414,140
Intangible assets, net of accumulated amortization	634,552
	<hr/>
Total other assets	25,901,522
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Total assets	\$ 206,016,404
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Settlement Housing Fund, Inc., Subsidiaries and Affiliates
Consolidated and Combined Statement of Financial Position
December 31, 2018

Liabilities and Net Assets

Current liabilities	
Mortgages payable, current	\$ 32,840
Accounts payable and accrued expenses	3,823,410
Prepaid rents	230,943
Accrued interest payable	392,595
Construction costs payable	332,308
Tenant security deposits held in trust (contra)	883,779
Deferred revenue	1,597,557
Limited partner fee payable	<u>7,067</u>
Total current liabilities	<u>7,300,499</u>
Other liabilities	
Mortgages payable, net of current portion and unamortized debt issuance costs	144,648,668
Developer's fee payable	<u>7,898,037</u>
Total other liabilities	<u>152,546,705</u>
Total liabilities	<u>159,847,204</u>
Net assets (deficit)	
Controlling	
with donor restriction	140,000
without donor restriction	52,644,808
Noncontrolling	
without donor restriction	<u>(6,615,608)</u>
Total net assets (deficit)	<u>46,169,200</u>
Total liabilities and net assets	<u><u>\$ 206,016,404</u></u>

See Notes to Consolidated and Combined Financial Statements.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

**Consolidated and Combined Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018**

Public support and operating revenue	
Grants and contributions	\$ 11,810,909
Special events - net	419,169
Program and other fees	2,469,482
Rental income	19,039,032
Apartments vacancies	(1,248,399)
Commercial rent revenue	200,669
Interest and dividend income	235,275
Developer fee income	3,564,371
Other income	2,617,580
Loan redemption revenue	246,299
Consulting fee income	<u>417,133</u>
 Total public support and operating revenue	 <u>39,771,520</u>
 Program expenses	
Youth services	1,784,564
Community centers	11,739,737
Housing	<u>23,243,203</u>
 Total program expenses	 36,767,504
 Supporting services expenses	
Management and general	3,013,418
Fundraising	<u>296,910</u>
 Total supporting services expenses	 <u>3,310,328</u>
 Other revenue (expenses)	
Forgiveness of debt	4,664,600
Realized and unrealized gain (loss) on investments	<u>(29,760)</u>
 Total other revenue (expenses)	 <u>4,634,840</u>
 Change in net assets (deficit) prior to depreciation expense	 4,328,528
 Depreciation expense	 <u>4,716,403</u>
 Change in net assets (deficit)	 (387,875)
 Change in net assets attributable to noncontrolling interest	 <u>(14,638,522)</u>
 Change in net assets attributable to the Organization	 <u><u>\$ 14,250,647</u></u>

See Notes to Consolidated and Combined Financial Statements.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

**Consolidated and Combined Statement of Functional Expenses
Year Ended December 31, 2018**

	Program Services			Supporting Services		
	Youth Services	Community Centers	Housing	Management and General	Fundraising	Total
Salaries and related expenses	\$ 1,229,352	\$ 7,649,782	\$ 6,205,385	\$ 1,759,271	\$ 282,906	\$ 17,126,696
Professional fees and contract service payments	26,457	1,557,457	1,179,535	70,685	14,004	2,848,138
Occupancy	-	-	273,155	101,800	-	374,955
Security	1,070	461,929	615,025	-	-	1,078,024
Telephone	9,212	53,909	150,646	13,150	-	226,917
Postage	747	-	-	9,234	-	9,981
Supplies	39,371	644,465	465,875	15,244	-	1,164,955
Advertising and newspaper	-	51,017	4,398	-	-	55,415
Affordable housing lease-up	-	-	1,721,391	-	-	1,721,391
Rent free unit	-	69,480	101,386	-	-	170,866
Conferences, training, seminars and travel	38,906	109,508	10,226	8,428	-	167,068
Publications and printing	322	-	4,571	13,652	-	18,545
Property management fees	-	-	-	915,269	-	915,269
Purchase, rental and maintenance of equipment	14,350	267,329	1,786,842	13,648	-	2,082,169
Insurance	-	117,019	1,393,310	27,194	-	1,537,523
Real estate taxes	-	-	11,755	-	-	11,755
Utilities	-	370,926	3,472,616	-	-	3,843,542
Contributions	-	-	25,471	-	-	25,471
Legal	-	10,630	504,014	-	-	514,644
Student expenses	171,053	-	11,019	4,382	-	186,454
DREAMS/Youthbuild expenses	14,500	-	-	-	-	14,500
Donated services and supplies	239,224	-	-	-	-	239,224
Interest expense	-	231,257	4,563,324	3,117	-	4,797,698
Limited partner fees	-	-	3,567	-	-	3,567
Miscellaneous administrative	-	142,111	216,117	-	-	358,228
Amortization	-	1,224	200,221	-	-	201,445
Other expenses	-	1,694	1,525,754	58,344	-	1,585,792
	<u>\$ 1,784,564</u>	<u>\$ 11,739,737</u>	<u>\$ 24,445,603</u>	<u>\$ 3,013,418</u>	<u>\$ 296,910</u>	<u>\$ 41,280,232</u>

See Notes to Consolidated and Combined Financial Statements.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

**Consolidated and Combined Statement of Changes in Net Assets
For the Year Ended December 31, 2018**

	<u>Without Donor Restriction</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total Net Assets</u>
	<u>Controlling</u>	<u>Noncontrolling</u>	<u>Controlling</u>	
Net assets, January 1, 2018	\$ 31,673,473	\$ 10,541,051	\$ 140,000	\$ 42,354,524
Prior period adjustment	<u>15,190,069</u>	<u>(4,127,286)</u>	<u>-</u>	<u>11,062,783</u>
Net assets, January 1, 2018, as restated	46,863,542	6,413,765	140,000	53,417,307
Contributions	-	1,609,149	-	1,609,149
Net assets acquired	(8,469,381)	-	-	(8,469,381)
Change in net assets	<u>14,250,647</u>	<u>(14,638,522)</u>	<u>-</u>	<u>(387,875)</u>
Net assets, December 31, 2018	<u><u>\$ 52,644,808</u></u>	<u><u>\$ (6,615,608)</u></u>	<u><u>\$ 140,000</u></u>	<u><u>\$ 46,169,200</u></u>

See Notes to Consolidated and Combined Financial Statements.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Consolidated and Combined Statement of Cash Flows Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ (387,875)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	4,716,403
Amortization	201,445
Amortization of debt issuance costs	98,502
Unrealized (gain)/loss on investments	29,760
Foriveness of debt	(4,664,600)
Decrease (increase) in assets	
Tenant security deposits - held in trust	14,950
Grants and contributions receivables	(711,297)
Fees receivable	(24,750)
Rents and other receivables, net	(1,262,258)
Commercial lease receivables, net	(950)
Subsidy receivables	(91,671)
Prepaid expenses	(58,250)
Developer fee receivable	(5,189,490)
Predevelopment costs receivable	(85,098)
Other assets	158,242
Utility deposit	15,450
Other receivables	8,818
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	438,124
Prepaid rents	91,441
Accrued interest payable	(451,566)
Tenant security deposits held in trust (contra)	(17,745)
Deferred revenue	220,074
Limited partner fee payable	(43,096)
Net cash used in operating activities	<u>(6,995,437)</u>
Cash flows used in investing activities	
Payment of low-income housing tax credit fees and real estate tax exemption fees	(835,997)
Purchase of investments, net	(17,065)
Investment in land, buildings and equipment	(8,282,716)
Net deposits to escrows and reserves	<u>(966,208)</u>
Net cash used in investing activities	<u>(10,101,986)</u>
Cash flows from financing activities	
Contributions from noncontrolling interests	1,609,149
Payments of mortgages and loans	(9,071,088)
Proceeds from mortgage notes	29,267,188
Payment of debt issuance costs	<u>(3,856,891)</u>
Net cash provided by financing activities	<u>17,948,358</u>
Net increase in cash and cash equivalents	850,935
Cash and cash equivalents at beginning of year	<u>4,593,375</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,444,310</u></u>
Supplemental disclosure of cash flow information	
Cash paid for interest	<u><u>\$ 5,150,762</u></u>
Significant noncash investing and financing activities	
Increase in land, buildings and equipment included in development fee payable	<u>\$ 7,031,995</u>
Increase in land, buildings and equipment included in construction costs payable	<u>\$ 332,308</u>
Increase in land, buildings and equipment included in accounts payable	<u>\$ 7,971</u>
Net assets acquired	<u><u>\$ 8,469,381</u></u>

See Notes to Consolidated and Combined Financial Statements.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2018

Note 1 - Organization

Settlement Housing Fund, Inc. ("SHF") and Affiliates provide affordable housing, technical assistance, affordable housing development services, social, recreational and cultural activities, events and afterschool programs for low-income individuals and families, and transitional housing and day care for formerly homeless families in the City of New York. SHF also forms not-for-profit New York State Article 11 PHFL housing development fund corporations ("HDFCs") to serve as the legal fee title owners of affordable housing projects. These HDFCs sign nominee agreements with the beneficial owners, which assume all operational and development responsibility.

Note 2 - Principles of consolidation and combination

The consolidated and combined financial statements include the accounts of SHF and its wholly owned corporate subsidiaries, nonprofit entities which SHF and its corporate subsidiaries control through common board membership and limited partnership and limited liability corporations entities in which SHF and its corporate subsidiaries have general partnership interests (collectively, the "Organization"), as required accounting principles generally accepted in the United States of America ("GAAP"), which are further described below.

Based on the provisions of Accounting Standards Codification Topic 810, the Organization and its subsidiaries determined that the presumption of control for the entities in which the Organization and its subsidiaries are the general partner had not been overcome, and as a result, the Organization and its subsidiaries are required to consolidate the financial statements of those entities.

The accompanying consolidated and combined financial statements include the activities, for the year ended December 31, 2018, of entities controlled by the Organization through its sponsorship in other nonprofit entities or its controlling interest in for-profit entities.

SHF was organized on August 20, 1969 under Section 402 of the Not-for-Profit Corporation Law and pursuant to Article XI of the Private Housing Finance Law ("Housing Development Fund Companies Law") of the State of New York. SHF is a not-for-profit charitable organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC"). SHF creates and sustains high-quality affordable housing and programs, building strong and economically diverse neighborhoods throughout New York City. SHF works closely with community partners to provide low- and moderate-income New Yorkers with pathways to long-term affordable housing, education, employment and wellness. SHF provides technical assistance, development services and supervision to low- and moderate-income housing projects, including projects owned by SHF's affiliates and projects in which the Organization's affiliates are principals in joint ventures. Services include analyzing projects, choosing and supervising development teams, obtaining financing and subsidies, and supervising management and social services. SHF is supported primarily by fees charged for services provided and government, foundation and corporate contributions and grants.

New Settlement Community Campus Corp. ("NSCCC") was formed as a nonprofit organization under the laws of the State of New York on August 23, 2005, and is a tax-exempt entity under Section 501(c)(3) of the IRC. NSCCC was formed to develop a school facility and community center in the Mt. Eden section of the Southwest Bronx. The land and buildings containing this facility are leased from the New York City School Construction Authority. Furthermore, NSCCC provides social, recreational and cultural activities, events and afterschool programs in the community center to benefit the school and the surrounding community. NSCCC has leased a

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2018

portion of the building back to the New York City School Construction Authority. Rents for the premises are based on certain operating cost reimbursements that are adjusted annually. In 2011, NYCSCA assigned its interest in the lease to the New York City Department of Education.

The Crenulated Company, Ltd. ("Crenulated") was formed as a nonprofit organization under the laws of the State of New York on April 21, 1989, and is a tax-exempt entity under Section 501(c)(3) of the IRC. Crenulated provides community programs for its tenants and neighborhood residents.

The St. John's Place Family Center Housing Development Fund Corporation ("St. John's HDFC") was formed as a nonprofit organization under the laws of the State of New York on March 24, 1987, and is a tax-exempt entity under Section 501(c)(3) of the IRC. St. John's HDFC owns and operates a facility in Brooklyn, New York, that provides transitional housing and ancillary services to displaced and homeless families. Funding for this program comes from human services contracts with the City of New York's Department of Homeless Services. St. John's HDFC also owns a building acquired from the City of New York which are being used for community and administrative use.

The St. John's Place Family Center Day Care Corporation ("St. John's Day Care") was formed as a nonprofit organization under the laws of the State of New York on May 22, 2000, and is a tax-exempt entity under Section 501(c)(3) of the IRC. St. John's Day Care provides day care for children aged 2-1/2 to five years old living as shelter residents in St. John's HDFC and the surrounding community. St. John's Day Care's main source of revenue is from the New York City Administration for Children's Services.

Semiperm Housing Development Fund Corporation ("Semiperm") was formed as a nonprofit organization under the laws of the State of New York on May 2, 2006, and is a tax-exempt entity under Section 501(c)(3) of the IRC. Semiperm was organized to operate a building in which single-parent, formerly homeless families can live, generally, for two to five years, benefiting from educational programs and task-oriented counseling in order to attain self-sufficiency and the ability to live in permanent housing. In April 2008, Semiperm received a donation of a 36,000 square-foot building, consisting of 24 residential units. Semiperm recorded the building at the market value as assessed by the New York City Department of Finance.

Newset II Housing Development Fund Corporation ("Newset") was formed as a nonprofit organization under the laws of the State of New York on September 14, 1999, and is a tax-exempt entity under Section 501(c)(3) of the IRC. Newset owns and operates two rental housing projects consisting of 53 units located in the Bronx, New York. Newset also provides a space for Crenulated's College Access Program. Newset also owns a 99% noncontrolling ownership interest in Marcy Baer Associates, LP.

Marcy Baer Associates, LP ("Marcy Baer LP") was formed as a limited partnership on June 4, 1993 under the laws of the State of New York for the purposes of investing in real property and providing affordable senior citizen housing through the construction, renovation, rehabilitation and operation of the property, containing 76 apartments, located in the Bronx, New York.

1615 St. John's Place, LP was formed as a limited partnership under the laws of the State of New York on December 20, 2001 for the purposes of developing, constructing, owning, operating and leasing a tax credit project to provide housing for low-income persons, containing 35 apartments, located in Brooklyn, New York.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2018

Shuhab Housing Development Fund Corporation ("Shuhab") was formed as a nonprofit organization under the laws of the State of New York on March 28, 2002, and is a tax-exempt entity under Section 501 (c)(3) of the IRC. Shuhab was organized to develop 100 residential buildings containing 428 units that were acquired through the New York City Department of Housing Preservation and Development's Third Party Transfer Program and then to convert these buildings to cooperative ownership or rental use. At December 31, 2018, two buildings remain for rental use.

New Hull Street Housing Development Fund Company Inc. ("New Hull") was formed as a nonprofit organization under the laws of the State of New York on December 12, 1990, and is a tax-exempt entity under Section 501(c)(3) of the IRC. New Hull owns and operates a 33-unit apartment project in Brooklyn, New York.

287 HDFC was formed as a nonprofit corporation under the laws of the State of New York on January 24, 2013, and is a tax-exempt entity under Section 501 (c)(3) of the IRC. 287 HDFC was organized for the purpose of acquiring, developing and managing an affordable housing project with 20 residential units that was transferred from Shuhab on June 28, 2013.

301 HDFC was formed as a nonprofit corporation under the laws of the State of New York in April 2013, and is a tax-exempt entity under Section 501(c)(3) of the IRC. 301 HDFC was organized as an administering agent for an affordable housing project with 12 residential units.

Tanya Towers, Inc. was formed as a nonprofit corporation under the laws of the State of New York on July 16, 1971, and is a tax-exempt entity under Section 501(c)(3) of the IRC. Tanya Towers, Inc. owns and operates a 140-unit apartment project in New York, New York. On February 27, 2018, SHF, through its wholly owned entity SHF Tanya Towers, LLC acquired the sole membership of Tanya Towers, Inc. from the Federation Employment and Guidance Service, Inc. for a purchase price of \$5,500,000. The purchase price was allocated as set forth below:

Building and improvements	\$ 1,430,795
Furniture, fixtures and equipment	22,183
Air rights	464,491
Land	<u>3,582,531</u>
Purchase price	<u>\$ 5,500,000</u>

As these assets exist on the trial balances of both SHF Tanya Towers, LLC (at \$5,500,000) and Tanya Towers, Inc. (\$5,707,448), the duplication has been eliminated upon consolidation. After elimination, the value of net assets acquired, as reported in the consolidated and combined statement of net assets, was calculated as set forth below:

Property and equipment, net	\$ 5,707,448
Net assets (deficit) of Tanya Towers, Inc.	<u>2,761,933</u>
Net assets (deficit) acquired	<u>\$ 8,469,381</u>

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2018

SHF is the sole owner of the general partners/managing member which each own a percentage of their associated limited partnerships/limited liability corporations. These partnerships/limited liability corporations were formed to own individual properties which are developed to provide low-income housing:

<u>General partner/managing member</u>	<u>Interest in lower tier</u>	<u>Limited partnership/limited liability corporation</u>
Marcy Baer, Inc.	1.00%	Marcy Baer Associates, L.P.
1615 St. John's Place, Inc.	0.01%	1615 St. John's Place, L.P.
NSA 2015 MM, LLC	0.01%	NSA 2015 Owner LLC

1561 Associates LLC is a limited liability company organized in April 2015, under the laws of the State of New York, for the purpose of providing low-income housing through acquisition, rehabilitation and operations of an affordable housing project. 1561 MM LLC is the managing member of 1561 Associates LLC. SHF, through its subsidiary 1561 HDFC, entered into an operating agreement, whereby it has a 51% interest in 1561 Associates LLC.

NSA 2015 Owner LLC is a limited liability company organized in December 2015, under the laws of the State of New York, for the purpose of providing low-income housing through acquisition, rehabilitation and operations of affordable housing projects. NSA 2015 MM LLC is the managing member of NSA 2015 Owner LLC. SHF, through its subsidiary NSA 2015 HDFC, entered into an operating agreement, whereby it has a 75% interest in NSA 2015 MM LLC.

SHF Preservation LLC is a limited liability company organized on November 10, 2017 under the laws of the State of New York to support the charitable mission and purposes of SHF. SHF Preservation LLC is the sole member of SHF Tanya Towers, LLC.

SHF Tanya Towers, LLC is a limited liability company organized on October 31, 2017 under the laws of the State of New York, for the purposes of acquiring the controlling interest in Tanya Towers, Inc.

Two Bridgeset Associates, L.P. was formed as a limited partnership under the laws of the State of New York on July 1, 1995 whose purpose is to acquire, develop, finance, construct, own, maintain and operate a 198-unit multi-family apartment complex, located in New York, New York, known as Two Bridges Towers (the "Project"). SHF has a 50% cumulative partnership interest in Two Bridgeset Associates, L.P. This entity is being treated as an unconsolidated affiliate.

All intercompany activity has been eliminated upon consolidation.

Note 3 - Summary of significant accounting policies

Basis of presentation

The Organization presents its consolidated and combined financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2018

The Organization conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions.

Use of estimates

The preparation of the consolidated and combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated and combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Rents, subsidies and other receivable

Accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2018, management has determined that the allowance for doubtful accounts is \$468,773.

Grants receivable

Grants receivable represent outstanding expense reimbursements from various granting agencies for expenses incurred under the Organization's programs. Grants receivable are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Property and equipment

Property and equipment is carried at cost. The Organization capitalizes all furniture and fixtures having a cost of \$500 or more with an estimated useful life of greater than three years. Depreciation is computed primarily using the straight-line method over estimated useful lives. Amortization of leasehold improvement is provided by the straight-line method over the estimated useful lives of improvement or lease term, whichever is less.

Impairment of long-lived assets

The Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. For the year ended December 31, 2018, there was no impairment loss recognized.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gain and losses are included in the change in the net assets.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2018

Debt issuance costs

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

Deferred fees and amortization

Fees associated with low-income housing tax credits of certain affiliated entities are amortized over the life of the respective tax credit period using the straight-line method. Amortization expense for the year ended June 30, 2018 was \$200,762. Annual amortization expense relating to the low-income housing tax credits for each of the next five years following December 31, 2018 is estimated to be as follows:

December 31, 2019	\$	7,444
2020		7,444
2021		7,444
2022		7,444
2023		7,444

Fees associated with obtaining real estate tax exemptions of certain affiliated entities are amortized over the life of the respective tax exemption using the straight-line method. Amortization expense for the year ended December 31, 2018 was \$683. Annual amortization expense relating to the real estate tax exemptions for each of the next five years following December 31, 2018 is estimated to be as follows:

December 31, 2019	\$	2,385
2020		2,385
2021		2,385
2022		2,385
2023		2,385

Fair value measurements

The accounting guidance for fair value measurements and disclosures emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Refer to Note 13 for additional discussion.

Predevelopment costs

The Organization incurs costs in connection with properties it is considering for development as well as costs associated with properties in the initial stages of development. These costs include such items as market studies, purchase options, environmental study costs, legal, architectural and design costs. These costs are capitalized and recorded as predevelopment project costs until such time as the project is either abandoned or becomes an approved project with independent funding sources. Predevelopment project costs are charged to operations, either at the time a potential project is no longer considered desirable, feasible, or at the time the project has incurred excess development costs, which are absorbed by the Organization and charged to operations per terms of

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2018

the related partnership or operating agreements. Predevelopment project costs related to projects that are ultimately developed are recorded as receivables.

Investment in joint venture

As of December 31, 2018, the Organization has a noncontrolling ownership interest accounted for using the equity method in Two Bridgeset, LP. The amount represents the balance of the Organization's equity interest in the limited partnership, which does not require consolidation since control does not rest with the Organization. Under the equity method of accounting, the initial investment is recorded at cost, and is subsequently increased by its share of earnings and contributions and decreased by its share of losses and distributions.

The Organization's investment in the real estate venture is periodically reviewed for impairment. The Organization records an impairment charge when events or circumstances change indicating that a decline in the recoverable amount of the investment below carrying value has occurred and such decline is other than temporary. No impairment loss has been recognized during the year ended December 31, 2018.

Revenue

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Grants and other contributions of cash are reported as support with donor restriction if they are received with donor stipulations. Restricted contributions and grants that are made to support current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value.

Development fees are recorded as income in the period earned based on the percentage of completion method, taking into account the total anticipated development costs of the related project including completion, tax credit guarantees and operating deficit guarantee obligations of the Organization. Development fees are carried at their net realizable value. Only the portion of the development fees to be paid from operating cash flow is eliminated in consolidation.

Donated professional services are recorded at their fair value at the time the service is performed.

Commercial rent income is recognized on a straight-line basis where contractual rent increases are recognized equally over the lease term. Rental income recorded on the straight-line basis in excess of the rents billed is recognized as deferred commercial rents receivable. The Organization bills certain tenants proportionally for their share of utility and maintenance costs. All lease agreements are for at least a one-year term. All leases are considered to be operating leases.

Residential rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the entities and the tenants of the properties are operating leases.

The Organization receives grant support from local agencies. Revenue is earned under the terms of the grants when the expense associated with the grant is incurred.

Functional expenses

The consolidated and combined statement of activities presents expenses of the Organization's operations functionally between general and administrative, program and fundraising. Expenses are allocated based on a percentage of total salaries used in performing program services, general and administrative, and fundraising. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2018

Concentration of credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risk are cash and cash equivalents as well as marketable securities. The Organization places its cash and cash equivalents as well as marketable securities on deposit in what it believes to be highly credited financial institutions. Cash and investment balances exceed the FDIC insured levels of \$250,000 per institution at various times during the year. The Organization believes that there is little risk in any losses and has not experienced any losses in such accounts.

Income taxes

SHF and the affiliated nonprofit entities are tax-exempt organizations and, accordingly, are not subject to income tax in accordance with §501(c)(3) of the Internal Revenue Code. SHF and the affiliated nonprofit entities have also been classified as entities that are not private foundations within the meaning of Section 509(a) and qualified for deductible contributions as provided in Section 170(b)(1)(A)(vi). IRS Form 990s filed by SHF and the affiliated nonprofit entities are subject to examination by the Internal Revenue Service up to three years from the due date of each return including extensions. Forms 990 filed by SHF are no longer subject to examination for the fiscal years ended December 31, 2015 and prior.

SHF has General Partner ("GP") interests in the affiliated Limited Partnerships. The GPs are S-corporations and as such are required to and do file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes or uncertain tax positions for these entities. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since December 31, 2015 remain open.

The consolidated affiliated Limited Partnerships and Limited Liability Corporations have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by their owners on their respective income tax returns. Accordingly, these consolidated and combined financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure related to these entities. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since December 31, 2015 remain open.

Change in accounting principle

During 2018, the Organization adopted the provisions of Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). The Update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU 2016-14 has been applied on a retrospective basis.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
December 31, 2018**

Note 4 - Prior period adjustment

Management of the Organization has restated its opening net assets as of January 1, 2018 to correct previously issued financial statements for errors in the historical intercompany accounting for the transfer of certain real estate operations to a consolidated subsidiary, the improper recognition of revenue from a consolidated subsidiary, and the improper allocation of controlling and noncontrolling net assets. The effect on the Organization's financial statements as of and for the year ended December 31, 2017 is summarized as follows:

	<u>As previously stated</u>	<u>Adjustments</u>	<u>As restated</u>
Total assets	<u>\$ 180,541,628</u>	<u>\$ (8,533,094)</u>	<u>\$ 172,008,534</u>
Total liabilities	<u>\$ 138,187,104</u>	<u>\$ (17,595,877)</u>	<u>\$ 120,591,227</u>
Total net assets	<u>\$ 42,354,524</u>	<u>\$ 11,062,783</u>	<u>\$ 53,417,307</u>
Change in net assets	<u>\$ 6,431,215</u>	<u>\$ (6,436,817)</u>	<u>\$ (5,602)</u>

Note 5 - Liquidity and availability

As of December 31, 2018, the Organization's resources and financial assets available within one year for general expenditures were as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 5,444,310
Grants and contributions receivable	2,785,327
Due from affiliates - operations	20,743
Rents and other receivables, net	1,341,121
Commercial lease receivables, net	12,446
Subsidy receivables	<u>390,907</u>
Total financial assets	<u>9,994,854</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(140,000)</u>
Total financial assets not available to be used within one year	<u>(140,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 9,854,854</u>

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2018

Note 6 - Mortgages and notes payable

Mortgages and notes payable consisted of the following as of December 31, 2018:

Affiliated Entities	Lender	Adjusted Balance	Interest Rate	Maturity Dates
SHF	Deutsche Bank	\$ 80,000	0.00%	March 31, 2019
SHF	TD Bank - LOC	254,257	0.00%	February 1, 2019
Semiperm	TD Bank	161,000	0.00%	October 1, 2020
Newset II	HPD	468,025	3.00%	June 1, 2043
Shuhab	HPD	297,887	7.18%	January 1, 2041
Shuhab	HPD	2,059,583	0.00%	March 31, 2019
Shuhab	HDC	2,758,937	0.25%	January 1, 2041
Shuhab	Bank of America	18,433,069	0.00%	March 31, 2020
287 HDFC	CPC	1,510,577	5.25%	June 1, 2047
287 HDFC	HPD	1,564,495	0.00%	June 1, 2047
287 HDFC	HPD	826,000	0.00%	June 1, 2032
New Hull	HPD	2,354,262	1.25%	March 11, 2059
St. John's HDFC	HPD	1,613,008	2.00%	July 1, 2022
Marcy Baer LP	HTF	7,308,367	1.00%	May 17, 2093
1615 LP	HDC	605,607	5.45%	November 30, 2034
1615 LP	HTF	700,000	1.00%	November 1, 2034
1561 LLC	CPC	2,876,262	2.50%	July 1, 2048
1561 LLC	HPD	3,400,702	1.25%	July 1, 2048
1561 LLC	SHF	62,000	0.00%	July 1, 2048
NSA LLC	HFA	24,640,000	5.30%	June 1, 2048
NSA LLC	HFA	61,193,512	3.07%	July 1, 2019
NSA LLC	SHF	3,896,147	3.60%	September 1, 2023
NSA LLC	Crenulated	62,658,000	3.60%	October 1, 2048
NSA LLC	HPD	280,000	0.00%	October 1, 2048
Tanya Towers	HDC	3,997,868	6.00%	February 28, 2039
Tanya Towers	HDC	2,660,760	0.00%	February 28, 2039
Tanya Towers	HPD	1,315,170	0.00%	October 1, 2027
SHF Tanya Towers LLC	NYAH	7,501,651	0.00%	February 26, 2048
Total loan balances:		215,477,146		
Less unamortized debt issuance costs:		(4,179,491)		
Less mortgages and notes payable, current portion:		(32,840)		
Less Seller, Reserve and NYSEDA notes eliminated upon consolidation:		(66,616,147)		
Mortgages and notes payable, net		\$ 144,648,668		

Debt issuance costs, net of accumulated amortization, totaled \$4,179,491 as of December 31, 2018 related to multiple mortgages noted above. Debt issuance costs on the above mortgages are being amortized using imputed interest rates ranging from 3.90% to 7.05%. For the year ended December 31, 2018, amortization expense related to the debt issuance costs was \$98,502, and is included in interest expense on the consolidated and combined statement of functional expenses.

The liability of the affiliated entities under these mortgage notes is limited to the underlying value of the real estate collateral, assignment of rents and leases and other amounts deposited with the lenders.

During 2018, the New Market Tax Credit period ended for NSCCC, and the associated debt in the amount of \$17,620,000 was forgiven, of which \$12,955,400 was owed to SHF and was eliminated upon consolidation.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2018

Note 7 - Transactions with affiliated organizations

Developer fees receivable

SHF has entered into various development agreements with affiliated entities. The agreements provide for the fees to be paid from capital contributions and future cash flows of the respective entities. Development fees receivable presented in the consolidated and combined financial statements represent developer fees due from related entities for development services. Development fees receivable, development fee income and deferred development fees earned from affiliated entities shall be paid by the affiliated entities upon receipt of the limited partner capital contribution. Any remaining developer fee receivable, and accrued interest thereon if applicable, is payable from operational cash flow of the respective projects. Development fees receivable are reported at their net realizable value. Management's estimate of any allowance is based on collectability determined by future operating cash flows of the related entities. It is reasonably possible that management's estimate of allowances will change. SHF also provides "continuing involvement" as defined in the development projects via various guarantee agreements. Accordingly, recognition of a portion of the development fee is deferred until the expiration of those guarantee periods. The balance of the development fees receivable, accrued interest, allowances and deferred revenue - development fees as of December 31, 2018, are as detailed below, all of which have been eliminated upon consolidation

Entity	Development fee receivable	Accrued interest receivable	Allowance	Deferred revenue - development fees
NSA 2015 Owner LLC	\$ 15,478,739	\$ -	\$ -	\$ 1,854,846
1561 Associates LLC	509,698	5,200	-	-
	<u>\$ 15,988,437</u>	<u>\$ 5,200</u>	<u>\$ -</u>	<u>\$ 1,854,846</u>

Annual fees

The Organization earns annual fees from its affiliated and unaffiliated entities, including partnership management fees for services related to reporting and monitoring operations, supervisory fees for services performed in the supervision and development of certain operating procedures, and accounting and data processing fees for services performed in maintaining the books and records of the entities. As of December 31, 2018, annual fees receivable totaled \$123,289 and are included in due from affiliates - operations and fees receivable on the accompanying consolidated and combined statement of financial position.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2018

Due to/from affiliates

During the current year and in prior years, the Organization made certain operating advances to various affiliates. These unsecured advances are noninterest-bearing and are payable upon demand. All significant intercompany balances and transactions have been eliminated in consolidation and combination.

Additionally, over the same period, various affiliates funded expenses incurred by the Organization, and the Organization funded expenses on behalf of its affiliates, which are included in due to affiliates, respectively, on the accompanying consolidating statement of financial position.

Note 8 - Notes receivable

Two Bridgeset Associates, L.P.

The mortgage to Two Bridgeset Associates, L.P. is interest free and due on October 29, 2025. In 2008, SHF donated half the mortgage to the Two Bridges Neighborhood Council. As of December 31, 2018, the balance of the Organization's 50% share of the mortgage was \$700,000 and is included in notes receivable on the accompanying consolidated and combined statement of financial position.

NSA 2015 Owner LLC

SHF has committed \$8,000,000 for the construction and permanent financing of NSA 2015 Owner LLC. The loan bears interest at 3.6% per annum. The principal and accrued interest are due in full upon maturity on October 1, 2048. During the year ended December 31, 2018, interest income of \$388,609 was incurred. As of December 31, 2018, the outstanding balance and interest receivable was \$3,896,147 and \$388,609, respectively, which are both eliminated upon consolidation.

Crenulated

SHF has entered into an agreement with TD Bank for a non-revolving line of credit with a three-year term on behalf of Crenulated. The line of credit bears interest at 5.5%. As of December 31, 2018, \$254,257 has been drawn on the line of credit and is owed from Crenulated to SHF, and has been eliminated upon consolidation.

Note 9 - Lease commitment

SHF occupies its premises under various operating leases expiring through August 31, 2027. The annual base rent increases annually at 2.5%, plus escalations for real estate tax and maintenance. SHF recognizes \$316,700 per year of rental expense on a straight-line basis.

Minimum future rental payments for each of the next five years are as follows:

2019	\$	436,736
2020		447,656
2021		439,816
2022		412,732
2023		423,052

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2018

Note 10 - Pension plan

Crenulated, Marcy Baer LP, and NSA LLC participate in the Service Employees International Union, Local 32BJ (the "Union") pension plan, health plan and other welfare plans under a collective bargaining agreement (the "Agreement") that covers certain employees of those entities. The Agreement expires on March 14, 2023.

The pension plan is a multiemployer, noncontributory defined benefit pension plan. The pension plan year runs on a calendar-year basis. Employers contribute to the pension plan in accordance with the Agreement, which generally provides that the employers contribute to the pension plan at a fixed rate on behalf of each covered employee. The health plan and other welfare plans provide health and other general benefits to eligible participants under the terms of the Agreement with the Union. The health plan is administered by a board of trustees with equal representation by the employers and the Union. The health plan and other welfare plans receive contributions in accordance with the Agreement, which generally provides that the employers contribute to the health plan and other welfare plans at fixed rates on behalf of each covered employee.

Contributions made to the multiemployer benefit plans for the year ended December 31, 2018, which are included in salaries and related expenses on the consolidated and combined statement of functional expenses are as follows:

Affiliated entity	Pension plan	Health plan	Other welfare plans
Crenulated	\$ 63,382	\$ 317,732	\$ 79,774
Marcy Baer	7,225	29,130	1,386
NSA LLC	126,766	555,496	45,106
	<u>\$ 197,373</u>	<u>\$ 902,358</u>	<u>\$ 126,266</u>

Shuhab participates in the Building Service 32BJ (the "Shuhab Union") pension plan, health plan and other welfare plans under a collective bargaining agreement (the "Shuhab Union Agreement") that covers certain of Shuhab's employees. The Shuhab Union Agreement expires on April 20, 2022.

The pension plan is a multiemployer, noncontributory defined benefit pension plan. Employers contribute to the pension plan in accordance with the Shuhab Union Agreement which generally provides that the employers contribute to the pension plan at a fixed rate on behalf of each covered employee. The health plan and other welfare plans provide health and other general benefits to eligible participants under the terms of the Shuhab Union Agreement. The health plan is administered by a board of trustees, with equal representation by the employers and the Shuhab Union. The health plan and other welfare plans receive contributions in accordance with the Shuhab Union Agreement which generally provides that the employers contribute to the health plan and other welfare plans at fixed rates on behalf of each covered employee. Contributions which Shuhab made to the multiemployer benefit plans for the year ended December 31, 2018, which are included in salaries and related expenses on the consolidated and combined statement of functional expenses are as follows:

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements December 31, 2018

Pension plan	\$	24,778
Health plan		121,888
Other welfare plans		<u>4,266</u>
	\$	<u><u>150,932</u></u>

Note 11 - Commitments

Tax credit guaranty

The affiliated Limited Partnerships and Limited Liability Corporations' low-income housing tax credits are contingent on their ability to maintain compliance with applicable sections of IRC Section 42. Failure to maintain compliance with tenant income eligibility and rent limits or to correct instances of noncompliance within a reasonable time period could result in recapture of previously claimed tax credits plus interest. In addition, any such noncompliance, if it were to occur, likely would result in an adjustment to the contributed capital by the respective Investor Limited Partners/Investor Members.

Litigation

In the ordinary course of the Organization's business, the Organization is involved in a number of lawsuits, claims and assessments. In the opinion of management, no provisions are required to be made in the accompanying financial statements as a result of these lawsuits, claims and assessments.

Construction contracts

Tanya Towers, Inc. has entered into a construction contract with L+M Builders Group LLC for rehabilitation and development of the housing project in the amount totaling \$3,561,470, inclusive of \$801,470 in change orders. As of December 31, 2018, \$2,809,754 has been incurred and \$260,975 remains payable and is included in construction costs payable on the accompanying consolidated and combined statement of financial position.

Shuhab HDFC has entered into a construction contract with Vichiheh Restoration, Inc. for rehabilitation and development of a housing project in the amount totaling \$1,367,223, inclusive of \$267,223 in change orders. As of December 31, 2018, \$848,810 has been incurred and \$71,333 remains payable and is included in construction costs payable on the accompanying consolidated and combined statement of financial position.

Note 12 - Current vulnerability due to certain concentrations

The Organization sponsors or holds interest in multiple apartment projects. The projects' operations are concentrated in the multifamily real estate market. In addition, the projects operate in a heavily regulated environment. The operations of the projects are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD, and the state of New York. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and the state of New York. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates
Notes to Consolidated and Combined Financial Statements
December 31, 2018

Note 13 - Fair value measurement

The accounting guidance for fair value measurements and disclosures clarifies the principle that fair value should be based on the assumption that market participants would use when pricing the asset or liability, and establishes the following hierarchy:

- Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
- Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable and fair value can be determined through the use of models or other valuation methodologies; and
- Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The following table sets forth by level, within the fair value hierarchy, the Organization's certified investments at fair value as of December 31, 2018:

Description	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance at December 31, 2018
Mutual funds	\$ 349,443	\$ -	\$ -	\$ 349,443
Corporate bonds	455,124	-	-	455,124
Equities - preferred stock	220,055	-	-	220,055
Total assets	<u>\$ 1,024,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,024,622</u>

Note 14 - Investment - other

SHF invested \$343,758 for an 8.98% subscriber's interest in Housing Partnership Insurance Exchange ("HPIEx"). SHF, along with various other unrelated entities, entered into a contractual agreement to form HPIEx, a Vermont insurance company. SHF purchases its property and liability and insurance through HPIEx. The investment in HPIEx is valued at cost, as SHF is not able to influence the operating or financial policies of HPIEx. Under the cost method, SHF records income only to the extent of distributions.

Note 15 - Joint venture

The Organization is a 50% owner of Two Bridgeset Towers, Inc., the general partner of Two Bridgeset Associates, LP. The Organization accounts for its investment on the equity method (see Note 3). As of December 31, 2018, the Organization's investment balance in Two Bridgeset Towers, Inc. is \$0.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements
December 31, 2018

The following is a summary of the combined financial position and combined results of operations of the investee accounted for on the equity method:

<u>Assets</u>		<u>2018</u>
Cash and cash equivalents	\$	521,724
Accounts receivable		181,739
Restricted cash		492,940
Prepaid expenses		313,290
Other assets		604,850
Investment in rental property, net		8,912,007
Total assets	\$	<u>11,026,550</u>
<u>Liabilities and Partners' Equity (Deficit)</u>		
Liabilities		
Accounts payable	\$	247,382
Accrued interest		19,626
Mortgages payable		18,858,388
Other liabilities		851,061
		<u>19,976,457</u>
Partners' equity (deficit)		
Organization's share of partners' equity (deficit)		-
Limited partners' share of partners' equity (deficit)		<u>(8,949,907)</u>
		<u>(8,949,907)</u>
Total liabilities and partners' equity (deficit)	\$	<u>11,026,550</u>
Net income/(loss)	\$	(884,457)
Organization's share of net income/(loss)		<u>-</u>
Limited partners' share of net income/(loss)	\$	<u>(884,457)</u>

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
December 31, 2018**

Note 16 - Capital contributions

Capital contributions are due from the limited partners and investor members in each of the affiliated Limited Partnerships and Limited Liability Corporations as certain milestones are achieved as defined in their respective partnership/operating agreements. As of December 31, 2018, capital contributions remaining due from the respective limited partners/investor members are as follows:

<u>Entity</u>	<u>Amount</u>
NSA 2015 Owner, LLC	\$ 48,255,049
1561 Associates, LLC	978,203

Note 17 - Subsequent events

Events that occur after the statement of financial position date but before the consolidated and combined financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying consolidated and combined financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of Settlement Housing Fund, Inc., Subsidiaries and Affiliates through December 31, 2019 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the consolidated and combined financial statements or disclosure in the notes to the consolidated and combined financial statements.

Supplementary Information

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Consolidating Statement of Financial Position December 31, 2018

	Nonprofit and Corporate Affiliates	Real Estate Affiliates	Eliminations	Total
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 2,288,924	\$ 3,155,386	\$ -	\$ 5,444,310
Tenant security deposits - held in trust	-	884,864	-	884,864
Investments	1,503,365	-	(134,985)	1,368,380
Grants and contributions receivables	2,785,327	-	-	2,785,327
Due from affiliates - operations	7,326,673	1,141,992	(8,447,922)	20,743
Rents and other receivables, net	11,784	1,329,337	-	1,341,121
Commercial lease receivables, net	-	12,446	-	12,446
Subsidy receivables	-	390,907	-	390,907
Prepaid expenses	83,447	748,388	-	831,835
Predevelopment costs	85,098	-	-	85,098
Developer fee receivable	15,671,362	-	(10,481,872)	5,189,490
Other assets	10,484	82,725	-	93,209
Total current assets	29,766,464	7,746,045	(19,064,779)	18,447,730
Property and equipment				
Land	3,727,531	6,287,661	(9,202,531)	812,661
Land improvements	-	457,514	-	457,514
Buildings and improvements	30,592,328	233,114,142	(67,405,320)	196,301,150
Furniture, fixtures and equipment	2,065,245	7,115,983	-	9,181,228
Construction in process	-	2,805,597	-	2,805,597
Total property and equipment	36,385,104	249,780,897	(76,607,851)	209,558,150
Less accumulated depreciation	(14,170,323)	(38,342,411)	4,621,736	(47,890,998)
Total property and equipment, net	22,214,781	211,438,486	(71,986,115)	161,667,152
Other assets				
Fees receivables	99,000	-	-	99,000
Escrows and reserves	18,289,255	5,589,530	-	23,878,785
Utility deposit	-	175,045	-	175,045
Notes receivable	5,743,404	-	(5,043,404)	700,000
Interest receivable	393,809	-	(393,809)	-
Other receivables	414,140	-	-	414,140
Intangible assets, net of accumulated amortization	464,491	170,061	-	634,552
Total other assets	25,404,099	5,934,636	(5,437,213)	25,901,522
Total assets	\$ 77,385,344	\$ 225,119,167	\$ (96,488,107)	\$ 206,016,404

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

**Consolidating Statement of Financial Position
December 31, 2018**

	Nonprofit and Corporate Affiliates	Real Estate Affiliates	Eliminations	Total
<u>Liabilities and Net Assets</u>				
Current liabilities				
Mortgages payable, current	\$ -	\$ 32,840	\$ -	\$ 32,840
Accounts payable and accrued expenses	2,285,953	1,537,457	-	3,823,410
Prepaid rents	-	230,943	-	230,943
Accrued interest payable	-	397,795	(5,200)	392,595
Construction costs payable	-	332,308	-	332,308
Tenant security deposits held in trust (contra)	-	883,779	-	883,779
Deferred revenue	1,597,557	-	-	1,597,557
Due to affiliates	6,206,449	1,813,569	(8,020,018)	-
Limited partner fee payable	-	71,250	(64,183)	7,067
Total current liabilities	10,089,959	5,299,941	(8,089,401)	7,300,499
Other liabilities				
Mortgages payable, net of current portion and	8,049,995	203,192,509	(66,593,836)	144,648,668
Accrued interest payable	-	6,049,459	(6,049,459)	-
Developer's fee payable	-	17,038,640	(9,140,603)	7,898,037
Due to affiliates	1,911,668	-	(1,911,668)	-
Total other liabilities	9,961,663	226,280,608	(83,695,566)	152,546,705
Total liabilities	20,051,622	231,580,549	(91,784,967)	159,847,204
Net assets (deficit)				
Controlling				
with donor restriction	140,000	-	-	140,000
without donor restriction	57,193,722	2,485,220	(7,034,134)	52,644,808
Noncontrolling				
with donor restriction	-	-	-	-
without donor restriction	-	(8,946,602)	2,330,994	(6,615,608)
Total net assets (deficit)	57,333,722	(6,461,382)	(4,703,140)	46,169,200
Total liabilities and net assets	\$ 77,385,344	\$ 225,119,167	\$ (96,488,107)	\$ 206,016,404

See Independent Auditor's Report.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Consolidating Statement of Activities and Changes in Net Assets Year Ended December 31, 2018

	Nonprofit and Corporate Affiliates	Real Estate Affiliates	Eliminations	Total
Public support and operating revenue				
Grants and contributions	\$ 11,834,419	\$ 29,981	\$ (53,491)	\$ 11,810,909
Special events - net	419,169	-	-	419,169
Program and other fees	2,866,338	-	(396,856)	2,469,482
Rental income	321,670	18,923,997	(206,635)	19,039,032
Apartments vacancies	-	(1,248,399)	-	(1,248,399)
Commercial rent revenue	66,499	126,995	7,175	200,669
Interest and dividend income	362,415	30,084	(157,224)	235,275
Developer fee income	6,224,418	-	(2,660,047)	3,564,371
Other income	731,524	1,955,259	(69,203)	2,617,580
Loan redemption revenue	246,299	-	-	246,299
Consulting fee income	417,133	-	-	417,133
Total public support and operating revenue	23,489,884	19,817,917	(3,536,281)	39,771,520
Program expenses				
Youth services	1,838,055	-	(53,491)	1,784,564
Community centers	12,078,919	-	(339,182)	11,739,737
Housing	2,591,882	27,026,094	(6,374,773)	23,243,203
Total program expenses	16,508,856	27,026,094	(6,767,446)	36,767,504
Supporting services expenses				
Management and general	2,098,149	915,269	-	3,013,418
Fundraising	296,910	-	-	296,910
Total supporting services expenses	2,395,059	915,269	-	3,310,328
Other revenue (expenses)				
Forgiveness of debt	4,664,600	-	-	4,664,600
Realized and unrealized gain (loss) on investments	(29,760)	-	-	(29,760)
Total other revenue (expenses)	4,634,840	-	-	4,634,840
Change in net assets (deficit) prior to depreciation expense	9,220,809	(8,123,446)	3,231,165	4,328,528
Depreciation expense	645,113	6,362,032	(2,290,742)	4,716,403
Change in net assets (deficit)	8,575,696	(14,485,478)	5,521,907	(387,875)
Change in net assets attributable to noncontrolling interest	-	(14,638,522)	-	(14,638,522)
Change in net assets attributable to the Organization	\$ 8,575,696	\$ 153,044	\$ 5,521,907	\$ 14,250,647

See Independent Auditor's Report.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Combining Schedule of Financial Position - Affiliated Nonprofit and Corporate Entities December 31, 2018

	Settlement Housing Fund, Inc.	New Settlement Community Campus Corp	The Crenulated Company, Ltd	St John's HDFC	St John's Day Care	Marcy Baer, Inc.	SHF Tanya Towers, LLC	SHF Preservation LLC	1615 St. John's Place, Inc.	Total
<u>Assets</u>										
Current assets										
Cash and cash equivalents	\$ 914,178	\$ 6,838	\$ 573,288	\$ 656,756	\$ 98,050	\$ 39,814	\$ -	\$ -	\$ -	\$ 2,288,924
Investments	1,368,370	-	-	-	-	134,995	-	-	-	1,503,365
Grants and contributions receivables	708,443	-	1,661,051	343,169	72,664	-	-	-	-	2,785,327
Due from affiliates - operations	727,289	1,379,158	4,785,008	9,871	-	63,000	-	311,664	50,683	7,326,673
Rents and other receivables, net	3,546	-	-	8,238	-	-	-	-	-	11,784
Prepaid expenses	66,444	-	8,750	8,253	-	-	-	-	-	83,447
Predevelopment costs	85,098	-	-	-	-	-	-	-	-	85,098
Developer fee receivable	15,671,362	-	-	-	-	-	-	-	-	15,671,362
Other assets	10,484	-	-	-	-	-	-	-	-	10,484
Total current assets	19,555,214	1,385,996	7,028,097	1,026,287	170,714	237,809	-	311,664	50,683	29,766,464
Property and equipment										
Land	-	145,000	-	-	-	-	3,582,531	-	-	3,727,531
Buildings and improvements	366,351	16,426,634	-	12,325,214	43,334	-	1,430,795	-	-	30,592,328
Furniture, fixtures and equipment	535,630	-	-	1,498,700	8,732	-	22,183	-	-	2,065,245
Total property and equipment	901,981	16,571,634	-	13,823,914	52,066	-	5,035,509	-	-	36,385,104
Less accumulated depreciation	(668,026)	(2,600,885)	-	(10,854,620)	(46,792)	-	-	-	-	(14,170,323)
Total property and equipment, net	233,955	13,970,749	-	2,969,294	5,274	-	5,035,509	-	-	22,214,781
Other assets										
Fees receivables	99,000	-	-	-	-	-	-	-	-	99,000
Escrows and reserves	-	9,696	18,279,559	-	-	-	-	-	-	18,289,255
Notes receivable	4,850,404	-	893,000	-	-	-	-	-	-	5,743,404
Interest receivable	393,809	-	-	-	-	-	-	-	-	393,809
Other receivables	414,140	-	-	-	-	-	-	-	-	414,140
Intangible assets, net of accumulated amortization	-	-	-	-	-	-	464,491	-	-	464,491
Total other assets	5,757,353	9,696	19,172,559	-	-	-	464,491	-	-	25,404,099
Total assets	\$ 25,546,522	\$ 15,366,441	\$ 26,200,656	\$ 3,995,581	\$ 175,988	\$ 237,809	\$ 5,500,000	\$ 311,664	\$ 50,683	\$ 77,385,344

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Combining Schedule of Financial Position - Affiliated Nonprofit and Corporate Entities December 31, 2018

	Settlement Housing Fund, Inc.	New Settlement Community Campus Corp	The Crenulated Company, Ltd	St John's HDFC	St John's Day Care	Marcy Baer, Inc.	SHF Tanya Towers, LLC	SHF Preservation LLC	1615 St. John's Place, Inc.	Total
<u>Liabilities and Net Assets</u>										
Current liabilities										
Accounts payable and accrued expenses	\$ 1,417,837	\$ 6,667	\$ 570,117	\$ 237,758	\$ 53,574	\$ -	\$ -	\$ -	\$ -	\$ 2,285,953
Deferred revenue	-	-	602,400	862,257	132,900	-	-	-	-	1,597,557
Due to affiliates	4,242,321	1,377,736	575,690	10,702	-	-	-	-	-	6,206,449
Total current liabilities	5,660,158	1,384,403	1,748,207	1,110,717	186,474	-	-	-	-	10,089,959
Other liabilities										
Mortgages payable, net of current portion and unamortized debt issuance costs	334,258	-	-	1,608,726	-	-	6,107,011	-	-	8,049,995
Developer's fee payable	-	-	-	-	-	-	-	-	-	-
Due to affiliates	311,664	-	1,600,004	-	-	-	-	-	-	1,911,668
Total other liabilities	645,922	-	1,600,004	1,608,726	-	-	6,107,011	-	-	9,961,663
Total liabilities	6,306,080	1,384,403	3,348,211	2,719,443	186,474	-	6,107,011	-	-	20,051,622
Net assets (deficit)										
Controlling										
with donor restriction	140,000	-	-	-	-	-	-	-	-	140,000
without donor restriction	19,100,442	13,982,038	22,852,445	1,276,138	(10,486)	237,809	(607,011)	311,664	50,683	57,193,722
Noncontrolling										
with donor restriction	-	-	-	-	-	-	-	-	-	-
without donor restriction	-	-	-	-	-	-	-	-	-	-
Total net assets (deficit)	19,240,442	13,982,038	22,852,445	1,276,138	(10,486)	237,809	(607,011)	311,664	50,683	57,333,722
Total liabilities and net assets	\$ 25,546,522	\$ 15,366,441	\$ 26,200,656	\$ 3,995,581	\$ 175,988	\$ 237,809	\$ 5,500,000	\$ 311,664	\$ 50,683	\$ 77,385,344

See Independent Auditor's Report.

Settlement Housing Fund, Inc. and Affiliates

Combining Schedule of Activities and Changes in Net Assets - Affiliated Nonprofit and Corporate Entities Year Ended December 31, 2018

	Settlement Housing Fund, Inc.	New Settlement Community Campus Corp	The Crenulated Company, Ltd	St John's HDFC	St John's Day Care	Marcy Baer, Inc.	SHF Tanya Towers, LLC	SHF Preservation LLC	1615 St. John's Place, Inc.	Total
Public support and operating revenue										
Grants and contributions	\$ 1,760,067	\$ 119,721	\$ 5,982,589	\$ 3,582,116	\$ 389,926	\$ -	\$ -	\$ -	\$ -	\$ 11,834,419
Special events - net	359,924	-	59,245	-	-	-	-	-	-	419,169
Program and other fees	2,138,546	-	667,101	-	-	10,008	-	-	50,683	2,866,338
Rental income	15,000	238,810	-	67,860	-	-	-	-	-	321,670
Commercial rent revenue	-	-	66,499	-	-	-	-	-	-	66,499
Interest and dividend income	361,232	390	-	764	-	29	-	-	-	362,415
Developer fee income	3,819,618	-	-	-	-	-	2,404,800	-	-	6,224,418
Other income	33,443	82,791	294,489	9,137	-	-	-	311,664	-	731,524
Loan redemption revenue	-	246,299	-	-	-	-	-	-	-	246,299
Consulting fee income	417,133	-	-	-	-	-	-	-	-	417,133
Total public support and operating revenue	8,904,963	688,011	7,069,923	3,659,877	389,926	10,037	2,404,800	311,664	50,683	23,489,884
Program expenses										
Community centers	-	409,008	7,938,660	3,372,828	358,422	-	-	-	-	12,078,919
Youth services	1,838,055	-	-	-	-	-	-	-	-	1,838,055
Housing	2,588,042	-	-	-	-	3,840	-	-	-	2,591,882
Total program expenses	4,426,097	409,008	7,938,660	3,372,828	358,422	3,840	-	-	-	16,508,856
Supporting services expenses										
Management and general	1,674,702	9,000	-	374,623	39,825	-	-	-	-	2,098,149
Fundraising	265,410	-	31,500	-	-	-	-	-	-	296,910
Total supporting services expenses	1,940,112	9,000	31,500	374,623	39,825	-	-	-	-	2,395,059
Other revenue (expenses)										
Forgiveness of debt	(12,955,400)	17,620,000	-	-	-	-	-	-	-	4,664,600
Realized and unrealized gain (loss) on investments	(29,760)	-	-	-	-	-	-	-	-	(29,760)
Total other revenue (expenses)	(12,985,160)	17,620,000	-	-	-	-	-	-	-	4,634,840
Change in net assets (deficit) prior to depreciation expense	(10,446,406)	17,890,003	(900,237)	(87,574)	(8,321)	6,197	2,404,800	311,664	50,683	9,220,809
Depreciation expense	84,019	410,666	-	150,428	-	-	-	-	-	645,113
Change in net assets (deficit)	(10,530,425)	17,479,337	(900,237)	(238,002)	(8,321)	6,197	2,404,800	311,664	50,683	8,575,696
Change in net assets attributable to noncontrolling interest	-	-	-	-	-	-	-	-	-	-
Change in net assets attributable to the Organization	<u>\$ (10,530,425)</u>	<u>\$ 17,479,337</u>	<u>\$ (900,237)</u>	<u>\$ (238,002)</u>	<u>\$ (8,321)</u>	<u>\$ 6,197</u>	<u>\$ 2,404,800</u>	<u>\$ 311,664</u>	<u>\$ 50,683</u>	<u>\$ 8,575,696</u>
Net assets, beginning	\$ 29,770,867	\$ (3,497,299)	\$ 9,540,337	\$ 1,514,140	\$ (2,165)	\$ 231,612	\$ -	\$ -	\$ -	\$ 37,557,492
Restatement	-	-	14,212,345	-	-	-	-	-	-	14,212,345
Net assets, beginning (as restated)	29,770,867	(3,497,299)	23,752,682	1,514,140	(2,165)	231,612	-	-	-	51,769,837
Change in net assets (deficit)	(10,530,425)	17,479,337	(900,237)	(238,002)	(8,321)	6,197	2,404,800	311,664	50,683	8,575,696
Distributions	-	-	-	-	-	-	(3,011,811)	-	-	(3,011,811)
Contributions	-	-	-	-	-	-	-	-	-	-
Net assets, ending	<u>\$ 19,240,442</u>	<u>\$ 13,982,038</u>	<u>\$ 22,852,445</u>	<u>\$ 1,276,138</u>	<u>\$ (10,486)</u>	<u>\$ 237,809</u>	<u>\$ (607,011)</u>	<u>\$ 311,664</u>	<u>\$ 50,683</u>	<u>\$ 57,333,722</u>

See Independent Auditor's Report.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Combining Statement of Financial Position - Housing Entities

December 31, 2018

	NSA 2015 Owner LLC	Shuhab HDFC	301 HDFC	Tanya Towers, Inc.	1561 Associates LLC	Marcy Baer Associates, LP	1615 St Johns Place, LP	Semiperm Housing Development Fund Corp	Newsset II Housing Development Fund Corporation	New Hull Street Housing Development Fund, Inc	287 HDFC	Total
<u>Assets</u>												
Current assets												
Cash and cash equivalents	\$ 1,543,944	\$ 442,756	\$ 26,606	\$ 64,826	\$ 317,876	\$ 383,456	\$ 73,999	\$ 126,679	\$ 46,170	\$ 37,188	\$ 91,886	\$ 3,155,386
Tenant security deposits - held in trust	586,867	22,842	17,379	49,970	35,797	54,808	29,761	6,230	35,058	26,354	19,798	884,864
Due from affiliates - operations	1,139,671	-	-	-	-	-	-	-	-	2,321	-	1,141,992
Rents and other receivables, net	798,653	186,654	6,734	155,917	41,435	36,851	15,397	39,547	16,599	15,463	16,087	1,329,337
Commercial lease receivables, net	9,256	-	-	-	-	2,866	-	-	324	-	-	12,446
Subsidy receivables	306,222	-	-	-	2,004	6,611	-	29,464	46,606	-	-	390,907
Prepaid expenses	450,632	215,683	2,269	14,969	-	32,952	-	-	21,171	10,712	-	748,388
Other assets	65,128	-	-	2,868	-	-	-	-	6,000	1,631	7,098	82,725
Total current assets	4,900,373	867,935	52,988	288,550	397,112	517,544	119,157	201,920	171,928	93,669	134,869	7,746,045
Property and equipment												
Land	5,300,000	-	-	320,000	3	-	252,000	-	90,001	214,065	111,592	6,287,661
Land improvements	-	-	-	-	50,000	101,306	306,208	-	-	-	-	457,514
Buildings and improvements	148,469,442	18,768,241	-	11,263,618	18,076,225	10,931,098	6,509,153	8,969,556	4,322,114	2,092,611	3,712,084	233,114,142
Furniture, fixtures and equipment	4,750,901	81,391	-	938,055	454,968	359,931	251,824	164,243	67,083	47,587	-	7,115,983
Construction in process	-	-	-	2,805,597	-	-	-	-	-	-	-	2,805,597
Total property and equipment	158,520,343	18,849,632	-	15,327,270	18,581,196	11,392,335	7,319,185	9,133,799	4,479,198	2,354,263	3,823,676	249,780,897
Less accumulated depreciation	(7,673,332)	(4,682,635)	-	(7,153,056)	(571,765)	(10,249,461)	(2,974,176)	(2,534,926)	(1,543,172)	(704,682)	(255,206)	(38,342,411)
Total property and equipment, net	150,847,011	14,166,997	-	8,174,214	18,009,431	1,142,874	4,345,009	6,598,873	2,936,026	1,649,581	3,568,470	211,438,486
Other assets												
Escrows and reserves	2,482,825	-	-	639,048	482,532	980,445	329,220	39,805	193,272	393,377	49,006	5,589,530
Utility deposit	123,848	20,942	14,430	745	15,080	-	-	-	-	-	-	175,045
Intangible assets, net of accumulated amortization	69,155	-	-	-	100,906	-	-	-	-	-	-	170,061
Total other assets	2,675,828	20,942	14,430	639,793	598,518	980,445	329,220	39,805	193,272	393,377	49,006	5,934,636
Total assets	<u>\$ 158,423,212</u>	<u>\$ 15,055,874</u>	<u>\$ 67,418</u>	<u>\$ 9,102,557</u>	<u>\$ 19,005,061</u>	<u>\$ 2,640,863</u>	<u>\$ 4,793,386</u>	<u>\$ 6,840,598</u>	<u>\$ 3,301,226</u>	<u>\$ 2,136,627</u>	<u>\$ 3,752,345</u>	<u>\$ 225,119,167</u>

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Combining Statement of Financial Position - Housing Entities December 31, 2018

	NSA 2015 Owner LLC	Shuhab HDFC	301 HDFC	Tanya Towers, Inc.	1561 Associates LLC	Marcy Baer Associates, LP	1615 St Johns Place, LP	Semiperm Housing Development Fund Corp	Newsset II Housing Development Fund Corporation	New Hull Street Housing Development Fund, Inc	287 HDFC	Total
<u>Liabilities and Net Assets</u>												
Current liabilities												
Mortgages payable, current	\$ -	\$ 9,294	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,546	\$ 32,840
Accounts payable and accrued expenses	801,059	225,978	-	229,514	132,349	37,617	25,112	20,123	33,109	15,738	16,858	1,537,457
Prepaid rents	216,229	-	-	-	7,687	-	3,253	225	-	1,063	2,486	230,943
Accrued interest payable	258,477	12,260	-	19,989	5,200	-	7,000	-	-	63,489	31,380	397,795
Construction costs payable	-	71,332	-	260,976	-	-	-	-	-	-	-	332,308
Tenant security deposits held in trust (contra)	586,867	24,255	15,636	49,970	35,047	54,808	29,761	6,218	35,058	26,354	19,805	883,779
Due to affiliates	1,388,591	-	103,760	-	-	-	164,832	59,948	63,000	-	33,438	1,813,569
Limited partner fee payable	-	-	-	-	7,067	-	56,683	-	-	7,500	-	71,250
Total current liabilities	3,251,223	343,119	119,396	560,449	187,350	92,425	286,641	86,514	131,167	114,144	127,513	5,299,941
Other liabilities												
Mortgages payable, net of current portion and unamortized												
debt issuance costs	150,303,916	23,493,752	-	7,973,798	6,161,576	7,308,367	1,273,049	153,354	468,025	2,342,747	3,713,925	203,192,509
Accrued interest payable	6,049,459	-	-	-	-	-	-	-	-	-	-	6,049,459
Developer's fee payable	15,478,739	-	-	-	1,559,901	-	-	-	-	-	-	17,038,640
Total other liabilities	171,832,114	23,493,752	-	7,973,798	7,721,477	7,308,367	1,273,049	153,354	468,025	2,342,747	3,713,925	226,280,608
Total liabilities	175,083,337	23,836,871	119,396	8,534,247	7,908,827	7,400,792	1,559,690	239,868	599,192	2,456,891	3,841,438	231,580,549
Net assets (deficit)												
Controlling												
with donor restriction	-	-	-	-	-	-	-	-	-	-	-	-
without donor restriction	(1,766)	(8,780,997)	(51,978)	568,310	(86)	1,160,741	697,589	6,600,730	2,702,034	(320,264)	(89,093)	2,485,220
Noncontrolling												
with donor restriction	-	-	-	-	-	-	-	-	-	-	-	-
without donor restriction	(16,658,359)	-	-	-	11,096,320	(5,920,670)	2,536,107	-	-	-	-	(8,946,602)
Total net assets (deficit)	(16,660,125)	(8,780,997)	(51,978)	568,310	11,096,234	(4,759,929)	3,233,696	6,600,730	2,702,034	(320,264)	(89,093)	(6,461,382)
Total liabilities and net assets	\$ 158,423,212	\$ 15,055,874	\$ 67,418	\$ 9,102,557	\$ 19,005,061	\$ 2,640,863	\$ 4,793,386	\$ 6,840,598	\$ 3,301,226	\$ 2,136,627	\$ 3,752,345	\$ 225,119,167

See Independent Auditor's Report.

Settlement Housing Fund, Inc., Subsidiaries and Affiliates

Combining Schedule of Activities and Changes in Net Assets - Housing Entities Year Ended December 31, 2018

	NSA 2015 Owner LLC	Shuhab HDFC	301 HDFC	Tanya Towers, Inc.	1561 Associates LLC	Marcy Baer Associates, LP	1615 St Johns Place, LP	Semiperm Housing Development Fund Corp	Newset II Housing Development Fund Corporation	New Hull Street Housing Development Fund, Inc	287 HDFC	Total
Public support and operating revenue												
Grants and contributions	\$ -	\$ -	\$ -	\$ 29,981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,981
Rental Income	11,156,958	2,075,510	221,153	1,748,591	750,404	890,636	431,274	433,729	588,262	348,290	279,190	18,923,997
Apartments vacancies	(784,648)	(342,207)	(15,198)	-	(56,556)	(19,423)	-	(29,330)	(1,037)	-	-	(1,248,399)
Commercial rent revenue	101,995	-	-	-	-	-	-	-	25,000	-	-	126,995
Interest and dividend income	20,201	250	-	-	896	3,997	3,684	-	259	-	797	30,084
Other income	144,229	1,314,004	758	441,183	12,946	25,275	2,431	8,693	5,665	75	-	1,955,259
Total public support and operating revenue	10,638,735	3,047,557	206,713	2,219,755	707,690	900,485	437,389	413,092	618,149	348,365	279,987	19,817,917
Program expenses												
Housing	19,667,525	2,281,778	226,375	1,395,131	939,330	799,271	341,485	389,995	535,988	308,836	140,380	27,026,094
Total program expenses	19,667,525	2,281,778	226,375	1,395,131	939,330	799,271	341,485	389,995	535,988	308,836	140,380	27,026,094
Supporting services expenses												
Management and general	517,222	113,370	-	107,209	34,654	42,096	33,653	-	29,004	27,261	10,800	915,269
Total supporting services expenses	517,222	113,370	-	107,209	34,654	42,096	33,653	-	29,004	27,261	10,800	915,269
Total expenses prior to depreciation expense	20,184,747	2,395,148	226,375	1,502,340	973,984	841,367	375,138	389,995	564,992	336,097	151,180	27,941,363
Change in net assets (deficit) prior to depreciation expense	(9,546,012)	652,409	(19,662)	717,415	(266,294)	59,118	62,251	23,097	53,157	12,268	128,807	(8,123,446)
Depreciation expense	3,788,600	484,613	-	398,983	526,901	433,005	204,244	229,683	121,308	81,893	92,802	6,362,032
Change in net assets (deficit)	(13,334,612)	167,796	(19,662)	318,432	(793,195)	(373,887)	(141,993)	(206,586)	(68,151)	(69,625)	36,005	(14,485,478)
Change in net assets attributable to noncontrolling interest	(13,333,279)	-	-	-	(793,116)	(370,148)	(141,979)	-	-	-	-	(14,638,522)
Change in net assets attributable to the Organization	\$ (1,333)	\$ 167,796	\$ (19,662)	\$ 318,432	\$ (79)	\$ (3,739)	\$ (14)	\$ (206,586)	\$ (68,151)	\$ (69,625)	\$ 36,005	\$ 153,044
Net assets, beginning	\$ (3,325,513)	\$ (8,948,793)	\$ (32,316)	\$ (2,761,933)	\$ 10,280,280	\$ (4,386,042)	\$ 3,375,689	\$ 6,807,316	\$ 2,770,185	\$ (250,639)	\$ (125,098)	\$ 3,403,136
Change in net assets (deficit)	(13,334,612)	167,796	(19,662)	318,432	(793,195)	(373,887)	(141,993)	(206,586)	(68,151)	(69,625)	36,005	(14,485,478)
Distributions	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	3,011,811	1,609,149	-	-	-	-	-	-	4,620,960
Net assets, ending	\$ (16,660,125)	\$ (8,780,997)	\$ (51,978)	\$ 568,310	\$ 11,096,234	\$ (4,759,929)	\$ 3,233,696	\$ 6,600,730	\$ 2,702,034	\$ (320,264)	\$ (89,093)	\$ (6,461,382)

See Independent Auditor's Report.



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