

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2018

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Mutual Housing Association of Southwestern Connecticut, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Mutual Housing Association of Southwestern Connecticut, Inc. and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Friendship House Apartments Limited Partnership, an affiliate, whose statements reflect total assets of \$19,379,346 and total revenue of \$2,391,081 for the year ended December 31, 2018. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mutual Housing Association of Southwestern Connecticut, Inc. and subsidiaries 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 (GAAP).

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information presented on pages 52 through 67, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information presented on pages 52 through 67 are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information presented on pages 52 through 67 and the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with the *Government Auditing Standards*, we have also issued our report dated October 31, 2019 on our consideration of Mutual Housing Association of Southwestern Connecticut, Inc. and subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mutual Housing Association of Southwestern Connecticut, Inc. and subsidiaries' internal control over financial reporting and compliance.

Marcum LLP

Boston, MA
October 31, 2019

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

Assets

Current Assets

Cash	\$ 893,955
Tenant accounts receivable, net of allowance for doubtful accounts of \$39,845	84,506
Accounts receivable, HUD	131,175
Accounts receivable, other	170,938
Mortgage receivable - current portion	21,341
Accrued interest receivable	7,100
Assets held for sale	400,000
Prepaid expenses	96,737

Total Current Assets	<u>1,805,752</u>
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Property and Equipment

Land and land improvements	4,193,943
Buildings and improvements	81,126,368
Equipment	1,377,773
Construction in progress	2,083,299
Less accumulated depreciation	<u>(26,821,703)</u>

Property and Equipment - net	<u>61,959,680</u>
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Other Assets

Restricted cash	4,068,844
Investments	1,794
Other assets	92,019
Mortgages receivable, net of current portion	1,037,216
Loan loss reserve	(407,249)
Other notes receivable	65,150
Deferred costs	160,905
Accumulated amortization	<u>(55,125)</u>

Total Other Assets	<u>4,963,554</u>
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Total Assets	<u><u>\$ 68,728,986</u></u>
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The accompanying notes are an integral part of these financial statements.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2018

Liabilities and Net Assets

Current Liabilities

Cash overdraft	\$ 9,902
Accounts payable - operations	1,343,352
Accounts payable - construction	39,421
Accounts payable - subsidy	8,073
Accrued expenses	197,023
Prepaid rent	29,066
Line of credit	283,447
Accrued interest	178,731
Other notes payable - current portion	24,970
Mortgages payable - amortizing, current portion	563,674

Total Current Liabilities 2,677,659

Long-Term Liabilities

Security deposits	308,148
Accrued expenses	510,000
Mortgages payable - amortizing, net of current portion	13,962,111
Mortgages payable - non-amortizing, net of current portion	22,621,920
Membership fee and accrued interest - Note 14	369,125
Other notes payable - Note 13	598,823
Accrued interest, net of current portion	2,668,468

Total Long-Term Liabilities 41,038,595

Total Liabilities 43,716,254

Net Assets

Mutual Housing Association of Southwestern Connecticut, Inc. net assets/partners' capital	
Without Donor Restriction	15,078,895
With Donor Restriction	4,526,100
	<u>19,604,995</u>
Noncontrolling interest	5,407,737

Total Net Assets 25,012,732

Total Liabilities and Net Assets \$ 68,728,986

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

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2018
Public Support			
Foundation grants and corporate contributions	\$ 128,207	\$ --	\$ 128,207
Federal, state and local grants	37,687	58,333	96,020
Revenues			
Rental income	6,812,857	--	6,812,857
Other income	605,100	--	605,100
Investment income	36,056	--	36,056
Interest income on notes receivable	147,243	--	147,243
Total Revenue	<u>7,767,150</u>	<u>58,333</u>	<u>7,825,483</u>
Expenses			
General and administrative expenses	380,405	--	380,405
Program expenses	5,993,619	--	5,993,619
Fundraising expenses	9,290	--	9,290
Total Expenses	<u>6,383,314</u>	<u>--</u>	<u>6,383,314</u>
Change in Net Assets from Operations	<u>1,383,836</u>	<u>58,333</u>	<u>1,442,169</u>
Non-operating Income (Expenses)			
Depreciation and amortization	(2,374,911)	--	(2,374,911)
Interest expense	(1,395,133)	--	(1,395,133)
Entity expense	(41,607)	--	(41,607)
Total Non-operating Income (Expenses)	<u>(3,811,651)</u>	<u>--</u>	<u>(3,811,651)</u>
Change in Net Assets from Continuing Operations	(2,427,815)	58,333	(2,369,482)
Discontinued Operations			
Loss from discontinued operations	(18,756)	--	(18,756)
Change in Net Assets	<u>\$ (2,446,571)</u>	<u>\$ 58,333</u>	<u>\$ (2,388,238)</u>

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

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Total	Without Donor Restrictions	With Donor Restrictions
Net assets, beginning, as restated	\$ 27,369,970	\$ 22,902,203	\$ 4,467,767
Capital contributions/transfers	31,000	31,000	--
Change in net assets	<u>(2,388,238)</u>	<u>(2,446,571)</u>	<u>58,333</u>
Net assets, ending	<u>\$ 25,012,732</u>	<u>\$ 20,486,632</u>	<u>\$ 4,526,100</u>

The change in consolidated net assets attributed to noncontrolling interest is as follows:

	Total	Controlling Interest	Noncontrolling Interest
Net assets, beginning, as restated - Note 29	\$ 27,369,970	\$ 20,483,473	\$ 6,886,497
Capital contributions/transfers	31,000	--	31,000
Change in net assets	<u>(2,388,238)</u>	<u>(878,478)</u>	<u>(1,509,760)</u>
Net assets, ending	<u>\$ 25,012,732</u>	<u>\$ 19,604,995</u>	<u>\$ 5,407,737</u>

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

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities	
Change in net assets	\$ (2,388,238)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	2,374,911
Bad debts	23,949
Accrued interest	244,571
Changes in operating assets and liabilities:	
Grants receivable	42,955
Tenant accounts receivable	(36,374)
Accounts receivable, HUD	7,917
Accounts receivable, Other	(165,282)
Assets held for sale	190,000
Prepaid expenses	153,887
Other assets	1,333
Accounts payable-operating	(137,454)
Accounts payable-construction	(164,613)
Accounts payable-subsidy	(22,695)
Accrued expenses	52,977
Security deposits	25,014
Prepaid revenue	(24,297)
Deferred subsidy	(7,018)
Accrued interest	244,571
Membership fees	(919)
	<hr/>
Net Cash Provided by Operating Activities	415,195
Cash Flows from Investing Activities	
Restricted cash	(401,818)
Capital expenditures	(1,044,332)
Revolving loan fund	16,165
Sale of investments	8,282
	<hr/>
Net Cash Used in Investing Activities	(1,421,703)

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

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Financing Activities	
Cash overdraft	\$ (23,295)
Payments on line of credit	(7,670)
Capital contributions	31,000
Proceeds from debt	1,166,230
Cash paid on debt	<u>(470,720)</u>
Net Cash Provided by Financing Activities	<u>695,545</u>
Decrease in Cash	(310,963)
Cash - Beginning	<u>1,204,918</u>
Cash - End	<u>\$ 893,955</u>
Supplemental Disclosure	
Cash paid for interest	<u>\$ 1,049,707</u>

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

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 - ORGANIZATION

NATURE OF ORGANIZATION

Mutual Housing Association of Southwestern Connecticut, Inc. (MHA), a NeighborWorks® America chartered affiliate, is a not-for-profit agency organized to encourage the prevention and elimination of neighborhood deterioration. The Organization's mission is to create and sustain housing, revitalize neighborhoods and enhance the quality of life for low and moderate income residents of Fairfield County, Connecticut.

NeighborWorks® America is a public, congressionally chartered nonprofit organization that receives a direct federal appropriation of funds. NeighborWorks® is not a federal agency, but a recipient of federal funds. Thus, its chartered organizations are sub-recipients of these federal funds.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of Mutual Housing Association of Southwestern Connecticut, Inc. and Subsidiaries (the Organization) were prepared for the purpose of presenting, in a consolidated format, the financial position and results of operations of the following entities, which are controlled by the same board:

Certain companies included in the consolidation are organized as limited liability companies and, as such, the members' liability is limited to their capital contributions.

MHA Operations consist of the following:

Operating Fund represents all activity not specific to another fund.

Capital Projects Fund consists of resources used for property development.

Revolving Loan Funds consist of the Bridgeport and Norwalk Revolving Loan Funds. The Bridgeport Revolving Loan Fund consists of resources designated for providing loans to homeowners in specific target neighborhoods in Bridgeport, Connecticut, for home improvement and rehabilitation, grants for real property improvements, and various community development projects. The Norwalk Revolving Loan Fund consists of resources designated to encourage the cooperative efforts of neighborhood representatives, city government and participating lending institutions in a combined effort to stem the deterioration of housing in Norwalk, Connecticut, by providing loans for home improvement and acquisition.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – ORGANIZATION (CONTINUED)

Wholly-Owned Operating Properties and Property Funds consist of the following:

MHA 20-28 Fairfield Commons LLC is a limited liability company organized to own and operate multi-family homes consisting of nineteen (19) units located on 20-28 Fairfield Avenue in Stamford, Connecticut, and to provide supportive services to residents.

Fairfield Commons I, Inc. is a nonprofit corporation organized to provide housing facilities for individuals with disabilities and to provide services specially designed to meet their physical, social and psychological needs. The Corporation is governed by MHA's board. The Corporation owns Fairfield Commons I, a six (6) unit residential development located in Stamford, Connecticut.

Parkside Gables Fund represents the activity of managing Parkside Gables, a sixty-nine (69) unit residential development on Stamford's West Side. The development provides housing for low to moderate income families.

MHA Conger House, LLC is a limited liability company organized to own, rehabilitate and manage eight (8) residential units known as Conger House in Bridgeport, Connecticut and to provide supportive housing to individuals with HIV/AIDS.

MHA Yale Street, LLC is a limited liability company organized to own, rehabilitate and manage three (3) residential units on Yale Street in Bridgeport, Connecticut. During 2018, the property was sold.

MHA Merton House LLC is a limited liability company organized to develop twenty-two (22) Residential units for low income families and women coming out of foster care in Bridgeport, Connecticut.

Greenfield Commons, Inc. is a nonprofit corporation organized to provide elderly and handicapped persons with housing facilities and services specially designed to meet their physical, social and psychological needs. The Corporation is governed by MHA's board. The Corporation owns Greenfield Commons, a ten (10) unit residential development located in Fairfield, Connecticut.

Trinity Park Mutual Housing Limited Partnership (TPMH) was formed on August 21, 1995, under the laws of the State of Connecticut as a limited partnership to acquire an interest in real property located in Stamford, Connecticut, and to construct and operate thereon a residential housing project of forty-eight (48) units, under Section 42 of the

**MUTUAL HOUSING ASSOCIATION OF
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – ORGANIZATION (CONTINUED)

Internal Revenue Code as a “qualified low-income housing project”. The 1% general partner of the partnership, Trinity Park Mutual Housing Association, Inc., is a nonprofit organization in which the board of directors is directly controlled by MHA. The 99% limited partner is MHA. On August 14, 2015, Trinity Park Apartments Limited Partnership (TPA) acquired the building and improvements from TPMH and assumed all of its existing operating assets and operating liabilities.

Development Properties consist of the following:

MHA Fairfield Commons II, LLC is a limited liability company organized for acquiring, renovating and developing six (6) units known as Fairfield Commons II, Supportive Housing in Stamford, Connecticut. This development is being funded utilizing the State of Connecticut Department of Housing funds, and MHA does not have any partners in this project.

Limited Partnerships and Limited Liability Companies consist of the following:

Yale Street Limited Partnership was organized under the laws of the State of Connecticut as a limited partnership formed September 24, 1996, to acquire an interest in real property located in Bridgeport, Connecticut, and to rehabilitate and operate thereon a residential housing project complex of forty-four (44) units, under Section 42 of Internal Revenue Code, as a “qualified low-income housing project”. The 0.1% general partner of the partnership, Yale Street Mutual Housing Association, Inc., is a nonprofit organization in which the board of directors is directly controlled by MHA.

Maplewood School Apartments Limited Partnership was organized under the laws of the State of Connecticut as a limited partnership formed December 5, 1994, to acquire an interest in real property located in Bridgeport, Connecticut, and to rehabilitate and operate thereon a residential housing project complex of thirty-two (32) units, under Section 42 of Internal Revenue Code, as a “qualified low-income housing project”. The 1% general partner of the partnership, Maplewood Court Mutual Housing Association, Inc., is a nonprofit organization in which the board of directors is directly controlled by MHA.

**MUTUAL HOUSING ASSOCIATION OF
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – ORGANIZATION (CONTINUED)

Huntington Senior Housing Limited Partnership was organized under the laws of the State of Connecticut as a limited partnership formed January 21, 2003, to acquire an interest in real property located in Trumbull, Connecticut, and to rehabilitate and operate thereon a residential housing project complex of forty (40) units, under Section 42 of Internal Revenue Code, as a “qualified low-income housing project”. The general partner of the partnership is MHA.

Woodward Cliffs Limited Partnership was organized under the laws of the State of Connecticut as a limited partnership formed December 11, 1995, to acquire an interest in real property located in Norwalk, Connecticut, and to rehabilitate and operate thereon a residential housing project complex of six (6) units, under Section 42 of Internal Revenue Code, as a “qualified low-income housing project”. The 1% general partner of the partnership, Woodward Cliffs Development Corporation, is a for-profit company owned 50% by MHA. The 99% limited partner of the partnership is MHA Woodward Cliffs, LLC, which is a limited liability company of which MHA is the 51% managing member.

Wilton Commons Apartments Limited Partnership was organized under the laws of the State of Connecticut as a limited partnership formed November 20, 2010, to acquire an interest in real property located in Wilton, Connecticut, and to rehabilitate and operate thereon a residential housing project complex consisting of fifty-one (51) units, under Section 42 of Internal Revenue Code, as a “qualified low-income housing project”. The general partner of the partnership, Wilton Commons GP, Inc., is a nonprofit organization in which the board of directors is jointly controlled by MHA and Wilton Commons, Inc. During the development and compliance phase, MHA has special fiscal and management rights.

Friendship House Apartments Limited Partnership was organized under the laws of the State of Connecticut as a limited partnership formed June 24, 2003, to acquire an interest in real property located in Stamford, Connecticut, and to rehabilitate and operate thereon a residential housing complex of one hundred twenty-one (121) units, under Section 42 of the Internal Revenue Code as a “qualified low-income housing project”. The .01% general partner of the partnership, NNI/MHA Friendship, Inc., is a nonprofit organization in which the board of directors is jointly controlled by MHA and New Neighborhoods, Inc.

Trinity Park Apartments Limited Partnership was organized under the laws of the State of Connecticut as a limited partnership formed on September 29, 2011 to acquire, construct and operate a housing project for low-income and very low-income families in Stamford, Connecticut and to rehabilitate and operate thereon a residential housing complex of forty-eight (48) units, known as Trinity Park Apartments (the Project), under Section 42 of the

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – ORGANIZATION (CONTINUED)

Internal Revenue Code as a “qualified low-income housing project”. The Partnership has also executed an Extended Low-Income Housing Commitment with Connecticut Housing Finance Authority (CHFA) in which the Partnership will continue to operate the Project as a qualified low-income housing project for an additional thirty-five years after the tax credit compliance period.

Wilton Commons 2, LLC was organized under the laws of the State of Connecticut as a limited liability company on March 6, 2014 to acquire an interest in real property located in Wilton, Connecticut and to develop and operate a twenty-three (23) unit congregate housing facility. This development was developed using funds from the State of Connecticut Department of Housing. MHA is a 50% member of Wilton Commons 2, LLC.

All significant intercompany accounts and transactions are eliminated in the consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND ACCOUNTING

MHA prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires the application of accrual basis of accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

Net assets of the MHA are classified as follows:

NET ASSETS WITHOUT DONOR RESTRICTIONS

Assets resulting from contributions and other inflows which have no restrictions and over which the Board of Directors retains full control to use in achieving any of its institutional purposes.

NET ASSETS WITH DONOR RESTRICTIONS

Assets resulting from contributions and other inflows of assets whose use by MHA is limited by donor/grantor imposed stipulations that 1) either expire by the passage of time or can be fulfilled and removed by actions of MHA and/or 2) are perpetual in nature, for example, stipulations that resources be maintained in perpetuity.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION AND ACCOUNTING (CONTINUED)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same reporting period have been reported as unrestricted support in the consolidated statement of activities.

REVENUE RECOGNITION

Rental Income - MHA recognizes monthly rental revenue earned from leasing housing units on the due date. Rental payments received in advance of the due dates are deferred until earned. All leases between the properties and the tenants of the property are operating leases.

Sale of Properties - MHA recognizes revenue earned from the construction or rehabilitation and sale of housing properties when properties are sold and any rescission period, if applicable, has expired.

Cash Contributions - MHA reports contributions received or pledged as unrestricted or restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Non-Cash Contributions - MHA records the estimated fair value of the donated materials, equipment and usage of assets (i.e., rent) as both revenues and expenses in the period in which the donation is received.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Donated Services - MHA recognizes donated services if they create or enhance non- financial assets or require specialized skills and would typically be purchased if not provided by donation. The Organization values volunteer services based upon an hourly rate determined by an estimated standard market rate multiplied by the number of volunteer hours. During the year ended December 31, 2018, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was not material and has not been recorded.

Grants - MHA was the recipient of various grants and contracts from Federal, state and local agencies and other institutions. Such amounts were reflected as support and expenses in the accompanying consolidated financial statements when conditions for usage were met. Under the terms and conditions of these grants, expenditures and compliance with their provisions are subject to audit by the governmental agency. Management does not anticipate that there would be material changes as a result of any grant audits.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated 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

Cash and cash equivalents consist of cash on deposit with financial institutions and other debt securities that are readily convertible into cash and purchased with original maturities of three months or less. No cash equivalents were held at December 31, 2018.

CONCENTRATIONS OF CREDIT RISK

MHA has various government subsidized properties owned by various partnerships and limited liability companies. The operations of these entities are concentrated in the multifamily real estate market, which is a heavily regulated environment. The operations of these entities are subject to the administrative directives, rules and regulations of Federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATIONS OF CREDIT RISK (CONTINUED)

by an Act of Congress or these regulatory agencies. These 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.

The Organization maintains its cash balances in several accounts at various banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, these balances may exceed the Federal insurance limits. At December 31, 2018, MHA did not have any balances in excess of FDIC insurance limits.

INVESTMENTS

The Organization maintains accounts with a brokerage firm. The accounts contain cash and securities, which are insured by the Securities Investor Protection Corporation. The Organization's investments include cash equivalents, exchange traded funds and fixed income securities managed by professional investment advisors, designed to minimize market concentration risks. Amounts over \$500,000 are not insured by the Securities Investor Protection Corporation.

FAIR VALUE MEASUREMENTS

Investments in equity securities with readily determinable fair values and investments in debt securities are carried at fair value in the consolidated statement of financial position. Realized and unrealized gains and losses on these investments are reported in the consolidated statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

MHA has adopted the fair value accounting standards on financial assets and liabilities and any other assets and liabilities that are recognized or disclosed at fair value on a recurring or nonrecurring basis. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TENANT ACCOUNTS RECEIVABLE AND BAD DEBTS

The face amount of accounts receivable is reduced by an allowance for doubtful accounts. The allowance for doubtful accounts of \$39,845 at December 31, 2018 reflects management's best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. It is reasonably possible that management's estimate of the allowance will change. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts.

PROPERTY AND EQUIPMENT

MHA follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,000; the fair value of donated assets is similarly capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	15 – 40 years
Land and Building Improvements	7 – 40 years
Equipment	3 – 7 years

Expenditures for renewals and betterments, which extend the useful lives of property and equipment, are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation on construction in progress will begin when the asset is placed in service.

IMPAIRMENT OF LONG-LIVED ASSETS

MHA reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis or other valuation techniques. There were no impairment losses recognized during 2018.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED COSTS AND AMORTIZATION

Deferred costs consist of tax credit fees for low-income-housing-tax-credit (LIHTC) properties in the amount of \$108,161, organization costs in the amount of \$55,132, and syndication costs in the amount of \$27,835. Tax credit fees are amortized over the tax credit compliance period (15 years). Organization costs are being amortized over periods ranging from fifteen to forty years. Costs incurred to syndicate the partnership are not amortized. Amortization expense for the year ended December 31, 2018 aggregated \$7,083.

DEBT ISSUANCE COSTS

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense. Debt issuance costs are amortized over the life of the permanent mortgage using the straight-line method, which approximates the effect interest method. For the year ended December 31, 2018 the amortization of debt issuance costs included in interest expense was \$17,791. At December 31, 2018, the accumulated amortization amounted to \$153,065.

LOANS AND ALLOWANCES FOR CREDIT LOSSES

The Revolving Loan Fund (RLF) makes home improvement loans in its target neighborhoods to homeowners who are generally unable to qualify for credit from banks. The RLF also makes loans to commercial property owners within these target neighborhoods for commercial improvements or acquisition for their own businesses. Loans are made with repayment terms and at interest rates based on each borrower's financial condition. Loans are reflected at amortized cost (unpaid principal balances reduced by any partial charge-offs or specific valuation allowances) less a general allowance for credit losses.

Loan funds are provided to MHA by various sources pursuant to contracts that stipulate that the funds are to be maintained in revolving loan funds to be used for the purpose noted above.

The RLF considers a loan to be impaired when, in management's judgment, current information and events indicate it was probable that collection of all amounts due according to the contractual terms of the loan agreement will not be met. Impaired loans are reflected at fair value, which is generally determined based on collateral values.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LOANS AND ALLOWANCES FOR CREDIT LOSSES (CONTINUED)

Interest on loans is reflected as revenue based on rates applied to principal amounts outstanding. The accrual of interest revenue is generally discontinued when a loan becomes past due 90 days or more as to contractual payments of principal or interest, or is determined to be impaired.

An allowance for credit losses has been established by provisions charged to expense, decreased by charge-offs, net of recoveries. This allowance represents an amount which, in management's judgment, was adequate to absorb possible losses on loans that may become uncollectible based on such factors as past loan loss experience, changes in the nature and volume of the loan portfolio, current and prospective economic conditions that may affect the borrowers' ability to pay, overall portfolio quality and review of specific problem loans. An allowance for impaired loans is provided, when appropriate, if carrying values exceed collateral values.

BELOW MARKET LOANS

MHA's activities include the development of low-income housing. Various government agencies, foundations and other not-for-profit organizations having a similar mission to foster low-income housing have lent money to MHA at advantageous terms. MHA has not discounted these below market loans.

FUNCTIONAL EXPENSES

Direct expenses are charged to each program benefited. Any expenditure not directly chargeable is allocated among the programs.

INCOME TAXES

The following entities are classified by the Internal Revenue Service (IRS) as public charitable organizations exempt from income tax under Section 501(c) (3) of the Internal Revenue Code:

- MHA of Southwestern, Connecticut, Inc.
- Trinity Park Mutual Housing Association, Inc.
- Maplewood Court Mutual Housing Association, Inc.
- Yale Street Mutual Housing Association, Inc.
- Greenfield Commons, Inc.
- Wilton Commons GP, Inc.
- MHA Merton House LLC
- MHA Fairfield Commons I, Inc.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

The following entities are considered disregarded entities for income tax purposes. All income or loss of the companies is recorded on the tax return of Mutual Housing Association of Southwestern Connecticut, Inc.

MHA Conger House, LLC
MHA Yale Street, LLC
Trinity Park Mutual Housing Limited Partnership

The following corporations account for Federal income taxes in accordance with the guidance on accounting for income taxes. The guidance requires the use of an asset and liability approach that provides for the recognition of deferred tax assets and liabilities for the expected future consequences or events that have been recognized in the corporations' consolidated financial statements or tax returns. In estimating future tax consequences, the standard generally considers all expected future events other than enactment of changes in the law or rate. Income taxes are provided for the tax effect of transactions reported in the financial statements and consist of taxes currently due. The corporations have passive loss and net operating loss carryforwards of approximately \$56,000, which expire at various dates between 2019 and 2036. The corporations' total deferred tax asset arising from passive loss and net operating loss carryforwards is approximately \$18,000, which has been fully reserved. There was no increase in the valuation allowance for the year ended December 31, 2018.

NNI/MHA Friendship, Inc. - non-stock corporation that has elected to be taxed as a corporation.

Woodward Cliffs Development Corporation - a for-profit C corporation.

Wilton Commons II, Inc.

The following entities have been organized as limited partnerships or limited liability companies. Accordingly, the partners or members are taxed individually on their pro-rata share of the entity's earnings, and no provision for income taxes has been made.

Friendship House Apartments Limited Partnership
Huntington Senior Housing Limited Partnership
Maplewood School Apartments Limited Partnership
Trinity Park Apartments Limited Partnership
Yale Street Limited Partnership

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

Woodward Cliffs Limited Partnership
Wilton Commons Apartments Limited Partnership
Wilton Commons 2, LLC
Spruce Street Townhomes, LLC

MHA has no unrecognized tax benefits at December 31, 2018. MHA's Federal information returns prior to fiscal year 2015 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, MHA would recognize interest and penalties associated with tax matters as part of interest expense in the consolidated statement of activities and include accrued interest and penalties in accrued expenses in the consolidated statement of financial position. MHA did not recognize any interest or penalties associated with tax matters for the year ended December 31, 2018.

SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 31, 2019, which is the date the consolidated financial statements were approved and available for issuance.

NOTE 3 – LIQUIDITY AND MANAGEMENT'S PLANS

For the year ended December 31, 2018, MHA had a consolidated net loss of \$2,388,238 (MHA's net loss excluding the non-controlling interest for the year was \$878,478.) The Organization has net assets of \$25,012,732 as of December 31, 2018. The Organization has a working capital deficit of \$871,907 as of December 31, 2018. Management anticipates paying down payables of with construction financing, future rental operations and other financing to be received for development projects and limited partnerships. In addition, the CompuLedger, LLC loan of \$343,405 and related accrued interest /liabilities of \$39,964 for MHA Conger House, LLC will be repaid upon sale of the property in 2019 and is presented in current liabilities.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 – RESTRICTED CASH

Mortgage Escrows, Replacement Reserves and Other Reserves - In accordance with the mortgage agreements, certain projects are required to make deposits into mortgage escrows (restricted for tax and insurance payments), replacement reserves (restricted to repairs and maintenance) and other reserves (restricted for a specific purpose). At December 31, 2018, the mortgage escrows, replacement reserves and other reserves were funded with a balance of \$3,686,790.

Resident Security Deposits - Resident security deposits are held in a separate account in the name of the project. These accounts are restricted to refunding security deposits due to the residents. At December 31, 2018, the resident security deposits accounts had a balance of \$193,776.

NOTE 5 – INVESTMENTS

Investments consist of the following:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Capital Projects Fund			
Exchange-traded & closed-end funds	744	627	(117)
Government securities	<u>1,164</u>	<u>1,167</u>	<u>3</u>
	<u>\$ 1,908</u>	<u>\$ 1,794</u>	<u>\$ (114)</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 – INVESTMENTS (CONTINUED)

The following schedule summarizes the investment return of these investments, which is included in investment income on the consolidated statement of activities for the year ended December 31, 2018.

Interest and dividends	\$ 132
Realized loss	(15)
Unrealized gain (loss)	(114)
Investment fees	<u>(170)</u>
	(167)
Interest on cash accounts	<u>36,223</u>
	<u>\$ 36,056</u>

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value hierarchy distinguishes three levels of inputs that may be utilized when measuring fair value including Level 1 inputs (the highest priority, using quoted prices in active markets for identical assets or liabilities), Level 2 inputs (using inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets or inputs that are observable for the asset or liability) and Level 3 inputs (the lowest priority, unobservable inputs supported by little or no market activity based on management's assumptions used to measure assets and liabilities). A financial asset or liability's classification within the above hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Government securities are valued at the closing price reported on the active market on which the individual securities are traded.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at December 31, 2018 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Government securities	\$ 1,794	\$ 1,794	\$ --	\$ --

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

MHA recognizes transfers into and out of levels as of the date an event or change in circumstance causes the transfer. There were no transfers during the year.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7 – MORTGAGES RECEIVABLE

Each outstanding loan bears interest at various rates with specific maturity dates determined at the time the loan is made. Management has estimated an allowance for doubtful accounts on these receivables in the amount of \$516,776, of which \$109,527 is eliminated in consolidation, as of December 31, 2018. Loans receivable by funding source at December 31, 2018 were as follows:

Community Development Block Grant	\$	199,496
City of Bridgeport		363,836
NeighborWorks America		217,000
Other		166,277

Additional mortgages receivable consists of the following:

Revolving Loan Fund has nineteen (19) notes receivable from the buyers of the Spruce Street Townhomes, LLC units for a total amount of \$144,950. The notes are due upon the earlier of i) sale to a non-qualified buyer, ii) refinancing (except for the purpose of obtaining a lower rate), or iii) forty years (2045). In forty years, if the owner is at or below 80% of the Area Median Income, the notes will be forgiven. The loans are secured by mortgages on the properties subordinate to other mortgages. Management has estimated an allowance for doubtful accounts of \$72,475.

	\$	72,475
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Revolving Loan Fund has a note receivable from an unrelated buyer of a property for \$24,000. The loan is noninterest bearing and is due and payable at the earlier of i) sale to a non-qualified buyer, ii) refinancing (except for the purpose of obtaining a lower rate), or iii) thirty years (2034). The loan is secured by a mortgage on the property.

	\$	24,000
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NOTES TO FINANCIAL STATEMENTS

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NOTE 7 – MORTGAGES RECEIVABLE (CONTINUED)

Operating Fund has a note receivable from Wilton Commons Apartments LP, a subsidiary of MHA, for \$190,598. The mortgage is payable in monthly installments of interest only at .5% through the close of permanent financing. Principal and interest payments are due monthly until April 2052 when the entire balance is due and payable. The loan is secured by a mortgage on the property.

190,598

Operating Fund has a note receivable from Trinity Park Apartments LP, a subsidiary of MHA, for \$106,173. The mortgage is payable from net cash flow in monthly installments of interest only at .5%, compounded annually. The note matures in August 2055 when the entire principal and accrued interest balance is due and payable. The loan is secured by a mortgage on the property.

106,173

Operating Fund has a note receivable from Trinity Park Apartments LP, a subsidiary of MHA, for \$105,000. The mortgage is payable from net cash flow in monthly installments of interest only at .5%, compounded annually. The note matures in August 2055 when the entire principal and accrued interest balance is due and payable. The loan is secured by a mortgage on the property.

105,000

Trinity Park Mutual Housing, L.P. has a note receivable from Trinity Park Apartments LP, a subsidiary of MHA, for \$2,756,500. The note bears interest at 2.82%, compounded annually and shall be paid from Operating Cash Flow, to the extent available. The note matures in August 2055 when the entire principal and accrued interest balance is due and payable. The loan is secured by a mortgage on the property.

2,756,500

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NOTES TO FINANCIAL STATEMENTS

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NOTE 7 – MORTGAGES RECEIVABLE (CONTINUED)

Revolving Loan Fund has various notes receivable from the buyers of the Trumbull Townhomes, LLC units for a total amount of \$250,000. The notes are due upon the earlier of i) sale to a non-qualified buyer, ii) refinancing (except for the purpose of obtaining a lower interest rate), or iii) forty years (2044). In forty years, if the owner is at or below 80% of the Area Median Income, the note will be forgiven. The loans are secured by mortgages on the properties subordinate to other mortgages. Management has estimated an allowance for doubtful accounts of \$125,000.

	\$ 125,000
	<u>4,326,355</u>
Less current portion	<u>21,341</u>
Non-current mortgages receivable	<u>\$ 4,305,014</u>
	\$ 4,326,355
Due from subsidiaries, eliminated in consolidation	<u>(3,267,798)</u>
	<u>\$ 1,058,557</u>

Various loans are collateralized by real estate located in Southwestern Connecticut. Accordingly, the ability to collect on the loan portfolio is susceptible to changes in real estate market conditions in the area.

The total amount of mortgage receivables on nonaccrual status is approximately \$1,310,000. There are no mortgage receivables that are past due more than 90 days that still accrue interest.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7 – MORTGAGES RECEIVABLE (CONTINUED)

Annual principal payments are as follows:

2019	\$ 21,341
2020	15,128
2021	14,351
2022	13,188
2023	13,610
Thereafter	<u>980,939</u>
	<u>\$ 1,058,557</u>

Woodward Cliffs Limited Partnership is wholly owned by MHA. MHA has made loans to Woodward Cliffs Limited Partnership in the amount of \$109,527. The loans are included in mortgages receivable and have been eliminated in consolidation.

Pursuant to the NeighborWorks Restricted Capital (NRC) contract with the Organization, any earnings on NRC net assets may be used to fund the costs of operating the revolving loan fund so long as the revolving loan fund balance does not go below \$100,000. Pursuant to the grant agreement with Connecticut Light & Power, the first \$5,000 of income earned for each period may be used to fund the costs of operating the loan fund.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 – DEVELOPER FEES RECEIVABLE

The Organization entered into agreements to provide consulting and developing services to various subsidiaries. The amounts due have no specific repayment terms and are noninterest bearing. The total amount due to MHA that have been eliminated in consolidation is as follows:

Huntington Senior Housing, LP	\$ 334,119
Maplewood School Apt LP	92,974
Trinity Park Apts., LP	53,014
Wilton Commons Apts., LP	474,463
Yale Street, LP	<u>139,704</u>
	<u>\$ 1,094,274</u>

NOTE 9 – OTHER NOTES RECEIVABLE

Capital Projects Fund has a note receivable from NNI/MHA Friendship, Inc. for \$100,000. The funds are to be used to complete the renovations of Friendship House. The loan is noninterest bearing and is due and payable in forty (40) years (June 2049).

	\$ 100,000
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Capital Projects Fund has a note receivable from Stamford Affordable Housing, Inc. (“SAHI”) for the development of Friendship House. The payment on the loan is equal to 49.99% of the loan proceeds received by SAHI on its underlying acquisition note to Friendship House Apartments Limited Partnership (“Friendship House”) for \$5,473,491. SAHI is only obligated to make payment on this note to the extent it receives proceeds on the acquisition note with Friendship House. The acquisition note between SAHI and Friendship House bears interest at 4.50% and is payable from Operating Cash Flow of Friendship House. The note is due and payable on March 19, 2049. The acquisition note is secured by the property owned by Friendship House.

	3,548,921
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NOTES TO FINANCIAL STATEMENTS

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NOTE 9 – OTHER NOTES RECEIVABLE (CONTINUED)

Capital Projects Fund has a note receivable from Maplewood School Apartments Limited Partnership for funds advanced for capital improvements. The loan is noninterest bearing and has no specific repayment terms.

\$ 289,750

\$ 3,938,671

All balances have been eliminated in consolidation.

Capital Projects Fund has a note receivable from Habitat for Humanity of Coastal Fairfield County. The loan is non-interest bearing. Payments of \$571 are made quarterly. The loan is due and payable in 2045.

\$ 65,150

NOTE 10 – LINE OF CREDIT

MHA has a line of credit with Patriot Bank, which allows borrowings up to \$300,000. The line bears interest at prime plus .5% with a floor of 3.75%, (3.75% at December 31, 2018) and matures on October 1, 2019. The outstanding balance is due on demand and is secured by the assets of the Organization. The outstanding balance at December 31, 2018 was \$283,447. During the year ended December 31, 2018, MHA incurred interest and paid interest in the amount of \$4,330.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 11 – MORTGAGES PAYABLE

	Amortizing	Non- Amortizing
<p>MHA 20-28 Fairfield Commons, LLC has received a mortgage from Housing Development Fund, Inc. for \$1,225,000. The loan is payable in monthly installments of principal and interest (5%) over a 30-year amortization schedule. The loan is due and payable on February 1, 2047. The loan is secured by the real property. The agreement requires that at least 30% of Project units must be used as low to moderate income units or special needs units.</p>	\$ 1,191,161	\$ --
<p>MHA 20-28 Fairfield Commons, LLC has received an additional mortgage from Housing Development Fund, Inc. for \$100,000. The loan accrues interest at 3% and interest only payments are to be made during the term of the loan. The loan along with accrued interest is due and payable on December 1, 2019. The loan is secured by the real property.</p>		71,635
<p>MHA 20-28 Fairfield Commons, LLC has assumed loans of \$44,900 and \$45,000 from the City of Stamford. The loans are noninterest bearing and are secured by a certain property. The loans are due and payable on August 1, 2028.</p>	--	89,900
<p>The carrying value of the properties securing the Fairfield Commons loans is \$1,943,735.</p>		
<p>Parkside Gables has a loan with the City of Stamford HOME Program that allows for borrowings up to \$100,000. The loan is noninterest bearing and is due on July 10, 2043. The loan is secured by the property.</p>	--	100,000
<p>The carrying value of the properties securing the Parkside Gables loan is \$3,557,228.</p>		

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 – MORTGAGES PAYABLE (CONTINUED)

	Amortizing	Non- Amortizing
<p>MHA Fairfield Commons I, Inc. has a promissory note with the City of Stamford that provides for a loan of \$80,000 for the rehabilitation of 4 rental housing units located at 22 Fairfield Avenue in Stamford, Connecticut. The loan is noninterest bearing and is due on June 24, 2040. The loan is secured by the property.</p>	--	80,000
<p>MHA Fairfield Commons I, Inc. has a promissory note with the City of Stamford that provides for a loan of \$120,000 for the purpose of constructing the first 6 unit phase of a two phase project comprised of 12 rental housing units located at 20-28 Fairfield Avenue in Stamford, Connecticut. The loan is noninterest bearing and is due in 2041. The loan is secured by the property.</p>	--	120,000
<p>The carrying value of the properties securing the Fairfield Commons I loans is \$1,531,858.</p>		
<p>MHA Fairfield Commons II, LLC has a loan with the State of Connecticut that provides for a loan of \$1,187,000 for the purpose of constructing the second 6 unit phase of a two phase project comprised of 12 rental housing units located at 20-28 Fairfield Avenue in Stamford, Connecticut. The loan is noninterest bearing and is due in 2047. The loan is secured by the property.</p>	--	1,102,743
<p>MHA Fairfield Commons II, LLC has a promissory note with the City of Stamford that provides for a loan of \$120,000 for the purpose of constructing the second 6 unit phase of a two phase project comprised of 12 rental housing units located at 20-28 Fairfield Avenue in Stamford, Connecticut. The loan is noninterest bearing and is due in 2041. The loan is secured by the property.</p>	--	120,000

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NOTES TO FINANCIAL STATEMENTS

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NOTE 11 – MORTGAGES PAYABLE (CONTINUED)

	Amortizing	Non- Amortizing
<p>MHA Conger House, LLC has received 3 notes with CompuLedger, LLC in the amount of \$507,000. The notes bear interest ranging from 7.00% to 8.00%. Installments of \$3,544 of principal and interest are due and payable monthly. A final balloon payment equal to the unpaid principal and interest is due on July 1, 2027. The notes are secured by the property.</p>	343,405	--
<p>The carrying value of the properties securing the Conger House loans is \$400,000.</p>		
<p>MHA Merton House LLC has a note payable of \$200,000 with the City of Bridgeport. The HOME loan is noninterest bearing and is secured by a certain property. The loan is due and payable on August 27, 2029.</p>	--	200,000
<p>MHA Merton House LLC has a loan with CHFA that allows for borrowings up to \$6,375,521. Principal advances are accruing interest at a rate of 4% per year. The note shall mature upon the earlier of i) a “Capital Transaction”, or ii) November 1, 2040. No payments of interest or principal are due and payable during the term of the loan until maturity unless there is surplus cash present. The note is secured by the property.</p>	--	6,375,121
<p>The carrying value of the properties securing the MHA Merton House loans is \$4,855,637.</p>		
<p>Yale Street Limited Partnership has a loan with the City of Bridgeport HOME program bearing interest at a rate of 6.02% per year. Principal and accrued interest is due and payable in June 2030. Deferred interest is \$628,333 at December 31, 2018. The buildings are pledged as collateral on the loan.</p>	--	500,000

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NOTES TO FINANCIAL STATEMENTS

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NOTE 11 – MORTGAGES PAYABLE (CONTINUED)

	Amortizing	Non- Amortizing
<p>Yale Street Limited Partnership has a permanent mortgage loan with CHFA for the original amount of \$1,505,000. The loan is payable in monthly installments of principal and 4% interest of \$6,474 through April 1, 2040. The buildings are pledged as collateral on the loan.</p>	1,113,591	--
<p>The carrying value of the properties securing the Yale Street loans is \$1,500,063.</p>		
<p>Trinity Park Apartments, LP has assumed a loan along with accrued interest from Trinity Park Mutual Housing, LP payable to the City of Stamford. The note bore interest at 6.83%. The building is pledged as collateral on the loan. In December 2017, the partnership entered into a Modification and Subordination Agreement with the City. Under this Agreement, the interest rate was replaced with 0% and the maturity date is December 1, 2047, at which time the entire principal balance will be due. At December 31, 2018, the accrued interest balance in the amount of \$199,615 was written off, and a forgiveness on City of Stamford loan was recognized as an infrequent item on the statement of operations.</p>	--	143,500
<p>Trinity Park Apartments, LP has entered into a loan agreement with the City of Stamford to receive \$350,000 under the City of Stamford Affordable Housing Linkage Program. The loan will bear no interest and will be due and payable on August 14, 2045. The loan will be secured by the building. At December 31, 2018 the unreleased portion of the loan was \$35,000.</p>	--	315,000
<p>Trinity Park Apartments, LP has a \$220,000 noninterest bearing loan with the City of Stamford HOME program. The loan matures on September 12, 2054. The note is secured by a mortgage on 78 Spruce Street in Stamford.</p>	--	220,000

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NOTE 11 – MORTGAGES PAYABLE (CONTINUED)

	Amortizing	Non- Amortizing
<p>Trinity Park Apartments, LP has received a note from Trinity Park Mutual Housing Limited Partnership (Seller) as part of financing agreement for purchase of the property. The note accrues interest at 2.82% compounded annually. Annual principal and interest payments due from operating cash flow, if available. All unpaid principal and accrued interest shall become due in August 2055. The buildings are pledged as collateral on the loan.</p>	--	2,756,500
<p>Trinity Park Apartments, LP has a 4.50% permanent mortgage loan with People’s United Bank, National Association in the amount of \$1,000,000. Commencing on February 1, 2018, principal and interest are payable in monthly installments of \$5,105 through December 2037. The building is pledged as collateral for the loan.</p>	985,330	--
<p>Trinity Park Apartments, LP has a loan with CHFA in the amount of \$673,000. The loan accrues interest at 1% annually with a maturity date of December 1, 2047. No payments of interest or principal are due and payable during the term of the loan until maturity unless there is surplus cash present. 20% of surplus cash, as defined, shall be applied to reduce any outstanding accrued interest and principal. The building is pledged as collateral for the loan.</p>	--	673,000
<p>Trinity Park Apartments, LP has a loan due to MHA. The loan is payable in monthly installments of interest only at .5%, compounded annually. The loan is due and payable on August 14, 2055. The loan is secured by a mortgage on the property.</p>	--	106,173

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NOTE 11 – MORTGAGES PAYABLE (CONTINUED)

	Amortizing	Non- Amortizing
<p>Trinity Park Apartments, LP has a loan due to MHA. The loan is payable in monthly installments of interest only at .5%, compounded annually. The loan is due and payable on August 14, 2055. The loan is secured by a mortgage on the property.</p>	--	105,000
<p>Trinity Park Apartments, LP has a loan due to Federal Home Loan Bank of Boston - Affordable Housing Program. The loan will bear no interest and will be due and payable on December 1, 2047. The loan will be secured by the building. The loan is secured by a mortgage on the property.</p>	--	275,000
<p>The carrying value of the properties securing the Trinity Park Apartments loans is \$7,330,255.</p>		
<p>Maplewood School Apartments Limited Partnership has a loan with the City of Bridgeport. The loan is noninterest bearing and is due and payable in September 2023. The buildings are pledged as collateral on the loan.</p>	--	125,000
<p>Maplewood School Apartments Limited Partnership has a loan with the Bridgeport HOME Program. The loan is noninterest bearing. Principal is due and payable July 15, 2037. The buildings are pledged as collateral on the loan.</p>	--	150,000
<p>Maplewood School Apartments Limited Partnership has received a note under the Community Development Block Grant Program through the City of Bridgeport. The note is noninterest bearing. Principal is due and payable in July 2037. The buildings are pledged as collateral on the loan.</p>	--	225,000
<p>Maplewood School Apartments Limited Partnership has received a note from the Housing Authority of the City of Bridgeport. The note is noninterest bearing. Principal payments in the amount of \$2,000 per annum are due from available cash flow. All unpaid principal shall become due in November 2037. The buildings are pledged as collateral on the loan.</p>	--	720,000

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NOTE 11 – MORTGAGES PAYABLE (CONTINUED)

	Amortizing	Non- Amortizing
<p>Maplewood School Apartments Limited Partnership has a note with EHI Development Fund (a related party of the limited partner). The note is noninterest bearing and is to be paid from excess cash, cash from sales or cash from refinancing. Any unpaid principal is due and payable in July 2032. The buildings are pledged as collateral on the loan.</p>	--	150,000
<p>Maplewood School Apartments Limited Partnership has a 3% permanent mortgage loan with CHFA for the original amount of \$878,700. Principal and interest are payable in monthly installments of \$3,146 through September 2042. The buildings are pledged as collateral on the loan. The Partnership has not been able to make all required payments on the mortgage and related reserve accounts. The Partnership is in the process of re-syndicating with CHFA with an anticipated closing during 2019.</p>	726,560	--
<p>Maplewood School Apartments Limited Partnership has a note with MHA funded by NeighborWorks America. The note is noninterest bearing and will be due in the event of default of the agreement.</p>	--	289,750
<p>The carrying value of the properties securing the Maplewood loans is \$1,917,317.</p>		
<p>Huntington Senior Housing Limited Partnership has a note payable to the Department of Economic and Community Development under the HOME loan program. The loan accrues interest at 1%. The entire outstanding principal balance and accrued interest of \$162,758 are due and payable April 2042. The loan is secured by the building.</p>	--	1,433,000
<p>Huntington Senior Housing Limited Partnership has a 4% permanent mortgage loan with CHFA for the original amount of \$1,094,300. Principal and interest are payable in monthly installments of \$4,845 through June 2044. The buildings are pledged as collateral on the loan.</p>	928,541	--

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NOTE 11 – MORTGAGES PAYABLE (CONTINUED)

	Amortizing	Non- Amortizing
The carrying value of the properties securing the Huntington Senior loans is \$4,395,960.		
Woodward Cliffs Limited Partnership has a 3% permanent mortgage loan with CHFA. Principal and interest are payable in monthly installments of \$1,476 through October 2026. The apartment project is pledged as collateral on the loan.	123,479	--
Woodward Cliffs Limited Partnership has a note payable to MHA. The loan bears interest at 3% and is payable in monthly installments of principal and interest through April 1, 2015. The loan is secured by a mortgage on the property. The loan is currently in default and has been reflected as a current liability. However, no payment can be made unless surplus cash is available.	--	11,732
Woodward Cliffs Limited Partnership has a note payable due to MHA. The note is payable in monthly installments of interest only at 6% through August 2011 when the entire balance is due and payable. The loan is secured by a mortgage on the property. The loan is currently in default and has been reflected as a current liability. However, no payment can be made unless surplus cash is available.	--	60,000
Woodward Cliffs Limited Partnership has a note payable due to MHA. The note is payable in monthly installments of interest only at 6% through October 2015 when the entire balance is due and payable. The loan is secured by a mortgage on the property. The loan is currently in default and has been reflected as a current liability. However, no payment can be made unless surplus cash is available.	--	37,795
The carrying value of the properties securing the Woodward Cliffs loans is \$260,000.		

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NOTE 11 – MORTGAGES PAYABLE (CONTINUED)

	Amortizing	Non- Amortizing
<p>Wilton Commons Apartments Limited Partnership has a loan with Wilton Commons, Inc. The loan is payable in monthly installments of interest only at 0.5% annually. The unpaid principal amount is due in 2052. The loan is secured by a mortgage on the property.</p>	--	650,000
<p>Wilton Common Apartments Limited Partnership has a loan due to MHA. The loan is payable in monthly installments of interest only at .5% through April 11, 2052 when the entire balance is due and payable. The loan is secured by a mortgage on the property.</p>	--	190,598
<p>Wilton Common Apartments Limited Partnership has a loan to the State of Connecticut Department of Economic and Community Development under the HOME loan program. The loan is non-interest bearing and no payments are due under the term of the loan. The balance is due in full on April 22, 2052. The loan is secured by a mortgage on the property.</p>	--	3,200,000
<p>Wilton Common Apartments Limited Partnership has a permanent mortgage with CHFA in the amount of \$2,100,000. Principal and interest are payable in monthly installments of \$9,781 at an interest rate of 4.75% per annum. The loan is due and payable on June 1, 2054 and is secured by a mortgage on the property.</p>	2,011,787	--
<p>The carrying value of the properties securing the Wilton Common loans is \$8,711,259.</p>		
<p>Friendship House Apartments Limited Partnership signed a permanent mortgage with CHFA which requires principal and interest at a per annum rate of 5.50% and is due and payable in equal monthly installments. All remaining unpaid indebtedness and unpaid interest are due February 1, 2051. The loan is secured by a mortgage on the property.</p>	7,505,518	--

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NOTE 11 – MORTGAGES PAYABLE (CONTINUED)

	Amortizing	Non- Amortizing
<p>Friendship House Apartments Limited Partnership has an (unsecured) note payable with Stamford Affordable Homes, Inc., a related party, for an original balance of \$5,473,491. Interest accrues and is added to the outstanding balance at 4.50% per annum. No payments of principal or interest shall be made unless there is surplus cash as defined in the Partnership Agreement. The entire principal balance is due in 2049.</p>	--	6,850,038
<p>Friendship House Apartments Limited Partnership assumed a loan payable to the City of Stamford, Connecticut in conjunction with the acquisition of the land and building. The loan bears no interest, therefore the loan balance was discounted to \$51,509. Interest is imputed at 3.52%, which was the applicable Federal rate at the time of the assumption, for the term of the loan. Principal is due on September 24, 2054.</p>	--	71,824
<p>Friendship House Apartments Limited Partnership has a note with the City of Stamford, Connecticut for Community Development Block Grant funds received. The loan will be forgiven in 40 years as long as the property remains as a residence for low income persons, as defined by HUD. If not, the entire principal balance and 10% interest is immediately due and payable.</p>	--	250,000
<p>Friendship House Apartments Limited Partnership has a mortgage with the Connecticut Department of Economic and Community Development for \$2,000,000. No payments shall be made, or interest shall accrue, on the note as long as the Partnership remains in compliance with the terms of the Assistance Agreement. The entire principal balance is due March 19, 2049. The loan is secured by the property.</p>	--	2,000,000

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NOTE 11 – MORTGAGES PAYABLE (CONTINUED)

	Amortizing	Non- Amortizing
The carrying value of the properties securing the Friendship House loans is \$18,124,488.	14,929,372	29,768,309
Due to MHA, eliminated in consolidation	--	(7,082,636)
Total mortgages payable to third parties	14,929,372	22,685,673
Less: current portion	(563,674)	--
Less: debt issuance costs	(403,587)	(63,753)
	<u>\$ 13,962,111</u>	<u>\$ 22,621,920</u>

Maturities of mortgages payable to third parties for the next five years and thereafter are as follows:

<u>Year ending December 31,</u>		
2019	\$	563,674
2020		302,105
2021		241,415
2022		252,770
2023		264,680
Thereafter		35,990,401
		37,615,045
Debt issuance costs, net		(467,340)
	<u>\$</u>	<u>37,147,705</u>

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NOTES TO FINANCIAL STATEMENTS

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NOTE 12 – OTHER NOTES PAYABLE

Operating Fund financed the purchase of two trucks in August 2016 and one in December 2018. The term of the notes are for six years and requires monthly payments of principal and interest. The notes are secured by the vehicles. \$ 123,793

Capital Projects Fund has received an unsecured working capital advance equity equivalent from RBS National Bank. The advance requires semi-annual interest payments of 2% through March 2015. The entire outstanding balance was due March 2015 and was renewed through 2021. The note automatically renews for successive three-year terms. 150,000

Capital Projects Fund has received an unsecured working capital advance equity equivalent from RBS National Bank. The advance requires semi-annual interest payments of 2% through October 2016. The entire outstanding balance is due October 2016 and automatically renews for successive three- year terms. 350,000

Total other notes payable 623,793
Less: current portion (24,970)

\$ 598,823

Maturities of other notes payable for the next five years and thereafter are as follows:

Year ending December 31,

2019	\$	24,970
2020		376,643
2021		176,643
2022		23,327
2023		10,035
Thereafter		<u>12,175</u>
		<u>\$ 623,793</u>

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NOTES TO FINANCIAL STATEMENTS

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NOTE 13 – MEMBERSHIP FEES

In addition to a security deposit, residents of some properties must pay a \$2,500 refundable membership fee. The balance of refundable membership fee was \$232,848 at December 31, 2018. When the fee is fully paid by the resident, it earns interest for the resident. Accrued interest totaling \$132,196 is included on the consolidated statement of financial position.

NOTE 14 – CAPITAL ADVANCES AND HOUSING TRUST FUND PROGRAMS

Parkside Gables was financed by the State of Connecticut through a capital grant. The property is to be held for the benefit of low and moderate income residents subject to a state lien on the property.

Greenfield Commons entered into a Capital Advance mortgage note and regulatory agreement with HUD. The agreements provided for a capital advance of \$1,308,400 to renovate the property for use. The mortgage note bears no interest and requires no repayment so long as the property remains available for persons that are very low-income, elderly or disabled. The capital advance is secured by a mortgage on the property, which matures July 28, 2048. The capital advance is included in unrestricted net assets on the consolidated statement of financial position.

Fairfield Commons was awarded a Capital Advance mortgage note and regulatory agreement with HUD under Section 811 of the National Affordable Housing Act. The agreement provides for a capital advance of \$903,500 to renovate the property at 20-28 Fairfield Avenue for use. The mortgage note bears no interest and requires no repayment so long as the property remains available for very low-income persons with disabilities for 40 years. The capital advance is secured by a mortgage on the property and matures August 2053.

Wilton Commons 2, LLC was awarded a capital grant from the State of Connecticut Department of Housing under the Affordable Housing Program. The grant funds are available to finance the construction of the development in the amount of \$5,691,764. The Company is required to rent the twenty-three units to persons whose incomes do not exceed 80% of the Area Median Income (AMI) as determined by HUD in perpetuity.

NOTE 15 – HUD INVESTMENT IN VARIOUS PROJECTS

At December 31, 2018, the U.S. Department of Housing and Urban Development (HUD) has approximately \$3.9 million in grants and outstanding loans invested in various projects owned and operated by MHA.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 16 – NET ASSETS

Temporarily restricted net assets are comprised of the following:

NeighborWorks Capital grants	\$ 108,333
Total	<u>\$ 108,333</u>

Permanently restricted net assets are comprised of the following:

Revolving loan funds	\$ 1,157,026
NeighborWorks Capital Grants	<u>3,260,741</u>
	<u>\$ 4,417,767</u>

NOTE 17 – FUNCTIONAL CLASSIFICATION OF NON-OPERATING EXPENSES

Non-operating expenses by function for the year ended December 31, 2018 were as follows:

General and administrative expenses	\$ 380,405
Program expenses, net	5,993,619
Fundraising expenses	<u>9,290</u>
	<u>\$ 6,383,314</u>

NOTE 18 – MANAGEMENT FEES

MHA provides certain management services to the Properties. The agreements provide for various monthly fees and salary and expense reimbursements. The management contracts continue until cancelled by either party. Management fees earned for the year ended December 31, 2018 were \$247,944, all of which were eliminated in consolidation.

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NOTE 18 – MANAGEMENT FEES (CONTINUED)

Yale Street Limited Partnership has entered into a partnership management agreement with MHA, which allows for an annual fee of \$15,000 to the extent excess cash is available. Any unpaid fees shall accrue without interest and be paid in subsequent years. Management fees for any year shall not remain unpaid under the agreement for more than ten years. The agreement expires upon dissolution of the Partnership. Unpaid partnership management fees totaled \$150,000, which is the maximum allowable accrual of the partnership management fee. This amount is included in long-term accrued expenses.

Maplewood School Apartments Limited Partnership has entered into a partnership management agreement with MHA, which allows for an annual fee of \$10,000 to the extent excess cash is available. The agreement expires upon dissolution of the Partnership. There was no fee earned for 2018.

Trinity Park Mutual Housing Limited Partnership has entered into a partnership management agreement with MHA, which allows for an annual fee of \$20,000 to the extent excess cash is available. The agreement expires upon dissolution of the Partnership. Unpaid partnership management fees totaled \$360,000, which is the maximum allowable accrual of the partnership management fee. This amount is included in long-term accrued expenses.

Wilton Commons Apartments Limited Partnership has entered into a partnership management agreement with MHA, which allows for an annual fee of \$10,000 (increased 3% annually) to the extent excess cash is available. The agreement expires upon dissolution of the Partnership. Unpaid partnership management fees totaled \$61,425 and is included in accrued expenses.

NOTE 19 – RETIREMENT PLAN

The Organization has adopted a tax deferred annuity plan subject to Internal Revenue Code Section 403(b) covering all of its employees except those covered under a collective bargaining agreement if retirement benefits were the subject of good faith bargaining and if 2% or less of the employees covered by that agreement are professionals as defined in the plan. There are no minimum age or service requirements for employee contributions.

Employer contributions are discretionary. The minimum age requirement is 21 with one year of consecutive service (1,000 hours) required for employer contributions. No employer matching contributions are allowed under the plan. There was no retirement benefit expense for the year ended December 31, 2018.

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NOTE 20 – LAND – ELY AVENUE

Norwalk Revolving Loan Fund owns a parcel of land located at 192 Ely Avenue. Norwalk Revolving Loan Fund leases the land to a homeowner at no cost for ninety-nine years expiring in 2090.

NOTE 21 – GROUND LEASES

MHA entered into a ground lease with Huntington Senior Housing Limited Partnership (HSHLP) for the property known as Trumbull Senior. HSHLP redeveloped the property in exchange for an annual lease payment of \$1 for seventy-five years. The leases expires on June 1, 2080.

MHA Merton House LLC has paid a sum of \$100,000 to the Bridgeport Roman Catholic Diocesan Corporation for the lease of the land for a period of 75 years terminating on January 1, 2086. Under the operating lease agreement, the property is required to consist of 22 units of affordable rental housing units to support chronically homeless clients of the Catholic Charities and Thomas Merton Homes. The prepaid lease has been capitalized and is amortized over the life of the lease. The remaining balance is \$90,669 at December 31, 2018. Annual amortization for the year ended December 31, 2018 amounted to \$1,333.

MHA Merton House LLC entered into a ground lease with the Housing Authority of the City of Bridgeport. MHA Merton House LLC redeveloped the property in exchange for an annual rent payment of \$10 through August 27, 2084 for the use of certain premises situated in the City of Bridgeport, Connecticut.

Woodward Cliffs Limited Partnership has entered into a ground lease agreement with Fairfield County Mutual Housing, Inc. The lease term is 99 years terminating on March 1, 2095. The Partnership has the option to extend the lease period for an additional 99 years. In consideration of continued use and occupancy of the leased property, the Partnership will pay an annual fee of \$100.

MHA/Action Housing, Inc. entered into 57 individual ground leases with unit owners in San Vincenzo Place that expire on May 1, 2091, with an option to renew for another 99 years. MHA/Action Housing, Inc. shall use the land to provide decent, affordable housing in exchange for a monthly fee of \$10 plus 1/12 of the insurance and other property expenses. MHA has decided not to bill or collect the \$10 monthly fee.

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NOTE 22 – RENTAL ASSISTANCE CONTRACTS

MHA Conger House, LLC has a supportive housing contract with the State of Connecticut Department of Social Services (DSS). The contract provides for rental assistance payments through September 30, 2028. Total funds received for the year ended December 31, 2018 were \$13,480.

MHA Conger House, LLC has a supportive housing contract funded by HUD through Catholic Charities of Fairfield County. The contract continues until cancelled by either party. Total funds received for the year ended December 31, 2018 were \$68,810.

MHA Merton House LLC has a supportive housing contract with the State of Connecticut Department of Social Services (DSS). The contract provides for rental assistance payments through April 30, 2028. Total funds received for the year ended December 31, 2018 were \$354,574.

Wilton Commons 2, LLC has entered into a contract with the State of Connecticut Department of Housing (DOH) to provide congregate services for all 23 units. The contract is in effect for a period of fifty years, expiring in 2066. Total funds received for the year ended December 31, 2018 were \$214,773.

On October 26, 2011, Friendship House Limited Partnership signed a twenty-year rental assistance contract with HUD, which subsidizes all units of the Project for low-income families. Total funds received for the year ended December 31, 2018 were \$1,707,581.

Greenfield Commons, Inc. has entered into a Project Rental Assistance Contract (PRAC) with HUD to make housing assistance payments to the Project on behalf of qualified tenants. The contract renewal expires June 30, 2019 and covers all 10 units of the project. Total funds received for the year ended December 31, 2018 were \$75,768.

Fairfield Commons I, Inc. has entered into a Project Rental Assistance Contract (PRAC) with HUD to make housing assistance payments to the Project on behalf of qualified tenants. The contract expires August 31, 2019 and covers all 6 units of the project. Total funds received for the year ended December 31, 2018 were \$47,204.

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NOTE 23 – COMMITMENTS AND CONTINGENCIES

MHA Conger House, LLC has entered into a loan agreement with the City of Bridgeport. The agreement provides for a loan in the amount of \$387,000 under HUD's HOME Investment Partnership Program. The loan bears interest at 5.29% annually and is deferred until the due date of July 2036. No repayment is required on the loan and accrued interest as long as the property remains affordable for a period of 20 years from the date of project completion. Management believes that the loan principal balance and related accrued interest will be forgiven at the end of the compliance period as a result, no interest is being accrued on this loan. At December 31, 2018, the property is held for sale and management anticipates that the affordable commitment will be transferred to the buyer.

In accordance with the Amended and Restated Limited Partnership Agreement, Wilton Commons GP, Inc. is obligated to fund operating deficits of Wilton Commons Apartments Limited Partnership in excess of the operating deficit reserve beginning with the date of achievement of breakeven operations and ending upon the date which the Partnership achieves an average debt service coverage ratio of 1.2 or better for thirty-six consecutive calendar months commencing on or after the second anniversary of the achievement of stabilized occupancy. The achievement of breakeven operations has been met. The guaranty ends on either 1) 5th anniversary of the achievement of stabilized occupancy, 2) 5th anniversary of permanent loan conversion or 3) breakeven (as noted above). The Project achieved stabilized occupancy on October 31, 2014.

As part of the purchase, Friendship House Limited Partnership assumed four forgivable notes payable to the City of Stamford, Connecticut in the aggregate amount of \$449,000. These notes are secured with a mortgage on the Project. The notes do not bear interest and are forgivable upon maturity, which occurs in 2017 through 2026, as long as certain requirements are met, including providing the building to low-income tenants. Management believes the Partnership will meet these requirements to have the debt forgiven, and has elected not to record the liability in the financial statements.

The Partnership Agreement of Friendship House Limited Partnership establishes the Operating Deficit Guarantee Period, which continues until the expiration of the compliance period. NNI/MHA Friendship, Inc. is responsible to fund any shortfalls during this period. The operating deficit for the fiscal year is the amount by which Partnership expenses for the fiscal year exceed the sum of the Partnership's gross cash receipts from operations, plus amounts drawn from any reserves for such fiscal year.

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NOTE 23 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The limited partnerships (other than Friendship House) have entered into agreements to provide a right of first refusal to MHA to purchase the properties upon receipt of a bona fide offer to purchase. In addition, MHA is given the option to purchase the property at any time after the close of the fifteen-year tax credit compliance period.

The limited partnerships' low-income housing tax credits are contingent on their ability to maintain compliance with applicable sections of Section 42 of the internal revenue code. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct non-compliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential non-compliance may require an adjustment to the contributed capital by the Limited Partner.

NOTE 24 – EXTENDED USE AGREEMENTS

Maplewood School Apartments Limited Partnership and Huntington Senior Housing Limited Partnership have entered into extended use agreements with CHFA whereby the Partnerships will continue to operate the Projects as qualified low-income housing projects for an additional thirty years after the tax credit compliance period. In addition, the Partnerships have entered into Agreements of Restricted Covenants, which requires the Partnerships to continue to operate the Projects as a qualified low-income housing project for at least thirty years beyond the term of the mortgages.

Woodward Cliffs Limited Partnership has entered into an extended use agreement with CHFA whereby the Partnership will continue to operate the Project as a qualified low-income housing project for an additional fifteen years after the tax credit compliance period (2026).

Wilton Commons Limited Partnership has entered into an extended use agreement with CHFA whereby the Partnership will continue to operate the Project as a qualified low-income housing project for an additional fifteen years after the tax credit compliance period (2043). In addition, the Partnership has entered into an Agreement of Restricted Covenants, which requires the Partnership to continue to operate the Project as a qualified low-income housing project for at least fifteen years beyond the term of the mortgage.

MHA Merton House, LLC has entered into an Agreement of Restricted Covenants, which requires the Company to continue to operate the Project as a qualified low-income housing project for at least thirty years beyond the term of the mortgage.

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NOTE 24 – EXTENDED USE AGREEMENTS (CONTINUED)

Trinity Park Apartments Limited Partnership has entered into an extended use agreement with the Connecticut Housing Finance Authority whereby the Partnership will continue to operate the Project as a qualified low-income housing project for an additional fifteen years after the tax credit compliance period.

As part of the financial assistance provided by the State of Connecticut Department of Housing for the construction of Wilton Commons 2, LLC, the company is required to rent the twenty-three units to persons whose incomes do not exceed 80% of the Area Median Income (AMI) as determined by HUD in perpetuity.

NOTE 25 – DISTRIBUTABLE FUNDS

The limited partnerships, MHA Merton House, LLC, Greenfield Commons, Inc. and Fairfield Commons I, Inc., have regulatory agreements that limit annual distributions of net operating receipts to surplus cash available at the end of the year. MHA Merton House, LLC had \$11,221 of surplus cash available for distribution. There was no surplus cash available for distribution for the limited partnerships, Fairfield Commons, I, Inc. and Greenfield Commons, Inc.

NOTE 26 – EASEMENTS

In exchange for valuable consideration received, MHA has provided an easement with certain conditions in favor of Connecticut Light & Power and Yankee Gas in perpetuity.

NOTE 27 – PRIOR PERIOD ADJUSTMENTS – CORRECTION OF AN ERROR

Prior period adjustments are the net effect of changes resulting from the correction of an error. Because such amounts are the errors from a prior period, they are not properly included as part of the results of operations of the current period. Instead, such adjustments are properly reported as a direct adjustment to the Beginning Net Assets to restate that amount to which it would have been had the error not occurred. The prior period adjustments for the period ending December 31, 2018 resulted in an aggregate increase of total net assets of \$79,279. This represents the correction of construction in progress and loan balances prior years for MHA Fairfield Commons II, LLC.

Beginning Net Assets - January 1, 2018	\$ 27,290,691
Increase in construction in progress	381,184
Increase in liabilities	<u>(301,905)</u>
Beginning Net Assets, As restated	<u>\$ 27,369,970</u>

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 28 – DISCONTINUED OPERATIONS

On March 1, 2018, the Catholic Charities of Fairfield County terminated their supportive housing contract with MHA Conger House, LLC and relocated existing tenants to other projects. Due to the circumstances, MHA has decided to sell the property. The property is held for sale at a listing price of \$400,000 and is expected to be sold in 2019 pending lender approval.

In addition, MHA sold the property held by MHA Yale Street, LLC in October 2018.

The loss from discontinued operations presented in the statement of activities for the year ended December 31, 2018 is as follows:

	MHA Conger House, LLC	MHA Yale Street, LLC
Revenues	\$ (81,306)	\$ (48,100)
Operating expenses	79,963	60,876
Other expenses	<u> --</u>	<u> 7,323</u>
(Gain) loss from discontinued operations	<u>\$ (1,343)</u>	<u>\$ 20,099</u>

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

**SCHEDULE OF FINANCIAL POSITION – NEIGHBORWORKS® AMERICA
CAPITAL FUND**

DECEMBER 31, 2018

Assets

Cash in bank	\$ 13,647
Loans receivable	<u>217,000</u>
Investment in:	
Trinity Park Mutual Housing, L.P.	233,488
Trinity Park Apartments, L.P.	187,200
Maplewood Schools Mutual Housing	561,537
Yale Street Mutual Housing, L.P.	247,110
Investment in Spruce Street - homebuyer mortgages	30,000
Investment in Huntington Senior	180,106
Investment in Stillwater Avenue Apartments	10,000
Investment in Fairfield Avenue	332,658
Investment in 13 Taylor Street	48,318
Investment in West Main Street	68,278
Trumbull Townhomes- homebuyer Mortgages	250,000
Investment in Washington Park - various properties	149,449
Investment in 33 Yale Street	50,000
Investment in Conger House	75,000
Investment in Wilton Commons	296,324
Investment in West Side Commons II (Spruce Street)	65,219
Investment in Friendship House	100,000
Investment in Parkside Gables	15,429
Investment in Wilton Commons II	129,978
Investment in Truman Place	<u>108,533</u>

Total Investments	<u>3,138,627</u>
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Total Assets	<u>\$ 3,369,274</u>
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Liabilities and Net Assets

Net assets - temporarily restricted	\$ 108,533
Net assets - permanently restricted	<u>3,260,741</u>

Total Liabilities and Net Assets	<u>\$ 3,369,274</u>
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See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

SCHEDULE OF ACTIVITIES – NEIGHBORWORKS® AMERICA CAPITAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2018

Revenue, Gains and Other Support

Capital Grant - NeighborWorks® America	
- Beginning Balance	\$ 3,310,741
Additions	
NeighborWorks® America Temporarily Restricted Funds	58,533
Reductions	
NeighborWorks® America Permanently or Temporarily Restricted to Unrestricted Release	<u> --</u>
Net assets at end of year	<u><u>\$ 3,369,274</u></u>

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	Wholly-Owned Operating Properties	Wholly-Owned Development Properties	MHA Operations	Limited Partnerships/ Limited Liability Companies	Total	Eliminations	Consolidated Total After Eliminations
Assets							
Current Assets							
Cash	\$ 194,222	\$ 1,165	\$ 306,381	\$ 392,187	\$ 893,955	\$ --	\$ 893,955
Grants receivable	--	--	--	--	--	--	--
Tenant accounts receivable, net of allowance for doubtful accounts of \$39,845	20,237	--	--	64,269	84,506	--	84,506
Accounts receivable, HUD	13,862	--	--	117,313	131,175	--	131,175
Accounts receivable, other	--	--	169,275	1,663	170,938	--	170,938
Mortgage receivable - current portion	--	--	21,341	--	21,341	--	21,341
Accrued interest receivable	--	--	--	--	--	--	--
Assets held for sale	400,000	--	7,100	--	407,100	--	407,100
Prepaid expenses	12,523	--	--	84,214	96,737	--	96,737
Total Current Assets	640,844	1,165	504,097	659,646	1,805,752	--	1,805,752
Property and Equipment							
Land and land improvements	608,422	--	70,000	3,515,521	4,193,943	--	4,193,943
Buildings and improvements	21,727,438	--	23,455	59,375,475	81,126,368	--	81,126,368
Equipment	190,413	--	304,916	882,444	1,377,773	--	1,377,773
Construction in progress	--	1,697,743	--	385,556	2,083,299	--	2,083,299
Less accumulated depreciation	(9,341,712)	--	(165,088)	(17,314,903)	(26,821,703)	--	(26,821,703)
Property and Equipment - net	13,184,561	1,697,743	233,283	46,844,093	61,959,680	--	61,959,680
Other Assets							
Restricted cash	902,495	--	301,019	2,865,330	4,068,844	--	4,068,844
Investments	--	--	1,794	--	1,794	--	1,794
Other assets	90,669	--	--	1,350	92,019	--	92,019
Development fees receivable	--	--	1,094,274	--	1,094,274	(1,094,274)	--
Mortgages receivable, net of current portion	2,756,500	--	1,548,514	--	4,305,014	(3,267,798)	1,037,216
Loan loss reserve	--	--	(516,776)	--	(516,776)	109,527	(407,249)
Affiliate notes receivable and accrued interest	276,770	--	--	--	276,770	(276,770)	--
Other notes receivable	--	--	3,879,988	--	3,879,988	(3,814,838)	65,150
Deferred costs	--	--	--	160,905	160,905	--	160,905
Accumulated amortization	--	--	--	(55,125)	(55,125)	--	(55,125)
Investments in partnerships	--	--	551,172	--	551,172	(551,172)	--
Due from (to) affiliates	(556,188)	(18,745)	1,686,964	(1,663,203)	(551,172)	551,172	--
Total Other Assets	3,470,246	(18,745)	8,546,949	1,309,257	13,307,707	(8,344,153)	4,963,554
Total Assets	\$ 17,295,651	\$ 1,680,163	\$ 9,284,329	\$ 48,812,996	\$ 77,073,139	\$ (8,344,153)	\$ 68,728,986

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2018

	Operating Properties	Development Properties	MHA Operations	Limited Liability Companies	Total	Eliminations	Total After Eliminations
Liabilities and Net Assets							
Current Liabilities							
Cash overdraft	\$ 2,768	\$ --	\$ --	\$ 7,134	\$ 9,902	\$ --	\$ 9,902
Accounts payable - operations	403,930	--	113,673	1,033,149	1,550,752	(207,400)	1,343,352
Accounts payable - construction	--	39,421	--	--	39,421	--	39,421
Accounts payable - subsidy	--	--	--	8,073	8,073	--	8,073
Accrued expenses	21,712	--	29,066	146,245	197,023	--	197,023
Prepaid rent	8,258	--	--	20,808	29,066	--	29,066
Deferred subsidy	--	--	--	--	--	--	--
Line of credit	--	--	283,447	--	283,447	--	283,447
Accrued interest - current portion	39,964	--	--	138,767	178,731	--	178,731
Notes payable - current portion	--	--	24,970	--	24,970	--	24,970
Mortgages payable - amortizing, current portion	363,210	--	--	200,464	563,674	--	563,674
Total Current Liabilities	<u>839,842</u>	<u>39,421</u>	<u>451,156</u>	<u>1,554,640</u>	<u>2,885,059</u>	<u>(207,400)</u>	<u>2,677,659</u>
Long-Term Liabilities							
Deferred developer fees	--	--	--	1,094,274	1,094,274	(1,094,274)	--
Security deposits	84,469	--	--	223,679	308,148	--	308,148
Accrued expenses	360,000	--	--	150,000	510,000	--	510,000
Mortgages payable - amortizing, net of current portion	1,141,193	--	--	12,820,918	13,962,111	--	13,962,111
Mortgages payable - non-amortizing, net of current portion	6,972,903	1,222,743	--	21,508,910	29,704,556	(7,082,636)	22,621,920
Membership fee and accrued interest	--	--	369,125	--	369,125	--	369,125
Other notes payable	--	--	598,823	--	598,823	--	598,823
Accrued interest, net of current portion	1,690,306	--	88,716	1,166,216	2,945,238	(276,770)	2,668,468
Total Long-Term Liabilities	<u>10,248,871</u>	<u>1,222,743</u>	<u>1,056,664</u>	<u>36,963,997</u>	<u>49,492,275</u>	<u>(8,453,680)</u>	<u>41,038,595</u>
Total Liabilities	<u>11,088,713</u>	<u>1,262,164</u>	<u>1,507,820</u>	<u>38,518,637</u>	<u>52,377,334</u>	<u>(8,661,080)</u>	<u>43,716,254</u>
Net Assets							
Mutual Housing Association of Southwestern Connecticut, Inc. net assets/partners' capital	--	--	--	4,886,622	4,886,622	(4,886,622)	--
Partners' capital	5,749,280	352,780	3,831,619	--	9,933,679	5,203,549	15,137,228
Without Donor Restriction	--	--	50,000	--	50,000	--	50,000
With Donor Restriction	457,658	65,219	3,894,890	--	4,417,767	--	4,417,767
Noncontrolling interest	6,206,938	417,999	7,776,509	4,886,622	19,288,068	316,927	19,604,995
Total Net Assets	<u>6,206,938</u>	<u>417,999</u>	<u>7,776,509</u>	<u>10,294,359</u>	<u>24,695,805</u>	<u>316,927</u>	<u>25,012,732</u>
Total Liabilities and Net Assets	<u>\$ 17,295,651</u>	<u>\$ 1,680,163</u>	<u>\$ 9,284,329</u>	<u>\$ 48,812,996</u>	<u>\$ 77,073,139</u>	<u>\$ (8,344,153)</u>	<u>\$ 68,728,986</u>

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Wholly-Owned Operating Properties	Wholly-Owned Development Properties	MHA Operations	Limited Partnerships/ Limited Liability Companies	Total	Eliminations	Consolidated Total After Eliminations
Public Support							
Foundation grants and corporate contributions	\$ --	\$ --	\$ 128,207	\$ --	\$ 128,207	\$ --	\$ 128,207
Federal, state and local grants	--	--	96,020	--	96,020	--	96,020
Revenues							
Rental income	1,386,867	--	--	5,425,990	6,812,857	--	6,812,857
Other income	116,372	--	433,468	122,689	672,529	(67,429)	605,100
Management fees and reimbursements	--	--	247,944	--	247,944	(247,944)	--
Developer fees	--	--	--	--	--	--	--
Investment income	5,984	--	--	30,072	36,056	--	36,056
Interest income on notes receivable	86,974	--	147,243	--	234,217	(86,974)	147,243
Total Revenue	<u>1,596,197</u>	<u>--</u>	<u>1,052,882</u>	<u>5,578,751</u>	<u>8,227,830</u>	<u>(402,347)</u>	<u>7,825,483</u>
Expenses							
General and administrative expenses	--	--	380,405	--	380,405	--	380,405
Program expenses	1,375,488	--	596,226	4,337,278	6,308,992	(315,373)	5,993,619
Fundraising expenses	--	--	9,290	--	9,290	--	9,290
Total Expenses	<u>1,375,488</u>	<u>--</u>	<u>985,921</u>	<u>4,337,278</u>	<u>6,698,687</u>	<u>(315,373)</u>	<u>6,383,314</u>
Change in Net Assets from Operations	<u>220,709</u>	<u>--</u>	<u>66,961</u>	<u>1,241,473</u>	<u>1,529,143</u>	<u>(86,974)</u>	<u>1,442,169</u>
Non-operating Income (Expenses)							
Depreciation and amortization	(632,543)	--	(36,664)	(1,705,704)	(2,374,911)	--	(2,374,911)
Interest expense	(322,295)	--	(23,296)	(1,136,516)	(1,482,107)	86,974	(1,395,133)
Entity expense	--	--	--	(41,607)	(41,607)	--	(41,607)
Forgiveness of interest	--	--	--	--	--	--	--
Total Non-operating Income (Expenses)	<u>(954,838)</u>	<u>--</u>	<u>(59,960)</u>	<u>(2,883,827)</u>	<u>(3,898,625)</u>	<u>86,974</u>	<u>(3,811,651)</u>
Change in Net Assets from Continuing Operations	<u>(734,129)</u>	<u>--</u>	<u>7,001</u>	<u>(1,642,354)</u>	<u>(2,369,482)</u>	<u>--</u>	<u>(2,369,482)</u>
Discontinued Operations							
Loss from operations of discontinued operations	(18,756)	--	--	--	(18,756)	--	(18,756)
Change in Net Assets	<u>\$ (752,885)</u>	<u>\$ --</u>	<u>\$ 7,001</u>	<u>\$ (1,642,354)</u>	<u>\$ (2,388,238)</u>	<u>\$ --</u>	<u>\$ (2,388,238)</u>
Net Assets - Beginning of year, as restated	\$ 6,933,823	\$ 417,999	\$ 7,769,508	\$ 11,931,713	\$ 27,053,043	\$ 316,927	\$ 27,369,970
Net asset transfers/capital funding	26,000	--	--	--	26,000	--	26,000
Capital contributions	--	--	--	5,000	5,000	--	5,000
Change in net assets	<u>(752,885)</u>	<u>--</u>	<u>7,001</u>	<u>(1,642,354)</u>	<u>(2,388,238)</u>	<u>--</u>	<u>(2,388,238)</u>
Net Assets - End of year	<u>\$ 6,206,938</u>	<u>\$ 417,999</u>	<u>\$ 7,776,509</u>	<u>\$ 10,294,359</u>	<u>\$ 24,695,805</u>	<u>\$ 316,927</u>	<u>\$ 25,012,732</u>

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION – WHOLLY-OWNED OPERATING PROPERTIES

DECEMBER 31, 2018

	MHA 20-28 Fairfield Commons, LLC	MHA Fairfield Commons I, Inc.	Parkside Gables Fund	MHA Conger House, LLC	MHA Yale Street, LLC	MHA Merton House, LLC	Greenfield Commons, Inc.	Trinity Park Mutual Housing Limited Partnership	Total
Assets									
Current Assets									
Cash and cash equivalents	\$ 70,024	\$ --	\$ 35,110	\$ 28,677	\$ 1,418	\$ 58,077	\$ 916	\$ --	\$ 194,222
Tenant accounts receivable, net of allowance for doubtful accounts of \$28,048	8,134	1,258	3,968	--	--	6,675	202	--	20,237
Accounts receivable, HUD, net of allowance for doubtful accounts of \$3,500	8,548	--	--	9,632	--	(4,487)	169	--	13,862
Assets held for sale	--	--	--	400,000	--	--	--	--	400,000
Prepaid expenses	--	--	3,181	--	--	9,342	--	--	12,523
Total Current Assets	<u>86,706</u>	<u>1,258</u>	<u>42,259</u>	<u>438,309</u>	<u>1,418</u>	<u>69,607</u>	<u>1,287</u>	<u>--</u>	<u>640,844</u>
Property and Equipment									
Land and land improvements	376,845	223,103	8,474	--	--	--	--	--	608,422
Buildings and improvements	2,711,169	1,432,682	9,026,936	--	--	6,850,758	1,705,893	--	21,727,438
Equipment	--	--	180,742	--	--	--	9,671	--	190,413
Construction in progress	--	--	--	--	--	--	--	--	--
Less accumulated depreciation	(1,114,279)	(123,927)	(5,658,924)	--	--	(1,995,121)	(449,461)	--	(9,341,712)
Property and Equipment - net	<u>1,973,735</u>	<u>1,531,858</u>	<u>3,557,228</u>	<u>--</u>	<u>--</u>	<u>4,855,637</u>	<u>1,266,103</u>	<u>--</u>	<u>13,184,561</u>
Other Assets									
Restricted cash	14,286	56,605	311,368	35,023	3,353	387,538	94,322	--	902,495
Investments	--	--	--	--	--	--	--	--	--
Other assets	--	--	--	--	--	90,669	--	--	90,669
Mortgages receivable, net of current portion	--	--	--	--	--	--	--	2,756,500	2,756,500
Accrued interest receivable	--	--	--	--	--	--	--	276,770	276,770
Due from (to) affiliates	(815,134)	77,959	2,604	122,813	--	36,905	(92,592)	111,257	(556,188)
Total Other Assets	<u>(800,848)</u>	<u>134,564</u>	<u>313,972</u>	<u>157,836</u>	<u>3,353</u>	<u>515,112</u>	<u>1,730</u>	<u>3,144,527</u>	<u>3,470,246</u>
Total Assets	<u>\$ 1,259,593</u>	<u>\$ 1,667,680</u>	<u>\$ 3,913,459</u>	<u>\$ 596,145</u>	<u>\$ 4,771</u>	<u>\$ 5,440,356</u>	<u>\$ 1,269,120</u>	<u>\$ 3,144,527</u>	<u>\$ 17,295,651</u>

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION – WHOLLY-OWNED OPERATING PROPERTIES (CONTINUED)

DECEMBER 31, 2018

	MHA 20-28 Fairfield Commons, LLC	MHA Fairfield Commons I, Inc.	Parkside Gables Fund	MHA Conger House, LLC	MHA Yale Street, LLC	MHA Merton House, LLC	Greenfield Commons, Inc.	Trinity Park Mutual Housing Limited Partnership	Total
Liabilities and Net Assets (Deficit)									
Current Liabilities									
Cash overdraft	\$ --	\$ 2,768	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 2,768
Accounts payable - operating	75,414	18,938	50,694	175,716	--	14,366	68,802	--	403,930
Accrued expenses	--	--	--	21,712	--	--	--	--	21,712
Prepaid rent	1,672	--	2,348	4,238	--	--	--	--	8,258
Deferred subsidy	--	--	--	--	--	--	--	--	--
Mortgages payable - amortizing, current portion	19,805	--	--	343,405	--	--	--	--	363,210
Accrued interest - current portion	--	--	--	39,964	--	--	--	--	39,964
Total Current Liabilities	<u>96,891</u>	<u>21,706</u>	<u>53,042</u>	<u>585,035</u>	<u>--</u>	<u>14,366</u>	<u>68,802</u>	<u>--</u>	<u>839,842</u>
Long-Term Liabilities									
Security deposits	10,285	1,336	65,045	--	--	6,127	1,676	--	84,469
Accrued expenses	--	--	--	--	--	--	--	360,000	360,000
Mortgages payable - amortizing, net of current portion	1,141,193	--	--	--	--	--	--	--	1,141,193
Mortgages payable - non-amortizing, net of current portion	161,535	200,000	100,000	--	--	6,511,368	--	--	6,972,903
Accrued interest, net of current portion	--	--	--	--	--	1,690,306	--	--	1,690,306
Total Long-Term Liabilities	<u>1,313,013</u>	<u>201,336</u>	<u>165,045</u>	<u>--</u>	<u>--</u>	<u>8,207,801</u>	<u>1,676</u>	<u>360,000</u>	<u>10,248,871</u>
Total Liabilities	<u>1,409,904</u>	<u>223,042</u>	<u>218,087</u>	<u>585,035</u>	<u>--</u>	<u>8,222,167</u>	<u>70,478</u>	<u>360,000</u>	<u>11,088,713</u>
Net Assets (Deficit)									
Without donor restriction	(150,311)	1,111,980	3,695,372	(63,890)	(45,229)	(2,781,811)	1,198,642	2,784,527	5,749,280
With donor restriction	--	332,658	--	75,000	50,000	--	--	--	457,658
Total Net Assets (Deficit)	<u>(150,311)</u>	<u>1,444,638</u>	<u>3,695,372</u>	<u>11,110</u>	<u>4,771</u>	<u>(2,781,811)</u>	<u>1,198,642</u>	<u>2,784,527</u>	<u>6,206,938</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 1,259,593</u>	<u>\$ 1,667,680</u>	<u>\$ 3,913,459</u>	<u>\$ 596,145</u>	<u>\$ 4,771</u>	<u>\$ 5,440,356</u>	<u>\$ 1,269,120</u>	<u>\$ 3,144,527</u>	<u>\$ 17,295,651</u>

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF ACTIVITIES – WHOLLY-OWNED OPERATING PROPERTIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	MHA 20-28 Fairfield Commons, LLC	MHA Fairfield Commons I, Inc.	Parkside Gables Fund	MHA Conger House, LLC	MHA Yale Street, LLC	MHA Merton House, LLC	Greenfield Commons, Inc.	Trinity Park Mutual Housing Limited Partnership	Total
Revenues									
Net rental income	\$ 229,252	\$ 68,040	\$ 565,301	\$ --	\$ --	\$ 410,844	\$ 113,430	\$ --	\$ 1,386,867
Other income	104,079	--	7,375	--	--	3,436	1,482	--	116,372
Investment income	3	--	3	--	--	5,978	--	--	5,984
Interest income on notes receivable	--	--	--	--	--	--	--	86,974	86,974
Total Revenue	<u>333,334</u>	<u>68,040</u>	<u>572,679</u>	<u>--</u>	<u>--</u>	<u>420,258</u>	<u>114,912</u>	<u>86,974</u>	<u>1,596,197</u>
Expenses									
Repairs and maintenance	97,332	2,155	61,559	--	--	130,942	10,479	--	302,467
Utilities	51,296	7,675	71,612	--	--	81,750	16,882	--	229,215
Real estate taxes	62,771	7,533	118,616	--	--	--	13,235	--	202,155
Resident support services	(6,193)	--	--	--	--	--	--	--	(6,193)
Salaries and benefits	49,976	16,318	138,438	--	--	66,673	32,403	--	303,808
Insurance	16,706	4,660	43,013	--	--	12,924	5,906	--	83,209
Management fees	19,431	3,479	29,198	--	--	22,183	6,118	--	80,409
Miscellaneous	7,063	4,094	8,287	--	--	3,013	4,187	--	26,644
Professional fees	19,923	4,912	25,210	--	--	13,981	8,590	--	72,616
Consultants	7,766	1,074	1,866	--	--	7,174	5,143	--	23,023
Snow removal	144	46	3,933	--	--	88	232	--	4,443
Office and postage	1,929	510	10,038	--	--	6,282	6,451	--	25,210
Rubbish	--	--	2,132	--	--	1,706	4,375	--	8,213
Bad debt	--	--	19,239	--	--	1,030	--	--	20,269
Total Expenses	<u>328,144</u>	<u>52,456</u>	<u>533,141</u>	<u>--</u>	<u>--</u>	<u>347,746</u>	<u>114,001</u>	<u>--</u>	<u>1,375,488</u>
Change in Net Assets from Operations	<u>5,190</u>	<u>15,584</u>	<u>39,538</u>	<u>--</u>	<u>--</u>	<u>72,512</u>	<u>911</u>	<u>86,974</u>	<u>220,709</u>
Non-operating Expenses									
Depreciation	(71,638)	(41,309)	(226,270)	--	--	(250,034)	(43,292)	--	(632,543)
Interest expense	(65,286)	--	--	--	--	(257,009)	--	--	(322,295)
Total Non-operating Expenses	<u>(136,924)</u>	<u>(41,309)</u>	<u>(226,270)</u>	<u>--</u>	<u>--</u>	<u>(507,043)</u>	<u>(43,292)</u>	<u>--</u>	<u>(954,838)</u>
Change in Net Assets from Continuing Operations	<u>(131,734)</u>	<u>(25,725)</u>	<u>(186,732)</u>	<u>--</u>	<u>--</u>	<u>(434,531)</u>	<u>(42,381)</u>	<u>86,974</u>	<u>(734,129)</u>
Discontinued Operations									
(Gain) loss from operations of discontinued operations	--	--	--	1,343	(20,099)	--	--	--	(18,756)
Change in Net Assets	<u>\$ (131,734)</u>	<u>\$ (25,725)</u>	<u>\$ (186,732)</u>	<u>\$ 1,343</u>	<u>\$ (20,099)</u>	<u>\$ (434,531)</u>	<u>\$ (42,381)</u>	<u>\$ 86,974</u>	<u>\$ (752,885)</u>
Net Assets - Beginning of year, as restated	\$ (18,577)	\$ 1,470,363	\$ 3,856,104	\$ 9,767	\$ 24,870	\$ (2,347,280)	\$ 1,241,023	\$ 2,697,553	\$ 6,933,823
Net asset transfers/capital funding	--	--	26,000	--	--	--	--	--	26,000
Change in net assets	<u>(131,734)</u>	<u>(25,725)</u>	<u>(186,732)</u>	<u>1,343</u>	<u>(20,099)</u>	<u>(434,531)</u>	<u>(42,381)</u>	<u>86,974</u>	<u>(752,885)</u>
Net Assets - End of year	<u>\$ (150,311)</u>	<u>\$ 1,444,638</u>	<u>\$ 3,695,372</u>	<u>\$ 11,110</u>	<u>\$ 4,771</u>	<u>\$ (2,781,811)</u>	<u>\$ 1,198,642</u>	<u>\$ 2,784,527</u>	<u>\$ 6,206,938</u>

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION –
WHOLLY-OWNED DEVELOPMENT PROPERTIES**

DECEMBER 31, 2018

	MHA Fairfield Commons II, LLC	Total
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,165	\$ 1,165
Total Current Assets	1,165	1,165
Property and Equipment		
Construction in progress	1,697,743	1,697,743
Property and Equipment - net	1,697,743	1,697,743
Other Assets		
Due to affiliates	(18,745)	(18,745)
Total Other Assets	(18,745)	(18,745)
Total Assets	\$ 1,680,163	\$ 1,680,163
 Liabilities and Net Assets (Deficit)		
Current Liabilities		
Accounts payable - construction	\$ 39,421	\$ 39,421
Total Current Liabilities	39,421	39,421
Long-Term Liabilities		
Mortgages payable - non-amortizing, net of current portion	1,222,743	1,222,743
Total Long-Term Liabilities	1,222,743	1,222,743
Total Liabilities	1,262,164	1,262,164
Net Assets (Deficit)		
Without donor restriction	417,999	417,999
Total Net Assets (Deficit)	417,999	417,999
Total Liabilities and Net Assets (Deficit)	\$ 1,680,163	\$ 1,680,163

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF ACTIVITIES –
WHOLLY-OWNED DEVELOPMENT PROPERTIES**

FOR THE YEAR ENDED DECEMBER 31, 2018

	MHA Fairfield Commons II, LLC	Total
Revenues		
Interest income	\$ --	\$ --
Other income	_____ --	_____ --
Total Revenue	_____ --	_____ --
Expenses		
Miscellaneous	_____ --	_____ --
Total Expenses	_____ --	_____ --
Change in Net Assets	<u>\$ --</u>	<u>\$ --</u>
Net Assets - Beginning of year, as restated	\$ 417,999	\$ 417,999
Change in net assets	_____ --	_____ --
Net Assets - End of year	<u>\$ 417,999</u>	<u>\$ 417,999</u>

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION –
MHA OPERATIONS**

DECEMBER 31, 2018

	Operating Fund	Capital Projects Fund	Revolving Loan Funds	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 191,688	\$ 114,693	\$ --	\$ 306,381
Grant receivable	--	--	--	--
Accounts receivable	169,275	--	--	169,275
Mortgages receivable, current portion	--	--	21,341	21,341
Accrued interest receivable	--	--	7,100	7,100
Prepaid expenses	--	--	--	--
Total Current Assets	<u>360,963</u>	<u>114,693</u>	<u>28,441</u>	<u>504,097</u>
Property and Equipment				
Land and land improvements	70,000	--	--	70,000
Buildings and improvements	23,455	--	--	23,455
Equipment	304,916	--	--	304,916
Construction in progress	--	--	--	--
Less accumulated depreciation	<u>(165,088)</u>	<u>--</u>	<u>--</u>	<u>(165,088)</u>
Property and Equipment - net	<u>233,283</u>	<u>--</u>	<u>--</u>	<u>233,283</u>
Other Assets				
Restricted cash	--	--	301,019	301,019
Investments	--	1,794	--	1,794
Development fee receivable	1,094,274	--	--	1,094,274
Mortgages receivable, net of current portion	396,363	--	1,152,151	1,548,514
Loan loss reserve	--	--	(516,776)	(516,776)
Notes receivable	--	3,879,988	--	3,879,988
Investment in partnerships	--	495,520	55,652	551,172
Due from affiliates	<u>(188,260)</u>	<u>1,338,433</u>	<u>536,791</u>	<u>1,686,964</u>
Total Other Assets	<u>1,302,377</u>	<u>5,715,735</u>	<u>1,528,837</u>	<u>8,546,949</u>
Total Assets	<u>\$ 1,896,623</u>	<u>\$ 5,830,428</u>	<u>\$ 1,557,278</u>	<u>\$ 9,284,329</u>

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION –
MHA OPERATIONS (CONTINUED)**

DECEMBER 31, 2018

	Operating Fund	Capital Projects Fund	Revolving Loan Funds	Total
Liabilities and Net Assets				
Current Liabilities				
Accounts payable - operations	\$ 106,923	\$ 1,750	\$ 5,000	\$ 113,673
Accrued expenses	29,066	--	--	29,066
Prepaid revenue	--	--	--	--
Line of credit	283,447	--	--	283,447
Notes payable - current portion	24,970	--	--	24,970
Total Current Liabilities	<u>444,406</u>	<u>1,750</u>	<u>5,000</u>	<u>451,156</u>
Long-Term Liabilities				
Membership fees and accrued interest	369,125	--	--	369,125
Other notes payable	98,823	500,000	--	598,823
Accrued interest	--	31,885	56,831	88,716
Total Long-Term Liabilities	<u>467,948</u>	<u>531,885</u>	<u>56,831</u>	<u>1,056,664</u>
Total Liabilities	<u>912,354</u>	<u>533,635</u>	<u>61,831</u>	<u>1,507,820</u>
Net Assets				
Without donor restriction	984,269	2,508,929	338,421	3,831,619
With donor restriction	--	2,787,864	1,157,026	3,944,890
Total Net Assets	<u>984,269</u>	<u>5,296,793</u>	<u>1,495,447</u>	<u>7,776,509</u>
Total Liabilities and Net Assets	<u>\$ 1,896,623</u>	<u>\$ 5,830,428</u>	<u>\$ 1,557,278</u>	<u>\$ 9,284,329</u>

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF ACTIVITIES –
MHA OPERATIONS**

FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Capital Projects Fund	Revolving Loan Funds	Total
Public Support				
Foundation grants and corporate contributions	\$ 62,742	\$ 65,465	\$ --	\$ 128,207
Federal, state and local grants	94,789	--	1,231	96,020
Revenues				
Investment income	--	--	--	--
Interest income on notes receivable	--	146,651	592	147,243
Other income	340,226	93,242	--	433,468
Management fees and reimbursements	247,944	--	--	247,944
Developer fees	--	--	--	--
Total Revenue	<u>745,701</u>	<u>305,358</u>	<u>1,823</u>	<u>1,052,882</u>
Expenses				
Salaries and benefits	478,145	--	--	478,145
Consultants	40,994	--	--	40,994
Lease expense	8,512	--	--	8,512
Insurance	68,575	--	--	68,575
Professional fees	125,838	--	--	125,838
Utilities	3,502	--	--	3,502
Office and postage	28,289	--	4,348	32,637
Real estate taxes	945	--	--	945
Fundraising expense	9,290	--	--	9,290
Miscellaneous	109,507	126,676	(18,700)	217,483
Total Expenses	<u>873,597</u>	<u>126,676</u>	<u>(14,352)</u>	<u>985,921</u>
Change in Net Assets from Operations	<u>(127,896)</u>	<u>178,682</u>	<u>16,175</u>	<u>66,961</u>
Non-operating Expenses				
Depreciation	(36,664)	--	--	(36,664)
Interest expense	(13,296)	(10,000)	--	(23,296)
Total Non-operating Expenses	<u>(49,960)</u>	<u>(10,000)</u>	<u>--</u>	<u>(59,960)</u>
Change in Net Assets	<u>\$ (177,856)</u>	<u>\$ 168,682</u>	<u>\$ 16,175</u>	<u>\$ 7,001</u>
Net Assets - Beginning of year	\$ 1,162,125	\$ 5,128,111	\$ 1,479,272	\$ 7,769,508
Change in net assets	(177,856)	168,682	16,175	7,001
Net Assets - End of year	<u>\$ 984,269</u>	<u>\$ 5,296,793</u>	<u>\$ 1,495,447</u>	<u>\$ 7,776,509</u>

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
LIMITED PARTNERSHIPS/LIMITED LIABILITY COMPANIES**

DECEMBER 31, 2018

	Yale Street Limited Partnership	Maplewood School Apartments Limited Partnership	Huntington Senior Housing Limited Partnership	Woodward Cliffs Limited Partnership	Wilton Commons Apartments Limited Partnership	Friendship House Apartments Limited Partnership	Trinity Park Apartments Limited Partnership	Wilton Commons 2, LLC	Total
Assets									
Current Assets									
Cash and cash equivalents	\$ --	\$ --	\$ 967	\$ --	\$ --	\$ 350,950	\$ 21,879	\$ 18,391	\$ 392,187
Tenant accounts receivable, net of allowance for doubtful accounts of \$29,897	4,806	3,188	3,363	855	80	31,454	15,869	4,654	64,269
Accounts receivable, HUD	2,006	--	4,868	--	91	--	2,456	107,892	117,313
Accounts receivable, other	--	--	--	--	--	1,663	--	--	1,663
Prepaid expenses	11,392	--	9,567	--	9,906	53,349	--	--	84,214
Total Current Assets	18,204	3,188	18,765	855	10,077	437,416	40,204	130,937	659,646
Property and Equipment									
Land and land improvements	389,677	10,000	76,000	260,000	85	1,251,359	1,450,000	78,400	3,515,521
Buildings and improvements	4,566,133	4,130,666	7,707,974	222,112	10,120,789	21,309,594	6,148,539	5,169,668	59,375,475
Equipment	5,000	49,282	69,633	6,000	27,919	292,004	244,650	187,956	882,444
Construction in progress	--	385,556	--	--	--	--	--	--	385,556
Less accumulated depreciation	(3,460,747)	(2,658,187)	(3,457,647)	(228,112)	(1,437,534)	(5,172,786)	(512,934)	(386,956)	(17,314,903)
Property and Equipment - net	1,500,063	1,917,317	4,395,960	260,000	8,711,259	17,680,171	7,330,255	5,049,068	46,844,093
Other Assets									
Restricted cash	223,104	59,766	324,559	30,864	599,713	1,225,500	401,824	--	2,865,330
Investments	--	--	--	--	--	--	--	--	--
Other assets	--	--	--	1,350	--	--	--	--	1,350
Deferred costs	14,933	--	--	--	15,454	91,384	39,134	--	160,905
Accumulated amortization	--	--	--	--	--	(55,125)	--	--	(55,125)
Due from (to) affiliates	(48,404)	(600,568)	(307,576)	(68,151)	(528,136)	--	(4,613)	(105,755)	(1,663,203)
Total Other Assets	189,633	(540,802)	16,983	(35,937)	87,031	1,261,759	436,345	(105,755)	1,309,257
Total Assets	\$ 1,707,900	\$ 1,379,703	\$ 4,431,708	\$ 224,918	\$ 8,808,367	\$ 19,379,346	\$ 7,806,804	\$ 5,074,250	\$ 48,812,996

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
LIMITED PARTNERSHIPS/LIMITED LIABILITY COMPANIES (CONTINUED)**

DECEMBER 31, 2018

	Yale Street Limited Partnership	School Apartments Limited Partnership	Huntington Senior Housing Limited Partnership	Woodward Cliffs Limited Partnership	Wilton Commons Apartments Limited Partnership	Friendship House Apartments Limited Partnership	Trinity Park Apartments Limited Partnership	Wilton Commons 2, LLC	Total
Liabilities and Partners' Capital (Deficit)									
Current Liabilities									
Cash overdraft	\$ 3,786	\$ 660	\$ --	\$ 823	\$ 1,865	\$ --	\$ --	\$ --	\$ 7,134
Accounts payable - operations	61,568	555,442	100,089	68,477	54,383	63,596	81,463	48,131	1,033,149
Accounts payable - construction	--	--	--	--	--	--	--	--	--
Accounts payable - government	--	--	--	--	--	--	--	8,073	8,073
Accrued expenses	--	26,262	23,621	--	87,137	9,225	--	--	146,245
Prepaid rent	--	--	776	185	4,077	--	--	15,770	20,808
Mortgages payable - amortizing, current portion	33,748	16,305	21,391	14,197	22,292	75,874	16,657	--	200,464
Accrued interest - current portion	--	114,555	--	--	24,212	--	--	--	138,767
Total Current Liabilities	<u>99,102</u>	<u>713,224</u>	<u>145,877</u>	<u>83,682</u>	<u>193,966</u>	<u>148,695</u>	<u>98,120</u>	<u>71,974</u>	<u>1,554,640</u>
Long-Term Liabilities									
Deferred developer fees	139,704	92,974	334,119	--	474,463	--	53,014	--	1,094,274
Security deposits	32,085	8,738	20,584	2,916	52,185	66,065	41,106	--	223,679
Accrued expenses	150,000	--	--	--	--	--	--	--	150,000
Mortgages payable - amortizing, net of current portion	1,066,041	665,217	857,564	109,282	1,932,629	7,295,025	895,160	--	12,820,918
Mortgages payable - non-amortizing, net of current portion	500,000	1,659,750	1,433,000	109,527	4,040,598	9,171,862	4,594,173	--	21,508,910
Accrued interest, net of current portion	628,333	--	162,758	87,818	--	--	287,307	--	1,166,216
Total Long-Term Liabilities	<u>2,516,163</u>	<u>2,426,679</u>	<u>2,808,025</u>	<u>309,543</u>	<u>6,499,875</u>	<u>16,532,952</u>	<u>5,870,760</u>	<u>--</u>	<u>36,963,997</u>
Total Liabilities	<u>2,615,265</u>	<u>3,139,903</u>	<u>2,953,902</u>	<u>393,225</u>	<u>6,693,841</u>	<u>16,681,647</u>	<u>5,968,880</u>	<u>71,974</u>	<u>38,518,637</u>
Partners' Capital (Deficit)	<u>(907,365)</u>	<u>(1,760,200)</u>	<u>1,477,806</u>	<u>(168,307)</u>	<u>2,114,526</u>	<u>2,697,699</u>	<u>1,837,924</u>	<u>5,002,276</u>	<u>10,294,359</u>
Total Liabilities and Partners' Capital (Deficit)	<u>\$ 1,707,900</u>	<u>\$ 1,379,703</u>	<u>\$ 4,431,708</u>	<u>\$ 224,918</u>	<u>\$ 8,808,367</u>	<u>\$ 19,379,346</u>	<u>\$ 7,806,804</u>	<u>\$ 5,074,250</u>	<u>\$ 48,812,996</u>

See independent auditors' report.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF ACTIVITIES
LIMITED PARTNERSHIPS/LIMITED LIABILITY COMPANIES (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2018

	Yale Street Limited Partnership	Maplewood School Apartments Limited Partnership	Huntington Senior Housing Limited Partnership	Woodward Cliffs Limited Partnership	Wilton Commons Apartments Limited Partnership	Friendship House Apartments Limited Partnership	Trinity Park Apartments Limited Partnership	Wilton Commons 2, LLC	Total
Revenues									
Net rental income	\$ 523,158	\$ 208,296	\$ 419,619	\$ 47,035	\$ 644,689	\$ 2,350,338	\$ 739,346	\$ 493,509	\$ 5,425,990
Other income	1,199	56,644	11,004	7,134	11,884	23,502	7,999	3,323	122,689
Investment income	1,778	810	4,989	242	4,871	17,241	128	13	30,072
Total Revenue	<u>526,135</u>	<u>265,750</u>	<u>435,612</u>	<u>54,411</u>	<u>661,444</u>	<u>2,391,081</u>	<u>747,473</u>	<u>496,845</u>	<u>5,578,751</u>
Expenses									
Repairs and maintenance	52,988	37,208	104,951	3,059	67,841	352,818	117,780	85,589	822,234
Utilities	51,063	38,538	55,870	2,303	88,590	212,055	107,820	42,177	598,416
Real estate taxes	109,623	52,131	60,950	12,325	93,464	143,125	72,152	68,155	611,925
Salaries and benefits	138,028	79,472	92,178	18,002	153,852	275,586	134,260	310,231	1,201,609
Insurance	36,583	38,160	19,568	8,710	37,717	57,936	43,292	9,914	251,880
Management fees	26,666	30,155	16,853	2,503	32,457	118,463	37,249	9,922	274,268
Miscellaneous	8,593	6,046	22,791	4,025	31,630	78,295	18,493	6,057	175,930
Professional fees	17,617	40,715	15,659	10,272	14,814	34,701	20,662	10,122	164,562
Snow removal	177	96	6,371	24	201	7,499	358	92	14,818
Office and postage	8,488	8,733	7,068	--	17,354	10,242	21,759	18,005	91,649
Consultants	6,526	2,483	2,201	1,937	19,454	32,944	8,370	--	73,915
Rubbish	--	2,207	6,490	--	8,628	14,535	20,532	--	52,392
Bad debt	--	--	--	--	--	--	--	3,680	3,680
Total Expenses	<u>456,352</u>	<u>335,944</u>	<u>410,950</u>	<u>63,160</u>	<u>566,002</u>	<u>1,338,199</u>	<u>602,727</u>	<u>563,944</u>	<u>4,337,278</u>
Operating Income (Loss)	<u>69,783</u>	<u>(70,194)</u>	<u>24,662</u>	<u>(8,749)</u>	<u>95,442</u>	<u>1,052,882</u>	<u>144,746</u>	<u>(67,099)</u>	<u>1,241,473</u>
Non-operating Income (Expenses)									
Depreciation and amortization	(138,134)	(82,001)	(285,515)	--	(256,836)	(580,985)	(190,173)	(172,060)	(1,705,704)
Interest expense	(73,663)	(24,382)	(51,939)	(10,402)	(102,403)	(727,839)	(143,419)	(2,469)	(1,136,516)
Entity expense	--	--	(3,000)	--	(29,382)	(9,225)	--	--	(41,607)
Forgiveness of interest	--	--	--	--	--	--	--	--	--
Total Non-operating Income (Expenses)	<u>(211,797)</u>	<u>(106,383)</u>	<u>(340,454)</u>	<u>(10,402)</u>	<u>(388,621)</u>	<u>(1,318,049)</u>	<u>(333,592)</u>	<u>(174,529)</u>	<u>(2,883,827)</u>
Net Income (Loss)	<u>\$ (142,014)</u>	<u>\$ (176,577)</u>	<u>\$ (315,792)</u>	<u>\$ (19,151)</u>	<u>\$ (293,179)</u>	<u>\$ (265,167)</u>	<u>\$ (188,846)</u>	<u>\$ (241,628)</u>	<u>\$ (1,642,354)</u>
Partners' Capital (Deficit) - Beginning of year, as restated	\$ (765,351)	\$ (1,583,623)	\$ 1,793,598	\$ (149,156)	\$ 2,407,705	\$ 2,962,866	\$ 2,021,770	\$ 5,243,904	\$ 11,931,713
Capital contributions	--	--	--	--	--	--	5,000	--	5,000
Change in net assets	(142,014)	(176,577)	(315,792)	(19,151)	(293,179)	(265,167)	(188,846)	(241,628)	(1,642,354)
Partners' Capital (Deficit) - End of year	<u>\$ (907,365)</u>	<u>\$ (1,760,200)</u>	<u>\$ 1,477,806</u>	<u>\$ (168,307)</u>	<u>\$ 2,114,526</u>	<u>\$ 2,697,699</u>	<u>\$ 1,837,924</u>	<u>\$ 5,002,276</u>	<u>\$ 10,294,359</u>

See independent auditors' report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Mutual Housing Association of Southwestern Connecticut, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mutual Housing Association of Southwestern Connecticut, Inc. which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, changes in net assets and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise the Mutual Housing Association of Southwestern Connecticut, Inc.'s basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mutual Housing Association of Southwestern Connecticut, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mutual Housing Association of Southwestern Connecticut, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Mutual Housing Association of Southwestern Connecticut, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, questioned costs, and recommendations as items 2018-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mutual Housing Association of Southwestern Connecticut, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mutual Housing Association of Southwestern Connecticut, Inc.'s Response to Findings

Mutual Housing Association of Southwestern Connecticut, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings, questioned costs, and recommendations. Mutual Housing Association of Southwestern Connecticut, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Boston, MA
October 31, 2019

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

**SCHEDULE OF FINDINGS, QUESTIONED COSTS AND RECOMMENDATIONS
(CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2018

Finding 2018-001

Statement of Condition

As part of our audit, we evaluated Mutual Housing Association of Southwestern Connecticut, Inc.'s internal controls as they relate to financial reporting. As a result, we identified the following conditions that we believe are indicative of a significant deficiency in internal control:

- *Year-end closing Procedures* – As part of our audit procedures, we noted that several account balances that had transactions during the year were not properly reflected on the general ledger. In addition, intercompany balances and transactions were not properly recorded and reconciled.

Criteria

The Committee on Sponsoring Organizations of the Treadway Commission (COSO) has established a nationally recognized framework for internal control in *its Internal Control – Integrated Framework* and its related *Guidance for Smaller Public Companies: Reporting on Internal Controls Over Financial Reporting*. The COSO framework establishes five elements of internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring. Management is responsible for understanding these five components of internal control and designing formal or informal systems that address each component sufficiently in such a way that reduces the risk that financial statements will be materially misstated to a relatively low level.

Cause

Management has not implemented a system of internal control over financial reporting that would reduce the risk of misstatement or fraud to an appropriate level.

Effect or Potential Effect

Prior to audit adjustments, Mutual Housing Association of Southwestern Connecticut, Inc.'s financial statements were materially misstated.

**MUTUAL HOUSING ASSOCIATION OF
SOUTHWESTERN CONNECTICUT, INC.
AND SUBSIDIARIES**

SCHEDULE OF FINDINGS, QUESTIONED COSTS AND RECOMMENDATIONS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

Finding 2018-01 (Continued)

Recommendation

We recommend that Mutual Housing Association of Southwestern Connecticut, Inc.'s management fully implement a year-end closing checklist and assign a person responsible for the items and an independent person responsible for reviewing the year-end closing and related account recommendations.

Reporting Views of Responsible Officials

Mutual Housing Association of Southwestern Connecticut, Inc. is in full agreement that a comprehensive year end checklist is adopted with adequately skilled personnel. The organization has moved the accounting functions to a third party Certified Public Accounting Firm to ensure the expertise and oversight required is in place.