

YES HOUSING, INC. AND AFFILIATES

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2016 AND 2015

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**YES HOUSING, INC. AND AFFILIATES
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

| | |
|---|-----------|
| OFFICIAL ROSTER | 1 |
| INDEPENDENT AUDITORS' REPORT | 2 |
| FINANCIAL STATEMENTS | |
| CONSOLIDATED STATEMENTS OF FINANCIAL POSITION | 5 |
| CONSOLIDATED STATEMENTS OF ACTIVITIES | 7 |
| CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS | 8 |
| CONSOLIDATED STATEMENTS OF CASH FLOWS | 9 |
| CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES | 11 |
| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS | 13 |
| SUPPLEMENTARY INFORMATION | |
| CONSOLIDATING STATEMENTS OF FINANCIAL POSITION | 32 |
| CONSOLIDATING STATEMENTS OF ACTIVITIES | 40 |
| SUPPLEMENTARY INFORMATION – SOLAR VILLAS APARTMENTS | 48 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 49 |
| NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 50 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 51 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH <i>OMB CIRCULAR A-133</i> | 53 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 56 |

**YES HOUSING, INC. AND AFFILIATES
OFFICIAL ROSTER
DECEMBER 31, 2016**

Board of Directors

Dr. Beverlee McClure, Chair

Robert J. Avila, Vice Chairman

Kevin Caudill, Secretary/Treasurer

Lawrence Chavez, Member

Garrett Hennessy, Member

Jeff Apodaca, Member

Martin Andrew Garrison, Member

Augustine C. Baca, Nonvoting Member

Joseph R. Ortega, Nonvoting Member

Executive Staff

Augustine C. Baca, YES President/CEO

Joseph R. Ortega, Executive Vice President/COO

Clyde "Skip" Skinner, Senior Vice President/CFO

INDEPENDENT AUDITORS' REPORT

Board of Directors
YES Housing, Inc. and Affiliates
Albuquerque, New Mexico

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of YES Housing, Inc. and Affiliates (the Organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Otero Village Apartments LP, Apple Ridge Apartments LP, Brentwood Gardens Apartments LP, and Montana Meadows Apartments LP (the Partnerships), limited partnerships in which YES Housing, Inc. has an ownership interest of 100% for the year ended December 31, 2016. We did not audit the financial statements of Wildewood Apartments LP, Gallup Sunset Hills LLLP, Los Tres Apartments LP, Vista Grande Apartments LP, Bella Vista Townhomes LP, Mesa Del Norte Apartments LP, YES Deming Mountain View Apartments LLLP, Roswell Summit Apartments LP, New Leaf Apartments LLLP, and UR 205 Silver LLC (Imperial) (the Partnerships), limited partnerships in which Yes Housing, Inc. is the General Partner with ownership interest of .01% or less for the year ended December 31, 2016. We did not audit the financial statements of Otero Village Apartments LP, Apple Ridge Apartments LP, Brentwood Gardens Apartments LP, Montana Meadows Apartments LP, Wildewood Apartments LP, Gallup Sunset Hills LLLP, Los Tres Apartments LP, Vista Grande Apartments LP, Bella Vista Townhomes LP, Mesa Del Norte Apartments LP, YES Deming Mountain View Apartments LLLP, and Roswell Summit Apartments LP (the Partnerships), limited partnerships in which Yes Housing, Inc. is the General Partner with ownership interest of .01% or less for the year ended December 31, 2015. The Partnerships' statements reflect total assets of \$103,470,417 and \$73,577,169 as of December 31, 2016 and 2015, respectively, and revenues of \$9,830,293 and \$8,537,382 for the years ended December 31, 2016 and 2015, respectively. Those statements were audited by other auditors whose reports have been

furnished to us, and our opinion, insofar as it relates to the amounts included for the Partnerships, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, based on our audits and the audits of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of YES Housing, Inc. and Affiliates as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Organization adopted a recently issued accounting standard related to the accounting for debt issuance costs. The new standard requires entities to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The consolidating financial statements and schedules listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records

used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017, on our consideration of the Organization's internal control over financial reporting and on 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 result of that testing, and not to provide an opinion on 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 the Organization's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
June 30, 2017

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

| ASSETS | 2016 | 2015 |
|--|----------------|----------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 1,781,149 | \$ 2,131,983 |
| Restricted Cash and Cash Equivalents | 1,361,207 | 1,295,589 |
| Construction Costs Receivable | 2,608 | 12,940 |
| Rents and Miscellaneous Receivables | 236,879 | 116,301 |
| Prepaid Expenses and Deposit | 356,956 | 268,129 |
| Total Current Assets | 3,738,799 | 3,824,942 |
| WORK IN PROGRESS | 15,173 | 24,135,975 |
| PROPERTY, FURNITURE AND EQUIPMENT, NET | 93,406,337 | 68,543,900 |
| OTHER ASSETS | | |
| Tax Credit Monitoring Fees, Net of Accumulated Amortization | 430,268 | 257,770 |
| Predevelopment Costs | 104,927 | 16,565 |
| Receivables - Affiliates | 266,391 | 270,221 |
| Notes Receivable - Affiliates | 3,001,981 | 3,000,002 |
| Notes Receivable | 713,821 | - |
| Investments in Limited Partnerships | 363,251 | 522,064 |
| Investments in Marketable Securities | 1,798,843 | 1,563,015 |
| Development Fees Receivable | - | 17,290 |
| Restricted Cash and Cash Equivalents | 4,720,004 | 3,654,414 |
| Restricted Investments (457(b) Plan) | 517,583 | 451,289 |
| Total Other Assets | 11,917,069 | 9,752,630 |
| Total Assets | \$ 109,077,378 | \$ 106,257,447 |

See accompanying Notes to Consolidated Financial Statements.
(5)

| LIABILITIES AND NET ASSETS | 2016 | 2015 |
|---|----------------|----------------|
| CURRENT LIABILITIES | | |
| Long-Term Debt - Current Maturities and Net of Unamortized Debt Issuance Costs | \$ 14,786,020 | \$ 15,117,037 |
| Accrued Interest Payable | 245,958 | 156,015 |
| Accounts Payable | 315,857 | 2,501,946 |
| Accrued Salaries and Payroll Taxes | 95,211 | 110,967 |
| Tenant Prepaid Rent | 36,574 | 23,999 |
| Other Accrued Expenses | 738,436 | 523,485 |
| Security Deposits | 292,773 | 258,359 |
| Deferred AHP Revenue | - | 240,000 |
| Total Current Liabilities | 16,510,829 | 18,931,808 |
| LONG-TERM LIABILITIES | | |
| Development Fee Payable | 714,600 | 714,600 |
| Asset Management Fee Payable | 99,873 | 200,260 |
| Accrued Interest Payable - Long-Term | 533,980 | 375,478 |
| Pension Plan Liability | 517,583 | 451,289 |
| Long-Term Debt, Less Current Maturities and Net of Unamortized Debt Issuance Costs | 42,410,087 | 46,958,703 |
| Total Long-Term Liabilities | 44,276,123 | 48,700,330 |
| Total Liabilities | 60,786,952 | 67,632,138 |
| NET ASSETS | | |
| Unrestricted | 24,970,509 | 6,059,099 |
| Partners' Deficit | (15,869,243) | (1,470,742) |
| Net Assets Attributable to YES Housing, Inc. and Affiliates | 9,101,266 | 4,588,357 |
| Noncontrolling Interest | 39,189,160 | 34,036,952 |
| Total Net Assets | 48,290,426 | 38,625,309 |
| Total Liabilities and Net Assets | \$ 109,077,378 | \$ 106,257,447 |

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|--------------|----------------|
| UNRESTRICTED NET ASSETS | | |
| Support and Revenue: | | |
| Rent | \$ 9,723,588 | \$ 8,767,895 |
| Grant Revenue | 1,770,392 | 1,145,752 |
| Development Fees | (8,315) | 117,994 |
| Interest | 152,068 | 258,612 |
| Net Unrealized/Realized Gain (Loss) on Investments | 90,981 | (166,897) |
| Net Realized Gain on Capital Investments | 1,441,663 | - |
| Other Revenue | 541,735 | 406,753 |
| Total Revenue | 13,712,112 | 10,530,109 |
| Expenses: | | |
| Program | 15,062,219 | 13,145,581 |
| General and Administrative | 682,629 | 659,646 |
| Total Expenses | 15,744,848 | 13,805,227 |
| TOTAL CHANGE IN UNRESTRICTED NET ASSETS | (2,032,736) | (3,275,118) |
| CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTEREST | (8,514,826) | (1,736,104) |
| CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO YES HOUSING, INC. | \$ 6,482,090 | \$ (1,539,014) |

See accompanying Notes to Consolidated Financial Statements.

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015

| | <u>Unrestricted</u> | <u>Non-Controlling Interest</u> | <u>Total</u> |
|------------------------------------|---------------------|-------------------------------------|----------------------|
| BALANCE - DECEMBER 31, 2014 | \$ 6,310,436 | \$ 28,201,774 | \$ 34,512,210 |
| Capital Contributions | - | 7,571,282 | 7,571,282 |
| Distributions | (183,065) | - | (183,065) |
| Change in Net Assets | <u>(1,539,014)</u> | <u>(1,736,104)</u> | <u>(3,275,118)</u> |
| BALANCE - DECEMBER 31, 2015 | 4,588,357 | 34,036,952 | 38,625,309 |
| Capital Contributions | - | 13,667,034 | 13,667,034 |
| Distributions | (1,969,181) | - | (1,969,181) |
| Change in Net Assets | <u>6,482,090</u> | <u>(8,514,826)</u> | <u>(2,032,736)</u> |
| BALANCE - DECEMBER 31, 2016 | <u>\$ 9,101,266</u> | <u>\$ 39,189,160</u> | <u>\$ 48,290,426</u> |

See accompanying Notes to Consolidated Financial Statements.

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Rents | \$ 9,736,163 | \$ 8,777,597 |
| Cash Received from Grantors | 1,770,392 | 1,145,752 |
| Interest Received | 152,068 | 258,612 |
| Cash Received from Development Fees | (79,387) | 84,139 |
| Cash Paid for Management Fees | 10,332 | 35,432 |
| Other Cash Receipts | 424,987 | 4,276 |
| Interest Paid | (2,148,474) | (2,298,013) |
| Cash Paid to Suppliers and Employees | (10,250,946) | (6,001,999) |
| Net Cash Provided (Used) by Operating Activities | (384,865) | 2,005,796 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Advances on Notes Receivable | (816,187) | (98,181) |
| Proceeds from Sales of Investments | - | 1,793 |
| Purchases of Investments | 83,813 | (366,166) |
| Additions to Restricted Cash and Investments Balances | (1,131,208) | (521,529) |
| Purchases of Property and Equipment | (4,920,607) | (23,182,218) |
| Net Cash Used by Investing Activities | (6,784,189) | (24,166,301) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Debt Issuance Costs | - | 2,063,551 |
| Proceeds from Loans | 10,832,200 | 27,344,875 |
| Payment on Loans | (15,711,833) | (15,682,920) |
| Capital Contribution | 13,667,034 | 7,571,282 |
| Distribution | (1,969,181) | (183,065) |
| Net Cash Provided by Financing Activities | 6,818,220 | 21,113,723 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (350,834) | (1,046,782) |
| Cash and Cash Equivalents - Beginning of Year (Unrestricted) | 2,131,983 | 3,178,765 |
| CASH AND CASH EQUIVALENTS - END OF YEAR (UNRESTRICTED) | \$ 1,781,149 | \$ 2,131,983 |

See accompanying Notes to Consolidated Financial Statements.

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 6,482,090 | \$ (1,539,014) |
| ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Loss on Disposal of Assets | 588,873 | 432,245 |
| Depreciation and Amortization | 3,626,266 | 2,918,213 |
| Net Realized and Unrealized (Gain) Loss on Investments | (90,981) | 166,897 |
| Reinvested Dividends and Interest | (69,847) | (24,511) |
| Non-Controlling Interest | (8,514,826) | (1,736,104) |
| Increase (Decrease) in: | | |
| Accounts Receivable - Affiliates | 3,830 | (147,615) |
| Construction Costs Receivable | 10,332 | 35,432 |
| Rents and Miscellaneous Receivables | (120,578) | (13,271) |
| Prepaid Expenses and Deposit | (88,827) | (20,312) |
| Tax Credit Monitoring Fees | (208,665) | - |
| Predevelopment Costs | (88,362) | (16,565) |
| Development Fees Receivable | 17,290 | (17,290) |
| Increase (Decrease) in: | | |
| Accrued Interest Payable | 248,445 | 101,383 |
| Accounts Payable | (2,186,089) | 2,051,708 |
| Accrued Salaries and Payroll Taxes | (15,756) | (32,724) |
| Tenant Prepaid Rent | 12,575 | 9,702 |
| Other Accrued Expenses | 214,951 | 72,722 |
| Deferred Revenue | (240,000) | (240,000) |
| Security Deposits | 34,414 | 4,900 |
| Total Adjustments | (6,866,955) | 3,544,810 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ (384,865) | \$ 2,005,796 |

NON-CASH ACTIVITIES

During the periods ended December 31, 2016 and 2015, YES reflected additions to property and equipment totaling \$-0- and \$1,140,942, respectively, representing the accrual of the development fees and interest associated with construction loans.

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

| | <u>Program</u> | <u>Management and General</u> | <u>Total</u> |
|-------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| Salaries and Wages | \$ 2,114,576 | \$ 373,789 | \$ 2,488,365 |
| Payroll Taxes | 536,439 | 29,395 | 565,834 |
| Employee Benefits | 286,147 | 122,143 | 408,290 |
| Total Personnel Expenses | <u>2,937,162</u> | <u>525,327</u> | <u>3,462,489</u> |
| Depreciation and Amortization | 3,584,294 | 41,972 | 3,626,266 |
| Donations Expense | - | 11,450 | 11,450 |
| Duplication and Publishing | 1,635 | 356 | 1,991 |
| Equipment | 19,797 | 1,744 | 21,541 |
| Insurance | 394,405 | 4,942 | 399,347 |
| Interest | 2,360,749 | 36,170 | 2,396,919 |
| Loss on Disposal of Assets | 587,504 | 1,369 | 588,873 |
| Other Expenses | 779,859 | 26,473 | 806,332 |
| Predevelopment Costs | 117,408 | - | 117,408 |
| Professional Fees | 351,996 | 22,156 | 374,152 |
| Property Management | 640,625 | - | 640,625 |
| Property Taxes | 472,889 | - | 472,889 |
| Rent | 94,752 | - | 94,752 |
| Repairs and Maintenance | 989,939 | 1,317 | 991,256 |
| Social Services | 332,508 | - | 332,508 |
| Telephone and Utilities | 1,318,970 | 3,356 | 1,322,326 |
| Training | 39,935 | 5,982 | 45,917 |
| Travel | 37,792 | 15 | 37,807 |
| Total Other Expenses | <u>12,125,057</u> | <u>157,302</u> | <u>12,282,359</u> |
| TOTAL EXPENSES | <u><u>\$ 15,062,219</u></u> | <u><u>\$ 682,629</u></u> | <u><u>\$ 15,744,848</u></u> |

See accompanying Notes to Consolidated Financial Statements.

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

| | <u>Program</u> | <u>Management and General</u> | <u>Total</u> |
|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| Salaries and Wages | \$ 2,026,628 | \$ 397,466 | \$ 2,424,094 |
| Payroll Taxes | 423,538 | 30,454 | 453,992 |
| Employee Benefits | <u>237,551</u> | <u>136,537</u> | <u>374,088</u> |
| Total Personnel Expenses | 2,687,717 | 564,457 | 3,252,174 |
| Depreciation and Amortization | 2,885,798 | 32,415 | 2,918,213 |
| Donations Expense | - | 4,150 | 4,150 |
| Duplication and Publishing | 1,343 | 587 | 1,930 |
| Equipment | 19,484 | 2,188 | 21,672 |
| Insurance | 341,220 | 6,690 | 347,910 |
| Interest | 2,391,374 | 8,022 | 2,399,396 |
| Loss (Gain) on Disposal of Assets | 432,363 | (118) | 432,245 |
| Other Expenses | 507,057 | 12,355 | 519,412 |
| Predevelopment Costs | 69,973 | - | 69,973 |
| Professional Fees | 328,296 | 20,411 | 348,707 |
| Property Management | 541,131 | - | 541,131 |
| Property Taxes | 397,779 | - | 397,779 |
| Rent | 92,672 | - | 92,672 |
| Repairs and Maintenance | 813,614 | 2,668 | 816,282 |
| Social Services | 314,552 | - | 314,552 |
| Telephone and Utilities | 1,266,956 | 4,256 | 1,271,212 |
| Training | 23,501 | 1,484 | 24,985 |
| Travel | <u>30,751</u> | <u>81</u> | <u>30,832</u> |
| Total Other Expenses | <u>10,457,864</u> | <u>95,189</u> | <u>10,553,053</u> |
| TOTAL EXPENSES | <u><u>\$ 13,145,581</u></u> | <u><u>\$ 659,646</u></u> | <u><u>\$ 13,805,227</u></u> |

See accompanying Notes to Consolidated Financial Statements.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Definition of Reporting Entity

YES Housing, Inc. (YES) was incorporated in the State of New Mexico in 1990. The purpose of YES is to provide housing; housing counseling; economic development; and opportunities for youth, families and the elderly nationwide; and to participate in such activities, ventures, sales, leases, loans and investments as may be expected to provide capital or other benefits in furtherance of the above-mentioned activities. YES develops, owns and manages multi-family communities to provide a better quality of life to those served.

On August 20, 2002, YES Housing of Arizona, Inc. (a wholly owned subsidiary) incorporated under the Arizona Nonprofit Corporation Act in order to relieve the burdens on the poor, distressed, elderly and handicapped through the provision of affordable housing.

Principles of Consolidation

The consolidated financial statements include the accounts of YES and YES Housing of Arizona, Inc., and its 100% owned entities: Yes 6900 Gonzales, LLC; YES La Hacienda LLC; YES Solar Villas Apts LLC; YES NSP LLC; Otero Village Apartments LP; Apple Ridge Apartments LP; Brentwood Gardens Apartments LP; and Montana Meadows Apartments LP. Additionally, YES owns limited liability companies whose sole activity consists of General Partner ownership interests of .01% or less of various limited partnerships, which are also consolidated as they meet the consolidation requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810-20-25. These GP investments are: Wildewood Apartments LP, Gallup Sunset Hills LLLP, Los Tres Apartments LP, Vista Grande Apartments LP, Bella Vista Townhomes LP, Mesa Del Norte Apartments LLLP, YES Deming Mountain View Apartments LLLP, Roswell Summit Apartments LP, New Leaf Community LLLP, and UR 205 Silver LLC. All material intercompany transactions have been eliminated.

Use of Estimates in Preparing Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the methods and lives used to compute depreciation expense, and the allowance for uncollectible accounts. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

Financial statement presentation follows the recommendations of ASC 958, Not-for-Profit Entities. Under ASC 958, YES is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, YES is required to present a consolidated statement of cash flows. No temporarily or permanently restricted assets were held during the years ended December 31, 2016 and

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

2015 and, accordingly, these consolidated financial statements do not reflect any activity related to these classes of net assets.

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expenses are recognized when the related liability is incurred rather than when paid.

Cash and Cash Equivalents

For purposes of preparing the consolidated statement of cash flows, YES considers all undesignated interest-bearing accounts and debt instruments with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents may be held in separate accounts for purposes related to notes, for the purchase of various apartment complexes or board designation.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

At December 31, 2016 and 2015, there were no amounts recorded in the allowance for doubtful accounts and \$8,411 and \$4,343, respectively, was past due 90 days or longer. Historical uncollectible receivables have not been material to the financial statements.

Property, Furniture and Equipment

Property, furniture and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. Assets costing \$500 or more are capitalized. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets, as follows:

| | |
|---------------------------------|---------------|
| Computer equipment and software | 3 – 5 years |
| Furniture and equipment | 3 – 12 years |
| Automobiles | 5 years |
| Buildings and improvements | 10 – 40 years |

Assets purchased with funds from grant sources are expensed in the year of purchase as title to these assets remains with the grant sources.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Credit Monitoring Fees

Costs related to the monitoring of tax credits are being amortized over the term of the related tax credit life using the effective interest method.

Debt-Issue Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction 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 and is computed using the effective interest method.

Impairment of Long-lived Assets

YES reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of, if any, are reported at the lower of the carrying amount or the fair value less costs to sell. There was no impairment of long-lived assets at December 31, 2016 and 2015.

Predevelopment Costs

YES capitalizes all costs associated with the predevelopment of a project. Any cost reimbursed as part of closing will be included as part of the initial building cost. Amounts not reimbursed are expensed at that time.

Investments in Limited Partnerships

Investments in limited partnerships are carried at cost, adjusted for the company's proportionate share of the undistributed earnings and losses.

Investments in Marketable Securities

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Investment income or loss (including gain or losses on investment, interest and dividends) is included in the consolidated statement of activities as an increase or decrease in unrestricted net assets unless income or loss is restricted by donor or law.

Investments consist principally of marketable debt and equity securities. Fair value of investments in securities is based on the last reported sales price as of December 31, 2016.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and Materials

YES recognizes contributions of services if the services create or enhance financial assets, require specialized skills, and would have been purchased had they not been provided as a contribution. Recognized contributed services are recorded at the fair value of the services on the date of donation. Significant donations of materials are recorded at their fair value on the date of donation.

Support

YES reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Income Tax Status

With the exceptions of the Partnerships, all entities of YES and YES Housing of Arizona are non-profit corporations and qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (IRC) and are classified as other than private foundations. As such, their normal activities do not result in any income tax liability. YES did not incur any unrelated business taxable income for the year ended December 31, 2016. As a result, YES did not recognize federal and state income tax for the year ended December 31, 2016.

Wildewood Apartments LP, Brentwood Gardens Apartments LP, Gallup Sunset Hills LLLP, Montana Meadows Apartments LP, Los Tres Apartments LP, Vista Grande Apartments LP, Apple Ridge Apartments LP, Bella Vista Townhomes LP, Mesa Del Norte Apartments LLLP, YES Deming Mountain View Apartments LLLP, Otero Village Apartments LP, Roswell Summit Apartments LP, New Leaf Community LLLP, and UR 205 Silver LLC, as Partnerships, are not subject to federal income tax. The partners separately account for their pro-rata share of the Partnerships' items of income, deductions, losses, and credits. Therefore, no provision is made in the accompanying consolidated financial statements for liabilities for federal, state or local income taxes since such liabilities are the responsibility of the individual partners.

YES would recognize accrued interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. There was no such interest or penalties recorded for the years ended December 31, 2016 and 2015.

YES files informational tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, YES is subject to examination by federal, state, local and foreign jurisdictions, where applicable.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New Accounting Pronouncement

During the year ended December 31, 2016, the Organization adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. ASU 2015-03 has been adopted by the Organization on a retrospective basis. As a result, total assets as well as the debt liability for the year ended December 31, 2015, have been reduced by the effect of the reclassification of debt issuance costs, net of accumulated amortization, of \$1,421,751. The adoption of this provision did not have an impact on YES' financial position or results of operations.

Subsequent Events

Management evaluated subsequent events through June 30, 2017, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2016, but prior to June 30, 2017, that provided additional evidence about conditions that existed at December 31, 2016, have been recognized in the consolidated financial statements for the year ended December 31, 2016. Events or transactions that provided evidence about conditions that did not exist at December 31, 2016, but arose before the consolidated financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2016.

On February 27, 2017, YES Housing, Inc. refinanced the Gonzales/Charter School debt of \$1,092,449 as of December 31, 2016, to be due and payable in full February 14, 2022.

On February 2, 2017, the members of YES-CDT JV, LLC authorized the purchase of 99.99% of the limited partner interest from YES Housing, Inc. and 100% of the membership interest of YES Apple Ridge, LLC, YES Brentwood Gardens, LLC, and YES Montana Meadows, LLC. YES-CDT JV, LLC is a joint venture between YES Housing, Inc. and AH Equity Limited Partnership. On February 8, 2017, through an Assignment and Assumption agreement the 99.99% limited partner interest from YES Housing, Inc. and the .01% general partner interest from YES Apple Ridge, LLC, YES Brentwood Gardens, LLC, and YES Montana Meadows, LLC was transferred to YES-CDT JV, LLC for consideration of \$6,200,000, \$8,550,000, and \$5,150,000, respectively. The Partnerships subsequently refinanced all debt on February 8, 2017.

On May 9, 2017, YES terminated the lease with YDI on the 901 Penn building effective July 31, 2017. On May 25, 2017, YES donated the property located at 630-632 Chama St. SE in Albuquerque to YDI.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 DESIGNATED AND RESTRICTED CASH AND CASH EQUIVALENTS

YES maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. YES has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash or cash equivalents.

Amounts included in cash and cash equivalents that are designated and restricted consist of the following at December 31:

| | <u>2016</u> | <u>2015</u> |
|---------------------------|---------------------|---------------------|
| Replacement Reserve | \$ 1,950,578 | \$ 1,301,809 |
| Operating Deficit Reserve | 980,288 | 1,071,509 |
| Debt Service Reserve | 920,290 | 1,127,039 |
| Trustee Account | 511,475 | 554,873 |
| Construction Funds | 481,930 | - |
| Escrow Deposits | 470,518 | 328,949 |
| Other | 366,770 | 125,223 |
| Security Deposits | 287,368 | 256,317 |
| Money Market Fund | 77,008 | 165,323 |
| Interest Reserve | 18,961 | 18,961 |
| OCS Grant | 16,025 | - |
| Total | <u>\$ 6,081,211</u> | <u>\$ 4,950,003</u> |

The money market fund in the amount of \$77,008 and \$165,323 as of December 31, 2016 and 2015, respectively, was established during the fiscal year ended June 30, 2008. The use of the funds is subject to the Board of Directors' approval.

Restricted funds are held in bank accounts and money market accounts, some of which invest in federal treasury obligations which market value approximates cost.

NOTE 3 PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consisted of the following at December 31:

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| Buildings | \$ 94,598,632 | \$ 68,177,092 |
| Buildings/Land Improvements | 17,341,402 | 16,066,871 |
| Furniture and Equipment | 4,320,139 | 3,286,890 |
| | <u>116,260,173</u> | <u>87,530,853</u> |
| Less: Accumulated Depreciation | (31,100,504) | (27,420,857) |
| | <u>85,159,669</u> | <u>60,109,996</u> |
| Land | 8,246,668 | 8,433,904 |
| Property, Furniture and Equipment, Net | <u>\$ 93,406,337</u> | <u>\$ 68,543,900</u> |

Depreciation expense for the years ended December 31, 2016 and 2015 totaled \$3,590,099 and \$2,503,878, respectively.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 TAX CREDIT MONITORING FEES

Costs related to tax credit monitoring are being amortized over the term of the related tax credits. Tax credit monitoring fees and related accumulated amortization as of December 31 are as follows:

| | 2016 | 2015 |
|--------------------------------|-------------------|-------------------|
| Tax Credit Monitoring Fees | \$ 642,859 | \$ 434,194 |
| Less: Accumulated Amortization | (212,591) | (176,424) |
| Total | <u>\$ 430,268</u> | <u>\$ 257,770</u> |

Amortization expense for the years ended December 31, 2016 and 2015 totaled \$36,167 and \$25,553, respectively.

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, YES uses various valuation approaches within the ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Except for certificates of deposit, investments are measured at fair value using Level 1 inputs. The fair values are based on quoted market prices at the reporting date. Certificates of Deposit are carried at cost, which in management’s opinion approximates fair market value.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present assets and liabilities measured at fair value by classification within the fair value hierarchy as of December 31.

| | 2016 | | | Total | Cost Basis |
|---|--|---|--|---------------------|---------------------|
| | Fair Value Measurement Using | | | | |
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | | |
| Investments in Marketable Securities: | | | | | |
| Mutual Funds: | | | | | |
| Growth Funds | \$ 528,377 | \$ - | \$ - | \$ 528,377 | \$ 426,979 |
| Bond Funds | 481,723 | - | - | 481,723 | 504,884 |
| Value Funds | 697,696 | - | - | 697,696 | 626,753 |
| Emerging Markets | 91,047 | - | - | 91,047 | 79,939 |
| Subtotal | <u>1,798,843</u> | <u>-</u> | <u>-</u> | <u>1,798,843</u> | <u>1,638,555</u> |
| Restricted Investments (457(b) Plan): | | | | | |
| Mutual Funds: | | | | | |
| Growth Funds | 52,619 | - | - | 52,619 | 35,170 |
| Bond Funds | 17,915 | - | - | 17,915 | 11,472 |
| Value Funds | 33,925 | - | - | 33,925 | 23,824 |
| Fixed Income | 401,792 | - | - | 401,792 | 373,037 |
| Growth & Value Funds | 11,332 | - | - | 11,332 | 7,786 |
| Subtotal | <u>517,583</u> | <u>-</u> | <u>-</u> | <u>517,583</u> | <u>451,289</u> |
| Total | <u>\$ 2,316,426</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,316,426</u> | <u>\$ 2,089,844</u> |

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

| | 2015 | | | Total | Cost Basis |
|---|--|---|--|---------------------|---------------------|
| | Fair Value Measurement Using | | | | |
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | | |
| Investments in Marketable Securities: | | | | | |
| Mutual Funds: | | | | | |
| Growth Funds | \$ 492,195 | \$ - | \$ - | \$ 492,195 | \$ 426,948 |
| Bond Funds | 461,208 | - | - | 461,208 | 488,643 |
| Value Funds | 524,652 | - | - | 524,652 | 498,762 |
| Emerging Markets | 84,960 | - | - | 84,960 | 79,468 |
| Subtotal | <u>1,563,015</u> | <u>-</u> | <u>-</u> | <u>1,563,015</u> | <u>1,493,821</u> |
| Restricted Investments (457(b) Plan): | | | | | |
| Mutual Funds: | | | | | |
| Growth Funds | 35,170 | - | - | 35,170 | 48,816 |
| Bond Funds | 11,472 | - | - | 11,472 | 7,288 |
| Value Funds | 23,824 | - | - | 23,824 | 29,116 |
| Fixed Income | 373,037 | - | - | 373,037 | 299,943 |
| Growth & Value Funds | 7,786 | - | - | 7,786 | 18,861 |
| Subtotal | <u>451,289</u> | <u>-</u> | <u>-</u> | <u>451,289</u> | <u>404,024</u> |
| Total | <u>\$ 2,014,304</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,014,304</u> | <u>\$ 1,897,845</u> |

A summary of return on investments consists of the following for the years ended December 31, 2016 and 2015:

| | 2016 | 2015 |
|----------------------------|------------------|---------------------|
| Net Realized Loss | \$ (112) | \$ (55,285) |
| Net Unrealized Gain (Loss) | 91,093 | (111,612) |
| Total | <u>\$ 90,981</u> | <u>\$ (166,897)</u> |

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LONG-TERM DEBT

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

| | 2016 | 2015 |
|--|--------------|--------------|
| Los Tres - Note payable to Walker & Dunlop, LLC, assigned to Federal Home Loan Mortgage Corporation, bearing interest at LIBOR plus 2.31% with a 30 year amortization. Monthly principal and interest payments, matures on May 1, 2022, upon which a balloon payment for the remaining mortgage balance will be due. | \$ 7,559,832 | \$ 7,729,121 |
| Imperial - Construction loan payable to JP Morgan Chase Bank, bearing interest of 2.68%, commencing on December 30, 2014, no payments on note until buy down or pay off, interest accrues on top of principal, matures February 28, 2017 with an extension to June 30, 2017. | 3,901,545 | 5,187,354 |
| Brentwood Gardens - Note payable to Region III Housing Authority, New Mexico, bearing interest at 6.85%, interest due semi-annually on June 1 and December 1; principal payment due December 1, secured by deed of trust, matures on December 1, 2031. | 3,810,000 | 3,935,000 |
| YES UR 205 Silver, LLC - City of Albuquerque Workforce Housing Trust Funds note payable bearing interest at 0% per annum, secured by the property, matures on January 1, 2072. | 3,375,000 | 3,350,000 |
| YES Casitas De Colores - City of Albuquerque Workforce Housing Trust Funds note payable bearing interest at 0% per annum, secured by the property, matures on January 1, 2045. | 3,000,000 | 3,000,000 |
| Wildewood - Loan payable to Hunt Mortgage Partners, LLC, monthly principal and interest payments of \$15,359 until maturity on May 1, 2026, at 4.12%, upon which a balloon payment for the remaining mortgage balance will be due. | 2,965,603 | - |
| Apple Ridge - Note payable to San Juan County, New Mexico, bearing interest at 7.25%, interest due semi-annually on June 1 and December 1, principal payment due December 1, secured by deed of trust, matures on December 1, 2031. | 2,655,000 | 2,745,000 |
| Solar Villas - Note payable to Bernalillo County, New Mexico, Subordinate Series 1997G note, interest only payments until October 15, 2027, at which time payment of principal is due; with interest at 8.75%, secured with real estate, furniture and equipment. | 2,600,000 | 2,600,000 |

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

| | 2016 | 2015 |
|---|--------------|--------------|
| YES La Hacienda - New Mexico Mortgage Finance Authority, 0% interest, maturity date March 2031. Repayments are made from excess cash flows and remaining balance to be forgiven upon satisfactory completion of affordability period. | \$ 2,322,473 | \$ 2,322,473 |
| Vista Grande - Note payable to Wells Fargo Multi-Family Capital, bearing interest at 2.81% per annum, monthly payments due of \$8,460, matures in March 2045. The note is secured by first deed of trust. | 1,977,873 | - |
| Montana Meadows - Note payable to Dona Ana County, New Mexico, bearing interest at 7%, interest due semi-annually on June 1 and December 1, principal payment due December 1, secured by deed of trust, matures on December 1, 2030. | 1,925,000 | 1,995,000 |
| Vista Grande - Note payable to Secretary of Housing and Urban Development, bearing interest at 2.27%, annual payments of principal due from available cash after payments to Wells Fargo mortgage and replacement reserve, secured by the mortgaged and matures in March 2045. | 1,902,887 | - |
| Los Tres - Notes payable to City of Phoenix, Arizona, bearing interest at 0% until December 15, 2015 and a rate of 4% simple interest thereafter; annual payments of interest and principal due from available cash flow, secured by a subordinate deed of trust, matures on June 30, 2046. | 1,800,000 | 1,800,000 |
| Sunset Hills - Loan Payable to USDA, Rural Development, bearing interest at 3.75%; however, a subsidy agreement entered into with RD which effectively lowers interest rate to 1%, secured by the apartment project, matures December 18, 2043. | 1,601,888 | 1,614,124 |
| Imperial - Note payable to New Mexico Mortgage Finance Authority HTF, bearing interest at 3% per annum and payable on the first day of each month, beginning January 1, 2015 with \$1,000,000 maturing February 28, 2017 and the remainder matures February 1, 2045. | 1,500,000 | 788,508 |
| New Leaf - Permanent note payable to New Mexico Mortgage Finance Authority, bearing interest at 5% per annum and payable on the first day of each month, secured by the project, and maturing December 1, 2056. | 1,444,053 | - |

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

| | 2016 | 2015 |
|---|--------------|------------|
| YES New Leaf - City of Hobbs Development Funds promissory note, non-interest bearing, secured by the property, matures on January 1, 2030. | \$ 1,300,000 | \$ 500,000 |
| Gonzales/Charter School - Raza Development Fund, Inc., monthly principal and interest payments of \$9,455 through February 1, 2017, with interest at 6.50%, secured by real estate. | 1,092,449 | 1,133,438 |
| Solar Villas - Note payable to Bernalillo County, New Mexico, Senior Series 1997F note, bearing interest at 7.25%, interest due semi-annually on April 15 and October 15; principal payment due October 15, secured with real estate, furniture and equipment, matures on October 15, 2022. | 810,000 | 895,000 |
| Roswell Summit - Mortgage payable to New Mexico Mortgage Finance Authority in monthly installments, bearing interest at 6%, matures on December 1, 2043. | 776,719 | 787,908 |
| YES Mountain View Deming - Loan Payable to USDA, Rural Development (RD), bearing interest at 3.5%; however, a subsidy agreement entered into with RD which effectively lowers interest rate to 1%, secured by the apartment project, matures December 1, 2041. | 645,452 | 651,290 |
| Sunset Hills - Note payable to New Mexico Mortgage Finance Authority HTF in monthly installments of \$4,834, commencing June 1, 2015, bearing interest at 3%, secured by deed of trust, matures on May 1, 2030. | 640,065 | 678,249 |
| Bella Vista - Mortgage loan payable to Pacific Life Insurance Company, bearing interest at 7.93%, monthly payments due until maturity on August 1, 2027. | 630,092 | 639,671 |
| Otero Village - Note payable to New Mexico Mortgage Finance Authority in monthly installments of \$4,535, bearing interest at 7.89%, secured by deed of trust, matures on November 1, 2041. | 592,487 | 599,838 |
| YES Mountain View Deming - Mortgage loan payable to the New Mexico Mortgage Finance Authority through a HOME agreement, bearing interest at 3%, amortizing loan with a 378 month term due at the earlier of sale or refinance of the Project or on maturity at May 1, 2043. | 553,321 | 566,856 |

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

| | 2016 | 2015 |
|--|------------|------------|
| Los Tres - Note payable to State of Arizona, Arizona Department of Housing, bearing interest at 0% until May 31, 2020 and 4% thereafter; annual payments of interest and principal due from available cash flow, secured by a subordinate deed of trust, matures on June 30, 2050. | \$ 500,000 | \$ 500,000 |
| New Leaf - Permanent note payable to New Mexico Mortgage Finance Authority HTF, bearing interest at 3% per annum, monthly principal and interest payments are due beginning January 1, 2017, maturing December 1, 2046. | 499,142 | 500,000 |
| Roswell Summit - Mortgage loan payable to the New Mexico Mortgage Finance Authority through a HOME agreement, bearing interest at 4.63%, non-amortizing loan with a 420 month term due at the earlier of sale or refinance of the Project or until maturity at December 12, 2042. | 490,000 | 490,000 |
| Mesa Del Norte - Mortgage loan payable to the New Mexico Mortgage Finance Authority through a HOME agreement, non-interest bearing for the first 18 months, monthly payments to begin on June 1, 2014, secured by the mortgage encumbering the Project, matures on May 1, 2054. | 483,854 | 490,104 |
| Mesa Del Norte - Housing Trust Fund Loan payable to the New Mexico Mortgage Finance Authority, bearing interest at 3%, interest only payments until May 1, 2014, principal and interest payments thereafter, secured by a third mortgage and a Land Use Restriction Agreement against the Project, matures on May 1, 2044. | 468,656 | 479,713 |
| YES Mountain View Deming - Housing Trust Fund Loan payable to the New Mexico Mortgage Finance Authority, bearing interest at 3%, monthly payments of principal and interest are due, any outstanding principal and interest are due on February 1, 2043. | 461,100 | 472,379 |
| New Leaf - Note payable to New Mexico Mortgage Finance Authority, non-interest bearing note. Principal payments made monthly, beginning January 1, 2017; matures December 1, 2056. | 450,000 | 405,000 |

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

| | 2016 | 2015 |
|---|------------|------------|
| Mesa del Norte - Mortgage payable to Pacific Life Insurance Company, bearing interest of 5.83%, principal and interest payments of \$2,649 due monthly, secured by the project, matures on June 1, 2032. | \$ 435,094 | \$ 441,318 |
| Sunset Hills - Note payable to New Mexico Mortgage Finance Authority in monthly installments of \$2,693, bearing interest at 1%, secured by deed of trust, matures on May 1, 2030. | 405,621 | 433,732 |
| Otero Village - Note payable to the New Mexico Mortgage Finance Authority, interest only payments due monthly at 1%, secured by deed of trust, matures on January 10, 2041. | 400,000 | 400,000 |
| YES - Wells Fargo Community Development Corporation, quarterly interest only payments equal to 2% on outstanding principal through June 22, 2019, with option to extend loan for two years. Upon extension, quarterly interest payments equal to 2% on outstanding principal plus eight equal principal installments, maturing June 22, 2021. | 400,000 | 400,000 |
| YES UR 205 Silver, LLC - Promissory note payable assigned through the Federal Home Loan Bank bearing interest at 0% per annum. Residual Receipts payments due annually effective May 1, 2016. Principal and all accrued and unpaid interest due at maturity, January 1, 2072. Secured by a Mortgage and Security Agreement. | 378,000 | 378,000 |
| Bella Vista - Mortgage loan payable to the New Mexico Mortgage Finance Authority through a HOME agreement, bearing interest at 4.37%, non-amortizing loan with a 480 month term due at the earlier of sale or refinance of the Project or until maturity at January 1, 2048. | 366,000 | 366,000 |
| Penn Building - U.S. Bank, monthly principal and interest payments of \$4,238 through May 2023, bearing interest of 4.31% through May 2018 and 3.0% plus a premium thereafter, secured by real estate. | 298,103 | 335,019 |
| Stinson - U.S. Bank, monthly principal and interest payments of \$3,466 through June 10, 2018, with interest at 4.27%, with real estate pledged as collateral. | 295,121 | 323,236 |

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

| | 2016 | 2015 |
|--|------------|------------|
| YES Mesa Del Norte - Promissory note payable to YES, assigned through the Federal Home Loan Bank, bearing interest at 0%, compounded annually. Matures on December 31, 2032. | \$ 252,000 | \$ 252,000 |
| Roswell Summit - Promissory note payable to the investor limited partner, bearing interest at 3.5% per annum, maturity date December 2022. Annual payments are due from available cash flows. | 186,847 | - |
| 901 Pennsylvania, Loan #2 - U.S. Bank, monthly principal and interest payments of \$1,365 through May 2023, with a final payment of \$8,295. The interest rate is 3.92% and is secured by any and all security interests, pledges, mortgages/deeds of trust or liens. | 98,019 | 110,230 |
| Montana Meadows - Note payable to Dona Ana County, New Mexico, bearing interest at 8.5%, interest due semi-annually on June 1 and December 1, principal payment due December 1, secured by deed of trust, matures on December 1, 2021. | 59,000 | 59,000 |
| Imperial - Loan payable to Albuquerque Bernalillo County Water Utility Authority, bearing interest only in the event of default at an annual rate of the lesser of 7% or the applicable rate imposed under Section 1-1-8(A)(2) of the Albuquerque Code of Ordinances. The unpaid principal balance and interest are due only in the event of default or December 31, 2066. | 50,125 | - |
| New Leaf - Construction loan payable to US Bank, bearing interest at LIBOR plus 225 basis points, payable in monthly installments of accrued interest only, commencing January 1, 2015 through the maturity date, December 18, 2016. | - | 6,267,351 |
| Vista Grande - Note payable to Wells Fargo Multi-Family Capital, bearing interest at 5.45%, insured by HUD under Section (d)(4) of the National Housing Act, secured by first deed of trust, matures in March 2045. | - | 3,763,533 |
| Wildewood - Note payable to Regional Housing Authority for Region VI, New Mexico, bearing interest at 7.5%, interest due semi-annually on June 1 and December 1; principal payment due December 1, secured by deed of trust, matures on December 1, 2030. | - | 1,875,000 |

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LONG-TERM DEBT (CONTINUED)

| | 2016 | 2015 |
|--|---------------|---------------|
| New Leaf - Construction note payable to New Mexico Mortgage Finance Authority HTF, bearing interest at 3% per annum and payable on the first day of each month, beginning January 1, 2015 and maturing December 18, 2016. | \$ - | \$ 1,000,000 |
| Wildewood - Note payable to Regional Housing Authority for Region VI, New Mexico, bearing interest at 8.75%, interest due semi-annually on June 1 and December 1; principal payment due December 1, secured by deed of trust, matures on December 1, 2020. | - | 112,000 |
| YES UR 205 Silver LLC - MRB - Promissory note payable bearing interest at 3.5% per annum. Residual Receipts payments due annually effective May 1, 2016. Principal and all accrued and unpaid interest due at maturity, January 1, 2072. Secured by a Mortgage and Security Agreement. | - | 80,046 |
| Apple Ridge - Note payable to San Juan County, New Mexico, bearing interest at 8.75%, interest due semi-annually on June 1 and December 1, principal payment due December 1, secured by deed of trust, matures on December 1, 2016. | - | 45,000 |
| Total Long-Term Debt | 58,358,421 | 63,497,491 |
| Less: Unamortized Debt Issuance Costs | (1,162,314) | (1,421,751) |
| Total Long-Term Debt, Net of Unamortized Debt Issuance Costs | 57,196,107 | 62,075,740 |
| Less: Current Maturities | (14,786,020) | (15,117,037) |
| Total Long-Term Debt, Net of Current Maturities | \$ 42,410,087 | \$ 46,958,703 |

Aggregate maturities of long-term debt as of December 31, 2016 are as follows:

| Year Ending December 31, | Amount |
|--------------------------|---------------|
| 2017 | \$ 15,622,462 |
| 2018 | 707,957 |
| 2019 | 1,127,067 |
| 2020 | 751,760 |
| 2021 | 782,625 |
| Thereafter | 39,366,550 |
| Total | \$ 58,358,421 |

Interest expense incurred related to these notes for the years ended December 31, 2016 and 2015 totaled \$2,396,919 and \$2,399,396, respectively.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7 RENTAL REVENUE

In June 2013, YES entered into an agreement to lease one of its buildings. In April 2016, the lease was extended through June 2017, with monthly rent of \$8,384. Rental revenue related to this lease for the years ended December 31, 2016 and 2015 was \$100,608 and \$100,608, respectively.

In September 2000, YES entered into an agreement to lease one of its buildings which expires in April 2023. Rental revenue related to this lease for the years ended December 31, 2016 and 2015 was \$116,830 and \$115,444, respectively. Rental payments due under the leases are to be adjusted each year by the lesser of the Consumer Price Index or 3%.

In January 2008, YES entered into an agreement to lease another of its buildings. The agreement expires in December 2017. Rental revenue related to this lease for the years ended December 31, 2016 and 2015 was \$16,200 and \$16,200, respectively.

Future expected rent revenue at December 31, 2016 is as follows:

| Year Ending December 31, | Amount |
|--------------------------|------------|
| 2017 | \$ 188,207 |
| 2018 | 125,354 |
| 2019 | 129,115 |
| 2020 | 132,988 |
| 2021 | 136,978 |
| Thereafter | 188,578 |
| Total | \$ 901,220 |

NOTE 8 RETIREMENT PLAN

Full-time regular employees of YES can participate in a retirement plan designed to comply with the requirements of Section 403(b) of the Internal Revenue Code. This plan is classified as a defined contribution plan. The employee contributions to the plan are considered a reduction of salary for federal income tax purposes.

All full-time regular employees are eligible to participate in this plan on their first day of employment. After six months of service, YES makes a 10% (effective July 1, 2007) matching contribution of the employee's gross salary to the plan, if the employee contributes at least 3% of their bi-weekly gross salary. YES contributed \$107,294 and \$166,805 to the retirement plan during the years ended December 31, 2016 and 2015, respectively.

During fiscal year 2007, YES adopted a 457(b) Retirement Plan wherein the employer contributes 10% of eligible participants' bi-weekly gross pay, which is accrued on YES' consolidated statement of financial position until the employee is eligible for retirement. Designated members of Senior Management (Chief Executive Officer, Executive Vice President/Chief Operations Officer and Senior Vice President/Chief Financial Officer) are

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 8 RETIREMENT PLAN (CONTINUED)

eligible employees for participation in this plan. This plan is subject to credit risk. YES contributed \$47,476 and \$127,113 to the retirement plan during the years ended December 31, 2016 and 2015, respectively. The related 457(b) Retirement Plan assets included in restricted investments as of December 31, 2016 and 2015 totaled \$517,583 and \$451,289, respectively (Note 5).

NOTE 9 COMMITMENTS AND CONTINGENCIES

Rent Increases

Under U.S. Department of Housing and Urban Development (HUD) agreements, YES may not increase rents charged to tenants residing in Housing Assistance Payment Program properties without prior approval.

Operating Leases

YES leases equipment and office space under non-cancelable operating leases that expire at various dates through December 2018. YES entered into an agreement to lease office space. The lease runs through August 31, 2017. Rental payments due under this lease are to be adjusted each year by 3% and are currently \$6,364 per month. YES also entered into a lease to rent additional office space. Rental payments due under this lease are to be adjusted each year by 3% and are currently \$1,573 per month.

Future rent expense under all non-cancelable operating leases is expected to be as follows:

| Year Ending December 31, | Amount |
|--------------------------|-----------|
| 2017 | \$ 71,880 |
| 2018 | 7,246 |
| Total | \$ 79,126 |

Lease payments related to all leases for the years ended December 31, 2016 and 2015 totaled \$94,752 and \$92,672, respectively.

Economic Dependence

YES receives support from federal grants. During the year ended December 31, 2016, revenues earned from federal grants amounted to \$1,355,647 and represented 9.9% of total revenues and other support (net of unrealized and realized loss on investments) for the year ended December 31, 2016. During the year ended December 31, 2015, revenues earned from federal grants amounted to \$697,531 and represented 6.6% of total revenues and other support (net of unrealized and realized loss on investments) for the year ended December 31, 2015.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 10 CONSOLIDATION

The consolidated presentation of YES Housing, Inc. and Affiliates arises due to YES's position as general partner in limited partnerships which hold real estate. These are consolidated in accordance with ASC 810-20-25, *Consolidations*. As a result, certain income items earned by YES and paid to YES by the limited partnerships have been eliminated.

For the year ended December 31, 2016, net unrealized/realized loss of \$3,035,378, development fees of \$1,606,814, partnership fees of \$528,852 and additional smaller amounts have been eliminated.

Additionally, for the year ended December 31, 2016, YES's notes receivable from these partnerships (\$15,930,266), development fees receivable (\$3,782,991) and other receivables (\$1,112,587) have also been eliminated. Additionally, equity of \$12,690,195; property, furniture and equipment of \$10,528,669; and various expense amounts attributable to the partnerships have been eliminated.

For the year ended December 31, 2015, development fees of \$1,017,752, property management fees of \$6,927, interest revenue of \$7,896, construction management fees of \$150,000, partnership fees of \$460,280 and additional smaller amounts have been eliminated.

Additionally, YES's notes receivable from these partnerships (\$14,816,040), development fees receivable (\$3,383,703) and other receivables (\$900,547) have also been eliminated. Additionally, equity of \$8,304,694; work in progress of \$1,167,752, property, furniture and equipment of \$8,610,455; and various expense amounts attributable to the partnerships have been eliminated.

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

| | General Fund | Payroll | Development Services | Asset Management | Social Services | Solar Villas Brentwood Gardens Grant | Roswell Service Summit Service Coordinator Grant |
|---|----------------------|------------------|-------------------------|---------------------|--------------------|--|---|
| ASSETS | | | | | | | |
| CURRENT ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$ 202,110 | \$ 9,748 | \$ 10,606 | \$ - | \$ - | \$ - | \$ - |
| Restricted Cash and Cash Equivalents | 77,008 | - | - | - | 16,025 | - | - |
| Accounts Receivable - Affiliates | - | - | - | 330,567 | 44,819 | - | - |
| Construction Costs Receivable | - | - | 2,608 | - | - | - | - |
| Rents and Miscellaneous Receivables | 648 | - | - | 93,179 | 6,308 | 5,108 | - |
| Prepaid Expenses and Deposits | 1,357 | 16,711 | 2,871 | 1,513 | 2,336 | - | - |
| Interfund Receivables | 3,796 | 48,101 | 19 | 116 | 512 | 86 | - |
| Total Current Assets | 284,919 | 74,560 | 16,104 | 425,375 | 70,000 | 5,194 | - |
| WORK IN PROGRESS | 1,049 | - | - | - | - | - | - |
| PROPERTY, FURNITURE AND EQUIPMENT, NET | 133,519 | - | 1,126,336 | - | - | - | - |
| OTHER ASSETS | | | | | | | |
| Tax Credit Monitoring Fees, Net | - | - | - | - | - | - | - |
| Predevelopment Costs | - | - | 52,196 | - | - | - | - |
| Receivables - Affiliates | 729,359 | - | - | - | - | - | - |
| Notes Receivable - Affiliates | 15,778,994 | - | - | - | - | - | - |
| Notes Receivable | - | - | - | - | 713,821 | - | - |
| Investments in Limited Partnerships | 4,102,099 | - | - | - | - | - | - |
| Investments in Marketable Securities | 1,798,843 | - | - | - | - | - | - |
| Development Fees Receivable | 2,041,558 | - | 1,741,433 | - | - | - | - |
| Restricted Cash and Cash Equivalents | - | - | - | - | - | - | - |
| Restricted Investments (457(b) Plan) | 517,583 | - | - | - | - | - | - |
| Total Other Assets | 24,968,436 | - | 1,793,629 | - | 713,821 | - | - |
| Total Assets | \$ 25,387,923 | \$ 74,560 | \$ 2,936,069 | \$ 425,375 | \$ 783,821 | \$ 5,194 | \$ - |
| LIABILITIES AND NET ASSETS | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Long-Term Debt - Current Maturities and Net of Unamortized Debt Issuance Costs | \$ - | \$ - | 511,271 | \$ - | \$ - | \$ - | \$ - |
| Accrued Interest Payable | - | - | 3,420 | - | - | - | - |
| Accounts Payable | 40,131 | 18,310 | 13,685 | 3,997 | 1,043 | 324 | - |
| Accrued Salaries and Payroll Taxes | 15,571 | 42,323 | 14,035 | 12,579 | 10,703 | - | - |
| Tenant Prepaid Rent | - | - | - | - | - | - | - |
| Other Accrued Expenses | - | 13,781 | 3,630 | - | - | - | - |
| Security Deposits | - | - | - | - | - | - | - |
| Interfund Payables | 10,911 | 146 | 14,542 | 12,272 | 9,976 | 4,785 | - |
| Total Current Liabilities | 66,613 | 74,560 | 560,583 | 28,848 | 21,722 | 5,109 | - |
| LONG-TERM LIABILITIES | | | | | | | |
| Due to Affiliates | - | - | - | - | - | - | - |
| Deferred AHP Revenue | - | - | - | - | - | - | - |
| Development Fee Payable | - | - | - | - | - | - | - |
| Asset Management Fee Payable | - | - | - | - | - | - | - |
| Accrued Interest Payable - Long-Term | - | - | - | - | - | - | - |
| Pension Plan Liability | 517,583 | - | - | - | - | - | - |
| Long-Term Debt, Less Current Maturities and Net of Unamortized Debt Issuance Costs | 8,705,000 | - | 265,643 | - | - | - | - |
| Total Long-Term Liabilities | 9,222,583 | - | 265,643 | - | - | - | - |
| Total Liabilities | 9,289,196 | 74,560 | 826,226 | 28,848 | 21,722 | 5,109 | - |
| NET ASSETS | | | | | | | |
| Unrestricted | 16,098,727 | - | 1,951,066 | 396,527 | 762,099 | 85 | - |
| Capital Contribution | - | - | 158,777 | - | - | - | - |
| Partners' Capital (Deficit) | - | - | - | - | - | - | - |
| Net Assets Attributable to YES Housing, Inc. and Affiliates | 16,098,727 | - | 2,109,843 | 396,527 | 762,099 | 85 | - |
| Noncontrolling Interest | - | - | - | - | - | - | - |
| Total Net Assets | 16,098,727 | - | 2,109,843 | 396,527 | 762,099 | 85 | - |
| Total Liabilities and Net Assets | \$ 25,387,923 | \$ 74,560 | \$ 2,936,069 | \$ 425,375 | \$ 783,821 | \$ 5,194 | \$ - |

| Charter School | 901 Pennsylvania | La Hacienda | Solar Villas Apartments | Transitional Living | YES of Arizona, Inc. | New Leaf Limited Partnership | UR 205 Silver LLC (Imperial) | Wildewood Apartments Limited Partnership | Brentwood Gardens Apartments Limited Partnership |
|---------------------|-------------------|---------------------|-------------------------|---------------------|----------------------|------------------------------|------------------------------|--|--|
| \$ - | \$ 51,036 | \$ 39,118 | \$ 6,997 | \$ - | \$ 307 | \$ 73,318 | \$ 74,832 | \$ 97,602 | \$ 31,363 |
| - | - | - | 71,508 | - | - | 64,826 | 18,440 | 35,138 | 275,014 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | 1,635 | 1,745 | - | - | 13,500 | 10,811 | 6,982 | 4,651 |
| 1,297 | 1,964 | 9,313 | 16,427 | 1,319 | 15,000 | 34,365 | 23,569 | 6,683 | 20,369 |
| - | - | - | - | - | - | - | - | - | - |
| 1,297 | 53,000 | 50,066 | 96,677 | 1,319 | 15,307 | 186,009 | 127,652 | 146,405 | 331,397 |
| - | - | 9,129 | - | - | - | - | - | - | - |
| 1,225,073 | 540,765 | 1,503,379 | 3,391,828 | 121,714 | - | 12,595,876 | 17,470,065 | 2,213,792 | 4,699,748 |
| 7,285 | 4,858 | - | 28,102 | - | - | 68,503 | 129,547 | - | - |
| - | - | - | - | - | 233,182 | - | - | - | - |
| - | - | - | - | - | 649,619 | - | - | - | - |
| - | - | - | - | - | 3,153,253 | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | (1,577,318) | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | 289,168 | 320,826 | - | - | 295,590 | 472,948 | 244,187 | 544,721 |
| - | - | - | - | - | - | - | - | - | - |
| 7,285 | 4,858 | 289,168 | 348,928 | - | 2,458,736 | 364,093 | 602,495 | 244,187 | 544,721 |
| <u>\$ 1,233,655</u> | <u>\$ 598,623</u> | <u>\$ 1,851,742</u> | <u>\$ 3,837,433</u> | <u>\$ 123,033</u> | <u>\$ 2,474,043</u> | <u>\$ 13,145,978</u> | <u>\$ 18,200,212</u> | <u>\$ 2,604,384</u> | <u>\$ 5,575,866</u> |
| \$ 604,780 | \$ 51,520 | \$ - | \$ 95,000 | \$ - | \$ - | \$ 39,544 | \$ 4,915,674 | \$ 61,607 | \$ 3,676,976 |
| 3,286 | 1,020 | - | 21,715 | - | - | 6,017 | 14,129 | 10,521 | 21,749 |
| 43 | 618 | 6,823 | 40,142 | - | 5,583 | 36,665 | 55,706 | 16,765 | 5,652 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | 1,128 | 4,722 | - | - | 655 | 1,720 | - | 2,351 |
| 3,352 | 3,582 | 4,086 | 15,343 | - | - | 45,046 | - | 25,894 | 43,541 |
| - | - | 9,662 | 24,373 | - | - | 16,150 | 18,687 | 13,352 | 28,572 |
| - | - | - | - | - | - | - | - | - | - |
| 611,461 | 56,740 | 21,699 | 201,295 | - | 5,583 | 144,077 | 5,005,916 | 128,139 | 3,778,841 |
| - | - | - | - | - | 2,819,731 | 1,415,000 | 3,967,769 | 8,350 | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 200,601 | 1,540,832 | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 206,280 | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | 344,603 | 2,320,989 | 3,315,000 | - | - | 2,298,554 | 535,996 | 2,707,737 | - |
| - | 344,603 | 2,320,989 | 3,315,000 | - | 2,819,731 | 3,914,155 | 6,250,877 | 2,716,087 | - |
| 611,461 | 401,343 | 2,342,688 | 3,516,295 | - | 2,825,314 | 4,058,232 | 11,256,793 | 2,844,226 | 3,778,841 |
| 622,194 | 197,280 | (490,946) | 321,138 | 123,033 | (351,271) | - | - | - | - |
| - | - | - | - | - | - | 8,854,935 | 7,587,950 | 860,941 | - |
| - | - | - | - | - | - | 232,811 | (644,531) | (1,100,783) | 1,797,025 |
| 622,194 | 197,280 | (490,946) | 321,138 | 123,033 | (351,271) | 9,087,746 | 6,943,419 | (239,842) | 1,797,025 |
| - | - | - | - | - | - | - | - | - | - |
| 622,194 | 197,280 | (490,946) | 321,138 | 123,033 | (351,271) | 9,087,746 | 6,943,419 | (239,842) | 1,797,025 |
| <u>\$ 1,233,655</u> | <u>\$ 598,623</u> | <u>\$ 1,851,742</u> | <u>\$ 3,837,433</u> | <u>\$ 123,033</u> | <u>\$ 2,474,043</u> | <u>\$ 13,145,978</u> | <u>\$ 18,200,212</u> | <u>\$ 2,604,384</u> | <u>\$ 5,575,866</u> |

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2016

| | Montana Meadows Apartments Limited Partnership | Los Tres Apartments L.P. | Sunset Hills Limited Partnership | Vista Grande Limited Partnership | Apple Ridge Apartments Limited Partnership | Bella Vista Townhomes L.P. | Mesa Del Norte Apartments Limited Partnership |
|---|--|--------------------------------|---|---|--|-------------------------------------|---|
| ASSETS | | | | | | | |
| CURRENT ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$ 1,175 | \$ 227,119 | \$ 497,505 | \$ 44,550 | \$ 8,541 | \$ 33,926 | \$ 51,994 |
| Restricted Cash and Cash Equivalents | 169,558 | 98,086 | 24,646 | 61,756 | 150,021 | 196,628 | 38,058 |
| Accounts Receivable - Affiliates | - | - | - | - | - | - | - |
| Construction Costs Receivable | - | - | - | - | - | - | - |
| Rents and Miscellaneous Receivables | 6,370 | 17,624 | 5,284 | 16,051 | 5,499 | 21,847 | 1,454 |
| Prepaid Expenses and Deposits | 13,030 | 74,313 | 14,015 | 27,404 | 17,051 | 4,152 | 865 |
| Interfund Receivables | - | - | - | - | - | - | - |
| Total Current Assets | <u>190,133</u> | <u>417,142</u> | <u>541,450</u> | <u>149,761</u> | <u>181,112</u> | <u>256,553</u> | <u>92,371</u> |
| WORK IN PROGRESS | - | - | - | - | - | - | - |
| PROPERTY, FURNITURE AND EQUIPMENT, NET | 2,965,585 | 16,431,508 | 9,973,695 | 3,776,913 | 3,489,717 | 6,953,595 | 5,247,878 |
| OTHER ASSETS | | | | | | | |
| Tax Credit Monitoring Fees, Net | - | 23,283 | 65,406 | 3,876 | - | 30,372 | 30,363 |
| Predevelopment Costs | - | - | - | - | - | - | - |
| Receivables - Affiliates | - | - | - | - | - | - | - |
| Notes Receivable - Affiliates | - | - | - | - | - | - | - |
| Notes Receivable | - | - | - | - | - | - | - |
| Investments in Limited Partnerships | - | - | - | - | - | - | - |
| Investments in Marketable Securities | - | - | - | - | - | - | - |
| Development Fees Receivable | - | - | - | - | - | - | - |
| Restricted Cash and Cash Equivalents | 296,132 | 225,236 | 751,892 | 73,494 | 191,218 | 103,338 | 171,581 |
| Restricted Investments (457(b) Plan) | - | - | - | - | - | - | - |
| Total Other Assets | <u>296,132</u> | <u>248,519</u> | <u>817,298</u> | <u>77,370</u> | <u>191,218</u> | <u>133,710</u> | <u>201,944</u> |
| Total Assets | <u>\$ 3,451,850</u> | <u>\$ 17,097,169</u> | <u>\$ 11,332,443</u> | <u>\$ 4,004,044</u> | <u>\$ 3,862,047</u> | <u>\$ 7,343,858</u> | <u>\$ 5,542,193</u> |
| LIABILITIES AND NET ASSETS | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Long-Term Debt - Current Maturities and net of unamortized debt issuance costs | \$ 1,879,374 | \$ 183,723 | \$ 80,440 | \$ 46,537 | \$ 2,548,247 | \$ 10,367 | \$ 29,514 |
| Accrued Interest Payable | 11,647 | 94,057 | 6,944 | 15,808 | 16,041 | 4,164 | 3,285 |
| Accounts Payable | 19,116 | 4,042 | 2,055 | 11,921 | 6,572 | 11,056 | 539 |
| Accrued Salaries and Payroll Taxes | - | - | - | - | - | - | - |
| Tenant Prepaid Rent | 3,927 | 9,819 | 418 | 5,729 | 587 | 3,358 | 940 |
| Other Accrued Expenses | 34,938 | 145,809 | 37,272 | 32,966 | 32,796 | 191,783 | 32,800 |
| Security Deposits | 17,427 | 44,834 | 13,020 | 27,301 | 20,516 | 15,900 | 10,692 |
| Interfund Payables | - | - | - | - | - | - | - |
| Total Current Liabilities | <u>1,966,429</u> | <u>482,284</u> | <u>140,149</u> | <u>140,262</u> | <u>2,624,759</u> | <u>236,628</u> | <u>77,770</u> |
| LONG-TERM LIABILITIES | | | | | | | |
| Due to Affiliates | - | 6,149,746 | 40,552 | 1,186,727 | - | 16,833 | 11,161 |
| Deferred AHP Revenue | - | - | - | - | - | - | - |
| Development Fee Payable | - | 2,382,000 | - | 374,158 | - | - | - |
| Asset Management Fee Payable | - | 195,335 | - | 59,904 | - | - | - |
| Accrued Interest Payable - Long-Term | - | 649,619 | - | 427,332 | - | 129,871 | 10,416 |
| Pension Plan Liability | - | - | - | - | - | - | - |
| Long-Term Debt, Less Current Maturities | - | 9,492,345 | 2,566,705 | 3,612,209 | - | 972,276 | 1,571,990 |
| Total Long-Term Liabilities | <u>-</u> | <u>18,869,045</u> | <u>2,607,257</u> | <u>5,660,330</u> | <u>-</u> | <u>1,118,980</u> | <u>1,593,567</u> |
| Total Liabilities | 1,966,429 | 19,351,329 | 2,747,406 | 5,800,592 | 2,624,759 | 1,355,608 | 1,671,337 |
| NET ASSETS | | | | | | | |
| Unrestricted | - | - | - | - | - | - | - |
| Capital Contribution | - | - | 500,689 | 80,000 | - | - | - |
| Partners' Capital (Deficit) | 1,485,421 | (2,254,160) | 8,084,348 | (1,876,548) | 1,237,288 | 5,988,250 | 3,870,856 |
| Net Assets Attributable to YES Housing, Inc. and Affiliates | 1,485,421 | (2,254,160) | 8,585,037 | (1,796,548) | 1,237,288 | 5,988,250 | 3,870,856 |
| Noncontrolling Interest | - | - | - | - | - | - | - |
| Total Net Assets | <u>1,485,421</u> | <u>(2,254,160)</u> | <u>8,585,037</u> | <u>(1,796,548)</u> | <u>1,237,288</u> | <u>5,988,250</u> | <u>3,870,856</u> |
| Total Liabilities and Net Assets | <u>\$ 3,451,850</u> | <u>\$ 17,097,169</u> | <u>\$ 11,332,443</u> | <u>\$ 4,004,044</u> | <u>\$ 3,862,047</u> | <u>\$ 7,343,858</u> | <u>\$ 5,542,193</u> |

| YES Deming Mountain View Apartments, LLLP | Otero Village Apartments Limited Partnership | Roswell Summit Apartments L.P. | Eliminations | Total |
|---|--|---|------------------------|-----------------------|
| \$ 267,320 | \$ 11,289 | \$ 40,693 | \$ - | \$ 1,781,149 |
| 29,300 | 16,605 | 18,590 | - | 1,361,207 |
| - | - | - | (375,386) | - |
| - | - | - | - | 2,608 |
| 8,575 | 1,932 | 7,676 | - | 236,879 |
| 14,148 | 10,730 | 26,154 | - | 356,956 |
| - | - | - | (52,630) | - |
| <u>319,343</u> | <u>40,556</u> | <u>93,113</u> | <u>(428,016)</u> | <u>3,738,799</u> |
| - | 4,995 | - | - | 15,173 |
| 5,113,028 | 1,492,655 | 3,468,337 | (10,528,669) | 93,406,337 |
| 28,501 | - | 10,172 | - | 430,268 |
| - | - | - | (180,451) | 104,927 |
| - | - | - | (1,112,587) | 266,391 |
| - | - | - | (15,930,266) | 3,001,981 |
| - | - | - | - | 713,821 |
| - | - | - | (2,161,530) | 363,251 |
| - | - | - | - | 1,798,843 |
| - | - | - | (3,782,991) | - |
| 621,557 | 26,704 | 91,412 | - | 4,720,004 |
| - | - | - | - | 517,583 |
| <u>650,058</u> | <u>26,704</u> | <u>101,584</u> | <u>(23,167,825)</u> | <u>11,917,069</u> |
| <u>\$ 6,082,429</u> | <u>\$ 1,564,910</u> | <u>\$ 3,663,034</u> | <u>\$ (34,124,510)</u> | <u>\$ 109,077,378</u> |

| | | | | |
|---------------------|---------------------|---------------------|------------------------|-----------------------|
| \$ 31,615 | \$ 7,952 | \$ 11,879 | \$ - | \$ 14,786,020 |
| 3,468 | 4,229 | 4,458 | - | 245,958 |
| 1,561 | 17,107 | 7,883 | (11,482) | 315,857 |
| - | - | - | - | 95,211 |
| 218 | 133 | 869 | - | 36,574 |
| 54,640 | 16,885 | 43,086 | (42,794) | 738,436 |
| 9,966 | 13,056 | 9,265 | - | 292,773 |
| - | - | - | (52,632) | - |
| <u>101,468</u> | <u>59,362</u> | <u>77,440</u> | <u>(106,908)</u> | <u>16,510,829</u> |
| - | 198,779 | 213,056 | (16,027,704) | - |
| - | - | - | - | - |
| - | - | - | (3,782,991) | 714,600 |
| - | - | - | (155,366) | 99,873 |
| - | 13,283 | 206,525 | (1,109,346) | 533,980 |
| - | - | - | - | 517,583 |
| <u>1,584,571</u> | <u>958,480</u> | <u>1,409,989</u> | <u>(252,000)</u> | <u>42,410,087</u> |
| <u>1,584,571</u> | <u>1,170,542</u> | <u>1,829,570</u> | <u>(21,327,407)</u> | <u>44,276,123</u> |
| 1,686,039 | 1,229,904 | 1,907,010 | (21,434,315) | 60,786,952 |
| - | - | - | 5,340,577 | 24,970,509 |
| 73,574 | - | - | (18,116,866) | - |
| <u>4,322,816</u> | <u>335,006</u> | <u>1,756,024</u> | <u>(39,103,066)</u> | <u>(15,869,243)</u> |
| 4,396,390 | 335,006 | 1,756,024 | (51,879,355) | 9,101,266 |
| - | - | - | 39,189,160 | 39,189,160 |
| <u>4,396,390</u> | <u>335,006</u> | <u>1,756,024</u> | <u>(12,690,195)</u> | <u>48,290,426</u> |
| <u>\$ 6,082,429</u> | <u>\$ 1,564,910</u> | <u>\$ 3,663,034</u> | <u>\$ (34,124,510)</u> | <u>\$ 109,077,378</u> |

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

| | General Fund | Payroll | Development Services | Asset Management | Social Services | Solar Villas Brentwood Gardens Grant | Roswell Service Summit Service Coordinator Grant |
|---|----------------------|------------------|-------------------------|---------------------|--------------------|--|---|
| ASSETS | | | | | | | |
| CURRENT ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$ 346,993 | \$ 34,169 | \$ 8,719 | \$ - | \$ - | \$ - | \$ - |
| Restricted Cash and Cash Equivalents | 165,323 | - | - | - | - | - | - |
| Accounts Receivable - Affiliates | - | - | - | 215,504 | 45,237 | - | - |
| Construction Costs Receivable | - | - | 37,956 | - | - | - | - |
| Rents and Miscellaneous Receivables | 102 | - | - | - | - | 6,523 | 7,597 |
| Prepaid Expenses and Deposits | 1,463 | - | 6,413 | 40,865 | 3,686 | - | - |
| Interfund Receivables | 17,409 | 32,645 | 2,589 | 2,152 | 3,476 | 550 | 514 |
| Total Current Assets | <u>531,290</u> | <u>66,814</u> | <u>55,677</u> | <u>258,521</u> | <u>52,399</u> | <u>7,073</u> | <u>8,111</u> |
| WORK IN PROGRESS | | | | | | | |
| | - | - | - | - | - | - | - |
| PROPERTY, FURNITURE AND EQUIPMENT, NET | | | | | | | |
| | 72,631 | - | 1,126,463 | - | - | - | - |
| OTHER ASSETS | | | | | | | |
| Tax Credit Monitoring Fees, Net | - | - | - | - | - | - | - |
| Predevelopment Costs | - | - | - | - | - | - | - |
| Receivables - Affiliates | 521,149 | - | - | - | - | - | - |
| Notes Receivable - Affiliates | 14,657,202 | - | - | 5,587 | - | - | - |
| Notes Receivable | - | - | - | - | - | - | - |
| Investments in Limited Partnerships | 420,741 | - | - | - | - | - | - |
| Investments in Marketable Securities | 1,563,015 | - | - | - | - | - | - |
| Development Fees Receivable | 2,041,558 | - | 1,359,435 | - | - | - | - |
| Restricted Cash and Cash Equivalents | - | - | - | - | - | - | - |
| Restricted Investments (457(b) Plan) | 451,289 | - | - | - | - | - | - |
| Total Other Assets | <u>19,654,954</u> | <u>-</u> | <u>1,359,435</u> | <u>5,587</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 20,258,875</u> | <u>\$ 66,814</u> | <u>\$ 2,541,575</u> | <u>\$ 264,108</u> | <u>\$ 52,399</u> | <u>\$ 7,073</u> | <u>\$ 8,111</u> |
| LIABILITIES AND NET ASSETS | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Long-Term Debt - Current Maturities and net of unamortized debt issuance costs | \$ - | \$ - | \$ 528,085 | \$ - | \$ - | \$ - | \$ - |
| Accrued Interest Payable | - | - | 3,592 | - | - | - | - |
| Accounts Payable | 22,966 | 970 | 9,441 | 9,416 | 5,954 | - | - |
| Accrued Salaries and Payroll Taxes | 16,498 | 45,022 | 22,493 | 14,070 | 12,884 | - | - |
| Tenant Prepaid Rent | - | - | - | - | - | - | - |
| Other Accrued Expenses | 2,976 | 9,114 | 4,810 | - | - | - | - |
| Security Deposits | - | - | - | - | - | - | - |
| Deferred AHP Revenue | - | - | - | - | - | - | - |
| Interfund Payables | 8,043 | 11,708 | 10,017 | 7,481 | 6,107 | 7,074 | 8,905 |
| Total Current Liabilities | <u>50,483</u> | <u>66,814</u> | <u>578,438</u> | <u>30,967</u> | <u>24,945</u> | <u>7,074</u> | <u>8,905</u> |
| LONG-TERM LIABILITIES | | | | | | | |
| Due to Affiliates | - | - | - | - | - | - | - |
| Deferred AHP Revenue | - | - | - | - | - | - | - |
| Development Fee Payable | - | - | - | - | - | - | - |
| Asset Management Fee Payable | - | - | - | - | - | - | - |
| Accrued Interest Payable - Long-Term | - | - | - | - | - | - | - |
| Pension Plan Liability | 451,289 | - | - | - | - | - | - |
| Long-Term Debt, Less Current Maturities and net of unamortized debt issuance costs | 7,880,000 | - | 294,842 | - | - | - | - |
| Total Long-Term Liabilities | <u>8,331,289</u> | <u>-</u> | <u>294,842</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>8,381,772</u> | <u>66,814</u> | <u>873,280</u> | <u>30,967</u> | <u>24,945</u> | <u>7,074</u> | <u>8,905</u> |
| NET ASSETS | | | | | | | |
| Unrestricted | 11,877,103 | - | 1,509,518 | 233,141 | 27,454 | (1) | (794) |
| Capital Contribution | - | - | 158,777 | - | - | - | - |
| Partners' Capital (Deficit) | - | - | - | - | - | - | - |
| Net Assets Attributable to YES Housing, Inc. and Affiliates | <u>11,877,103</u> | <u>-</u> | <u>1,668,295</u> | <u>233,141</u> | <u>27,454</u> | <u>(1)</u> | <u>(794)</u> |
| Noncontrolling Interest | - | - | - | - | - | - | - |
| Total Net Assets | <u>11,877,103</u> | <u>-</u> | <u>1,668,295</u> | <u>233,141</u> | <u>27,454</u> | <u>(1)</u> | <u>(794)</u> |
| Total Liabilities and Net Assets | <u>\$ 20,258,875</u> | <u>\$ 66,814</u> | <u>\$ 2,541,575</u> | <u>\$ 264,108</u> | <u>\$ 52,399</u> | <u>\$ 7,073</u> | <u>\$ 8,111</u> |

| Charter School | 901 Pennsylvania | La Hacienda | Solar Villas Apartments | Transitional Living | YES of Arizona, Inc. | New Leaf Limited Partnership | UR 205 Silver LLC (Imperial) | Wildewood Apartments Limited Partnership | Brentwood Gardens Apartments Limited Partnership |
|---------------------|-------------------|---------------------|-------------------------|---------------------|----------------------|------------------------------|-------------------------------|--|--|
| \$ - | \$ 41,212 | \$ 35,455 | \$ 10,053 | \$ - | \$ 307 | \$ 22,974 | \$ 709,694 | \$ 9,910 | \$ 36,175 |
| - | - | - | 91,844 | - | - | - | - | 69,290 | 268,034 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| 8,384 | - | 7,141 | 1,708 | - | - | - | - | 8,572 | 6,015 |
| 715 | 173 | 10,947 | - | 143 | - | - | - | 3,000 | - |
| - | - | - | - | - | - | - | - | - | - |
| 9,099 | 41,385 | 53,543 | 103,605 | 143 | 307 | 22,974 | 709,694 | 90,772 | 310,224 |
| - | - | - | - | - | - | 11,094,765 | 14,208,962 | - | - |
| 1,270,701 | 566,579 | 1,599,374 | 3,536,100 | 132,047 | - | 121,700 | 675,558 | 2,247,738 | 4,898,599 |
| 7,782 | 5,647 | - | 30,769 | - | - | - | - | - | - |
| - | - | - | - | - | 197,989 | - | - | - | - |
| - | - | - | - | - | 649,619 | - | - | - | - |
| - | - | - | - | - | 3,153,253 | - | - | - | - |
| - | - | - | - | - | (1,369,419) | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | 283,121 | 310,297 | - | - | - | - | 314,652 | 543,052 |
| - | - | - | - | - | - | - | - | - | - |
| 7,782 | 5,647 | 283,121 | 341,066 | - | 2,631,442 | - | - | 314,652 | 543,052 |
| <u>\$ 1,287,582</u> | <u>\$ 613,611</u> | <u>\$ 1,936,038</u> | <u>\$ 3,980,771</u> | <u>\$ 132,190</u> | <u>\$ 2,631,749</u> | <u>\$ 11,239,439</u> | <u>\$ 15,594,214</u> | <u>\$ 2,653,162</u> | <u>\$ 5,751,875</u> |
| \$ 627,471 | \$ 49,379 | \$ - | \$ 80,000 | \$ - | \$ - | \$ 7,230,700 | \$ 5,803,894 | \$ 83,000 | \$ 125,000 |
| 3,409 | 1,146 | - | 22,997 | - | - | - | - | 12,536 | 22,462 |
| - | 1,974 | 1,509 | 16,160 | 3,599 | 4,188 | 467,323 | 1,851,864 | 3,432 | 760 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | 615 | 2,678 | - | - | - | - | - | 957 |
| 5,232 | 3,531 | 9,411 | 25,105 | - | - | - | - | 30,674 | 50,880 |
| - | - | 8,586 | 24,312 | - | - | - | - | 13,945 | 29,637 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| 636,112 | 56,030 | 20,121 | 171,252 | 3,599 | 4,188 | 7,698,023 | 7,655,758 | 143,587 | 229,696 |
| - | - | - | 21,778 | - | 2,819,731 | 615,000 | 3,478,355 | - | - |
| - | - | - | - | - | - | - | 378,000 | - | - |
| - | - | - | - | - | - | - | 1,031,955 | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | 395,870 | 2,320,888 | 3,415,000 | - | - | 905,000 | 80,046 | 1,777,367 | 3,668,060 |
| - | 395,870 | 2,320,888 | 3,436,778 | - | 2,819,731 | 1,520,000 | 4,968,356 | 1,777,367 | 3,668,060 |
| 636,112 | 451,900 | 2,341,009 | 3,608,030 | 3,599 | 2,823,919 | 9,218,023 | 12,624,114 | 1,920,954 | 3,897,756 |
| 651,470 | 161,711 | (404,971) | 372,741 | 128,591 | (192,170) | - | - | - | - |
| - | - | - | - | - | - | 697,461 | 3,000 | - | - |
| - | - | - | - | - | - | 1,323,955 | 2,967,100 | 732,208 | 1,854,119 |
| 651,470 | 161,711 | (404,971) | 372,741 | 128,591 | (192,170) | 2,021,416 | 2,970,100 | 732,208 | 1,854,119 |
| - | - | - | - | - | - | - | - | - | - |
| 651,470 | 161,711 | (404,971) | 372,741 | 128,591 | (192,170) | 2,021,416 | 2,970,100 | 732,208 | 1,854,119 |
| <u>\$ 1,287,582</u> | <u>\$ 613,611</u> | <u>\$ 1,936,038</u> | <u>\$ 3,980,771</u> | <u>\$ 132,190</u> | <u>\$ 2,631,749</u> | <u>\$ 11,239,439</u> | <u>\$ 15,594,214</u> | <u>\$ 2,653,162</u> | <u>\$ 5,751,875</u> |

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2015

| | Montana Meadows Apartments Limited Partnership | Los Tres Apartments L.P. | Sunset Hills Limited Partnership | Vista Grande Limited Partnership | Apple Ridge Apartments Limited Partnership | Bella Vista Townhomes L.P. | Mesa Del Norte Apartments Limited Partnership |
|---|--|--------------------------------|---|---|--|-------------------------------------|---|
| ASSETS | | | | | | | |
| CURRENT ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$ 11,243 | \$ 254,453 | \$ 391,644 | \$ 2,077 | \$ 2,239 | \$ 51,094 | \$ 48,680 |
| Restricted Cash and Cash Equivalents | 130,503 | 104,141 | 61,222 | 76,645 | 152,257 | 34,295 | 25,105 |
| Accounts Receivable - Affiliates | - | - | - | - | - | - | - |
| Construction Costs Receivable | - | - | - | - | - | - | - |
| Rents and Miscellaneous Receivables | 7,050 | 8,544 | 7,408 | 6,869 | 16,754 | 4,447 | 1,223 |
| Prepaid Expenses and Deposits | 3,600 | 75,818 | 3,566 | 4,718 | - | 15,894 | 18,408 |
| Interfund Receivables | - | - | - | - | - | - | - |
| Total Current Assets | <u>152,396</u> | <u>442,956</u> | <u>463,840</u> | <u>90,309</u> | <u>171,250</u> | <u>105,730</u> | <u>93,416</u> |
| WORK IN PROGRESS | - | - | - | - | - | - | - |
| PROPERTY, FURNITURE AND EQUIPMENT, NET | 3,096,154 | 16,965,214 | 10,397,227 | 3,825,388 | 3,616,480 | 7,164,470 | 5,451,763 |
| OTHER ASSETS | | | | | | | |
| Tax Credit Monitoring Fees, Net | - | 28,223 | 70,437 | 3,876 | - | 34,872 | 32,965 |
| Predevelopment Costs | - | - | - | - | - | - | - |
| Receivables - Affiliates | - | - | - | - | - | - | - |
| Notes Receivable - Affiliates | - | - | - | - | - | - | - |
| Notes Receivable | - | - | - | - | - | - | - |
| Investments in Limited Partnerships | - | - | - | - | - | - | - |
| Investments in Marketable Securities | - | - | - | - | - | - | - |
| Development Fees Receivable | - | - | - | - | - | - | - |
| Restricted Cash and Cash Equivalents | 316,875 | 117,357 | 544,300 | 47,966 | 197,290 | 134,414 | 158,778 |
| Restricted Investments (457(b) Plan) | - | - | - | - | - | - | - |
| Total Other Assets | <u>316,875</u> | <u>145,580</u> | <u>614,737</u> | <u>51,842</u> | <u>197,290</u> | <u>169,286</u> | <u>191,743</u> |
| Total Assets | <u>\$ 3,565,425</u> | <u>\$ 17,553,750</u> | <u>\$ 11,475,804</u> | <u>\$ 3,967,539</u> | <u>\$ 3,985,020</u> | <u>\$ 7,439,486</u> | <u>\$ 5,736,922</u> |
| LIABILITIES AND NET ASSETS | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Long-Term Debt - Current Maturities and net of unamortized debt issuance costs | \$ 70,000 | \$ 170,358 | \$ 78,530 | \$ 53,840 | \$ 135,000 | \$ 9,579 | \$ 23,009 |
| Accrued Interest Payable | 12,056 | 19,951 | 4,526 | 17,093 | 16,913 | 4,227 | 3,343 |
| Accounts Payable | 10,968 | 28,970 | 23,908 | 29,807 | 14,113 | 6,474 | 1,964 |
| Accrued Salaries and Payroll Taxes | - | - | - | - | - | - | - |
| Tenant Prepaid Rent | 4,790 | 5,413 | 3,061 | 911 | 938 | - | 687 |
| Other Accrued Expenses | 34,555 | 140,839 | 66,260 | 34,282 | 37,893 | 29,402 | 24,089 |
| Security Deposits | 18,276 | 40,288 | 13,036 | 29,295 | 21,492 | 14,400 | 10,192 |
| Deferred AHP Revenue | - | - | - | - | - | - | - |
| Interfund Payables | - | - | - | - | - | - | - |
| Total Current Liabilities | <u>150,645</u> | <u>405,819</u> | <u>189,321</u> | <u>165,228</u> | <u>226,349</u> | <u>64,082</u> | <u>63,284</u> |
| LONG-TERM LIABILITIES | | | | | | | |
| Due to Affiliates | - | 6,149,746 | - | 1,115,430 | - | 6,559 | - |
| Deferred AHP Revenue | - | - | - | - | - | - | 252,000 |
| Development Fee Payable | - | 2,382,000 | 310,190 | 374,158 | - | - | - |
| Asset Management Fee Payable | - | 283,159 | - | 54,912 | - | - | 11,161 |
| Accrued Interest Payable - Long-Term | - | 649,619 | - | 315,533 | - | 113,063 | 7,896 |
| Pension Plan Liability | - | - | - | - | - | - | - |
| Long-Term Debt, Less Current Maturities and net of unamortized debt issuance costs | <u>1,872,138</u> | <u>9,640,543</u> | <u>2,647,117</u> | <u>3,379,069</u> | <u>2,541,360</u> | <u>981,523</u> | <u>1,347,302</u> |
| Total Long-Term Liabilities | <u>1,872,138</u> | <u>19,105,067</u> | <u>2,957,307</u> | <u>5,239,102</u> | <u>2,541,360</u> | <u>1,101,145</u> | <u>1,618,359</u> |
| Total Liabilities | 2,022,783 | 19,510,886 | 3,146,628 | 5,404,330 | 2,767,709 | 1,165,227 | 1,681,643 |
| NET ASSETS | | | | | | | |
| Unrestricted | - | - | - | - | - | - | - |
| Capital Contribution | - | - | 6,812,250 | - | - | - | - |
| Partners' Capital (Deficit) | 1,542,642 | (1,957,136) | 1,516,926 | (1,436,791) | 1,217,311 | 6,274,259 | 4,055,279 |
| Net Assets Attributable to YES Housing, Inc. and Affiliates | 1,542,642 | (1,957,136) | 8,329,176 | (1,436,791) | 1,217,311 | 6,274,259 | 4,055,279 |
| Noncontrolling Interest | - | - | - | - | - | - | - |
| Total Net Assets | <u>1,542,642</u> | <u>(1,957,136)</u> | <u>8,329,176</u> | <u>(1,436,791)</u> | <u>1,217,311</u> | <u>6,274,259</u> | <u>4,055,279</u> |
| Total Liabilities and Net Assets | <u>\$ 3,565,425</u> | <u>\$ 17,553,750</u> | <u>\$ 11,475,804</u> | <u>\$ 3,967,539</u> | <u>\$ 3,985,020</u> | <u>\$ 7,439,486</u> | <u>\$ 5,736,922</u> |

| YES Deming Mountain View Apartments, LLLP | Otero Village Apartments Limited Partnership | Roswell Summit Apartments L.P. | Eliminations | Total |
|---|--|---|------------------------|-----------------------|
| \$ 81,611 | \$ 4,587 | \$ 28,694 | \$ - | \$ 2,131,983 |
| 89,354 | 17,069 | 10,507 | - | 1,295,589 |
| - | - | - | (260,741) | - |
| - | - | - | (25,016) | 12,940 |
| 10,693 | 2,467 | 4,804 | - | 116,301 |
| 29,879 | 7,500 | 41,341 | - | 268,129 |
| - | - | - | (59,335) | - |
| 211,537 | 31,623 | 85,346 | (345,092) | 3,824,942 |
| - | - | - | (1,167,752) | 24,135,975 |
| 5,308,345 | 1,594,125 | 3,487,699 | (8,610,455) | 68,543,900 |
| 31,351 | - | 11,848 | - | 257,770 |
| - | - | - | (181,424) | 16,565 |
| - | - | - | (900,547) | 270,221 |
| - | - | - | (14,816,040) | 3,000,002 |
| - | - | - | - | - |
| - | - | - | 1,470,742 | 522,064 |
| - | - | - | - | 1,563,015 |
| - | - | - | (3,383,703) | 17,290 |
| 591,017 | 21,774 | 73,521 | - | 3,654,414 |
| - | - | - | - | 451,289 |
| 622,368 | 21,774 | 85,369 | (17,810,972) | 9,752,630 |
| <u>\$ 6,142,250</u> | <u>\$ 1,647,522</u> | <u>\$ 3,658,414</u> | <u>\$ (27,934,271)</u> | <u>\$ 106,257,447</u> |

| | | | | |
|---------------------|---------------------|---------------------|------------------------|-----------------------|
| \$ 30,652 | \$ 7,351 | \$ 11,189 | \$ - | \$ 15,117,037 |
| 3,547 | 4,277 | 3,940 | - | 156,015 |
| 320 | 9,646 | 1,236 | (25,016) | 2,501,946 |
| - | - | - | - | 110,967 |
| 1,888 | 19 | 2,042 | - | 23,999 |
| 42,615 | 24,555 | 61,802 | (114,540) | 523,485 |
| 10,318 | 14,958 | 9,624 | - | 258,359 |
| - | 240,000 | - | - | 240,000 |
| - | - | - | (59,335) | - |
| 89,340 | 300,806 | 89,833 | (198,891) | 18,931,808 |
| - | 160,865 | - | (14,367,464) | - |
| - | - | - | (630,000) | - |
| - | - | - | (3,383,703) | 714,600 |
| - | - | - | (148,972) | 200,260 |
| - | 13,283 | 176,631 | (900,547) | 375,478 |
| - | - | - | - | 451,289 |
| 1,613,941 | 964,830 | 1,233,807 | - | 46,958,703 |
| 1,613,941 | 1,138,978 | 1,410,438 | (19,430,686) | 48,700,330 |
| 1,703,281 | 1,439,784 | 1,500,271 | (19,629,577) | 67,632,138 |
| - | - | - | (8,304,694) | 6,059,099 |
| - | - | - | (7,671,488) | - |
| 4,438,969 | 207,738 | 2,158,143 | (26,365,464) | (1,470,742) |
| 4,438,969 | 207,738 | 2,158,143 | (42,341,646) | 4,588,357 |
| - | - | - | 34,036,952 | 34,036,952 |
| 4,438,969 | 207,738 | 2,158,143 | (8,304,694) | 38,625,309 |
| <u>\$ 6,142,250</u> | <u>\$ 1,647,522</u> | <u>\$ 3,658,414</u> | <u>\$ (27,934,271)</u> | <u>\$ 106,257,447</u> |

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

| | General Fund | Payroll | Development Services | Asset Management | Social Services | Solar Villas Brentwood Gardens Grant | Roswell Service Summit Service Coordinator Grant |
|---|----------------------|-------------|----------------------|-------------------|-------------------|--------------------------------------|--|
| REVENUES AND OTHER SUPPORT | | | | | | | |
| Rent | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contribution Revenue | - | - | - | - | 7,100 | - | - |
| Grant Revenue | 81,645 | - | 2,500 | - | 755,000 | 49,957 | 6,372 |
| Development Fees | - | - | 1,598,499 | - | - | - | - |
| Interest | 280,969 | - | 1 | 3 | 4,796 | - | - |
| Net Unrealized/Realized Gain (Loss) | | | | | | | |
| on Investments | 3,334,259 | - | - | - | - | - | - |
| Net Realized Gain on Capital Investments | 1,441,663 | - | - | - | - | - | - |
| Other Revenue | 6,915 | - | 500 | 521,545 | 36,000 | - | - |
| Property Management Fees | - | - | - | 7,010 | - | - | - |
| Construction Management Fees | - | - | 30,000 | - | - | - | - |
| Operating Transfers, Net | - | - | - | 293,258 | 160,804 | - | - |
| Total Revenue and Other Support | <u>5,145,451</u> | <u>-</u> | <u>1,631,500</u> | <u>821,816</u> | <u>963,700</u> | <u>49,957</u> | <u>6,372</u> |
| PERSONNEL EXPENSES | | | | | | | |
| Salaries and Wages | 373,789 | - | 457,605 | 337,793 | 100,940 | 34,468 | 5,179 |
| Payroll Taxes | 29,395 | - | 39,726 | 29,911 | 8,864 | 9,309 | 142 |
| Employee Benefits | 122,143 | - | 124,183 | 115,986 | 36,322 | - | - |
| Total Personnel Expenses | <u>525,327</u> | <u>-</u> | <u>621,514</u> | <u>483,690</u> | <u>146,126</u> | <u>43,777</u> | <u>5,321</u> |
| OTHER EXPENSES | | | | | | | |
| Depreciation and Amortization | 41,972 | - | 529 | - | - | - | - |
| Donations Expense | 11,450 | - | - | - | - | - | - |
| Duplication and Publishing | 356 | - | 450 | 514 | 671 | - | - |
| Equipment | 1,744 | - | 10,404 | 5,805 | 3,588 | - | - |
| Insurance | 4,942 | - | 10,673 | 5,947 | 4,444 | - | - |
| Interest | 36,170 | - | 45,655 | - | - | - | - |
| Loss on Disposal of Assets | 1,369 | - | - | - | - | - | - |
| Other Expenses | 26,473 | - | 26,440 | 23,421 | 15,181 | 5,748 | 257 |
| Predevelopment/Development Costs | - | - | 41,092 | - | - | - | - |
| Professional Fees | 22,156 | - | 27,762 | 91,519 | 17,283 | - | - |
| Property Management | - | - | - | - | - | - | - |
| Property Taxes | - | - | 7,259 | - | - | - | - |
| Rent | - | - | 50,634 | 28,055 | 16,063 | - | - |
| Repairs and Maintenance | 1,317 | - | 6,493 | 5,760 | 500 | - | - |
| Social Services | - | - | 1,803 | - | 22,023 | - | - |
| Telephone and Utilities | 3,356 | - | 10,470 | 5,779 | 2,861 | - | - |
| Training | 5,982 | - | 5,755 | 4,056 | 314 | 346 | - |
| Travel | 15 | - | 15,710 | 3,884 | 1 | - | - |
| Operating Transfers, Net | 241,198 | - | 307,309 | - | - | - | - |
| Total Other Expenses | <u>398,500</u> | <u>-</u> | <u>568,438</u> | <u>174,740</u> | <u>82,929</u> | <u>6,094</u> | <u>257</u> |
| Total Expenses | <u>923,827</u> | <u>-</u> | <u>1,189,952</u> | <u>658,430</u> | <u>229,055</u> | <u>49,871</u> | <u>5,578</u> |
| CHANGE IN NET ASSETS | 4,221,624 | - | 441,548 | 163,386 | 734,645 | 86 | 794 |
| Net Assets and Partners' Capital - Beginning of Year | 11,877,103 | - | 1,668,295 | 233,141 | 27,454 | (1) | (794) |
| Capital Contributions | - | - | - | - | - | - | - |
| Distributions | - | - | - | - | - | - | - |
| NET ASSETS AND PARTNERS' CAPITAL - END OF YEAR | <u>\$ 16,098,727</u> | <u>\$ -</u> | <u>\$ 2,109,843</u> | <u>\$ 396,527</u> | <u>\$ 762,099</u> | <u>\$ 85</u> | <u>\$ -</u> |

| Charter School | 901 Pennsylvania | La Hacienda | Solar Villas Apartments | Transitional Living | YES of Arizona, Inc. | New Leaf Limited Partnership | UR 205 Silver LLC (Imperial) | Wildewood Apartments Limited Partnership |
|----------------|------------------|--------------|-------------------------|---------------------|----------------------|------------------------------|------------------------------|--|
| \$ 100,608 | \$ 116,830 | \$ 123,086 | \$ 313,954 | \$ 16,200 | \$ - | \$ 362,032 | \$ 265,406 | \$ 527,531 |
| - | - | - | 575,198 | - | - | - | - | 60,203 |
| - | - | 313 | 48 | - | - | 26 | 251 | 61 |
| - | - | - | - | - | (207,900) | - | - | - |
| 10,700 | - | 5,407 | 6,905 | - | - | 9,464 | 8,489 | 5,655 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | 141,304 | - | - | - |
| 111,308 | 116,830 | 128,806 | 896,105 | 16,200 | (66,596) | 371,522 | 274,146 | 593,450 |
| - | - | 28,167 | 39,858 | - | - | 56,888 | 65,621 | 74,275 |
| - | - | 10,790 | 78,116 | - | - | 10,159 | 20,102 | 21,373 |
| - | - | - | - | - | - | - | - | - |
| - | - | 38,957 | 117,974 | - | - | 67,047 | 85,723 | 95,648 |
| 46,125 | 26,603 | 97,855 | 173,890 | 11,147 | - | 394,265 | 249,183 | 128,349 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 1,519 | 2,133 | 12,809 | 11,592 | 1,696 | - | 21,664 | 31,158 | 19,418 |
| 39,995 | 17,990 | - | 291,105 | - | - | 161,807 | 195,804 | 132,704 |
| - | - | - | 293 | - | - | - | 118,487 | - |
| 41 | - | 7,068 | 13,703 | - | 3,367 | 33,844 | 118,505 | 149,894 |
| - | - | - | - | - | 76,316 | - | - | - |
| 2,605 | - | 1,312 | 14,284 | - | 1,670 | 12,065 | 16,528 | 14,262 |
| - | 7,010 | 17,502 | 87,687 | - | - | 29,104 | 22,526 | 29,822 |
| 6,705 | 7,165 | 3,354 | - | - | - | 58,135 | 7,573 | 15,654 |
| - | - | - | - | - | - | - | - | - |
| - | 5,302 | 17,071 | 83,827 | 5,650 | - | 17,542 | 24,818 | 12,884 |
| - | - | - | 7,185 | - | - | - | - | 60,203 |
| - | 15,058 | 16,366 | 145,101 | - | 48 | 36,345 | 50,990 | 32,247 |
| - | - | 1,679 | 1,067 | - | 1,138 | 1,893 | 382 | 1,323 |
| - | - | 808 | - | - | 9,966 | 2,461 | - | - |
| 43,594 | - | - | - | 3,265 | - | - | - | - |
| 140,584 | 81,261 | 175,824 | 829,734 | 21,758 | 92,505 | 769,125 | 835,954 | 596,760 |
| 140,584 | 81,261 | 214,781 | 947,708 | 21,758 | 92,505 | 836,172 | 921,677 | 692,408 |
| (29,276) | 35,569 | (85,975) | (51,603) | (5,558) | (159,101) | (464,650) | (647,531) | (98,958) |
| 651,470 | 161,711 | (404,971) | 372,741 | 128,591 | (192,170) | 2,021,416 | 2,970,100 | 732,208 |
| - | - | - | - | - | - | 7,530,980 | 4,620,850 | 860,941 |
| - | - | - | - | - | - | - | - | (1,734,033) |
| \$ 622,194 | \$ 197,280 | \$ (490,946) | \$ 321,138 | \$ 123,033 | \$ (351,271) | \$ 9,087,746 | \$ 6,943,419 | \$ (239,842) |

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

| | Brentwood Gardens Apartments Limited Partnership | Montana Meadows Apartments Limited Partnership | Los Tres Apartments L.P. | Sunset Hills Limited Partnership | Vista Grande Limited Partnership | Apple Ridge Apartments Limited Partnership | Bella Vista Townhomes L.P. |
|---|--|--|--------------------------------|---|---|--|-------------------------------------|
| REVENUES AND OTHER SUPPORT | | | | | | | |
| Rent | \$ 1,121,890 | \$ 717,384 | \$ 2,462,379 | \$ 487,409 | \$ 728,315 | \$ 785,803 | \$ 398,369 |
| Contribution Revenue | - | - | - | - | - | - | - |
| Grant Revenue | - | 48,842 | - | 45,863 | - | 54,857 | - |
| Development Fees | - | - | - | - | - | - | - |
| Interest | 101 | 58 | 982 | 208 | 12 | 46 | 149 |
| Net Unrealized/Realized Gain (Loss) on Investments | - | - | - | - | - | - | - |
| Net Realized Gain on Capital Investments | - | - | - | - | - | - | - |
| Other Revenue | 7,170 | 5,723 | 80,817 | 10,663 | 61,543 | 3,355 | 7,008 |
| Property Management Fees | - | - | - | - | - | - | - |
| Construction Management Fees | - | - | - | - | - | - | - |
| Operating Transfers, Net | - | - | - | - | - | - | - |
| Total Revenue and Other Support | 1,129,161 | 772,007 | 2,544,178 | 544,143 | 789,870 | 844,061 | 405,526 |
| PERSONNEL EXPENSES | | | | | | | |
| Salaries and Wages | 84,533 | 54,107 | 336,006 | 40,748 | 118,572 | 55,412 | 42,750 |
| Payroll Taxes | 27,896 | 20,658 | 101,712 | 6,808 | 39,129 | 16,391 | 5,674 |
| Employee Benefits | - | - | - | 9,656 | - | - | - |
| Total Personnel Expenses | 112,429 | 74,765 | 437,718 | 57,212 | 157,701 | 71,803 | 48,424 |
| OTHER EXPENSES | | | | | | | |
| Depreciation and Amortization | 213,668 | 143,982 | 676,964 | 427,530 | 168,062 | 181,590 | 274,299 |
| Donations Expense | - | - | - | - | - | - | - |
| Duplication and Publishing Equipment | - | - | - | - | - | - | - |
| Insurance | 21,105 | 15,066 | 45,456 | 23,507 | 29,358 | 15,294 | 30,735 |
| Interest | 277,751 | 151,493 | 323,409 | 52,428 | 293,941 | 208,965 | 73,419 |
| Loss on Disposal of Assets | 1,666 | - | 15,185 | - | 212,596 | - | 178 |
| Other Expenses | 34,762 | 53,820 | 96,319 | 26,940 | 29,044 | 31,934 | 20,610 |
| Predevelopment/Development Costs | - | - | - | - | - | - | - |
| Professional Fees | 14,207 | 10,833 | 24,950 | 13,484 | 18,899 | 9,363 | 10,940 |
| Property Management | 232,960 | 145,451 | 142,730 | 55,183 | 50,916 | 113,224 | 52,009 |
| Property Taxes | 55,657 | 27,445 | 142,235 | 23,981 | 23,869 | 19,442 | 21,943 |
| Rent | - | - | - | - | - | - | - |
| Repairs and Maintenance | 54,796 | 44,105 | 328,112 | 37,570 | 90,364 | 52,791 | 96,484 |
| Social Services | 6,297 | 54,842 | - | 45,863 | - | 61,294 | 6,000 |
| Telephone and Utilities | 55,366 | 41,731 | 556,385 | 23,999 | 153,691 | 40,772 | 50,835 |
| Training | 1,067 | 4,305 | 916 | - | 1,186 | 857 | 2,100 |
| Travel | 65 | 39 | 12 | 1,274 | - | 408 | 1,400 |
| Operating Transfers, Net | - | - | - | - | - | - | - |
| Total Other Expenses | 969,367 | 693,112 | 2,352,673 | 731,759 | 1,071,926 | 735,934 | 640,952 |
| Total Expenses | 1,081,796 | 767,877 | 2,790,391 | 788,971 | 1,229,627 | 807,737 | 689,376 |
| CHANGE IN NET ASSETS | | | | | | | |
| | 47,365 | 4,130 | (246,213) | (244,828) | (439,757) | 36,324 | (283,850) |
| Net Assets and Partners' Capital - Beginning of Year | 1,854,119 | 1,542,642 | (1,957,136) | 8,329,176 | (1,436,791) | 1,217,311 | 6,274,259 |
| Capital Contributions | - | - | - | 500,689 | 80,000 | - | - |
| Distributions | (104,459) | (61,351) | (50,811) | - | - | (16,347) | (2,159) |
| NET ASSETS AND PARTNERS' CAPITAL - END OF YEAR | | | | | | | |
| | \$ 1,797,025 | \$ 1,485,421 | \$ (2,254,160) | \$ 8,585,037 | \$ (1,796,548) | \$ 1,237,288 | \$ 5,988,250 |

| Mesa Del Norte Apartments Limited Partnership | YES Deming Mountain View Apartments, LLLP | Otero Village Apartments Limited Partnership | Roswell Summit Apartments L.P. | Eliminations | Total |
|---|---|--|---|------------------------|----------------------|
| \$ 295,327 | \$ 343,843 | \$ 217,633 | \$ 339,589 | \$ - | \$ 9,723,588 |
| - | - | 240,000 | - | - | 247,100 |
| - | 65,761 | - | 24,194 | - | 1,770,392 |
| - | - | - | - | (1,606,814) | (8,315) |
| 44 | 70 | 31 | 109 | (136,210) | 152,068 |
| - | - | - | - | (3,035,378) | 90,981 |
| - | - | - | - | - | 1,441,663 |
| 6,238 | 6,635 | 14,545 | 8,210 | (528,852) | 294,635 |
| - | - | - | - | (7,010) | - |
| - | - | - | - | (30,000) | - |
| - | - | - | - | (595,366) | - |
| <u>301,609</u> | <u>416,309</u> | <u>472,209</u> | <u>372,102</u> | <u>(5,939,630)</u> | <u>13,712,112</u> |
| 42,156 | 33,792 | 38,489 | 67,217 | - | 2,488,365 |
| 47,632 | 11,645 | 19,476 | 10,926 | - | 565,834 |
| - | - | - | - | - | 408,290 |
| <u>89,788</u> | <u>45,437</u> | <u>57,965</u> | <u>78,143</u> | <u>-</u> | <u>3,462,489</u> |
| 220,909 | 200,014 | 111,144 | 124,916 | (286,730) | 3,626,266 |
| - | - | - | - | - | 11,450 |
| - | - | - | - | - | 1,991 |
| - | - | - | - | - | 21,541 |
| 16,267 | 28,504 | 10,205 | 35,855 | - | 399,347 |
| 44,989 | 44,290 | 52,618 | 88,596 | (136,210) | 2,396,919 |
| - | - | 622 | 238,477 | - | 588,873 |
| 7,058 | 28,884 | 25,501 | 27,518 | - | 806,332 |
| - | - | - | - | - | 117,408 |
| 12,555 | 16,280 | 9,301 | 11,894 | - | 374,152 |
| 26,381 | 40,506 | 13,716 | 73,742 | (499,844) | 640,625 |
| 17,334 | 11,533 | 10,070 | 13,535 | - | 472,889 |
| - | - | - | - | - | 94,752 |
| 13,581 | 34,936 | 27,815 | 29,538 | - | 991,256 |
| 7,043 | 65,761 | - | 30,194 | (36,000) | 332,508 |
| 28,791 | 11,911 | 21,149 | 19,075 | - | 1,322,326 |
| 502 | 4,406 | 4,115 | 2,528 | - | 45,917 |
| 834 | - | 720 | 210 | - | 37,807 |
| - | - | - | - | (595,366) | - |
| <u>396,244</u> | <u>487,025</u> | <u>286,976</u> | <u>696,078</u> | <u>(1,554,150)</u> | <u>12,282,359</u> |
| <u>486,032</u> | <u>532,462</u> | <u>344,941</u> | <u>774,221</u> | <u>(1,554,150)</u> | <u>15,744,848</u> |
| (184,423) | (116,153) | 127,268 | (402,119) | (4,385,480) | (2,032,736) |
| 4,055,279 | 4,438,969 | 207,738 | 2,158,143 | (8,304,694) | 38,625,309 |
| - | 73,574 | - | - | - | 13,667,034 |
| - | - | - | - | (21) | (1,969,181) |
| <u>\$ 3,870,856</u> | <u>\$ 4,396,390</u> | <u>\$ 335,006</u> | <u>\$ 1,756,024</u> | <u>\$ (12,690,195)</u> | <u>\$ 48,290,426</u> |

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

| | General Fund | Payroll | Development Services | Asset Management | Social Services | Solar Villas Brentwood Gardens Grant | Roswell Service Summit Service Coordinator Grant |
|---|----------------------|-------------|-------------------------|---------------------|--------------------|--|---|
| REVENUES AND OTHER SUPPORT | | | | | | | |
| Rent | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contribution Revenue | - | - | - | - | 6,800 | - | - |
| Grant Revenue | 18,355 | - | 170,000 | - | 16,500 | 59,938 | 29,022 |
| Development Fees | - | - | 1,135,746 | - | - | - | - |
| Interest | 265,350 | - | - | - | - | - | - |
| Net Unrealized/Realized Gain (Loss) on Investments | (501,578) | - | - | - | - | - | - |
| Other Revenue | 121,454 | - | 549 | 563,246 | 34,000 | - | - |
| Property Management Fees | - | - | - | 6,927 | - | - | - |
| Construction Management Fees | - | - | 150,000 | - | - | - | - |
| Operating Transfers, Net | 287,584 | - | - | 78,090 | 160,726 | - | - |
| Total Revenue and Other Support | 191,165 | - | 1,456,295 | 648,263 | 218,026 | 59,938 | 29,022 |
| PERSONNEL EXPENSES | | | | | | | |
| Salaries and Wages | 397,466 | - | 412,943 | 305,191 | 90,096 | 38,963 | 23,653 |
| Payroll Taxes | 30,454 | - | 32,190 | 25,714 | 6,913 | 12,569 | 564 |
| Employee Benefits | 136,537 | - | 99,182 | 101,628 | 36,741 | - | - |
| Total Personnel Expenses | 564,457 | - | 544,315 | 432,533 | 133,750 | 51,532 | 24,217 |
| OTHER EXPENSES | | | | | | | |
| Depreciation and Amortization | 32,415 | - | 129 | - | - | - | - |
| Donations Expense | 4,150 | - | - | - | - | - | - |
| Duplication and Publishing | 587 | - | 428 | 467 | 448 | - | - |
| Equipment | 2,188 | - | 10,990 | 5,701 | 2,793 | - | - |
| Insurance | 6,690 | - | 9,809 | 6,033 | 4,656 | - | - |
| Interest | 8,022 | - | 54,335 | - | - | - | - |
| Loss on Disposal of Assets | (118) | - | - | - | - | - | - |
| Other Expenses | 12,355 | - | 24,657 | 9,866 | 10,472 | 5,716 | 2,878 |
| Predevelopment/Development Costs | - | - | 69,973 | - | - | - | - |
| Professional Fees | 20,411 | - | 34,673 | 60,141 | 24,326 | - | - |
| Property Management | - | - | - | - | - | - | - |
| Property Taxes | - | - | 9,619 | - | - | - | - |
| Rent | - | - | 49,838 | 27,238 | 15,596 | - | - |
| Repairs and Maintenance | 2,668 | - | 10,574 | 6,347 | 666 | - | - |
| Social Services | - | - | - | - | 12,662 | - | - |
| Telephone and Utilities | 4,256 | - | 10,571 | 6,383 | 3,434 | - | - |
| Training | 1,484 | - | 5,964 | 640 | 30 | 1,052 | 765 |
| Travel | 81 | - | 15,634 | 2,518 | 950 | 1,640 | 1,163 |
| Operating Transfers, Net | - | - | 514,121 | - | - | 2,197 | 2,020 |
| Total Other Expenses | 95,189 | - | 821,315 | 125,334 | 76,033 | 10,605 | 6,826 |
| Total Expenses | 659,646 | - | 1,365,630 | 557,867 | 209,783 | 62,137 | 31,043 |
| CHANGE IN NET ASSETS | (468,481) | - | 90,665 | 90,396 | 8,243 | (2,199) | (2,021) |
| Net Assets and Partners' Capital - Beginning of Year | 12,345,584 | - | 1,577,630 | 142,745 | 19,211 | 2,198 | 1,227 |
| Capital Contributions | - | - | - | - | - | - | - |
| Distributions | - | - | - | - | - | - | - |
| NET ASSETS AND PARTNERS' CAPITAL - END OF YEAR | <u>\$ 11,877,103</u> | <u>\$ -</u> | <u>\$ 1,668,295</u> | <u>\$ 233,141</u> | <u>\$ 27,454</u> | <u>\$ (1)</u> | <u>\$ (794)</u> |

| Charter School | 901 Pennsylvania | La Hacienda | Solar Villas Apartments | Transitional Living | YES of Arizona, Inc. | New Leaf Limited Partnership | UR 205 Silver LLC (Imperial) | Wildewood Apartments Limited Partnership |
|----------------|------------------|--------------|-------------------------|---------------------|----------------------|------------------------------|------------------------------|--|
| \$ 100,608 | \$ 115,444 | \$ 101,050 | \$ 321,258 | \$ 16,200 | \$ - | \$ - | \$ - | \$ 516,169 |
| - | - | - | 558,571 | - | - | - | - | 63,406 |
| - | - | 30 | 47 | - | - | - | - | 60 |
| - | - | - | - | - | (528,198) | - | - | - |
| - | - | 3,935 | 7,449 | - | - | - | - | 1,756 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | 21,491 | - | - | - |
| 100,608 | 115,444 | 105,015 | 887,325 | 16,200 | (506,707) | - | - | 581,391 |
| - | - | 17,918 | 92,179 | - | - | - | - | 73,364 |
| - | - | 5,769 | 30,414 | - | - | - | - | 21,749 |
| - | - | - | - | - | - | - | - | - |
| - | - | 23,687 | 122,593 | - | - | - | - | 95,113 |
| 46,125 | 26,772 | 97,721 | 174,381 | 12,075 | - | - | - | 104,615 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 1,263 | 2,089 | 12,995 | 11,504 | 1,540 | - | - | - | 23,024 |
| 44,951 | 19,476 | 101 | 306,458 | - | - | - | - | 164,218 |
| - | - | - | 1,458 | - | - | - | - | - |
| - | - | 7,127 | 46,764 | - | 3,279 | - | - | 18,076 |
| - | - | - | - | - | - | - | - | - |
| - | - | 8,090 | 29,309 | - | 2,079 | - | - | 9,402 |
| - | 6,927 | 12,000 | 50,487 | - | - | - | - | 53,768 |
| 10,464 | 7,062 | 2,960 | - | - | - | - | - | 16,726 |
| - | - | - | - | - | - | - | - | - |
| 2,316 | 6,665 | 9,897 | 55,004 | 4,571 | - | - | - | 16,738 |
| - | - | - | 6,075 | - | - | - | - | 63,500 |
| - | 15,584 | 16,806 | 159,758 | 200 | 28 | - | - | 30,440 |
| - | - | 782 | 1,043 | - | 677 | - | - | 715 |
| - | - | 692 | 1,435 | - | 1,970 | - | - | - |
| 15,229 | - | - | - | 14,325 | - | - | - | - |
| 120,348 | 84,575 | 169,171 | 843,676 | 32,711 | 8,033 | - | - | 501,222 |
| 120,348 | 84,575 | 192,858 | 966,269 | 32,711 | 8,033 | - | - | 596,335 |
| (19,740) | 30,869 | (87,843) | (78,944) | (16,511) | (514,740) | - | - | (14,944) |
| 671,210 | 130,842 | (317,128) | 451,685 | 145,102 | 322,570 | 1,323,955 | 2,967,100 | 758,098 |
| - | - | - | - | - | - | 697,461 | 3,000 | - |
| - | - | - | - | - | - | - | - | (10,946) |
| \$ 651,470 | \$ 161,711 | \$ (404,971) | \$ 372,741 | \$ 128,591 | \$ (192,170) | \$ 2,021,416 | \$ 2,970,100 | \$ 732,208 |

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

| | Brentwood Gardens Apartments Limited Partnership | Montana Meadows Apartments Limited Partnership | Los Tres Apartments L.P. | Sunset Hills Limited Partnership | Vista Grande Limited Partnership | Apple Ridge Apartments Limited Partnership | Bella Vista Townhomes L.P. |
|---|--|--|--------------------------------|---|---|--|-------------------------------------|
| REVENUES AND OTHER SUPPORT | | | | | | | |
| Rent | \$ 1,084,241 | \$ 710,790 | \$ 2,370,415 | \$ 486,312 | \$ 678,951 | \$ 767,372 | \$ 388,311 |
| Contribution Revenue | - | - | - | - | - | - | - |
| Grant Revenue | - | 57,710 | - | 42,058 | - | 63,646 | - |
| Development Fees | - | - | - | - | - | - | - |
| Interest | 98 | 74 | 24 | 275 | 13 | 48 | 100 |
| Net Unrealized/Realized Gain (Loss) on Investments | - | - | - | - | - | - | - |
| Other Revenue | 6,295 | 4,901 | 75,345 | 5,635 | 6,719 | 3,555 | 6,272 |
| Property Management Fees | - | - | - | - | - | - | - |
| Construction Management Fees | - | - | - | - | - | - | - |
| Operating Transfers, Net | - | - | - | - | - | - | - |
| Total Revenue and Other Support | <u>1,090,634</u> | <u>773,475</u> | <u>2,445,784</u> | <u>534,280</u> | <u>685,683</u> | <u>834,621</u> | <u>394,683</u> |
| PERSONNEL EXPENSES | | | | | | | |
| Salaries and Wages | 101,034 | 66,319 | 300,794 | 57,760 | 117,472 | 49,943 | 57,320 |
| Payroll Taxes | 35,433 | 18,669 | 99,973 | 6,614 | 38,184 | 16,401 | 6,521 |
| Employee Benefits | - | - | - | - | - | - | - |
| Total Personnel Expenses | <u>136,467</u> | <u>84,988</u> | <u>400,767</u> | <u>64,374</u> | <u>155,656</u> | <u>66,344</u> | <u>63,841</u> |
| OTHER EXPENSES | | | | | | | |
| Depreciation and Amortization | 211,424 | 142,064 | 654,412 | 455,284 | 61,425 | 179,809 | 275,243 |
| Donations Expense | - | - | - | - | - | - | - |
| Duplication and Publishing Equipment | - | - | - | - | - | - | - |
| Insurance | 21,857 | 15,361 | 47,453 | 27,429 | 24,175 | 15,779 | 25,041 |
| Interest | 286,000 | 163,630 | 336,343 | 104,833 | 400,791 | 218,695 | 76,097 |
| Loss on Disposal of Assets | 1,170 | 1,868 | 424,862 | - | 2,127 | - | 456 |
| Other Expenses | 25,284 | 26,066 | 180,553 | 34,402 | 43,998 | 32,942 | 23,185 |
| Predevelopment/Development Costs | - | - | - | - | - | - | - |
| Professional Fees | 14,030 | 9,337 | 30,835 | 24,099 | 13,819 | 9,860 | 11,385 |
| Property Management | 205,007 | 105,248 | 138,878 | 21,434 | 46,293 | 122,157 | 51,998 |
| Property Taxes | 55,445 | 29,779 | 134,875 | 9,132 | 23,196 | 18,525 | 21,864 |
| Rent | - | - | - | - | - | - | - |
| Repairs and Maintenance | 57,658 | 38,024 | 301,322 | 12,718 | 86,135 | 69,517 | 46,901 |
| Social Services | 6,487 | 63,754 | - | 42,058 | - | 70,348 | 6,417 |
| Telephone and Utilities | 67,130 | 41,699 | 548,327 | 26,751 | 160,357 | 42,620 | 55,943 |
| Training | 829 | 796 | 1,800 | - | 1,911 | 1,615 | 325 |
| Travel | 544 | 186 | - | 251 | 190 | 821 | 101 |
| Operating Transfers, Net | - | - | - | - | - | - | - |
| Total Other Expenses | <u>952,865</u> | <u>637,812</u> | <u>2,799,660</u> | <u>758,391</u> | <u>864,417</u> | <u>782,688</u> | <u>594,956</u> |
| Total Expenses | <u>1,089,332</u> | <u>722,800</u> | <u>3,200,427</u> | <u>822,765</u> | <u>1,020,073</u> | <u>849,032</u> | <u>658,797</u> |
| CHANGE IN NET ASSETS | 1,302 | 50,675 | (754,643) | (288,485) | (334,390) | (14,411) | (264,114) |
| Net Assets and Partners' Capital - Beginning of Year | 1,939,177 | 1,529,396 | (1,202,493) | 1,805,411 | (1,160,972) | 1,277,741 | 6,540,684 |
| Capital Contributions | - | - | - | 6,812,250 | 58,571 | - | - |
| Distributions | (86,360) | (37,429) | - | - | - | (46,019) | (2,311) |
| NET ASSETS AND PARTNERS' CAPITAL - END OF YEAR | <u>\$ 1,854,119</u> | <u>\$ 1,542,642</u> | <u>\$ (1,957,136)</u> | <u>\$ 8,329,176</u> | <u>\$ (1,436,791)</u> | <u>\$ 1,217,311</u> | <u>\$ 6,274,259</u> |

| Mesa Del Norte Apartments Limited Partnership | YES Deming Mountain View Apartments, LLLP | Otero Village Apartments Limited Partnership | Roswell Summit Apartments L.P. | Eliminations | Total |
|---|---|--|---|-----------------------|----------------------|
| \$ 260,623 | \$ 342,230 | \$ 183,670 | \$ 324,251 | \$ - | \$ 8,767,895 |
| - | - | - | - | - | 6,800 |
| - | 66,546 | - | - | - | 1,145,752 |
| - | - | - | - | (1,017,752) | 117,994 |
| 24 | 285 | 17 | 63 | (7,896) | 258,612 |
| - | - | - | - | 862,879 | (166,897) |
| 7,135 | 4,339 | 5,583 | 2,065 | (460,280) | 399,953 |
| - | - | - | - | (6,927) | - |
| - | - | - | - | (150,000) | - |
| - | - | - | - | (547,891) | - |
| <u>267,782</u> | <u>413,400</u> | <u>189,270</u> | <u>326,379</u> | <u>(1,327,867)</u> | <u>10,530,109</u> |
| 56,291 | 66,066 | 37,783 | 61,539 | - | 2,424,094 |
| 18,576 | 20,627 | 11,759 | 14,899 | - | 453,992 |
| - | - | - | - | - | 374,088 |
| <u>74,867</u> | <u>86,693</u> | <u>49,542</u> | <u>76,438</u> | <u>-</u> | <u>3,252,174</u> |
| 219,388 | 207,233 | 114,014 | 117,635 | (213,951) | 2,918,213 |
| - | - | - | - | - | 4,150 |
| - | - | - | - | - | 1,930 |
| - | - | - | - | - | 21,672 |
| 17,081 | 31,746 | 9,389 | 32,996 | - | 347,910 |
| 45,671 | 45,795 | 53,178 | 78,698 | (7,896) | 2,399,396 |
| - | - | 422 | - | - | 432,245 |
| 7,946 | 20,781 | 17,541 | 16,315 | (50,791) | 519,412 |
| - | - | - | - | - | 69,973 |
| 12,344 | 11,185 | 10,697 | 12,685 | - | 348,707 |
| 17,227 | 30,105 | 13,397 | 48,564 | (382,359) | 541,131 |
| 20,295 | 12,019 | 9,860 | 15,958 | - | 397,779 |
| - | - | - | - | - | 92,672 |
| 12,317 | 26,831 | 25,614 | 23,799 | - | 816,282 |
| 4,675 | 66,546 | - | 6,030 | (34,000) | 314,552 |
| 29,496 | 8,635 | 22,717 | 20,077 | - | 1,271,212 |
| 1,327 | 796 | 2,070 | 364 | - | 24,985 |
| 1,348 | - | 794 | 514 | - | 30,832 |
| - | - | - | - | (547,892) | - |
| <u>389,115</u> | <u>461,672</u> | <u>279,693</u> | <u>373,635</u> | <u>(1,236,889)</u> | <u>10,553,053</u> |
| <u>463,982</u> | <u>548,365</u> | <u>329,235</u> | <u>450,073</u> | <u>(1,236,889)</u> | <u>13,805,227</u> |
| (196,200) | (134,965) | (139,965) | (123,694) | (90,978) | (3,275,118) |
| 4,251,479 | 4,573,934 | 347,703 | 2,281,837 | (8,213,716) | 34,512,210 |
| - | - | - | - | - | 7,571,282 |
| - | - | - | - | - | (183,065) |
| <u>\$ 4,055,279</u> | <u>\$ 4,438,969</u> | <u>\$ 207,738</u> | <u>\$ 2,158,143</u> | <u>\$ (8,304,694)</u> | <u>\$ 38,625,309</u> |

YES HOUSING, INC. AND AFFILIATES
SUPPLEMENTARY INFORMATION – SOLAR VILLAS APARTMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

**SOLAR VILLAS APARTMENTS,
A PROGRAM OF YES HOUSING, INC.**

| | 2016 | 2015 |
|--|-------------------|-------------------|
| ANNUAL CASH FLOW TEST | | |
| INCOME | | |
| Total Revenues | \$ 896,106 | \$ 887,325 |
| Total Operating Expenses (Excluding Interest Expense, Administrative Charges, Depreciation, and Amortization) | (480,631) | (482,934) |
| Required Capital Replacement Reserve Additions | (30,000) | (30,000) |
| OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION | \$ 385,475 | \$ 374,391 |
| DEBT SERVICE - SENIOR NOTES | | |
| Interest Expense | \$ 64,888 | \$ 69,479 |
| Note Principal Payments and Accruals | 85,000 | 85,000 |
| TOTAL DEBT SERVICE - SENIOR NOTES | \$ 149,888 | \$ 154,479 |
| DEBT SERVICE RATIO - SENIOR NOTES | 257% | 242% |
| REPLACEMENT RESERVE ACCOUNT | | |
| Account Balance as of December 31: | \$ 160,315 | \$ 149,786 |

Expenditures in the amount of \$19,470 and \$9,419 were made from the replacement reserve account during the periods ended December 31, 2016 and 2015.

NOTES OUTSTANDING

Principal Balances Outstanding as of December 31:

| | | |
|------------------|--------------|--------------|
| Senior Note | \$ 810,000 | \$ 895,000 |
| Subordinate Note | \$ 2,600,000 | \$ 2,600,000 |

Principal payments in the amount of \$85,000 and \$80,000 were made during the periods ended December 31, 2016 and 2015, respectively, on the Senior note.

YES HOUSING, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|---|---------------------------|---|---------------------------------------|-------------------------|
| U.S. Department of Housing and Urban Development | | | | |
| Housing Assistance Payment Programs - Special Allocation - Solar Villas | 14.195 | | \$ - | \$ 575,198 |
| Multifamily Housing Service Coordinator Program | 14.191 | | | 5,579 |
| Multifamily Housing Service Coordinator Program | 14.191 | | - | 49,870 |
| Total U.S. Department of Housing and Urban Development | | | - | 630,647 |
| Department of Health and Human Services | | | | |
| Community Services Black Grant - Discretionary Awards | 93.570 | | - | 725,000 |
| Total Department of Health and Human Services | | | - | 725,000 |
| Total Federal Assistance | | | \$ - | \$ 1,355,647 |
| Reconciliation of Grant Revenue | | | | |
| Federal Grants | | | | \$ 1,355,647 |
| Other Grants and Program Income | | | | 414,745 |
| Total Grant Revenue | | | | \$ 1,770,392 |

YES HOUSING, INC. AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Amounts reported in the Schedule are reported on the accrual basis of accounting. The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NON-CASH ASSISTANCE

The Organization did not receive any federal non-cash assistance during the year ended December 31, 2016.

LOANS

The Organization does not have any loans outstanding with the Federal government at December 31, 2016.



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

Board of Directors
YES Housing, Inc. and Affiliates
Albuquerque, New Mexico

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 YES Housing, Inc. and Affiliates (the Organization), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 30, 2017.

The Organization's consolidated financial statements include the operations of Wildewood Apartments LP, Montana Meadows Apartments LP, Gallup Sunset Hills LLLP, Apple Ridge Apartments LP, YES Deming Mountain View Apartments LLLP, and Roswell Summit Apartments LP (the Partnerships) which received \$60,203, \$48,842, \$45,863, \$54,857, \$65,761, and \$24,194, respectively, in federal awards which is not included in the schedule for the year ended December 31, 2016. Our audit, described below, did not include the operations of the Partnerships because the Partnerships engaged other auditors to perform an audit of their financial statements and the Partnerships' operations are not instrumental to those of Yes Housing, Inc.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
June 30, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
YES Housing, Inc. and Affiliates
Albuquerque, New Mexico

Report on Compliance for Each Major Federal Program

We have audited YES Housing, Inc. and Affiliates' (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2016. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The Organization's consolidated financial statements include the operations of Wildewood Apartments LP, Montana Meadows Apartments LP, Gallup Sunset Hills LLLP, Apple Ridge Apartments LP, YES Deming Mountain View Apartments LLLP, and Roswell Summit Apartments LP (the Partnerships) which received \$60,203, \$48,842, \$45,863, \$54,857, \$65,761, and \$24,194, respectively, in federal awards which is not included in the schedule for the year ended December 31, 2016. Our audit, described below, did not include the operations of the Partnerships because the Partnerships engaged other auditors to perform an audit of their financial statements and the Partnerships' operations are not instrumental to those of Yes Housing, Inc.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
YES Housing, Inc. and Affiliates

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
June 30, 2017

**YES HOUSING, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

**YES HOUSING, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

SECTION I - SUMMARY OF AUDITORS' RESULTS (CONTINUED)

Identification of Major Federal Program:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 93.570 | Community Services Block Grant Discretionary Awards |

Dollar threshold used to distinguish
between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? yes no

**YES HOUSING, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended December 31, 2016.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-001 Reporting (Instance of Noncompliance)

Federal Program: CFDA 93.069 – Community Services Block Grant_Discretionary Awards

Federal Agency: U.S. Department of Health and Human Services

Pass through Agency: N/A

Federal Award Number/Year: 90EE1078-01-00 (2014)

Questioned Costs: \$-0-

Condition: During single audit reporting test work, we noted 1 out of 3 financial reports tested was submitted late to the federal awarding agency for the period end date of June 30, 2016. The report was due by July 30, 2016 and submitted on August 1, 2016.

Criteria: Per OMB Circular A-110 Financial Reporting, the Federal awarding agency shall determine the frequency of the report for each project or program, but not more frequently than quarterly or less frequently than annually. Per the terms and conditions of the award, a quarterly Federal Financial Report is due 30 days after the end of each quarter of the budget period.

Effect: Instance of noncompliance with federal regulations.

Cause: Management oversight.

Auditors' Recommendation: We recommend management to establish effective internal controls to ensure compliance with federal reporting regulations.

Management's Response: In April 2016, the U.S Department of Health and Human Services allowed management access into the PMS/Smart Link System in preparation for the submittal of the first funding request. Prior to utilizing the system, we submitted our Federal Financial Report on a semi-annual basis to the Office of Community Services and the Office of Grant Management through Grant Solutions. The reports were due April 30 and October 31 of each year. Management was not aware of the change in the reporting requirement. As a result, we received a notification on August 1, 2016, stating that the report due by July 31st for the quarter ending June 30th was late. We contacted the U.S Department of Health and Human Services immediately and they explained that once a grantee is given access to the PMS/Smart Link System the reporting must be done quarterly. We filed the report immediately and submitted all subsequent reports on a quarterly basis. Going forward, management will confirm reporting dates with all reporting agencies when granted access to the various systems.

**YES HOUSING, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2016-002 Suspension and Debarment (Instance of Noncompliance)

Federal Program: CFDA 93.069 – Community Services Block Grant_Discretionary Awards

Federal Agency: U.S. Department of Health and Human Services

Pass through Agency: N/A

Federal Award Number/Year: 90EE1078-01-00 (2014)

Questioned Costs: \$-0-

Condition: During single audit suspension and debarment test work, we noted the SAM check was not done before YES executed the loan agreement with ROKO LLC on June 11, 2015, nor was the SAM check done prior to the disbursement of funds beginning in April 2016.

Criteria: Per the Administration for Children and Families (ACF) Office of Community Services Community Economic Development Healthy Food Financing Initiative Projects HHS-2014-ACF-OCS-EE-0819 Application Due Date: 04/24/2015, "HHS regulations published in 2 CFR Part 376 implement the government-wide debarment and suspension system guidance (2 CFR Part 180) for HHS' non-procurement programs and activities. 'Non-procurement transactions' include, among other things, grants, cooperative agreements, scholarships, fellowships, and loans. ACF implements the HHS Debarment and Suspension regulations as a term and condition of award." Per 2 CFR Part 180, when entering into a covered transaction with another person, participants must verify that the person with whom it intends to do business is not excluded or disqualified.

Effect: Instance of noncompliance with federal regulations.

Cause: Management oversight.

Auditors' Recommendation: We recommend management to establish effective internal controls to ensure compliance with suspension and debarment regulations.

Management's Response: ROKO LLC was a newly created entity for the purpose of the grant. The loan agreement was effective March 1, 2016 and the first disbursement of funds was made on April 15, 2016. Management did not initially perform a SAM check to ensure the entity had not been disbarred or suspended since the entity previously did not exist. Subsequently, we performed a SAM check and it was verified that ROKO LLC has not been disbarred or suspended in the system. Going forward, management will check all entities whether newly created or existing for disbarment or suspension prior to disbursement of funds.