Basis for Qualified Opinion

As disclosed in Note 2 to the consolidated financial statements, accounting principles generally accepted in the United States of America require the consolidation of variable interest entities when certain conditions exist. Management has informed us that the consolidated financial statements only represent the Company's operations and certain affiliates and does not include the accounts of various limited liability companies and limited partnerships of which are variable interest entities of the Company. The consolidated financial statements and related disclosures of those variable interest entities should be consolidated with the financial statements of the Company in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects on the consolidated financial statements of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Retirement Services Affordable Living LLC and Affiliates as of December 31, 2018 and 2017 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The accompanying supplemental information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such 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 accompanying supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Tidwell Group, LLC

Columbus, Ohio
June 5, 2019

Episcopal Retirement Services Affordable Living LLC and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

Assets	**2018**	**2017**
Cash	$ 1,245,813	$ 801,696
Investments	1,701,007	1,779,809
Accounts receivable - affiliates	450,750	290,500
Accounts receivable - developer fees	2,278,877	4,294,767
Interprogram balances receivable	1,901,447	917,125
Notes receivable - affiliates	6,554,077	6,574,995
Development costs	2,391,898	1,149,198
Prepaid expenses and other assets	1,418,636	910,157
Property and equipment	962,375	772,971
Less: accumulated depreciation	(363,468)	(237,615)
Total Assets	$ 18,541,412	$ 17,253,603

Liabilities and Net Assets	**2018**	**2017**
Liabilities		
Accounts payable and accrued expenses	$ 951,614	$ 553,002
Advances from affiliate	1,903,966	970,568
Deferred revenue	76,917	-
Accrued fees	812,807	1,336,069
Notes payable and accrued interest	3,127,259	3,098,985
Total Liabilities	6,872,563	5,958,624
Net Assets		
Net assets without donor restrictions	9,651,361	10,054,509
Net assets with donor restrictions	2,017,488	1,240,470
Total Net Assets	11,668,849	11,294,979
Total Liabilities and Net Assets	$ 18,541,412	$ 17,253,603

See notes to consolidated financial statements.

Episcopal Retirement Services Affordable Living LLC and Affiliates

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended December 31, 2018 and 2017

	2018	2017
Operating Revenues		
Contracted management	$ 3,369,799	$ 3,441,443
Development and consulting fees	929,805	2,360,284
Management and partnership fees	1,062,471	994,825
Interest and dividends	8,332	628,382
Ministry	366,873	-
Other	840,157	109,025
Total Operating Revenues	6,577,437	7,533,959
Operating Expenses		
Salaries and wages	3,564,785	3,281,406
Employee benefits and payroll taxes	1,243,051	1,212,942
Operating supplies and expenses	273,441	321,480
Professional services and consultant fees	418,205	853,177
Management fees	787,956	765,000
Donations	16,021	11,335
Bad debts	-	173,512
Total Operating Expenses	6,303,459	6,618,852
Operating Income	273,978	915,107
Other (Income) / Expenses		
Interest	13,727	13,752
Depreciation	125,853	72,155
Total Other Expenses	139,580	85,907
Change in Net Assets	134,398	829,200
Net Assets Without Donor Restrictions, Beginning of Year	10,054,509	9,662,905
Contributions to affiliates	(982,959)	(810,200)
Contributions from affiliates	585,399	372,604
Transfer to net assets with donor restrictions	(139,986)	-
Net Assets Without Donor Restrictions, End of Year	$ 9,651,361	$ 10,054,509
Net Assets With Donor Restrictions, Beginning of Year	$ 1,240,470	$ 699,970
Grant proceeds	637,032	540,500
Transfer from net assets without donor restrictions	139,986	-
Net Assets With Donor Restrictions, End of Year	$ 2,017,488	$ 1,240,470

See notes to consolidated financial statements.

Episcopal Retirement Services Affordable Living LLC and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	$ 771,430	$ 1,369,700
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities		
Depreciation	125,853	72,155
Unrealized loss (gain) on investments	78,802	(569,815)
Interest on notes payable	13,727	13,752
Decrease (increase) in assets:		
Accounts receivable - affiliates	(160,250)	-
Accounts receivable - developer fees	2,015,890	(1,305,717)
Interprogram balances receivable	(1,124,308)	35,868
Prepaid expenses and other assets	(368,493)	52,472
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	398,612	(84,965)
Accrued fees	(523,262)	412,270
Deferred revenue	76,917	-
Net Cash From Operating Activities	1,304,918	(4,280)
Investing Activities		
Notes receivable - affiliates	20,918	112,460
Development costs	(1,242,700)	167,626
Investment withdrawal	-	1,700,000
Purchase of property and equipment	(189,404)	(82,236)
Contributions to affiliates	(842,973)	(540,500)
Net Cash From Investing Activities	(2,254,159)	1,357,350
Financing Activities		
Proceeds from notes payable	75,000	-
Principal and interest payments on notes payable	(60,453)	-
Contributions from affiliates	445,413	301,656
Advances from / (repayments to) affiliate	933,398	(929,948)
Net Cash From Financing Activities	1,393,358	(628,292)
Net Change in Cash	444,117	724,778
Cash at Beginning of Year	801,696	76,918
Cash at End of Year	$ 1,245,813	$ 801,696

Supplemental Schedule of Noncash Investing and Financing Activities:

	2018	2017
Non-cash contributions to affiliates	$ -	$ 269,700
Non-cash contributions from affiliates	$ -	$ 70,948

See notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

Episcopal Retirement Services Affordable Living LLC (ERSAL) (the Company) was formed in June 2012 as an Ohio nonprofit limited liability company organized pursuant to Section 1705.04 of the Ohio Revised Code. The Company is wholly owned by Episcopal Retirement Services (the Sole Member), which was organized under Section 501(c)(3) of the Internal Revenue Code. The Written Declaration provides that the Company shall continue in perpetuity unless it is earlier dissolved and terminated by provisions of the Written Declaration.

The Company's mission is to foster low-income housing, to directly or indirectly own, operate, manage and/or develop affordable housing primarily for the elderly; to provide necessary guidance, management services, strategic planning and corporate infrastructure for affordable housing facilities sponsored by the Company, the Sole Member or other organizations primarily for the benefit of the elderly and their families and their caregivers. In furthering this mission, the Company also engages in activities to support affordable housing facilities whether owned or operated directly or indirectly by the Company or other organizations, including providing financial support through fundraising, financings or guarantees of financings.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of ERSAL as well as the following wholly-owned affiliates: Cambridge Heights Apartments, Inc., Canterbury Court, Inc., ERHAL, Inc., ERH Anderson GP, LLC, ERHAL Holdings, Inc., ERHAL Ohio Holdings, Inc., ERS Anderson Property, LLC, Knowlton Northside GP, LLC, Springfield Shawnee Commercial LLC, Springfield Shawnee Parking, LLC, St. Paul Village I, Inc., Trent Senior Village GP LLC and Walnut Court General Partner, LLC. All significant intercompany balances and transactions are eliminated during the consolidation.

Accounting principles generally accepted in the United States of America require the consolidation of variable interest entities when certain conditions exist. Management has determined various limited liability companies and limited partnerships of which are variable interest entities of the Company (the non-consolidated affiliates) meet the requirements for consolidation. However, management believes that consolidating the non-consolidated affiliates with the Company and affiliates (as listed in the paragraph above), would be misleading to the users of the Company's consolidated financial statements and, therefore, has elected to not consolidate.

Adoption of New Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The purpose of the ASU is to improve financial reporting by not-for-profits. The ASU, among other things, simplifies the classification of net assets and changes in net assets, requires not-for-profit entities to provide an analysis of expense by natural and functional classifications, and requires enhanced financial statement disclosures regarding a not-for-profit entity's liquidity and availability of resources, self-imposed or donor-imposed limits on the use of resources and methods used to allocate costs among program and support functions. The ASU is effective for annual periods beginning after December 15, 2017 and is to be applied retrospectively to all periods presented, except for a permitted option to only provide disclosure analysis of expenses by functional classifications and liquidity and availability of resources in the period of adoption. The Company adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified and reported as follows:

Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

With Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets are reported as reclassifications between applicable net asset classes.

Basis of Accounting

The Company utilizes the accrual basis of accounting, whereby income is recognized as earned and expenses are recognized as obligations are incurred.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2018 or 2017.

Revenue and Cost Recognition

The Company accounts for management and project maintenance services and development fees under the accrual method when the criteria for recognition have been met. Under the accrual method, revenues and related expenditures are recognized when the applicable services have been provided.

Receivables and Bad Debt Policy

Accounts receivables, development fees receivable and notes receivable, as applicable are stated at unpaid principal balances.

The Company has not established an allowance for doubtful accounts and does not use the reserve method for recognizing bad debts. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Bad debts are treated as direct write-offs in the period management determines that collection is not probable. Included in expenses are bad debts of $-0- and $173,512 for the years ended December 31, 2018 and 2017, respectively.

Capitalization and Depreciation

Depreciable assets are recorded at cost and depreciated over their estimated useful life. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method. The depreciable life of the assets may be different than their actual economic useful lives.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since the Sole Member is organized as a not-for-profit corporation and has secured tax exempt status under Section 501(c)(3) of the Internal Revenue Code. The Company is included in the consolidated tax return of the Sole Member.

The Company accounts for uncertainty in income taxes in accordance with ASC for Income Taxes. This interpretation prescribes a recognition threshold and measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Sole Member has determined that all income tax filing positions would be sustained upon examination and accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions as of December 31, 2018 or 2017.

Fair Value Measurements

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuations techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The Company elected to use a Level 1 input for recognition of its investments in mutual funds. This input is based on the quoted market price.

NOTE 3 – INVESTMENTS

The fair value of investments measured on a recurring basis as of December 31, 2018 and 2017 is as follows:

December 31, 2018 Asset Category	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Recurring Basis (Investments):				
Mutual funds	$ 1,701,007	$ 1,701,007	$ -	$ -

December 31, 2017 Asset Category	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Recurring Basis (Investments):				
Mutual funds	$ 1,779,809	$ 1,779,809	$ -	$ -

NOTE 4 – NOTES PAYABLE AND ACCRUED INTEREST

The Company entered into a note payable agreement with the Ohio Housing Finance Agency (OHFA) under its Financial Adjustment Factor (FAF) Program in the original amount of $350,000 and bearing interest at 2% per annum. The purpose of the promissory note is for the proceeds to be loaned to Cambridge Heights Limited Partnership (Cambridge Heights), an affiliate of the Company, to construct an affordable housing apartment community. The note is secured by the apartment community and assignment of its rents and security. In accordance with the promissory note payable with OHFA, principal and interest are payable annually in April in an amount equal to 25% of Cambridge Heights' available cash flow. All outstanding principal and accrued interest are due and payable in December 2053. As of December 31, 2018 and 2017, the principal balance totaled $350,000 and accrued interest totaled $58,333 and $51,333, respectively.

The Company entered into a promissory note with OHFA under its Housing Development Assistance Program (HDAP) in the original amount of $1,750,000 and bearing interest at 0.25% per annum. The purpose of the promissory note is for the proceeds to be loaned to Walnut Court Limited Partnership (Walnut Court), an affiliate of the Company, to construct an affordable housing apartment community. The note is secured by the apartment community and assignment of its rents and security. In accordance with the promissory note with OHFA, principal and interest are payable annually in April in an amount equal to 50% of Walnut Court's surplus cash. All outstanding principal and accrued interest are due and payable in January 2045. As of December 31, 2018 and 2017, the principal balance totaled $1,722,743 and accrued interest totaled $14,616 and $10,283, respectively.

The Company entered into a promissory note with OHFA under its HDAP program in the original amount of $1,000,000 and bearing interest at 0.25% per annum. The purpose of the promissory note is for the proceeds to be loaned to Thomaston Woods Limited Partnership (Thomaston Woods), an affiliate of the Company, to construct an affordable housing apartment community. The note is secured by the apartment community and assignment of its rents and security. In accordance with the promissory note with OHFA, principal and interest are payable annually in April in an amount equal to 50% of Thomaston Woods' available cash flow. All outstanding principal and accrued interest are due and payable in November 2054. As of December 31, 2018 and 2017, the principal balance totaled $904,173 and $957,749, respectively, and accrued interest totaled $2,394 and $6,877, respectively.

During 2018, ERS Anderson Property, LLC, a wholly-owned affiliate of the Company, entered into a non-interest bearing promissory note with Young Men's Christian Association of Madison County, Inc. in the amount of $75,000. The note is secured by real estate. All outstanding principal is due and payable in June 2022. As of December 31, 2018, the principal balance totaled $75,000.

Future maturities of these notes are subject to the financial performance of the respective apartment community. Therefore, future maturities of these notes are not provided in the accompanying consolidated financial statements as they could be misleading.

NOTE 5 – RELATED PARTY TRANSACTIONS

Receivables and Revenue

The Company provides services for the development, management and maintenance of affiliated entities owning affordable housing apartment communities. As of December 31, 2018 and 2017, accounts receivable from related parties in connection with these services totaled $2,729,627 and $4,585,267, respectively, and are included in Accounts Receivable - Affiliates and Accounts Receivable – Developer Fees in the accompanying Consolidated Statements of Financial Position. During 2018 and 2017, the Company recognized revenues from related parties related to these services totaling $5,255,164 and $6,709,650, respectively.

Interprogram Activity

The Company advances funds to various affiliated entities for operations and predevelopment costs. As of December 31, 2018 and 2017, outstanding receivables from affiliates totaled $4,293,345 and $2,066,323, respectively.

Notes Receivable - Affiliates

The Company has entered into note receivable agreements with various affiliated entities. The outstanding principal as of December 31, 2018 and 2017 totaled $6,307,068 and $6,328,188, respectively. The outstanding interest receivable as of December 31, 2018 and 2017 totaled $247,009 and $246,807, respectively. The outstanding principal and interest receivable are included in Notes Receivable – Affiliates in the accompanying Consolidated Statements of Financial Position.

Activities with Affiliates

An affiliate of the Company, ERH, Inc. advances funds through an interprogram account. The outstanding amount due to ERH, Inc. as of December 31, 2018 and 2017 totaled $1,903,966 and $970,568, respectively, and is included in Advances from Affiliate in the accompanying Consolidated Statements of Financial Position.

ERH, Inc. provides management services to the Company and other affiliated entities. Management fees charged during 2018 and 2017 totaled $787,956 and $765,000, respectively.

ERS Foundation provides support to the Company in the form of contributions. Contributions from ERS Foundation during 2018 and 2017 totaled $839,300 and $108,256, respectively, and are included in Other Revenue in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

Contributions to / from Affiliates

During 2018 and 2017, the Company made contributions to various affiliated entities in the amount of $982,959 and $810,200, respectively. These amounts are included as Contributions to Affiliates in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

During 2018 and 2017, the Company received contributions from various affiliated entities in the amount of $585,399 and $372,604, respectively. These amounts are included as Contributions from Affiliates in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

Deferred Revenue

During 2018, the Company received a guaranty fee in the amount of $88,750 from an affiliated entity for extending its obligations under the operating guaranty period. The guaranty fee is being amortized using the straight-line method over the fifteen-year operating guaranty period. Accumulated amortization as of December 31, 2018 is $11,833. Amortization income for each of the next five years is estimated to be $5,917.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 and 2017 consisted of the following:

	2018	2017
During 2016, the Company received a grant in the amount of $400,000 from the City of Anderson, Indiana (the City), through its Department of Community and Economic Development. The funds were granted under the City's HOME Investment Partnerships Program and after the Company received the funds, they were loaned to ERHAL Senior Housing at Anderson LP (ERHAL Anderson), an affiliated entity. In connection with the related grant agreement and subsequent loan, ERHAL Anderson is required to maintain certain tenant affordability requirements through 2030.	$ 400,000	$ 400,000
During 2016, the Company received a grant in the amount of $299,970 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were loaned to ERHAL Anderson, an affiliated entity. In connection with the related grant agreement and subsequent loan, ERHAL Anderson is required to maintain certain tenant affordability requirements through 2030.	299,970	299,970
During 2017, the Company received a grant in the amount of $540,500 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Trent Senior Village GP LLC, which contributed to Trent Senior Village Limited Liability Limited Partnership (Trent Senior Village). In connection with the related grant agreement, Trent Senior Village is required to maintain certain tenant affordability requirements through 2030.	540,500	540,500

The Company received a grant in the amount of $379,558 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. The Company received $139,986 of the grant in 2016 which was originally loaned to Knowlton Northside GP, LLC, which provided the funds to Knowlton Northside Limited Partnership (Knowlton Place) in the form of a note payable to the Company. In 2018, the Company received the remaining $239,572 of the grant which was contributed to Knowlton Northside GP, LLC which provided the funds to Knowlton Place in the form of a note payable. During 2018, the previous amount of $139,986 that was originally recorded as a note was also converted to a capital contribution. In connection with the related grant agreement, Knowlton Place is required to maintain certain tenant affordability requirements through 2029.	379,558	-
During 2018, the Company received a grant in the amount of $397,460 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Marlowe Court GP, LLC, which contributed to Marlowe Court Limited partnership (Marlowe Court). In connection with the related grant agreement, Marlowe Court is required to maintain certain tenant affordability requirements through 2030.	397,460	-
Total Net Assets With Donor Restrictions	$ 2,017,488	$ 1,240,470

NOTE 7 – FUNCTIONAL ALLOCATION OF EXPENSES

The Company's program is to provide housing, directly or indirectly, through owning, operating, managing and developing affordable housing for elderly persons. These related costs have been summarized on a functional basis in the table below. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Company.

	2018	2017
Program services:		
Administrative	$ 3,580,806	$ 3,466,253
Operating and professional	691,646	1,174,657
Taxes and insurance	1,243,051	1,212,942
Interest	13,727	13,752
Depreciation	125,853	72,155
Total program services	5,655,083	5,939,759
Management and general:		
Administrative	787,956	765,000
Total management and general	787,956	765,000
Total	$ 6,443,039	$ 6,704,759

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Company acts as a guarantor for several entities (the non-consolidated affiliates) owning rental real estate (the projects) serving the affordable housing industry. As a guarantor, the Company is contingently liable to the extent the liabilities of the projects are not otherwise satisfied by their assets and contingently liable to the investors in the event tax credits do not meet projected amounts. The non-consolidated entities guaranteed by the Company have had no history of tax credits being recaptured.

As a guarantor in the non-consolidated entities, the Company has guaranteed the operating deficits of these entities and is obligated for a specified amount, as determined by the governing agreements, from initial operations through a specified period, also as determined by the governing agreements.

The Company also provides guarantees for construction and rehabilitation loans for the projects and may provide a construction period completion guarantee, whereby the Company guarantees the projects will be constructed in accordance with defined plans and specifications. The guaranty includes funding all amounts incurred to complete construction or rehabilitation in excess of existing sources of financing. Any financing arrangements made and funds provided by the Company under these guarantees would be in the form of a non-interest bearing loan and would be repaid as cash flow of the projects permit or as income to the respective entity based on the specific language of the governing agreements.

The Company's maximum exposure to the guarantees is not determinable with any degree of accuracy, as determination of the ultimate amounts is dependent upon the Company's and certain related parties' ability to oversee, manage and optimize cash flows of the projects.

NOTE 9 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

Credit Risk

The Company maintains its cash in financial institutions insured by the Federal Deposit Insurance Company. Deposit accounts, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Customers

A significant portion of the development fees, contracted management and project service fees earned by the Company are earned from services to affiliated entities. These entities either operate or are developing housing projects for affordable housing.

Revenues earned from such services amounted to 74% and 84% of total operating revenue for the years ended December 31, 2018 and 2017, respectively. In addition, as of December 31, 2018 and 2017, 41% and 46%, respectively, of total receivables are in connection with these services and the remaining receivables are in connection with notes receivables from affiliated entities.

Geographic Region

The Company provides services without collateral to customers located throughout the greater Cincinnati area and the tri-state region (Ohio, Kentucky and Indiana). The ability of each of the Company's customers to honor their obligations to the Company is dependent upon their operations, and upon economic and other factors unique to this geographic region.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Company has financial assets available within one year of the consolidated statement of financial position date to meet cash needs for general expenditures. This amount consists of cash and accounts receivable as presented on the accompanying Consolidated Statements of Financial Position. None of these amounts are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

The Company manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. The Company maintains financial assets on hand to meet normal operating expenses.

NOTE 11 – SUBSEQUENT EVENTS

Events that occur after the consolidated statement of financial position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of Episcopal Retirement Services Affordable Living LLC and Affiliates through June 5, 2019 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the Notes to the Consolidated Financial Statements.

SUPPLEMENTAL INFORMATION

Episcopal Retirement Services Affordable Living LLC and Affiliates

SUPPLEMENTAL INFORMATION

STATEMENT OF FINANCIAL POSITION CONSOLIDATING SCHEDULE

December 31, 2018

Assets	ERSAL Parent	Consolidated GP Entities	Total
Cash	$ 1,245,813	$ -	$ 1,245,813
Investments	1,701,007	-	1,701,007
Receivables:			
Accounts receivable - affiliates	290,500	160,250	450,750
Accounts receivable - developer fees	2,278,877	-	2,278,877
Interprogram balances receivable	1,834,855	66,592	1,901,447
Notes receivable - affiliates	5,823,491	730,586	6,554,077
Development costs	2,391,898	-	2,391,898
Prepaid expenses and other assets	6,019	1,412,617	1,418,636
Property and equipment	755,293	207,082	962,375
Less: accumulated depreciation	(288,543)	(74,925)	(363,468)
Total Assets	$ 16,039,210	$ 2,502,202	$ 18,541,412
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	$ 673,292	$ 278,322	$ 951,614
Advances from affiliate	1,903,966	-	1,903,966
Deferred revenue	76,917	-	76,917
Accrued fees	812,807	-	812,807
Notes payable and accrued interest	3,052,259	75,000	3,127,259
Total Liabilities	6,519,241	353,322	6,872,563
Net Assets			
Net assets without donor restrictions	7,502,481	2,148,880	9,651,361
Net assets with donor restrictions	2,017,488	-	2,017,488
	9,519,969	2,148,880	11,668,849
Total Liabilities and Net Assets	$ 16,039,210	$ 2,502,202	$ 18,541,412

See Independent Auditor's Report.

Episcopal Retirement Services Affordable Living LLC and Affiliates

SUPPLEMENTAL INFORMATION - CONTINUED

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS CONSOLIDATING SCHEDULE

Year ended December 31, 2018

	Parent	GP Entities	Total
Operating Revenues			
Contracted management	$ 3,274,721	$ 95,078	$ 3,369,799
Development and consulting fees	929,805	-	929,805
Management and partnership fees	1,062,471	-	1,062,471
Interest and dividends	-	8,332	8,332
Ministry	366,873	-	366,873
Other	836,244	3,913	840,157
Total Operating Revenues	6,470,114	107,323	6,577,437
Operating Expenses			
Salaries and wages	3,564,785	-	3,564,785
Employee benefits and payroll taxes	1,243,051	-	1,243,051
Operating supplies and expenses	175,186	98,255	273,441
Professional services and consultant fees	418,205	-	418,205
Management fees	787,956	-	787,956
Donations	16,021	-	16,021
Total Operating Expenses	6,205,204	98,255	6,303,459
Operating Income / (Loss)	264,910	9,068	273,978
Other Expenses			
Interest	13,727	-	13,727
Depreciation	110,098	15,755	125,853
Total Other Expenses	123,825	15,755	139,580
Change in Unrestricted Net Assets	141,085	(6,687)	134,398
Net Assets Without Donor Restrictions, Beginning of Year	8,484,341	1,570,168	10,054,509
Contributions to affiliates	(982,959)	-	(982,959)
Contributions from affiliates	-	585,399	585,399
Transfer to net assets with donor restrictions	(139,986)	-	(139,986)
Net Assets Without Donor Restrictions, End of Year	$ 7,502,481	$ 2,148,880	$ 9,651,361
Net Assets With Donor Restrictions, Beginning of Year	$ 1,240,470	$ -	$ 1,240,470
Grant proceeds	637,032	-	637,032
Transfer from net assets without donor restrictions	139,986	-	139,986
Net Assets With Donor Restrictions, End of Year	$ 2,017,488	$ -	$ 2,017,488

See Independent Auditor’s Report.

Episcopal Retirement Services Affordable Living LLC and Affiliates

SUPPLEMENTAL INFORMATION - CONTINUED

STATEMENT OF FINANCIAL POSITION CONSOLIDATING SCHEDULE

December 31, 2017

Assets	**ERSAL Parent**	**Consolidated GP Entities**	**Total**
Cash	$ 801,696	$ -	$ 801,696
Investments	1,779,809	-	1,779,809
Receivables:			
Accounts receivable - affiliates	290,500	-	290,500
Accounts receivable - developer fees	4,294,767	-	4,294,767
Interprogram balances	905,125	12,000	917,125
Notes receivable - affiliates	5,801,149	773,846	6,574,995
Development costs	1,149,198	-	1,149,198
Prepaid expenses and other assets	3,337	906,820	910,157
Property and equipment	567,480	205,491	772,971
Less: accumulated depreciation	(178,445)	(59,170)	(237,615)
Total Assets	$ 15,414,616	$ 1,838,987	$ 17,253,603
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	$ 284,183	$ 268,819	$ 553,002
Advances from affiliate	970,568	-	970,568
Accrued fees	1,336,069	-	1,336,069
Notes payable and accrued interest	3,098,985	-	3,098,985
Total Liabilities	5,689,805	268,819	5,958,624
Net Assets			
Net assets without donor restrictions	8,484,341	1,570,168	10,054,509
Net assets with donor restrictions	1,240,470	-	1,240,470
	9,724,811	1,570,168	11,294,979
Total Liabilities and Net Assets	$ 15,414,616	$ 1,838,987	$ 17,253,603

See Independent Auditor's Report.

SUPPLEMENTAL INFORMATION - CONTINUED

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS CONSOLIDATING SCHEDULE

Year ended December 31, 2017

	ERSAL Parent	Consolidated GP Entities	Total
Operating Revenues			
Contracting revenue	$ 3,354,541	$ 86,902	$ 3,441,443
Development and consulting fees	2,360,284	-	2,360,284
Management and partnership management fees	994,825	-	994,825
Interest and dividends	620,188	8,194	628,382
Other	108,952	73	109,025
Total Operating Revenues	7,438,790	95,169	7,533,959
Operating Expenses			
Salaries and wages	3,281,406	-	3,281,406
Employee benefits and payroll taxes	1,212,942	-	1,212,942
Operating supplies and expenses	217,895	103,585	321,480
Professional services and consultant fees	853,177	-	853,177
Management fees	765,000	-	765,000
Donations	11,335	-	11,335
Bad debts	173,512	-	173,512
Total Operating Expenses	6,515,267	103,585	6,618,852
Operating Income / (Loss)	923,523	(8,416)	915,107
Other Expenses			
Interest	13,752	-	13,752
Depreciation	72,155	-	72,155
Total Other Expenses	85,907	-	85,907
Change in Unrestricted Net Assets	837,616	(8,416)	829,200
Net Assets Without Donor Restrictions, Beginning of Year	8,084,321	1,578,584	9,662,905
Contributions to affiliates	(810,200)	-	(810,200)
Contributions from affiliates	372,604	-	372,604
Net Assets Without Donor Restrictions, End of Year	$ 8,484,341	$ 1,570,168	$ 10,054,509
Net Assets With Donor Restrictions, Beginning of Year	$ 699,970	$ -	$ 699,970
Grant proceeds	540,500	-	540,500
Net Assets With Donor Restrictions, End of Year	$ 1,240,470	$ -	$ 1,240,470

See Independent Auditor’s Report.