

**MIDPEN HOUSING CORPORATION
AND AFFILIATES**

COMBINED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2017 AND 2016

MIDPEN HOUSING CORPORATION AND AFFILIATES
COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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**NOVOGRADAC
& COMPANY** LLP®
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
MidPen Housing Corporation and Affiliates
Foster City, California

INDEPENDENT AUDITORS' REPORT

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of MidPen Housing Corporation, a California non-profit public benefit corporation, and Affiliates, which comprise the combined statement of financial position as of December 31, 2017 and the related combined statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined financial statements based on our audit. We did not audit the financial statements of certain limited partnerships controlled by MidPen Housing Corporation and Affiliates, which statements reflect total assets constituting 29.09% of the combined total assets at December 31, 2017 and total revenues constituting 14.01% of the combined total revenues for the year then ended. 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 these limited partnerships is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MidPen Housing Corporation and Affiliates' preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MidPen Housing Corporation and Affiliates' 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 combined financial statements.

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of MidPen Housing Corporation and Affiliates as of December 31, 2017 and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The combined financial statements of the MidPen Housing Corporation and Affiliates as of December 31, 2016, were audited by other auditors whose report dated April 27, 2017, expressed an unmodified opinion on those statements. The other auditors reported that 15.44% of the combined total assets at December 31, 2016 and total revenues constituting 7.29% of the combined total revenues for the year then ended were audited by other auditors.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The accompanying supplementary information on pages 42 through 49 is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the basic combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The 2017 information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The 2016 information was subjected to the auditing procedures applied in the audit of the combined financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the combined financial statements as a whole. In our opinion, the 2017 information is fairly stated in all material respects, in relation to the combined financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated April 26, 2018 on our consideration of MidPen Housing Corporation and Affiliates' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 MidPen Housing Corporation and Affiliates' internal control over financial reporting and compliance.

Novogradac & Company LLP

April 26, 2018
San Rafael, California

MIDPEN HOUSING CORPORATION AND AFFILIATES
 COMBINED STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 63,879,390	\$ 53,358,512
Investments (Note 3)	21,438,823	18,611,481
Accounts receivable – net (Note 2)	2,128,077	1,969,230
Prepaid expenses and other receivables	1,278,503	908,819
Restricted cash – current portion (Note 4)	2,459,020	3,349,545
Total current assets	91,183,813	78,197,587
Non-current assets:		
Restricted cash – net of current portion (Note 4)	72,470,569	43,998,261
Notes and interest receivable – net (Note 5)	262,297	280,218
Property and equipment – net (Note 6)	1,158,065,350	1,026,985,188
Development in progress (Note 7)	96,819,253	164,205,138
Investments in other companies (Note 3)	694,031	694,031
Other non-current assets	13,725,402	12,726,849
Total non-current assets	1,342,036,902	1,248,889,685
Total assets	\$1,433,220,715	\$1,327,087,272
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 25,529,877	\$ 34,929,786
Deferred revenue – current portion (Note 8)	312,909	177,400
Interest payable – current portion (Note 9)	4,564,839	1,561,250
Notes payable – current portion (Note 9)	17,417,340	14,475,147
Total current liabilities	47,824,965	51,143,583
Non-current liabilities:		
Security and other deposits	5,115,361	4,914,620
Deferred revenue – net of current portion (Note 8)	1,581,661	1,767,982
Interest payable – net of current portion (Note 9)	75,016,597	70,647,181
Notes payable – net of current portion (Note 9)	777,367,833	772,613,091
Derivative financial instruments (Note 10)	3,726,482	4,504,807
Other non-current liabilities	3,163,925	2,044,140
Total non-current liabilities	865,971,859	856,491,821
Total liabilities	913,796,824	907,635,404
Net assets:		
Unrestricted:		
Controlling interests	133,304,252	118,527,955
Non-controlling interests	367,509,780	280,481,482
Total unrestricted net assets	500,814,032	399,009,437
Temporarily restricted – controlling (Note 11)	18,609,859	20,442,431
Total net assets	519,423,891	419,451,868
Total liabilities and net assets	\$1,433,220,715	\$1,327,087,272

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

MIDPEN HOUSING CORPORATION AND AFFILIATES
 COMBINED STATEMENTS OF ACTIVITIES
 YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Operating support and revenue:			
Rents – net of vacancies and concessions (Note 12)	\$ 104,342,888	\$ -	\$ 104,342,888
Ground lease income	6,763	-	6,763
Developer and management fee revenue	6,162,863	-	6,162,863
Grants and contributions	319,310	212,578	531,888
Investment and interest income	4,644,404	-	4,644,404
Other	2,558,469	-	2,558,469
Net assets released from restrictions (Note 11)	2,045,150	(2,045,150)	-
Total operating support and revenue	<u>120,079,847</u>	<u>(1,832,572)</u>	<u>118,247,275</u>
Operating expenses:			
Program services	72,158,669	-	72,158,669
Management and general	3,899,736	-	3,899,736
Total operating expenses	<u>76,058,405</u>	<u>-</u>	<u>76,058,405</u>
Change in net assets from operations	44,021,442	(1,832,572)	42,188,870
Other (income) expenses:			
Depreciation	40,729,505	-	40,729,505
Amortization	463,460	-	463,460
Loss on disposal of fixed assets	2,385,811	-	2,385,811
Financing costs	25,909,630	-	25,909,630
Partnership fees	264,633	-	264,633
Forgiveness of debt	(2,191,419)	-	(2,191,419)
Unrealized gains on derivative financial instruments (Note 10)	(778,325)	-	(778,325)
Total other (income) expenses	<u>66,783,295</u>	<u>-</u>	<u>66,783,295</u>
Change in net assets	(22,761,853)	(1,832,572)	(24,594,425)
Net assets, beginning of year	399,009,437	20,442,431	419,451,868
Purchase of non-controlling interests	(837,255)	-	(837,255)
Capital contributions, net of distributions and syndication costs	125,403,703	-	125,403,703
Net assets, end of year	<u>\$ 500,814,032</u>	<u>\$ 18,609,859</u>	<u>\$ 519,423,891</u>
Reconciliation of net assets:			
Controlling interest:			
Beginning of year			\$ 138,970,386
Transfers from non-controlling interests due to buyouts			13,014,457
Purchase of non-controlling interests			(837,255)
Controlling interests in non-profit corporation, limited liability company and limited partnership earnings (losses)			766,523
End of year			<u>151,914,111</u>
Non-controlling interest:			
Beginning of year			280,481,482
Transfers to controlling interests due to buyouts			(13,014,457)
Capital contributions, net of distributions and syndication costs			125,403,703
Non-controlling interests in limited partnership earnings (losses)			(25,360,948)
End of year			<u>367,509,780</u>
Net assets, end of year			<u>\$ 519,423,891</u>

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

MIDPEN HOUSING CORPORATION AND AFFILIATES
 COMBINED STATEMENTS OF ACTIVITIES
 YEARS ENDED DECEMBER 31, 2017 AND 2016

	2016		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Operating support and revenue:			
Rents – net of vacancies and concessions (Note 12)	\$ 90,718,783	\$ -	\$ 90,718,783
Ground lease income	9,660	-	9,660
Developer and management fee revenue	9,562,969	-	9,562,969
Grants and contributions	1,801,622	191,000	1,992,622
Investment and interest income	1,622,110	-	1,622,110
Other	1,929,303	-	1,929,303
Net assets released from restrictions (Note 11)	2,322,660	(2,322,660)	-
Total operating support and revenue	<u>107,967,107</u>	<u>(2,131,660)</u>	<u>105,835,447</u>
Operating expenses:			
Program services	64,728,832	-	64,728,832
Management and general	3,483,801	-	3,483,801
Total operating expenses	<u>68,212,633</u>	<u>-</u>	<u>68,212,633</u>
Change in net assets from operations	39,754,474	(2,131,660)	37,622,814
Other (income) expenses:			
Depreciation	\$ 35,081,776	\$ -	\$ 35,081,776
Amortization	351,028	-	351,028
Loss on disposal of fixed assets	2,330,362	-	2,330,362
Financing costs	23,470,547	-	23,470,547
Partnership fees	311,772	-	311,772
Forgiveness of debt	(923,701)	-	(923,701)
Unrealized gains on derivative financial instruments (Note 10)	(874,603)	-	(874,603)
Total other (income) expenses	<u>59,747,181</u>	<u>-</u>	<u>59,747,181</u>
Change in net assets	(19,992,707)	(2,131,660)	(22,124,367)
Net assets, beginning of year	360,320,944	22,276,997	382,597,941
Purchase of non-controlling interests	(168,957)	-	(168,957)
Affiliation of a new entity	(118,173)	297,094	178,921
Capital contributions, net of distributions and syndication costs	<u>58,968,330</u>	<u>-</u>	<u>58,968,330</u>
Net assets, end of year	<u>\$ 399,009,437</u>	<u>\$ 20,442,431</u>	<u>\$ 419,451,868</u>
Reconciliation of net assets:			
Controlling interest:			
Controlling interests			
Beginning of year			\$ 128,655,361
Transfers from non-controlling interests due to buyouts			9,868,015
Purchase of non-controlling interests			(168,957)
Affiliation of a new entity			178,921
Controlling interests in non-profit corporation, limited liability company and limited partnership earnings (losses)			437,046
End of year			<u>138,970,386</u>
Non-controlling interest:			
Beginning of year			253,942,580
Transfers to controlling interests due to buyouts			(9,868,015)
Capital contributions, net of distributions and syndication costs			58,968,330
Non-controlling interests in limited partnership earnings (losses)			(22,561,413)
End of year			<u>280,481,482</u>
Net assets, end of year			<u>\$ 419,451,868</u>

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

MIDPEN HOUSING CORPORATION AND AFFILIATES
 COMBINED STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (24,594,425)	\$ (22,124,367)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gains from investments	(2,204,745)	(844,924)
Unrealized gains on derivative financial instruments	(778,325)	(874,603)
Depreciation and amortization	41,192,965	35,432,804
Amortization of permanent loan costs	1,027,788	813,457
Loss on disposal of fixed assets	2,385,811	2,330,362
Forgiveness of debt	(2,191,419)	(923,701)
(Increase) decrease in assets:		
Accounts receivable	(158,847)	(744,107)
Prepaid expenses and other receivables	(369,684)	19,794
Restricted cash – impounds	890,525	172,735
Notes receivable	17,921	22,014
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(570,881)	(3,402,532)
Deferred revenue	(345,148)	561,537
Interest payable	7,373,005	8,751,930
Security and other deposits	200,741	188,707
Other non-current liabilities	1,119,785	(257,022)
Net cash provided by operating activities	22,995,067	19,122,084
Cash flows from investing activities:		
Net increase in investments	(622,597)	(527,167)
Net increase in restricted cash	(28,472,308)	(3,725,336)
Net increase in property and equipment	(50,960,372)	(67,220,831)
Net increase in development in progress	(61,566,965)	(99,659,892)
Net increase in other non-current assets	(4,278,941)	(3,542,974)
Net cash used in investing activities	(145,901,183)	(174,676,200)
Cash flows from financing activities:		
Payments of notes payable	(132,913,853)	(87,824,625)
Proceeds from notes payable	144,043,260	187,060,196
Payment of permanent loan costs	(2,268,860)	(816,840)
Capital contributions from non-controlling interests	127,352,559	60,274,292
Capital distributions to non-controlling interests	(1,342,542)	(760,912)
Payments of syndication costs	(606,315)	(545,050)
Purchase of non-controlling interests	(837,255)	(168,957)
Net cash provided by financing activities	133,426,994	157,218,104
Net increase in cash and cash equivalents	10,520,878	1,663,988
Cash and cash equivalents, beginning of year	\$ 53,358,512	\$ 51,694,524
Cash and cash equivalents, end of year	\$ 63,879,390	\$ 53,358,512
Supplementary information:		
Cash paid for interest	\$ 18,580,508	\$ 15,881,602
Noncash investing and financing activities:		
Transfer from development in progress to property and equipment	\$ 120,123,823	\$ 93,108,592
Assets acquired by incurring liabilities	\$ 16,151,939	\$ 24,980,966

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

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

MidPen Housing Corporation (MidPen or the Corporation) is a California non-profit public benefit corporation, founded in 1970 for the purpose of developing affordable housing communities for low- and very low-income residents. MidPen's mission is to provide high-quality, safe, and affordable housing to those in need; to help establish stability and opportunity in the lives of its residents; and to foster communities that allow citizens from all ethnic, social and economic backgrounds to live in dignity, harmony and mutual respect. Over more than four decades, MidPen has built a strong reputation as an innovative developer with a focus on effective financial management that ensures its properties maintain affordability into perpetuity.

MidPen has developed or rehabilitated over 130 affordable housing communities and over 8,300 homes for low-income families, seniors, and special needs individuals across eleven Northern California counties. MidPen maintains its own property management services through MidPen Property Management Corporation (MidPen Management). MidPen Resident Services Corporation (MidPen Services) delivers onsite programs, education and services to MidPen residents of all ages to help them advance in all areas of their lives.

MidPen is committed to strategically utilizing its strong financial position to increase the availability of affordable housing in Northern California. The Corporation will continue to invest in infrastructure; particularly in its property and asset management and services activities in order to leverage new funding and program opportunities. MidPen intends to open new and/or rehabilitated affordable properties annually in response to the housing needs of the cities and counties it serves.

MidPen is affiliated, and under common board control, with other non-profit corporations which have been formed either as supporting entities to MidPen, or as instruments to further MidPen's organizational objectives. The entities listed below are included in the combined financial statements in accordance with generally accepted accounting principles (GAAP):

- MidPen Management, a California non-profit public benefit corporation, which was incorporated in November 1970 to provide property management services that include the oversight of housing programs for low-income individuals and families, including elderly and disabled persons, in accordance with requirements of the U.S. Department of Housing and Urban Development (HUD), the California Department of Housing and Community Development, the California Housing Finance Agency, the State of California Tax Credit Allocation Committee, and other governmental agencies.
- MidPen Services, a California non-profit public benefit corporation, which was incorporated in November 2000 to provide direct educational and social services to residents of housing developments managed by MidPen Management. In addition, MidPen Services coordinates extensive additional services provided to MidPen residents in partnership with over 300 third-party organizations.
- Mid-Peninsula The Farm, Inc. (The Farm Inc.), a Community Housing Development Organization, which was incorporated in California in June 1991 as a non-profit public benefit corporation. The Farm Inc. develops and provides safe, affordable housing for the communities it serves. The Farm Inc.'s board of directors includes some members from MidPen's board of directors and staff, as well as residents which meet the one-third low-income representation requirement.
- Hello Housing, a California non-profit public benefit corporation, became an affiliate of MidPen on March 22, 2016. Hello Housing is engaged in housing, programs and services for underserved populations including, but not limited to, low-income individuals and individuals with special needs.
- Italian Gardens, Inc., a California non-profit public benefit corporation, was formed in January 2005 to acquire a condominium interest in certain real property located in Foster City, California, and leases the property to MidPen for use as its corporate office.

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
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- Two subsidiaries, MP Land Holdings, LLC, whose sole member is MidPen, and St. Matthew San Mateo, Inc. MP Land Holdings, LLC was established to acquire and own parcel(s) of land during the early stage of prospective affordable housing developments. St. Matthew San Mateo, Inc. owns and operates St. Matthew Retail, a building consisting of 3,527 square feet of commercial space.
- Two communities, Los Gatos Fourplex (4 residential units) and Willow Terrace (31 residential units), which are wholly-owned by MidPen.
- M.C. Homes, Inc., the sole member of Vineyard Place, LLC which was established to build single-family homes within the City of American Canyon. The houses were marketed under a Below Market Rate program with the City of American Canyon. As of December 31, 2017, there were two unsold homes, currently being leased to low-income tenants.

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
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- Affordable housing limited partnerships with single-purpose non-profit corporations holding controlling general partner interests:

Entity Name	Property Name	General Partner	Ownership	Property Location	Property Size		Property Type(s)
					Residential Units	Commercial Square Feet	
Aptos Blue Associates, L.P.	Aptos Blue	Mid-Peninsula The Farm, Inc.	0.01%	Aptos, CA	40	N/A	Family
Arbor Park Community, L.P.	Arbor Park	MP Santa Clara, Inc.	0.01%	San Jose, CA	75	2100	Mixed Use, Family
Bridgeway East, L.P.	Rotary Bridgeway	MP Preservation, Inc.	0.005%	Fremont, CA	18	N/A	Family, Special Needs
City Center Plaza, L.P.	City Center Plaza	MP City Center Plaza LLC (sole member is Mid-Peninsula Half Moon Bay, Inc.)	0.01%	Redwood City, CA	81	1,030	Mixed Use, Family
Fremont Main Street Village, L.P.	Main Street	MP Preservation, Inc.	51.00%	Fremont, CA	64	3,527	Mixed Use, Family, Special Needs
Garland Plaza Associates, L.P.	Garland Plaza	Garland Plaza LLC (sole member is Mid-Peninsula Carroll Street, Inc.)	0.01%	Sunnyvale, CA	20	N/A	Family
Half Moon Village Associates, L.P.	Half Moon Village	Half Moon Village I LLC (sole member is Mid-Peninsula Half Moon Bay, Inc.)	0.01%	Half Moon Bay, CA	45	N/A	Senior
Half Moon Village Phase II Associates, L.P.	Half Moon Village Phase II	MP Half Moon Village II LLC (sole member is Mid-Peninsula Half Moon Bay, Inc.)	0.01%	Half Moon Bay, CA	115	N/A	Senior
Kottinger Gardens Phase I Associates, L.P.	Kottinger Gardens Phase I	Kottinger Gardens Phase I LLC (sole member is MP Perservation Inc.)	0.01%	Pleasanton, CA	131	N/A	Senior
Laguna Commons Associates, L.P.	Laguna Commons	MP Laguna Commons LLC (sole member is Mid-Peninsula Pickering, Inc.)	0.005%	Fremont, CA	64	N/A	Family, Special Needs
Laureola Oaks Associates	Laureola Oaks	Mid-Peninsula San Carlos Corporation	1.00%	San Carlos, CA	16	N/A	Family
Main Street Park I, L.P.	Main Street Park I	Main Street Park I LLC (members are Mid-Peninsula Half Moon Bay, Inc. and MV Central Park Apartments, Inc.)	0.01%	Half Moon Bay, CA	36	N/A	Family

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Entity Name	Property Name	General Partner	Ownership	Property Location	Property Size		Property Type(s)
					Residential Units	Commercial Square Feet	
Marymead Affordable Housing, L.P.	Marymead	MP Preservation, Inc. (a member of Marymead Affordable Housing LLC)	0.0067%	Marysville, CA	68	N/A	Family
MidPen Donner Associates, L.P.	Donner Lofts	MP Donner Lofts LLC (sole member is Mid-Peninsula Seven Trees, Inc.)	0.01%	San Jose, CA	102	2,684	Special Needs
Mid-Peninsula Castroville Associates	Cynara Court	Mid-Peninsula Tyrella Corporation, Inc.	0.01%	Castroville, CA	58	750	Mixed Use, Family
MP Central Park Associates	Paulson Park Phase II	MV Central Park Apartments, Inc.	0.01%	Mountain View, CA	104	N/A	Senior
MP Delaware Pacific Associates, L.P.	Delaware Pacific	MP Delaware Pacific LLC (sole member is Mid-Peninsula Greenridge, Inc.)	0.01%	San Mateo, CA	60	N/A	Family
MP East Maude Associates, L.P.	Onizuka Crossing	MP East Maude LLC (sole member is Mid-Peninsula The Farm, Inc.)	0.01%	Sunnyvale, CA	58	N/A	Family, Special Needs
MP Fair Oaks I, L.P.	Fair Oaks	Mid-Peninsula Carroll Street, Inc.	0.01%	Sunnyvale, CA	124	N/A	Senior
MP Foster Square Associates, LP	Alma Point at Foster Square	MP Foster Square LLC (sole member is Mid-Peninsula Seven Trees, Inc.)	0.01%	Foster City, CA	66	N/A	Senior
MP Hillsdale Townhouses, L.P.	Hillsdale Townhouses	Mid-Peninsula Tyrella Corporation, Inc.	0.01%	San Jose, CA	48	N/A	Family
MP Manzanita Associates	Manzanita Place	Mid-Peninsula The Farm, Inc.	0.01%	East Garrison, CA	66	N/A	Family
MP Milpitas Affordable Housing Associates	DeVries Place	MP Milpitas Affordable Housing LLC (sole member is Mid-Peninsula Scotts Valley, Inc.)	0.01%	Milpitas, CA	103	N/A	Senior
MP Minto Associates, L.P.	Schapiro Knolls (Minto)	Mid-Peninsula The Farm, Inc.	0.01%	Watsonville, CA	88	N/A	Family
MP Mission Associates	Mission Gateway	Mid-Peninsula Coastside, Inc.	0.01%	Union City, CA	121	2,481	Mixed Use, Family

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

<i>Entity Name</i>	<i>Property Name</i>	<i>General Partner</i>	<i>Ownership</i>	<i>Property Location</i>	<i>Property Size</i>		<i>Property Type(s)</i>
					<i>Residential Units</i>	<i>Commercial Square Feet</i>	
MP Monte Vista Associates	Monte Vista Terrace	MV Central Park Apartments, Inc.	0.01%	Mountain View, CA	150	N/A	Senior
MP Parkhurst Associates	Parkhurst Terrace	Mid-Peninsula The Farm, Inc.	0.01%	Aptos, CA	68	N/A	Family
MP San Mateo Transit Associates, L.P.	Peninsula Station	MP Mezes, Inc.	0.01%	San Mateo, CA	68	1,886	Mixed Use, Family
MP South City, L.P.	636 El Camino A	Mid-Peninsula Greenridge, Inc.	0.01%	South San Francisco, CA	62	5,735	Mixed Use, Family
MP South City II, L.P.	636 El Camino B	Mid-Peninsula Greenridge, Inc.	0.01%	South San Francisco, CA	47	N/A	Family
MP Springs Family Associates, LP	Fetters Apartments	MP Springs Family LLC (sole member is Mid-Peninsula Seven Trees, Inc.)	0.01%	Sonoma, CA	60	N/A	Family
MP St Stephens Associates, LP	St Stephens Senior Housing	Mid-Peninsula Castroville, LLC (sole member is Mid-Peninsula Scotts Valley, Inc.)	0.01%	Santa Cruz, CA	40	N/A	Senior
MP Sunny Meadows Associates, L.P.	Sunny Meadows	MP 220 Ross Avenue LLC (sole member is Mid-Peninsula San Carlos Corporation)	0.01%	Freedom, CA	200	N/A	Family
MP Timberwood Associates	Timberwood	MV Central Park Apartments, Inc.	0.01%	San Jose, CA	286	N/A	Family
MP Transit Center Associates	Via del Mar	Mid-Peninsula The Farm, Inc.	0.01%	Watsonville, CA	40	N/A	Family
MP Tyrella Associates	Tyrella Gardens	MP Preservation, Inc.	0.01%	Mountain View, CA	56	N/A	Family
MP Union City TOD I, L.P.	Station Center Phase I	Union City TOD I LLC (sole member is Mid-Peninsula Coastsides, Inc.)	0.01%	Union City, CA	100	8,400	Mixed Use, Family
MP Union City TOD II, L.P.	Station Center Phase II	Union City TOD II LLC (sole member is Mid-Peninsula Coastsides, Inc.)	0.01%	Union City, CA	57	N/A	Family

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
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<i>Entity Name</i>	<i>Property Name</i>	<i>General Partner</i>	<i>Ownership</i>	<i>Property Location</i>	<i>Property Size</i>		<i>Property Type(s)</i>
					<i>Residential Units</i>	<i>Commercial Square Feet</i>	
MP Vineyard Crossings, L.P.	Vineyard Crossings	MP Santa Clara, Inc.	0.01%	American Canyon, CA	145	N/A	Family
MP Westlake Associates, LP	Sweeney Lane Apartments	MP Westlake LLC (sole member is Mid-Peninsula The Farm, Inc.)	0.01%	Daly City, CA	52	3,125	Family
New Century Village, L.P.	Century Village	MP Century Village LLC (sole member is Mid-Peninsula Pickering, Inc.)	0.01%	Fremont, CA	100	N/A	Family
New Homestead Associates	Moulton Plaza	Mid-Peninsula Coastside, Inc.	0.01%	Sunnyvale, CA	66	N/A	Family, Senior
Riverwood Grove Associates	Riverwood Grove	MP Santa Clara, Inc.	0.010%	Santa Clara, CA	71	N/A	Family
Riverwood Place Associates	Riverwood Place	MP Santa Clara, Inc.	0.009%	Santa Clara, CA	148	N/A	Single Room Occupancy
Sequoia Belle Haven, L.P.	Sequoia Belle Haven	Sequoia Belle Haven LLC (sole member is Mid-Peninsula The Farm, Inc.)	0.01%	Menlo Park, CA	90	N/A	Senior
Sharmon Palms Lane Associates, L.P.	Sharmon Palms Lane	Sharmon Palms Lane LLC (members are Mid-Peninsula Palms II, Inc. and MV Central Park Apartments, Inc.)	0.01%	Campbell, CA	60	N/A	Family
University Senior Apartments, LP	Serenity Senior Apartments	MP-CANDO University Avenue Senior Housing LLC (Mid-Peninsula Farm Inc is the manager member, owns 51% of the LLC)	0.01%	East Palo Alto, CA	41	N/A	Senior
Vista Meadows Associates, L.P.	Vista Meadows	Vista Meadows, LLC (sole member is Mid-Peninsula The Farm, Inc.)	0.01%	Hollister, CA	72	N/A	Senior
Woodlands Newell Associates, L.P.	Woodlands Newell	Woodlands Newell LLC (sole member is Mid-Peninsula The Farm, Inc.)	0.01%	East Palo Alto, CA	49	N/A	Family

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
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- Affordable housing limited partnerships and limited liability companies that are wholly owned by MidPen affiliated entities:

<i>Entity Name</i>	<i>Property Name</i>	<i>General Partner</i>	<i>Property Location</i>	<i>Property Size</i>		<i>Property Type(s)</i>
				<i>Residential Units</i>	<i>Commercial Square Feet</i>	
Arbor Park Community, L.P.	Arbor Park	MP Santa Clara, Inc. / MP Arbor Park LLC (sole member is Mid-Peninsula Baker Park, Inc.)	San Jose, CA	75	2,100	Mixed Use, Family
Aster Park	Aster Park	Mid-Peninsula Coalition Aster Park Corporation / Mid-Peninsula San Ramon Corporation	Sunnyvale, CA	95	N/A	Family
Carroll Street Associates	Carroll Inn	Mid-Peninsula Carroll Street, Inc. / MP Carroll Inn LLC (sole member is Mid-Peninsula Baker Park, Inc.)	Sunnyvale, CA	122	N/A	Single Room Occupancy
Coastside Associates	Moonridge I	Mid-Peninsula Coastside, Inc. / MP Moonridge I LLC (sole member is Mid-Peninsula Half Moon Bay, Inc.)	Half Moon Bay, CA	80	3,727	Mixed Use, Family
EPA Woodlands Associates	Willow Court	Mid-Peninsula Woodlands Corporation / Mid-Peninsula San Ramon Corporation	Menlo Park, CA	6	N/A	Family
Ginzton Associates	Ginzton Terrace	Mid-Peninsula Ginzton, Inc. / Mid-Peninsula San Ramon Corporation	Sunnyvale, CA	107	N/A	Senior
Gloria Way Associates	Bay Oaks Apartments	MP Can Do Inc. / Bay Oaks LLC (sole member is MP Can Do, Inc.)	East Palo Alto, CA	38	N/A	Family
Hermanas II Associates, L.P.	Main Street Park II	Mid-Peninsula Coastside, Inc. / MP Main Street Park II LLC (sole member is Mid-Peninsula Half Moon Bay, Inc.)	Half Moon Bay, CA	28	N/A	Family
Holy Family Associates	Santa Familia	Mid Peninsula Holy Family Corporation / Mid-Peninsula San Ramon Corporation	San Jose, CA	79	N/A	Family

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

<i>Entity Name</i>	<i>Property Name</i>	<i>General Partner</i>	<i>Property Location</i>	<i>Property Size</i>		<i>Property Type(s)</i>
				<i>Residential Units</i>	<i>Commercial Square Feet</i>	
Mid-Peninsula San Pedro Associates, L.P.	San Pedro Commons	Mid-Peninsula San Pedro, Inc. / MP San Pedro Commons LLC (sole member is Mid-Peninsula Half Moon Bay, Inc.)	Colma, CA	74	1,990	Mixed-Use, Senior
Moonridge Associates	Moonridge II	Mid-Peninsula Half Moon Bay, Inc. / MP Moonridge II LLC (sole member is Mid-Peninsula Half Moon Bay, Inc.)	Half Moon Bay, CA	80	N/A	Family
MP Baker Park LLC	Baker Park	Mid-Peninsula Seven Trees, Inc.	San Jose, CA	98	N/A	Family
MP Central Park Associates	Paulson Park Phase I	MV Central Park Apartments, Inc. / Mid-Peninsula Ginzton, Inc.	Mountain View, CA	149	N/A	Senior
MP Geil Street LLC	Geil Street Apartments	Mid-Peninsula Seven Trees, Inc.	Castroville, CA	11	N/A	Family
MP Greenridge Associates	Greenridge	Mid-Peninsula Greenridge, Inc. / MP Greenridge LLC (sole member is Mid-Peninsula Half Moon Bay, Inc.)	South San Francisco, CA	34	N/A	Family
MP Homestead Park Associates	Homestead Park	MP Preservation, Inc. / MP Homestead Park LLC (sole member is Mid-Peninsula Baker Park, Inc.)	Sunnyvale, CA	211	N/A	Family
MP Italian Gardens Associates	Italian Gardens	MP Santa Clara, Inc. / MP Italian Gardens LLC (sole member is Mid-Peninsula Baker Park, Inc.)	San Jose, CA	148	N/A	Family
MP Latham Associates	Maryce Freelen Place	MP Mezes, Inc. / MP Shorebreeze LLC (sole member is Mid-Peninsula Baker Park, Inc.)	Mountain View, CA	74	N/A	Family
MP Morse Court Associates	Morse Court	Mid-Peninsula Coalition Monte Vista Terrace Corporation / Mid-Peninsula San Ramon Corporation	Sunnyvale, CA	35	N/A	Family
MP Murphy's Associates	Jardines del Valle	Mid-Peninsula Murphy's Inc. / Mid-Peninsula Jardines De Valle, LLC (sole member is Mid-Peninsula San Carlos Corporation)	Watsonville, CA	18	N/A	Family

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

<i>Entity Name</i>	<i>Property Name</i>	<i>General Partner</i>	<i>Property Location</i>	<i>Property Size</i>		<i>Property Type(s)</i>
				<i>Residential Units</i>	<i>Commercial Square Feet</i>	
MP New Communities Associates	Villas del Paraiso	Mid-Peninsula Scotts Valley, Inc. / MP Villas del Paraiso LLC (sole member is Mid-Peninsula San Carlos Corporation)	Watsonville, CA	51	N/A	Family
MP Oroysom Limited Partnership	Oroysom Village	Mid-Peninsula Oroysom, Inc. / MP Oroysom LLC (sole member is Mid-Peninsula Pickering, Inc.)	Fremont, CA	60	N/A	Family
MP Palo Alto Gardens LLC	Palo Alto Gardens	Mid-Peninsula Baker Park, Inc.	Palo Alto, CA	156	N/A	Family/Senior
MP Redwood Court Associates	Redwood Court	Mid-Peninsula Coalition Monte Vista Terrace Corporation / Mid-Peninsula San Ramon Corporation	Redwood City, CA	27	N/A	Family
MP Runnymede Associates	Runnymede Gardens	MP Preservation, Inc. / MP Runnymede LLC (sole member is Mid-Peninsula Half Moon Bay, Inc.)	East Palo Alto, CA	78	N/A	Senior
MP San Andreas Associates	San Andreas	Mid-Peninsula The Farm, Inc. / MP San Andreas LLC (sole member is Mid-Peninsula San Carlos Corporation)	Watsonville, CA	43	N/A	Family
MP Scotts Valley Associates	Emerald Hill	Mid-Peninsula Scotts Valley, Inc. / MP Emerald Hill LLC (sole member is Mid-Peninsula San Carlos Corporation)	Scotts Valley, CA	46	N/A	Family
MP Shoreline Associates	Shorebreeze	Mid-Peninsula Shoreline Inc. / MP Shorebreeze LLC (sole member is Mid-Peninsula Baker Park, Inc.)	Mountain View, CA	120	N/A	Family, Senior
MP Tice Oaks Associates	Tice Oaks	MP Preservation, Inc. / MP Tice Oaks LLC (sole member is Mid-Peninsula Pickering, Inc.)	Walnut Creek, CA	91	N/A	Senior
Open Doors Associates	Open Doors	Mid-Peninsula Ginzton, Inc. / Mid-Peninsula San Ramon Corporation	Los Gatos, CA	64	N/A	Family
Pickering Associates	Pickering Place	Mid-Peninsula Pickering, Inc. / Mid-Peninsula Coastside, Inc.	Fremont, CA	43	N/A	Family

MIDPEN HOUSING CORPORATION AND AFFILIATES
 NOTES TO COMBINED FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016

<i>Entity Name</i>	<i>Property Name</i>	<i>General Partner</i>	<i>Property Location</i>	<i>Property Size</i>		<i>Property Type(s)</i>
				<i>Residential Units</i>	<i>Commercial Square Feet</i>	
St. Matthew Associates, L.P.	St. Matthew Apartments	MP St. Matthew, Inc. /MP St. Matthew LLC (sole member is Mid-Peninsula Half Moon Bay, Inc.)	San Mateo, CA	56	N/A	Single Room Occupancy
Sunset Creek Partners	Sunset Creek	Mid-Peninsula Fairfield Corporation / MP Sunset Creek LLC (sole member is Mid-Peninsula Pickering, Inc.)	Fairfield, CA	76	1,980	Mixed Use, Family
The Farm Associates	The Farm Family Housing	Mid-Peninsula Ginzton, Inc. / Mid-Peninsula San Ramon Corporation	Soquel, CA	39	2,178	Mixed Use, Family
Willow Gardens Housing Associates	Willow Gardens	Mid-Peninsula San Ramon Corporation / MP Willow Gardens, Inc.	South San Francisco, CA	36	N/A	Family

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

- Non-profit corporations owning and operating affordable housing:

<i>Entity Name</i>	<i>Property Name</i>	<i>Property Location</i>	<i>Property Size</i>		<i>Property Type(s)</i>
			<i>Residential Units</i>	<i>Commercial Square Feet</i>	
Crescent Terrace, Inc.	Crescent Terrace	Sunnyvale, CA	48	N/A	Senior
Cupertino Community Housing for the Disabled, Inc.	Le Beaulieu	Cupertino, CA	27	N/A	Special Needs
Homeport, Inc.	Homeport	San Jose, CA	15	N/A	Special Needs
Menlo Gateway, Inc.	Gateway Apartments	Menlo Park, CA	130	N/A	Family
Mid Peninsula Horizons, Inc.	Horizons	Belmont, CA	24	N/A	Special Needs
Mid-Peninsula Coalition Belle Haven, Inc.	Jessie Street	Santa Cruz, CA	14	N/A	Special Needs
Mid-Peninsula Coalition Belle Haven, Inc.	Sundial	South San Francisco, CA	11	3,303	Mixed Use, Single Room Occupancy
Mid-Peninsula Colma Ridge, Inc.	Colma Ridge	Colma, CA	20	N/A	Special Needs
Mid-Peninsula Country Hills, Inc.	Country Hills	San Jose, CA	152	N/A	Family
Mid-Peninsula Ginzton, Inc.	Dent Commons	San Jose, CA	23	N/A	Special Needs
Mid-Peninsula Oroysom Senior Housing, Inc.	Avelina	Fremont, CA	41	N/A	Senior
Mid-Peninsula Page Mill Court, Inc.	Page Mill Court	Palo Alto, CA	24	N/A	Special Needs
Milagro Independent Living, Inc.	Milagro Independent	San Jose, CA	15	N/A	Special Needs
San Veron Park Corporation	San Veron Park	Mountain View, CA	32	N/A	Family
Saratoga Court, Inc.	Saratoga Court	Saratoga, CA	20	N/A	Senior
Vivente 2, Inc.	Vivente II	San Jose, CA	29	N/A	Special Needs
Vivente I, Inc.	Vivente I	San Jose, CA	29	N/A	Special Needs

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

• Properties under development or major rehabilitation:

<i>Entity Name</i>	<i>Property Name</i>	<i>General Partner or Managing Partner/Limited Partner</i>	<i>Ownership</i>	<i>Property Location</i>	<i>Property Size</i>		<i>Property Type(s)</i>
					<i>Residential Units</i>	<i>Commercial Square Feet</i>	
Brooklyn Basin Associates I, L.P.	Brooklyn Basin I	MP Brooklyn Basin I LLC (sole member is Mid-Peninsula Pickering, Inc.)	100.00%	Oakland, CA	101	N/A	Family
Brooklyn Basin Associates II, L.P.	Brooklyn Basin II	MP Brooklyn Basin II LLC (sole member is Mid-Peninsula Pickering, Inc.)	100.00%	Oakland, CA	110	N/A	Senior
Chestnut Square Family Associates, L.P.	Chestnut Square Family Housing	MP Chestnut Square Family LLC (sole member is Mid-Peninsula Pickering, Inc.)	100.00%	Livermore, CA	42	N/A	Family
Chestnut Square Senior Associates, L.P.	Chestnut Square Senior Apartments	MP Chestnut Square Senior LLC (solely owned by Mid-Peninsula Pickering, Inc.)	0.01%	Livermore, CA	72	N/A	Senior
Hello Housing	Oakland Tax-default Lots	Hello Housing	100.00%	Oakland, CA	30	N/A	Family
Housing First, LLC	Garden Street Homes	Hello Housing	100.00%	East Palo Alto, CA	4	N/A	Family
Kottinger Gardens Phase 2 Associates, L.P.	Kottinger Gardens Phase 2	Kottinger Gardens Phase 2 LLC (sole member is MP Preservation, Inc.)	0.01%	Pleasanton, CA	54	N/A	Senior
MidPen Housing Corporation	Roseland Village	N/A	100.00%	Santa Rosa, CA	75	N/A	Family
MidPen Housing Corporation	Alameda Point Collaborative	N/A	100.00%	Alameda, CA	269	N/A	Family, Special Needs
MidPen Housing Corporation	Gateway Family New Construction	N/A	100.00%	Menlo Park, CA	141	N/A	Family
MP 1283 Willow LLC	1283 Willow	Mid-Peninsula Half Moon Bay, Inc.	100.000%	Menlo Park	27	N/A	Workforce Housing
MP 21 Soledad Street, L.P.	Moon Gate Plaza	MP 21 Soledad Street LLC (solely owned by Farm Inc.)	100.00%	Salinas, CA	90	N/A	Special Needs
MP Atherton Court LLC	Mosaic Garden at Friendly Acres	Owned by two members: Seven Trees Inc (mgt member) and Baker Park Inc.	100.00%	Redwood City, CA	55	N/A	Special Needs
MP Bradford Associates, L.P.	Arroyo Green Apartments	MP Bradford Senior Housing LLC (sole member is Mid-Peninsula Half Moon Bay, Inc.)	100.00%	Redwood City, CA	117	N/A	Senior

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Entity Name	Property Name	General Partner or Managing Partner/Limited Partner	Ownership	Property Location	Property Size		Property Type(s)
					Residential Units	Commercial Square Feet	
MP Edwina Benner Associates, L.P.	Edwina Benner Plaza	MP 460 Persian LLC (sole member is Baker Park Inc.)	100.00%	Sunnyvale, CA	66	N/A	Special Needs
MP Eight Trees LLC	Eight Trees	Mid-Peninsula Baker Park, Inc.	100.000%	Sunnyvale, CA	24	N/A	Family
MP Moss Beach Associates, L.P.	Cypress Point	MP Moss Beach Homes, LLC (sole member is Mid-Peninsula Half Moon Bay, Inc.)	100.00%	Moss Beach, CA	71	N/A	Family
MP Pippin Associates, L.P.	Pippin Ochards Apartments	MP Pippin Apartments LLC	0.01%	Watsonville, CA	46	N/A	Family, Special Needs
MP Shorebreeze Associates, L.P.	Shorebreeze Expansion	MP Shorebreeze Expansion LLC (sole member is Mid-Peninsula Baker Park, Inc.)	100.00%	Livermore, CA	62	N/A	Family
MP Springs Senior Associates, L.P.	Celestina Garden Apartments	MP Springs Senior LLC (sole member is Mid-Peninsula Seven Trees, Inc.)	100.00%	Sonoma, CA	40	N/A	Senior
MP Van Buren Associates, L.P.	Van Buren Senior Apartments	MP Van Buren Apartments LLC	0.01%	Monterey, CA	19	N/A	Senior
Stevenson Place Associates, L.P.	Stevenson Place	MP Stevenson Place LLC (sole member is Mid-Peninsula Pickering, Inc.)	100.00%	Fremont, CA	80	N/A	Family
Sunflower Hill Livermore, L.P.	Sunflower Hill Livermore	Sunflower Hill Livermore LLC (Mid-Peninsula Pickering Inc 51%, Sunflower Hill Inc 49%)	100.00%	Livermore, CA	45	N/A	Special needs

Entities Excluded From Combined Financial Statements

The combined financial statements do not include the following entities for which MidPen's officers and/or board are deemed not to have majority control:

- SR Senior Housing Inc., a single-purpose non-profit corporation holding a general partner interest of 1% in SR Fountains Limited Partnership.
- SR Fountains Limited Partnership, of which MidPen is a limited partner holding 33% of partnership interest.

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

Non-profit Corporations

The combined financial statements include the accounts of MidPen and other non-profit entities that are commonly controlled or majority controlled by MidPen's officers or board of directors. Other non-profit entities, over which MidPen does not exercise majority control, are not included in the combined financial statements. All material intercompany balances and transactions have been eliminated in the combined financial statements.

Limited Partnerships

All assets, liabilities, and partners' capital of the partnerships that are controlled by the Corporation are included in the combined financial statements. The partners' capital of the partnerships is divided into two types: unrestricted – controlling interests (capital that is held by the Corporation) and unrestricted – non-controlling interests (capital that is held by third parties, typically limited partners). All material intercompany balances and transactions have been eliminated in the combined financial statements.

In accordance with GAAP, when the purchase price of an investment exceeds the original limited partner's proportionate capital in the partnership's capital at the time of purchase, the difference should be related to the partnership's tangible and intangible assets based on their fair values. Any difference that cannot be related to specific assets should be recognized as goodwill.

Partnerships which the Corporation does not control, but over which the Corporation exercises significant influence, are included in the combined financial statements using the equity method of accounting. Under the equity method, the Corporation's share of the net capital in these limited partnerships is shown as an asset (Investments in Other Companies). Intercompany balances and transactions are not eliminated under the equity method.

Eliminations

Material intercompany balances and transactions between controlled entities are eliminated in the combined financial statements. Examples include: elimination of the profit portion of developer fee revenue on MidPen and The Farm Inc.'s books against the developer fee cost which is capitalized in the building cost on a partnership's books; elimination of property management and bookkeeping fees on MidPen Management's books against the corresponding operating expenses on a partnership or property's books; elimination of receivables from partnerships, properties, and projects on the Corporation's books against the corresponding payables on the partnerships, properties, and projects' books. Due to the significant amount of work the Corporation performs between controlled entities, eliminations are very material. Financial statements for each of the Corporation's major business components, prior to eliminations, are available in the Supplementary Information.

Accounting Method

The Corporation uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 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. Differences between the estimations and actual results are not material.

Basis of Presentation

Under GAAP, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, if applicable.

The combined financial statements generally reflect the same classification of net assets as appears on the individual financial statements of each affiliated entity, except for the following:

- Unamortized portion of capital advances from HUD under the Section 202 or Section 811 programs, which are recorded as temporarily restricted net assets in the combined financial statements, but as unrestricted net assets in the individual financial statements.
- Unamortized portion of recoverable grants from American Recovery and Reinvestment Act of 2009 (ARRA), which are recorded as temporarily restricted net assets in the combined financial statements, but as deferred revenue in the individual financial statements.

Revenue Recognition

Contributions

Contributions are recognized as revenue when they are unconditionally committed. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as unrestricted support, temporarily restricted support, or permanently restricted support, depending on the absence or existence of donor-imposed restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions. If donors' restrictions are satisfied in the same period that the contribution is received, the contribution is reported as unrestricted support. Contributions restricted for the purchase of long-lived assets are reported as unrestricted support when expended for that purpose.

There were no permanently restricted net assets as of December 31, 2017 and 2016.

Government grants, excluding fee-for-service or cost-reimbursement type contracts, are treated as contributions.

Rental Income

Rental income is shown net of vacancies and concessions. Rental units occupied by employees are included in rental income and as an expense of operations.

MIDPEN HOUSING CORPORATION AND AFFILIATES
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Developer Fees – Multi-Family Rental Housing Projects

Developer fees for development of multi-family rental projects are recognized when earned. The Corporation and The Farm Inc. typically record developer fee on a pro-rata basis as development of the project is completed. 10% of the fee is deferred until completion of the cost certification; 5% is deferred until the Internal Revenue Service Form 8609 is received.

Developer fee profits recognized from combined affiliates or consolidated subsidiaries are eliminated as intercompany transactions. The Corporation and The Farm Inc. estimate that 89.2% and 86.7% of their developer fees cover related project costs in 2017 and 2016, respectively. Project costs include costs of development, such as consultants, allocated internal salaries and benefits, related overhead, and other non-reimbursed fees that are ordinarily capitalized. Therefore, real property costs and associated depreciation have been reduced by 10.8% and 13.3% of the developer fees in 2017 and 2016, respectively.

Cash, Cash Equivalents, and Concentration of Credit Risk

Cash is defined as cash in demand deposit accounts as well as cash on hand. Not included as cash are funds restricted as to their use, regardless of liquidity, such as impounds, cash collateral security, replacement reserves, operating reserves, affordability reserves, residual receipts reserves, resident services reserves, construction bond reserves and tenant security deposits. Certain restricted deposits are held by mortgage lenders, trustees, and/or governmental agencies. The Corporation maintains cash on deposit at financial institutions in excess of the Federal Deposit Insurance Corporation or the National Credit Union Administration limits. The uninsured cash balance, including restricted accounts, but excluding deposits held by the lender, trustee, or governmental agency, was approximately \$60,700,000 as of December 31, 2017. The Corporation has not experienced any losses in such accounts and continuously seeks ways to mitigate significant cash credit risk, including securing a \$20 million surety bond covering an equivalent amount of the Corporation's funds.

Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, money market accounts and investments with original maturities of three months or less qualify as cash equivalents.

Accounts Receivable

Billed and unpaid tenant rents are recorded as accounts receivable, which is shown net of allowance for uncollectible accounts of \$54,813 and \$30,173 as of December 31, 2017 and 2016, respectively.

The allowances for uncollectible accounts are determined on specific identification basis, based upon management's assessment. Based on an assessment of the customer's current credit worthiness, an estimate of the balance that may not be collected is made. In addition, an amount of estimated credit losses on the aggregate remaining accounts receivable is made based on past collection experience. Once all efforts to collect have been undertaken, the unpaid balance is written off as a charge to the allowance for doubtful accounts or loan losses. Subsequent recoveries, if any, are credited to the allowance.

In addition, balances included receivables from affiliates and projects for operational advances, construction advances and/or development and other fees, and land leases. Such amounts are generally either received during the subsequent year, or become notes receivable over a longer period. All material intercompany balances and transactions have been eliminated in the combined financial statements.

Notes Receivable

Notes receivable represents acquisition financing provided to a third party and payment plans for residential rent due. The third-party note is stated at unpaid principal balance, less an allowance of \$365,992 and \$346,208 as of December 31, 2017 and 2016, respectively, for the portion considered as forgiven, and is collateralized by the property. The rental payment plans are stated at unpaid principal balances.

MIDPEN HOUSING CORPORATION AND AFFILIATES
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Fair Value Measurements

Under GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

GAAP establish a fair value 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. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Corporation. Unobservable inputs, if any, reflects the Corporation’s assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is, markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed, and the differences could be material.

Investments in Other Companies

Investments in other companies, over which the Corporation’s officers and/or board are deemed not to have majority control, are accounted for using the cost or equity method of accounting depending upon the existence or absence of significant influence. Under the equity method, the investments are initially recorded at cost then adjusted for the proportionate share of undistributed earnings or losses. Investments in other companies which are majority controlled by the Corporation are eliminated in the combined financial statements.

Development in Progress

Project Cost Reimbursements and Development Expenses

MidPen incurs costs during the development phase of each affordable housing project undertaken. Such costs include governmental fees, legal and consulting fees, and supplies needed to investigate the feasibility and arrange for the financing of each project under consideration. MidPen records these costs as assets (development in progress) and the costs are usually recoverable from the projects either from loan proceeds, limited partner contributions or residual receipts generated by project operations.

Any funds expended on a project that do not pass beyond the development stage are recorded as expenses when activity on the project ceases. Management estimates that no material portion of the development in progress is unrealizable at December 31, 2017 and 2016.

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Property and Equipment and Deferred Costs

Property and equipment is stated at cost of acquisition, construction or rehabilitation, or fair value if donated. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

Deferred costs are incurred in order to obtain tax credits for the limited partnerships. Deferred costs are stated at cost and amortized on a straight-line basis over the 10-year tax credit period. Organization costs are expensed as incurred.

Development in progress is not depreciated until the completion of construction or rehabilitation.

The useful lives of the assets are estimated as follows:

Land improvements	15 to 88 years
Leasehold improvements	12 to 15 years
Onsite improvements	15 years
Buildings and improvements	3 to 40 years
Furniture and equipment	5 to 8 years
Computer equipment and software	3 to 5 years
Automobile	5 years
Tax credit costs	10 years

In accordance with GAAP, the Corporation reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be fully recoverable. A property is considered to be impaired when the estimated fair market value is less than the book carrying amount and may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the property and equipment to the future net undiscounted cash flow expected to be generated by the rental property, including the low-income housing tax credits and/or any estimated proceeds from the eventual disposition of the property and equipment. If the property and equipment is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property and equipment exceeds the fair value of such property. There were no impairment losses recognized in 2017 and 2016.

Capitalized Interest

The Corporation capitalized interest incurred during development as a component of development in progress or building and improvement costs. The Corporation capitalized interest of \$2,492,868 and \$3,829,959 in 2017 and 2016, respectively.

Ground Lease

The Corporation accounts for the ground lease as an operating lease and records lease expense on a straight-line basis over the term of the lease.

Permanent Loan Costs

Costs incurred in order to obtain permanent financing (permanent loan costs) are stated at cost and amortized into interest expense over the term of the loan on a straight-line basis, which approximates the effective interest method. Permanent loan costs are reported as a direct deduction from the face amount of the related debt.

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Derivative Financial Instruments

The Corporation accounts for derivative financial instruments in accordance with GAAP that establish accounting and reporting standards requiring that each derivative instrument be recorded in the statements of financial position as either an asset or a liability measured at its estimated fair value. The interest rate swap contracts entered into by the Corporation qualify as derivative instruments in accordance with GAAP. The gains or losses on the swap contracts are recognized in earnings in the period of change.

Income Taxes

MidPen, MidPen Management, MidPen Services, and all other affiliated non-profit organizations are public benefit corporations and are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, except for Mid-Peninsula Oroysom, Inc., Mid-Peninsula Shoreline, Inc., MP Willow Gardens, Inc., and Mid-Peninsula New Communities, Inc. which are not exempt from federal income taxes, but are exempt from taxation by the State of California. The income or loss from partnerships is reported by the partners on their income tax returns.

No income tax provision has been included in the combined financial statements for the single-member limited liability companies (LLCs) which are generally considered disregarded entities. The income and loss of the LLCs is included in the tax returns of their respective sole members. Only the annual California limited liability company minimum tax and the annual fee appear as expense in the combined financial statements.

Main Street Park I LLC and Sharmon Palms Lane LLC are multi-member limited liability companies that have made an election under applicable Internal Revenue Code Sections to be treated as S corporations. S corporations are generally not subject to federal income taxes. The income and loss of S corporations is included in the tax returns of their respective owners. S corporations in California are subject to minimum tax and additional tax if positive taxable income is generated, and these taxes appear as expense in the combined financial statements.

The Corporation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the combined financial statements. The federal and state income tax returns for the years 2013 through 2016 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Allocation of Partnership Income/Loss and Tax Credits

The affiliated partnerships are generally expected to generate low-income housing tax credits, which will be allocated in the same manner as the income or loss of the affiliated partnerships. Because the limited partners' losses are limited to their investments, the limited partners' capital will generally not be reduced below zero unless future capital contributions will be made in an amount sufficient to absorb the losses. All remaining losses are allocated to the general partners. Any subsequent income allocable to the limited partners is allocated to the general partners first until the general partners' share of that income offsets the losses not previously recognized by the limited partners.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The major changes revolve around net asset classifications. ASU 2016-14 eliminates the distinction between resources with permanent restrictions and those with temporary restrictions by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes: net assets with donor restrictions and net assets without donor restrictions.

In addition to the fundamental change in net asset classifications, the new standard also includes a number of specific amendments, such as the following:

- Disclosure requirements of qualitative information on how the organization manages its liquid available resources and liquidity risks;

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- Reporting requirements of the investment return, net of external and direct internal investment expenses (disclosure of those netted expenses is no longer required).

ASU 2016-14 applies to all non-profit organizations and is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted.

The Corporation is currently evaluating the impact the adoption of this standard will have on the combined financial statements.

Subsequent Events

Management has reviewed and found no material subsequent events through April 26, 2018, the date on which the combined financial statements were available to be issued.

Reclassification

\$8,405,895 of changes in reconciliation of net assets previously reported in the 2016 combined financial statements were reclassified from controlling interests to non-controlling interests.

NOTE 3 – INVESTMENTS AND INVESTMENTS IN OTHER COMPANIES

Investments

The following tables present information about the Corporation's investments measured at fair value on a recurring basis as of December 31, 2017 and 2016, and indicate the fair value hierarchy of the valuation techniques utilized by the Corporation to determine the fair values:

	Cost as of December 31, 2017	Quoted Prices in			Fair Value as of December 31, 2017
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fixed income	\$ 8,345,177	\$ 8,263,894	\$ -	\$ -	\$ 8,263,894
Domestic stock	6,676,009	9,292,996	-	-	9,292,996
International stock	3,465,718	3,881,933	-	-	3,881,933
Total	\$ 18,486,904	\$ 21,438,823	\$ -	\$ -	\$ 21,438,823

	Cost as of December 31, 2016	Quoted Prices in			Fair Value as of December 31, 2016
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fixed income	\$ 7,095,676	\$ 6,966,681	\$ -	\$ -	\$ 6,966,681
Domestic stock	6,989,230	8,223,070	-	-	8,223,070
International stock	3,779,402	3,421,730	-	-	3,421,730
Total	\$ 17,864,308	\$ 18,611,481	\$ -	\$ -	\$ 18,611,481

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Investments in Other Companies

Investments in other companies consist of the following as of December 31, 2017 and 2016:

	2017	2016
Investment in Housing Partnership Insurance Exchange ⁽¹⁾	\$ 544,031	\$ 544,031
Investment in HPN Select LLC ⁽²⁾	150,000	150,000
Investment in SR Fountains Limited Partnership accounted for under the equity method ⁽³⁾	-	-
Total	\$ 694,031	\$ 694,031

- ⁽¹⁾ MidPen holds investments in Housing Partnership Insurance Exchange (HPIEx) to gain access to affordable property and liability and workers' compensation insurance from a reciprocal insurance company. The investments are recorded at cost and represent approximately 10% of the ownership shares of the property and liability program, and 12% of the ownership shares of the workers' compensation program, at HPIEx as of both December 31, 2017 and 2016.
- ⁽²⁾ MidPen holds an investment in HPN Select LLC, a group procurement company. The investment is recorded at cost and represents approximately 3% of the ownership share of HPN Select LLC as of December 31, 2017 and 2016.
- ⁽³⁾ MidPen is a limited partner holding 33% of partnership interest in SR Fountains Limited Partnership. The investment is not reduced below zero since MidPen is not obligated to fund additional losses.

Summarized financial information for SR Fountains Limited Partnership as of December 31, 2017 and 2016, consists of the following:

	2017	2016
Total assets	\$ 4,254,787	\$ 4,163,103
Total liabilities	7,090,697	6,886,187
Partners' deficit	(2,835,910)	(2,723,084)
Results of operations	(19,825)	(76,208)

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NOTE 4 – RESTRICTED CASH

Restricted cash at December 31, 2017 and 2016 is summarized as follows:

	2017	2016
Impounds	\$ 2,459,020	\$ 3,349,545
Cash collateral security	-	2,500,334
Replacement reserves	18,866,197	16,046,012
Operating reserves	13,784,928	11,870,346
Affordability reserves	1,663,783	1,560,355
Residual receipts reserves	226,963	581,727
Resident services reserves	6,149,382	3,676,440
Construction bond reserve	22,563,504	-
Tenant security deposits	5,093,473	4,930,424
Other	4,122,339	2,832,623
Total	74,929,589	47,347,806
Less: current portion	(2,459,020)	(3,349,545)
Non-current portion	\$ 72,470,569	\$ 43,998,261

Impounds

Certain properties are required to make deposits to impound accounts to cover property taxes, insurance premiums, reserve deposits, and mortgage payments in accordance with lenders' regulatory agreements.

Cash Collateral Security

In connection with the development of certain properties, MidPen entered into cash collateral assignment and security agreements. As part of the agreements, MidPen is required to deposit funds in cash collateral accounts held by collateral agents. Upon satisfaction of the conditions set forth in the agreements, the cash collateral will be loaned to the respective limited partnerships developing the properties for purposes of repaying portions of the construction loans executed between the limited partnerships and the lenders.

Replacement and Operating Reserves

Certain properties are required to maintain operating reserves as well as replacement and repair reserves for property and equipment in accordance with partnership and lenders' regulatory agreements.

Affordability Reserves

Certain properties and the Corporation are required to maintain affordability reserves as a source of operating subsidies for certain properties. In the event of termination of Section 8 subsidy programs, the reserves will enable the properties to continue charging tenant rents at affordable rates.

Residual Receipts Reserves

Certain properties are required to deposit excess cash (residual receipts), as generally defined by HUD, into separate bank accounts in accordance with the HUD regulatory agreements.

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Resident Services Reserves

Certain properties are required to maintain resident services reserves in accordance with relevant partnership agreements and the lenders' regulatory agreements. The reserves shall be used to pay for tenant services.

Construction Bond Reserve

A certain property has bond proceeds reserved for new construction.

Tenant Security Deposits

Properties are required to hold security deposits in separate bank accounts in the names of the properties.

Other Restricted Deposits

Based on various loan and limited partnership agreements, certain properties and the Corporation are required to establish various other reserves for the purpose of debt service, excess income, capital improvements, and maintenance.

NOTE 5 – NOTES AND INTEREST RECEIVABLE

Notes and interest receivable are summarized as follows:

	2017	2016
Due from LifeMoves (formerly InnVision Shelter Network) of San Mateo County, bears no interest, due by May 1, 2029, initial amount was \$593,500. If LifeMoves continues to operate its facilities as emergency shelters or transitional housing for the full term of the note, it will be forgiven at the end of its term. Amount due is net of an allowance for the portion considered as forgiven. Allowance as of December 31, 2017 and 2016 was \$365,992 and \$346,208, respectively.	\$ 227,508	\$ 247,292
Notes receivable from tenants for rent due. The notes bear no interest and vary in due dates.	34,789	32,926
Total	\$ 262,297	\$ 280,218

The Corporation evaluates the notes receivable based on the following credit quality indicators: collateral and related versus non-related borrowers. These credit quality indicators are updated at least annually. Details about the notes receivable follow:

	<i>Collateralized</i>	<i>Uncollateralized</i>	<i>Past Due</i>	<i>Allowance</i>	<i>Net</i>
Non-related party	\$ 593,500	\$ 34,789	\$ -	\$ (365,992)	\$ 262,297
Total	\$ 593,500	\$ 34,789	\$ -	\$ (365,992)	\$ 262,297

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NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2017	2016
Land	\$ 153,162,660	\$ 137,737,962
Land held under ground leases to affiliates ⁽¹⁾	7,804,320	7,804,320
Land improvements	60,467,400	57,069,676
Leasehold improvements	3,079,819	1,691,492
Onsite improvements	34,370,518	22,189,230
Buildings and improvements	1,197,517,857	1,065,330,618
Equipment	1,854,071	1,742,257
Furnishings	27,995,661	24,495,275
Computer equipment and software	3,256,890	2,749,982
	<u>1,489,509,196</u>	<u>1,320,810,812</u>
Accumulated depreciation:		
Land improvements	24,802,948	21,646,383
Leasehold improvements	284,427	224,202
Onsite improvements	4,626,791	2,625,288
Buildings and improvements	278,636,039	248,966,017
Equipment	1,469,680	1,358,886
Furnishings	19,261,633	16,969,198
Computer equipment and software	2,362,328	2,035,650
Total accumulated depreciation	<u>331,443,846</u>	<u>293,825,624</u>
Net property and equipment	<u>\$1,158,065,350</u>	<u>\$ 1,026,985,188</u>

⁽¹⁾ Details of land held under ground leases to affiliates follow:

	2017	2016
MidPen – Los Gatos Fourplex	\$ 20,000	\$ 20,000
MidPen – Willow Terrace	283,453	283,453
MP Shoreline Associates	1,458,346	1,458,346
MP Central Park Associates	4,222,790	4,222,790
MP Palo Alto Gardens LLC	1,667,471	1,667,471
Mid-Peninsula Ginzton, Inc.	15,000	15,000
St. Matthew San Mateo, Inc.	1,760	1,760
Gloria Way Associates	135,500	135,500
	<u>7,804,320</u>	<u>7,804,320</u>
Total land held under ground lease	<u>\$ 7,804,320</u>	<u>\$ 7,804,320</u>

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NOTE 7 – DEVELOPMENT IN PROGRESS

Development in progress is summarized as follows:

<i>Entity Name</i>	<i>Project Name</i>	<i>New Units</i>	<i>Rehabilitation Units</i>	<i>Year of Completion ⁽¹⁾</i>	2017	2016
City Center Plaza, L.P.	City Center Plaza	-	81	2017	-	7,879,355
Kottinger Gardens Phase 1 Associates, L.P.	Kottinger Gardens Phase 1	131	-	2017	-	21,203,619
MP St. Stephens Associates, L.P.	St. Stephens Senior Housing	40	-	2017	-	11,573,321
MP Westlake Associates, L.P.	Sweeney Lane	52	-	2017	582,456	30,700,461
Sequoia Belle Haven, L.P.	Sequoia Belle Haven	90	-	2017	-	35,191,728
University Senior Apartments, L.P.	Serentiy Senior Apartments	41	-	2017	-	14,157,795
Hello Housing	Various preservation properties	-	-	2018	933,056	850,363
MP Edwina Benner Associates, L.P.	Edwina Benner Plaza	66	-	2018	24,261,169	9,802,345
MP Pippin Associates, L.P.	Pippin Orchards Apartments	46	-	2018	13,733,992	6,453,093
MP Van Buren Associates, L.P.	Van Buren Senior Apartments	19	-	2018	3,451,005	493,291
Vivente 1, Inc.	Vivente I	-	29	2018	226,540	87,101
Vivente 2, Inc.	Vivente II	-	29	2018	1,236,147	76,869
Chestnut Square Senior Associates, L.P.	Chestnut Square Senior Apartments	72	-	2019	8,356,724	1,071,004
Kottinger Gardens Phase 2 Associates, L.P.	Kottinger Gardens Phase 2	54	-	2019	3,038,960	209,096
MP 21 Soledad Street, L.P.	Moon Gate Plaza	90	-	2019	1,357,939	387,815
MP Atherton Court LLC	Mosaic Garden at Friendly Acres	-	55	2019	949,825	88,111
MP Eight Trees, LLC	Eight Trees	-	24	2019	4,226,091	4,125,364
MP Shorebreeze Associates, L.P.	Shorebreeze Expansion	62	-	2019	755,183	235,228
MP Springs Senior Associates, L.P.	Celestina Garden Apartments	40	-	2019	2,854,661	1,166,739
New Sunset Creek, L.P.	Sunset Creek	-	76	2019	459,803	2,500
Stevenson Place Associates, L.P.	Stevenson Place	80	-	2019	10,732,174	5,328,947
Chestnut Square Family Associates, L.P.	Chestnut Square Family Housing	42	-	2020	4,091,144	-
MidPen Housing Corporation	Gateway Family New Construction	141	-	2020	102,071	51,279
MP Bradford Associates, L.P.	Arroyo Green Apartments	117	-	2020	514,963	104,740
MP 1283 Willow, LLC	1283 Willow	-	27	2020	2,855,464	2,796,067
Sunflower Hill Livermore, L.P.	Sunflower Hill Livermore	45	-	2020	2,843,619	317,908
Brooklyn Basin Associates I, L.P.	Brooklyn Basin I	101	-	2021	600,705	99,889
Brooklyn Basin Associates II, L.P.	Brooklyn Basin II	110	-	2021	463,654	-

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<i>Entity Name</i>	<i>Project Name</i>	<i>New Units</i>	<i>Rehabilitation Units</i>	<i>Year of Completion ⁽¹⁾</i>	2017	2016
MP Moss Beach Associates, L.P.	Cypress Point	71	-	2021	609,993	192,749
MidPen Housing Corporation	Roseland Village	75	-	2022	1,598,465	519,649
MidPen Housing Corporation	Alameda Point Collaborative	269	-	2024	184,734	121,847
MP Manteca Affordable Housing Associates, L.P.	Manteca ⁽²⁾	-	-	TBD	4,937,884	4,839,687
Various partnerships and corporations	Major rehabilitation of existing properties	-	-	TBD	708,078	3,228,070
Various partnerships and corporations	New development or acquisition and rehabilitation	-	-	TBD	152,754	849,108
Total		<u>1,854</u>	<u>320</u>		<u>\$ 96,819,253</u>	<u>\$ 164,205,138</u>

⁽¹⁾ Represents estimate of the year of completion, except for 2017 which represents completion of development.

⁽²⁾ Project currently on hold.

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NOTE 8 – DEFERRED REVENUE

Deferred revenue at December 31, 2017 and 2016 is summarized as follows:

	2017	2016
City of San Jose deferred compensation	\$ 1,111,860	\$ 1,135,655
Deferred tenant rent and subsidy	312,909	177,400
Other	469,801	632,327
Total	1,894,570	1,945,382
Less: current portion	(312,909)	(177,400)
Non-current portion	\$ 1,581,661	\$ 1,767,982

City of San Jose Deferred Compensation

On September 4, 2009, Mid-Peninsula Country Hills, Inc. entered into an Affordability Restriction Compensation Agreement with the City of San Jose. As part of the agreement, the City of San Jose agreed to compensate Mid-Peninsula Country Hills, Inc. in an aggregate amount of \$1,398,300 in exchange for the restriction of 47 bedrooms of its current market-rate units for tenants at or below 50% of the area median income until 2064. Out of the total compensation of \$1,398,300, \$1,000,000 was received in cash; \$301,103 of the City of San Jose loan principal and \$7,602 of accrued interest were forgiven; and the remaining balance of \$89,595 was applied towards payments of accrued interest of another MidPen-controlled entity in 2015. The grant is amortized into income over the 55-year agreement term.

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NOTE 9 – NOTES PAYABLE

Notes payable are summarized as follows:

	2017		2016	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u>MidPen</u>				
City of Mountain View, funded under the Community Development Block Grant Program (CDBG), in the original amount of \$1,200,000, bears 3% simple interest, due in full in July 2034, nonrecourse, secured by a lien against the land acquired by MidPen for Paulson Park Phase I.	\$ 321,990	\$ 1,200,000	\$ 395,989	\$ 1,200,000
City of Mountain View, funded under CDBG, in the original amount of \$367,289, bears 0% interest, due in full in December 2063, nonrecourse, secured by a lien against the land acquired by MidPen for Paulson Park Phase II.	-	367,289	-	367,289
City of Pleasanton, in the maximum amount of \$2,800,000, bears 3% interest, due in full 55 years after the issuance of the Certificate of Occupancy, nonrecourse, secured by a lien on the Kottinger Gardens developments. The loan was transferred to the Kottinger Gardens developments during 2017.	-	-	10,729	125,575
City of Pleasanton, funded under HOME Investment Partnerships Program, in the original amount of \$450,000, bears 3% interest, due in full on the earlier of (i) the 55 th anniversary of the date of the permanent loan closing of the developments, or (ii) October 2074, nonrecourse, secured by a lien on the Kottinger Gardens developments. The loan was transferred to the Kottinger Gardens developments during 2016.	-	-	-	-
City of Livermore, in the maximum amount of \$650,000, bears 3% interest, due in full on the 55 th anniversary of the date of the permanent loan closing of the development, nonrecourse, secured by a lien on the Chestnut Square developments. The loan was transferred to the Chestnut Square developments during 2017.	-	-	16,252	642,617

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	2017		2016	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
MUFG Union Bank, N.A., in the original amount of \$2,000,000, bears 2.15% interest, quarterly payments of interest beginning in April 2015, due in full in December 2021 with the option to extend the maturity date, nonrecourse, unsecured and subordinated to all other debt.	-	2,000,000	-	2,000,000
Wells Fargo Community Development Corporation, in the original amount of \$1,000,000, bears 2% interest, quarterly payments of interest, due in full in January 2021 with the option to further extend, nonrecourse, unsecured, and subordinated to all other debt. In January 2015, outstanding principal increased to \$2,000,000.	-	2,000,000	-	2,000,000
Citibank, N.A. Affordable Housing Program, in the original amount of \$500,000, bears 0% interest, due in full 55 years after the completion of Sweeney Lane, nonrecourse, secured by a deed of trust.	-	500,000	-	-
Bank of America California, N.A. Affordable Housing Program, in the original amount of \$1,000,000, bears 0% interest, due in full 55 years after the completion of Donner Lofts, nonrecourse, secured by a deed of trust.	-	1,000,000	-	1,000,000
Total MidPen Notes	321,990	7,067,289	422,970	7,335,481
<u>The Farm Inc.</u>				
County of Santa Cruz, in the maximum amount of \$5,642,640, bore 3% interest, with annual payments of principal and interest, due in full on the 55 th anniversary of the earlier of (i) the commencement of the tax credit period, or (ii) the first date on which at least 50% of the units have been leased to and are occupied by eligible tenants, nonrecourse, secured by a lien on the Pippin development. The loan was transferred to Pippin Orchards Apartments during 2016.	-	-	-	-

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	2017		2016	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
City of Monterey, in the maximum amount of \$195,000, bore 0% interest, due in full on the earlier of (i) the date of construction loan closing, or (ii) November 2016, nonrecourse, secured by a lien on the Van Buren development. The loan was transferred to Van Buren Senior Apartments during 2016.	-	-	-	-
City of Salinas, in the maximum amount of \$201,500, bears 0% interest, due in full in August 2020, nonrecourse, secured by a lien on Moon Gate Plaza.	-	-	-	200,246
Total The Farm Inc. Notes	-	-	-	200,246
Total MidPen Corporate Combined Notes	321,990	7,067,289	422,970	7,535,727
<u>Affiliates</u>				
Construction loans, with variable interest rates, generally with interest only payments due monthly, to be repaid in full or partially converted to permanent loans through December 2019, recourse, secured by the properties. ⁽¹⁾	716,093	92,025,676	533,192	159,458,731
Permanent loans, bearing interest from 1.00% to 8.83%, generally with principal and interest due monthly, to be repaid in full through April 2072, nonrecourse, secured by the properties.	676,126	127,071,877	629,573	101,310,261
Bonds, with variable interest rates, generally with principal and interest paid monthly, to be repaid in full through April 2039, nonrecourse, secured by the properties.	143,317	33,700,359	137,368	35,103,911
State permanent loans, bearing interest from 4.50% to 6.55%, generally with principal and interest due monthly, to be repaid in full through November 2041, nonrecourse, secured by the properties.	281,177	56,834,567	290,584	58,723,261
Federal permanent loans, bearing interest from 8.375% to 9.25%, generally with principal and interest due monthly, to be repaid in full through August 2031, nonrecourse, secured by the properties.	26,706	1,661,999	20,202	2,672,021

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		2016	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
City loans, bearing interest from 0.00% to 7.00%, generally payable out of excess cash annually in arrears, to be repaid in full through March 2077, nonrecourse, secured by the properties.	32,816,837	211,222,156	29,980,006	163,833,935
County loans, bearing interest from 0.00% to 7.00%, generally with principal and interest due annually out of excess cash in arrears, to be repaid in full through February 2079, nonrecourse, secured by the properties.	11,805,960	81,970,301	9,472,776	80,929,033
State loans, bearing interest from 0.00% to 5.25%, generally with principal and interest due annually out of excess cash in arrears, to be repaid in full through December 2069, nonrecourse, secured by the properties.	22,234,432	97,197,973	20,700,634	97,407,069
City loans, bearing interest from 0.00% to 7.00%, to be repaid in full through October 2071, nonrecourse, secured by the properties.	5,054,284	45,730,294	5,120,933	40,557,054
County loans, bearing interest from 0.00% to 6.00%, to be repaid in full through June 2075, nonrecourse, secured by the properties.	2,407,258	13,877,037	2,165,171	13,223,167
State loans, bearing interest from 0.00% to 5.00%, to be repaid in full through December 2066, nonrecourse, secured by the properties.	1,743,752	13,977,505	1,537,255	14,065,309
Federal loans, bearing interest from 0.00% to 1.00%, to be repaid in full through December 2073, nonrecourse, secured by the properties. In certain cases, the loans may be forgiven before maturity.	48,341	12,492,313	45,000	11,146,467
City loans, bearing interest from 0.00% to 5.00% with payments initially deferred, then later payable out of excess cash, to be repaid in full through August 2071, nonrecourse, secured by the properties.	810,487	3,593,191	769,665	3,518,703
County loans, bearing interest at 3% with payments initially deferred, then later payable out of excess cash, to be repaid in full through November 2068, nonrecourse, secured by the properties.	254,428	3,406,533	170,098	3,406,532

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		2016	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Other loans, bearing interest from 0.00% to 3.00%, to be repaid in full through June 2065, nonrecourse, secured by the properties.	240,248	1,685,000	213,004	1,684,882
Total Affiliate Notes	79,259,446	796,446,781	71,785,461	787,040,336
Total	79,581,436	803,514,070	72,208,431	794,576,063
Less: unamortized permanent loan costs	-	(8,728,897)	-	(7,487,825)
Notes and interest payable – net	79,581,436	794,785,173	72,208,431	787,088,238
Less: current portion	(4,564,839)	(17,417,340)	(1,561,250)	(14,475,147)
Non-current portion	\$ 75,016,597	\$ 777,367,833	\$ 70,647,181	\$ 772,613,091

(1) Current portion of certain construction loans have been excluded from current liabilities since the loans will be extended, converted to permanent loans and/or repaid with capital contributions from limited partners. In addition, principal payments of construction loans for the next five years cannot be reasonably estimated due to these circumstances.

Principal payments on notes payable for the next five years are subject to changes in net cash flow and are estimated as follows:

	2018	2019	2020	2021	2022	<i>Thereafter</i>	<i>Total</i>
	<i>(In thousands with \$000 omitted)</i>						
MidPen	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,067	\$ 7,067
Construction	307	5,090	11,313	98	103	75,114	92,025
Permanent	6,313	4,465	5,473	4,938	5,095	100,788	127,072
Bonds	1,685	1,187	1,326	1,370	1,421	26,712	33,701
City	6,121	-	-	-	-	254,425	260,546
County	21	946	40	-	-	98,247	99,254
State	2,810	2,384	2,526	2,678	2,838	154,774	168,010
Federal	162	78	86	94	102	13,632	14,154
Other	-	-	-	-	-	1,685	1,685
	\$ 17,419	\$ 14,150	\$ 20,764	\$ 9,178	\$ 9,559	\$ 732,444	\$ 803,514

NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS

Certain limited partnerships entered into interest rate swap agreements to potentially minimize the effect of changes in the variable interest rates of permanent loans. MUFG Union Bank, N.A. has estimated the fair value of the swap agreements by discounting an estimate of the amounts of interest to be paid and an estimate of the amounts of interest to be received, net interest payable, during the swap agreement periods. Based on information obtained from the swap counterparty regarding marketability of these interest rate swap contracts, management believes that the contracts qualify as derivative financial instruments in accordance with GAAP.

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Details of interest rate swap transactions are as follows:

	2017	2016
Effective date	2012 through 2014	2012 through 2014
Termination date	2027 through 2051	2027 through 2051
Original notional amount	\$ 33,122,719	\$ 33,122,719
Outstanding notional amount	\$ 28,911,745	\$ 30,005,129
Variable interest rate	LIBOR	LIBOR
Fixed interest rate	2.6% to 7.4%	2.6% to 7.4%

The following table sets forth the changes in fair value of the Level 2 derivative financial instruments for the years ended December 31, 2017 and 2016:

	2017	2016
Beginning balance	\$ (4,504,807)	\$ (5,379,410)
Unrealized gains on derivative financial instruments	778,325	874,603
Ending balance	\$ (3,726,482)	\$ (4,504,807)

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<i>December 31,</i> <i>2016</i>	<i>Contributions/ Transfer</i>	<i>Releases</i>	<i>December 31,</i> <i>2017</i>
HUD Capital Advances ⁽¹⁾	\$ 6,637,486	\$ -	\$ (312,313)	\$ 6,325,173
ARRA Recoverable Grants ⁽²⁾	13,519,934	-	(1,589,322)	11,930,612
Resident Services Programs	258,578	121,300	(58,904)	320,974
Property Management Programs	20,600	32,500	(20,000)	33,100
Stewardship Programs	5,833	58,778	(64,611)	-
Total	\$ 20,442,431	\$ 212,578	\$ (2,045,150)	\$ 18,609,859

	<i>December 31,</i> <i>2015</i>	<i>Contributions</i>	<i>Releases</i>	<i>December 31,</i> <i>2016</i>
HUD Capital Advances ⁽¹⁾	\$ 6,949,798	\$ -	\$ (312,312)	\$ 6,637,486
ARRA Recoverable Grants ⁽²⁾	15,109,256	-	(1,589,322)	13,519,934
Resident Services Programs	199,843	136,000	(77,265)	258,578
Property Management Programs	18,100	20,000	(17,500)	20,600
Stewardship Programs	-	332,094 ⁽³⁾	(326,261)	5,833
Total	\$ 22,276,997	\$ 488,094	\$ (2,322,660)	\$ 20,442,431

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

- (1) HUD Capital Advances – HUD has granted capital advances to certain multi-family properties under the Section 202 or Section 811 programs. These advances are secured by deeds of trust with assignment of rents. The capital advances bear no interest and shall be repayable if the properties do not remain available for very low-income housing through specific terms or the notes become due and payable by reason of default under the regulatory agreements. In the event of noncompliance with affordability provisions as described in the notes, interest and principal are payable on demand. The capital advances will not otherwise have to be repaid. Since the capital advances are expected to be forgiven, they will be released over 40 years from temporarily restricted net assets to unrestricted net assets.
- (2) ARRA Recoverable Grants – The federal recoverable grants were awarded to qualifying multi-family properties in 2009. These recoverable grants shall be repayable if the properties do not remain available for very low-income housing through specific terms or the recoverable grants become due and payable by reason of default under the recoverable grant agreements. In the event of noncompliance as described in the recoverable grant agreements, the recoverable grants will be payable on demand; otherwise, they will not need to be repaid. Since the properties are expected to comply with the recoverable grant provisions, the recoverable grants are being released over 15 years from temporarily restricted net assets to unrestricted net assets.
- (3) Amount represented temporarily restricted net assets of \$297,094, which were transferred as part of the affiliation of Hello Housing to MidPen in March 2016, and \$35,000 of contributions received after March 2016.

NOTE 12 – RENTAL INCOME

Rental income consists of the following:

	2017	2016
Rental income, tenants	\$ 61,007,939	\$ 55,857,916
Rental income, rent supplements	43,956,571	35,195,439
Vacancy and concessions	(1,491,038)	(1,283,040)
	103,473,472	89,770,315
Rental income, commercial	623,721	750,730
Other	245,695	197,738
	\$ 104,342,888	\$ 90,718,783

NOTE 13 – RETIREMENT PLAN

The Corporation participates in a 403(b) defined contribution plan (the Plan) established by MidPen Management. Employees are eligible to contribute to the Plan on their dates of hire. Employer contributions, which cover employees who complete one year of service with 1,000 hours during the year and are employed on the last day of the year, are discretionary. Employee contributions are fully vested at all times whereas employer contributions are fully vested after two years of service. The Corporation accrued contributions of approximately \$1,288,000 and \$1,205,000 for the years ended December 31, 2017 and 2016, respectively.

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Guarantees

MidPen and Affiliates issue a variety of guarantees in the course of developing properties. The guarantees are generally issued in favor of limited partner investors or lenders. Guarantees as of December 31, 2017 and 2016 consist of the following:

	2017	2016
Operating deficits	\$ 15,376,000	\$ 11,868,000
Construction loan repayment and completion	91,981,000	131,910,000
Tax benefits	307,527,000	259,662,000
Total	\$ 414,884,000	\$ 403,440,000

Operating Deficit Guarantees

Operating deficit guarantees are commitments to fund future operating deficits of affiliated partnerships. The guarantees are issued in favor of tax credit limited partnerships, and generally are for the fifteen-year period when the investor is expected to hold its limited partner interest, or for shorter periods (for example, until certain debt ratios are achieved). A payment under such a guarantee would result in the transfer of cash resources from the guarantor to a consolidated affiliate, resulting in an obligation to repay the advance, usually from future operating cash flow. To date, MidPen and Affiliates have not experienced any calls on these guarantees.

Construction Loan Repayment and Completion Guarantees

MidPen and Affiliates provide repayment guarantees to construction loan lenders for amounts borrowed to develop properties. MidPen and Affiliates also provide unlimited construction completion guarantees to fund the development and lease-up of a project, should the project not receive expected permanent financing, or should the cost of the development exceed permanent financing received. A payment under such a guarantee would result in the transfer of cash resources from the guarantor to a consolidated affiliate that is obligated to complete a development, resulting in an obligation to repay the advance, usually from future operating cash flow. There are no significant completion delays in MidPen and Affiliates' current developments. To date, MidPen and Affiliates have not experienced non-completion of a project, nor have they been called on for any loan repayment guarantees.

Tax Benefit Guarantees

As the sponsor or the developer of certain properties financed in part by federal and/or state tax credit allocations, MidPen has made certain guarantees to investors as to the tax credits and other benefits to be derived from the properties. These guarantees generally cover the tax compliance periods of fifteen years after initial lease-up. A payment under such a guarantee could result in a cash distribution from an affiliate's operating cash flow to the investor limited partner. In the opinion of management, compliance with tax regulations and careful monitoring of the properties should preclude these contingent liabilities from materializing. To date, MidPen and Affiliates have incurred approximately \$3,587,000 under outstanding tax benefit guarantees in relation to unrealized tax losses that were originally projected for certain rental properties.

MIDPEN HOUSING CORPORATION AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Equity Contribution Guarantees

MidPen and Affiliates are the general partners, co-general partners, members, or co-managing members of various limited partnerships or limited liability companies as disclosed in Note 1. MidPen and Affiliates executed various performance guarantees in connection with those limited partnerships or limited liability companies. MidPen is obligated to fund various affiliated organizations with capital contributions in the event such guarantees are called upon. A payment under such a guarantee would result in the transfer of cash resources from the guarantor to a consolidated affiliate. To date, MidPen and Affiliates have not experienced any calls on these guarantees and consider the occurrence of such events remote.

No liability has been recorded in connection with the operating deficit, construction loan repayment and completion, tax benefit, or equity contribution guarantees since these are guarantees to consolidated entities.

Letters of Credit

As of December 31, 2017 and 2016, MidPen and Affiliates had not drawn upon any of the following letters of credit for repayment of bond obligations:

<i>Limited Partnership</i>	<i>Lender</i>	<i>Expiration Date</i>	<i>Maximum Amount</i>
MP Monte Vista Associates	Union Bank	September 2022	\$ 13,000,000
MP Shoreline Associates	Comerica Bank	April 2021	5,514,903
MP Timberwood Associates	Union Bank	July 2022	<u>18,415,000</u>
	<i>Total</i>		<u><u>\$ 36,929,903</u></u>

Grants and Loans

In connection with various federal, state and city grants and loan programs, MidPen and Affiliates are obligated to operate in accordance with those grant and loan requirements and are subject to audit by those agencies. In cases of noncompliance, the agencies involved may require that MidPen and Affiliates refund payment of program funds. The amount, if any, of expenses which may be disallowed by the agencies cannot be determined at this time, although MidPen and Affiliates expect such amounts, if any, to be immaterial.

Contingent Loans Receivable

MidPen and Affiliates provided deferred-repayment loans through second deeds of trust in order to make single-family homes affordable to eligible families. Outstanding notes of \$285,000 as of December 31, 2017 and 2016, and accrued interest of \$117,591 and \$109,041 as of December 31, 2017 and 2016, respectively, are not reflected in the accompanying combined statements of financial position since it is anticipated that the notes will be automatically forgiven on the 30th anniversary of the original sale in 2034.

Loan Covenants

Loan agreements contain various financial covenants. MidPen and Affiliates are in compliance with all such covenants.

NOTE 15 – LEGAL MATTERS

The Corporation is named in various claims and legal actions in the normal course of its operations. As of December 31, 2017, the amount of potential exposure cannot be reasonably estimated. Based upon counsel and management’s opinion, the losses resulting from these lawsuits, if any, will be largely covered by insurance and will not have a material adverse effect on the financial position or changes in net assets of the Corporation.

SUPPLEMENTARY INFORMATION

MIDPEN HOUSING CORPORATION AND AFFILIATES
 COMBINING SCHEDULES OF FINANCIAL POSITION
 DECEMBER 31, 2017 AND 2016

2017

	<i>MidPen Corporate Combined</i> ⁽¹⁾	<i>Affordable Housing</i> ⁽²⁾	<i>Other Entities</i> ⁽³⁾	<i>Total</i>	<i>Eliminations</i>	<i>Combined</i>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 17,455,424	\$ 36,078,258	\$ 10,345,708	\$ 63,879,390	\$ -	\$ 63,879,390
Investments	21,438,823	-	-	21,438,823	-	21,438,823
Accounts receivable – net	13,861,031	3,106,699	16,269,138	33,236,868	(31,108,791)	2,128,077
Prepaid expenses and other receivables	413,074	851,494	750,095	2,014,663	(736,160)	1,278,503
Restricted cash – current portion	-	2,459,020	-	2,459,020	-	2,459,020
Total current assets	53,168,352	42,495,471	27,364,941	123,028,764	(31,844,951)	91,183,813
Non-current assets:						
Restricted cash – net of current portion	301,262	49,375,680	22,793,627	72,470,569	-	72,470,569
Notes and interest receivable – net	227,508	34,789	-	262,297	-	262,297
Receivables from affiliates – net	88,019,884	1,283,492	12,485,195	101,788,571	(101,788,571)	-
Property and equipment – net	8,416,906	1,167,455,867	9,566,311	1,185,439,084	(27,373,734)	1,158,065,350
Development in progress	2,267,261	3,415,644	92,381,338	98,064,243	(1,244,990)	96,819,253
Investments in other companies	5,258,203	-	41,603,428	46,861,631	(46,167,600)	694,031
Other non-current assets	187,179	14,378,329	11,205	14,576,713	(851,311)	13,725,402
Total non-current assets	104,678,203	1,235,943,801	178,841,104	1,519,463,108	(177,426,206)	1,342,036,902
Total assets	\$ 157,846,555	\$ 1,278,439,272	\$ 206,206,045	\$ 1,642,491,872	\$ (209,271,157)	\$ 1,433,220,715
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued expenses	\$ 3,432,374	\$ 23,068,281	\$ 30,157,583	\$ 56,658,238	\$ (31,128,361)	\$ 25,529,877
Deferred revenue – current portion	1,348,646	302,232	4,081	1,654,959	(1,342,050)	312,909
Interest payable – current portion	-	4,564,839	-	4,564,839	-	4,564,839
Notes payable – current portion	-	12,099,046	5,318,294	17,417,340	-	17,417,340
Total current liabilities	4,781,020	40,034,398	35,479,958	80,295,376	(32,470,411)	47,824,965
Non-current liabilities:						
Security and other deposits	-	5,044,334	71,027	5,115,361	-	5,115,361
Deferred revenue – net of current portion	851,311	7,369,882	76,798	8,297,991	(6,716,330)	1,581,661
Interest payable – net of current portion	321,990	76,258,668	4,127,434	80,708,092	(5,691,495)	75,016,597
Notes payable – net of current portion	7,067,290	743,416,013	124,972,115	875,455,418	(98,087,585)	777,367,833
Derivative financial instruments	-	3,726,482	-	3,726,482	-	3,726,482
Other non-current liabilities	709,507	2,010,139	444,279	3,163,925	-	3,163,925
Total non-current liabilities	8,950,098	837,825,518	129,691,653	976,467,269	(110,495,410)	865,971,859
Total liabilities	13,731,118	877,859,916	165,171,611	1,056,762,645	(142,965,821)	913,796,824
Net assets:						
Unrestricted:						
Controlling interests	143,761,363	19,957,985	35,536,166	199,255,514	(65,951,262)	133,304,252
Non-controlling interests	-	362,011,512	5,498,268	367,509,780	-	367,509,780
Total unrestricted net assets	143,761,363	381,969,497	41,034,434	566,765,294	(65,951,262)	500,814,032
Temporarily restricted – controlling	354,074	18,609,859	-	18,963,933	(354,074)	18,609,859
Total net assets	144,115,437	400,579,356	41,034,434	585,729,227	(66,305,336)	519,423,891
Total liabilities and net assets	\$ 157,846,555	\$ 1,278,439,272	\$ 206,206,045	\$ 1,642,491,872	\$ (209,271,157)	\$ 1,433,220,715

⁽¹⁾ Includes MidPen, MidPen Management, MidPen Services, and The Farm Inc. See page 48 for details.

⁽²⁾ Includes limited partnerships, limited liability companies, and non-profit corporations providing affordable housing.

⁽³⁾ Includes Hello Housing, Italian Gardens, Inc., single-purpose non-profit corporations and limited liability companies holding general partner interests, and limited partnerships and limited liability companies for future development of affordable housing.

MIDPEN HOUSING CORPORATION AND AFFILIATES
 COMBINING SCHEDULES OF FINANCIAL POSITION
 DECEMBER 31, 2017 AND 2016

2016

	<i>MidPen Corporate Combined</i> ⁽¹⁾	<i>Affordable Housing</i> ⁽²⁾	<i>Other Entities</i> ⁽³⁾	<i>Total</i>	<i>Eliminations</i>	<i>Combined</i>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 22,001,142	\$ 26,090,501	\$ 5,266,869	\$ 53,358,512	\$ -	\$ 53,358,512
Investments	18,611,481	-	-	18,611,481	-	18,611,481
Accounts receivable – net	8,323,858	1,507,350	6,241,013	16,072,221	(14,102,991)	1,969,230
Prepaid expenses and other receivables	307,989	574,161	26,669	908,819	-	908,819
Restricted cash – current portion	-	3,268,048	81,497	3,349,545	-	3,349,545
Total current assets	49,244,470	31,440,060	11,616,048	92,300,578	(14,102,991)	78,197,587
Non-current assets:						
Restricted cash – net of current portion	2,801,144	40,921,462	275,655	43,998,261	-	43,998,261
Notes and interest receivable – net	247,292	32,926	-	280,218	-	280,218
Receivables from affiliates – net	71,164,016	12,812,622	17,534,474	101,511,112	(101,511,112)	-
Property and equipment – net	8,285,953	1,039,115,522	8,989,784	1,056,391,259	(29,406,071)	1,026,985,188
Development in progress	3,621,664	11,854,646	151,208,942	166,685,252	(2,480,114)	164,205,138
Investments in other companies	4,263,706	-	29,767,603	34,031,309	(33,337,278)	694,031
Other non-current assets	228,679	13,188,855	173,842	13,591,376	(864,527)	12,726,849
Total non-current assets	90,612,454	1,117,926,033	207,950,300	1,416,488,787	(167,599,102)	1,248,889,685
Total assets	\$ 139,856,924	\$ 1,149,366,093	\$ 219,566,348	\$ 1,508,789,365	\$ (181,702,093)	\$ 1,327,087,272
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued expenses	\$ 3,570,197	\$ 22,990,057	\$ 22,674,150	\$ 49,234,404	\$ (14,304,618)	\$ 34,929,786
Deferred revenue – current portion	1,333,111	170,600	449	1,504,160	(1,326,760)	177,400
Interest payable – current portion	-	1,550,270	10,980	1,561,250	-	1,561,250
Notes payable – current portion	-	9,384,789	5,090,358	14,475,147	-	14,475,147
Total current liabilities	4,903,308	34,095,716	27,775,937	66,774,961	(15,631,378)	51,143,583
Non-current liabilities:						
Security and other deposits	-	4,832,461	82,159	4,914,620	-	4,914,620
Deferred revenue – net of current portion	1,025,089	7,708,616	393,492	9,127,197	(7,359,215)	1,767,982
Interest payable – net of current portion	422,970	71,457,174	4,141,198	76,021,342	(5,374,161)	70,647,181
Notes payable – net of current portion	7,535,727	705,052,230	156,041,860	868,629,817	(96,016,726)	772,613,091
Derivative financial instruments	-	4,504,807	-	4,504,807	-	4,504,807
Other non-current liabilities	-	2,044,140	-	2,044,140	-	2,044,140
Total non-current liabilities	8,983,786	795,599,428	160,658,709	965,241,923	(108,750,102)	856,491,821
Total liabilities	13,887,094	829,695,144	188,434,646	1,032,016,884	(124,381,480)	907,635,404
Net assets:						
Unrestricted:						
Controlling interests	125,690,652	23,837,128	26,320,788	175,848,568	(57,320,613)	118,527,955
Non-controlling interests	-	275,676,401	4,805,081	280,481,482	-	280,481,482
Total unrestricted net assets	125,690,652	299,513,529	31,125,869	456,330,050	(57,320,613)	399,009,437
Temporarily restricted – controlling	279,178	20,157,420	5,833	20,442,431	-	20,442,431
Total net assets	125,969,830	319,670,949	31,131,702	476,772,481	(57,320,613)	419,451,868
Total liabilities and net assets	\$ 139,856,924	\$ 1,149,366,093	\$ 219,566,348	\$ 1,508,789,365	\$ (181,702,093)	\$ 1,327,087,272

⁽¹⁾ Includes MidPen, MidPen Management, MidPen Services, and The Farm Inc. See page 49 for details.

⁽²⁾ Includes limited partnerships, limited liability companies, and non-profit corporations providing affordable housing.

⁽³⁾ Includes Hello Housing, Italian Gardens, Inc., single-purpose non-profit corporations and limited liability companies holding general partner interests, and limited partnerships and limited liability companies for future development of affordable housing.

MIDPEN HOUSING CORPORATION AND AFFILIATES
 COMBINING SCHEDULES OF ACTIVITIES
 YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017					
	<i>MidPen Corporate Combined</i> ⁽¹⁾	<i>Affordable Housing</i> ⁽²⁾	<i>Other Entities</i> ⁽³⁾	<i>Total</i>	<i>Eliminations</i>	<i>Combined</i>
Operating support and revenue:						
Rents – net of vacancies and concessions	\$ -	\$ 103,570,776	\$ 1,438,254	\$ 105,009,030	\$ (666,142)	\$ 104,342,888
Ground lease income	1,047,040	6,763	15,000	1,068,803	(1,062,040)	6,763
Developer and management fee revenue	19,156,049	-	3,698,852	22,854,901	(16,692,038)	6,162,863
Grants and contributions	7,480,110	29,491	3,302,652	10,812,253	(10,280,365)	531,888
Investment and interest income	5,306,724	214,781	1,839,503	7,361,008	(2,716,604)	4,644,404
Other	44,597	2,319,325	190,412	2,554,334	4,135	2,558,469
Total operating support and revenue	33,034,520	106,141,136	10,484,673	149,660,329	(31,413,054)	118,247,275
Operating expenses:						
Program services	26,069,451	57,386,229	2,144,327	85,600,007	(13,441,338)	72,158,669
Management and general	3,454,645	2,053,611	513,910	6,022,166	(2,122,430)	3,899,736
Total operating expenses	29,524,096	59,439,840	2,658,237	91,622,173	(15,563,768)	76,058,405
Change in net assets from operations	3,510,424	46,701,296	7,826,436	58,038,156	(15,849,286)	42,188,870
Other expenses (income):						
Contributions to affiliates	35,779	805,008	9,434,578	10,275,365	(10,275,365)	-
Depreciation	344,752	40,571,112	421,720	41,337,584	(608,079)	40,729,505
Amortization	-	463,460	-	463,460	-	463,460
(Gain) loss on disposal of fixed assets	-	2,385,838	(27)	2,385,811	-	2,385,811
Financing costs	147,608	27,964,873	1,347,334	29,459,815	(3,550,185)	25,909,630
Partnership fees	-	3,406,752	255,335	3,662,087	(3,397,454)	264,633
Forgiveness of debt	-	(2,191,419)	(790,920)	(2,982,339)	790,920	(2,191,419)
Transfer of debt between affiliates	(15,163,322)	-	15,163,322	-	-	-
Unrealized losses on derivative financial instruments	-	(778,325)	-	(778,325)	-	(778,325)
Total other expenses (income)	(14,635,183)	72,627,299	25,831,342	83,823,458	(17,040,163)	66,783,295
Change in net assets	18,145,607	(25,926,003)	(18,004,906)	(25,785,302)	1,190,877	(24,594,425)
Net assets, beginning of year	125,969,830	319,670,949	31,131,702	476,772,481	(57,320,613)	419,451,868
Other activities:						
Transfers upon completion of development	-	3,465,004	(3,465,004)	-	-	-
Transfer of seller assets upon re-syndication	-	(11,981,611)	11,981,611	-	-	-
Transfers from non-controlling to controlling interests due to buyouts	-	-	13,014,457	13,014,457	(13,014,457)	-
Purchase of non-controlling interests due to buyouts	-	-	-	-	(837,255)	(837,255)
Capital contributions, net of distributions and syndication costs	-	115,351,015	6,376,528	121,727,543	3,676,160	125,403,703
Net assets, end of year	\$ 144,115,437	\$ 400,579,354	\$ 41,034,388	\$ 585,729,179	\$ (66,305,288)	\$ 519,423,891

⁽¹⁾ Includes MidPen, MidPen Management, MidPen Services, and The Farm Inc. See page 50 for details.

⁽²⁾ Includes limited partnerships, limited liability companies and non-profit corporations providing affordable housing.

⁽³⁾ Includes Italian Gardens, Inc., single-purpose non-profit corporations and limited liability companies holding general partner interests, and limited partnerships for future development of affordable housing.

MIDPEN HOUSING CORPORATION AND AFFILIATES
COMBINING SCHEDULES OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2016					
	<i>MidPen Corporate Combined</i> ⁽¹⁾	<i>Affordable Housing</i> ⁽²⁾	<i>Other Entities</i> ⁽³⁾	<i>Total</i>	<i>Eliminations</i>	<i>Combined</i>
Operating support and revenue:						
Rents – net of vacancies and concessions	\$ -	\$ 89,716,627	\$ 1,686,298	\$ 91,402,925	\$ (684,142)	\$ 90,718,783
Ground lease income	1,047,040	9,660	18,678	1,075,378	(1,065,718)	9,660
Developer and management fee revenue	22,597,429	-	3,250,463	25,847,892	(16,284,923)	9,562,969
Grants and contributions	5,428,745	1,055,959	1,876,338	8,361,042	(6,368,420)	1,992,622
Investment and interest income	3,171,021	8,263,073	5,300,996	16,735,090	(15,112,980)	1,622,110
Other	141,566	1,881,777	258,310	2,281,653	(352,350)	1,929,303
Total operating support and revenue	32,385,801	100,927,096	12,391,083	145,703,980	(39,868,533)	105,835,447
Operating expenses:						
Program services	24,560,758	51,131,187	1,890,283	77,582,228	(12,853,396)	64,728,832
Management and general	1,708,856	1,558,723	731,232	3,998,811	(515,010)	3,483,801
Total operating expenses	26,269,614	52,689,910	2,621,515	81,581,039	(13,368,406)	68,212,633
Change in net assets from operations	6,116,187	48,237,186	9,769,568	64,122,941	(26,500,127)	37,622,814
Other expenses (income):						
Contributions to affiliates	87,707	1,011,152	5,372,860	6,471,719	(6,471,719)	-
Depreciation	396,809	34,839,415	385,721	35,621,945	(540,169)	35,081,776
Amortization	-	349,699	1,329	351,028	-	351,028
(Gain) loss on disposal of fixed assets	-	2,338,722	(5)	2,338,717	(8,355)	2,330,362
Financing costs	155,944	26,080,699	585,730	26,822,373	(3,351,826)	23,470,547
Partnership fees	-	2,807,347	64,355	2,871,702	(2,559,930)	311,772
Forgiveness of debt	-	(945,701)	-	(945,701)	22,000	(923,701)
Unrealized losses on derivative financial instruments	-	(874,603)	-	(874,603)	-	(874,603)
Total other expenses (income)	640,460	65,606,730	6,409,990	72,657,180	(12,909,999)	59,747,181
Change in net assets	5,475,727	(17,369,544)	3,359,578	(8,534,239)	(13,590,128)	(22,124,367)
Net assets, beginning of year	120,494,103	273,056,059	25,445,568	418,995,730	(36,397,789)	382,597,941
Other activities:						
Transfers upon completion of development	-	3,944,104	(3,944,104)	-	-	-
Transfers from non-controlling to controlling interests due to buyouts	-	-	9,868,015	9,868,015	(9,868,015)	-
Purchase of non-controlling interests due to buyouts	-	-	-	-	(168,957)	(168,957)
Transfers of assets due to sale of property to affiliate	-	(7,899,570)	(7,899,570)	(15,799,140)	15,799,140	-
Affiliation of a new entity	-	-	178,921	178,921	-	178,921
Capital contributions, net of distributions and syndication costs	-	67,939,900	4,123,294	72,063,194	(13,094,864)	58,968,330
Net assets, end of year	\$ 125,969,830	\$ 319,670,949	\$ 31,131,702	\$ 476,772,481	\$ (57,320,613)	\$ 419,451,868

⁽¹⁾ Includes MidPen, MidPen Management, MidPen Services, and The Farm Inc. See page 51 for details.

⁽²⁾ Includes limited partnerships, limited liability companies and non-profit corporations providing affordable housing.

⁽³⁾ Includes Italian Gardens, Inc., single-purpose non-profit corporations and limited liability companies holding general partner interests, and limited partnerships for future development of affordable housing.

MIDPEN HOUSING CORPORATION AND AFFILIATES
COMBINING SCHEDULES OF FINANCIAL POSITION –
MIDPEN CORPORATE
DECEMBER 31, 2017 AND 2016

	2017						<i>MidPen Corporate Combined</i>
	<i>MidPen</i>	<i>MidPen Management</i>	<i>MidPen Services</i>	<i>The Farm Inc.</i>	<i>Total</i>	<i>Eliminations</i>	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 11,413,804	\$ 2,489,338	\$ 556,575	\$ 2,995,707	\$ 17,455,424	\$ -	\$ 17,455,424
Investments	21,438,823	-	-	-	21,438,823	-	21,438,823
Accounts receivable – net	11,964,880	1,412,447	423,248	752,998	14,553,573	(692,542)	13,861,031
Prepaid expenses	132,751	264,375	15,948	-	413,074	-	413,074
Restricted cash – current portion	-	-	-	-	-	-	-
Total current assets	44,950,258	4,166,160	995,771	3,748,705	53,860,894	(692,542)	53,168,352
Non-current assets:							
Restricted cash – net of current portion	301,262	-	-	-	301,262	-	301,262
Notes and interest receivable – net	227,508	-	-	-	227,508	-	227,508
Receivables from affiliates	86,123,156	-	-	2,607,567	88,730,723	(710,839)	88,019,884
Property and equipment – net	8,416,906	-	-	-	8,416,906	-	8,416,906
Development in progress	2,267,261	-	-	-	2,267,261	-	2,267,261
Investments in other companies	694,439	-	-	4,563,764	5,258,203	-	5,258,203
Other non-current assets	187,179	-	-	-	187,179	-	187,179
Total non-current assets	98,217,711	-	-	7,171,331	105,389,042	(710,839)	104,678,203
Total assets	\$ 143,167,969	\$ 4,166,160	\$ 995,771	\$ 10,920,036	\$ 159,249,936	\$ (1,403,381)	\$ 157,846,555
LIABILITIES AND NET ASSETS							
Current liabilities:							
Accounts payable and accrued expenses	\$ 1,781,816	\$ 1,150,513	\$ 893,912	\$ 298,675	\$ 4,124,916	\$ (692,542)	\$ 3,432,374
Deferred revenue – current portion	1,306,646	-	-	42,000	1,348,646	-	1,348,646
Notes payable – current portion	-	-	-	-	-	-	-
Total current liabilities	3,088,462	1,150,513	893,912	340,675	5,473,562	(692,542)	4,781,020
Non-current liabilities:							
Security and other deposits	-	-	-	-	-	-	-
Deferred revenue – net of current portion	851,311	-	-	-	851,311	-	851,311
Interest payable	321,990	-	-	-	321,990	-	321,990
Notes payable – net of current portion	7,067,290	-	-	710,839	7,778,129	(710,839)	7,067,290
Other non-current liabilities	709,507	-	-	-	709,507	-	709,507
Total non-current liabilities	8,950,098	-	-	710,839	9,660,937	(710,839)	8,950,098
Total liabilities	12,038,560	1,150,513	893,912	1,051,514	15,134,499	(1,403,381)	13,731,118
Net assets:							
Unrestricted:							
Controlling interests	131,129,409	2,982,547	(219,115)	9,868,522	143,761,363	-	143,761,363
Non-controlling interests	-	-	-	-	-	-	-
Total unrestricted net assets	131,129,409	2,982,547	(219,115)	9,868,522	143,761,363	-	143,761,363
Temporarily restricted – controlling	-	33,100	320,974	-	354,074	-	354,074
Total net assets	131,129,409	3,015,647	101,859	9,868,522	144,115,437	-	144,115,437
Total liabilities and net assets	\$ 143,167,969	\$ 4,166,160	\$ 995,771	\$ 10,920,036	\$ 159,249,936	\$ (1,403,381)	\$ 157,846,555

MIDPEN HOUSING CORPORATION AND AFFILIATES
COMBINING SCHEDULES OF FINANCIAL POSITION –
MIDPEN CORPORATE
DECEMBER 31, 2017 AND 2016

	2016						<i>MidPen Corporate Combined</i>
	<i>MidPen</i>	<i>MidPen Management</i>	<i>MidPen Services</i>	<i>The Farm Inc.</i>	<i>Total</i>	<i>Eliminations</i>	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 18,379,894	\$ 2,076,219	\$ 262,250	\$ 1,282,779	\$ 22,001,142	\$ -	\$ 22,001,142
Investments	18,611,481	-	-	-	18,611,481	-	18,611,481
Accounts receivable – net	6,568,765	1,296,838	475,459	618,773	8,959,835	(635,977)	8,323,858
Prepaid expenses	82,230	208,766	16,993	-	307,989	-	307,989
Restricted cash – current portion	-	-	-	-	-	-	-
Total current assets	43,642,370	3,581,823	754,702	1,901,552	49,880,447	(635,977)	49,244,470
Non-current assets:							
Restricted cash – net of current portion	2,801,144	-	-	-	2,801,144	-	2,801,144
Notes and interest receivable – net	247,292	-	-	-	247,292	-	247,292
Receivables from affiliates	67,591,831	-	-	4,283,024	71,874,855	(710,839)	71,164,016
Property and equipment – net	8,285,953	-	-	-	8,285,953	-	8,285,953
Development in progress	3,233,850	-	-	387,814	3,621,664	-	3,621,664
Investments in other companies	694,439	-	-	3,569,267	4,263,706	-	4,263,706
Other non-current assets	228,679	-	-	-	228,679	-	228,679
Total non-current assets	83,083,188	-	-	8,240,105	91,323,293	(710,839)	90,612,454
Total assets	\$ 126,725,558	\$ 3,581,823	\$ 754,702	\$ 10,141,657	\$ 141,203,740	\$ (1,346,816)	\$ 139,856,924
LIABILITIES AND NET ASSETS							
Current liabilities:							
Accounts payable and accrued expenses	\$ 2,144,790	\$ 1,063,256	\$ 672,203	\$ 325,925	\$ 4,206,174	\$ (635,977)	\$ 3,570,197
Deferred revenue – current portion	672,833	-	-	660,278	1,333,111	-	1,333,111
Notes payable – current portion	-	-	-	-	-	-	-
Total current liabilities	2,817,623	1,063,256	672,203	986,203	5,539,285	(635,977)	4,903,308
Non-current liabilities:							
Security and other deposits	-	-	-	-	-	-	-
Deferred revenue – net of current portion	1,025,089	-	-	-	1,025,089	-	1,025,089
Interest payable	422,970	-	-	-	422,970	-	422,970
Notes payable – net of current portion	7,335,481	-	-	911,085	8,246,566	(710,839)	7,535,727
Total non-current liabilities	8,783,540	-	-	911,085	9,694,625	(710,839)	8,983,786
Total liabilities	11,601,163	1,063,256	672,203	1,897,288	15,233,910	(1,346,816)	13,887,094
Net assets:							
Unrestricted:							
Controlling interests	115,124,395	2,497,967	(176,079)	8,244,369	125,690,652	-	125,690,652
Non-controlling interests	-	-	-	-	-	-	-
Total unrestricted net assets	115,124,395	2,497,967	(176,079)	8,244,369	125,690,652	-	125,690,652
Temporarily restricted – controlling	-	20,600	258,578	-	279,178	-	279,178
Total net assets	115,124,395	2,518,567	82,499	8,244,369	125,969,830	-	125,969,830
Total liabilities and net assets	\$ 126,725,558	\$ 3,581,823	\$ 754,702	\$ 10,141,657	\$ 141,203,740	\$ (1,346,816)	\$ 139,856,924

MIDPEN HOUSING CORPORATION AND AFFILIATES
COMBINING SCHEDULES OF ACTIVITIES – MIDPEN CORPORATE
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017						
	<i>MidPen</i>	<i>MidPen Management</i>	<i>MidPen Services</i>	<i>The Farm Inc.</i>	<i>Total</i>	<i>Eliminations</i>	<i>MidPen Corporate Combined</i>
Operating support and revenue:							
Rents – net of vacancies and concessions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ground lease income	1,047,040	-	-	-	1,047,040	-	1,047,040
Developer and management fee revenue	3,853,933	6,738,744	6,561,242	2,014,130	19,168,049	(12,000)	19,156,049
Grants and contributions	7,508,677	105,750	121,300	157,985	7,893,712	(413,602)	7,480,110
Investment and interest income (loss)	5,471,270	-	250	(164,796)	5,306,724	-	5,306,724
Other	13,175	6,401	855	24,166	44,597	-	44,597
Total operating support and revenue	17,894,095	6,850,895	6,683,647	2,031,485	33,460,122	(425,602)	33,034,520
Operating expenses:							
Program services	13,275,147	6,217,441	6,200,964	375,899	26,069,451	-	26,069,451
Management and general	3,174,909	135,838	124,465	19,433	3,454,645	-	3,454,645
Total operating expenses	16,450,056	6,353,279	6,325,429	395,332	29,524,096	-	29,524,096
Change in net assets from operations	1,444,039	497,616	358,218	1,636,153	3,936,026	(425,602)	3,510,424
Other expenses:							
Contributions to affiliates	109,381	-	340,000	-	449,381	(413,602)	35,779
Depreciation	344,752	-	-	-	344,752	-	344,752
Amortization	-	-	-	-	-	-	-
Loss on disposal of fixed assets	-	-	-	-	-	-	-
Financing costs	148,214	536	(1,142)	-	147,608	-	147,608
Partnership fees	-	-	-	12,000	12,000	(12,000)	-
Transfer of debt between affiliates	(15,163,322)	-	-	-	(15,163,322)	-	(15,163,322)
Total other expenses (income)	(14,560,975)	536	338,858	12,000	(14,209,581)	(425,602)	(14,635,183)
Change in net assets	16,005,014	497,080	19,360	1,624,153	18,145,607	-	18,145,607
Net assets, beginning of year	115,124,395	2,518,567	82,499	8,244,369	125,969,830	-	125,969,830
Capital contributions, net of distributions and syndication costs	-	-	-	-	-	-	-
Net assets, end of year	\$ 131,129,409	\$ 3,015,647	\$ 101,859	\$ 9,868,522	\$ 144,115,437	\$ -	\$ 144,115,437

MIDPEN HOUSING CORPORATION AND AFFILIATES
COMBINING SCHEDULES OF ACTIVITIES – MIDPEN CORPORATE
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2016						<i>MidPen Corporate Combined</i>
	<i>MidPen</i>	<i>MidPen Management</i>	<i>MidPen Services</i>	<i>The Farm Inc.</i>	<i>Total</i>	<i>Eliminations</i>	
Operating support and revenue:							
Rents – net of vacancies and concessions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ground lease income	1,047,040	-	-	-	1,047,040	-	1,047,040
Developer and management fee revenue	7,828,563	6,269,668	6,228,852	2,294,346	22,621,429	(24,000)	22,597,429
Grants and contributions	5,442,378	84,975	136,013	210,178	5,873,544	(444,799)	5,428,745
Investment and interest income (loss)	3,320,110	-	1	(143,637)	3,176,474	(5,453)	3,171,021
Other	33,227	4,310	730	103,299	141,566	-	141,566
Total operating support and revenue	17,671,318	6,358,953	6,365,596	2,464,186	\$ 32,860,053	(474,252)	32,385,801
Operating expenses:							
Program services	12,513,076	5,889,951	5,825,142	332,589	24,560,758	-	24,560,758
Management and general	1,416,613	228,465	42,543	21,235	1,708,856	-	1,708,856
Total operating expenses	13,929,689	6,118,416	5,867,685	353,824	26,269,614	-	26,269,614
Change in net assets from operations	3,741,629	240,537	497,911	2,110,362	6,590,439	(474,252)	6,116,187
Other expenses:							
Contributions to affiliates	157,506	-	375,000	-	532,506	(444,799)	87,707
Depreciation	396,809	-	-	-	396,809	-	396,809
Amortization	-	-	-	-	-	-	-
Loss on disposal of fixed assets	-	-	-	-	-	-	-
Financing costs	154,090	191	1,663	5,453	161,397	(5,453)	155,944
Partnership fees	-	-	-	24,000	24,000	(24,000)	-
Forgiveness of debt	-	-	-	-	-	-	-
Total other expenses (income)	708,405	191	376,663	29,453	1,114,712	(474,252)	640,460
Change in net assets	3,033,224	240,346	121,248	2,080,909	5,475,727	-	5,475,727
Net assets, beginning of year	112,091,171	2,278,221	(38,749)	6,163,460	120,494,103	-	120,494,103
Capital contributions, net of distributions and syndication costs	-	-	-	-	-	-	-
Net assets, end of year	\$ 115,124,395	\$ 2,518,567	\$ 82,499	\$ 8,244,369	\$ 125,969,830	\$ -	\$ 125,969,830