

ACCESSIBLE SPACE, INC.  
AND COMBINED AFFILIATES  
COMBINED FINANCIAL REPORT  
DECEMBER 31, 2017

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Accessible Space, Inc. and Combined Affiliates  
Saint Paul, Minnesota

**Report on the Financial Statements**

We have audited the accompanying combined financial statements of Accessible Space, Inc. and Combined Affiliates (nonprofit organizations), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

**Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of 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 the entity's 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by

management, as well as evaluating the overall presentation of the combined financial statements.

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

**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Accessible Space, Inc. and Combined Affiliates as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Henrich & Associates, Ltd.*

Minneapolis, Minnesota  
May 4, 2018

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
 COMBINED STATEMENTS OF FINANCIAL POSITION  
 December 31, 2017 and 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and temporary investments		
Unrestricted	\$ 6,827,714	\$ 5,648,194
Restricted, escrows	12,415,145	12,925,600
Security deposits	820,232	797,821
Receivables		
Accounts, net of allowance for contractual adjustments and doubtful accounts (2017-\$624,823, 2016-\$458,427)	3,001,861	3,337,390
Other	49,310	63,876
Prepaid expenses	485,840	452,939
Total current assets	23,600,102	23,225,820
ENDOWMENT ASSETS	3,156,648	2,685,784
OTHER ASSETS		
Deposits	745,940	697,788
Development costs for projects in progress	775,237	1,031,984
Notes receivable	8,548	16,262
Total other assets	1,529,725	1,746,034
PROPERTY AND EQUIPMENT, at cost		
Land and improvements	26,606,607	26,580,908
Buildings and improvements	312,512,043	311,210,915
Furniture and equipment	7,729,021	7,337,289
Transportation equipment	194,139	192,139
	347,041,810	345,321,251
Less accumulated depreciation	105,383,117	96,097,770
Total property and equipment	241,658,693	249,223,481
Total assets	\$ 269,945,168	\$ 276,881,119

See Notes to Financial Statements

LIABILITIES, CAPITAL ADVANCES AND NET ASSETS

	2017	2016
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 122,227	\$ 113,346
Accounts payable	3,453,487	3,551,772
Security deposits payable	766,415	761,605
Accrued expenses		
Salaries	578,721	537,913
Vacation	398,122	372,202
Real estate taxes	748,984	732,495
Other	216,158	227,100
	<u>6,284,114</u>	<u>6,296,433</u>
 LONG-TERM DEBT, less current maturities	 <u>23,499,366</u>	 <u>23,512,967</u>
 CAPITAL ADVANCES	 <u>257,878,261</u>	 <u>257,878,261</u>
 <b>NET ASSETS</b>		
Unrestricted	(18,659,628)	(11,755,175)
Temporarily restricted	44,921	50,499
Permanently restricted	898,134	898,134
	<u>(17,716,573)</u>	<u>(10,806,542)</u>
 Total net assets	 <u>(17,716,573)</u>	 <u>(10,806,542)</u>
 Total liabilities, capital advances, and net assets	 <u>\$ 269,945,168</u>	 <u>\$ 276,881,119</u>

See Notes to Financial Statements

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
 COMBINED STATEMENTS OF ACTIVITIES  
 Years Ended December 31, 2017 and 2016

	2017	2016
UNRESTRICTED NET ASSETS		
Support and Revenue		
State service payments	\$ 10,885,879	\$ 10,894,973
Federal rent subsidy	11,510,948	11,299,062
Resident payments	12,331,211	11,750,840
Foundation grants	1,469,492	5,904,144
State grants	710,012	768,930
Contributions	158,065	213,560
Investment gain	168,724	112,805
Other	1,444,649	2,461,881
	38,678,980	43,406,195
Less indigent care discounts	1,153,790	1,137,200
	37,525,190	42,268,995
Net Assets Released from Donor Restrictions		
	5,578	6,025
Total unrestricted support and revenue		
	37,530,768	42,275,020
Expenses		
Program services		
Assisted Living Services	5,602,561	5,880,114
Special Projects	4,570,964	9,448,354
Shared Living Program	1,138,763	1,143,801
Nevada Supportive Housing Services	2,178,609	1,889,535
Nevada Community Enrichment Program	2,684,094	2,443,696
Affiliates	24,320,767	23,975,037
	40,495,758	44,780,537
Total program services		
	40,495,758	44,780,537

See Notes to Financial Statements

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
 COMBINED STATEMENTS OF ACTIVITIES (CONTINUED)  
 Years Ended December 31, 2017 and 2016

	2017	2016
Supporting Services		
Administration	3,726,392	3,495,772
Fundraising	213,071	206,840
	3,939,463	3,702,612
Total supporting services		
Total expenses	44,435,221	48,483,149
Decrease in unrestricted net assets	(6,904,453)	(6,208,129)
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from donor restrictions	(5,578)	(6,025)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	-	-
Decrease in Net Assets	(6,910,031)	(6,214,154)
Adjustment for Depreciation	9,527,380	9,239,298
Increase in Net Assets Before Depreciation	2,617,349	3,025,144
Depreciation Expense	9,527,380	9,239,298
DECREASE IN NET ASSETS	(6,910,031)	(6,214,154)
NET ASSETS, beginning of year	(10,806,542)	(4,592,388)
NET ASSETS, end of year	\$ (17,716,573)	\$ (10,806,542)

See Notes to Financial Statements

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
 COMBINED STATEMENTS OF CASH FLOWS  
 Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (6,910,031)	\$ (6,214,154)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation and amortization	9,527,380	9,239,298
Provision for doubtful accounts	166,396	(570,314)
(Increase) decrease in:		
Receivables	183,699	657,530
Prepaid expenses	(32,901)	(104,354)
Increase (decrease) in:		
Accounts payable and accrued expenses	(21,200)	370,791
	<u>2,913,343</u>	<u>3,378,797</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,962,592)	(2,519,877)
(Increase) decrease in deposits	(48,152)	125,347
(Increase) decrease in development costs	256,747	113,676
Decrease in notes receivable	7,714	5,117
	<u>(1,746,283)</u>	<u>(2,275,737)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in endowment assets	(470,864)	(178,748)
Net borrowing (repayment) on long-term debt	(4,720)	652,574
	<u>(475,584)</u>	<u>473,826</u>
Net cash provided by (used in) financing activities		
INCREASE IN CASH AND CASH EQUIVALENTS	691,476	1,576,886
CASH AND CASH EQUIVALENTS, beginning of year	<u>19,371,615</u>	<u>17,794,729</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 20,063,091</u>	<u>\$ 19,371,615</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 414,410</u>	<u>\$ 436,354</u>

See Notes to Financial Statements

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities:

Accessible Space, Inc. (ASI) provides accessible, affordable, assisted/supportive and independent living opportunities for persons with physical disabilities and brain injuries, as well as seniors, through the development and cost-effective management of accessible, affordable housing, as well as the provisions of assisted/supportive living and rehabilitation services.

Accessible Space, Inc. controls the activities of its affiliates through common board membership and management. The affiliates are nonprofit corporations which own and operate housing facilities for persons with physical disabilities. They are operated under Sections 202 and 811 of the National Housing Act, and regulated by HUD with respect to rent charges and operating methods. Members of the combined affiliated group include:

<u>Affiliate</u>	<u>Location</u>	<u>Units of Housing</u>
1. Accessible Space North, Inc.	Hibbing, Minnesota	18
2. Twin Ports Accessibility Project, Inc.	Duluth, Minnesota	52
3. Montana Mobility Impaired Housing, Inc.	Missoula, Montana	24
4. ASI Brainerd, Inc.	Brainerd, Minnesota	25
5. ASI Golden Valley, Inc.	Golden Valley, Minnesota	5
6. ASI St. Cloud, Inc.	St. Cloud, Minnesota	24
7. ASI Jamestown, Inc.	Jamestown, North Dakota	18
8. ASI Austin, Inc.	Austin, Minnesota	24
9. ASI Burnsville, Inc.	Burnsville, Minnesota	24
10. ASI Stillwater, Inc.	Stillwater, Minnesota	24
11. ASI Great Falls, Inc.	Great Falls, Montana	24
12. ASI Las Vegas, Inc.	Las Vegas, Nevada	24
13. ASI Reno, Inc.	Reno, Nevada	21
14. ASI Marshall, Inc.	Marshall, Minnesota	25
15. Greenview Apartments, Inc.	Fullerton, California	25
16. ASI Spokane, Inc.	Spokane, Washington	21
17. ASI Austin Texas, Inc.	Austin, Texas	24
18. ASI Carson City, Inc.	Carson City, Nevada	24
19. ASI Willmar, Inc.	Willmar, Minnesota	22
20. ASI Minot, Inc.	Minot, North Dakota	25

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

<u>Affiliate</u>	<u>Location</u>	<u>Units of Housing</u>
21. ASI Duluth, Inc.	Duluth, Minnesota	25
22. ASI Billings, Inc.	Billings, Montana	25
23. ASI Ramsey County, Inc.	St. Paul, Minnesota	8
24. ASI Anoka County, Inc.	Coon Rapids, Minnesota	12
25. ASI Hennepin County, Inc.	St. Anthony, Minnesota	4
26. San Antonio Supportive Housing, Inc.	San Antonio, Texas	25
27. ASI Helena, Inc.	Helena, Montana	25
28. Memphis Supportive Housing, Inc.	Memphis, Tennessee	25
29. South Hampton Roads Supportive Housing, Inc.	Norfolk, Virginia	25
30. Rapid City Supportive Housing, Inc.	Rapid City, South Dakota	20
31. Coleman Road Supportive Housing, Inc.	Memphis, Tennessee	23
32. ASI Southern Nevada, Inc.	Las Vegas, Nevada	25
33. ASI Redruth, Inc.	Duluth, Minnesota	18
34. ASI Chandler, Inc.	Chandler, Arizona	23
35. ASI Capitola, Inc.	Capitola, California	25
36. Baytown Supportive Housing, Inc.	Baytown, Texas	25
37. ASI Davis, Inc.	Davis, California	21
38. Corpus Christi Supportive Housing, Inc.	Corpus Christi, Texas	25
39. ASI Dakota County, Inc.	Burnsville, Minnesota	17
40. ASI Missoula, Inc.	Missoula, Montana	8
41. Carbondale Supportive Housing, Inc.	Carbondale, Illinois	19
42. Webster Supportive Housing, Inc.	Clear Lake, Texas	25
43. Universal City Supportive Housing, Inc.	Universal City, Texas	20
44. ASI Springfield, Inc.	Springfield, Missouri	20
45. NHHI/ASI Bloomington, Inc.	Bloomington, Minnesota	21
46. Rice Arlington Senior Supportive Housing, Inc.	St. Paul, Minnesota	50
47. Mounds View Supportive Housing, Inc.	Mounds View, Minnesota	20
48. ASI Jackson County, Inc.	Medford, Oregon	22
49. Great Falls Elderly Housing, Inc.	Great Falls, Montana	48
50. Little Rock Supportive Housing, Inc.	Little Rock, Arkansas	22
51. ASI Florence, Inc.	Florence, Alabama	20
52. ASI Santa Fe, Inc.	Santa Fe, New Mexico	20
53. Las Vegas Supportive Housing, Inc.	Las Vegas, Nevada	24

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

<u>Affiliate</u>	<u>Location</u>	<u>Units of Housing</u>
54. Reno Supportive Housing, Inc.	Reno, Nevada	24
55. Nashville Supportive Housing, Inc.	Nashville, Tennessee	17
56. ASI Boise, Inc.	Boise, Idaho	24
57. ASI Henderson, Inc.	Henderson, Nevada	22
58. ASI Roseville, Inc.	Roseville, Minnesota	22
59. ASI Rogers, Inc.	Rogers, Minnesota	21
60. Chesapeake Supportive Housing, Inc.	Chesapeake, Virginia	20
61. ASI Rochester, Inc.	Rochester, Minnesota	15
62. ASI Clark County, Inc.	Las Vegas, Nevada	19
63. Woodlands Supportive Housing, Inc.	The Woodlands, Texas	20
64. ASI Fargo, Inc.	Fargo, North Dakota	18
65. ASI Grand Forks, Inc.	Grand Forks, North Dakota	15
66. Owatonna Senior Housing, Inc.	Owatonna, Minnesota	26
67. Clark County Supportive Housing, Inc.	Las Vegas, Nevada	25
68. Helena Elderhousing, Inc.	Helena, Montana	41
69. Shakopee Supportive Housing, Inc.	Shakopee, Minnesota	22
70. Kansas Supportive Housing, Inc.	Kansas City, Kansas	15
71. Topeka Supportive Housing, Inc.	Topeka, Kansas	21
72. Great Falls Supportive Housing, Inc.	Great Falls, Montana	18
73. ASI - Bozeman, Inc.	Bozeman, Montana	18
74. Minnehaha County Supportive Housing, Inc.	Sioux Falls, South Dakota	40
75. Pasadena Supportive Housing, Inc.	Pasadena, Texas	15
76. ASI Birmingham, Inc.	Hoover, Alabama	18
77. Bozeman Senior Housing, Inc.	Bozeman, Montana	37
78. NHHI - ASI Senior Bloomington, Inc.	Bloomington, Minnesota	50
79. ASI Longmont, Inc.	Longmont, Colorado	19
80. Dickinson Senior Housing, Inc.	Dickinson, North Dakota	25
81. Cheyenne Senior Housing, Inc.	Cheyenne, Wyoming	35
82. Duluth Supportive Housing, Inc.	Duluth, Minnesota	21
83. Woodlands Senior Housing, Inc.	Woodlands, Texas	60
84. South Lake Tahoe Supportive Housing, Inc.	Lake Tahoe, California	18
85. Brookings Senior Housing, Inc.	Brookings, South Dakota	25
86. Shelbourne Supportive Housing, Inc.	Las Vegas, Nevada	24
87. Sartell Senior Housing, Inc.	Sartell, Minnesota	44
88. ASI Fort Collins, Inc.	Fort Collins, Colorado	23
89. Rogers Supportive Housing, Inc.	Rogers, Minnesota	17

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

<u>Affiliate</u>	<u>Location</u>	<u>Units of Housing</u>
90. Bledsoe Lane Supportive Housing, Inc.	Las Vegas, Nevada	24
91. Sartell Supportive Housing, Inc.	Sartell, Minnesota	16
92. ASI Homes, Inc.	Minneapolis, Minnesota	30
93. Maine Supportive Housing, Inc.	Kennebunk, Maine	15
94. ASI - Mobile, Inc.	Mobile, Alabama	20
95. Albert Lea Senior Housing, Inc.	Albert Lea, Minnesota	23
96. Exmore Supportive Housing, Inc.	Exmore, Virginia	15
97. ASI - Greeley, Inc.	Greeley, Colorado	23
98. Henderson Supportive Housing, Inc.	Henderson, Nevada	25
99. ASI - Freeport Senior Housing, Inc.	Freeport, Illinois	23
100. ASI - Owatonna, Inc.	Owatonna, Minnesota	14
101. Harvard Supportive Housing, Inc.	Harvard, Illinois	16
102. Worthington Senior Housing, Inc.	Worthington, Minnesota	19
103. Rochester Senior Housing, Inc.	Rochester, Minnesota	54
104. Newport Reno Supportive Housing, Inc.	Las Vegas, Nevada	21
105. ASI Watertown, Inc.	Watertown, South Dakota	19
106. Independent Living Waipahu, Inc.	Waipahu, Hawaii	24
107. ASI Alexandria, Inc.	Alexandria, Minnesota	15
108. ASI Sioux Falls, Inc.	Sioux Falls, South Dakota	15
109. ASI Bledsoe, Inc.	Las Vegas, Nevada	22
110. Kalispell Senior Housing, Inc.	Kalispell, Montana	23
111. ASI Hudson, Inc.	Hudson, Wisconsin	15
112. Hudson Senior Housing, Inc.	Hudson, Wisconsin	32
113. Tonopah Lamb Senior Housing, Inc.	Las Vegas, Nevada	34
114. Mesa Supportive Housing, Inc.	Mesa, Arizona	18
115. ASI Greeley II, Inc.	Greeley, Colorado	17
116. Mojave Cedar Supportive Housing, Inc.	Las Vegas, Nevada	10
117. ASI Kansas City, Inc.	Kansas City, Kansas	32
118. ASI Freeport, Inc.	Freeport, Illinois	25
119. ASI McAlester, Inc.	McAlester, Oklahoma	15
120. ASI Coronado, Inc.	Henderson, Nevada	60

Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization expects to collect pledged contributions in the next operating year, and therefore, has classified them as current assets.

Financial Statement Presentation:

The Organization reports 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.

Contributions:

Contributions received by the Organization are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restriction.

Concentration of Credit Risk:

The Organization provides assisted living/personal care services to individuals under the Medicaid program and under state grant programs. These billings are subject to audit. Such audits could result in retroactive adjustments to the billings, the effects of which would be accounted for as adjustments to revenue in the period they became known.

The Organization at times has bank deposits that may exceed federal insured limits. The Organization believes no significant risk exists with respect to these deposits. At December 31, 2017, the Organization has approximately \$1,757,000 in deposits in excess of federally insured amounts.

The affiliated companies also are subject to Housing Assistance Payment agreements or Project Rental Assistance contracts with HUD, and a significant portion of the affiliated companies rental income is received from HUD.

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Principles of Combination:

The accompanying combined financial statements include the accounts of the above named organizations. All material intercompany balances and transactions have been eliminated in combination.

Summary of Significant Accounting Policies:

Programs Maintained by Accessible Space, Inc.

Assisted Living Services

Used to account for the activities of ASI's Assisted Living Services which provide independent living opportunities, assisted living and supportive care services for adults with mobility impairments and/or brain injuries.

Special Projects

Used to account for donations, grants and revenues received from individuals, corporations and foundations, and the activities related to Property Management and Property Development.

Shared Living Program

Used to account for the activities of ASI's Shared Living Program which provides supportive living opportunities and adult foster care services for adults with traumatic brain injury.

Nevada Supportive Housing Services

Used to account for ASI's Nevada activities related to independent living opportunities and supportive care services for adults with mobility impairments and/or traumatic brain injuries.

Nevada Community Enrichment Program (NCEP)

Used to account for the activities of the following ASI programs and services for residents of Nevada:

- NCEP, which provides comprehensive day treatment services, vocational services, and residential options to individuals with a traumatic brain injury

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

- Regional Transportation Commission of Southern Nevada Paratransit Services which provide functional assessments, training, and resources to persons with disabilities

Property and Equipment-

Expenditures for the acquisition of property and equipment are capitalized at cost. Donated items are recorded at fair market value at the time of donation. The costs of ordinary maintenance and repairs are charged to expense in the year incurred. Depreciation is recorded using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and improvements	30-40 years
Furniture and equipment	5-10 years
Transportation equipment	5 years

Functional Allocation of Expenses-

Expenses have been recorded in program service and supporting service categories based on whether an expense can be identified to either area. In the absence of specific identification, expenses have been allocated based on estimates obtained from management.

Income Taxes-

Accessible Space, Inc. and its combined affiliates have taken the tax position that they are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has evaluated its tax positions and feel they are "more likely than not" to be sustained upon examination by a taxing authority. The Organization's open audit periods are 2014 to 2017.

Restricted Escrows-

HUD requires escrows be maintained for tenant security deposits, a replacement reserve, real estate taxes and insurance. Cash in these accounts can only be spent on the escrowed item, or other items upon prior written approval from HUD.

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Accounts Receivable-

Accounts receivable arise from tenant rents and the performance of services. Some of the organizations have established an allowance for uncollectible amounts. In the organizations where no allowance has been established, bad debts are an expense in the period written off.

Subsequent Events-

The Organization has evaluated subsequent events through May 4, 2018, the date the financial statements were available to be issued.

Cash and Cash Equivalents-

For purposes of the statements of cash flows, the Organizations consider all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Due to their short term nature, the carrying value of the Organization's financial assets and liabilities approximate their fair value.

Investments-

Investments are reported at fair value based on quoted market values with gains or losses included in unrestricted net assets in the statement of activities.

Use of Estimates-

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Notes Payable - Bank

The Organization had a working capital credit line at December 31, 2017 and 2016. The credit lines provide for borrowing equal to a maximum of \$500,000 in 2017 and \$1,000,000 in 2016. The interest rate on the credit line was equal to the LIBOR rate plus 2.60% (4.17% at December 31, 2017). The note payable is due in July, 2018, and is secured by accounts receivable and project development assets of the Organization. There was no balance outstanding at December 31, 2017 and 2016.

Note 3. Long-Term Debt

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

	<u>2017</u>	<u>2016</u>
A 4.125% mortgage note payable to a bank, for Hastings House, Las Vegas, NV, due in monthly installments of \$1,197, including interest through November 2028, secured by real estate	\$ 123,812	\$ 132,869
A 4.125% mortgage note payable to a bank, for Casa Norte, Las Vegas, NV, due in monthly installments of \$1,141, including interest through November 2028, secured by real estate	118,027	126,660
A 1% mortgage note payable to the Clark County Nevada HOME program due March 30, 2060, secured by real estate of ASI Coronado, Inc.	1,600,000	1,600,000
A 1% mortgage note payable to the City of Henderson Nevada HOME program due March 30, 2060, secured by real estate of ASI Coronado, Inc.	600,000	600,000
A 6.45% mortgage note payable to a bank, due in monthly installments of \$7,859, including interest through March 2, 2028, secured by real estate of ASI Coronado, Inc.	1,297,814	1,174,373

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
A 3.9% mortgage note payable to Midland States Bank, due in monthly installments of \$3,373, including interest, through October, 2051, secured by real estate of Accessible Space North, Inc.	845,862	855,607
A 5.95% mortgage note payable to HUD due in monthly installments of \$14,527, including interest, through December, 2044, secured by real estate of Twin Ports Accessibility Project, Inc.	2,307,042	2,353,610
A 4.55% mortgage note payable to HUD due in monthly installments of \$6,434, including interest through February, 2045, secured by real estate of Montana Mobility Impaired Housing, Inc.	1,202,828	1,222,977
A 3.9% note payable to Midland States Bank due in monthly installments of \$4,723, including interest through October, 2051, and is secured by real estate of ASI Redruth, Inc.	1,123,349	1,136,996
A non-interest bearing mortgage note payable to the Illinois Housing Development Authority, due in annual installments of \$1,200, through 2041 and secured by real estate of Carbondale Supportive Housing, Inc.	261,215	268,315
A non-interest bearing mortgage note payable to the Hennepin Housing Consortium, through Hennepin County, due June, 2041, secured by property and equipment of NHHI/ASI Bloomington, Inc.	250,000	250,000

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
A non-interest bearing mortgage note payable to Ramsey County Housing and Redevelopment Authority, due September 1, 2043, secured by property and equipment of Mounds View Supportive Housing, Inc.	330,000	330,000
A 1% mortgage note payable to the New Mexico Mortgage Finance Authority, note principal and accrued interest due December, 2028, secured by real estate of ASI Santa Fe, Inc.	450,667	446,667
A non-interest bearing mortgage note payable to the Low Income Housing Trust Fund from the City of Henderson due 2050, secured by real estate of ASI Henderson, Inc.	208,500	208,500
A non-interest bearing mortgage note payable to the HOME, Low Income Trust Fund from the City of Henderson, due 2050, secured by real estate of ASI Henderson, Inc.	300,000	300,000
A non-interest bearing mortgage note payable to the Minnesota Housing Finance Agency due 2044, secured by real estate of ASI Roseville, Inc.	160,000	160,000
A non-interest bearing mortgage note payable to the Housing Endowment Loan Fund from the Ramsey County Housing and Redevelopment Authority due 2044, secured by real estate of ASI Roseville, Inc.	100,000	100,000

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
A non-interest bearing mortgage note payable to the Minnesota Housing Finance Agency due 2044, secured by real estate of ASI Rogers, Inc.	150,000	150,000
A non-interest bearing mortgage note payable to the Ramsey County Housing and Redevelopment Authority due 2043, secured by real estate of Rice Arlington Senior Supportive Housing, Inc.	355,000	355,000
A 2% interest mortgage note payable to the Redevelopment Authority of St. Paul due 2043, secured by real estate of Rice Arlington Senior Supportive Housing, Inc.	587,250	578,250
A non-interest bearing mortgage note payable to the Greater Minnesota Housing Fund due 2045, secured by real estate of ASI Rochester, Inc.	150,000	150,000
A non-interest bearing mortgage note payable to the Chesapeake Redevelopment and Housing Authority, due December 2045, secured by property and equipment of Chesapeake Supportive Housing, Inc.	170,794	170,794
A non-interest bearing mortgage note payable to the Minnesota Housing Finance Agency, due May 2046, secured by property and equipment of Owatonna Senior Housing, Inc.	150,000	150,000
A non-interest bearing mortgage note payable to the City of Longmont, Colorado, due 2048, secured by real estate of ASI Longmont, Inc.	350,000	350,000

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
A 2% interest mortgage note payable to the City of Longmont, Colorado, due 2048, secured by real estate of ASI Longmont, Inc.	543,950	534,950
A non-interest bearing mortgage note payable to the Minnesota Housing Finance Agency, due August 2047, secured by real estate of Duluth Supportive Housing, Inc.	200,000	200,000
A non-interest bearing mortgage note payable to the Greater Minnesota Housing Fund, due August 2047, secured by real estate of Duluth Supportive Housing, Inc.	200,000	200,000
A non-interest bearing mortgage note payable to the Housing Investment Fund, due July 2047, secured by real estate of Duluth Supportive Housing, Inc.	150,000	150,000
A non-interest bearing mortgage note payable to the City of Lake Tahoe, due 2063, secured by real estate of South Lake Tahoe Supportive Housing, Inc.	1,909,392	1,909,392
A non-interest bearing mortgage note payable to the South Tahoe Redevelopment Agency due 2063, secured by real estate of South Lake Tahoe Supportive Housing, Inc.	719,327	719,327
A 6.13% mortgage note payable to Prudential Huntoon Paige Associates, LTD, due in monthly installments of \$6,885, including interest, through 2043, secured by real estate of ASI Homes, Inc.	1,099,504	1,122,696

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
A non-interest bearing mortgage note payable to the Minnesota Housing Finance Agency, due 2048, secured by real estate of Sartell Senior Housing, Inc.	200,000	200,000
A 5% mortgage note payable to the City of Fort Collins due 2097, secured by real estate of ASI Fort Collins, Inc.	356,380	354,856
A 5% mortgage note payable to the City of Fort Collins due 2097, secured by real estate of ASI Fort Collins, Inc.	500,000	500,000
A non-interest bearing mortgage note payable to the Minnesota Housing Finance Agency due 2048, secured by real estate of Rogers Supportive Housing, Inc.	200,000	200,000
A non-interest bearing mortgage note payable to Hennepin County due 2048, secured by real estate of Rogers Supportive Housing, Inc.	200,000	200,000
A non-interest bearing mortgage note payable to the Virginia Department of Housing & Community Development due 2028, secured by real estate of Exmore Supportive Housing, Inc.	500,000	500,000
A non-interest bearing mortgage note payable to City of Henderson due 2050, secured by real estate of Henderson Supportive Housing, Inc.	500,000	500,000

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
A non-interest bearing mortgage note payable to Maine State Housing Authority due 2037, secured by real estate of Maine Supportive Housing, Inc.	160,000	160,000
A non-interest bearing mortgage note payable to Greater Minnesota Housing Fund due 2049, secured by real estate of ASI - Owatonna, Inc.	109,000	109,000
A non-interest bearing mortgage note payable to Minnesota Housing Finance Agency due 2049, secured by real estate of ASI - Owatonna, Inc.	200,000	200,000
A non-interest bearing mortgage note payable to Illinois Housing Development Authority, due in annual installments of \$1,000 through 2049, secured by real estate of Harvard Supportive Housing, Inc.	500,000	500,000
A non-interest bearing mortgage note payable to City of Honolulu, due 2040, secured by real estate of Independent Living Waipahu, Inc.	500,000	500,000
A non-interest bearing mortgage note payable to City of Sioux Falls Community Development Department, due 2051, secured by real estate of ASI Sioux Falls, Inc.	20,000	20,000
A 3% mortgage note payable to the Wisconsin Department of Commerce HOME Program, due in an annual payment of \$15,740 including interest through April 1, 2053, secured by real estate of ASI Hudson, Inc.	372,293	361,984

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
A 3% mortgage note payable to the Wisconsin Department of Commerce HOME Program, due in an annual payment of \$9,430 including interest through April 1, 2056, secured by real estate of Hudson Senior Housing, Inc.	222,914	216,817
A non-interest bearing mortgage note payable to Housing Trust Fund from Arizona Department of Housing, due 2031, secured by real estate of Mesa Supportive Housing, Inc.	526,673	556,673
A non-interest bearing mortgage note payable to HOME Investment Partnership Program from the City of Mesa, due 2031, secured by real estate of Mesa Supportive Housing, Inc.	540,000	540,000
	23,621,593	23,626,313
Less current maturities	122,227	113,346
	\$ 23,499,366	\$ 23,512,967

The annual maturities of long-term debt for each of the next five years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 122,227
2019	166,412
2020	173,924
2021	181,784
2022	190,018

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 4. Leases

The Organization leases office facilities, office equipment and vehicles under noncancellable operating leases expiring during 2020. The Organization also rents housing and furniture under short term agreements. Rent expense for the years ended December 31, 2017 and 2016, was \$351,684 and \$337,013, respectively.

The following is a schedule of future minimum lease payments required under the operating leases at December 31, 2017:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 310,988
2019	312,842
2020	183,540

Note 5. Note Receivable

ASI is the holder of a tax increment financing note in the following amount. The note is receivable in semiannual installments together with interest.

	2017	2016
City of Brainerd, Minnesota	\$ 8,548	\$ 16,262

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 6. Capital Advances

The Organization has received capital advances from HUD under Sections 202 and 811 of the National Affordable Housing Act in the following amounts:

	2017	2016
1. ASI Brainerd, Inc.	\$ 1,210,000	\$ 1,210,000
2. ASI Golden Valley, Inc.	250,900	250,900
3. ASI St. Cloud, Inc.	1,408,900	1,408,900
4. ASI Jamestown, Inc.	949,100	949,100
5. ASI Austin, Inc.	1,352,800	1,352,800
6. ASI Burnsville, Inc.	1,508,600	1,508,600
7. ASI Stillwater, Inc.	1,583,600	1,583,600
8. ASI Great Falls, Inc.	1,570,700	1,570,700
9. ASI Las Vegas, Inc.	1,536,100	1,536,100
10. ASI Reno, Inc.	1,931,100	1,931,100
11. ASI Marshall, Inc.	1,579,800	1,579,800
12. Greenview Apartments, Inc.	2,427,000	2,427,000
13. ASI Spokane, Inc.	1,782,000	1,782,000
14. ASI Austin Texas, Inc.	1,698,500	1,698,500
15. ASI Carson City, Inc.	1,799,700	1,799,700
16. ASI Willmar, Inc.	1,584,800	1,584,800
17. ASI Minot, Inc.	1,500,000	1,500,000
18. ASI Duluth, Inc.	1,680,600	1,680,600
19. ASI Billings, Inc.	1,825,300	1,825,300
20. ASI Ramsey County, Inc.	608,700	608,700
21. ASI Anoka County, Inc.	851,000	851,000
22. ASI Hennepin County, Inc.	283,700	283,700
23. San Antonio Supportive Housing, Inc.	1,640,500	1,640,500
24. ASI Helena, Inc.	1,538,300	1,538,300
25. Memphis Supportive Housing, Inc.	1,367,400	1,367,400
26. South Hampton Roads Supportive Housing, Inc.	1,655,500	1,655,500
27. Rapid City Supportive Housing, Inc.	1,043,200	1,043,200
28. Coleman Road Supportive Housing, Inc.	1,268,900	1,268,900
29. ASI Southern Nevada, Inc.	2,112,200	2,112,200
30. Baytown Supportive Housing, Inc.	1,654,100	1,654,100
31. ASI Davis, Inc.	1,439,700	1,439,700
32. ASI Chandler, Inc.	1,287,900	1,287,900

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
33. ASI Capitola, Inc.	1,840,600	1,840,600
34. Corpus Christi Supportive Housing Inc.	1,321,800	1,321,800
35. ASI Dakota County, Inc.	1,565,100	1,565,100
36. ASI Missoula, Inc.	697,900	697,900
37. Carbondale Supportive Housing, Inc.	1,633,400	1,633,400
38. Webster Supportive Housing, Inc.	1,777,700	1,777,700
39. Universal City Supportive Housing, Inc.	1,173,900	1,173,900
40. ASI Springfield, Inc.	1,548,200	1,548,200
41. NHHI/ASI Bloomington, Inc.	1,764,200	1,764,200
42. Rice Arlington Senior Supportive Housing, Inc.	3,973,500	3,973,500
43. Mounds View Supportive Housing, Inc.	1,818,000	1,818,000
44. ASI Jackson County, Inc.	1,843,500	1,843,500
45. Great Falls Elderly Housing, Inc.	3,554,200	3,554,200
46. Little Rock Supportive Housing, Inc.	1,256,600	1,256,600
47. ASI Florence, Inc.	1,563,762	1,563,762
48. ASI Santa Fe, Inc.	1,490,355	1,490,355
49. Las Vegas Supportive Housing, Inc.	1,687,800	1,687,800
50. Reno Supportive Housing, Inc.	2,185,300	2,185,300
51. Nashville Supportive Housing, Inc.	2,107,900	2,107,900
52. ASI Boise, Inc.	1,704,000	1,704,000
53. ASI Henderson, Inc.	1,935,500	1,935,500
54. ASI Roseville, Inc.	1,909,500	1,909,500
55. ASI Rogers, Inc.	1,811,600	1,811,600
56. Chesapeake Supportive Housing, Inc.	1,411,400	1,411,400
57. ASI Rochester, Inc.	1,520,500	1,520,500
58. ASI Clark County, Inc.	1,771,700	1,771,700
59. Woodlands Supportive Housing, Inc.	2,500,700	2,500,700
60. ASI Fargo, Inc.	1,374,673	1,374,673
61. ASI Grand Forks, Inc.	1,806,872	1,806,872
62. Owatonna Senior Housing, Inc.	2,637,600	2,637,600
63. Clark County Supportive Housing, Inc.	2,954,700	2,954,700
64. Helena Elderhousing, Inc.	3,826,400	3,826,400
65. Shakopee Supportive Housing, Inc.	2,498,600	2,498,600
66. Kansas Supportive Housing, Inc.	1,759,500	1,759,500
67. Topeka Supportive Housing, Inc.	2,007,500	2,007,500
68. Great Falls Supportive Housing, Inc.	1,984,700	1,984,700
69. ASI - Bozeman, Inc.	2,017,724	2,017,724

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
70. Minnehaha County Supportive Housing, Inc.	3,325,060	3,325,060
71. Pasadena Supportive Housing, Inc.	1,904,100	1,904,100
72. ASI Birmingham, Inc.	2,149,200	2,149,200
73. Bozeman Senior Housing, Inc.	4,214,022	4,214,022
74. NHHI - ASI Senior Bloomington, Inc.	4,680,600	4,680,600
75. ASI Longmont, Inc.	1,773,500	1,773,500
76. Dickinson Senior Housing, Inc.	3,054,652	3,054,652
77. Cheyenne Senior Housing, Inc.	4,325,500	4,325,500
78. Duluth Supportive Housing, Inc.	2,238,400	2,238,400
79. Woodlands Senior Housing, Inc.	5,142,000	5,142,000
80. South Lake Tahoe Supportive Housing, Inc.	2,840,100	2,840,100
81. Brookings Senior Housing, Inc.	2,980,700	2,980,700
82. Shelbourne Supportive Housing, Inc.	3,508,700	3,508,700
83. Sartell Senior Housing, Inc.	4,271,300	4,271,300
84. ASI Fort Collins, Inc.	2,487,600	2,487,600
85. Rogers Supportive Housing, Inc.	1,814,500	1,814,500
86. Bledsoe Lane Supportive Housing, Inc.	3,685,100	3,685,100
87. Sartell Supportive Housing, Inc.	2,152,300	2,152,300
88. Maine Supportive Housing, Inc.	1,993,600	1,993,600
89. ASI - Mobile, Inc.	2,909,000	2,909,000
90. Albert Lea Senior Housing, Inc.	2,611,200	2,611,200
91. Exmore Supportive Housing, Inc.	1,733,400	1,733,400
92. ASI - Greeley, Inc.	2,921,700	2,921,700
93. Henderson Supportive Housing, Inc.	4,095,800	4,095,800
94. ASI Freeport Senior Housing, Inc.	3,136,900	3,136,900
95. Worthington Senior Housing, Inc.	2,165,800	2,165,800
96. Rochester Senior Housing, Inc.	5,223,400	5,223,400
97. Newport Reno Supportive Housing, Inc.	2,906,500	2,906,500
98. ASI Watertown, Inc.	2,452,821	2,452,821
99. ASI - Owatonna, Inc.	1,880,800	1,880,800
100. Harvard Supportive Housing, Inc.	2,632,600	2,632,600
101. ASI Alexandria, Inc.	2,023,700	2,023,700
102. ASI Sioux Falls, Inc.	1,980,700	1,980,700

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

	2017	2016
103. ASI Bledsoe, Inc.	2,976,600	2,976,600
104. Kalispell Senior Housing, Inc.	3,519,000	3,519,000
105. ASI Coronado, Inc.	7,805,120	7,805,120
106. ASI Hudson, Inc.	1,914,000	1,914,000
107. Hudson Senior Housing, Inc.	3,905,200	3,905,200
108. Tonopah Lamb Senior Housing, Inc	4,590,700	4,590,700
109. Mesa Supportive Housing, Inc.	1,859,600	1,859,600
110. ASI Greeley II, Inc.	1,975,800	1,975,800
111. Mojave Cedar Supportive Housing, Inc.	1,597,900	1,597,900
112. ASI Kansas City, Inc.	3,407,100	3,407,100
113. Independent Living Waipahu, Inc.	3,006,100	3,006,100
114. ASI Freeport, Inc.	3,743,400	3,743,400
115. ASI McAlester, Inc.	2,195,000	2,195,000
	\$ 257,878,261	\$ 257,878,261

The capital advances are non-interest bearing and are not required to be repaid so long as the housing remains available to eligible very low income households for a period of 40 years. The advances are secured by first mortgages on the real estate for a period of 40 years. Failure to comply with this eligibility requirement would require repayment of the entire capital advance plus allowable interest.

Note 7. Related Party Transaction

Development costs for projects in process represent costs incurred by Accessible Space, Inc. during the organization of

Note 8. Endowment Assets

The Organization has adopted investment and spending policies for endowment assets.

Investment Policies

The endowment funds are to be invested in cash, cash equivalents, and other suitable investments using a long-term investment approach as determined by the Board of Directors.

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Spending Policies

Endowment distributions can be used for any lawful purpose of the Organization with the approval of the Board of Directors and the original donor if the contribution was initially restricted for a certain project or use.

Endowment assets at December 31 are as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 4,931	\$ 13,249
Equity mutual funds	1,688,964	1,373,811
Corporate notes and bond mutual funds	<u>1,462,753</u>	<u>1,298,724</u>
	<u>\$ 3,156,648</u>	<u>\$ 2,685,784</u>

The summary of changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, at December 31, 2015	\$ 1,608,902	\$ 898,134	\$ 2,507,036
Contributions	-	-	-
Investment income	<u>178,748</u>	-	<u>178,748</u>
Endowment net assets, at December 31, 2016	1,787,650	898,134	2,685,784
Contributions	-	-	-
Investment income	<u>470,864</u>	-	<u>470,864</u>
Endowment net assets, at December 31, 2017	<u>\$ 2,258,514</u>	<u>\$ 898,134</u>	<u>\$ 3,156,648</u>

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

The Organization has established the fair value of the endowment assets according to the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs and significant value drivers are observable.

Level 3 Instruments that are valued using unobservable inputs.

There have been no changes in valuation methods used at December 31, 2017 or 2016.

The following table sets forth by level, within the fair value hierarchy, the endowment assets at fair value as of December 31, 2017 and 2016.

**Assets at Fair Value as of December 31, 2017**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 1,688,964	\$ -	\$ -	\$ 1,688,964
Corporate notes and bond mutual funds	1,462,753	-	-	1,462,753
Cash and cash equivalents	4,931	-	-	4,931
Total assets at fair value	<u>\$ 3,156,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,156,648</u>

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

**Assets at Fair Value as of December 31, 2016**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 1,373,811	\$ -	\$ -	\$ 1,373,811
Corporate notes and bond mutual funds	1,298,724	-	-	1,298,724
Cash and cash equivalents	13,249	-	-	13,249
Total assets at fair value	<u>\$ 2,685,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,685,784</u>

Note 9. Temporarily Restricted Net Assets

During 2004, Accessible Space, Inc. received a building and equipment in Nevada to operate its Nevada program services. The contribution was valued at \$4,711,380 and has been recorded as unrestricted revenue.

Accessible Space Inc. has been granted a 40-year land use related to the building described above valued at \$180,000. This grant has been recorded as a temporarily restricted net asset that will be transferred to unrestricted net assets during the building utilization.

Temporarily restricted amounts at December 31, 2017 and 2016, are \$44,921 and \$50,499, respectively, for the land use grant.

Note 10. Permanently Restricted Net Assets

The Organization has initiated an endowment campaign where the contributions received may be permanently restricted by the donor to be invested in cash, cash equivalents, and other suitable investments as determined by the board of directors. Income generated by these assets can be used for operating expenses.

As of December 31, 2017, the Organization has received approximately \$2,255,000 of contributions related to this campaign; \$898,134 has been permanently restricted by the donor.

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES  
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Note 11. Contingencies

In the normal course of business, the Organizations may be subject to lawsuits and other claims and proceedings. These matters are subject to uncertainty and outcomes are not predictable with assurance. Management is not aware of any pending or threatened lawsuit or proceeding that would have a material adverse effect on the Organization's financial position or results of operations.

The Organization is the managing member and sponsor of affordable housing projects financed by low income tax credits. These projects require various sponsor guarantees including construction completion, operating deficit, and debt repayment. Management is not aware of any guarantee condition that would have a material adverse effect on these financial statements.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT  
ON THE COMBINED SUPPLEMENTARY INFORMATION

To the Board of Directors  
Accessible Space, Inc. and Combined Affiliates  
Saint Paul, Minnesota

We have audited the combined financial statements of Accessible Space, Inc. and combined affiliates as of and for the year ended December 31, 2017, and have issued our report thereon dated May 4, 2018, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the 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 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 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. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*Hinrichs & Associates, Ltd.*

Minneapolis, Minnesota  
May 4, 2018

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2017

	Program Services						Support Services				Total Expenses	
	Assisted Living Services	Special Projects	Shared Living	Nevada Supportive Housing	Nevada Community Enrichment	Affiliates	Program Total	Admin- istration	Fundraising	Support Total		Eliminations
Salaries and related expenses	\$ 5,217,406	\$ 2,726,390	\$ 1,071,100	\$ 1,780,120	\$ 2,100,906	\$ 4,353,100	\$ 17,249,022	\$ 2,462,232	\$ 197,913	\$ 2,660,145	\$ (1,042,116)	\$ 18,867,051
Rent	6,983	4,920	-	5,400	8,550	-	25,853	325,831	-	325,831	-	351,684
Utilities	39,472	21,943	7,597	30,581	51,069	2,590,021	2,740,683	23,483	-	23,483	-	2,764,166
Contract services	34,551	5,532	3,362	32,190	111,074	6,061,322	6,248,031	49,705	-	49,705	(2,103,609)	4,194,127
Equipment rental and maintenance	13,402	6,177	3,145	22,747	77,777	658,548	781,796	101,233	-	101,233	-	883,029
Program expenses	19,009	1,661	2,036	71,911	36,738	-	131,355	-	-	-	-	131,355
Transportation	42,469	36,683	7,757	48,166	20,659	-	155,734	16,975	-	16,975	-	172,709
Travel	4,195	241,141	-	4,603	8,963	-	258,902	12,790	-	12,790	-	271,692
Professional fees	-	-	-	-	-	1,034,383	1,034,383	220,712	-	220,712	-	1,255,095
Office expense	18,133	15,036	6,786	5,717	18,804	776,953	841,429	153,877	-	153,877	-	995,306
Data processing	2,906	-	-	787	3,750	207,522	214,965	9,384	-	9,384	(182,430)	41,919
Printing	3,001	26	35	-	301	-	3,363	-	-	-	-	3,363
Education	18,033	1,275	2,445	1,220	3,870	-	26,843	9,772	-	9,772	-	36,615
Meetings	3,696	8,965	442	465	2,250	-	15,818	28,378	-	28,378	-	44,196
Marketing and promotion	1,014	2,018	263	-	4,624	166,388	174,307	34,608	15,158	49,766	(28,251)	195,822
Insurance	64,184	6,655	9,438	35,018	38,865	1,206,074	1,360,234	109,104	-	109,104	-	1,469,338
Real estate taxes	-	2,600	-	990	2,274	776,928	782,792	-	-	-	-	782,792
Dues and subscriptions	20,731	2,117	4,630	2,689	10,683	-	40,850	25,530	-	25,530	-	66,380
Staff recruitment	59,044	11,633	13,284	22,849	17,271	-	124,081	70,622	-	70,622	-	194,703
Donations	-	1,953,600	-	-	-	-	1,953,600	-	-	-	(480,000)	1,473,600
Bad debt	-	-	-	-	-	78,637	78,637	-	-	-	-	78,637
Miscellaneous	34,332	1,470	6,443	6,529	2,896	146,196	197,866	21,986	-	21,986	-	219,852
Interest	-	-	-	5,478	5,571	402,228	413,277	1,133	-	1,133	-	414,410
	5,602,561	5,049,842	1,138,763	2,077,460	2,526,895	18,458,300	34,853,821	3,677,355	213,071	3,890,426	(3,836,406)	34,907,841
Eliminations	-	(480,000)	-	-	-	(3,356,406)	(3,836,406)	-	-	-	3,836,406	-
Total expenses before depreciation	5,602,561	4,569,842	1,138,763	2,077,460	2,526,895	15,101,894	31,017,415	3,677,355	213,071	3,890,426	-	34,907,841
Depreciation	-	1,122	-	101,149	157,199	9,218,873	9,478,343	49,037	-	49,037	-	9,527,380
Total expenses	\$ 5,602,561	\$ 4,570,964	\$ 1,138,763	\$ 2,178,609	\$ 2,684,094	\$ 24,320,767	\$ 40,495,758	\$ 3,726,392	\$ 213,071	\$ 3,939,463	\$ -	\$ 44,435,221

ACCESSIBLE SPACE, INC. AND COMBINED AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
WITH REALLOCATION OF SUPPORTING SERVICE COSTS BACK TO PROGRAMS  
Year Ended December 31, 2017

	Assisted Living Services	Special Projects	Shared Living	Nevada Supportive Housing	Nevada Community Enrichment	Affiliates	Eliminations	Total
Salaries and related expenses	\$ 5,995,280	\$ 3,636,385	\$ 1,231,438	\$ 2,018,565	\$ 2,674,399	\$ 4,353,100	\$ (1,042,116)	\$ 18,867,051
Rent	130,799	83,120	26,066	42,871	68,828	-	-	351,684
Utilities	49,938	26,929	9,240	33,200	54,838	2,590,021	-	2,764,166
Contract services	54,489	17,130	7,148	37,637	120,010	6,061,322	(2,103,609)	4,194,127
Equipment rental and maintenance	51,735	30,629	11,243	34,482	96,392	658,548	-	883,029
Program expenses	19,009	1,661	2,036	71,911	36,738	-	-	131,355
Transportation	50,267	45,556	7,835	48,267	20,784	-	-	172,709
Travel	7,671	241,912	257	9,626	12,226	-	-	271,692
Professional fees	84,437	53,129	17,558	24,930	40,658	1,034,383	-	1,255,095
Office expense	76,441	51,551	18,926	24,549	46,886	776,953	-	995,306
Data processing	6,913	2,129	701	1,679	5,405	207,522	(182,430)	41,919
Printing	3,000	26	35	-	302	-	-	3,363
Education	22,042	2,748	3,746	3,139	4,940	-	-	36,615
Meetings	16,355	15,048	2,467	3,390	6,936	-	-	44,196
Marketing and promotion	21,412	13,976	4,006	4,728	13,563	166,388	(28,251)	195,822
Insurance	106,060	32,679	18,112	47,488	58,925	1,206,074	-	1,469,338
Real estate taxes	-	2,600	-	990	2,274	776,928	-	782,792
Dues and subscriptions	30,999	6,972	9,521	4,943	13,945	-	-	66,380
Staff recruitment	89,557	25,177	17,737	31,774	30,458	-	-	194,703
Donations	-	1,953,600	-	-	-	-	(480,000)	1,473,600
Bad debt	-	-	-	-	-	78,637	-	78,637
Miscellaneous	45,274	5,673	7,874	8,546	6,289	146,196	-	219,852
Interest	431	272	91	5,609	5,779	402,228	-	414,410
	6,862,109	6,248,902	1,396,037	2,458,324	3,320,575	18,458,300	(3,836,406)	34,907,841
Depreciation	22,402	11,147	4,079	105,952	164,927	9,218,873	-	9,527,380
Total expenses	\$ 6,884,511	\$ 6,260,049	\$ 1,400,116	\$ 2,564,276	\$ 3,485,502	\$ 27,677,173	\$ (3,836,406)	\$ 44,435,221