Tenants' Development II, Limited Partnership
MHFA Project No.: 01-405-R

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2018 and 2017

Tenants' Development II, Limited Partnership
MHFA Project No.: 01-405-R

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December 31, 2018

Mortgagor's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Tenants' Development II, Limited Partnership and, to the best of my knowledge and belief, the same are complete and accurate.

By: Tenants' Development II Corporation

____
Signature of General Partner Date

Corporation Taxpayer
Identification Number: 20-4596007

Telephone Number: (617) 247-3988

Tenants' Development II, Limited Partnership
MHFA Project No.: 01-405-R

December 31, 2018

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Tenants' Development II, Limited Partnership and, to the best of my knowledge and belief, the same are complete and accurate.

Managing Agent
Tenants Development Corporation

____
Donald Ward
Executive Director

Jeannetta Williams
Property Manager

Managing Agent Taxpayer
Identification Number: 04-2523105

CohnReznick
ADVISORY • ASSURANCE • TAX

Independent Auditor's Report

To the Partners
Tenants' Development II, Limited Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of Tenants' Development II, Limited Partnership, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations, partners' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Tenants' Development II, Limited Partnership as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 24 to 41, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the 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 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 financial statements as a whole. The accompanying other information on page 42 has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019, on our consideration of Tenants' Development II, Limited Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tenants' Development II, Limited Partnership's 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 Tenants' Development II, Limited Partnership's internal control over financial reporting and compliance.

CohnReznick LLP

Boston, Massachusetts
February 15, 2019

Taxpayer Identification Number:
22-1478099

Lead Auditor: Frank Cornelio

Tenants' Development II, Limited Partnership
MHFA Project No.: 01-405-R

Balance Sheets
December 31, 2018 and 2017

Assets

	2018	2017
Current assets		
Cash, including construction cash of $10,052 and $10,052, respectively	$ 348,025	$ 449,260
Tenant accounts receivable, net of allowance of $23,131 and $23,131, respectively	37,273	32,390
Prepaid expenses	103,783	106,134
Total current assets	489,081	587,784
Restricted deposits and funded reserves		
Tenant security deposits	78,587	78,067
Replacement reserve	327,060	326,813
Real estate tax and insurance escrow	321,100	284,760
Other reserves	1,336,352	1,310,192
Total restricted deposits and funded reserves	2,063,099	1,999,832
Rental property		
Building and improvements	42,333,843	42,209,461
Personal property	1,202,342	1,155,336
	43,536,185	43,364,797
Accumulated depreciation	(16,198,794)	(15,096,337)
Total rental property	27,337,391	28,268,460
Total assets	$ 29,889,571	$ 30,856,076

Tenants' Development II, Limited Partnership
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Balance Sheets
December 31, 2018 and 2017

Liabilities and Partners' Equity (Deficit)

	2018	2017
Current liabilities		
Accounts payable and accrued expenses	$ 176,268	$ 87,488
Accounts payable - entity	15,820	15,405
Management fee payable	7,303	169
Accrued interest payable - first mortgage	89,008	91,591
Mortgage payable, first mortage, current maturities	583,631	551,802
Real estate taxes payable	16,277	8,237
Total current liabilities	888,307	754,692
Deposits and prepaid liability		
Tenant security deposits	72,888	71,833
Prepaid rent	31,120	28,399
Total deposits and prepaid liability	104,008	100,232
Long-term liabilities		
Mortgages payable - first mortgage	16,387,942	16,949,564
Notes payable - surplus cash	4,850,000	4,850,000
Accrued interest payable - notes payable - surplus cash	6,365,792	5,730,936
Accrued lease payments payable - long-term	11,987,225	11,227,194
Miscellaneous long term liabilities	240,897	240,897
Total long-term liabilities	39,831,856	38,998,591
Commitments and contingencies	-	-
Partners' equity (deficit)	(10,934,600)	(8,997,439)
Total liabilities and partners' equity (deficit)	$ 29,889,571	$ 30,856,076

See Notes to Financial Statements.

Tenants' Development II, Limited Partnership
MHFA Project No.: 01-405-R

Statements of Operations
Years Ended December 31, 2018 and 2017

	2018	2017
Revenue		
Rental income	$ 5,897,333	$ 5,790,933
Vacancies and concessions	(65,624)	(39,762)
Other operating income	20,927	40,320
Total revenue	5,852,636	5,791,491
Operating expenses		
Salaries and employee benefits	1,030,398	1,009,731
Repairs and maintenance	916,296	572,746
Utilities	566,606	498,112
Property management fee	235,534	231,760
Real estate taxes	564,301	537,337
Property insurance	174,049	155,245
Miscellaneous operating expenses	515,139	451,836
Total operating expenses	4,002,323	3,456,767
Net operating income	1,850,313	2,334,724
Other income (expense)		
Interest income	38,125	21,859
Interest expense	(1,112,435)	(1,143,455)
Partnership expenses - legal and other	-	(61,565)
Asset management fee	(15,820)	(15,405)
Other related party fees and expenses	(1,594,887)	(1,540,212)
Depreciation	(1,102,457)	(1,092,117)
Total other income (expense)	(3,787,474)	(3,830,895)
Net loss	$ (1,937,161)	$ (1,496,171)

See Notes to Financial Statements.

Tenants' Development II, Limited Partnership
MHFA Project No.: 01-405-R

Statements of Partners' Equity (Deficit)
Years Ended December 31, 2018 and 2017

	General partner	Special limited partner	Investor limited partner	Total partners' equity (deficit)
Balance, January 1, 2017	$ (1,710)	$ (189)	$ (7,499,369)	$ (7,501,268)
Net loss	(135)	(15)	(1,496,021)	(1,496,171)
Balance, December 31, 2017	(1,845)	(204)	(8,995,390)	(8,997,439)
Net loss	(175)	(19)	(1,936,967)	(1,937,161)
Balance, December 31, 2018	$ (2,020)	$ (223)	$ (10,932,357)	$ (10,934,600)
Partners' percentage of losses	0.009%	0.001%	99.99%	100.00%

See Notes to Financial Statements.

Tenants' Development II, Limited Partnership
MHFA Project No.: 01-405-R

Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Net loss	$ (1,937,161)	$ (1,496,171)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	1,102,457	1,092,117
Amortization of debt issuance costs	22,009	21,348
Changes in		
Tenant accounts receivable	(4,883)	22,433
Accounts receivable - other	-	18,752
Prepaid expenses	2,351	(2,336)
Accounts payable and accrued expenses	88,780	4,899
Asset management fee	415	288
Management fee payable	7,134	107
Accrued interest payable	(2,583)	(2,863)
Real estate taxes payable	8,040	(3,900)
Tenant security deposits, net	535	382
Prepaid rent	2,721	(35,530)
Interest on notes payable	634,856	598,921
Ground lease	760,031	941,291
Net cash provided by operating activities	684,702	1,159,738
Cash flows from investing activities		
Expenditures on rental property	(171,388)	(265,315)
Change in real estate tax and insurance escrows	(36,340)	(41,113)
Change in reserve for replacements	(247)	62,630
Change in other reserves	(26,160)	(14,983)
Net cash used in investing activities	(234,135)	(258,781)
Cash flows from financing activities		
Principal payments on mortgages payable	(551,802)	(623,666)
Net cash used in financing activities	(551,802)	(623,666)
Net (decrease) increase in cash, including construction cash of $10,052 and $10,052, respectively	(101,235)	277,291
Cash, including construction cash of $10,052 and $10,052, respectively, beginning	449,260	171,969
Cash, including construction cash of $10,052 and $10,052, respectively, end	$ 348,025	$ 449,260
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 1,285,031	$ 1,116,570

See Notes to Financial Statements.

Note 1 - Organization and nature of operations

Tenants' Development II, Limited Partnership (the "Partnership") was formed on June 20, 2003, to acquire, rehabilitate and operate 185 residential units located in Boston, Massachusetts, known as SETH II Apartments. Originally (the "project"), 157 of the residential units were available to individuals and families of low- and moderate-income and the balance to market rate tenants. During 2005, it was determined that 165 units would be available to low- and moderate-income tenants. The project is regulated by MassHousing ("MHFA") and the United States Department of Housing and Urban Development ("HUD") as to rental charges and operating methods. Rehabilitation work was partially completed by December 2003 and six buildings were placed in service during 2003. The remaining rehabilitation work was completed throughout 2004.

Net profits, net losses and tax credits are allocated 0.009% to the General Partner, Tenants' Development II Corporation; 99.99% to the Investor Limited Partner, Amtax Holdings 227, LLC; and 0.001% to the Special Limited Partner, Protech 2003-B, LLC.

The Partnership entered into a regulatory agreement with MHFA, which regulates the operations and occupancy of the project and limits cash distributions to 10% of the borrower's equity or $1,275,567 per year, subject to certain other priorities as described in the mortgage loan.

The project is subject to Section 236(e)(2) Use Agreements with HUD. Under the Use Agreements the project is required to maintain the housing as affordable for tenants whose income is 80% of median income or lower through June 20, 2021.

Each building of the project has qualified for and been allocated low-income housing credits pursuant to Internal Revenue Code Section 42 ("Section 42"), which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. Each building of the project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. In addition, Tenants' Development II, Limited Partnership has executed an extended low-income housing agreement, which requires the utilization of the project pursuant to Section 42 for a minimum of 30 years, even if the Partnership disposes of the project.

Note 2 - Summary of significant accounting policies

Allowance for doubtful accounts

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. The Partnership has set up an allowance of $23,131 and $23,131 at December 31, 2018 and 2017, respectively, for accounts deemed uncollectible.

Rental property

Rental property is carried at cost. Expenditures for maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method for financial reporting purposes. For income tax purposes, accelerated lives and methods are used.

	Estimated useful lives
Building and improvements	40 years
Personal property	10 years

Impairment of long-lived assets
The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2018 and 2017.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Rental income
Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases.

Advertising
Advertising costs are charged to operations when incurred.

Income taxes
The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2015 remain open.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Special and other escrows

At December 31, 2018 and 2017, MassHousing (the "Agency") is holding certain reserves on behalf of the Partnership. The activity for the years ended December 31, 2018 and 2017, is as follows:

		2018	2017
Mortgage escrow deposits			
Balance January 1,		$ 284,760	$ 243,647
Add:	Other deposits - deposits	664,169	659,364
	Other deposits - interest income	6,023	3,172
Subtract:	Withdrawals	(633,852)	(621,423)
Balance December 31,		$ 321,100	$ 284,760
Operating and other escrows			
Balance January 1,		$ 1,310,192	$ 1,295,209
Add:	Other deposits - interest income	26,160	14,983
Balance December 31,		$ 1,336,352	$ 1,310,192

Note 4 - Replacement reserve

In accordance with the provisions of the regulatory agreement, restricted funds are held by the Partnership to be used for replacement of property with the approval of the Agency.

The activity for the years ended December 31, 2018 and 2017, is as follows:

		2018	2017
Balance January 1,		$ 326,813	$ 389,443
Add:	Monthly deposits	125,207	125,207
	Other deposits - interest income	5,852	3,621
Subtract:	Withdrawals - capital expenditures and repairs - approved each year	(130,812)	(191,458)
Balance December 31,		$ 327,060	$ 326,813

Note 5 - Related party transactions

Tenants' Development Corporation ("TDC"), an affiliate of the General Partner, has provided financing, as described in Note 7 and the ground lease, as described in Note 13.

The property is being managed, effective January 1, 2009, by TDC, an affiliate of the General Partner, pursuant to an agreement approved by MHFA. The fee for these services is equal to 4% of total effective income (Line 17, MHFA Form FC-1). Property management fees totaled $235,534 and $231,760 for 2018 and 2017, respectively. Fees of $7,303 and $169 remain payable at December 31, 2018 and 2017, respectively. Reimbursements are also paid to the management agent for payroll and related costs and benefits, which totaled $1,030,398 and $1,009,731, respectively.

The Investor Limited Partner is entitled to an annual asset management fee of 0.1% of the Investor Limited Partner equity or $10,748. This fee is to be adjusted by CPI each year and is payable from operating cash flow. Fees incurred and expensed for 2018 and 2017 total $15,820 and $15,405, respectively. Fees of $15,820 and $15,405 remain payable at December 31, 2018 and 2017, respectively. Annual asset management fees of $15,405 and $15,117 were paid during 2018 and 2017, respectively.

Additionally, the General Partner is entitled to a noncumulative partnership management fee in the amount of the asset management fee of $11,210 (adjusted annually for CPI) and a noncumulative incentive supervisory fee of $10,000. The fees are payable from cash flow. As of December 31, 2018 and 2017, there were no fees accrued or paid.

TDC is entitled to a noncumulative Resident Services fee of $75,000. This fee is to be adjusted by CPI each year and is payable from cash flow. As of December 31, 2018 and 2017, there were no fees accrued or payable.

As part of the acquisition of the property, the Partnership assumed a noninterest-bearing liability of $240,897 that remains due to TDC at December 31, 2018 and 2017. Total advances due at December 31, 2018 and 2017 are $240,897 and $240,897, respectively, and are included in miscellaneous long-term liabilities.

The General Partner has an obligation to fund operating deficits, as defined in the partnership agreement. There have been no operating deficits funded to date.

The General Partner has also guaranteed delivery of tax credits to the Investor Limited Partner in accordance with projected amounts. If shortfalls occur, the General Partner will be required to pay the Investor Limited Partner an amount equal to the benefits lost as detailed in the partnership agreement.

Note 6 - Mortgage payable

The construction and permanent financing is provided in the form of a mortgage note in the amount of $24,975,000 from MHFA. MHFA funded this mortgage through sale of tax-exempt bonds of $20,225,000 and taxable bonds of $4,750,000. Mortgage insurance is being provided by HUD under the Housing Finance Agency Risk Sharing Pilot Program. This loan is structured to include a construction loan period and permanent loan period with a total term of 40 years. During the construction period, payments of interest-only were due on this loan. The permanent loan period began in 2006, after the final equity installment was received, with monthly payments due for principal and interest totaling $155,235.

The first mortgage note shall be payable in two separate tranches consisting of Tranche A and Tranche B. Tranche A has an original principal amount of $5,200,000 with a maturity date of December 1, 2023. The terms of the note consist of a monthly constant payment of interest at an interest rate of 5.25% per annum, mortgage servicing fee, if applicable, and principal. Principal, interest and mortgage service fees are payable by the Partnership in monthly installments of $37,415 through maturity on December 1, 2023. During 2018 and 2017, interest and mortgage service fees expense in the amount of $112,987 and $130,135 was recorded on the statement of operations. As of December 31, 2018 and 2017, the outstanding principal balance and accrued interest was $1,962,680 and $8,587 and $2,297,211 and $10,050, respectively.

Tranche B has an original principal amount of $17,593,000 with a maturity date of December 1, 2045. The terms of the note consist of a monthly constant payment of interest at an interest rate of 6.19% per annum, mortgage servicing fee, if applicable, and principal. Principal, interest and mortgage service fees are payable by the Partnership in monthly installments of $99,652 through maturity on December 1, 2045. During 2018 and 2017, interest and mortgage service fees expense in the amount of $999,448 and $1,011,862, respectively, was recorded on the statement of operations, including amortization expense of debt issuance costs of $22,009 and $21,348, respectively. As of December 31, 2018 and 2017, the outstanding principal balance and accrued interest was $15,590,426 and $80,421 and $15,807,697 and $81,541, respectively.

Debt issuance costs, net of accumulated amortization, totaled $581,533 and $603,542 as of December 31, 2018 and 2017, respectively, and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed interest rate of 6.6%. Amortization expense relating to debt issuance costs as of December 31, 2018 and 2017 was $22,009 and $21,348, respectively. Accumulated amortization relating to debt issuance costs as of December 31, 2018 and 2017 was $311,002 and $288,993, respectively.

On June 20, 2003, in connection with the mortgage, the Partnership entered into an Interest Reduction Payment Agreement ("IRP Agreement") with HUD. The interest reduction payment was attached to the original HUD mortgage on the project, prior to the acquisition by the Partnership, pursuant to Section 236 of the National Housing Act. Under the IRP Agreement, the project will continue to receive annual interest reduction payments in an amount not to exceed $235,435 through July 1, 2017. In order to continue receiving the payments, the Partnership must comply with the terms of the IRP Agreement and the statutory requirements under Section 236 of the National Housing Act. These terms include, but are not limited to operating the project in accordance with all low-income affordability restrictions, as set forth in the statute thru June 20, 2020. During 2018 and 2017, interest reduction payments were not received.

The second mortgage note has an original principal amount of $2,182,000 with a maturity date of June 1, 2017. The terms of the note consist of a monthly constant payment of interest at an interest rate of 4.95% per annum, mortgage servicing fee, if applicable, and principal. Principal, interest and mortgage service fees are payable by the Partnership in monthly installments of $18,168 through maturity on June 1, 2017. During 2017, interest expense in the amount of $1,458 was recorded on the statement of operations. As of December 31, 2017, the second mortgage note is paid in full.

Under agreements with the mortgage lender, the Partnership is required to make monthly escrow deposits for taxes, insurance and replacement of project assets, and is subject to restrictions as to operating policies, rental charges, operating expenditures and distributions to partners.

The liability of the Partnership under the mortgage notes is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter are as follows:

	First mortgage		
	Tranche A	Tranche B	Total
December 31, 2019	$ 352,523	$ 231,108	$ 583,631
2020	371,482	245,826	617,308
2021	391,461	261,482	652,943
2022	412,514	278,135	690,649
2023	434,700	295,849	730,549
Thereafter	-	14,278,026	14,278,026
Total	1,962,680	15,590,426	17,553,106
Unamortized debt issuance costs	-	(581,533)	(581,533)
	$ 1,962,680	$ 15,008,893	$ 16,971,573

Note 7 - Notes payable

Related party

TDC has provided acquisition and permanent financing in the amount of $3,000,000. The note is unsecured, has a maturity date of June 20, 2043, and bears interest at 6% per annum, compounded annually. All principal and accrued interest thereon will become due and payable on the maturity date. As of December 31, 2018 and 2017, the outstanding balance on the note and the accrued interest thereon totaled $3,000,000 and $4,404,461 and $3,000,000 and $3,985,340, respectively. Interest expense related to the loan in 2018 and 2017 totaled $419,121 and $395,396, respectively.

On October 18, 2006, TDC provided permanent financing in the amount of $2,000,000 that was used to pay a loan. The note is unsecured, has a maturity date of October 19, 2046, and bears interest at 6% per annum, compounded annually. All principal and accrued interest thereon will become due and payable on the maturity date. The Partnership may prepay the principal outstanding in whole or in part without premium or penalty. Any partial prepayment shall be applied against principal outstanding. No payments were made in 2018 and 2017. As of December 31, 2018 and 2017, the outstanding balance on the note and the accrued interest thereon totaled $1,850,000 and $1,961,331 and $1,850,000 and $1,745,596, respectively. Interest expense related to the loan in 2018 and 2017 totaled $215,735 and $203,525, respectively.

Note 8 - Capital contributions

Amtax Holdings 227, LLC, the Investor Limited Partner, has contributed $11,520,556 in return for 99.99% of the profits, losses and tax credits. Protech 2003-B, LLC, the Special Limited Partner, has agreed to contribute $107 in return for 0.001% of the profits, losses and tax credits. The remaining 0.009% is allocated to Tenants' Development II Corporation, the General Partner, for a $967 contribution. The capital contributions are subject to adjustment in accordance with the partnership agreement.

Note 9 - Application and distribution of cash flow

Cash distributions, subject to HUD and MHFA guidelines, shall be made to the partners on the following bases after the end of each calendar quarter following rental achievement, as defined. Cash flow shall be applied in the following order of priority:

First, to the maintenance of operating reserves as set forth in Section 7.8C herein;

Second, to the payment of any current and accrued asset management fee;

Third, to the payment of any deferred portion of the developer fee (which shall be applied first to interest and then to principal) in an annual amount that still enables the property to operate at a 1.00 debt coverage ratio (after of payment of any asset management fees) provided, however, that any amounts distributed pursuant to this provision shall be paid to the developer in accordance with the terms of the development agreement;

Fourth, to the payment of the amount required under the ground lease;

Fifth, to the repayment of any subordinated loans of the General Partner;

Sixth, to the payment of the partnership management fee;

Seventh, the remainder after payment of "Sixth" above, thirty-five percent (35%) shall be payable to the Investor Limited Partner as an additional asset management fee;

Eighth, to the payment of the incentive supervisory fee (as set forth in Section 7.10D) to the General Partner;

Ninth, to the payment of the resident services fee as set forth in Section 7.1 OF; and

Tenth, the balance 91% to the Investor Limited Partner and 9% to the General Partner.

Cash flow shall be applied as provided in Section 6.2A(ii) of the partnership agreement within 90 days of the end of each calendar year as permitted under the MHFA regulatory agreement. Any payments under (ii) above shall be subject to the prior payments of amounts as provided in the MHFA regulatory agreement.

Note 10 - Partnership distributions

At December 31, 2018, the Partnership's surplus cash position based on the balance sheet and the requirements of MassHousing is as follows:

Sources of available funds		
Cash and cash equivalents	$ 337,973	
Accounts receivable	37,273	
Prepaid expenses	103,783	
Unreimbursed replacement reserve and special escrow withdrawals	72,075	
		$ 551,104
Uses of available funds		
Accrued interest expense	89,008	
Accounts payable	176,268	
Accrued expenses (not escrowed)	7,303	
Unfunded security deposits	-	
Prepaid rent	31,120	
		303,699
Surplus cash (deficiency)		$ 247,405
Surplus cash (deficiency) per above		$ 247,405
Less: Unreimbursed replacement reserve withdrawals not to be requested		(8,028)
Less : Insurance Premium - non-escrowed		(189,903)
Surplus cash (deficiency), as adjusted		$ 49,474
Maximum allowable distribution permitted by MassHousing Form F.C-5 distribution calculation, as adjusted		$ 49,474

Note 11 - Partnership distributions

In accordance with the terms of the partnership agreement and the Regulatory Agreement with MassHousing, certain costs are payable from cash flow in lieu of distributions. Prior year funds available for distribution were distributed as follows:

Asset management fee	$	15,405
Ground lease expense and interest		200,000
Total costs paid in lieu of distributions		215,405
Actual distributions		
Distributions to partners (Line 298 of the FC-3C)		-
Total distributions paid (Line 586 of the FC-5)	$	215,405

Subject to the regulatory agreement with MHFA, the Partnership is limited to a maximum annual distribution of $1,275,567, which represents 10% of stated equity. As of December 31, 2018, there were earned distributions of $1,037,628 and funds available for distribution of $49,474, as adjusted (see Note 10).

Note 12 - Housing assistance payment contract agreement

Tenant rents are being subsidized through a Section 8 contract with HUD. This contract provides assistance to those tenants who qualify by meeting certain HUD established criteria, including maximum income limitations. The assistance contract obligates HUD to provide rent subsidies through April 30, 2022. Rent subsidies totaled $4,633,172 and $4,555,583 in 2018 and 2017, respectively.

Note 13 - Ground lease

The Partnership ("tenant") has entered into a ground lease agreement with Tenants' Development Corporation ("landlord"). The 50-year lease requires an initial annual base rent in the amount of $562,500 for year one, and for the remaining years, the base rent was to be increased annually by 3% through December 30, 2011. Payments shall be made from available operating cash flow, as defined in the limited partnership agreement, which is limited to surplus cash annually, in arrears, no more than 120 days after the close of each fiscal year. Any rental payment deficiency, due to the lack of operating cash flow, bears interest at the rate of 8% per annum from the date the deficient rent was due until the deficiency is paid through December 31, 2011. On December 30, 2011, the Partnership entered into an amendment to the ground lease agreement with Tenants' Development Corporation. The amendment to the agreement includes the termination of the 3% annual increase on the base rent and rental payment deficiency effective January 1, 2012, and revised the interest rate to the January 2012 Applicable Federal Rate (2.63%). Ground lease expense and interest were $712,559 and $247,472 and $712,559 and $228,732 for the years ended December 31, 2018 and 2017, respectively. During 2018 and 2017, ground lease payments of $200,000 and $0, respectively, were made. As of December 31, 2018 and 2017, accrued ground lease and interest total $10,356,401 and $1,630,824 and $9,643,842 and $1,583,352, respectively.

Note 14 - Real estate taxes

The Partnership had entered into a Chapter 121A agreement with the City of Boston and the Commonwealth of Massachusetts, which exempts all real and personal properties from local taxation and subjects the property to an alternative tax. The agreement was terminated on July 20, 2013. Beginning July 1, 2014, the Partnership is subject to the standard real estate tax under Chapter 59 of the Massachusetts General Laws. For the years ended December 31, 2018 and 2017, the standard real estate tax was $564,301 and $537,337, respectively

Note 15 - Concentration of credit risk

The Partnership maintains its cash balances in several accounts in two banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to $250,000 at each bank. At times, these balances may exceed the federal insurance limits; however, the Partnership has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2018.

In accordance with the regulatory agreement and other loan documents, the Partnership had restricted deposits and funded reserves in the amount of $1,984,512 deposited with a mortgagee on December 31, 2018. Investment options related to the deposits are limited to those provided by the mortgagee.

Note 16 - Commitments and contingencies

Low-income housing credits

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

Property use restrictions

The terms of the various agreements and their underlying regulatory agreements restrict the use of the property and require units to be rented to low- and very low-income qualified tenants for a defined period of affordability. Failure to comply with the terms could result in a requirement to repay a portion or all of the proceeds received.

Note 17 - Current vulnerability due to certain concentrations

The Partnership's primary asset is a 185-unit apartment project. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily-regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 18 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Partnership through February 15, 2019 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Tenants' Development II, Limited Partnership
MHFA Project No.: 01-405-R

Supplementary Information

Supplementary Schedules of Certain Income and Expenses
Years Ended December 31, 2018 and 2017

	2018	2017
Rental income		
Rent revenue - gross potential	$ 1,258,081	$ 1,225,165
Tenant assistance payments	4,633,172	4,555,583
Retained excess income	6,080	10,185
Total rental income	$ 5,897,333	$ 5,790,933
Vacancies and concessions		
Apartments vacancies	$ 58,635	$ 32,637
Rental concessions	6,989	7,125
Total vacancies and concessions	$ 65,624	$ 39,762
Other operating income		
Laundry and vending	$ 8,723	$ 11,001
Tenant charges	11,887	27,700
Miscellaneous other income	317	1,619
Total other operating income	$ 20,927	$ 40,320
Salaries and employee benefits		
Salaries - administrative	$ 454,402	$ 446,886
Salaries - maintenance	385,476	395,505
Payroll taxes	74,025	70,200
Health insurance and other benefits	98,607	78,900
Workmen's compensation insurance	17,888	18,240
Total salaries and employee benefits	$ 1,030,398	$ 1,009,731
Repairs and maintenance		
Exterminating	$ 8,378	$ 13,628
Grounds/landscaping	19,054	9,800
Security services/contract	213,425	168,538
Supplies	44,194	54,514
HVAC expense	8,017	6,757
Painting, decorating and cleaning	134,292	30,229
Repairs and maintenance - other than contracts	190,432	110,285
Repairs and maintenance - contracts	103,577	86,998
Elevator	2,628	2,335
Janitorial material and services	117,037	73,825
Snow removal	23,482	11,658
Miscellaneous maintenance expenses	51,780	4,179
Total repairs and maintenance	$ 916,296	$ 572,746

Tenants' Development II, Limited Partnership
MHFA Project No.: 01-405-R

Supplementary Information

Supplementary Schedules of Certain Income and Expenses
Years Ended December 31, 2018 and 2017

	2018	2017
Utilities		
Electricity	$ 204,807	$ 177,982
Water	175,341	165,177
Trash removal	6,276	5,215
Gas	180,182	149,738
Total utilities	$ 566,606	$ 498,112
Miscellaneous operating expenses		
Office supplies and expense	$ 98,799	$ 91,743
Telephone and answering service	43,066	40,178
Computer supplies and expense	114,941	78,920
Bad debt expense	2,321	19,347
Miscellaneous administrative	54,643	45,382
Advertising and newspaper	447	530
Legal	67,951	34,425
Audit	26,000	24,550
Other professional fees	25,098	33,040
MIP expense	80,243	82,691
Other taxes, licenses and insurance	1,630	1,030
Total miscellaneous operating expenses	$ 515,139	$ 451,836
Interest expense		
Interest on first mortgage payable	$ 1,112,435	$ 1,141,997
Interest on second mortgage payable	-	1,458
Total interest expense	$ 1,112,435	$ 1,143,455
Other related party fees and expenses		
Ground lease expense	$ 960,031	$ 941,291
Interest on notes payable	634,856	598,921
Total other related party fees and expenses	$ 1,594,887	$ 1,540,212

Supplementary Information

Supporting Data Required by MHFA

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Statement of Funds Flow Available for Equity
Audit - Owner's Submission - 2018
Year Ended December 31, 2018

FUNDS RECEIVED		**RESIDENTIAL**	**COMMERCIAL**	**TOTAL**
1	Base Rental - Occupancy	$ 5,891,253	$ -	
2	Gross Excess Rental Income	6,080		
3	Parking Rentals	-		
5	Gross Potential Rental Income	5,897,333	-	$ 5,897,333
6	Less: Vacancies - Occupancy	58,635	-	
7	Less: Vacancies - Parking	-	-	
8	Less: Bad Debts	2,321	-	
9	Less: Excess Section 236 Rental Income Escrowed/(Retained)	-		
10	Less: Excess Section 13A/236 Rental Income Remitted	-		
11	Total Deductions	60,956	-	60,956
13	Effective Rental Income	5,836,377	-	5,836,377
14.A	Interest Subsidy	-		-
14.B	SHARP Subsidy	-		-
14.C	RDAL/Other Subsidy	-		-
15.A	Other Income - Interest-Ordinary	38,125	-	
15.B	Interest -Annuity	-		
15.C	Laundry/Vending	8,723	-	
15.D	Commercial Lease Guarantee		-	
15.E	Other (Specify) tenant charges	12,204	-	
16	Total Other Income	59,052	-	59,052
17	Total Effective Income	5,895,429	-	5,895,429
18.A	Replacement Reserve Reimbursements	99,313	-	99,313
18.B	Special Escrow Account Reimbursements	-	-	-
19	Developer's Contributions	-		-
20	Total Funds Received	5,994,742	-	5,994,742
FUNDS DISBURSED				
ADMINISTRATIVE EXPENSES				
21	Management Fee - Contractual	235,534	-	
22.A	Payroll	454,402	-	
22.B	Payroll Taxes & Fringe Benefits	99,146	-	
23	Legal	67,951	-	
24	Audit	26,000	-	
25	Marketing	7,436	-	
26	Telephone	43,066	-	
27	Office Supplies & Services	185,496	-	
28.A	Accounting & Data Proc. Svs. Fee or Expense	-	-	
28.B	Central Office Fee	-	-	
29	Miscellaneous	57,072	-	
30	Total Administrative Expenses	1,176,103	-	1,176,103

FORM F.C. - 1A

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Statement of Funds Flow Available for Equity
Audit - Owner's Submission - 2018
Year Ended December 31, 2018

		RESIDENTIAL	COMMERCIAL	TOTAL
MAINTENANCE EXPENSES				
31.A	Payroll	$ 385,476	$ -	
31 .B	Payroll Taxes & Fringe Benefits	91,374	-	
32	Janitorial Material & Services	120,645	-	
33	Landscaping	19,054	-	
34	Decorating (Interior Only)	134,292	-	
35	Repairs (Interior & Exterior)	272,687	-	
36	Elevator Maintenance	2,628	-	
37	Garbage & Trash Removal	6,626	-	
38	Snow Removal	26,616	-	
39	Exterminating	8,378	-	
40	Recreation	-	-	
41	Miscellaneous	55,225	-	
43	Total Maintenance Expenses	1,123,001	-	$ 1,123,001
44	Resident Services	22,669	-	22,669
45	Security	304,665	-	304,665
UTILITIES				
46	Electricity	204,807	-	
47	Gas	180,182	-	
48	Oil	-	-	
49	Water & Sewer	175,341	-	
50	Total Utilities	560,330	-	560,330
53	Replacement Reserve Deposits	125,207	-	125,207
54	Special Escrow Deposits	-	-	-
TAXES, INSURANCE & INTEREST				
55	Taxes - Real Estate	564,301	-	
56	Taxes - Other	1,630	-	
57	Insurance	174,049	-	
58	Interest (Excluding Mortgage Interest and Fees)	-	-	
59	Total Taxes, Insurance & Interest	739,980	-	739,980
61	Totl Disb Prior to Cap Exp & D/S	4,051,955	-	4,051,955
62	Totl Funds Flow Prior to CE & D/S	1,942,787	-	1,942,787
63	Cap. Exp. (Exc. of Mortg. Increases, Flex Sub Funds, Bank Loans, and Capitalized Leases, etc.)			171,388
64	R/R Reimbursements which are treated as Maintenance Expense Items on the P&L Statement			-
65	Funds Flow Prior to D/S			$ 1,771,399

FORM F.C. - 1B

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Statement of Funds Flow Available for Equity
Audit - Owner's Submission - 2018
Year Ended December 31, 2018

GROSS DEBT SERVICE		
66	Gross Debt Service - Mortgage (MHFA)	$ 1,722,471
67	Gross Debt Service - Arrearage & Flexible Subsidy Notes	-
68	Gross Debt Service - Energy Loans	-
69	Gross Debt Service - Secondary Financing	634,856
70	Gross Debt Service - Other Notes Payable	-
71	Total Gross Debt Service	2,357,327
73	Funds Flow Prior to Non-Operating Items	(585,928)
75	Non-Operating Items [Gains or (Losses)]	-
CALCULATIONS OF NET AVAILABLE FOR EQUITY		
76	Net Available for Equity - Current Operating Cycle Basis (See Line #195 of Form F.C.-2B)	(585,928)
77	Add: Interest Expense Recorded but not Paid on D/S (i.e. SHARP and Arrearage Notes, Flex. Sub. Notes & Secondary Financing)	634,856
78	Subtract: Interest Income Earned on R/R and Special Escrow Accounts	32,012
80	Net Available for Equity - Distribution Basis	16,916
81.A	Add/Subtract: Excess (Deficient) Contributions to R/R in current year	-
81.B	Add/Subtract: Excess (Deficient) Contributions to Special Escrows in current year	-
82	Subtract: Tax Abatements Applicable to Prior Reporting Periods	-
83	Non-Operating Items [(Gains) or Losses]	-
84.A	Management Fee - Incentive (Agency)	-
84.B	Other Timing Differences	-
85	Net Available for Equity - Normalized Basis	$ 16,916

FORM F.C. - 1C

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Statement of Operations
Audit - Owner's Submission - 2018
Year Ended December 31, 2018

DEVELOPMENT

REVENUES:			
100	Gross Potential Rental Income		$ 5,897,333
103	Less Vacancies, Bad Debts & Section 13A/236 Excess Rental Income Remitted		60,956
105	Effective Rental Income		5,836,377
106	Interest Subsidy		-
107	Other Income		59,052
108	Residual Receipt/Excess Equity (Remitted) or Reimbursed		-
110	Total Income		5,895,429
OPERATING EXPENSES:			
111	Administration	$ 1,176,103	
112	Maintenance, Res. Svcs., Security & R/R Items (Lines 43,44, 45 & 64)	1,450,335	
113	Utilities	560,330	
114	Taxes (Real Estate & Other)	565,931	
115	Insurance	174,049	
116	Interest (Financing & Other)	1,805,525	
116A	Interest (Amortization of Debt Issuance Costs)	22,009	
120	Subtotal		5,754,282
125	Operating Income or (Loss)		141,147
130	Depreciation & Amortization		1,102,457
135	Income or (Loss) for the Development before Non-Operating Items		(961,310)
140	Non-Operating Items [Gains or (Losses)]		-
145	Net Income or (Loss) for the Development		(961,310)
PARTNERSHIP			
ADD: REVENUES OF PARTNERSHIP NOT APPLICABLE TO THE DEVELOPMENT			
146.A	"Cliff" Type Investments	-	
146.B	Other Partnership Investments	-	
146.C	Other Revenues	-	
146.D	Subtotal		-
SUBTRACT: EXPENSES OF PARTNERSHIP NOT APPLICABLE TO THE DEVELOPMENT			
147.A	Paid in Lieu of Distribution	-	
147.B	Paid from Syndication Proceeds	-	
147.C	Accrued but not Paid	975,851	
147.D	Management Fee - Incentive (Agency)	-	
147.E	Other Expenses	-	
147.F	Subtotal		975,851
148	Net Income or (Loss) for the Partnership		$ (1,937,161)

FORM F.C. - 2A

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Reconciliation to Form F.C.-1
Audit - Owner's Submission - 2018
Year Ended December 31, 2018

150	Net Income or (Loss) for the Development		$ (961,310)
155	Add: Depreciation & Amortization	$ 1,102,457	
155A	Add: Amortization of Debt Issuance Costs	22,009	
156	: Residual Receipts/Excess Equity Remitted	-	
160	: SHARP Subsidy	-	
161	: RDAL/Other Subsidy	-	
162	: Developer's Contribution	-	
164	: Replacement Reserve Reimbursements	99,313	
165	: Special Escrow Account Reimbursements	-	
166	Subtotal		1,223,779
168	Less: Excess Section 236 Rental Income Escrowed/(Retained)	-	
169	: Residual Receipts/Excess Equity Reimbursed	-	
170	: Debt Service (Principal)	551,802	
175	: Replacement Reserve Deposits	125,207	
176	: Special Escrow Deposits	-	
180	: Capital Expenditures (Exclusive of Flexible Subsidies and Mortgage Increases, etc.)	171,388	
186	Subtotal		848,397
190	Other Reporting Differences		-
195	Net Available for Equity - Current Operating Cycle Basis (See Line #76 of Form F.C.-1)		$ (585,928)

FORM F.C. - 2B

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Balance Sheet
Audit - Owner's Submission - 2018
December 31, 2018

ASSETS

Current Assets:			
	Cash and Cash Equivalents:		
201	Partnership Accounts	$ 10,052	
202	Development (Project) Accounts	337,973	
203	Subtotal		$ 348,025
	Cash Reserved or Escrowed:		
205	Tenant Security Deposits	78,587	
206	Insurance & Real Estate Tax Escrow	321,100	
209	Special & Other Escrow *	1,336,352	
210	Subtotal		1,736,039
	Accounts Receivable:		
215	Tenant (less doubtful accounts)	37,273	
216	HUD	-	
218	Other	-	
220	Subtotal		37,273
222	Residual Receipts/Excess Equity Receivable		-
223	Short-Term Investments		-
225	Due from General Partners &/or Affiliates		-
227	Prepaid Expenses		103,783
228	All Other Current Assets		-
230	Total Current Assets		2,225,120
Property & Equipment:			
231	Land	-	
232	Building & Equipment	43,536,185	
234	Subtotal		43,536,185
235	Accumulated Depreciation		16,198,794
236	Net		27,337,391
Other Assets:			
240	Capital Contributions Receivable		-
241	Reserve for Replacement Escrow *		327,060
242	Excess Rental Income Escrow Account		-
243	Long-Term Investments		-
243.A	Market Value		
244	Gross Organizational and Financing Costs	-	
244.A	Accumulated Amortization	-	
245	Net		-
246	Deferred Syndication Costs		-
248	Deposits & Other		-
250	Total Assets		$ 29,889,571
250.A	*Unreimbursed R/R & Special Escrow Withdrawals Included in Above	72,075	

FORM F.C. - 3A

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Balance Sheet
Audit - Owner's Submission - 2018
December 31, 2018

LIABILITIES & PARTNERS' EQUITY (DEFICIENCY)

Current Liabilities:			
251	Current Portion of Mortgage Payable		$ 583,631
252	Notes & Advances - due within 1 year		-
	Accounts Payable:		
255	Trade - due within 30 days	$ 176,268	
257	Other	-	
260	Subtotal		176,268
262	Residual Receipts/Excess Equity Payable		-
	Accrued Expenses:		
265	Interest	89,008	
266	R.E. Taxes & Insurance	16,277	
267	Other	7,303	
270	Subtotal		112,588
272	Tenant Security Deposits		72,888
274	Prepaid Rent		31,120
278	All Other Current Liabilities		-
280	Total Current Liabilities		976,495
Long-Term Liabilities:			
281	Mortgage Payable, net of current portion		16,387,942
	Notes & Advances:		
282	Energy Notes	-	
283	Arrearage & Flexible Subsidy Notes	-	
284	Other Notes & Advances	4,850,000	
285	Subtotal		4,850,000
286	Accrued Interest on All Long-Term Liabilities		6,365,792
287	Due to General Partners &/or Affiliates		256,717
288	Development Fees Payable		-
289	All Other Long-Term Liabilities		11,987,225
290	Total Long-Term Liabilities		39,847,676
291	Total Liabilities		40,824,171
Partners' Equity (Deficiency):			
292	Total Partners' Equity (Deficiency)		(10,934,600)
294	Total Liabilities & Partners' Equity (Deficiency)		$ 29,889,571

FORM F.C. - 3B

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Statement of Changes in Partners' Equity (Deficiency)
Audit - Owner's Submission - 2018
Year Ended December 31, 2018

295	Balance, Beginning of Year	$ (8,997,439)
295.A	Add/(Subtract) Prior Period Adjustments and Non-Cash Transactions	-
296	Add: Capital Contributions	-
297	Add: Income or (Loss)	(1,937,161)
298	Deduct: Distributions -Regulatory	-
299	Deduct: Distributions -Refinancing & Other	-
300	Balance, End of Year	$ (10,934,600)

FORM F.C. - 3C

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Supplemental Schedule of Long-Term Liabilities
Audit - Owner's Submission - 2018
Year Ended December 31, 2018

	Line Number	Principal Balance	Line Number	Accrued Interest	Line Number	Non Current Balance
Energy Loans	401	$ -	426	$ -	451	$ -
Arrearage Notes	402	-	426	-	426	-
Flexible Subsidy Notes	403	-	428	-	453	-
SHARP Notes	404	-	429	-	454	-
Secondary Financing Notes	405	-	430	-	455	-
Residual Proceeds Notes	406	-	431	-	456	-
Bank Loans (Notes)	407	-	432	-	457	-
Capitalized Lease Obligation Notes	408	-	433	-	458	-
HODAG	409	-	434	-	459	-
UDAG	410	-	435	-	460	-
RDAL	411	-	436	-	461	-
Other	412	4,850,000	437	6,365,792	462	11,215,792
Subtotal	415	4,850,000	440	6,365,792	465	11,215,792
Due to G.P. &/or Affiliates	420	256,717	445	-	470	256,717
Development Fees Payable	421	-	446	-	471	-
All Other Long-Term Liabilities	422	11,987,225	447	-	472	11,987,225
Total	425	$ 17,093,942	450	$ 6,365,792	475	$ 23,459,734

FORM F.C. - 3D

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Statement of Cash Flows
Audit - Owner's Submission - 2018
Year Ended December 31, 2018

	Line Number	Cash Provided	Line Number	Cash Used	Line Number	Net Cash
OPERATING ACTIVITIES						
Net Income or (Loss)	301	$ -	341	$ 1,937,161		
Adjustment To Reconcile Net Income To Net Cash Provided By Operating Activities:						
Depreciation & Amortization	302	1,102,457				
Amortization of Debt Issuance Costs	302A	22,009				
Non-Operating Items [(Gains) or Losses]	303	-	343	-		
Changes In Operating Assets & Liabilities:						
Decr/Incr In Accounts Receivable	304	-	344	4,883		
Decr/Incr In Residual Receipts/Excess Equity Receivable	304A	-	344A	-		
Decr/Incr In Prepaid Expenses	305	2,351	345	-		
Decr/Incr In All Other Current Assets	306	-	346	-		
Decr/Incr In Deposits & Other	307	-	347	-		
Decr/Incr In Tenant Security Deposit Escrow	308	-	348	520		
Decr/Incr In Insurance/Real Estate Tax Escrows	309	-	349	36,340		
Incr/Decr In Accounts Payable	310	88,780	350	-		
Incr/Decr In Residual Receipts/Excess Equity Payable	310A	-	350A	-		
Incr/Decr In Accrued Expenses	311	12,591	351	-		
Incr/Decr In Tenant Security Deposit Liab.	312	1,055	352	-		
Incr/Decr In Prepaid Rent	313	2,721	353	-		
Incr/Decr In All Other Current Liabilities	314	-	354	-		
Incr/Decr In Accrued Interests On Long-Term Liabs.	315	634,856	355	-		
Net Cash Provided (Used) In Operating Activities	320	1,866,820	360	1,978,904	381	$ (112,084)

FORM F.C. - 4A

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Statement of Cash Flows
Audit - Owner's Submission - 2018
Year Ended December 31, 2018

INVESTING ACTIVITIES	**Line Number**	**Cash Provided**	**Line Number**	**Cash Used**	**Line Number**	**Net Cash**
Disposal/Acquisition Of Land, Building, & Equip.	321	$ -	361	$ 171,388		
Disposal/Acquisition Of Short-Term Investments	322	-	362	-		
Decr/lncr In Due From G.P.'s &/Or Affiliates	323	-	363	-		
Decr/lncr In Reserve For Replacement	324	130,812	364	131,059		
Decr/lncr in Excess Rent Account	325	-	365	-		
Decr/lncr In Special & Other Escrows	326	-	366	26,160		
Additional Financing & Organization Costs	327	-	367	-		
Disposal/Acquisition Of Long-Term Investments	328	-	368	-		
Net Cash Provided (Used) In Investing Activities	330	130,812	370	328,607	382	$ (197,795)
FINANCING ACTIVITIES						
Incr/Decr In Current Portion of Morg. Payable	331	31,829	371	-		
Incr/Decr In Long-Term Portion of Morg. Payable	332	-	372	583,631		
Incr/Decr In Notes & Advances Due Within 1 Yr.	333	-	373	-		
Incr/Decr In Long-Term Portion of Notes & Advances	334	-	374	-		
Incr/Decr In Due to G/P/'s &/Or Affiliates	335	415	375	-		
Incr/Decr In All Other Long-Term Liabilities	336	760,031	376	-		
Capital Contributions	337	-				
Equity Distributions			378	-		
Incr/Decr In Development Fees Payable	339	-	379	-		
Net Cash Provided (Used) In Financing Activities	340	792,275	380	583,631	383	208,644
Net Increase (Decrease) In Cash & Cash Equivalents					384	(101,235)
Cash & Cash Equivalents At Beginning Of Year					385	449,260
Cash & Cash Equivalents At End Of Year					390	$ 348,025

FORM F.C. - 4B

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Statement of Cash Flows
Audit - Owner's Submission - 2018
Year Ended December 31, 2018

	Line Number	Cash Provided	Line Number	Cash Used	Line Number	Net Cash
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION						
Cash Paid During The Year For:						
Interest					391	$ 1,285,031
Supplemental Schedule Of Non-Cash Investing & Financing Activities:						
		Increase		Decrease		
Incr/Decr in Capital Contribs. Receivable	394	$ -	395	$ -		
Incr/Decr in Deferred Syndication Costs	396	$ -	397	$ -		
Other (Describe)						

DISCLOSURE OF ACCOUNTING POLICY:

For the purpose of the Statement of Cash Flows, the Development considers all highly liquid debt instruments with a maturity of three months or less to be cash or cash equivalents.

FORM F.C. - 4C

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Statement of Funds Available for Distribution
Audit - Owner's Submission - 2018
Year Ended December 31, 2018

(I) Calculation of Funds Available for Distribution

	Sources of Available Funds:		
500	Cash and Cash Equivalents	$ 337,973	
505	Short-Term Investments	-	
507	Accounts Receivable & Residual Receipts/Excess Equity Receivable	37,273	
508	Prepaid Expenses	103,783	
509	Unreimbursed R/R and Special Escrow Withdrawals	72,075	
510	Total Sources		$ 551,104
	Uses of Available Funds:		
515	Accrued Interest Expense	89,008	
520	Delinquent Mortgage Payments & Interest	-	
525	Delinquent Deposits to R/R	-	
528	Delinquent Deposits to Insurance & Real Estate Tax Escrows	-	
530	Delinquent Deposits to Special & Other Escrows	-	
535	Accounts Payable & Residual Receipts/Excess Equity Payable	176,268	
540	Accrued Expenses (Not Escrowed)	7,303	
545	Notes & Advances - Operating Expenses (Due Within 30 days)	-	
550	Unfunded Security Deposits	-	
555	Prepaid Rent	31,120	
560	Due to General Partners &/or Affiliates (exclusive of development fees)	-	
565	Total Uses		303,699
570	Funds Available for Distribution		$ 247,405
572	Maximum Allowable Distribution if Funds Available		$ 247,405

FORM F.C. - 5A

See Note 10 of the Financial Statements for adjusted distribution to $49,474 for unreimbursed reserve withdrawals not to be requested and insurance premium non escrowed.

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Statement of Funds Available for Distribution
Audit - Owner's Submission - 2018
Year Ended December 31, 2018

(II) Calculation of Maximum Possible Distribution if Funds Available

575	Maximum Distribution for Current Year		$ 16,916	
580	Excess Net Available for Distribution from Current Year Applied to 3 Preceeding Years		-	
582	Excess Net Available for Distribution from 3 Preceeding Years Applied to Current Year		-	
585	Distributions Earned for Prior Years but not Paid as of Beginning of Year	$ 1,236,117		
586	Less: Distribution Paid During Current Year	215,405		
587	Balance at Year's End		1,020,712	
590	Maximum Possible Distribution if Funds Available			$ 1,037,628

(III) Statistics:

595	Accumulated Partnership Distributions	$ 1,724,729
600	Stated Equity	$ 12,755,674

FORM F.C. - 5B

Tenants' Development II, Limited Partnership
Project Number: 01-405-R Project Name: South End Tenants HSG II

Computation of Surplus Cash, Distributions and Residual Receipts/Excess Equity
Audit - Owner's Submission - 2018
Year Ended December 31, 2018

Calculation of Residual Receipts

	Sources of Available Cash:		
601	Cash and Cash Equivalents	$ 337,973	
605	Short-Term Investments	-	
610	Accounts Receivable - HUD	-	
615	Tenant Security Deposits Escrowed	78,587	
620	Unreimbursed R/R and Special Escrow Account Withdrawals	72,075	
625	Other (Describe)	-	
630	Total Sources		$ 488,635
	Uses of Available Cash:		
635	Accrued Mortgage Interest Payable	89,008	
640	Delinquent Mortgage Principal & Interest Payments	-	
645	Delinquent Deposits to Replacement Reserve	-	
650	Delinquent Deposits to Ins. & Real Estate Tax Escrow	-	
655	Delinquent Deposits to Special & Other Escrows	-	
656	Deficient Deposits to Ins. Real Estate Tax Escrows	-	
660	Accounts Payable (due within 30 days)	176,268	
665	Accrued Expenses (not escrowed)	7,303	
670	Loans & Notes Payable - Operating Expenses (due within 30 days)	-	
675	Tenant Security Deposit Liability	72,888	
680	Prepaid Rents	31,120	
685	Due to General Partners &/Or Affiliates (exclusive of development fees)	-	
690	Other (Describe)	-	
695	Total Uses		376,587
696	Surplus Cash		$ 112,048
697	Maximum Possible Distributions Earned		$ 20,389,179
698	Accumulated Partnership Distributions		1,724,729
699	Distributions Earned but Unpaid		$ 18,664,450
700	Required Deposit to Residual Receipts Escrow		$ -

FORM F.C. - 6

Tenants' Development II, Limited Partnership
MHFA Project No.: 01-405-R

Schedule of Cash Flow Available for Distribution (Unaudited)
December 31, 2018

GP Waterfall Calculation - UNAUDITED

Year Ended: December 31, 2018
Partnership Name: Tenants' Development II, Limited Partnership
Property Name: Seth II Apartments
Alden property code:

Please enter exact waterfall verbiage below in **Column C** as written in the LPA (including applicable % allocation to the various parties), the total Cash Flow Available for Distribution for the current year in **cell E8**; amounts distributed to various parties in **Column E**, and comments in **Column I** (if any) in the yellow highlighted cells.

Cash Flow Available for Distribution: $ 49,474

Please enter the exact waterfall verbiage below as written in the LPA , including applicable %

Do not change formulas in grey fields.

LPA		Amount to be Paid: **	Cash Remaining:	Comments:
	Cash flow shall be applied in the following order of priority:			
1	First, to the maintenance of operating reserves as set forth in Section 7.8C herein;	-	49,474.00	
2	Second, to the payment of any current and accrued asset management fee;	15,820	33,654.00	
3	Third, to the payment of any deferred portion of the developer fee (which shall be applied first to interest and then to principal) in an annual amount that still enable the operate at a 1.00 debt coverage ratio (after of payment of any asset management. However, that any amounts distributed pursuant to this provision shall be paid to the developer in accordance with the terms of the development agreement;	-	33,654.00	
4	Fourth, to the payment of the amount required under the ground lease;	33,654	-	
5	Fifth, to the repayment of any subordinated loans of the General Partner;		-	
6	Sixth, to the payment of the partnership management fee;		-	
7	Seventh, the remainder after payment of "Sixth" above, thirty-five percent (35%) shall be payable to the Investor Limited Partner as an additional asset management fee;		-	
8	Eighth, to the payment of the incentive supervisory fee (as set forth in Section 7.10D) to the General		-	
9	Ninth, to the payment of the resident services fee as set forth in Section 7.1 OF; and		-	
10	Tenth, the balance 91% to the Investor Limited Partner and 9% to the General Partner.		-	
11	To:		-	
12	To:		-	
13	To:		-	
14	To:		-	

FINAL STEP For the remaining cash flow, please input entity name in **Column C**, % per LPA in **Column D**, and the individual amounts paid for the "balance remaining" in **Column E** for the final step below:

Do not change formulas in grey fields.

		% to each				
GP	Tenants' Development II Corporation	9.00%	-	#DIV/0!		
ILP	Amtax Holdings 227, LLC	91.00%	-	#DIV/0!		
SLP	Protech 2003-B, LLC	%	-	#DIV/0!		
		100.00%		$ -	-	check total, s/b $0
	Total Paid		$ 49,474	$	-	check total, s/b $0

GP Explanation

explanation:

***This schedule represents amounts to be paid in 2019 from surplus cash generated in 2018*

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Partners
Tenants' Development II, Limited Partnership

We have audited, 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, the financial statements of Tenants' Development II, Limited Partnership, which comprise the balance sheet as of December 31, 2018, and the related statements of operations, partners' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tenants' Development II, Limited Partnership's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tenants' Development II, Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of Tenants' Development II, Limited Partnership's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CohnReznick LLP

Boston, Massachusetts
February 15, 2019

Independent Auditor's Report on Compliance for Each Major HUD and MHFA-Assisted Program and on Internal Control over Compliance Required by the Consolidated Audit Guide for Audits of HUD Programs

To the Partners
Tenants' Development II, Limited Partnership

Report on Compliance for Each Major HUD and MHFA Assisted Program

We have audited Tenants' Development II, Limited Partnership's compliance with the compliance requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the "Guide") that could have a direct and material effect on each of Tenants' Development II, Limited Partnership's major U.S. Department of Housing and Urban Development ("HUD") programs for the year ended December 31, 2018. Tenants' Development II, Limited Partnership's major HUD and MHFA Assisted programs are as follows:

- 542 (c) Mortgage Insurance Program
- Section 8 rent subsidy program

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD and MHFA Assisted program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tenants' Development II, Limited Partnership's major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about Tenants' Development II, Limited Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of Tenants' Development II, Limited Partnership's compliance.

Opinion on Each Major HUD and MHFA Assisted Program

In our opinion, Tenants' Development II, Limited Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD and MHFA Assisted programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

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

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

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

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

CohnReznick LLP

Boston, Massachusetts
February 15, 2019

Independent Auditor's Report on Compliance with
Regulatory and Management Agreements

To the Partners
Tenants' Development II, Limited Partnership

We have audited, 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, the financial statement of Tenants' Development II, Limited Partnership, which comprise the balance sheet as of December 31, 2018, and the related statement of operations, partners' equity ("deficit"), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2019.

In connection with our audit, nothing came to our attention that caused us to believe that the Partnership failed to comply with the terms, covenants, provisions or conditions of Sections 2, 3, 6, 7, 8, 9 and 13, inclusive, of the Regulatory Agreement dated June 2003 with MassHousing and Sections 5i, 6, 10, 12a, 12b and 21, inclusive, of the Management Agreement, dated January 1, 2009, with TDC Management, Inc. insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Partnership's noncompliance with the above referenced terms, covenants, provisions, or conditions of the Regulatory Agreement and Management Agreement insofar as they relate to accounting matters.

This report is intended solely for the information and use of the general partners, management, other within the Partnership and MassHousing and is not intended to be and should not be used by anyone other than these specified parties.

The purpose of this report is solely to describe the scope of our auditing procedures to test Tenants' Development II, Limited Partnership's compliance with the terms, covenants, provisions or conditions of the aforementioned Sections of the Regulatory and Management Agreements referred to above and the results of that testing and not to provide an opinion on Tenants' Development II, Limited Partnership's compliance with those terms, covenants, provisions or conditions. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tenants' Development II, Limited Partnership's compliance with the terms, covenants, provisions or conditions of the aforementioned Sections of the Regulatory and Management Agreements referred to above. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Boston, Massachusetts
February 15, 2019

Tenants' Development II, Limited Partnership
MHFA Project No.: 01-405-R

Schedule of Findings, Questioned Costs and Recommendations
December 31, 2018

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

Tenants' Development II, Limited Partnership
MHFA Project No.: 01-405-R

Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations December 31, 2018

1. Audit Report, dated February 20, 2018, for the year ended December 31, 2017, issued by CohnReznick LLP.

   There are no open findings from the prior audit report.

2. There were no reports issued by HUD OIG or other federal agencies or contract administrators during the period covered by this audit.

3. MassHousing management report was issued on February 16, 2018 and is titled Management Review. The project received a Satisfactory overall rating. In addition, MassHousing management report was issued on February 16, 2018 and is titled Asset Management Review. The project received a Satisfactory rating on each of the categories listed on the report (Inspection Results, Capital Needs Planning, Affordability Restrictions, Fiscal Management and Operational Requirements).

   All matters were addressed in a response dated March 15, 2018. A close-out letter was received from MassHousing on April 12, 2018.

   HUD performed a physical inspection for the Property during the year ended December 31, 2018. The property received a score of 71c.

   The Physical Inspection Summary Report, issued June 8, 2018, by HUD Real Estate Assessment Center ("REAC") title Inspection Summary Report.

   REAC had a few findings related to the overall physical condition of the Property and the Property's compliance with the health and safety practices with respect to the operations of the Property.

   Management believes it has satisfactorily addressed all findings noted in the REAC physical inspection.