



INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2010

CLEVELAND HOUSING NETWORK, INC. AND AFFILIATE

DECEMBER 31, 2010

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BOARD OF TRUSTEES
CLEVELAND HOUSING NETWORK, INC. AND AFFILIATE

Independent Auditors' Report

We have audited the accompanying consolidated statement of financial position of Cleveland Housing Network, Inc. and Affiliate as of December 31, 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of Cleveland Housing Network, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 consolidated financial statements and in our report, dated June 4, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cleveland Housing Network, Inc. and Affiliate as of December 31, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2011, on our consideration of Cleveland Housing Network, Inc. and Affiliate's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of Cleveland Housing Network, Inc. and Affiliate taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Cohen & Company

June 3, 2011
Cleveland, Ohio

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010, WITH COMPARATIVE TOTALS FOR 2009

	<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>
ASSETS			LIABILITIES		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$ 7,105,402	\$ 3,362,330	Notes payable	\$ 3,054,094	\$ 2,861,122
Accounts receivable - Net			Current portion of long-term debt	3,095,874	793,266
Affiliated entities	3,531,838	3,990,244	Current portion of deferred interest payable	1,013,608	70,800
Other	789,243	726,655	Accounts payable and accrued expenses		
Grants and contracts	1,129,676	2,439,608	Trade	925,968	216,490
Current portion of notes receivable	496,760	2,947,458	Affiliated entities	1,113,612	1,224,796
Current portion of interest receivable	589,253	3,003,176	Other	1,029,291	1,215,532
Inventory - Net	2,299,933	2,829,487	Deferred revenue	1,426,531	1,543,189
Prepaid and other assets	143,104	138,764		<u>11,658,978</u>	<u>7,925,195</u>
Land and buildings held for sale	4,375,250	3,907,469			
	<u>20,460,459</u>	<u>23,345,191</u>	LONG TERM LIABILITIES		
			Long-term debt	32,121,155	32,531,441
FURNITURE AND EQUIPMENT - AT COST	663,814	688,255	Deferred interest payable	115,137	940,957
Less: Accumulated depreciation	534,610	552,740		<u>32,236,292</u>	<u>33,472,398</u>
	<u>129,204</u>	<u>135,515</u>		<u>43,895,270</u>	<u>41,397,593</u>
			COMMITMENTS AND CONTINGENCIES		
OTHER ASSETS					
Notes receivable - Long-term	27,710,750	24,464,685	NET ASSETS		
Investment in limited partnership	750,000		UNRESTRICTED		
Mortgages receivable	1,630,659	1,036,041	Designated	10,767,106	11,070,834
Interest receivable - Deferred	12,905,452	11,044,686	Undesignated	7,752,848	6,613,191
	<u>42,996,861</u>	<u>36,545,412</u>		<u>18,519,954</u>	<u>17,684,025</u>
	<u>\$ 63,586,524</u>	<u>\$ 60,026,118</u>	TEMPORARILY RESTRICTED	346,300	119,500
			PERMANENTLY RESTRICTED	825,000	825,000
				<u>19,691,254</u>	<u>18,628,525</u>
				<u>\$ 63,586,524</u>	<u>\$ 60,026,118</u>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010, WITH COMPARATIVE TOTALS FOR 2009

	2010			2009 Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Public support	\$ 23,268,260	\$ 250,000		\$ 23,518,260
Rental income	1,431,917			1,431,917
Management fees - Affiliated entities	4,559,705			4,559,705
Interest income - Affiliated entities	2,377,727			2,377,727
Gain (loss) on sale of inventory and land and buildings	101,713			101,713
Maintenance services - Affiliated entities	1,091,134			1,091,134
Other interest income and miscellaneous	2,543,308			2,543,308
	<u>35,373,764</u>	<u>250,000</u>		<u>35,623,764</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>23,200</u>	<u>(23,200)</u>		
Total revenues	<u>35,396,964</u>	<u>226,800</u>		<u>35,623,764</u>
EXPENSES				
Program services	33,937,746			33,937,746
Supporting services				
Management and general	788,711			788,711
Fundraising	189,433			189,433
	<u>34,915,890</u>			<u>34,915,890</u>
CHANGE IN NET ASSETS	481,074	226,800		707,874
NET ASSETS - BEGINNING OF THE YEAR	17,684,025	119,500	\$ 825,000	18,628,525
ACQUISITION OF CONTROLLING INTEREST IN SUBSIDIARIES				
NET ASSETS (DEFICIT) ASSUMED	<u>354,855</u>			<u>(1,418,984)</u>
NET ASSETS - END OF THE YEAR	<u>\$ 18,519,954</u>	<u>\$ 346,300</u>	<u>\$ 825,000</u>	<u>\$ 19,691,254</u>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010, WITH COMPARATIVE TOTALS FOR 2009

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL EXPENSES		
	Homeward	Weatherization	Partnerships and Development	Community Training Center	Total Program Services	Management and General	Fundraising	2010	2009
Personnel	\$ 116	\$ 3,069,735	\$ 3,023,976	\$ 878,874	\$ 6,972,701	\$ 588,785	\$ 127,810	\$ 7,689,296	\$ 7,345,882
Rent		93,238	67,289	52,418	212,945	32,105	3,518	248,568	239,854
Maintenance		37,493	541,855	8,258	587,606	3,343	366	591,315	751,261
Telephone and utilities		42,657	310,912	13,541	367,110	5,433	595	373,138	431,576
Equipment and supplies		146,303	62,720	35,828	244,851	23,699	2,677	271,227	422,780
Contract materials		2,960,038			2,960,038			2,960,038	1,450,896
Construction rehab	16,066		2,053,941		2,070,007			2,070,007	836,236
HUD discount									196,500
Housewarming materials and labor		7,794,663			7,794,663			7,794,663	4,271,673
Electric wiring materials and labor		1,895,596			1,895,596			1,895,596	539,759
Lead relocation and abatement		1,071,665			1,071,665			1,071,665	300,956
Energy assistance and water conservation materials and labor		4,088,623			4,088,623			4,088,623	5,521,327
Family development				408,699	408,699			408,699	132,289
Insurance		42,056	91,633	6,771	140,460	6,679	732	147,871	184,845
Professional fees	4,451	271,199	122,106	31,773	429,529	20,148	42,268	491,945	556,939
Management fees			511,149		511,149			511,149	549,793
Interest expense			180,107		180,107	96,628		276,735	251,719
Real estate tax		82	130,231	28	130,341	28	3	130,372	183,611
Loss on collection of notes and accounts receivable			3,611,929		3,611,929			3,611,929	228,583
Reserve for notes receivable impairment			(600,000)		(600,000)			(600,000)	
Reserve for inventory impairment	417,737				417,737			417,737	200,000
Contribution expense	80,200				80,200			80,200	
Miscellaneous	105,626	21,603	83,544	6,484	217,257	5,968	11,464	234,689	451,140
Total expenses before depreciation	624,196	21,534,951	10,191,392	1,442,674	33,793,213	782,816	189,433	34,765,462	25,047,619
Depreciation	23,167		121,366		144,533	5,895		150,428	27,507
	<u>\$ 647,363</u>	<u>\$ 21,534,951</u>	<u>\$ 10,312,758</u>	<u>\$ 1,442,674</u>	<u>\$ 33,937,746</u>	<u>\$ 788,711</u>	<u>\$ 189,433</u>	<u>\$ 34,915,890</u>	<u>\$ 25,075,126</u>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>
CASH FLOW PROVIDED FROM OPERATING ACTIVITIES			NONCASH INVESTING AND FINANCING ACTIVITIES		
Change in net assets	\$ 707,874	\$ 1,133,995	Collection of notes and interest receivable via receipt of land and building held for sale	\$ 1,517,000	\$ 2,207,000
Noncash items included in change in net assets			Debt forgiven upon the sale of properties to lease purchase buyers	\$ 1,361,012	\$ 195,797
Depreciation	150,428	27,507			
Deferred interest income	(2,049,491)	(1,842,631)	Acquisition of controlling interest in subsidiary - Net assets (deficit) assumed		
Loss on collection of notes and accounts receivable	3,611,929	228,583	Cash	\$ 153,947	\$ 60,917
Loss (gain) on land and buildings held for sale	(123,517)	169,318	Accounts receivable	4,072	12,897
Reserve for inventory impairment	417,737	200,000	Land and buildings held for sale	1,534,047	412,000
Contribution expense	80,200		Accounts payable	(42,813)	(70,915)
Reserve for note receivable impairment	(600,000)		Long-term debt	(978,319)	(985,450)
Increase (decrease) in cash caused by changes in current items			Deferred interest payable	(316,079)	(848,433)
Accounts receivable - Net	1,737,043	1,153,106		<u>\$ 354,855</u>	<u>\$ (1,418,984)</u>
Inventory - Net	31,617	1,135,803	SUPPLEMENTAL INFORMATION		
Prepaid and other assets	(4,340)	74,068	Interest paid	\$ 362,022	\$ 369,700
Accounts payable and accrued expenses	412,053	56,379			
Deferred revenue	(116,658)	323,977			
Net cash flow provided from operations	<u>4,254,875</u>	<u>2,660,105</u>			
CASH FLOW USED IN INVESTING ACTIVITIES					
Proceeds on sale of land and buildings held for sale	335,382	1,404,339			
Renovation costs on land and buildings held for sale	(98,654)	(91,832)			
Investment in limited partnership	(750,000)				
Advances under notes and mortgages receivable	(3,056,246)	(2,008,369)			
Repayment of notes, mortgages, and interest receivable	239,050	8,850			
	<u>(3,330,468)</u>	<u>(687,012)</u>			
CASH FLOW PROVIDED FROM (USED IN) FINANCING ACTIVITIES					
Additional financing	4,690,191	1,870,471			
Repayment of debt	(1,871,526)	(4,517,888)			
	<u>2,818,665</u>	<u>(2,647,417)</u>			
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,743,072	(674,324)			
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,362,330</u>	<u>4,036,654</u>			
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,105,402</u>	<u>\$ 3,362,330</u>			

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Presentation

The accompanying consolidated financial statements of Cleveland Housing Network, Inc. include the accounts of its subsidiaries, West One Limited Partnership (West One – 100% owned) and Cleveland New Construction Limited Partnership I (CNC I – 100% owned), and its affiliate, NHI, Inc. (NHI), (collectively, the Network) consolidated on the basis of control and economic interest in accordance with accounting principles generally accepted in the United States of America (GAAP). All intercompany transactions and balances are eliminated in consolidation.

Cleveland Housing Network, Inc. is an Ohio non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Network was established for the purpose of developing affordable housing and providing housing services in the City of Cleveland and surrounding areas in partnership with its 15 neighborhood constituent community development corporations (CDCs), all of which are tax exempt. These CDCs are Buckeye Area Development Corporation, Burten Bell Carr Development Corporation, Detroit Shoreway Community Development Organization, Fairfax Renaissance Development Corporation, Famicos Foundation, Inc., Glenville Development Corporation, Mount Pleasant Now Development Corporation, Northeast Shores Development Corporation, Ohio City Near West Development Corporation, Shaker Square Area Development Corporation, Slavic Village Development, St. Clair-Superior Neighborhood Development Corporation, Tremont West Development Corporation, Union-Miles Development Corporation, and Westown Community Development Corporation.

NHI, Inc. is an Ohio non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. NHI, Inc. was established for the purpose of holding real property to be used to support the charitable activities of the Network. During 2010, NHI had no income statement activity and any assets held had no value.

West One is an Ohio limited partnership organized on September 30, 1992, to acquire, rehabilitate, own, lease, and operate affordable apartment buildings totaling 60 units of low-income housing in Cleveland, Ohio.

In October 2009, West One entered into a sales agreement to sell substantially all of its assets (apartment buildings). The purchase price is \$412,000. The proposed closing date of this agreement is October 1, 2011. In October 2009, West One also entered into a management agreement with the buyer for limited services under the oversight of the Network. The buyer may terminate the management agreement, giving 30 days written notice (which shall result in the immediate termination of the purchase agreement). As title has not passed to the buyer, the sale has not consummated. The assets of West One are included in land and buildings held for sale at a carrying value approximating the sales price.

CNC I is an Ohio limited partnership organized in February 1995 to acquire, rehabilitate, own, lease, and operate 31 units of low-income housing in Cleveland, Ohio. All of the units qualify for the federal low-income housing tax credit pursuant to Section 42 of the Internal Revenue Code.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations and Presentation (Continued)

Prior to 2010, the Network was the managing general partner of CNC I. On October 1, 2010, the limited partner assigned its interest in CNC I to the Network and, therefore, the Network obtained control over CNC I in 2010. No consideration was given by the Network for this additional partnership interest. In accordance with GAAP, the Network recorded the acquisition of the controlling interest of CNC I at historical (book) value and as an adjustment to net assets in 2010. The assets of CNC I are included in land and buildings held for sale at a carrying value approximating the expected sales price.

The Network operates many different programs. They are summarized in the financial statements as follows:

Partnerships and Development (Low Income Housing)

The Network forms limited partnerships and utilizes private sector equity generated by the low income housing tax credits to acquire, develop, and lease properties with the goal of generating pathways out of poverty or providing low income individuals a 15-year pathway to homeownership. The Network receives federal, state, and local grants and loans which it in turn loans to the partnerships. Since inception, over 4,700 units have been completed.

Weatherization

These programs assist low income families in maintaining and improving the properties which they occupy. Since inception, approximately 111,000 homes have received electrical, plumbing, weatherization, furnace, and/or lead abatement improvements at no or minimal cost to the families.

Funding is provided by utility companies and federal, state, and local grants.

Homeward

This program acquires, develops, and sells properties to low and moderate income families. Since inception, approximately 1,400 homes have been developed and sold to qualifying families at affordable prices. Sale price is based on market value. Each house is completely renovated to exceed code. Through mortgage financing packages arranged by the Network, many families not otherwise able to afford home ownership become homeowners through the Homeward program.

Community Training Center

These programs provide pathways out of poverty for low and moderate income households and include social services, training, and counseling. 2,292 families have received foreclosure prevention counseling and direct assistance that resulted in avoiding foreclosure. In addition, 12,200 adults and children have participated in financial literacy, homeownership, computer and technology, and after school learning programs available to assist families to gain lasting employment, avoid eviction, and achieve homeownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Affiliates

The Network has 32 for-profit and not-for-profit affiliates with ownership of 25% to 100%. The sole purpose of these affiliates is to act as general partners in limited partnerships (owning .01% - 1%) which acquire, develop, operate, and sell low income housing. The Network accounts for its ownership interest in the affiliates in accordance with GAAP. The limited partners have substantive kick-out and participation rights and, accordingly, the Network has not consolidated the affiliates in these accompanying consolidated financial statements.

In 2010, the Network made a \$750,000 equity contribution to a limited partnership. The Network owns .01% of the limited partnership. In accordance with GAAP, the Network accounts for its investment in this limited partnership under the cost method.

Income Taxes

The Network accounts for uncertain tax positions in accordance with GAAP, which require recognition of and disclosures related to uncertain tax positions. As of and during the year ended December 31, 2010, the Network does not have a liability for unrecognized tax benefits. The Network is no longer subject to examination by federal and state taxing authorities prior to 2007.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Network's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Revenue RecognitionGrants

The Network recognizes grants from governmental agencies as exchange transactions. The grants require the Network to provide services of approximate equal value to the amounts received under the grants.

The Network recognizes funds as support from grants when eligible costs are incurred. A receivable is recorded to the extent grants earned exceed cash advances. Conversely, deferred revenue is recorded when grant or contract cash advances exceed support earned. The grantors may, at their discretion, request reimbursement for unallowed expenses as a result of noncompliance by the Network with the terms of a grant. On certain grants, if advances exceed eligible costs, the funds must be returned to the grantor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)Grants (Continued)

The Network received 76% of its public support from four funding sources, the Ohio Department of Development under the Electric Partnership Program, Dominion East Ohio under the Housewarming Program, the City of Cleveland under the Home Weatherization Assistance Program, and Ohio Partners for Affordable Energy under the Cleveland Electric Illuminating Program. Grants and contracts receivable from these four funding sources amounted to approximately 68% of grants and contracts receivable at December 31, 2010.

Contributions

All contributions are considered available for unrestricted use, unless received with donor stipulations that limit the use of the assets. When the intent of the donor is that the assets are to remain in perpetuity, the assets are reported as permanently restricted. The investment income generated by these assets is reported in accordance with the donors' stipulations. Currently, all such income is designated for general operations. When a donor restriction expires, for example, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donations whose stipulations are met in the year received are recorded as unrestricted support.

Management Fees

Management fee revenue includes developer fees earned by the Network for contract and development services provided to its related limited partnerships during the pre-development and development phases of the projects. The fees are recognized upon the completion of specific performance milestones as outlined in the agreements.

Maintenance Services

Revenue from maintenance and oversight of properties is charged on a per unit basis and recognized in the year in which service is provided.

Accounts Receivable

Accounts receivable includes program service fees, escrow, grants, proceeds from houses sold, and fees and advances due from various related limited partnerships. These amounts are due under various payment terms. Payments of receivables are allocated to the specific invoices (if applicable) identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all receivable balances that exceed 90 days from invoice date and estimates the portion, if any, of the balance that will not be collected. Additionally, management estimates an allowance for the aggregate remaining receivables based on historical collectibility. At December 31, 2010, an allowance of approximately \$360,000 has been recorded for uncollectible accounts receivable.

Accounting Estimates

Management uses estimates and assumptions in preparing its financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts, and other investments with original maturities of six months or less.

The Network's cash is held in accounts the balances of which substantially exceed the amount of related federal insurance.

Inventory - Net

Inventory includes houses held for sale with total costs of \$3,790,326 under the Homeward program. Inventory includes all costs to purchase and rehabilitate these properties, including capitalized interest of \$810,521 and capitalized development fees of \$31,250. These development fees are charged at a set amount to each house (40% at contract, 50% at sale, and 10% at closing) which approximates the personnel costs incurred by the Network in acquiring and rehabilitating each house. At December 31, 2010, the Network has a reserve for impairment as management expects to sell the inventory for less than its cost.

Inventory – Homeward program	\$ 3,790,326
Reserve for impairment	<u>(1,639,980)</u>
	2,150,346
Inventory – Other programs	<u>149,587</u>
Inventory – Net	<u>\$ 2,299,933</u>

In 2010, the Network donated 15 vacant lots to the City of Cleveland Land Reutilization Program resulting in a contribution expense of \$80,200. At December 31, 2010, there were 21 properties in Homeward inventory, including 11 vacant lots held for future development.

The balance in inventory from other programs consists of properties purchased for resale to affiliated partnerships, vacant lots, and other miscellaneous properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

Depreciation of furniture and equipment is provided by use of the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	5 - 7 years
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Land and Buildings Held for Sale

Land and buildings held for sale are properties received in payment of notes and interest receivable and are recorded at fair value at date received and held for sale to qualified low income purchasers. During 2010, a gain on the sale of certain of these properties of \$123,517 was included in the gain on sale of inventory and land and buildings in the consolidated statement of activities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated between program services, management and general, and fundraising.

Subsequent Events

Management has evaluated subsequent events through May 27, 2011, the date the consolidated financial statements were available to be issued.

2. NOTES RECEIVABLE

Long-term notes receivable are due from various limited partnerships in which the Network's affiliates are general partners. The partnerships acquire, develop, own, operate, lease, and provide tenants with the opportunity to purchase low-income housing. The properties are developed using low income housing tax credits. Interest rates on the notes receivable range from .25% to 8%. Certain of the notes require current payments of interest but a substantial portion of the interest is deferred until the maturity of the notes. All principal payments are deferred until the completion of the fifteen year requirement for low income housing tax credits. The due dates of the notes range from 2011 through 2041. The notes are collateralized by the assignment of investor limited partners' notes or mortgages on certain real and personal property.

At the due date of the principal, the Network expects, in substantially all cases, to receive partnership properties as repayment for these receivables. In many cases, amounts due to the City of Cleveland by the Network related to these properties are forgiven at the same time. The Network will then sell the properties to tenants or other qualified low-income purchasers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. NOTES RECEIVABLE (Continued)

Loss on Collection of Notes and Accounts Receivable

During 2010, the Network received properties as repayment for notes and interest receivable, which were accounted for as follows:

Fair value of homes received	\$ 1,517,000
Notes receivable forgiven	(2,623,730)
Interest receivable forgiven	(2,473,907)
Related accounts receivable written off	<u>(31,292)</u>
Loss on collection	<u>\$ (3,611,929)</u>

The Network reviews its long-term notes and interest receivable for impairment whenever events or changes in circumstances indicate that the value of the receivable and underlying collateral may not be recoverable. Recoverability is measured by comparison of the expected future sales price of the properties to the amount of debt estimated to be assumed and repaid. If the realizable value of the properties is considered potentially impaired, management records a reserve for an estimate of the loss. At December 31, 2010, management believes the receivables in the aggregate are not impaired.

3. MORTGAGES RECEIVABLE

The Network receives federal funds to provide non-interest bearing deferred second mortgages which are used to finance the purchase of homes by low and moderate income individuals. The notes are due in full if the home buyer sells the home within the first 5 years of ownership. In years 6 through 20, a proportionate share of the loan is forgiven, and at year 20, no amount is due. The mortgages have maturities through 2014. Forgiveness in 2010 was approximately \$23,200. At December 31 2010, the outstanding balance on these mortgages was \$96,300.

The Network provides second and third deferred mortgages to finance the purchase of homes by low and moderate income individuals. No interest is due on these loans unless they are sold within 5 years of ownership. Mortgages provided to buyers of the Homeward homes are due in full if the home buyer sells the home within the first 30 years of ownership. Provided the house is not sold for 30 years, the mortgages are forgiven. The mortgages have maturities through 2039. At December 31, 2010, the outstanding balance on these mortgages was \$641,588.

Mortgages are also available to buyers of homes in the lease-purchase program. At December 31, 2010, the outstanding balance on these mortgages was \$892,771. The mortgages bear interest at 0%. A portion of the mortgages are paid monthly and mature between 2011 and 2014. The remainder of the mortgages are due upon the sale of the homes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. NOTES PAYABLE

The Network has lines of credit with one bank and two community development lending institutions, totaling \$5,375,000, of which \$3,054,094 was outstanding at December 31, 2010. The interest rates are fixed at 0% and 6.75% or vary from .25% to 1.25% above prime (3.25%). Approximately \$4,700,000 of the total lines may be used only for acquisition and construction of properties purchased for inventory. No more than 95% of the total costs per house may be financed on these lines. Interest is payable monthly with principal to be repaid from proceeds of properties sold. The balance of the lines is secured by receivables and future developer fees. The notes payable are classified as current liabilities in accordance with the terms of the agreements.

The lines of credit with one of the community development lending institutions have certain financial covenants, requiring the maintenance of a current ratio, liabilities to net worth ratio, and unrestricted net assets to total assets ratio.

5. LONG-TERM DEBT

Long-term debt at December 31, 2010, consists of the following:

4.5% unsecured note, payable to Local Initiatives Support Corporation (LISC) with interest payable monthly and \$10,000 due upon the sale of certain property; with balance due January 2013	\$ 66,916
0% - 6.5% mortgages, payable to the City of Cleveland and State of Ohio with all interest and principal deferred; due 2017 through 2040; certain of the mortgages have provisions for forgiveness of principal and interest	27,550,580
Note, payable to the City of Cleveland with no interest or principal payments through 2012; \$480,000 of principal forgiven in 2012 if loan conditions met; after 2012, payments of principal and interest of 5% until obligation is repaid; collateralized by notes receivable	600,000
Non-interest bearing, unsecured Community Development Block Grants; the debt will be forgiven if certain provisions are met; net of \$3,657,673 forgiven and considered as grant income	29,929
4% unsecured note, payable to a bank with interest payable quarterly; due July 2012	500,000
4% note, payable to a bank with interest payable quarterly, due April 2017; collateralized by real estate	2,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. LONG-TERM DEBT (Continued)

4.5% unsecured notes, payable to ESIC New Markets Partners X Limited Partnership, interest at 4.5% payable monthly; principal due December 2011	2,007,390
Note, payable to a bank with interest at prime plus .25% payable monthly; principal due November 2018; collateralized by receivables	273,802
2.5% note, payable to the Cuyahoga County Land Reutilization Corporation, with interest payable quarterly; principal due July 2020 with quarterly payments beginning July 2015; collateralized by mortgage receivables	500,000
5.09% note, payable to a non-profit organization with interest and principal deferred; interest compounded annually; due September 2038; collateralized by notes receivable	600,000
7.21% note, payable by West One to the City of Cleveland with 6.21% interest and principal deferred and 1% interest on the outstanding principal and accrued interest balance due annually; due in 2011; collateralized by land and buildings held for sale	450,000
7.25% mortgage note, payable by CNC I to a bank with principal and interest payable in monthly installments of \$4,758; \$200,000 is due in 2011; the remaining balance along with the outstanding deferred interest will be forgiven upon payment of the \$200,000; collateralized by a first mortgage on property and improvements	541,638
1% note, payable by CNC 1 to the City of Cleveland with interest and principal deferred; \$2,500 due upon the sale of properties and the remaining pro rata share of principal may be forgiven; collateralized by property and improvements	96,774
	<u>35,217,029</u>
Less: Current portion	<u>3,095,874</u>
	<u><u>\$32,121,155</u></u>

Future maturities of long-term debt are as follows:

2011	\$ 3,095,874
2012	1,100,000
2013	-
2014	68,000
2015	118,000
Thereafter	<u>30,835,155</u>
	<u><u>\$35,217,029</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. BOARD DESIGNATED UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2010, were designated by the Board of Trustees as follows:

Designated for lease purchase price leveling fund	\$ 230,800
Designated for reducing the sale price of homes to future lease purchase buyers	<u>10,536,306</u>
	<u>\$ 10,767,106</u>

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2010, were restricted for the following purpose:

Hope 3 loans	\$ 96,300
Leading the Way Home Priority Markets Program	<u>250,000</u>
	<u>\$ 346,300</u>

8. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to assets held in perpetuity whose income is designated for general operations.

The Network's endowment funds consist of donor restricted funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. Endowment net assets totaling \$825,000 at December 31, 2010, are included in notes receivable and cash balances. The endowment assets are non-income producing and are invested in (loaned to) two low-income housing projects.

It is the investment objective of the Board to invest (loan) the funds to low income housing projects in development in the form of notes receivable. The Board has determined to invest in cash any endowment funds not invested in (loaned to) these projects.

There were no changes in the permanently restricted endowment assets for the year ended December 31, 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES

Leases

The Network leases office space and office equipment under long-term operating leases through 2016.

Minimum annual rentals are as follows:

2011	\$ 244,650
2012	248,516
2013	252,385
2014	256,256
2015	189,920
Thereafter	<u>112,194</u>
	<u>\$ 1,303,921</u>

Total rent expense for office space and equipment for 2010 amounted to \$248,569.

In June 2006, the Network signed a letter of intent to lease additional office space. The letter of intent states that the Network will occupy an additional 6,200 square feet of space for seven years at \$12 per square foot, or approximately \$6,200 per month. The new lease will contain an escalation clause. The Network expects to occupy this additional space and begin rental payments in July 2011.

Litigation

The Network is the named defendant in several pending lawsuits. The ultimate outcome of these lawsuits cannot be presently determined. In the opinion of management, the outcome of these lawsuits will not have a material effect on the Network's financial position.

10. PROFIT SHARING PLAN

The Network has a 401(k) profit sharing plan covering substantially all employees. The plan requires an employer contribution of 3% of all eligible wages. Employer contributions for 2010 amounted to \$143,031. The plan also allows for additional contributions at the discretion of the Board. There were no discretionary contributions for 2010.

11. RELATED PARTY TRANSACTIONS

During the ordinary course of business, the Network conducts transactions with related parties. During 2010, the Network paid \$485,671 for property management and \$619,284 for weatherization to its neighborhood constituent community development corporations.

In 2010, the Network charged the affiliated partnerships \$81,023 for accounting services.

In 2010, the Network gave \$201,300 in grants (included in program expenses) to its affiliated partnerships.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. GUARANTEES

The Network has guaranteed loans for five of its affiliated partnerships as follows:

<u>Partnership</u>	<u>Amount</u>	<u>Type of Loan</u>
Cleveland Green Homes LP	\$ 2,458,199	Bank
Cleveland Green Homes East LP	\$ 5,041,305	Bank
Rainbow Place Apartments	\$ 2,141,247	Bank
Cleveland Green Homes II LP	\$ 1,189,607	Bank
Emerald Alliance V LP	\$ 237,305	Bank

The term of the guarantees is the life of the loans through the construction periods, which are expected to mature by 2011. In addition to the guarantee, the loans are collateralized by mortgages on the partnerships' properties for the project. The guarantees were made to assist the partnerships in obtaining construction financing for housing projects for which the Network is the developer. The Network would be required to perform under the guarantees if the partnerships defaulted on their loans. The maximum potential amount to be owed would be the balance of the loan plus accrued interest. The Network would expect the amount due to be reduced by the proceeds of the sale of collateral.

CLEVELAND HOUSING NETWORK, INC. AND AFFILIATE

SUPPLEMENTAL FINANCIAL INFORMATION

DECEMBER 31, 2010

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	CFDA #	Expenditures
United States Department of Energy passed through the City of Cleveland		
Home Weatherization Assistance Program (DOE)	81.042	\$ 27,777
United States Department of Energy passed through the City of Cleveland		
American Recovery and Reinvestment Act (ARRA)	81.042	<u>3,404,069</u>
		<u>3,431,846</u>
United States Department of Health and Human Services passed through the City of Cleveland		
Home Weatherization Assistance Program (HHS)	93.568	4,925
United States Department of Health and Human Services passed through the State of Ohio		
Home Energy Assistance Program 11-HA-135	93.568	528,185
Home Energy Assistance Program 10-HA-135	93.568	158,413
American Recovery and Reinvestment Act (ARRA)	93.568	<u>6,113</u>
		<u>697,636</u>
United States Department of Housing and Urban Development passed through Cuyahoga County		
Foreclosure Prevention Counseling	14.218	86,893
United States Department of Housing and Urban Development passed through Housing Partnership Network		
Foreclosure Prevention Counseling	14.218	25,000
United States Department of Housing and Urban Development passed through the City of Cleveland		
Lead Based Paint Hazard Control Program	14.900	1,289,811

See accompanying notes to the Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED DECEMBER 31, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA #</u>	<u>Expenditures</u>
United States Department of Housing and Urban Development passed through the City of Cleveland Home Investment Partnership Program	14.239	1,180,293
United States Department of Housing and Urban Development passed through the Enterprise Community Partners Capacity Building Program	14.XXX	75,000
United States Department of Housing and Urban Development passed through Housing Partnership Network Housing Counseling Programs	14.169	<u>234,485</u>
		<u>2,891,572</u>
United States Department of Commerce passed through One Community American Recovery and Reinvestment Act (ARRA)	11.557	<u>648,159</u>
Total Federal Expenditures		<u>\$ 7,669,213</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

BOARD OF TRUSTEES
CLEVELAND HOUSING NETWORK, INC. AND AFFILIATE

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

We have audited the consolidated financial statements of Cleveland Housing Network, Inc. and Affiliate as of and for the year ended December 31, 2010, and have issued our report thereon dated June 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cleveland Housing Network, Inc. and Affiliate's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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 consolidated financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cleveland Housing Network, Inc. and Affiliates' consolidated 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 herein under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Cleveland Housing Network, Inc. and Affiliate in a separate letter dated June 3, 2011.

This report is intended solely for the information and use of management, the Board of Trustees, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cohen & Company

June 3, 2011
Cleveland, Ohio

BOARD OF TRUSTEES
CLEVELAND HOUSING NETWORK, INC. AND AFFILIATE

Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

Independent Auditors' Report

Compliance

We have audited Cleveland Housing Network, Inc. and Affiliate's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. Cleveland Housing Network, Inc. and Affiliate's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Cleveland Housing Network, Inc. and Affiliate's management. Our responsibility is to express an opinion on Cleveland Housing Network, Inc. and Affiliate's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cleveland Housing Network, Inc. and Affiliate'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. Our audit does not provide a legal determination on Cleveland Housing Network, Inc. and Affiliate's compliance with those requirements.

In our opinion, Cleveland Housing Network, Inc. and Affiliate 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 federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of Cleveland Housing Network, Inc. and Affiliate is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cleveland Housing Network, Inc. and Affiliate's internal control over compliance with the requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Cleveland Housing Network, Inc. and Affiliate's internal control over compliance.

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

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cohen & Company

June 3, 2011
Cleveland, Ohio

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2010

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes √ No

Significant deficiency(ies) identified
not considered to be material weaknesses? _____ Yes √ None reported

Noncompliance material to financial statements
noted? _____ Yes √ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes √ No

Significant deficiency(ies) identified
not considered to be material weaknesses? _____ Yes √ None reported

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

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? _____ Yes √ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
81.042	Home Weatherization Assistance Program (DOE), ARRA
11.557	ARRA

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? √ Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED DECEMBER 31, 2010

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2010

1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards was prepared on the accrual basis of accounting.

2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Cleveland Housing Network, Inc. and Affiliate provided federal awards to subrecipients under CFDA number 11.557 in the amount of \$322,755.

BOARD OF TRUSTEES
CLEVELAND HOUSING NETWORK, INC. AND AFFILIATE

Independent Auditors' Report on Supplemental Financial Information

Our report on our audit of the consolidated financial statements of Cleveland Housing Network, Inc. and Affiliate for 2010 appears on page 2. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information contained on pages 30 through 38 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Cohen & Company

June 3, 2011
Cleveland, Ohio

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

	CHN	Subsidiaries and Affiliate	Eliminations	Consolidated		CHN	Subsidiaries and Affiliate	Eliminations	Consolidated
ASSETS					LIABILITIES				
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 6,896,402	\$ 209,000		\$ 7,105,402	Notes payable	\$ 3,054,094			\$ 3,054,094
Accounts receivable - Net					Current portion of long-term debt	2,104,235	\$ 991,639		3,095,874
Affiliated entities	3,539,401		\$ (7,563)	3,531,838	Current portion of deferred interest payable	47,603	966,005		1,013,608
Other	776,738	12,505		789,243	Accounts payable and accrued expenses				
Grants and contracts	1,129,676			1,129,676	Trade	925,968			925,968
Current portion of notes receivable	496,760			496,760	Affiliated entities	1,113,612	7,563	\$ (7,563)	1,113,612
Current portion of interest receivable	589,253			589,253	Other	962,707	99,213	(32,629)	1,029,291
Inventory - Net	2,299,933			2,299,933	Deferred revenue	1,426,531			1,426,531
Prepaid and other assets	140,511	2,593		143,104		<u>9,634,750</u>	<u>2,064,420</u>	<u>(40,192)</u>	<u>11,658,978</u>
Land and buildings held for sale	2,606,390	1,768,860		4,375,250					
	<u>18,475,064</u>	<u>1,992,958</u>	<u>(7,563)</u>	<u>20,460,459</u>	LONG TERM LIABILITIES				
					Long-term debt	32,034,059	851,974	(764,878)	32,121,155
					Deferred interest payable	26,951	407,823	(319,637)	115,137
						<u>32,061,010</u>	<u>1,259,797</u>	<u>(1,084,515)</u>	<u>32,236,292</u>
FURNITURE AND EQUIPMENT - AT COST	663,814			663,814		<u>41,695,760</u>	<u>3,324,217</u>	<u>(1,124,707)</u>	<u>43,895,270</u>
Less: Accumulated depreciation	534,610			534,610					
	<u>129,204</u>			<u>129,204</u>	NET ASSETS				
					UNRESTRICTED				
					Designated	10,767,106			10,767,106
					Undesignated	9,084,107	(1,331,259)		7,752,848
						<u>19,851,213</u>	<u>(1,331,259)</u>		<u>18,519,954</u>
OTHER ASSETS					TEMPORARILY RESTRICTED	346,300			346,300
Notes receivable - Long-term	28,475,628		(764,878)	27,710,750	PERMANENTLY RESTRICTED	825,000			825,000
Investment in limited partnership	750,000			750,000		<u>21,022,513</u>	<u>(1,331,259)</u>		<u>19,691,254</u>
Mortgages receivable	1,630,659			1,630,659					
Interest receivable - Deferred	13,257,718		(352,266)	12,905,452					
	<u>44,114,005</u>		<u>(1,117,144)</u>	<u>42,996,861</u>					
	<u>\$ 62,718,273</u>	<u>\$ 1,992,958</u>	<u>\$ (1,124,707)</u>	<u>\$ 63,586,524</u>		<u>\$ 62,718,273</u>	<u>\$ 1,992,958</u>	<u>\$ (1,124,707)</u>	<u>\$ 63,586,524</u>

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

	Unrestricted		Eliminations	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	CHN	Subsidiaries and Affiliate					
REVENUES							
Public support	\$ 23,518,260	\$ 15,000	\$ (15,000)	\$ 23,268,260	\$ 250,000		\$ 23,518,260
Rental income	1,024,371	407,546		1,431,917			1,431,917
Management fees - Affiliated entities	4,569,785		(10,080)	4,559,705			4,559,705
Interest income - Affiliated entities	2,401,757		(24,030)	2,377,727			2,377,727
Gain on sale of inventory and land and buildings	103,615	(1,902)		101,713			101,713
Maintenance services - Affiliated entities	1,107,670		(16,536)	1,091,134			1,091,134
Other interest income and miscellaneous	2,541,693	2,911	(1,296)	2,543,308			2,543,308
	<u>35,267,151</u>	<u>423,555</u>	<u>(66,942)</u>	<u>35,373,764</u>	<u>250,000</u>		<u>35,623,764</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>23,200</u>			<u>23,200</u>	<u>\$ (23,200)</u>		
Total revenues	<u>35,290,351</u>	<u>423,555</u>	<u>(66,942)</u>	<u>35,396,964</u>	<u>226,800</u>		<u>35,623,764</u>
EXPENSES							
Program services	33,401,632	603,056	(66,942)	33,937,746			33,937,746
Supporting services							
Management and general	788,711			788,711			788,711
Fundraising	189,433			189,433			189,433
	<u>34,379,776</u>	<u>603,056</u>	<u>(66,942)</u>	<u>34,915,890</u>			<u>34,915,890</u>
CHANGE IN NET ASSETS	<u>\$ 910,575</u>	<u>\$ (179,501)</u>	<u>\$ -</u>	<u>\$ 481,074</u>	<u>\$ 226,800</u>	<u>\$ -</u>	<u>\$ 707,874</u>

SCHEDULE OF OHIO DEPARTMENT OF DEVELOPMENT ADMINISTERED GRANTS

YEAR ENDED DECEMBER 31, 2010

<u>Grant Name</u>	<u>Number</u>	<u>Cash Received</u>	<u>Expenses Charged</u>	<u>Remaining Grant Balance</u>
Housing Development Assistance Program	S-N-08-7DR-3	\$ 396,000	\$ 396,000	\$ -
Housing Development Assistance Program	S-N-08-7DR-1	\$ 750,000	\$ 750,000	\$ -
Housing Development Assistance Program	S-N-08-7DR-2	\$ 508,000	\$ 508,000	\$ -
Housing Trust Fund	R-08-505-1	\$ 41,087	\$ 41,087	\$ 33,913

SCHEDULE OF LONG-TERM NOTES RECEIVABLE

DECEMBER 31, 2010

<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Cleveland Housing Network Limited Partnership XI	\$ 385,177	AFR (6.46%)	December 2011
Cleveland Housing Network Limited Partnership XI	78,759	Prime	December 2011
Cleveland Housing Network Limited Partnership XII	600,000	7.13%	July 2022
Cleveland Housing Network Limited Partnership XII	173,302	1%	December 2022
Cleveland Housing Network Limited Partnership XII	1,976,106	7.13%	December 2022
Cleveland Housing Network Limited Partnership XII	154,125	7.13%	December 2022
Cleveland Housing Network Limited Partnership XIII	1,843,125	6.42%	December 2023
Cleveland Housing Network Limited Partnership XIII	310,000	6.42%	December 2024
Cleveland Housing Network Limited Partnership XIV	2,689,397	7%	December 2024
Cleveland Housing Network Limited Partnership XIV	122,400	.50%	December 2024
Cleveland Housing Network Limited Partnership XIV	300,000	6%	December 2024
Cleveland Housing Network Limited Partnership XV	1,749,516	5.30%	December 2025
Cleveland Housing Network Limited Partnership XV	300,000	5.30%	December 2029
Cleveland Housing Network Limited Partnership XVI	1,750,000	5% (Deferred)	December 2026
Cleveland Housing Network Limited Partnership XVII	516,000	8.00%	December 2027

SCHEDULE OF LONG-TERM NOTES RECEIVABLE (Continued)

DECEMBER 31, 2010

Description	Amount	Interest Rate	Maturity Date
Cleveland Housing Network Limited Partnership XVII	300,000	8.00%	December 2031
Cleveland Housing Network Limited Partnership XVIII	525,336	8.00%	December 2031
Cleveland Housing Network Limited Partnership XVIII	300,000	7.00%	December 2032
Cleveland Housing Network Limited Partnership XVIII	300,000	2.00%	December 2032
Cleveland Housing Network Limited Partnership XIX	750,000	5% (Deferred)	December 2029
Cleveland Housing Network Erievew Homes I, Ltd.	446,000	5% (Deferred)	December 2029
Cleveland Housing Network Limited Partnership XX	1,850,000	5% (Deferred)	December 2030
Cleveland Housing Network Limited Partnership MF2	32,824	1%	December 2011
New Construction Limited Partnership II	300,000	1%	December 2028
New Construction Limited Partnership II	300,000	7.04%	December 2028
Erie Square LP	500,000	5% (Deferred)	December 2030
New Construction Limited Partnership III	516,000	.25%	December 2031
Cleveland Housing Network Limited Partnership XXI	1,500,000	5% (Deferred)	December 2021
Erievew Homes II LP	1,005,668	7%	December 2033
Stockyard Homes LP	735,000	5.25%	December 2033

SCHEDULE OF LONG-TERM NOTES RECEIVABLE (Continued)

DECEMBER 31, 2010

<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Slavic Village Homes LP	545,233	7%	December 2033
Cleveland New Homes LP	806,421	5% (Deferred)	December 2027
Cleveland Green Homes East	1,146,600	.5%	January 2041
Cleveland Green Homes East	508,000	2%	January 2041
Cleveland Green Homes LP	572,400	.5%	January 2041
Cleveland Green Homes LP	396,000	2%	January 2041
Edgewood Park LP	750,000	2%	December 2037
New Construction Limited Partnership IV	600,000	5.09%	September 2038
Eastside Neighborhood Homes LP	250,000	2%	April 2049
Notes due from Houseco	<u>324,121</u>		2011 - 2030
	28,207,510		
Less: Current portion	<u>496,760</u>		
	<u>\$ 27,710,750</u>		

SCHEDULE OF NOTES PAYABLE

DECEMBER 31, 2010

<u>Payee</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Total Available Line of Credit</u>	<u>Amount Outstanding at December 31, 2010</u>
Enterprise Community Loan Fund	6.75%	August 2011	\$ 750,000	
Enterprise Community Loan Fund	0%	August 2011	250,000	
Key Bank	.25%	May 2011	3,000,000	\$ 2,334,258
Key Bank	Prime + 1.25%	July 2012	950,000	355,000
Key Bank	Prime + 1.25%	July 2012	400,000	339,836
Village Capital Corporation	1%	April 2011	<u>25,000</u>	<u>25,000</u>
			<u>\$ 5,375,000</u>	<u>\$ 3,054,094</u>

SCHEDULE OF LONG-TERM DEBT

DECEMBER 31, 2010

Description	Interest Rate	Due Date	Amount
<u>Mortgages Payable to City of Cleveland and State of Ohio</u>			
P1	0%	*	\$ 17,500
P2	0%	*	15,000
P5	6.5% (Deferred)	*	18,600
P6	6.5% (Deferred)	*	15,200
P7	2%	*	69,087
P7 (State)	0%	2032	60,000
P8	1%	*	143,186
P8 (State)	0%	2033	130,000
P8 (State)	0%	2017	68,168
P11	0%	2020	1,483,608
P12	0%	2022	2,400,000
P13	0%	2023	1,532,640
P13 (State loan)	0%	2025	310,000
P14 (State loan)	0%		300,000
P14	0%	2024	2,601,831
P15 (State loan)	0%		300,000
P15	0%	2025	1,749,516
P16	0%	2026	1,750,000
P17	0%	2017	516,000
P17 (State loan)	0%		300,000
P18	0%	2028	492,000
P18 (State loan)	0%		300,000
P19/Erievew Homes	0%	2029	1,130,000
P20	0%	2030	1,850,000
NC1 (State loan)	1%	2029	290,323
NC2	0%	2031	300,000
NC2 (State loan)	0%		300,000
Cleveland New Homes	0%	2027	806,421
P21	0%	2031	1,500,000
NC3	0%	2033	516,000
MF1	3%	2020	172,500
Erie Square	0%	2037	500,000
Erievew Homes II	0%	2034	750,000
Slavic Village Homes	0%	2034	335,000
Stockyard Homes	0%	2033	735,000
Cleveland Green Homes	0%	2039	572,400
Cleveland Green Homes (State)	2%		396,000
Cleveland Green Homes East	0%	2040	1,146,600
Cleveland Green Homes East (State)	2%		508,000
Edgewood Park (State)	2%	2038	750,000
Lease purchase buyers (State)	0%	2016	170,000
Eastside Neighborhood Homes	2%	2033	<u>250,000</u>
			<u>\$ 27,550,580</u>

* Interest and principal to be forgiven upon tenant's exercise of the lease purchase provision.

SCHEDULE OF LONG-TERM DEBT (Continued)

DECEMBER 31, 2010

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Amount</u>
<u>CDBG Loans Payable</u>			
Year 14	0%	Due upon sale	\$ 4,500
Year 15	0%	Due upon sale	4,660
Year 16	0%	Due upon sale	<u>20,769</u>
			<u>\$ 29,929</u>