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AND AFFILIATES

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015

CLEVELAND HOUSING NETWORK, INC. AND AFFILIATES

DECEMBER 31, 2015

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BOARD OF TRUSTEES
CLEVELAND HOUSING NETWORK, INC. AND AFFILIATES

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Cleveland Housing Network, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cleveland Housing Network, Inc. and Affiliates as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated June 1, 2016, on our consideration of Cleveland Housing Network, Inc. and Affiliates' 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cleveland Housing Network, Inc. and Affiliates' internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Cleveland Housing Network, Inc. and Affiliates' 2014 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated June 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Cohen & Company Ltd.

June 1, 2016
Cleveland, Ohio

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015, WITH COMPARATIVE TOTALS FOR 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	$ 6,654,992	$ 6,596,396
Accounts receivable - Net		
Affiliated entities	4,306,217	2,719,207
Other	1,553,024	1,058,099
Grants and contracts	2,714,211	1,874,207
Current portion of mortgages receivable	885,194	718,093
Inventory - Net	191,181	582,989
Prepaid and other assets	234,868	198,330
Land and buildings held for sale	2,392,777	3,181,305
	18,932,464	16,928,626
FURNITURE AND EQUIPMENT - AT COST	867,203	827,348
Less: Accumulated depreciation	634,480	600,013
	232,723	227,335
OTHER ASSETS		
Long-term notes receivable - Net	27,760,962	29,236,492
Investments in limited partnerships	6,637,567	1,583,514
Mortgages receivable - Net	2,022,496	2,114,527
Interest receivable - Deferred	9,061,899	10,298,751
	45,482,924	43,233,284
	$ 64,648,111	$ 60,389,245

LIABILITIES	2015	2014
CURRENT LIABILITIES		
Current portion of notes payable	$ 969,110	$ 1,097,180
Current portion of long-term debt	134,000	118,000
Current portion of deferred interest payable	835	835
Accounts payable and accrued expenses		
Trade	1,092,093	849,244
Affiliated entities	252,874	330,586
Other	804,005	895,630
Deferred revenue	946,110	399,901
	4,199,027	3,691,376
LONG-TERM LIABILITIES		
Notes payable	1,188,475	1,274,231
Long-term debt	36,589,238	33,251,067
Deferred interest payable	674,736	527,827
	38,452,449	35,053,125
	42,651,476	38,744,501
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
UNRESTRICTED		
Designated	7,024,559	8,261,411
Undesignated	14,147,076	12,548,833
	21,171,635	20,810,244
TEMPORARILY RESTRICTED		9,500
PERMANENTLY RESTRICTED	825,000	825,000
	21,996,635	21,644,744
	$ 64,648,111	$ 60,389,245

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

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015, WITH COMPARATIVE TOTALS FOR 2014

	2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	2014 Totals
REVENUES					
Public support	$ 16,053,909			$ 16,053,909	$ 12,805,466
Rental income	962,709			962,709	1,122,339
Management fees - Affiliated entities	3,576,187			3,576,187	3,040,683
Interest income - Affiliated entities	1,423,685			1,423,685	1,621,783
Gain on sale of inventory and land and buildings	783,621			783,621	752,330
Maintenance services - Affiliated entities	2,383,711			2,383,711	2,070,556
Construction rehab - Affiliated entities					92,001
Other interest income and miscellaneous	1,353,399			1,353,399	1,506,765
	26,537,221			26,537,221	23,011,923
NET ASSETS RELEASED FROM RESTRICTIONS	9,500	$ (9,500)			
Total revenues	26,546,721	(9,500)		26,537,221	23,011,923
EXPENSES					
Program services	25,191,121			25,191,121	20,645,352
Supporting services					
Management and general	756,301			756,301	1,183,212
Fundraising	237,908			237,908	251,822
	26,185,330			26,185,330	22,080,386
CHANGE IN NET ASSETS	361,391	(9,500)		351,891	931,537
NET ASSETS - BEGINNING OF THE YEAR	20,810,244	9,500	$ 825,000	21,644,744	20,713,207
NET ASSETS - END OF THE YEAR	$ 21,171,635	$ -	$ 825,000	$ 21,996,635	$ 21,644,744

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015, WITH COMPARATIVE TOTALS FOR 2014

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL EXPENSES	
	Weatherization	Partnerships and Development	Community Resource Center	Total Program Services	Management and General	Fundraising	2015	2014
Personnel	$ 2,570,749	$ 6,022,216	$ 1,045,121	$ 9,638,086	$ 584,314	$ 192,508	$ 10,414,908	$ 10,050,324
Rent	99,057	200,741	84,851	384,649	54,054	2,886	441,589	307,205
Maintenance	18,365	187,715	5,873	211,953	4,635	545	217,133	265,564
Telephone and utilities	19,739	301,859	14,149	335,747	4,473	526	340,746	329,093
Equipment and supplies	103,332	114,256	17,460	235,048		5,255	240,303	388,004
Contract materials	405,751			405,751			405,751	
Construction rehab		338,484		338,484			338,484	1,385,788
Housewarming materials and labor	5,661,416			5,661,416			5,661,416	2,145,328
Electric wiring materials and labor	1,213,876			1,213,876			1,213,876	1,507,159
Energy assistance and water conservation materials and labor	3,008,374			3,008,374			3,008,374	2,445,497
Family development			39,318	39,318			39,318	15,640
Insurance	19,864	57,471	872	78,207	988	116	79,311	127,681
Professional fees	523,788	225,035	34,262	783,085	34,248	29,013	846,346	751,851
Management fees		221,237		221,237			221,237	229,112
Interest expense	27,660	187,830		215,490	36,427		251,917	266,441
Real estate tax		145,625		145,625			145,625	117,689
Loss on collection of notes and accounts receivable		2,084,868		2,084,868			2,084,868	1,295,516
Allowance for mortgages and notes receivable								85,000
Impairment of land and buildings held for sale		87,016		87,016			87,016	195,783
Miscellaneous	15,785	72,479	3,799	92,063	4,023	7,059	103,145	123,650
Total expenses before depreciation and amortization	13,687,756	10,246,832	1,245,705	25,180,293	723,162	237,908	26,141,363	22,032,325
Depreciation and amortization	1,328	9,500		10,828	33,139		43,967	48,061
	$ 13,689,084	$ 10,256,332	$ 1,245,705	$ 25,191,121	$ 756,301	$ 237,908	$ 26,185,330	$ 22,080,386

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

CONSOLIDATED STATEMENT OF CASH FLOWS

DECEMBER 31, 2015, WITH COMPARATIVE TOTALS FOR 2014

	2015	2014*
CASH FLOW USED IN OPERATING ACTIVITIES		
Change in net assets	$ 351,891	$ 931,537
Noncash items included in change in net assets		
Depreciation and amortization	43,967	48,061
Deferred interest income	(1,423,685)	(1,619,998)
Loss on collection of notes and accounts receivable	2,084,868	1,295,516
Debt forgiven upon completion of development projects		(1,175,936)
Gain on sale of land and buildings	(783,621)	(768,620)
Reserve on mortgages receivable		10,000
Reserve for notes receivable impairment		75,000
Impairment of land and buildings held for sale	87,016	195,783
Increase (decrease) in cash caused by changes in current items		
Accounts receivable - Net	(2,970,404)	(237,320)
Inventory - Net	1,132	179,408
Prepaid and other assets	(36,538)	(15,618)
Accounts payable and accrued expenses	158,187	(7,860)
Deferred revenue	546,209	(246,289)
Net cash flow used in operations	(1,940,978)	(1,336,336)
CASH FLOW PROVIDED FROM INVESTING ACTIVITIES		
Acquisition of furniture and equipment	(39,855)	(3,898)
Proceeds on sale of land and buildings held for sale	339,394	287,227
Renovation costs on land and buildings held for sale	(36,759)	(27,809)
Investment in limited partnerships	(2,253)	(261,004)
Advances under notes receivable	(374,471)	(114,169)
Repayment of notes, mortgages, and interest receivable	1,452,628	1,234,397
	1,338,684	1,114,744
CASH FLOW PROVIDED FROM FINANCING ACTIVITIES		
Additional financing	946,807	2,531,362
Repayment of debt and deferred interest	(285,917)	(2,490,303)
	660,890	41,059
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	58,596	(180,533)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,596,396	6,776,929
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,654,992	$ 6,596,396

	2015	2014*
NONCASH INVESTING AND FINANCING ACTIVITIES		
Collection of notes and interest receivable via receipt of land and building held for sale	$ 1,896,500	$ 2,191,500
Debt and deferred interest forgiven or transferred to lease purchase buyers	$ 2,119,436	$ 3,255,335
Mortgages provided to lease purchase buyers	$ 1,007,825	$ 1,067,898
Inventory, payables, and debt transferred to (from) the Network	$ (390,676)	$ 390,676
Investment in limited partnership funded through debt	$ 5,051,800	
SUPPLEMENTAL INFORMATION		
Interest paid	$ 164,005	$ 130,528

**Reclassified to conform with current year presentation.*

The accompanying notes are an integral part of these consolidated financial 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 affiliated partnerships where its ownership interest is greater than 50% and its wholly owned subsidiaries, Cleveland New Construction Limited Partnership I (CNC I), Cleveland Housing Network Limited Partnership XIV (LP14), 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 14 neighborhood constituent community development corporations (CDCs), all of which are tax exempt. These CDCs are Buckeye Shaker Square Development Corporation, Burten Bell Carr Development Corporation, Detroit Shoreway Community Development Organization, Fairfax Renaissance Development Corporation, Famicos Foundation, Inc., Mount Pleasant Now Development Corporation, Northeast Shores Development Corporation, Ohio City, Inc., Shaker Square Area Development Corporation, Slavic Village Development, St. Clair-Superior 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 2015, NHI had no income statement activity and any assets held at December 31, 2015, had no value.

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 qualified for the federal low-income housing tax credit pursuant to Section 42 of the Internal Revenue Code. There is one CNC I house remaining in land and buildings held for sale at December 31, 2015.

LP14 is an Ohio limited partnership organized in January 1997 to acquire, rehabilitate, own, lease, and operate 144 units of low-income housing in Cleveland, Ohio. All of the units qualified for the federal low-income housing credit pursuant to Section 42 of the Internal Revenue Code. There are 18 LP14 houses remaining in land and buildings held for sale at December 31, 2015.

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

Weatherization

These programs assist low income families in maintaining and improving the properties which they occupy. Since inception, approximately 150,800 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations and Presentation (continued)

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 5,650 units have been completed.

Partnerships and development also includes properties that were acquired, developed and will be sold to low and moderate income families where sales price of the properties is based on market value. Through mortgage financing packages arranged by the Network, many families not otherwise able to afford home ownership become homeowners through the program.

Community Resource Center

These programs provide pathways out of poverty for low and moderate income households and include social services, training, and counseling. 6,226 families have received foreclosure prevention counseling and/or direct assistance. In addition, 23,393 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.

Affiliates

The Network has 27 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, lease, and provide tenants with the opportunity to purchase low-income housing. The Network accounts for its ownership interest in the affiliates below 50% on the equity method in accordance with GAAP. The limited partners have substantive kick-out and participation rights and, accordingly, the Network has not consolidated the limited partnerships in these accompanying consolidated financial statements.

In addition, the Network has equity investments in limited partnerships at December 31, 2015. The Network owns less than 1% of these limited partnerships. In accordance with GAAP, the Network accounts for its investment in these limited partnerships under the cost method.

Income Taxes

The Network accounts for uncertain tax positions in accordance with GAAP, which requires recognition of and disclosures related to uncertain tax positions. As of and during the year ended December 31, 2015, the Network does not have a liability for unrecognized tax benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Totals

The consolidated 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 consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Revenue Recognition

Grants

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 disallowed 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.

The Network received approximately 65% of its public support from three grant contracts: the Ohio Department of Development under the Electric Partnership Program; Dominion East Ohio under the Housewarming Program; and the Ohio Partners for Affordable Energy under the Community Connections Program. Grants and contracts receivable from these funding sources amounted to approximately 68% of grants and contracts receivable at December 31, 2015.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

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.

Construction Rehab Services

The Network acts as the general contractor for certain partnerships in development and recognizes revenue as construction services are performed.

Rental Income

The Network rents land and buildings held for sale to low income individuals. Rental income is recorded on a monthly basis through the date of sale.

Accounts Receivable

Accounts receivable includes program service fees, rent, 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 identified on the remittance advice (if applicable) or, if unspecified, are applied to the earliest unpaid invoices.

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 collectability. When receivables are determined to be uncollectible, they are written off against the allowance for uncollectible accounts receivable. At December 31, 2015, an allowance of approximately $180,000 has been recorded for uncollectible accounts receivable.

Accounting Estimates

Management uses estimates and assumptions in preparing its consolidated 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 three months or less.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory includes vacant lots purchased for development under the Homeward program. This program acquires, develops, and sells properties to low and moderate income families. At December 31, 2015, the Network has a reserve for impairment as management expects to sell the inventory for less than its carrying value.

Inventory – Homeward program	$ 1,197,823
Reserve for impairment	(1,010,000)
	187,823
Inventory – Other programs	3,358
Inventory – Net	$ 191,181

The balance in inventory from other programs consists of properties purchased for resale to individuals, affiliated partnerships, vacant lots, and other miscellaneous properties. The Network records its inventory and land and buildings held for sale at the lower of cost or market and records a reserve for impairment when the expected sales price of the inventory and land and buildings held for sale is below the carrying value of the properties.

Depreciation

Depreciation of furniture and equipment is provided by use of the straight-line method over the estimated useful lives of the assets of 5 to 7 years.

Land and Buildings Held for Sale

Land and buildings held for sale include properties received in payment of notes and interest receivable which are recorded at fair value at the date received and held for sale to qualified low income purchasers. During 2015, approximately 105 of these properties were sold and a gain on the sale of these properties of $783,621 was included in the gain on sale of inventory and land and buildings in the consolidated statement of activities. The gain includes income from the forgiveness of debt and interest by the City of Cleveland and the State of Ohio of approximately $2,120,000.

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 June 1, 2016, the date the consolidated financial statements were available to be issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 0% 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 2021 through 2064. 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. The Network will then sell the properties to tenants or other qualified low-income purchasers. In most cases, amounts due to the City of Cleveland by the Network related to these properties are forgiven at the time of sale.

During 2015, the Network received properties as repayment for notes and interest receivable, which were accounted for as follows:

Fair value of homes received	$ 1,896,500
Other assets received	350,895
Notes receivable forgiven	(1,850,000)
Interest receivable forgiven	(2,482,263)
Loss on collection of notes and accounts receivable	$ (2,084,868)

The Network reviews its long-term notes and interest receivable for collectability whenever events or changes in circumstances indicate that the notes and interest receivable or underlying collateral may not be recoverable. Recoverability is measured by comparison of the notes receivable and deferred interest balances to the expected future sales price of the properties net of assumed debt owed on the properties. If the notes and interest receivable are not considered fully collectible, management records an allowance for estimated losses. At December 31, 2015, an allowance for estimated losses of $200,000 was recorded.

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. Forgiveness in 2015 was approximately $9,500. At December 31, 2015, there was no outstanding balance on these mortgages.

The Network provides second and third deferred mortgages to finance the purchase of homes by low and moderate income individuals. No principal is due on these loans and no interest is due on these loans unless the homes 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 2041. At December 31, 2015, the outstanding balance on these mortgages was approximately $590,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. MORTGAGES RECEIVABLE (Continued)

Mortgages are also available to buyers of homes in the lease-purchase program. At December 31, 2015, the outstanding balance on these mortgages was approximately $2,855,000. The mortgages bear interest at 0%. Mortgages outstanding at December 31, 2015, in the amount of approximately $2,065,000 are paid monthly and mature between 2016 and 2020. The remaining $790,000 of the mortgages receivable outstanding at December 31, 2015, are due upon the sale of the homes.

For mortgages receivable where monthly payments are due, management reviews these mortgages receivable and estimates the portion, if any, of the balances that will not be collected. Additionally, management estimates an allowance for these mortgages receivable based on historical collectability and current economic conditions. There was a $28,000 allowance for uncollectible mortgages receivable where monthly payments are due at December 31, 2015. Approximately $23,000 of these mortgages receivable are past due at December 31, 2015.

For mortgages receivable where the Network will receive payment upon sale of the properties, the Network reviews these mortgages receivable for collectability whenever events or changes in circumstances indicate that the value of the receivable or the underlying collateral may not be recoverable. Recoverability is measured by comparison of the mortgages receivable balances to the fair value of the properties less other debt owed on the properties. At December 31, 2015, the Network has an allowance for estimated losses on these mortgages of $510,000, and this allowance specifically relates to second and third mortgages on those properties sold under the Homeward program.

4. NOTES PAYABLE

The Network has lines of credit with two banks and two community development lending institutions, totaling $2,891,250, of which $2,157,585 was outstanding at December 31, 2015. The interest rates are fixed from 0% to 4% or prime (3.50%) as defined. Approximately $1,691,250 of the total lines may be used for acquisition and construction of properties purchased for inventory. Interest is payable monthly with principal to be repaid from proceeds of properties sold. The balance of the lines is secured by specified assets of the Network as defined. The notes payable are classified as current or long-term liabilities in accordance with the terms of the agreements, with maturity dates ranging from July 2016 through December 2018.

The lines of credit with one of the community development lending institutions and one bank have certain financial covenants, which require the maintenance of a current ratio.

5. LONG-TERM DEBT

Long-term debt at December 31, 2015, consists of the following:

0% - 6.5% mortgages, payable to the City of Cleveland and the State of Ohio with all interest and principal deferred; due 2016 through 2062; certain of the mortgages have provisions for forgiveness of principal and interest	$ 28,454,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. LONG-TERM DEBT (Continued)

0% note, payable to the US Department of Housing and Urban Development with all interest and principal deferred; due June 2054; the mortgage has provisions for forgiveness of principal and interest	5,051,800
0% note, payable to Cuyahoga County with all interest and principal deferred; due May 2044; secured by a mortgage on the property; the mortgage has provisions for forgiveness of principal and interest	315,000
4% unsecured note, payable to a bank with interest payable quarterly; due July 2017	500,000
4% unsecured note, payable to a bank with interest payable quarterly; due April 2017	899,000
0% note, payable to Cuyahoga County with all interest and principal deferred; due December 2044; secured by a mortgage on the property; the mortgage has provisions for forgiveness of principal and interest	450,000
2.5% note, payable to the Cuyahoga County Land Reutilization Corporation; due July 2020, with interest payable quarterly and quarterly principal payments beginning July 2015; collateralized by mortgage receivables	450,000
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
1% note, payable by CNC 1 to the City of Cleveland with interest and principal deferred; $2,500 due upon the sale of each property and the remaining pro rata share of principal may be forgiven; collateralized by CNC 1 land and buildings held for sale	3,226
	36,723,238
Less: Current portion	134,000
	$ 36,589,238

Future maturities of long-term debt are as follows:

2016	$ 134,000
2017	1,506,560
2018	100,000
2019	100,000
2020	79,762
Thereafter	34,802,916
	$ 36,723,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. BOARD DESIGNATED UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2015, were designated by the Board of Trustees as follows:

Designated for reducing the sale price of homes to future lease purchase buyers	$ 7,024,559

7. 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 $785,452 at December 31, 2015, are included in cash balances.

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

Endowment assets totaling $39,548 are invested in one low-income housing project at December 31, 2015. These endowment assets yield the greater of 6% or the prime rate plus 1% with interest due quarterly. The income generated from the endowment asset was insignificant for 2015.

8. COMMITMENTS AND CONTINGENCIES

Leases

The Network leases office space and office equipment under long-term operating leases through 2018.

Minimum annual rentals are as follows:

2016	$ 284,988
2017	90,259
2018	42,508
	$ 417,755

Total rent expense for office space and equipment for 2015 amounted to $441,589.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. 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 2015 amounted to $214,903. The plan also allows for additional contributions at the discretion of the Board of Trustees. There were no discretionary contributions for 2015.

10. RELATED PARTY TRANSACTIONS

During the ordinary course of its business, the Network conducts transactions with related parties. During 2015, the Network paid $196,253 for property management and $468,241 for weatherization to its neighborhood constituent community development corporations.

In 2015, the Network charged the affiliated partnerships $83,435 for accounting services.

In 2015, the Network gave $205,000 in grants (included in program expenses) to its affiliated partnerships.

11. GUARANTEES

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

Partnership	Amount Outstanding at December 31, 2015	Source of Loan
Westerly I LP	$ 2,198,558	Bank
Westerly III LP	$ 3,600,000	State
Emerald Alliance VIII LP	$ 850,698	Bank

The term of the guarantees is the life of the loans through the construction periods, which are expected to mature in 2016. 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 the partnerships' collateral.

12. SUBSEQUENT EVENT

In May 2016 an affiliate of Millennia Housing Development, Ltd. paid Rainbow Place Apartments, Inc. approximately $2,804,000 for 100% of its general partner redemption interest in Rainbow Place Apartments Limited Partnership (the Partnership). The Network is the sole owner of Rainbow Place Apartments, Inc. As part of this transaction, the Partnership paid the Network $521,455 for deferred developer fees and $1,200,000 to relinquish its right of first refusal to acquire the project plus the option to acquire the interest of the Limited Partner at the end of the tax credit compliance period. As a result of the transaction, management estimates that the Network will pay approximately $540,000 in tax.

CLEVELAND HOUSING NETWORK, INC. AND AFFILIATES

SUPPLEMENTAL FINANCIAL INFORMATION

DECEMBER 31, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA #	Expenditures
United States Department of Energy passed through the State of Ohio		
Home Weatherization Assistance Program - 15-111	81.042	$ 299,191
United States Department of Energy passed through the City of Cleveland		
Home Weatherization Assistance Program	81.042	5,667
		304,858
United States Department of Health and Human Services passed through Cuyahoga County		
Utility Assistance Program - CE1400046	93.558	224,604
United States Department of Health and Human Services passed through the State of Ohio		
Home Energy Assistance Program - 16-HA-135 ($77,447 passed through to subrecipients)	93.568	279,549
Home Energy Assistance Program - 15-HA-135 ($451,711 passed through to subrecipients)	93.568	709,855
Home Weatherization Assistance Program - 15-111	93.568	452,155
United States Department of Health and Human Services passed through the City of Cleveland		
Home Weatherization Assistance Program	93.568	148,781
		1,590,340
Total United States Department of Health and Human Services		1,814,944
United States Department of Housing and Urban Development passed through Cuyahoga County		
Foreclosure Prevention Counseling - CE1500129	14.218	90,000
United States Department of Housing and Urban Development passed through Cuyahoga County		
Home Investment Partnership Loan Program	14.239	315,000
United States Department of Housing and Urban Development passed through the City of Cleveland		
Home Investment Partnership Loan Program	14.239	609,471
		924,471

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA #	Expenditures
United States Department of Housing and Urban Development passed through Enterprise Community Partners		
Capacity Building Program - 15SG0009 and 14SG4982	14.252	123,810
United States Department of Housing and Urban Development passed through Housing Partnership Network		
Housing Counseling Programs	14.169	123,380
Total United States Department of Housing and Urban Development		1,261,661
United States Department of Treasury passed through Enterprise Community Partners		
Low Income Tax Assistance - 15-0018	21.009	40,000
Total Federal Expenditures		$ 3,421,463

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2015

2014-01 – INTERNAL CONTROL OVER REPORTING THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CONDITION: During 2014, controls over compliance were not designed effectively to ensure that all federal awards were included on the schedule of expenditures of federal awards (SEFA).

CRITERIA: Controls should be in place to ensure that the SEFA is accurate and complete.

CAUSE: Systems and procedures were not in place to ensure the 2014 SEFA was complete.

EFFECT: By not fulfilling reporting requirements, there is a potential for noncompliance with federal programs.

RECOMMENDATION: Controls should be improved to ensure completeness and accuracy of the SEFA.

CURRENT YEAR STATUS: The 2014 SEFA has been corrected and management has implemented control procedures to ensure the completeness and accuracy of the SEFA.

BOARD OF TRUSTEES
CLEVELAND HOUSING NETWORK, INC. AND AFFILIATES

Independent Auditors' 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, 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 consolidated financial statements of Cleveland Housing Network, Inc. and Affiliates (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Cleveland Housing Network, Inc. and Affiliates' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cleveland Housing Network, Inc. and Affiliates' internal control. Accordingly we do not express an opinion on the effectiveness of Cleveland Housing Network, Inc. and Affiliates' 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 consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 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 consolidated 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 Network's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cleveland Housing Network, Inc. and Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cohen & Company Ltd.

June 1, 2016
Cleveland, Ohio

BOARD OF TRUSTEES
CLEVELAND HOUSING NETWORK, INC. AND AFFILIATES

Independent Auditors' Report on Compliance for The Major Program and on Internal Control over Compliance Required by The Uniform Guidance

Report on Compliance for The Major Program

We have audited Cleveland Housing Network, Inc. and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2015. Cleveland Housing Network, Inc. and Affiliates' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Cleveland Housing Network, Inc. and Affiliates' major federal program based on our audit of the types of 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Affiliates' 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 the major federal program. However, our audit does not provide a legal determination of Cleveland Housing Network, Inc. and Affiliates' compliance.

Opinion on The Major Federal Program

In our opinion, Cleveland Housing Network, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of Cleveland Housing Network, Inc. and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Cleveland Housing Network, Inc. and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major program and to test and report on internal control over compliance for the major program in accordance with the Uniform Guidance, 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 Affiliates' 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. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-01, that we consider to be a significant deficiency.

Cleveland Housing Network, Inc. and Affiliates' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Cleveland Housing Network, Inc. and Affiliates' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cohen & Company Ltd.

June 1, 2016
Cleveland, Ohio

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2015

SECTION I – SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements

Type of auditors' report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	____Yes	√ No
Significant deficiency(ies) identified not considered to be material weaknesses?	____Yes	√ None
Noncompliance material to consolidated 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
Type of auditors' report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, section 200.516?	____Yes	√ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.239	Home Investment Partnership Loan Program

Dollar threshold used to distinguish between Type A and Type B programs:		$ 750,000
Auditee qualified as low-risk auditee?	√ Yes	____No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED DECEMBER 31, 2015

SECTION II – FINANCIAL STATEMENT FINDING

No matters were reported.

SECTION III – FEDERAL AWARD FINDING AND QUESTIONED COSTS

2015-01 – INTERNAL CONTROL OVER REPORTING THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CONDITION: During 2015, controls over compliance were not designed effectively to ensure that all federal awards were included on the schedule of expenditures of federal awards (SEFA).

CRITERIA: Controls should be in place to ensure that the SEFA is accurate and complete.

CAUSE: Systems and procedures were not in place to ensure the 2015 SEFA was complete.

EFFECT: By not fulfilling reporting requirements, there is a potential for noncompliance with federal programs.

RECOMMENDATION: Controls should be improved to ensure completeness and accuracy of the SEFA.

MANAGEMENT'S RESPONSE: Management has implemented internal control procedures to ensure that all federal awards are included in the schedule of expenditures of federal awards for 2016 and future years.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Cleveland Housing Network, Inc. and Affiliates under the programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Cleveland Housing Network, Inc. and Affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cleveland Housing Network, Inc. and Affiliates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Cleveland Housing Network, Inc. and Affiliates have elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

BOARD OF TRUSTEES
CLEVELAND HOUSING NETWORK, INC. AND AFFILIATES

Independent Auditors' Report on Supplemental Financial Information

We have audited the consolidated financial statements of Cleveland Housing Network, Inc. and Affiliates as of and for the year ended December 31, 2015, and our report thereon dated June 1, 2016, which expressed an unmodified opinion on those consolidated financial statements appears on pages 2 - 3. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying information on pages 30 – 37 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Cohen & Company Ltd.

June 1, 2016
Cleveland, Ohio

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

	CHN	Subsidiaries and Affiliates	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 6,284,300	$ 370,692		$ 6,654,992
Accounts receivable - Net				
Affiliated entities	4,307,616	1,818	$ (3,217)	4,306,217
Other	1,542,900	10,124		1,553,024
Grants and contracts	2,714,211			2,714,211
Current portion of mortgages receivable	885,194			885,194
Inventory - Net	191,181			191,181
Prepaid and other assets	231,872	2,996		234,868
Land and buildings held for sale	1,773,861	618,916		2,392,777
	17,931,135	1,004,546	(3,217)	18,932,464
FURNITURE AND EQUIPMENT - AT COST	867,203			867,203
Less: Accumulated depreciation	634,480			634,480
	232,723			232,723
OTHER ASSETS				
Long-term notes receivable - Net	28,227,114		(466,152)	27,760,962
Investments in limited partnerships	6,637,567			6,637,567
Mortgages receivable - Net	2,022,496			2,022,496
Interest receivable - Deferred	9,582,467		(520,568)	9,061,899
	46,469,644		(986,720)	45,482,924
	$ 64,633,502	$ 1,004,546	$ (989,937)	$ 64,648,111

	CHN	Subsidiaries and Affiliate	Eliminations	Consolidated
LIABILITIES				
CURRENT LIABILITIES				
Current portion of notes payable	$ 969,110			$ 969,110
Current portion of long-term debt	134,000			134,000
Current portion of deferred interest payable	835			835
Accounts payable and accrued expenses				
Trade	1,069,396	$ 22,697		1,092,093
Affiliated entities	254,692	1,399	$ (3,217)	252,874
Other	779,127	24,878		804,005
Deferred revenue	946,110			946,110
	4,153,270	48,974	(3,217)	4,199,027
LONG-TERM LIABILITIES				
Notes payable	1,188,475			1,188,475
Long-term debt	36,586,012	469,378	(466,152)	36,589,238
Deferred interest payable	674,736	520,568	(520,568)	674,736
	38,449,223	989,946	(986,720)	38,452,449
	42,602,493	1,038,920	(989,937)	42,651,476
NET ASSETS				
UNRESTRICTED				
Designated	7,024,559			7,024,559
Undesignated	14,181,450	(34,374)		14,147,076
	21,206,009	(34,374)		21,171,635
PERMANENTLY RESTRICTED	825,000			825,000
	22,031,009	(34,374)		21,996,635
	$ 64,633,502	$ 1,004,546	$ (989,937)	$ 64,648,111

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted				Cleveland Housing Network, Inc.		
	CHN	Subsidiaries and Affiliates	Eliminations	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES							
Public support	$ 16,053,909			$ 16,053,909			$ 16,053,909
Rental income	819,970	$ 142,739		962,709			962,709
Management fees - Affiliated entities	3,601,171		$ (24,984)	3,576,187			3,576,187
Interest income - Affiliated entities	1,502,773		(79,088)	1,423,685			1,423,685
Gain on sale of inventory and land and buildings	1,210,230	326,732	(753,341)	783,621			783,621
Maintenance services - Affiliated entities	2,429,689		(45,978)	2,383,711			2,383,711
Other interest income and miscellaneous	1,353,388	11		1,353,399			1,353,399
	26,971,130	469,482	(903,391)	26,537,221			26,537,221
NET ASSETS RELEASED FROM RESTRICTIONS	9,500			9,500	$ (9,500)		
Total revenues	26,980,630	469,482	(903,391)	26,546,721	(9,500)		26,537,221
EXPENSES							
Program services	25,711,816	382,696	(903,391)	25,191,121			25,191,121
Supporting services							
Management and general	756,301			756,301			756,301
Fundraising	237,908			237,908			237,908
	26,706,025	382,696	(903,391)	26,185,330			26,185,330
CHANGE IN NET ASSETS	$ 274,605	$ 86,786	$ -	$ 361,391	$ (9,500)	$ -	$ 351,891

SCHEDULE OF OHIO DEVELOPMENT SERVICES AGENCY ADMINISTERED GRANTS

YEAR ENDED DECEMBER 31, 2015

Grant Name	Number	Cash Received	Expenses Charged	Remaining Grant Balance
Housing Trust Fund	S-R-12-7DR-1	$ 138,154	$ 138,154	$ -
Housing Trust Fund	S-Y-13-7DR-1	$ 92,000	$ 92,000	$ -
Housing Trust Fund	S-R-14-7DR-1	$ 85,173	$ 85,173	$ 66,827

SCHEDULE OF LONG-TERM NOTES RECEIVABLE

DECEMBER 31, 2015

Description	Amount	Interest Rate	Maturity Date
Cleveland Housing Network Limited Partnership XVII	$ 516,000	8%	December 2027
Cleveland Housing Network Limited Partnership XVII	300,000	8%	December 2031
Cleveland Housing Network Limited Partnership XVIII	525,336	8%	December 2031
Cleveland Housing Network Limited Partnership XVIII	300,000	7%	December 2032
Cleveland Housing Network Limited Partnership XVIII	300,000	2%	December 2032
Cleveland Housing Network Limited Partnership XIX	750,000	5%	December 2029
Cleveland Housing Network Erieview Homes I, Ltd.	446,000	5%	December 2029
Cleveland Housing Network Limited Partnership XX	1,850,000	5%	December 2030
Erie Square LP	500,000	5%	December 2030
New Construction Limited Partnership III	516,000	.25%	December 2031
Cleveland Housing Network Limited Partnership XXI	1,500,000	5%	December 2021
Erieview Homes II LP	1,005,668	7%	December 2033
Stockyard Homes LP	735,000	5.25%	December 2033
Slavic Village Homes LP	545,233	7%	December 2033
Cleveland New Homes LP	806,421	5%	December 2027

SCHEDULE OF LONG-TERM NOTES RECEIVABLE (Continued)

DECEMBER 31, 2015

Description	Amount	Interest Rate	Maturity Date
Cleveland Green Homes East	1,090,280	.5%	January 2041
Cleveland Green Homes East	508,000	2%	January 2041
Cleveland Green Homes LP	636,000	.5%	January 2041
Cleveland Green Homes LP	396,000	2%	January 2041
Cleveland Green Homes II LP	3,789,319	1.85%	July 2060
Cleveland NSP Homes LP	4,750,000	1.15%	December 2062
Cleveland NSP Homes LP	1,250,000	1.15%	December 2062
Edgewood Park LP	750,000	2%	December 2037
Emerald Alliance VII LP	1,601,000	2%	June 2043
New Construction Limited Partnership IV	600,000	5.09%	September 2038
Cleveland Green Homes III LP	387,000	7.5%	December 2044
Emerald Alliance VI LP	420,784	0%	December 2044
Maple Park Place LP	450,000	.25%	December 2044
Emerald Alliance VIII LP	59,471	0%	December 2046
Westerly III LP	315,000	.25%	December 2064
Eastside Neighborhood Homes LP	250,000	2%	April 2049
Notes due from Houseco	112,450	0%	2026 - 2030
	27,960,962		
Less: Reserve for impairment	200,000		
	$ 27,760,962		

SCHEDULE OF NOTES PAYABLE

DECEMBER 31, 2015

Lender	Interest Rate	Due Date	Total Available Line of Credit	Amount Outstanding at December 31, 2015
Enterprise Community Loan Fund	0%	December 2018	$ 391,250	$ 391,250
Key Bank	Prime	July 2016	800,000	624,110
Key Bank	Prime	July 2016	700,000	345,000
Housing Partnership Network	4%	December 2017	500,000	500,000
PNC Bank	3%	September 2017	500,000	297,225
			$ 2,891,250	$ 2,157,585

SCHEDULE OF MORTGAGES PAYABLE TO CITY OF CLEVELAND
AND STATE OF OHIO

DECEMBER 31, 2015

Description	Interest Rate	Due Date	Amount
P1	0%	*	$ 2,500
P2	0%	*	12,500
P5	6.5% (Deferred)	*	8,640
P7 (State)	0%	2032	40,000
P8	1%	*	7,536
P8 (State)	0%	2017	7,560
P11	0%	2020	29,762
P12	0%	2022	116,530
P13	0%	2023	252,206
P14 (State loan)	0%	*	120,660
P14	0%	2024	336,175
P15 (State loan)	0%	*	12,913
P15	0%	2025	441,626
P16	0%	2026	846,154
P17	0%	2027	516,000
P17 (State loan)	0%	*	300,000
P18	0%	2028	492,000
P18 (State loan)	0%	*	300,000
P19/Erieview Homes	0%	2029	1,130,000
P20	0%	2030	1,850,000
NC1 (State loan)	1%	2029	9,677
NC2	0%	2031	7,500
Cleveland New Homes	0%	2027	806,421
P21	0%	2031	1,500,000
NC3	0%	2033	516,000
Erie Square	0%	2037	500,000
Erieview Homes II	0%	2034	750,000
Slavic Village Homes	0%	2034	335,000
Stockyard Homes	0%	2033	735,000
Cleveland Green Homes	0%	2039	636,000
Cleveland Green Homes (State)	2%	*	396,000
Cleveland Green Homes East	0%	2040	1,090,280
Cleveland Green Homes East (State)	2%	*	508,000
Edgewood Park (State)	2%	2038	750,000
Lease purchase buyers (State)	0%	2016	34,000
Eastside Neighborhood Homes	2%	2033	250,000
Cleveland Green Homes II (State)	1.5%	2060	3,789,318
Cleveland NSP Homes	0%	2062	6,000,000

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

SCHEDULE OF MORTGAGES PAYABLE TO CITY OF CLEVELAND
AND STATE OF OHIO (Continued)

DECEMBER 31, 2015

Description	Interest Rate	Due Date	Amount
Cleveland Green Homes III	0%	2044	$ 387,000
Emerald Alliance VI	0%	2044	420,783
Emerald Alliance VII	0%	2043	500,000
Emerald Alliance VII (State)	2%	2043	1,101,000
Emerald Alliance VIII	0%	2044	609,471
			$ 28,454,212