CLEVELAND
Housing Network, Inc.

CLEVELAND HOUSING NETWORK, INC. AND AFFILIATE

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2008

Cohen & Company
Certified Public Accountants

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CLEVELAND HOUSING NETWORK, INC. AND AFFILIATE

DECEMBER 31, 2008

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Independent Auditors' Report

We have audited the accompanying consolidated statement of financial position of Cleveland Housing Network, Inc. and Affiliate as of December 31, 2008, 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 2007 financial statements and in our report, dated June 4, 2009, 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, 2008, 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 4, 2009, 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 performed for the purpose of forming an opinion on the basic 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cohen & Company

June 4, 2009
Cleveland, Ohio

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008, WITH COMPARATIVE TOTALS FOR 2007

ASSETS	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	$ 4,036,654	$ 4,544,651
Accounts receivable - Net		
Affiliated entities	5,489,239	4,731,714
Other	789,581	217,296
Grants and contracts	1,754,179	1,758,250
Current portion of notes receivable	3,687,445	1,978,824
Current portion of interest receivable	1,409,256	1,350,717
Inventory - Net	4,277,740	8,189,985
Prepaid and other assets	212,832	229,820
Land and buildings held for sale	3,225,697	2,588,332
	24,882,623	25,589,589
FURNITURE AND EQUIPMENT - AT COST	689,796	689,796
Less: Accumulated depreciation	549,941	538,347
	139,855	151,449
OTHER ASSETS		
Notes receivable - Long-term - Net	26,033,420	32,380,888
Mortgages receivable	833,179	391,632
Interest receivable - Deferred	12,265,297	11,552,284
	39,131,896	44,324,804
	$ 64,154,374	$ 70,065,842

LIABILITIES	2008	2007
CURRENT LIABILITIES		
Notes payable	$ 6,038,430	$ 6,691,070
Current portion of long-term debt	2,677,155	203,825
Current portion of deferred interest payable	94,199	147,115
Accounts payable and accrued expenses		
Trade	25,402	357
Affiliated entities	1,337,820	1,279,538
Other	1,237,217	864,809
Deferred revenue	1,219,212	855,755
	12,629,435	10,042,469
LONG TERM LIABILITIES		
Long-term debt	32,415,805	40,803,291
Deferred interest payable	195,620	407,648
	32,611,425	41,210,939
	45,240,860	51,253,408
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
UNRESTRICTED		
Designated	10,796,525	10,014,173
Undesignated	7,149,389	7,807,461
	17,945,914	17,821,634
TEMPORARILY RESTRICTED	142,600	165,800
PERMANENTLY RESTRICTED	825,000	825,000
	18,913,514	18,812,434
	$ 64,154,374	$ 70,065,842

The accompanying notes are an integral part of these statements.

CLEVELAND HOUSING NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008, WITH COMPARATIVE TOTALS FOR 2007

	2008				2007
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Totals
REVENUES					
Public support	$ 16,834,713			$ 16,834,713	$ 16,589,979
Rental income	878,006			878,006	697,353
Management fees - Affiliated entities	3,607,520			3,607,520	4,483,962
Interest income - Affiliated entities	2,505,923			2,505,923	2,375,871
Loss on sale of houses	(958,218)			(958,218)	(1,035,888)
Maintenance services - Affiliated entities	1,071,079			1,071,079	896,490
Other interest income and miscellaneous	908,080			908,080	1,148,149
	24,847,103			24,847,103	25,155,916
NET ASSETS RELEASED FROM RESTRICTIONS	23,200	$ (23,200)			
Total revenues	24,870,303	(23,200)		24,847,103	25,155,916
EXPENSES					
Program services	23,547,356			23,547,356	23,502,553
Supporting services					
Management and general	962,158			962,158	898,001
Fundraising	236,509			236,509	176,198
	24,746,023			24,746,023	24,576,752
CHANGE IN NET ASSETS	124,280	(23,200)		101,080	579,164
NET ASSETS - BEGINNING OF YEAR	17,821,634	165,800	$ 825,000	18,812,434	18,233,270
NET ASSETS - END OF YEAR	$ 17,945,914	$ 142,600	$ 825,000	$ 18,913,514	$ 18,812,434

The accompanying notes are an integral part of these statements.

CLEVELAND HOUSING NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2008, WITH COMPARATIVE TOTALS FOR 2007

	PROGRAM SERVICES					SUPPORTING SERVICES		TOTAL EXPENSES	
	Homeward	Weatherization	Partnerships and Development	Family Services and Community Training	Total Program Services	Management and General	Fundraising	2008	2007
Personnel	$ 190,165	$ 2,262,146	$ 2,487,993	$ 863,562	$ 5,803,866	$ 702,421	$ 83,618	$ 6,589,905	$ 6,579,370
Rent	3,081	73,228	72,908	49,021	198,238	43,129	4,108	245,475	155,012
Maintenance	292	45,498	619,048	12,378	677,216	4,086	389	681,691	535,995
Telephone and utilities	2,576	40,035	279,176	9,139	330,926	8,490	809	340,225	279,546
Equipment and supplies	2,496	120,685	61,002	66,630	250,813	33,320	3,173	287,306	364,177
Contract materials		748,515			748,515			748,515	898,847
Construction rehab	86,158		1,969,950		2,056,108			2,056,108	1,300,125
HUD discount	417,000				417,000			417,000	700,500
Housewarming materials and labor		3,429,938			3,429,938			3,429,938	3,081,533
Electric wiring materials and labor		568,446			568,446			568,446	477,230
Lead relocation and abatement		164,915			164,915			164,915	287,868
Energy assistance and water conservation materials and labor		5,494,750			5,494,750			5,494,750	6,118,810
Family development				167,860	167,860			167,860	308,587
Insurance	446	18,352	54,165	4,167	77,130	6,251	595	83,976	153,902
Professional fees	20,600	172,107	158,122	87,273	438,102	51,281	134,386	623,769	518,614
Management fees			543,052		543,052			543,052	554,087
Interest expense		3,889	78,826		82,715	100,241		182,956	114,378
Real estate tax	15	334	173,596	137	174,082	206	84	174,372	129,078
Loss on collection of notes receivable			760,318		760,318			760,318	1,338,580
Reserve for notes receivable impairment			600,000		600,000			600,000	
Reserve for inventory impairment	275,000				275,000			275,000	350,000
Miscellaneous	185,376	11,013	66,267	1,833	264,489	1,849	9,347	275,685	293,845
Total expenses before depreciation and amortization	1,183,205	13,153,851	7,924,423	1,262,000	23,523,479	951,274	236,509	24,711,262	24,540,084
Depreciation and amortization	23,167		710		23,877	10,884		34,761	36,668
	$ 1,206,372	$ 13,153,851	$ 7,925,133	$ 1,262,000	$ 23,547,356	$ 962,158	$ 236,509	$ 24,746,023	$ 24,576,752

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007*
CASH FLOW PROVIDED FROM OPERATING ACTIVITIES		
Change in net assets	$ 101,080	$ 579,164
Noncash items included in income		
Depreciation and amortization	34,761	36,668
Forgiveness of long-term debt	(973,000)	
Deferred interest income	(1,390,491)	(1,351,978)
Loss on collection of notes and accounts receivable	760,318	1,338,580
Reserve for notes receivable impairment	600,000	
Reserve for inventory impairment	275,000	350,000
Increase (decrease) in cash caused by changes in current items		
Accounts receivable - Net	(886,251)	5,506,686
Inventory - Net	3,749,320	3,946,686
Prepaid and other assets	16,988	72,799
Accounts payable and accrued expenses	455,735	(1,332,402)
Deferred revenue	363,457	(142,447)
Net cash flow provided from operations	3,106,917	9,003,756
CASH FLOW USED IN INVESTING ACTIVITIES		
Proceeds on sale of land and buildings held for sale	541,149	184,870
Renovation costs on land and buildings held for sale	(280,967)	
Advances under notes and mortgages receivable	(679,658)	(2,853,741)
Repayment of notes, mortgages, and interest receivable	6,385	
	(413,091)	(2,668,871)
CASH FLOW USED IN FINANCING ACTIVITIES		
Additional financing	13,024,715	5,086,245
Repayment of debt	(16,226,538)	(10,419,948)
	(3,201,823)	(5,333,703)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(507,997)	1,001,182
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,544,651	3,543,469
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,036,654	$ 4,544,651
NONCASH INVESTING AND FINANCING ACTIVITIES		
Homes transferred to lease purchase buyers in exchange for forgiveness of debt	$ 385,177	$ 569,193
Assumption of debt upon receipt of homes from affiliated partnership	$ -	$ 500,000
SUPPLEMENTAL INFORMATION		
Interest paid	$ 815,300	$ 964,600

Reclassified to conform to current year presentation

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Nature of Operations</u>

The accompanying consolidated financial statements of Cleveland Housing Network, Inc. (the Network) include the accounts of its affiliate, NHI, Inc. (NHI), consolidated on the basis of control and economic interest in accordance with AICPA Statement of Position 94-3. 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 17 neighborhood constituent community development corporations (CDCs), all of which are tax exempt. These CDCs are Buckeye Area Development Corporation, Burten Bell Carr Development Corporation, Clark-Metro 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, Stockyard Redevelopment Organization, 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 2008, NHI had no income statement activity and any assets held had zero value.

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

<u>Partnerships and Development (Low Income Housing)</u>

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 3,000 units have been completed.

<u>Weatherization</u>

These programs assist low income families in maintaining and improving the properties which they occupy. Since inception, approximately 88,000 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Homeward

This program acquires, develops, and sells properties to low and moderate income families. Since inception, 1,421 homes have been developed and sold to qualifying families at affordable prices. Sale price is set based upon development costs. 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.

Family Services and Community Training

These programs provide pathways out of poverty for low and moderate income households and include social services, training, and counseling. Over 340 families have received permanent housing coupled with targeted supportive services for disabled and formerly homeless households. Another 1,900 families received foreclosure prevention counseling and direct assistance that resulted in avoiding foreclosure. In addition, 11,000 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.

Subsidiaries

The Network has 32 for-profit and not-for-profit subsidiaries with ownership of 25% to 100%. The sole purpose of these subsidiaries 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 subsidiaries in accordance with guidance provided by EITF 04-5. The limited partners have substantive kick-out and participation rights and, accordingly, the Network has not consolidated the subsidiaries in these accompanying financial statements.

Income Taxes

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48) – *Accounting for Uncertainty in Income Taxes* that requires the tax effects of certain tax positions to be recognized. These tax positions must meet a "more likely than not" standard that, based on their technical merits, have a more than 50 percent likelihood of being sustained upon examination. In accordance with FASB FSP FIN 48-3, the Network has elected to defer the adoption of FIN 48 until 2009. FASB is presently preparing guidance for the adoption of FIN 48 for not-for-profit entities. Once this guidance is available, management of the Network will evaluate the impact, if any, that FIN 48 will have on the financial statements.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Network's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

The Network received 52% of its public support from two funding sources, the Ohio Department of Development under the Electric Partnership Program and Dominion East Ohio under the Housewarming Program.

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, and grant proceeds from houses sold, and fees and advances due from various 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, 2008, an allowance of $161,900 has been recorded for uncollectible receivables.

Accounting Estimates

Management uses estimates and assumptions in preparing its financial statements in accordance with accounting principles generally accepted in the United States of America. 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

Inventory includes houses held for sale with total costs of $4,802,346 under the Homeward program. Inventory includes all costs to purchase and rehabilitate these properties, including capitalized interest of $844,288 and capitalized development fees of $48,350. 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, 2008, the Network has a reserve for impairment as management expects to sell the inventory for less than its cost.

Inventory – Homeward program	$ 4,802,346
Reserve for impairment	(1,375,000)
	3,427,346
Inventory – Other programs	850,394
Inventory – Net	$ 4,277,740

Gross sales and cost of sales for 2008 for the Homeward program were $3,681,213 and $5,305,252, respectively. In addition, $582,997 of grants were received to reduce the cost of the houses and the losses on the houses. These transactions are recorded net in the loss on sale of houses in the statement of activities. At December 31, 2008, there were 45 properties in Homeward inventory, including 25 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

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.

Functional Allocation of Expenses

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

2. NOTES RECEIVABLE

Long-term notes receivable are due from various limited partnerships in which the Network's subsidiaries 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 8.01%. 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 2009 through 2034. 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.

Loss on Collection of Notes and Accounts Receivable

During 2008, the Network received properties as repayment for notes and interest receivable, which were accounted for as follows:

Fair value of homes received	$ 2,099,000
Notes receivable forgiven	(3,634,234)
Interest receivable forgiven	(1,057,334)
Related loans forgiven by City of Cleveland	2,043,846
Deferred interest forgiven by City of Cleveland	227,892
Related accounts receivable written off	(439,488)
Loss on collection	$ (760,318)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. NOTES RECEIVABLE (Continued)

Loss on Collection of Notes and Accounts Receivable (Continued)

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. The Network has a history of receiving less than the carrying value of the receivables. Accordingly, at December 31, 2008, management has provided a reserve for future losses amounting to $600,000.

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 2008 was approximately $23,200. At December 31 2008, the outstanding balance on these mortgages was $140,465.

The Network also 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. At December 31, 2008, the outstanding balance on these mortgages was $590,138.

Mortgages provided to buyers of homes in the lease-purchase program are repaid to the Network upon the sale of the home. At December 31, 2008, the outstanding balance on these mortgages was $102,576.

4. NOTES PAYABLE

The Network has lines of credit with four banks and two community development lending institutions, totaling $13,325,000, of which $6,038,430 was outstanding at December 31, 2008. The interest rates are fixed at 0% and 6.75% or vary from prime (3.25%) less 3.5% to .5% above prime. Approximately $6,000,000 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. Approximately $3,975,000 of the lines are unsecured. The balance of the lines are secured by land and buildings held for sale, future rents, general intangibles, receivables, and contract rights. The notes payable are classified as current liabilities as management expects the notes to be repaid in 2009.

Two of the lines of credit with two community development lending institutions have certain financial covenants, requiring the maintenance of a current ratio and liabilities to net worth ratio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. LONG-TERM DEBT

Long-term debt at December 31, 2008, consists of the following:

4.5% unsecured note, payable to LISC with interest payable monthly and $10,000 due upon the sale of certain property; with balance due January 2013	$ 131,169
0% - 6.5% mortgages, payable to the City of Cleveland and State of Ohio with all interest and principal deferred; due 2011 through 2037; certain of the mortgages have provisions for forgiveness of principal and interest	27,897,436
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 mortgages	600,000
4.3% - 6.8% construction notes, payable to a bank with aggregate maximum borrowings of $2,708,000, separated into four tranches of $677,000 each. The remaining tranches are payable in full in 2009 through 2011; collateralized by assignment of leases and second mortgages	1,878,600
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	78,365
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
4.5% unsecured notes, payable to ESIC New Markets Partners X Limited Partnership, interest at 4.5% payable monthly, principal due December 2009	2,007,390
	35,092,960
Less: Current portion	2,677,155
	$ 32,415,805

Future maturities of long-term debt are as follows:

2009	$ 2,677,155
2010	741,369
2011	2,801,995
2012	1,100,000
2013	-
Thereafter	27,772,441
	$ 35,092,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. LONG-TERM DEBT (Continued)

During 2008, the City of Cleveland forgave home loans payable in accordance with the terms of the loan agreements. The Network has included this forgiveness in public support on the accompanying statement of activities. The amounts forgiven were for acquisition of properties related to the following limited partnerships:

Erieview Homes II LP	$ 650,000
Slavic Village Homes LP	$ 323,000

6. BOARD DESIGNATED UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2008, were designated by the Board of Trustees as follows:

Designated for lease purchase price leveling fund	$ 113,000
Designated for reducing the sale price of homes to future lease purchase buyers	10,683,525
	$ 10,796,525

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2008, were restricted for the following purpose:

Hope 3 loans	$ 142,600

8. PERMANENTLY RESTRICTED NET ASSETS

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

In August 2008, FASB issued FASB Staff Position (FSP) No. FAS 117-1, *Endowments of Not-for-Profit Organizations*, which is effective for fiscal years ending after December 15, 2008. This FSP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization, and requires additional disclosures for both donor-restricted and board-designated endowment funds.

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, 2008, are classified as permanently restricted net assets due to donor restrictions. The endowment assets are non-income producing and are invested in two low-income housing projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. PERMANENTLY RESTRICTED NET ASSETS (Continued)

There were no changes in the permanently restricted endowment assets for the year ended December 31, 2008,.

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:

2009	$ 232,007
2010	238,125
2011	217,410
2012	185,476
2013	182,185
Thereafter	488,170
	$ 1,543,373

Total rent expense for office space and equipment for 2008 amounted to $245,475.

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 cause. The Network expects to occupy this additional space in December 2009.

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 was changed effective January 2004, to allow for an employer contribution of 3% of all eligible wages. Employer contributions for 2008 amounted to $133,368. The plan also allows for additional contributions at the discretion of the Board. There were no discretionary contributions for 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. RELATED PARTY TRANSACTIONS

During the ordinary course of business, the Network conducts transactions with related parties. During 2008, the Network paid $543,052 for property management, $492,954 for weatherization, and $4,900 for development of Homeward homes to its neighborhood constituent community development corporations.

In 2008, the Network charged the affiliated partnerships $84,767 for accounting services.

In 2008, the Network gave $93,000 in grants to its affiliated partnerships.

12. GUARANTEES

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

Partnership	Amount	Type of Loan
East 65th Street Development LLC	$ 181,250	Construction Line of Credit
South Pointe Commons	$ 427,282	Bank
Edgewood Park	$ 299,700	Community Development Lender
Edgewood Park	$ 1,090,945	Bank
Opportunity Housing, LLC	$ 341,964	Bank

The term of the guarantees is the life of the loans through the construction periods, which are expected to mature in 2009 and 2010. 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 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.

13. FAIR VALUE MEASUREMENT

During the year, the Network adopted FASB Statement of Financial Accounting Standards No. 157, *Fair Value Measurement,* (FAS 157) effective January 1, 2008. SFAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements in financial statements. FASB issued FSB 157-2 in 2008, which provided for the delay of the effective date of FAS 157 until fiscal years beginning after November 15, 2008, for nonfinancial assets and liabilities.

CLEVELAND HOUSING NETWORK, INC.
AND AFFILIATE

SUPPLEMENTAL FINANCIAL INFORMATION

DECEMBER 31, 2008

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2008

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	$ 274,261
United States Department of Health and Human Services passed through the City of Cleveland		
Home Weatherization Assistance Program (HHS)	93.568	688,221
United States Department of Health and Human Services passed through the State of Ohio		
Home Energy Assistance Program	93.568	484,822
United States Department of Health and Human Services passed through the State of Ohio		
Residential Energy Assistance Challenge	93.568	307,857
United States Department of Health and Human Services passed through the State of Ohio		
Foreclosure Prevention Counseling	93.558	61,369
United States Department of Health and Human Services passed through Cuyahoga County		
Temporary Assistance for Needy Families	93.558	86,752
		1,629,021
United States Department of Housing and Urban Development passed through Cuyahoga County		
Emergency Shelter Program	14.231	13,534
United States Department of Housing and Urban Development		
Support Service-Transitional Housing Project	14.235	17,837
United States Department of Housing and Urban Development		
Supplemental Assistance for Facilities to Assist Homeless	14.235	105,201

See accompanying note to Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED DECEMBER 31, 2008

Federal Grantor/Pass-Through Grantor/Program Title	CFDA #	Expenditures
United States Department of Housing and Urban Development		
Supportive Housing Program	14.235	76,153
United States Department of Housing and Urban Development passed through the City of Cleveland		
Lead Based Paint Hazard Control Program	14.900	197,953
United States Department of Housing and Urban Development passed through Cuyahoga County		
Healthy Homes Initiative	14.901	123,730
United States Department of Housing and Urban Development passed through the City of Cleveland		
Home Investment Partnership Program	14.239	627,335
United States Department of Housing and Urban Development passed through the Enterprise Community Partners		
Capacity Building Program	14.XXX	282,910
United States Department of Housing and Urban Development passed through Housing Partnership Network		
Housing Counseling Programs	14.169	246,122
		1,690,755
Total Federal Expenditures		$ 3,594,057

See accompanying note to Schedule of Expenditures of Federal Awards.

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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, 2008, and have issued our report thereon dated June 4, 2009. 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 our opinion on the 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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Affiliate's 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 involving internal controls that we reported to management of Cleveland Housing Network, Inc. and Affiliate in a separate letter dated June 4, 2009.

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 4, 2009
Cleveland, Ohio

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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

Compliance

We have audited the compliance of Cleveland Housing Network, Inc. and Affiliate with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major Federal programs for the year ended December 31, 2008. 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 major Federal programs 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 requirements referred to above that are applicable to its major Federal programs for the year ended December 31, 2008.

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, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the 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 the Board of Trustees, management, 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 4, 2009
Cleveland, Ohio

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2008

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:

CFDA Number	Name of Federal Program or Cluster
93.568	Home Weatherization Assistance Program, Home Energy Assistance Program, & Residential Energy Assistance Challenge

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, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2008

1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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BOARD OF TRUSTEES
CLEVELAND HOUSING NETWORK, INC. AND AFFILIATE

Independent Auditors' Report on Supplemental Financial Information

Our report on our audit of the basic financial statements of Cleveland Housing Network, Inc. and Affiliate for 2008 appears on page 2. Our 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 28 through 34 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The 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 4, 2009
Cleveland, Ohio

SCHEDULE OF OHIO DEPARTMENT OF DEVELOPMENT ADMINISTERED GRANTS

YEAR ENDED DECEMBER 31, 2008

Grant Name	Number	Cash Received	Expenses Charged	Remaining Grant Balance
Housing Development Assistance Program	N-06-505-7	$ 255,920	$ 255,920	$ -
Housing Development Assistance Program	N-06-505-8	$ 95,710	$ 95,710	$ -
Housing Development Assistance Program	N-06-505-9	$ 350,650	$ 350,650	$ -
Housing Development Assistance Program	N-B-06-505-1	$ 751,000	$ 751,000	$ -
Housing Trust Fund	R-05-505-1	$ 75,000	$ 75,000	$ -
Housing Trust Fund	H-05-505-1	$ 418,000	$ 418,000	$ -
Housing Trust Fund	H-06-505-1	$ 91,800	$ 91,800	$ -
Housing Trust Fund	D-07-505-9	$ 75,599	$ 83,209	$ 69,901
Housing Trust Fund	H-07-505-1	$ 125,694	$ 137,778	$ 218,306

SCHEDULE OF LONG-TERM NOTES RECEIVABLE

DECEMBER 31, 2008

Description	Amount	Interest Rate	Maturity Date
Cleveland Housing Network Limited Partnership X	$ 1,578,457	0.50%	December 2009
Cleveland Housing Network Limited Partnership X	994,288 1,876	7.33% 6.83% (Deferred)	December 2009
Cleveland Housing Network Limited Partnership X	1,080,000	Prime	December 2009
Cleveland Housing Network Limited Partnership XI	2,187,806	AFR (6.46%)	December 2010
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

SCHEDULE OF LONG-TERM NOTES RECEIVABLE (Continued)

DECEMBER 31, 2008

Description	Amount	Interest Rate	Maturity Date
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
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 Erieview 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 2009
New Construction Limited Partnership I	300,000	8.01%	November 2026
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

SCHEDULE OF LONG-TERM NOTES RECEIVABLE (Continued)

DECEMBER 31, 2008

Description	Amount	Interest Rate	Maturity Date
New Construction Limited Partnership III	516,000	.25%	December 2031
Cleveland Housing Network Limited Partnership XXI	1,500,000	5% (Deferred)	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% (Deferred)	December 2027
West One LP	213,497 251,381	4.39% 1%	January 2024 May 2034
Notes due from Houseco	517,107		
	30,320,865		
Less: Current portion	3,687,445		
Less: Reserve for impairment	600,000		
	$ 26,033,420		

SCHEDULE OF NOTES PAYABLE

DECEMBER 31, 2008

Payee	Interest Rate	Due Date	Total Available Line of Credit	Amount Outstanding at December 31, 2008
Enterprise Community Loan Fund	6.75%	January 2009	$ 1,000,000	$ 250,000
Key Bank	Prime	July 31, 2009	2,000,000	287,801
Key Bank	Prime – 3.5%	May 2011	3,000,000	2,465,403
Key Bank	Prime	July 2009	1,000,000	172,987
Key Bank	Prime – .25%	October 2009	3,000,000	1,819,453
Village Capital Corporation	6%	July 2010	1,000,000	-
Village Capital Corporation	0%	June 2009	25,000	25,000
Charter One Bank	Prime + .5%	On demand	750,000	72,000
Fifth Third Bank	Prime + .5%	September 2009	500,000	-
Key Bank	Prime	July 2009	400,000	339,836
Fifth Third Bank	Prime + .5%	September 2009	100,000	100,000
Dollar Bank	Prime + .25%	On demand	100,000	99,932
Fifth Third Bank	Prime + .25%	November 2018	450,000	406,018
			$ 13,325,000	$ 6,038,430

SCHEDULE OF LONG-TERM DEBT

DECEMBER 31, 2008

Description	Interest Rate	Due Date	Amount
Mortgages Payable to City of Cleveland and State of Ohio			
P1	0%	*	$ 17,500
P2	0%	*	15,000
P5	6.5% (Deferred)	*	28,720
P6	6.5% (Deferred)	*	31,050
P7	2%	*	184,234
P7 (State)	0%	2032	110,000
P8	1%	*	308,979
P8 (State)	0%	2033	200,000
P8 (State)	0%	2017	204,536
P10	0.5%	2021	447,750
P10	0.5%	2011	2,124,995
P11	0%	2020	2,477,764
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/Erieview Homes	0%	2029	1,130,000
P20	0%	2030	1,850,000
NC1	1%	2026	300,000
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
Erieview Homes II	0%	2034	750,000
Slavic Village Homes	0%	2034	335,000
Stockyard Homes	0%	2033	735,000
			$ 27,897,436

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

SCHEDULE OF LONG-TERM DEBT (Continued)

DECEMBER 31, 2008

Description	Interest Rate	Due Date	Amount
CDBG Loans Payable			
Year 14	0%	Due upon sale	$ 9,000
Year 15	0%	Due upon sale	13,980
Year 16	0%	Due upon sale	55,385
			$ 78,365