

The logo for CHN Housing Partners features a stylized green archway with a white outline, resembling a doorway or a bridge, positioned to the left of the company name.

CHN
Housing PartnersSM
and Affiliates

Consolidated Financial Statements
December 31, 2019

Cohen & Co

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CHN HOUSING PARTNERS AND AFFILIATES

DECEMBER 31, 2019

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Independent Auditors' Report

Board of Directors
CHN Housing Partners and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of CHN Housing Partners (a nonprofit organization) and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2019, 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 CHN Housing Partners and Affiliates as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited CHN Housing Partners and Affiliates' 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020, on our consideration of CHN Housing Partners 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CHN Housing Partners and Affiliates' 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 CHN Housing Partners and Affiliates' internal control over financial reporting and compliance.

Cleveland, Ohio
June 29, 2020

Cohen & Company Ltd.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019, WITH COMPARATIVE TOTALS FOR 2018

	2019	2018		2019	2018
ASSETS			LIABILITIES AND NET ASSETS		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$ 12,400,322	\$ 10,353,761	Current portion of notes payable	\$ 1,309,974	\$ 1,637,150
Accounts receivable - Net			Current portion of long-term debt	253,083	7,560
Affiliated entities	1,869,988	3,462,591	Current portion of deferred interest payable	835	835
Other	1,091,083	1,527,513	Accounts payable and accrued expenses		
Grants and contracts	2,217,038	2,024,826	Trade	1,448,205	1,188,264
Current portion of mortgages and loans receivable	856,606	544,649	Affiliated entities	758,666	599,412
Inventory - Net	543,770	1,344,448	Income taxes payable		189,564
Prepaid and other assets	351,494	292,891	Other	1,214,987	2,137,252
Land and buildings held for sale	2,044,700	1,671,525	Deferred revenue	1,595,887	1,668,658
	21,375,001	21,222,204		6,581,637	7,428,695
PROPERTY AND EQUIPMENT - AT COST			LONG-TERM LIABILITIES		
Building	395,454		Notes payable	500,000	500,000
Furniture and equipment	804,714	788,625	Long-term debt	30,163,808	31,349,016
Less: Accumulated depreciation	753,910	710,845	Deferred interest payable	1,053,678	940,560
	446,258	77,780		31,717,486	32,789,576
OTHER ASSETS				38,299,123	40,218,271
Restricted cash and cash equivalents	4,483,193		COMMITMENTS AND CONTINGENCIES		
Long-term notes receivable - Net	25,049,300	26,336,645	NET ASSETS		
Investments in limited partnerships	7,563,338	8,262,136	Without donor restrictions	23,154,877	24,073,179
Mortgages and loans receivable - Net	1,858,510	1,272,226	With donor restrictions	5,327,030	825,000
Interest receivable - Deferred	6,005,430	7,945,459		28,481,907	24,898,179
	44,959,771	43,816,466			
	\$ 66,781,030	\$ 65,116,450		\$ 66,781,030	\$ 65,116,450

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

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019, WITH COMPARATIVE TOTALS FOR 2018

	2019			2018 Totals
	Without Donor Restrictions	With Donor Restrictions	Totals	
REVENUES				
Public support	\$ 22,213,926		\$ 22,213,926	\$ 18,949,865
Rental income	1,037,205		1,037,205	886,386
Management fees - Affiliated entities	7,071,026		7,071,026	9,796,424
Interest income - Affiliated entities	853,439		853,439	1,050,002
Gain on sale of inventory and land and buildings	14,363		14,363	52,381
Maintenance services - Affiliated entities	2,526,089		2,526,089	3,600,915
Other interest income and miscellaneous	1,334,994		1,334,994	1,252,227
	<u>35,051,042</u>		<u>35,051,042</u>	<u>35,588,200</u>
OPERATING EXPENSES				
Program services	33,453,665		33,453,665	31,563,362
Supporting services				
Management and general	774,790		774,790	938,294
Fundraising	429,929		429,929	397,542
	<u>34,658,384</u>		<u>34,658,384</u>	<u>32,899,198</u>
CHANGE IN NET ASSETS FROM OPERATIONS	392,658		392,658	2,689,002
LOSS ON COLLECTION OF NOTES AND ACCOUNTS RECEIVABLE	(2,071,182)		(2,071,182)	(3,185,683)
CONTRIBUTION REVENUE FROM THE ACQUISITION (See Note 3)	<u>760,222</u>	<u>4,502,030</u>	<u>5,262,252</u>	
CHANGE IN NET ASSETS	(918,302)	4,502,030	3,583,728	(496,681)
NET ASSETS - BEGINNING OF THE YEAR	<u>24,073,179</u>	<u>825,000</u>	<u>24,898,179</u>	<u>25,394,860</u>
NET ASSETS - END OF THE YEAR	<u>\$ 23,154,877</u>	<u>\$ 5,327,030</u>	<u>\$ 28,481,907</u>	<u>\$ 24,898,179</u>

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019, WITH COMPARATIVE TOTALS FOR 2018

	PROGRAM SERVICES			SUPPORTING SERVICES		TOTAL EXPENSES		
	Weatherization	Partnerships and Development	Community Resource Center	Total Program Services	Management and General	Fundraising	2019	2018
Personnel	\$ 4,477,540	\$ 6,525,839	\$ 1,053,383	\$ 12,056,762	\$ 624,616	\$ 324,588	\$ 13,005,966	\$ 12,061,635
Rent	224,849	237,132	83,197	545,178	35,349	11,477	592,004	500,734
Maintenance	25,449	260,465	6,342	292,256	4,199	1,363	297,818	276,674
Telephone and utilities	32,298	297,746	12,357	342,401	5,123	2,068	349,592	346,664
Equipment and supplies	253,291	149,986	37,902	441,179	29,468	14,313	484,960	363,867
Contract materials	3,125,242			3,125,242			3,125,242	2,047,217
Construction rehab		4,706,494		4,706,494			4,706,494	6,648,259
Housewarming materials and labor	5,558,440			5,558,440			5,558,440	4,804,639
Electric wiring materials and labor	1,382,190			1,382,190			1,382,190	835,237
Energy assistance and water conservation materials and labor	2,934,662			2,934,662			2,934,662	3,196,293
Family development			209,916	209,916			209,916	102,929
Insurance	48,332	97,142	6,883	152,357	8,983	2,917	164,257	127,706
Professional fees	768,163	279,072	37,805	1,085,040	48,158	59,902	1,193,100	1,189,214
Management fees		10,209		10,209			10,209	18,421
Interest	30,049	179,271		209,320			209,320	130,413
Real estate taxes		107,836		107,836			107,836	112,886
Change in reserve for inventory impairment								10,000
Change in reserve for notes and mortgages receivable		(600,000)		(600,000)			(600,000)	
Impairment of investments in limited partnerships		722,633		722,633			722,633	
Miscellaneous	34,128	97,392	7,669	139,189	8,190	13,301	160,680	112,312
Total expenses before depreciation	18,894,633	13,071,217	1,455,454	33,421,304	764,086	429,929	34,615,319	32,885,100
Depreciation	2,833	28,652	876	32,361	10,704		43,065	14,098
	<u>\$ 18,897,466</u>	<u>\$ 13,099,869</u>	<u>\$ 1,456,330</u>	<u>\$ 33,453,665</u>	<u>\$ 774,790</u>	<u>\$ 429,929</u>	<u>\$ 34,658,384</u>	<u>\$ 32,899,198</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019, WITH COMPARATIVE TOTALS FOR 2018

	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>
CASH FLOW PROVIDED FROM (USED IN) OPERATING ACTIVITIES			NONCASH INVESTING AND FINANCING ACTIVITIES		
Change in net assets	\$ 3,583,728	\$ (496,681)	Collection of notes, interest, and other receivables via receipt of land and building held for sale	\$ 1,415,500	\$ 1,088,660
Noncash items included in change in net assets			Debt and deferred interest forgiven or transferred to lease purchase buyers	\$ 608,162	\$ 1,504,041
Depreciation	43,066	14,098	Debt assumed via receipt of land and buildings held for sale	\$ 1,346,000	\$ 500,000
Deferred interest income and other interest income	(853,439)	(1,302,762)	Forgiveness of debt and related note receivable	\$ 353,037	\$ 528,664
Deferred interest expense	113,118	94,311	Mortgages provided to lease purchase buyers	\$ 5,262,252	
Deferred income taxes		(180,468)	Fair value of assets acquired and liabilities assumed in the NHS Acquisition (See Note 3)		
Loss on collection of notes and accounts receivable	2,071,182	3,185,683			
Contribution revenue from the acquisition (see Note 3)	(5,262,252)		SUPPLEMENTAL INFORMATION		
Gain on sale of inventory and land and buildings	(14,363)	(52,381)	Interest paid	\$ 91,959	\$ 72,502
Collection of developer fee income through investment in limited partnerships	(5,738)	(150,323)			
Change in reserve for notes and mortgages receivable	(600,000)	(55,291)			
Change in reserve for inventory		10,000			
Impairment of investments in limited partnerships	722,633				
Increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents caused by changes in current items					
Accounts receivable - Net	1,805,029	(1,717,690)			
Inventory - Net	1,117,700	(982,000)			
Prepaid and other assets	(58,603)	(98,172)			
Accounts payable and accrued expenses	(892,542)	857,939			
Deferred revenue	(72,771)	327,318			
Net cash flow provided from (used in) operations	<u>1,696,748</u>	<u>(546,419)</u>			
CASH FLOW PROVIDED FROM (USED IN) INVESTING ACTIVITIES					
Cash and cash equivalents and restricted cash and cash equivalents received from NHS (see Note 3)	4,920,751				
Proceeds on sale of land and buildings held for sale	95,489	71,276			
Acquisition of furniture and equipment	(30,599)	(49,935)			
Investment in limited partnerships	(18,097)	(579,950)			
Advances under notes receivable	(99,750)	(1,050,000)			
Repayment of notes, mortgages, loans, and interest receivable	561,074	783,341			
	<u>5,428,868</u>	<u>(825,268)</u>			
CASH FLOW (USED IN) PROVIDED FROM FINANCING ACTIVITIES					
Additional financing	500,000	970,900			
Repayment of debt and deferred interest	(1,095,862)	(714,333)			
	<u>(595,862)</u>	<u>256,567</u>			
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	6,529,754	(1,115,120)			
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>10,353,761</u>	<u>11,468,881</u>			
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 16,883,515</u>	<u>\$ 10,353,761</u>			

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Presentation

The accompanying consolidated financial statements of CHN Housing Partners include the accounts of its wholly owned subsidiaries, Rainbow Place Apartments Inc. (Rainbow), CHN Partner Services Inc. (PSI), CHN Housing Capital, Inc. (HC), CHN Affordable Housing Services LLC (AH), CHN SLP LLC (SLP), and Neighborhood Housing Services of Greater Cleveland, Inc. (NHS), and its affiliate, NHI, Inc. (NHI), (collectively, CHN). The wholly owned subsidiaries and certain affiliates are consolidated with CHN Housing Partners 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.

CHN Housing Partners also has approximately 30 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.

CHN accounts for its ownership interest in these affiliates that are not consolidated and that act as general partners in limited partnerships on the equity method in accordance with GAAP. The limited partners have substantive kick-out and participation rights and, accordingly, CHN has not consolidated the limited partnerships in these accompanying consolidated financial statements. Upon completion of the fifteen year requirement for low income housing tax credits, CHN receives the limited partnerships' properties in lieu of receiving payment for equity investments. CHN reviews its investments in the limited partnerships for impairment annually. Based on historical experience, CHN has determined that investments of \$722,633 are impaired at December 31, 2019, and accordingly, an impairment loss has been recorded. See Note 12 for guarantees provided by CHN on limited partnership loans and capital contribution commitments to limited partnerships that are currently in development.

CHN Housing Partners is an Ohio nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). CHN 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 Westtown Community Development Corporation.

NHI is an Ohio nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the IRC. NHI was established for the purpose of holding real property to be used to support the charitable activities of CHN. During 2019, NHI had no income statement activity and any assets or liabilities held at December 31, 2019, had no value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations and Presentation (continued)

Rainbow is an Ohio corporation organized in January 2006 to invest in Rainbow Place Apartments, LP (the Limited Partnership), a 181 unit low-income housing project. In 2016, an affiliate of Millennia Housing Development, Ltd. (Millennia) purchased the general partner interest in the Limited Partnership. During 2019, approximately \$83,000 was distributed to CHN.

PSI is an Ohio corporation organized in February 2017, to provide construction management services and property management services to third parties with respect to single family and multi-family housing developments. PSI has two wholly owned subsidiaries: CHN Real Estate Services LLC provides property management, and CHN Construction LLC provides construction management services. The operations of the subsidiaries are reflected in the accompanying consolidated statement of activities.

HC is an Ohio nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the IRC. HC was established for the purpose of creating a community development financial institution providing access to financial resources in communities underserved by traditional banks.

AH is an Ohio Limited Liability Company organized in August 2017 for the purpose of providing fully-integrated housing related services to ensure the viability of third party affordable housing programs resulting in home ownership for low-income families.

SLP is an Ohio Limited Liability Company organized in February 2017, for the purpose of acquiring and holding equity interests in entities that own low-income housing tax credit developments, and ultimately selling or disposing of such interests. There was no activity in 2019.

On July 1 2019, CHN entered into a membership substitution agreement with NHS an Ohio nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the IRC. The membership substitution agreement was made for the purpose of combining efforts to improve household stability and affordability in neighborhoods throughout Northeast Ohio. See Note 3 for further discussion.

CHN 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 184,200 homes have received electrical, plumbing, weatherization, furnace, and/or lead abatement improvements at no or minimal cost to the families. CHN also administers utility assistance programs serving approximately 52,200 clients in 2019. Funding is provided by utility companies and federal, state, and local grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations and Presentation (continued)Partnerships and Development (Low Income Housing)

CHN forms limited partnerships and utilizes private sector equity generated by the low income housing tax credits to acquire, develop, lease, and manage properties with the goal of generating pathways out of poverty or providing low income individuals a 15-year pathway to homeownership. CHN receives federal, state, and local grants and loans which it in turn loans to the partnerships. Since inception, over 6,336 units have been completed.

This program 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 CHN, 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. To date 7,314 families have received foreclosure prevention counseling and/or direct assistance. In addition, 30,147 adults and children to date 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.

Income Taxes

Net income derived from unrelated business activity by CHN Housing Partners is subject to income taxes. Dividends received from Rainbow are subject to unrelated business income tax.

CHN 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, 2019, CHN does not have a liability for unrecognized tax benefits.

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 CHN's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Adoption of New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue guidance in GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018. CHN adopted the provisions of ASC 606 using the modified retrospective approach. The adoption of ASC 606 did not have a material impact on the CHN's consolidated financial statements, although the financial statement presentation and disclosures have changed. See Note 13 for further discussion regarding the transition method. Concurrent with the adoption of ASC 606, CHN elected to apply certain practical expedients available to nonprofit organizations with respect to disclosure requirements.

CHN has also adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) which is effective for annual periods beginning after December 15, 2018, for resource recipients. CHN adopted ASU No. 2018-08 on a modified prospective basis. Under the modified prospective basis, CHN applied ASU No. 2018-08 to contracts that were not completed as of January 1, 2019, and entered into after January 2019.

Revenue from Contracts with Customers

Management fees - affiliated entities primarily consists of the following: 1) developer fees for contract and development services provided to CHN's affiliated limited partnerships during the pre-development and development phases of the projects; 2) construction rehab services provided by CHN to certain limited partnerships in development; and 3) property management services provided to certain limited partnerships in post-development. Developer services are recognized over time upon the completion of specific performance milestones as outlined in the agreements. There is a deferred portion of the developer fee as stated in the contracts. Based on historical experience, the deferred portion of the developer fee is typically constrained by the limited excess cash flow of the limited partnerships and therefore the deferred fee is not included in the transaction price until the consideration is no longer constrained. Construction rehab services are recognized over the construction period using a cost to cost input method. Property management agreements/services may include management services, accounting/bookkeeping services, information technology services, and maintenance services and therefore consist of multiple performance obligations. Each performance obligation represents a series of distinct services that are substantially the same and have the same pattern of transfer (a time based measure of progress over the contract period). The standalone selling price of each performance obligation is identified in the property management agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Adoption of New Accounting Pronouncement (continued)Revenue from Contracts with Customers (continued)

Revenue from contracts with third parties also includes the gain on the sale of inventory and land and buildings. These gains are recognized when control of the inventory or land transfers to the third party, which typically occurs upon the closing date.

Differences in the timing of revenue recognition and contractual billing and payment terms result in the recognition of contract assets and liabilities. Contract assets primarily result from developer fee contracts and represent revenues recognized for performance obligations that have been satisfied but for which amounts have not been billed. Contract liabilities or deferred revenue primarily represent cash received that is in excess of revenues recognized and is contingent upon the satisfaction of performance obligations. Contract assets and liabilities are immaterial at December 31, 2019, and January 1, 2019.

Contribution Revenue

Contributions are recognized when the donor makes a promise to give to CHN that is, in substance, unconditional. Conditional promises to give - that is, those with measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. All donor-restricted contributions whose stipulations are met in the year received are recorded as increases in net assets without donor restrictions.

A portion of CHN's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when CHN has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. CHN received cost-reimbursable grants of approximately \$12,500,000 that have not been recognized at December 31, 2019, because qualifying expenditures have not yet been incurred, with an advance payment of \$1,595,887, recognized in the consolidated statement of financial position as deferred revenue at December 31, 2019. Grantors may, at their discretion, request reimbursement for unallowed expenses as a result of noncompliance by CHN with the terms of the grant. On certain grants, if advances exceed eligible costs, the funds must be returned to the grantor. Funds required to be returned were approximately \$430,000 in 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Adoption of New Accounting Pronouncement (continued)Rental Income

CHN rents land and buildings held for sale to low income individuals and is accounted for under ASC 840, Leases. Rental income is recorded on a monthly basis through the date of sale.

Accounts Receivable

Accounts receivable includes receivables for program service fees, rent, escrow, grants, and proceeds from houses sold and fees and advances due from various affiliated limited partnerships. These amounts are due under various payment terms.

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, 2019, management determined that no allowance for uncollectible accounts was necessary.

Concentration of Risk

CHN received approximately 71% of its public support from four grant contracts: the Ohio Department of Development under the Home Weatherization Assistance Program and the Electric Partnership Program, Ohio Partners for Affordable Energy under the Community Connection Program, and Dominion East Ohio under the Housewarming Program. Grants and contracts receivable from the Ohio Partners for Affordable Energy and Dominion East Ohio amounted to approximately 53% of grants and contracts receivable at December 31, 2019.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

Cash and cash equivalents and restricted cash and cash equivalents (cash) include demand deposits, money market accounts, and other investments with original maturities of three months or less. CHN's cash is held in accounts, the balances of which substantially exceed the amount of related federal insurance. See Note 8.

Consolidated Statement of Cash Flows

In 2019, CHN adopted ASU No. 2016-18, Statement of Cash Flows: Restricted Cash, which was effective for annual reporting periods after December 15, 2018. ASU No. 2016-18 requires CHN's restricted cash and cash equivalents, as described in Note 8, be included with cash and cash equivalents when reconciling the beginning of the year and end of the year amounts shown on the statement of cash flows.

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, 2019, CHN has a reserve for impairment as management expects the market value for the inventory to be less than its carrying value.

Inventory - Homeward program	\$ 1,231,250
Reserve for impairment	<u>(1,035,500)</u>
	195,750
Inventory - Other programs	<u>348,020</u>
Inventory - Net	<u>\$ 543,770</u>

The balance in inventory from other programs consists of properties purchased for resale to individuals, affiliated partnerships, and vacant lots, as well as rental properties held by NHS. CHN records its inventory and land and buildings held for sale at the lower of cost or net realizable value 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.

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 2019, 66 of these properties were sold and a gain on the sale of these properties of \$14,363 was reflected in the accompanying consolidated statement of activities. The gain includes the related income from the forgiveness of debt and interest by the City of Cleveland of approximately \$608,000 relating to these properties. CHN also recorded approximately \$105,000 in sales fee revenue for the property sales in 2019 that was recognized in other interest income and miscellaneous in the accompanying consolidated statement of activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

Depreciation of building is provided by use of the straight-line method over the estimated useful life of 40 years. 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.

Functional Allocation of Expenses

The consolidated statements of activities and functional expenses report certain categories of expenses that are attributable to more than one program or supporting function. Therefore these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, general contracting expenses, and overhead (including rent, maintenance, and other related costs), which are allocated on the basis of estimates of time and effort.

Reclassifications

Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events through June 29, 2020, the date the consolidated financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of CHN's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. CHN's financial assets available to meet cash needs for general expenditures within one year were as follows at December 31, 2019:

Cash and cash equivalents	\$ 12,400,322
Accounts receivable - Net	5,078,983
Mortgages receivable	<u>1,819,033</u>
Total financial assets at year-end	19,298,338
Less: Amounts unavailable for general expenditures within one year (mortgages receivable due after one year)	1,325,500
Less: Donor restricted amounts included in cash (see Note 8)	<u>325,000</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,647,838</u>

To help manage unanticipated liquidity needs, CHN has lines of credit available with maximum borrowings of up to \$1,450,000, of which can be drawn upon if necessary to fund operations. In addition, CHN invests cash in excess of daily requirements in short-term investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. NHS ACQUISITION

On July 1, 2019, under a member substitution agreement, CHN became the sole member of NHS. There was no consideration paid by CHN under this member substitution agreement. The member substitution agreement was made for the purpose of improving household stability and affordability in neighborhoods throughout Northeast Ohio by investing in people to become educated consumers of housing with improved access to capital and greater opportunity to realize their personal vision of home.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed in the acquisition:

Assets Acquired:	
Cash and cash equivalents	\$ 276,684
Restricted cash and cash equivalents	4,644,067
Grants and other receivables	231,596
Loans receivable	994,134
Inventory	317,022
Property and equipment	<u>380,945</u>
	<u>6,844,448</u>
Liabilities Assumed:	
Note payable	230,974
Long-term debt	1,151,314
Accounts payable	156,573
Accrued expenses	<u>43,335</u>
Net assets acquired	1,582,196
Contribution revenue from acquisitions	<u>5,262,252</u>
Cash expended	<u>\$ _____</u>

The membership substitution agreement (acquisition) resulted in the recognition of contribution revenue due to the fair value of the assets acquired being greater than the fair value of the liabilities assumed with no cash consideration exchanged.

4. NOTES RECEIVABLE

Long-term notes receivable are due from various limited partnerships in which CHN's affiliates are general partners. The partnerships acquire, develop, own, operate, lease, and provide tenants with the opportunity to purchase low-income housing after a certain number of years. The properties are developed using low income housing tax credits. Interest rates on the notes receivable range from 0% to 7.5%. Certain 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. NOTES RECEIVABLE (Continued)

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

During 2019, CHN received properties as repayment for notes and interest receivable, which were accounted for as follows:

Fair value of homes received	\$ 1,415,500
City debt forgiven	1,346,000
Other receivables	(263,389)
Notes receivable	(1,850,000)
Interest receivable	<u>(2,719,293)</u>
Loss on collection of notes and accounts receivable	<u>\$ 2,071,182</u>

CHN 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. No allowance for estimated losses was deemed necessary at December 31, 2019.

5. MORTGAGES AND LOANS RECEIVABLE - NET

CHN provides second and third deferred mortgages to finance the purchase of Homeward homes by low and moderate income individuals. No principal is due on these loans. No interest is due on these loans unless the homes are sold within 5 years of ownership. Mortgages provided to buyers of the 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 2042. At December 31, 2019, the outstanding balance on these mortgages was approximately \$458,000.

Mortgages are also available to buyers of homes in the lease-purchase program. At December 31, 2019, the outstanding balance on these mortgages was approximately \$1,805,000. The mortgages bear interest at 0%. Mortgages outstanding at December 31, 2019, in the amount of approximately \$975,000 are paid monthly and mature between 2020 and 2024. The remaining \$830,000 of the mortgages receivable outstanding at December 31, 2019, 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 \$164,000 allowance for uncollectible mortgages receivable where monthly payments are due at December 31, 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. MORTGAGES AND LOANS RECEIVABLE – NET (Consolidated)

For mortgages receivable where CHN will receive payment upon sale of the properties, CHN 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, 2019, CHN has an allowance for estimated losses on these mortgages of approximately \$275,000, and this allowance specifically relates to second and third mortgages on those properties sold under the Homeward program.

NHS provides loans to certain homeowners to finance home improvements who do not qualify for loans from commercial lending sources. The loans provide for annual interest at rates ranging from 0% to 7%, and mature between 2020 and 2037, and are collateralized by mortgages on the improved properties. The portfolio was written down to fair value upon the acquisition of NHS (see Note 3). Management continually reviews and assesses the collectability of the portfolio. Loans receivable was approximately \$893,000, at December 31, 2019. No allowance for uncollectible mortgages was recorded as of December 31, 2019.

6. NOTES PAYABLE

CHN has lines of credit with two banks and a community development lending institution, totaling \$2,750,000, of which \$1,809,974 was outstanding at December 31, 2019. The interest rates are fixed at 5% or are at prime (4.75% at December 31, 2019) plus an applicable margin ranging from .50% to 3.42%. Approximately \$1,300,000 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 CHN, as defined. The notes payable are due, in full, in accordance with the terms of the agreements, with two lines with outstanding borrowings of \$1,079,000 maturing in August 2020, one with outstanding borrowings of \$500,000 maturing in May 2021, and another with outstanding borrowings of \$230,974 maturing in June 2020.

The lines of credit have certain financial covenants, which require the maintenance of a current ratio, as defined.

7. LONG-TERM DEBT

Long-term debt at December 31, 2019, 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 2020 through 2062; certain of the mortgages have provisions for forgiveness of principal and interest

\$ 22,314,094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. 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	350,000
0% notes, payable to Cuyahoga County with all interest and principal deferred; due December 2047; secured by mortgages on the properties; the mortgages have provisions for forgiveness of principal and interest	900,000
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
5.09% note, payable to a nonprofit organization with interest and principal deferred; interest compounded annually; due September 2038; collateralized by notes receivable	600,000
4.4% note, payable to a bank in monthly installments of \$2,712, including interest with a balloon payment of approximately \$354,000 due May 2022, and secured by NHS's assets	393,421
6% - 6.5% notes, payable to a community development lending institution, payable in monthly installments totaling \$21,579 including interest through May 2022 and secured by NHS's assets	353,673
0% note, payable to a housing finance agency with all interest and principal deferred: secured by a mortgage on the property; the mortgage has provisions for forgiveness of principal and interest	3,903
	<u>30,416,891</u>
Less: Current portion	253,083
	<u>\$ 30,163,808</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. LONG-TERM DEBT (Continued)

Future maturities of long-term debt are as follows:

2020	\$	253,083
2021		195,231
2022		491,218
2023		2,113
2024		2,114
Thereafter		<u>29,473,132</u>
	\$	<u>30,416,891</u>

8. NET ASSETS

Net assets with donor restrictions include endowment funds held in perpetuity whose income is designated for general operations.

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.

There were \$500,000 of endowment assets invested in low-income housing projects at December 31, 2019. Invested endowment assets yield the greater of 6% or the prime rate plus 1% with interest due quarterly. Net assets with donor restrictions of \$325,000 at December 31, 2019, are included in cash balances. The income generated from the endowment asset was insignificant for 2019.

Net assets with donor restrictions also includes restricted cash and cash equivalents and loans receivable subject to purpose and time restrictions, whose income is designated for general operations. There was approximately \$776,000 of loans receivable and \$302,000 of restricted cash and cash equivalents at December 31, 2019, that are restricted for the Neighborhood Reinvestment, Inc. program. The remaining balance of net assets with donor restrictions primarily consists of restricted cash and cash equivalents maintained and used as compensating balances at financial institutions participating in loan programs. The restricted cash and cash equivalents were primarily funded by grants received in previous years. After a predetermined length of time, the financial institutions release the linked deposits which are then used as needed for new low interest, linked deposit loans or specific program expenses.

CHN's net assets without donor restrictions is comprised of undesignated and Board designated amounts at December 31, 2019, for the following purposes:

Undesignated	\$	19,707,355
Designated for reducing the sale price of homes to future lease purchase buyers		<u>3,447,522</u>
	\$	<u>23,154,877</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES

Leases

CHN leases office space and office equipment under long-term operating leases through June 2024.

Minimum annual rentals are as follows:

2020	\$	518,282
2021		478,753
2022		125,401
2023		73,278
2024		<u>30,000</u>
	\$	<u>1,225,714</u>

Total rent expense for office space and equipment for 2019 amounted to approximately \$592,000.

Litigation

CHN 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 CHN's consolidated financial position.

10. PROFIT SHARING AND RETIREMENT SAVINGS PLANS

CHN 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 2019 amounted to approximately \$250,000. The plan also allows for additional contributions at the discretion of the Board of Trustees. There were no discretionary contributions for 2019.

NHS has a 403(b) retirement savings plan. When CHN acquired NHS (see Note 3), employees of NHS became employees of CHN and became eligible to participate in CHN's profit sharing plan, therefore only a few employees remain in the NHS retirement savings plan at December 31, 2019. There were no contributions to the NHS retirement savings plan in 2019.

11. RELATED PARTY TRANSACTIONS

During the ordinary course of its business, CHN conducts transactions with related parties. During 2019, CHN paid \$10,209 for property management and \$313,245 for administration of utility assistance programs to its neighborhood constituent community development corporations.

In 2019, CHN charged the affiliated partnerships \$59,166 for accounting services.

In 2019, CHN gave \$20,000 in grants (included in program expenses) to its affiliated partnerships.

Revenue included in management fees and maintenance service on the consolidated statement of activities are substantially received from affiliated entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. GUARANTEES AND CAPITAL CONTRIBUTION COMMITMENTS

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

<u>Partnership</u>	<u>Amount Outstanding at December 31, 2019</u>	<u>Source of Loan</u>
International Village LP	\$ 1,801,417	Bank
McGregor Senior Assisted Living LP	\$ 10,952,369	Bank
Emerald Alliance XI LP	\$ 314,113	Bank
La Villa Hispana LP	\$ 365,119	Bank

The term of the guarantees is the life of the loans through the construction periods, which are expected to mature in 2020. 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 CHN is the developer. CHN 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. CHN would expect the amount due to be reduced by the proceeds of the sale of the partnerships' collateral.

CHN has also committed approximately \$275,000 in the way of capital contributions to La Villa Hispana LP, of which \$20,000 has been contributed in 2019.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

CHN's revenue from exchange transactions is included in management fees - affiliated entities, gain on sale of inventory and land and buildings, and maintenance services - affiliated entities. CHN disaggregates revenue based on the type of good or service provided to partnerships and other third parties. The accompanying consolidated statement of activities shows those disaggregated revenue streams for the year end December 31, 2019.

Modified Retrospective Transition Method

As discussed in Note 1, CHN adopted the requirements of ASC 606 as of January 1, 2019, utilizing a modified retrospective method of transition, which results in recognizing the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets at January 1, 2019. Therefore, the comparative information has not been adjusted and continues to be reported under prior revenue guidance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Modified Retrospective Transition Method (continued)

As part of the adoption of ASC 606, CHN elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption of ASC 606 did not have a significant impact on CHN's consolidated financial position, results of operations, or cash flows for 2019 or to net assets at January 1, 2019. The majority of the CHN's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on CHN's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

14. SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of CHN. The pandemic's impact on the CHN's future revenues and operating costs cannot be estimated as of the date the consolidated financial statements were available to be issued.

Subsequent to year end, CHN received proceeds from a bank totaling \$1,454,000 as guaranteed by the Small Business Administration's Paycheck Protection Program. CHN secured these funds in order to help keep the workforce employed during the COVID-19 crisis. The loan can be 100% forgiven as long as CHN meets specific criteria, as defined, for the eight weeks following the receipt of loan proceeds. This includes maintaining a certain level of employee headcount and compensation during that time period as well as demonstrating that the money was used for payroll costs, rent, or utilities. If CHN does not apply for loan forgiveness, the loan will be repaid in \$61,216 monthly installments of principal plus interest at 1%, beginning in November 2020 through March 2022, with remaining balance due in April 2022. Management expects CHN to meet the criteria for loan forgiveness.

CHN HOUSING PARTNERS AND AFFILIATES

DECEMBER 31, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	CFDA #	Expenditures
United States Department of Energy passed through the State of Ohio		
Home Weatherization Assistance Program - 18-111	81.042	\$ 537,530
Home Weatherization Assistance Program - 19-111	81.042	<u>594,424</u>
		<u>1,131,954</u>
United States Department of Health and Human Services passed through Cuyahoga County		
Utility Assistance Program – CE1700021	93.558	<u>131,676</u>
United States Department of Health and Human Services passed through the State of Ohio		
Home Energy Assistance Program - 19-HA-135 (\$196,190 passed through to subrecipients)	93.568	1,212,931
Home Energy Assistance Program - 20-HA-135 (\$107,455 passed through to subrecipients)	93.568	486,324
Home Weatherization Assistance Program - 18-111	93.568	1,299,984
Home Weatherization Assistance Program - 19-111	93.568	922,495
Home Weatherization Assistance Program - 18-HE-111	93.568	413,969
Home Weatherization Assistance Program - 19-HE-111	93.568	<u>277,069</u>
		<u>4,612,772</u>
United States Department of Health and Human Services Assets for Independence – 90EI0924-01-00	93.602	<u>89,360</u>
Total United States Department of Health and Human Services		<u>4,833,808</u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	CFDA #	Expenditures
United States Department of Housing and Urban Development passed through Cuyahoga County Foreclosure Prevention Counseling – CE180252-01	14.218	<u>33,330</u>
United States Department of Housing and Urban Development passed through the City of Cleveland Home Investment Partnership Loan Program – CT8006LA2014*002	14.239	<u>280,302</u>
United States Department of Housing and Urban Development passed through Enterprise Community Partners Capacity Building Program - 17SG0718	14.252	58,417
Capacity Building Program - 18SG1109	14.252	<u>20,000</u>
		<u>78,417</u>
United States Department of Housing and Urban Development passed through Housing Partnership Network Housing Counseling Programs	14.169	<u>32,507</u>
Total United States Department of Housing and Urban Development		<u>424,556</u>
United States Department of Treasury passed through Cuyahoga County passed through Enterprise Community Partners Low Income Tax Assistance – 19-1649	21.009	<u>50,000</u>
Total Federal Expenditures		<u>\$ 6,440,318</u>

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

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*

Board of Trustees
CHN Housing Partners and Affiliates

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 CHN Housing Partners (a nonprofit organization) and Affiliates which comprise the consolidated statement of financial position as of December 31, 2019, 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 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered CHN Housing Partners 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 CHN Housing Partners and Affiliates' internal control. Accordingly we do not express an opinion on the effectiveness of CHN Housing Partners 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CHN Housing Partners 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 CHN's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CHN Housing Partners and Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cleveland, Ohio
June 29, 2020

Cohen & Company Ltd.

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

Board of Trustees
CHN Housing Partners and Affiliates

Report on Compliance for the Major Program

We have audited CHN Housing Partners 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, 2019. CHN Housing Partners 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 CHN Housing Partners 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 CHN Housing Partners 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 CHN Housing Partners and Affiliates' compliance.

Opinion on the Major Federal Program

In our opinion, CHN Housing Partners 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 for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of CHN Housing Partners 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 of compliance, we considered CHN Housing Partners 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 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 CHN Housing Partners 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 a 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 a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Cleveland, Ohio
June 29, 2020

Cohen & Company Ltd.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2019

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	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	_____ <input checked="" type="checkbox"/> None
Noncompliance material to consolidated financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	_____ <input checked="" type="checkbox"/> None

Type of auditors’ report issued on compliance for major programs:		Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, section 200.516?	_____ Yes	_____ <input checked="" type="checkbox"/> No
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Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.568	Home Energy Assistance Program
93.568	Home Weatherization Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
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Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ No
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SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of CHN Housing Partners and Affiliates under the programs of the federal government for the year ended December 31, 2019. 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 CHN Housing Partners and Affiliates, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of CHN Housing Partners 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.

CHN Housing Partners and Affiliates have not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Independent Auditors' Report on Supplemental Financial Information

Board of Trustees
CHN Housing Partners and Affiliates

We have audited the consolidated financial statements of CHN Housing Partners and Affiliates as of and for the year ended December 31, 2019, and our report thereon dated June 29, 2020, 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 34 through 41 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.

Cleveland, Ohio
June 29, 2020

Cohen & Company Ltd.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	CHN	Subsidiaries and Affiliates	Eliminations	Consolidated		CHN	Subsidiaries and Affiliates	Eliminations	Consolidated
ASSETS					LIABILITIES AND NET ASSETS				
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 11,589,932	\$ 810,390		\$ 12,400,322	Current portion of notes payable	\$ 1,079,000	\$ 230,974		\$ 1,309,974
Accounts receivable - Net					Current portion of long-term debt	37,322	215,761		253,083
Affiliated entities	3,156,547	152,150	\$ (1,438,709)	1,869,988	Current portion of deferred interest payable	835			835
Other	802,813	288,270		1,091,083	Accounts payable and accrued expenses				
Grants and contracts	2,217,038			2,217,038	Trade	1,344,533	103,672		1,448,205
Current portion of mortgages and loans receivable	187,312	669,294		856,606	Affiliated entities	910,817	1,286,558	\$ (1,438,709)	758,666
Inventory - Net	223,355	320,415		543,770	Other	1,049,938	165,049		1,214,987
Prepaid and other assets	551,594		(200,100)	351,494	Deferred revenue	1,495,887	100,000		1,595,887
Land and buildings held for sale	2,044,700			2,044,700		<u>5,918,332</u>	<u>2,102,014</u>	<u>(1,438,709)</u>	<u>6,581,637</u>
	<u>20,773,291</u>	<u>2,240,519</u>	<u>(1,638,809)</u>	<u>21,375,001</u>					
PROPERTY AND EQUIPMENT - AT COST					LONG-TERM LIABILITIES				
Building		395,454		395,454	Notes payable	500,000			500,000
Furniture and equipment	804,714			804,714	Long-term debt	29,348,270	815,538		30,163,808
Less: Accumulated depreciation	735,843	18,067		753,910	Deferred interest payable	1,053,678			1,053,678
	<u>68,871</u>	<u>377,387</u>		<u>446,258</u>		<u>30,901,948</u>	<u>815,538</u>		<u>31,717,486</u>
						<u>36,820,280</u>	<u>2,917,552</u>	<u>(1,438,709)</u>	<u>38,299,123</u>
OTHER ASSETS					NET ASSETS				
Restricted cash and cash equivalents		4,483,193		4,483,193	Without donor restrictions	22,778,130	576,847	(200,100)	23,154,877
Long-term notes receivable - Net	25,049,300			25,049,300	With donor restrictions	825,000	4,502,030		5,327,030
Investments in limited partnerships	7,563,338			7,563,338		<u>23,603,130</u>	<u>5,078,877</u>	<u>(200,100)</u>	<u>28,481,907</u>
Mortgages and loans receivable - Net	963,180	895,330		1,858,510					
Interest receivable - Deferred	6,005,430			6,005,430					
	<u>39,581,248</u>	<u>5,378,523</u>		<u>44,959,771</u>					
	<u>\$ 60,423,410</u>	<u>\$ 7,996,429</u>	<u>\$ (1,638,809)</u>	<u>\$ 66,781,030</u>		<u>\$ 60,423,410</u>	<u>\$ 7,996,429</u>	<u>\$ (1,638,809)</u>	<u>\$ 66,781,030</u>

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	CHN	Subsidiaries and Affiliates	Eliminations	Total
REVENUES				
Public support	\$ 22,071,220	\$ 142,706		\$ 22,213,926
Rental income	1,002,982	34,223		1,037,205
Management fees - Affiliated entities	6,782,302	288,724		7,071,026
Interest income - Affiliated entities	853,439			853,439
Gain on sale of inventory and land and buildings	14,363			14,363
Maintenance services - Affiliated entities	1,564,866	1,039,172	\$ (77,949)	2,526,089
Other interest income and miscellaneous	1,276,173	58,821		1,334,994
Dividend income	82,500		(82,500)	
	<u>33,647,845</u>	<u>1,563,646</u>	<u>(160,449)</u>	<u>35,051,042</u>
OPERATING EXPENSES				
Program services	31,729,529	1,802,085	(77,949)	33,453,665
Supporting services				
Management and general	774,790			774,790
Fundraising	429,929			429,929
	<u>32,934,248</u>	<u>1,802,085</u>	<u>(77,949)</u>	<u>34,658,384</u>
CHANGE IN NET ASSETS FROM OPERATIONS	713,597	(238,439)	(82,500)	392,658
LOSS ON COLLECTION OF NOTES AND ACCOUNTS RECEIVABLE	(2,071,182)			(2,071,182)
CONTRIBUTION REVENUE FROM THE ACQUISITION		5,262,252		5,262,252
CHANGE IN NET ASSETS	(1,357,585)	5,023,813	(82,500)	3,583,728
CONTRIBUTIONS		100,000	(100,000)	
DISTRIBUTIONS		(82,500)	82,500	
NET ASSETS - BEGINNING OF THE YEAR	<u>24,960,715</u>	<u>37,564</u>	<u>(100,100)</u>	<u>24,898,179</u>
NET ASSETS - END OF THE YEAR	<u>\$ 23,603,130</u>	<u>\$ 5,078,877</u>	<u>\$ (200,100)</u>	<u>\$ 28,481,907</u>

SCHEDULE OF OHIO DEVELOPMENT SERVICES AGENCY ADMINISTERED GRANTS

DECEMBER 31, 2019

<u>Grant Name</u>	<u>Number</u>	<u>Cash Received</u>	<u>Expenses Charged</u>	<u>Remaining Grant Balance</u>
Housing Trust Fund	S-R-18-7DR-1	\$ 66,081	\$ 66,081	\$ 162,919
Housing Trust Fund	S-Y-17-7DR-1	\$ 58,900	\$ 58,900	\$
Housing Trust Fund	S-R-16-7DR-1	\$ 42,699	\$ 42,699	\$ 46,215

SCHEDULE OF LONG-TERM NOTES RECEIVABLE

DECEMBER 31, 2019

Description	Amount	Interest Rate	Maturity Date
Erie Square LP	\$ 500,000	5%	December 2030
Erie Square LP	48,030	4%	May 2034
New Construction LP III	516,000	.25%	December 2031
Cleveland Housing Network LP XXI	1,500,000	5%	December 2021
Erievue 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	324,000	5%	December 2027
Cleveland Green Homes East LP	1,067,610	.5%	January 2041
Cleveland Green Homes East LP	492,331	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
International Village	1,000,000	2.25%	January 2025
New Construction LP 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

SCHEDULE OF LONG-TERM NOTES RECEIVABLE (Continued)

DECEMBER 31, 2019

<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Maple Park Place LP	450,000	.25%	December 2044
Emerald Alliance VIII LP	200,000	0%	December 2046
Emerald Alliance VIII LP	300,000	0%	December 2046
Westerly III LP	350,000	.25%	December 2064
Emerald Alliance IX LP	450,000	0%	December 2047
Hough Heritage LP	450,000	0%	December 2047
Eastside Neighborhood Homes LP	235,575	2%	April 2049
Emerald Alliance XI LP	99,750	3.5%	December 2050
Menwa Apartments LP	<u>200,000</u>	2.5%	December 2060
	<u>\$ 25,049,300</u>		

SCHEDULE OF NOTES PAYABLE

DECEMBER 31, 2019

<u>Lender</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Total Line of Credit</u>	<u>Amount Outstanding at December 31, 2019</u>
Key Bank	Prime + .5%	August 2020	\$ 1,200,000	\$ 579,000
Key Bank	Prime + .5%	August 2020	800,000	500,000
JP Morgan Chase Bank	Prime + 3.42%	June 2020	250,000	230,974
Housing Partnership Network	5%	May 2021	<u>500,000</u>	<u>500,000</u>
			<u>\$ 2,750,000</u>	<u>\$ 1,809,974</u>

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

DECEMBER 31, 2019

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%	2020	7,560
P11	0%	2020	29,762
P12	0%	2022	49,860
P16	0%	2026	96,154
P17	0%	2027	48,000
P17 (State loan)	0%	*	8,328
P18	0%	2028	102,000
P18 (State loan)	0%	*	31,875
P19/Erievew Homes	0%	*	311,262
P20	0%	2030	318,000
Cleveland New Homes	0%	2027	324,000
P21	0%	2031	1,500,000
NC3	0%	2033	516,000
Erie Square	0%	2037	500,000
Erievew Homes II	0%	2034	750,000
Slavic Village Homes	0%	2034	335,000
Stockyard Homes	0%	2033	735,000
Cleveland Green Homes	0%	2039	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
Eastside Neighborhood Homes	2%	2033	228,594
Cleveland Green Homes II (State)	1.5%	2060	3,783,156
Cleveland NSP Homes	0%	2062	6,000,000
Cleveland Green Homes III	0%	2044	387,000
Emerald Alliance VI	0%	2044	420,785
Emerald Alliance VII	0%	2043	500,000
Emerald Alliance VII (State)	2%	2043	1,100,000
Emerald Alliance VIII	0%	2046	200,000
Emerald Alliance VIII	0%	2046	300,000
NHS	0%	2034	280,302
			<u>\$ 22,314,094</u>

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

SCHEDULES OF FINANCIAL POSITION AND ACTIVITIES - NEIGHBORHOOD REINVESTMENT, INC.

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

STATEMENT OF FINANCIAL POSITION

ASSETS

Restricted cash and cash equivalents	\$ 301,511
Loans receivable	770,101
Deferred loans receivable - Variety Village	149,353
Deferred loans receivable - Northeast Shores CDC	<u>189,119</u>
	1,108,573
Less: Allowance	<u>(332,295)</u>
	<u>776,278</u>
	<u>\$ 1,077,789</u>

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions	<u>\$ 1,077,789</u>
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STATEMENT OF ACTIVITIES

CHANGE IN RESTRICTED NET ASSETS	\$
RESTRICTED NET ASSETS AT BEGINNING OF YEAR	1,077,789
RELEASES FROM RESTRICTIONS	<u> </u>
RESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 1,077,789</u>